

PASDEC HOLDINGS BERHAD

(Incorporated in Malaysia)

PASDEC HOLDINGS BERHAD

**Company no: 367122-D
(Incorporated in Malaysia)**

**Financial Statements
as at 31 March 2018**

PASDEC HOLDINGS BERHAD

(Incorporated in Malaysia)

Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income for the period ended 31 March 2018

	INDIVIDUAL QUARTER 3 months ended		CUMULATIVE QUARTER 3 months ended	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	RM'000	RM'000	RM'000	RM'000
Revenue	26,087	32,634	26,087	32,634
Cost of sales	(21,230)	(19,129)	(21,230)	(19,129)
Gross profit	4,857	13,505	4,857	13,505
Other items of income				
Interest income	327	121	327	121
Other income	1,425	1,517	1,425	1,517
Other items of expense				
Personnel expenses	(4,454)	(4,299)	(4,454)	(4,299)
Other expenses	(4,188)	(6,239)	(4,188)	(6,239)
Finance costs	(2,938)	(1,939)	(2,938)	(1,939)
Share of profits/(losses) of associates	918	(401)	918	(401)
(Loss)/profit before tax from continuing operations	(4,053)	2,265	(4,053)	2,265
Taxation (Note 19)	-	(814)	-	(814)
(Loss)/profit from continuing operations, net of tax	(4,053)	1,451	(4,053)	1,451
Profit from discontinued operations	18	-	18	-
(Loss)/profit net of tax	(4,035)	1,451	(4,035)	1,451

The condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2017 and the accompanying explanatory notes.

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Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income for the period ended 31 March 2018 (continued)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 months ended	3 months ended	3 months ended	3 months ended
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	RM'000	RM'000	RM'000	RM'000
Other comprehensive income/(loss)				
Net gain available-for sale financial assets				
- (Loss)/gain on fair value changes	(22)	30	(22)	30
Gain on foreign currency translation	2,128	2,228	2,128	2,228
Other comprehensive (loss)/income , net of tax	2,106	2,258	2,106	2,258
Total comprehensive (loss)/income for the period, net of tax	(1,929)	3,709	(1,929)	3,709
(Loss)/income attributable to:				
Owners of the parent				
- Continuing operations	(3,652)	1,391	(3,652)	1,391
- Discontinued operation	18	-	18	-
	(3,634)	1,391	(3,634)	1,391
Non-controlling interests	(401)	60	(401)	60
	(4,035)	1,451	(4,035)	1,451
Total comprehensive (loss)/income attributable to:				
Owners of the parent				
- Continuing operations	(1,546)	3,778	(1,546)	3,778
- Discontinued operation	18	-	18	-
	(1,528)	3,778	(1,528)	3,778
Non-controlling interests	(221)	(69)	(221)	(69)
	(1,749)	3,709	(1,749)	3,709
(Loss)/earnings per share attributable to owners of the Company (Note 28)				
Basic (sen)	(1.27)	0.68	(1.27)	0.68

The condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2017 and the accompanying explanatory notes.

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Condensed Consolidated Statements of Financial Position as at 31 March 2018

	Notes	Unaudited 31.03.2018 RM'000	Audited 31.12.2017 RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		32,258	34,407
Work in progress		9,006	8,967
Land held for property development		142,938	142,938
Investment properties		58,603	58,914
Investments in associates		21,034	20,151
Investment securities	22	436	458
Deferred tax asset		5,695	5,703
		269,970	271,538
Current Assets			
Property development costs		110,538	120,829
Inventories		111,153	97,224
Trade receivables		33,914	36,034
Other receivables		10,753	12,851
Other current assets		15,172	15,148
Tax recoverable		2,314	1,842
Cash and bank balances		15,374	17,514
		299,218	301,442
Assets of company classified as held for sale		32	30
		299,250	301,472
TOTAL ASSETS		569,220	573,010
EQUITY AND LIABILITIES			
Current Liabilities			
Retirement benefit obligations		801	901
Loans and borrowings	23	40,968	40,800
Overdrafts		44,068	41,344
Trade payables		64,062	68,391
Other payables		42,460	44,061
Tax payable		12	-
		192,371	195,497
Liabilities of company classified as held for sale		31	32
		192,402	195,529
NET CURRENT ASSETS		106,848	105,943

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Condensed Consolidated Statements of Financial Position as at 31 March 2018 (continued)

		Unaudited 31.03.2018 RM'000	Audited 31.12.2017 RM'000
Non-Current Liabilities			
Retirement benefit obligations		3,827	3,608
Loans and borrowings	23	41,063	44,653
Other payables		11,374	6,917
		56,264	55,178
TOTAL LIABILITIES		248,666	250,707
Equity attributable to owners of the parent			
Share capital		293,376	293,376
Other reserves	24	(23,427)	(25,533)
Retained earnings		52,665	56,299
		322,614	324,142
Non-controlling interests		(2,060)	(1,839)
TOTAL EQUITY		320,554	322,303
TOTAL EQUITY AND LIABILITIES		569,220	573,010
Net assets per share (RM)		1.12	1.10

The condensed consolidated statements of financial position should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2017 and the accompanying explanatory notes.

