Lingkaran Trans Kota Holdings Berhad (335382-V)

Explanatory Notes Pursuant to MFRS 134
For The Year Ended 31 March 2013

1. First-time adoption of Malaysian Financial Reporting Standards ("MFRS")

These condensed consolidated interim financial statements have been prepared in accordance with MFRS 134 Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. These condensed consolidated interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board ("IASB").

These condensed consolidated interim financial statements are the Group's first MFRS condensed consolidated interim financial statements for part of the period covered by the Group's first MFRS annual financial statements for the year ended 31 March 2013. MFRS 1 First Time Adoption of Malaysian Financial Reporting Standards ("MFRS 1") has been applied. The Group has also early adopted the Amendments to MFRS 1 ("Amendments to MFRS 1") which will be effective for annual periods beginning on or after 1 January 2013.

For the periods up to and including the year ended 31 March 2012, the Group prepared its financial statements in accordance with Financial Reporting Standards ("FRS") in Malaysia. Except for certain differences, the requirements under FRS and MFRS are similar.

Accordingly, the Group has prepared financial statements which comply with MFRSs applicable for periods ending on or after 31 March 2013, together with the comparative period data as at and for the year ended 31 March 2012, as described in the accounting policies. The Group's opening MFRS statement of financial position has been prepared at 1 April 2011, which is the date of transition to MFRS.

There is no adjustment arising from the transition to MFRSs.

Exemptions applied

MFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain MFRSs.

The Group has applied the following exemptions:

MFRS 2 Share-based Payment has not been applied to equity instruments in share-based payment transactions that were granted on or before 7 November 2002, nor has it been applied to equity instruments granted after 7 November 2002 that vested before 1 April 2011. The Group applied the exemption for equity instruments granted before 31 December 2004 and vested before 1 April 2011.

MFRS 3 Business Combinations has not been applied to acquisitions of subsidiaries, which are considered business for MFRS, or of interests in associates and joint ventures that occurred before 1 April 2011. Use of this exemption means that the existing carrying amounts of assets and liabilities, which are required to be recognised under MFRS, is their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with MFRS.

1. **First-time adoption of Malaysian Financial Reporting Standards ("MFRS") (Cont'd)**

Government grants – Reimbursable land cost

A first-time adopter should apply the requirements of MFRS 139 Financial Instruments: Recognition and Measurement ("MFRS 139") retrospectively to government grants received. The first-time adopter that wants to apply the requirements in MFRS 139 retrospectively can only do so provided that the information needed was obtained at the time of initially accounting for those transactions.

In April 2012, to provide first-time adopters with relief from retrospective restatement of such transactions, MASB issued amendments to include government grants to the list of exceptions provided for retrospective application. As such, the Group has early adopted the Amendments to MFRS 1 (Government Loans) and applies the requirements in MFRS 139 to the interest-free reimbursable land cost, prospectively.

Estimates

The estimates at 1 April 2011 and 31 March 2012 were consistent with those made for the same dates in accordance with FRS. The estimates used by the group to present these amounts in accordance with MFRS reflect conditions at the date of transition to MFRS i.e. 1 April 2011 and as at 31 March 2012.

2. **MFRSs and Amendments to MFRSs issued but not yet effective**

At the date of authorisation of these condensed consolidated interim financial statements, the following MFRSs and Amendments to MFRSs were issued but not yet effective and have not been applied by the Group:

MFRSs and Amendments to MFRSs		**Effective for financial periods beginning on or after**
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009 and October 2010)	1 January 2015
MFRS 10	Consolidated Financial Statements	1 January 2013
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosure of Interests in Other Entities	1 January 2013
MFRS 13	Fair Value Measurement	1 January 2013
MFRS 119	Employee Benefits	1 January 2013
MFRS 127	Separate Financial Statements	1 January 2013
MFRS 128	Investments in Associates and Joint Ventures	1 January 2013
Amendments to MFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income	1 July 2012
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014

2. MFRSs and Amendments to MFRSs issued but not yet effective (Cont'd)

MFRSs and Amendments to MFRSs		**Effective for financial periods beginning on or after**
Amendments to MFRS 10, MFRS 11 and MFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013
Amendments to MFRS 10, MFRS 12 and MFRS 127	Investment Entities	1 January 2014

The adoption of the above MFRSs and Amendments to MFRSs will have no material impact on the financial statements of the Group and the Company in the period of initial application, except as discussed below:

MFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. MFRS 9 requires all financial assets to be measured at either amortised cost or full fair value. Amortised cost provides decision-useful information for financial assets that are held primarily to collect cash flows that represent the payment of principal and interest. For all other financial assets, including those held for trading, fair value is the most relevant measurement basis. The adoption of the first phase of MFRS 9 is not expected to have a material impact on the Group, except on the classification and measurement of the Group's financial assets.