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Condensed Consolidated Statement of Changes in Equity for the period ended 31 March 2018

	-----Attributable to owners of the parent-----								
	Non Distributable		Distributable			-----Non Distributable-----			
	Total equity attributable to owners of the parent				Total other reserves RM'000	Fair value change reserve RM'000	Others RM'000	Foreign currency exchange reserve RM'000	Non-controlling interest RM'000
	Total equity RM'000	of the parent RM'000	Share capital RM'000	Retained earnings RM'000					
1 Jan 2018	322,303	324,142	293,376	56,299	(25,533)	9	(12,439)	(13,103)	(1,839)
Comprehensive profit/(loss)	(4,035)	(3,634)	-	(3,634)	-	-	-	-	(401)
Other comprehensive income/(loss)	2,286	2,106	-	-	2,106	(22)	-	2,128	180
Total comprehensive (loss)/income	(1,749)	(1,528)	-	(3,634)	2,106	(22)	-	2,128	(221)
31 March 2018	320,554	322,614	293,376	52,665	(23,427)	(13)	(12,439)	(10,975)	(2,060)

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2017 and the accompanying explanatory notes.

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Condensed Consolidated Statement of Changes in Equity for the period ended 31 March 2017

	-----Attributable to owners of the parent-----								
	Total equity RM'000	Non Distributable			Distributable			-----Non Distributable-----	
Total equity RM'000		Total equity attributable to owners of the parent RM'000	Share capital RM'000	Retained earnings RM'000	Total other reserves RM'000	Fair value change reserve RM'000	Others RM'000	Foreign currency exchange reserve RM'000	
1 Jan 2017	276,895	277,102	205,978	54,694	(26,578)	17	(12,439)	(14,156)	(207)
Reclassification	-	-	43,008	-	-	-	-	-	-
	276,895	277,102	248,986	54,694	(26,578)	17	(12,439)	(14,156)	(207)
Comprehensive profit	1,451	1,391	-	1,391	-	-	-	-	60
Other comprehensive income	2,258	2,387	-	-	2,387	30	-	2,357	(129)
Total comprehensive income	3,709	3,778	-	1,391	2,387	30	-	2,357	(69)
31 March 2017	280,604	280,880	248,986	56,085	(24,191)	47	(12,439)	(11,799)	(276)

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2016 and the accompanying explanatory notes.

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Condensed Consolidated Statements of Cash Flow for the period ended 31 March 2018

	CUMULATIVE QUARTER	
	31.03.2018	31.03.2017
	RM'000	RM'000
Cash flows from operating activities		
Cash receipts from customers	38,738	38,653
Cash payments to suppliers and contractors	(30,121)	(28,347)
Cash payments to employees and for expenses	(8,457)	(14,959)
Cash generated from/(used in) operations	160	(4,653)
Net income tax (paid)/received	(262)	258
Net cash used in operating activities	(102)	(4,395)
Cash flows from investing activities		
Purchase of property, plant and equipment	(5)	(13)
Net cash used in investing activities	(5)	(13)
Cash flows from financing activities		
Drawdown of term loans	3,194	-
Repayment of term loans	(4,976)	(3,234)
Repayment of obligation under finance leases	(45)	(35)
Loan interest	(2,600)	(249)
Net cash used in financing activities	(4,427)	(3,518)
Net decrease in cash and cash equivalents	(4,534)	(7,926)
Cash and cash equivalents at beginning of period	(24,134)	2,121
Cash and cash equivalents at end of period	(28,668)	(5,805)
Represented by:		
Cash and bank balances		
- Continuing operations	15,373	28,266
- Discontinued operations	27	-
Bank overdrafts	(44,068)	(34,071)
	(28,668)	(5,805)

The condensed consolidated statement of cash flow should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2017 and the accompanying explanatory notes.

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Explanatory Notes Pursuant to FRS 134: Interim Financial Reporting and Listing Requirements of Bursa Malaysia Securities Berhad

1 Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2017. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2017.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2017 and after FRSs, Amendments to FRSs and IC Interpretations issued become effective for annual periods beginning on or after 1 January 2018.

2 Changes in accounting policies

The Company adopts these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
MFRS 2: <i>Classification and Measurement of Share-based Payment (Amendments to MFRS 2)</i>	1 January 2018
MFRS 9: <i>Financial Instruments</i>	1 January 2018
MFRS 15: <i>Revenue from Contracts with Customers</i>	1 January 2018
MFRS 140: <i>Transfers of Investment Property (Amendments to MFRS 140)</i>	1 January 2018
Annual Improvements to MFRS Standards 2014 – 2016 Cycle IC Interpretation 22: <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
MFRS 9: <i>Prepayment Features with Negative Compensation (Amendments to MFRS 9)</i>	1 January 2019
MFRS 16: <i>Leases</i>	1 January 2019
MFRS 128: <i>Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)</i>	1 January 2019
Annual Improvements to MFRS Standards 2015 – 2017 Cycle	1 January 2019
IC Interpretation 23: <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
MFRS 17: <i>Insurance Contracts</i>	1 January 2019

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2 Changes in accounting policies (continued)

Description	Effective for annual periods beginning on or after
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application, except as disclosed below:

MFRS 9: Financial Instruments

MFRS 9 introduces new requirements for classification and measurement, impairment and hedge accounting MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory.

MFRS 15: Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognize revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

3 Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2017 was not qualified.

4 Seasonal or cyclical factors

The Group's performances were not materially affected by any significant seasonal or cyclical factors for the current quarter.

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5 Unusual items due to their nature, size or incidence

There were no unusual items affecting assets, liabilities, equity, net income and cash flows of the Group that are unusual due to their nature, size or incidence for the current quarter under review.

6 Changes in estimates

There were no material changes in estimates of amounts reported in prior interim periods that have a material effect in the current quarter results.

7 Issuance or repayment of debt and equity securities

There were no issuance, cancellations, repurchases, resale, and repayment of debts and equity securities for the current quarter except for those disclosed in the cash flow.

8 Dividends paid

There were no dividends paid during the current quarter under review.

9 Valuation of property, plant and equipment

There was no valuation of property, plant and equipment conducted during the quarter for the Group.

10 Segmental information

The segment information by activities for the Company and its subsidiaries for the quarter is as follows:-

	CUMULATIVE PERIOD 3 MONTHS ENDED 31 MARCH 2018				Elimi- nation	Continuing operations Consolidated	Discontinued operation
	Property develop- ment	Manufac- turing	Construc- tion	Others			
	RM'000	RM'000	RM'000	RM'000			
REVENUE :							
External sales	6,738	18,924	329	97	-	26,088	-
Inter-segment sales	-	-	46	159	(205)	-	-
	6,738	18,924	375	256	(205)	26,088	-
SEGMENT RESULTS:							
Operating (loss)/profit	(395)	(762)	80	(1,262)	(21)	(2,360)	18
Interest income	216	-	1	470	(360)	327	-
Finance costs	(896)	(2,012)	(92)	(298)	360	(2,938)	-
Share of results of associates	-	984	-	(66)	-	918	-
Profit /(loss) for the period	(1,075)	(1,790)	(11)	(1,156)	(21)	(4,053)	18

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10 Segmental information (continued)

	CUMULATIVE PERIOD 3 MONTHS ENDED 31 MARCH 2018					Continuing operations Consolidated RM'000
	Property develop- ment RM'000	Manufac- turing RM'000	Construc- tion RM'000	Others RM'000	Elimi- nation RM'000	
REVENUE :						
External sales						
Inter-segment sales	17,687	15,154	212	854	-	33,907
	2	-	1,273	521	(1,796)	-
	17,689	15,154	1,485	1,375	(1,796)	33,907
SEGMENT RESULTS:						
Operating profit/(loss)	6,075	1,639	68	(888)	(1,607)	-
Interest income	307	-	-	120	(306)	4,484
Finance costs	(691)	(1,472)	(74)	(8)	306	(1,939)
Share of results of associates	-	(401)	-	-	-	(401)
Profit/(loss) before tax	5,691	(234)	(6)	(1,579)	(1,607)	2,265
Taxation	(813)	-	-	(1)	-	(814)
Profit/(loss) net of tax	4,878	(234)	(6)	(1,580)	(1,607)	1,451

11 Significant and subsequent events

There were no significant events subsequent to the end of the current quarter under review to 24 May 2018, being a date not later than 7 days from the date of issue of the quarterly report.

12 Contingent liabilities

There were no changes in the contingent liabilities as at the date of this announcement since the preceding financial year ended 31 December 2017.

13 Capital commitments of the Group

	Current Quarter 31.03.2018 RM'000	Preceding Quarter 31.12.2017 RM'000
Capital expenditure		
Approved and contracted for:		
Property, plant and equipment	79,535,074	79,649,636

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14 Review of performance

a) Property development sector

Property sector contributed 26% to the Group's turnover for the current quarter under review. The registered turnover was RM6.74 million compared to RM17.69 million for the same quarter last year. Consequently, the loss registered was RM1.08 million compared with profit before tax of RM5.69 million for the same period last year. The big sales promotion carried out in February had sales recognised only after the current quarter.

b) Manufacturing sector

The current quarter reported turnover was RM18.92 million compared to RM15.15 million for the same quarter last year, attributable to higher orders placed by a customer.