MFRS 12 includes all disclosure requirements for interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are required. This standard affects disclosures only and has no impact on the Group's financial position or performance.

MFRS 13 establishes a single source of guidance under MFRS for all fair value measurements. MFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value when fair value is required or permitted. The Group is currently assessing the impact of adoption of MFRS 13.

The amendments to MFRS 101 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Group's financial position or performance.

3. IC Interpretation 12 Service Concession Arrangements

The IC Interpretation 12 Service Concession Arrangements ("IC 12") provides guidance on accounting treatment of a service concession arrangement involving the provision of public services sector by private operators. Pursuant to IC 12, infrastructure shall not be recognised as tangible operating assets of the operator as the operator does not control but has the right to charge users for using the infrastructure until end of concession when it is surrendered to the grantor i.e. the government. Hence, the infrastructure is to be recognised as intangible asset.

Although the Group has adopted IC 12, the consensus in determining the appropriateness of prevailing method used in amortising the HDE is still pending deliberation by the accounting profession in Malaysia. Subject to the finalisation of the consensus by the accounting profession in Malaysia over this matter, the Group continues to amortise its HDE using the existing formula and will continue to monitor the progress and outcome of the ongoing deliberation, and will review the existing amortisation method should such need arise.

The Group amortise the HDE based on the following formula:

$$\left\{ \frac{\text{(Cumulative Actual Toll Revenue to date)}}{\text{(Cumulative Actual Toll Revenue to date plus Projected Total Toll Revenue for the remaining concession period)}} \times \text{(Cumulative Actual HDE)} \right\} \text{ Less } \text{Accumulated Amortisation at beginning of the financial year}$$

4. Audit report of preceding annual financial statements

There was no qualification in the audit report of the financial statements of the Group for the year ended 31 March 2012.

5. Seasonality and cyclicality of operations

There was no significant fluctuation in the seasonality or cyclicality of operations affecting the Group.

6. Unusual items due to their nature, size or incidence

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows for the current quarter and financial year-to-date.

7. Changes in estimates

There were no changes in estimates of amounts reported in prior financial years that have had a material effect in the current quarter and financial year-to-date.

8. Debt and equity securities

There were no issuance, cancellations, repurchases, resale and repayments of debt and equity securities for the current financial year-to-date except for the issuance of 3,665,000 new ordinary shares of RM0.20 each for cash pursuant to the Company's ESOS at exercise price ranging between RM1.42 and RM3.60 per ordinary share.

9. Dividends paid

The Group has paid the following dividend in respect of ordinary shares for the current quarter and the financial year-to-date:

	RM'000
First single tier (exempt from tax) interim dividend of 10 sen per ordinary share of 20 sen each for the financial year ending 31 March 2013 paid on 27 September 2012	50,886
Second single tier (exempt from tax) interim dividend of 7 sen per ordinary share of 20 sen each for the financial year ending 31 March 2013 paid on 25 March 2013	35,806
Total	86,692

10. Segment information

Segment information by business segments are as follows:

12 months period ended 31 March 2013

	Highway RM'000	Others RM'000	Eliminations RM'000	Total RM'000
Revenue				
Revenue from external customers	369,300	-	-	369,300
Inter-segment revenue	-	61,810	(61,810)	-
Total revenue	369,300	61,810	(61,810)	369,300
Result				
Segment results	267,040	59,512	(59,904)	266,648
Interest income	15,052	1,370	(7,746)	8,676
Profit from operations	282,092	60,882	(67,650)	275,324
Finance costs	(89,078)	(7,746)	7,746	(89,078)
Share of losses of jointly controlled entity	(6,712)	-	-	(6,712)
Profit before tax	186,302	53,136	(59,904)	179,534
Income tax expense	(47,967)	(770)	-	(48,737)
Profit for the year	138,335	52,366	(59,904)	130,797

10. Segment information (Cont'd)

Segment information by business segments are as follows:

12 months period ended 31 March 2012

	Highway RM'000	Others RM'000	Eliminations RM'000	Total RM'000
Revenue				
Revenue from external customers	358,731	-	-	358,731
Inter-segment revenue	-	86,646	(86,646)	-
Total revenue	358,731	86,646	(86,646)	358,731
Result				
Segment results	207,538	84,638	(84,780)	207,396
Interest income	16,810	1,091	(7,273)	10,628
Profit from operations	224,348	85,729	(92,053)	218,024
Finance costs	(88,598)	(7,273)	7,273	(88,598)
Share of losses of jointly controlled entity	(9,969)	-	-	(9,969)
Profit before tax	125,781	78,456	(84,780)	119,457
Income tax expense	(35,612)	(669)	-	(36,281)
Profit for the year	90,169	77,787	(84,780)	83,176

The major operating segment of the Group is highway business. Explanatory comment on the performance of the highway business is provided in Note 22 and Note 23.