Nevertheless, due to higher direct manufacturing costs incurred mainly on freight cost and over time expenses the division recorded a net loss of RM1.79 million compared to RM234 thousands for the same quarter last year.

15 Review of current quarter result against preceding quarter

	← Continuing Operations →	
	Current Quarter 31.03.2018 RM'000	Preceding Quarter 31.12.2017 RM'000
Turnover	22,548	5,696
Loss before tax	<u>(4,035)</u>	<u>(1,301)</u>

Manufacturing activities were the major contributor to the revenue at RM18.92 million for the current quarter under review.

The loss was attributable to higher costs related to manufacturing activities, as well as other overheads insufficiently covered by other divisions.

16 Prospects for the current financial year

Barring any unforeseen circumstances, the Board expects the Group's performance to be satisfactory for the financial year ending 31 December 2018, subject to improved property market.

17 Profit forecast and profit guarantee

The Group had not provided any profit forecast or profit guarantee in a public document.

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18 Disposal and exchange of investment securities

There was no disposal and exchange of securities during the quarter under review.

19 Taxation

	INDIVIDUAL QUARTER 3 months ended		CUMULATIVE QUARTER 3 months ended	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax				
- Current	-	814	-	814
	-	814	-	814

20 Sale of property, plant and equipment

During the quarter under review, there was no major disposal of property, plant and equipment.

21 Corporate proposals

The renounceable rights issue of 114,391,200 new ordinary shares in the Company on the basis of 2 rights shares for every 5 existing ordinary shares in the Company together with 114,391,200 free detachable warrants on the basis of 1 warrant for every 1 rights shares subscribed at an issue price of RM0.35 per rights shares are expected to be listed on the Exchange on 18 June 2018 as announced by the Company on 10 May 2018.

22 Investment securities

As at 31 March 2018, the available-for-sale financial assets position is as follows:

	As at 31.03.2018 RM'000		As at 31.03.2017 RM'000	
	Carrying amount	Market value of quoted investments	Carrying amount	Market value of quoted investments
Shares quoted in Malaysia	9	9	14	14
Unit trusts quoted in Malaysia	427	427	482	482
	436	436	496	496

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23 Loans and borrowings

The Group's exposure in loans and borrowings is as follows:

Secured facilities	Denomination	Short term RM'000	Long term RM'000	As at 31.3.2018 RM'000	As at 31.3.2017 RM'000	Remarks
Overdraft	RM	24,320	-	24,320	19,276	Working capital
Overdraft	BWP	19,748	-	19,748	14,950	Working capital
Term loan	RM	763	1,406	2,169	3,954	Working capital
Term loan	RM	3,360	16,106	19,466	24,441	Investment
Term loan	BWP	14,496	23,296	37,792	38,510	Purchase of plant & equipment
Revolving credit	RM	21,500	-	21,500	22,000	Working capital
Bridging loan	RM	667	-	667	6,024	Project financing
Finance lease	RM	182	255	437	617	Purchase of motor vehicle
TOTAL		85,036	41,063	126,099	129,772	

Note

BWP : Botswana Pula

24 Other reserves

a) Foreign currency exchange reserve

The foreign currency exchange deficit represents the differences arising from translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

b) Fair value change reserve

Fair value adjustment reserve represents the cumulative fair value changes of available-for-sale financial assets until they are disposed of or impaired.

c) Others

The others represent:-

- i) Premium paid on acquisition of non-controlling interest on the acquisition of non-controlling interest in the existing subsidiary, the difference between the consideration and fair value of the interest acquired of RM9.9 million was reflected in equity as premium paid on acquisition on non-controlling interest.
- ii) Capital reserve of RM2.45 million on acquisition of operation and Employee Stocks Option Scheme of an associate.

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25 Off balance sheet financial instruments

There were no financial instruments with material off balance sheet risk at the date of this report.

26 Material litigation

There was no material litigation involving the Group at the date of this report.

27 Dividend

There was no dividend declared for the quarter under review.

28 (Loss)/earnings per share

	INDIVIDUAL QUARTER 3 months ended		CUMULATIVE QUARTER 3 months ended	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
Basic (loss)/earnings per share				
(Loss)/earnings attributable to owners of the parent (RM'000)	(3,634)	1,391	(3,634)	1,391
Number of shares at the beginning of the period (unit '000)	285,978	205,978	285,978	205,978
Basic (loss)/earnings per share (sen)	(1.27)	0.68	(1.27)	0.68

29 Comparative figures

Certain comparative figures have been reclassified to conform to current period presentations.