11. Valuation of plant and equipment

All plant and equipment of the Group are carried at cost less accumulated depreciation and impairment losses.

12. Material events subsequent to the end of the current quarter

There were no material events subsequent to the end of the current quarter.

13. Changes in composition of the Group

There were no changes in the composition of the Group for the current quarter and financial year- to-date.

14. Contingent liabilities and contingent assets

There were no material changes in other contingent liabilities or contingent assets since 31 March 2012.

15. Capital Commitments

The amount of commitments for capital expenditure not provided for in the interim financial statements as at 31 March 2013 are as follows:

	RM'000
Capital expenditure	
Approved and contracted for:	
Highway development expenditure	436
Plant and equipment	158
Approved but not contracted for:	
Highway development expenditure	63,000
Share of capital commitments of a jointly controlled entity	232
Total	63,826

16. Income tax expense

Breakdowns of tax charge for the current quarter and financial year-to-date are as follows:

	Current quarter RM'000	Financial year-to-date RM'000
Corporate tax	11,222	29,187
Deferred tax	(4,522)	19,550
Total	6,700	48,737

For the financial year-to-date, the effective tax rate is higher than the statutory tax rate due to certain expenditure not being allowed as a deduction for tax purposes.

17. Status of corporate proposals

There were no corporate proposals announced but not completed at a date not earlier than 7 days from the date of issue of this announcement other than as mentioned below:

The Board of Directors has on 31 May 2013 approved the proposal to establish a new employees share option scheme of up to 10% of the issued and paid-up share capital of the Company (excluding treasury shares) for the eligible Directors and employees of the Company and its subsidiaries (excluding subsidiaries which are dormant) ("**Proposed New ESOS**") upon expiry of its existing ESOS on 8 October 2013.

17. Status of corporate proposals (Cont'd)

The Proposed New ESOS is conditional upon approvals being obtained from the following:

(i) Bursa Malaysia Securities Berhad, for the listing of and quotation for the new shares to be issued pursuant to the exercise of the options under the Proposed New ESOS;

(ii) the shareholders of the Company; and

(iii) other relevant authorities/parties, if required.

18. Group borrowings

Group borrowings as at 31 March 2013 are as follows:

	RM'000
Secured:	
Long Term Borrowings	1,381,191
Short Term Borrowings	69,400
Total	1,450,591

The Group borrowings are denominated in Ringgit Malaysia.

19. Disclosure of Derivatives

There are no derivatives at the date of issue of this announcement.

20. Realised and unrealised profits/losses

The breakdown of the retained earnings of the Group as at 31 March 2012 and 31 March 2013 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

20. Realised and unrealised profits/losses (Cont'd)

	As at 31 Mar 13 RM'000	As at 31 Mar 12 RM'000
Total retained earnings of the Company and its subsidiaries		
Realised	771,077	643,881
Unrealised (Note)	(276,400)	(249,924)
	494,677	393,957
Total share of accumulated losses from jointly controlled entity		
Realised	(194,567)	(188,484)
Unrealised	(19,031)	(18,402)
	281,079	187,071
Add: Consolidation adjustments	(2,404)	47,499
Retained earnings as per financial statements	278,675	234,570

Note

This unrealised loss represents deferred tax liabilities and provision for heavy repairs recognised in a subsidiary company as at 31 March 2013 and 31 March 2012.

21. Material litigations

There were no pending material litigations. There has been no change in the situation since 31 March 2012 to a date not earlier than 7 days from the date of issue of this announcement.

22. Comparison of profit before taxation with the immediate preceding quarter

The Group's profit before taxation for the current quarter of RM40.6 million is lower than the Group's profit before taxation of RM45.0 million recorded in the immediate preceding quarter. This is mainly due to lower traffic volume recorded during the festive period and higher maintenance expenses recognised in the current quarter.

23. Review of performance for the current quarter and financial year-to-date

For the current quarter, the Group recorded a lower revenue of RM91.5 million as compared to RM93.6 million recorded in the immediate preceding quarter and higher revenue as compared to RM89.1 million recorded in the preceding year corresponding quarter. The decrease in revenue in the current quarter as compared to immediate preceding quarter is mainly due to the lower traffic volume recorded during the festive period in the current quarter.

For the current financial year-to-date, the Group recorded revenue and profit before taxation of RM369.3 million and RM179.5 million respectively as compared to RM358.7 million and RM119.5 million respectively in the immediate preceding year. The increase in revenue in the current financial year-to-date as compared to the immediate preceding year is mainly attributable to higher traffic volume recorded in the current financial year-to-date.

The increase in profit before taxation in the current financial year-to-date as compared to the immediate preceding year is mainly due to the higher amortisation of highway development expenditure recognised by Lingkaran Trans Kota Sdn Bhd, a subsidiary company of the Group in the immediate preceding year based on the latest toll revenue projections prepared by independent consultants. As the projections were concluded at the end of the fourth quarter of the immediate preceding year, the entire adjustment was accounted for in that quarter in the financial statements of that subsidiary and the Group.

24. Next year's prospects

In April 2009, the Government had announced that it will come out with a long term solution to the recurring public pressure it faces with respect to toll increases and had instructed the Economic Planning Unit to come out with recommendations. The decision from the Government is still being awaited. According to the Concession Agreement, the toll rates for Lebuh Raya Damansara-Puchong ("LDP") were scheduled for increase on 1 January 2011 but the Government has decided to defer until further notice. Based on our past negotiations with the Government, the Group is, however, optimistic that the terms of the Concession Agreement will be observed by all parties concerned.

Barring any unforeseen circumstances, particularly significant increase in fuel prices, the Board of Directors is optimistic that a low but gradual increase in revenue will be generated from the projected growth in traffic plying the LDP.

25. Profit forecast or profit guarantees

(a) There is no profit forecast applicable for comparison.
(b) There is no profit guarantee by the Group.

26. Dividend

No dividend is recommended for the current quarter. Dividend for the current financial period and the preceding year corresponding period are as follows: -

2013	2012
(i) First interim dividend of 10 sen per share (single tier dividend) (ii) Second interim dividend of 7 sen per share (single tier dividend)	(i) First interim dividend of 10 sen per share (single tier dividend) (ii) Second interim dividend of 7 sen per share (single tier dividend)
Total dividend declared for the financial year was 17 sen per share (single tier (exempt from tax) dividend)	Total dividend declared for the financial year was 17 sen per share (single tier (exempt from tax) dividend)

27. Earnings per share

The basic earnings per share amounts are calculated by dividing the Group's profit for the year, net of tax, attributable to owners of the parent of RM130.797 million by the weighted average number of ordinary shares outstanding during the year of 509.106 million.

The diluted earnings per share amounts are calculated by dividing the Group's profit for the year, net of tax, attributable to owners of the parent of RM130.797 million by the weighted average number of ordinary shares outstanding during the year including dilutive potential ordinary shares, of 509.522 million calculated as follows:

	Million shares
Weighted average number of ordinary shares	509.106
Effects of dilution:	
Exercise of Employee Share Option Scheme	0.416
Weighted average number of ordinary shares for diluted earnings per share computation	509.522

28. Fair value hierarchy

The Group classifies fair value measurement using a fair value that reflects the significance of the inputs used in making the measurements. The fair value hierarchy have the following levels:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 - Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

As at reporting date, the Group's investment management funds are classified as Level 1 whereas the borrowings are classified as Level 2.

No transfers between any levels of the fair value hierarchy took place during the current financial period and the comparative period. There were also no changes in the purpose of any financial asset and financial liability that subsequently resulted in a different classification of that asset.

29. Notes to the Condensed Consolidated Statements of Comprehensive Income

Total comprehensive income for the current quarter and financial year-to-date is arrived at after charging/ (crediting) the following items:

		Current Quarter 31 Mar 2013	**Current Year-to-date 31 Mar 2013**
		RM'000	**RM'000**
(a)	Interest income	(2,355)	(8,676)
(b)	Other income	(50)	(1,609)
(c)	Finance costs	21,989	89,078
(d)	Depreciation and amortisation	14,462	54,081
(e)	Provision for write off of receivables	-	-
(f)	Provision for and write off of inventories	-	-
(g)	Gain or loss on disposal of quoted or unquoted investments or properties	-	-
(h)	Impairment of assets	-	-
(i)	Foreign exchange gain or loss	-	-
(j)	Gain or loss on derivatives	-	-
(k)	Exceptional items	-	-