

NOTES TO THE INTERIM FINANCIAL REPORT

PART A: EXPLANATORY NOTES

A1. Basis of preparation

The unaudited interim financial report has been prepared in compliance with Financial Reporting Standard (FRS) 134, Interim Financial Reporting and paragraph 9.22 of the Listing Requirement of the Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 March 2018. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 March 2018.

A2. Changes in Accounting Policies

The Group has consistently applied the same accounting policies in its opening MFRS statement of financial position as at 1 April 2017 and throughout all comparable interim periods presented, as if these policies had always been in effect. Comparative information in these interim financial statements have been restated to give effect to these changes and the financial impact on transition from FRS in Malaysia to MFRS as disclosed as follows:

MFRS 9 Financial Instruments

MFRS 9 replaces the guidance in MFRS 139, Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

In respect of impairment of financial assets, MFRS 9 replaces the 'incurred loss' model in MFRS 139 with an "expected credit loss" (ECL) model. The Group has applied MFRS 9 retrospectively with the initial application date of 1 April 2018 and adjusting the comparative information for the period beginning on 1 April 2017.

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 recognise revenue which depicts 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.

The following reconciliations provide an estimate of the expected impact upon initial application of new MFRS Framework, MFRS 15 and MFRS 9 on the financial position of the Group.

A2. Changes in Accounting Policies (continued)

(a) Reconciliation of financial position and equity

Group	Previously reported under FRSs	Effect on adopting MFRSs	Effect of MFRS 15	Effect of MFRS 9	Restated under MFRSs
1 April 2017	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	4,408	-	-	-	4,408
Operating financial assets	32,211	-	-	-	32,211
Land held for development	292,347	(292,347)	-	-	-
Inventories	-	292,347	-	-	292,347
Investment properties	104,800	-	-	-	104,800
Investment in associates	49,836	-	-	-	49,836
Investment in joint venture	28,923	-	-	-	28,923
Other investments	595	-	-	-	595
Deferred tax asset	9,300	-	205	-	9,505
Goodwill on consolidation	19,967	-	-	-	19,967
Trade Receivable	3,230	-	-	-	3,230
Total non-current assets	545,617	-	205	-	545,822
Current assets					
Inventories	18,298	141,604	-	-	159,902
Property development costs	140,754	(141,604)	850	-	-
Operating financial assets	23,699	-	-	-	23,699
Trade receivables	23,668	-	(1,706)	(116)	21,846
Other receivables, deposits and prepayments	10,633	-	-	-	10,633
Tax recoverable	8,472	-	-	-	8,472
Deposits with licensed financial institutions	43,197	-	-	-	43,197
Cash and bank balances	21,352	-	-	-	21,352
Total current assets	290,073	-	(856)	(116)	289,101
TOTAL ASSETS	835,690	-	(651)	(116)	834,923
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	172,736	-	-	-	172,736
Reserves	354,074	-	(488)	(58)	353,528
Treasury shares	(832)	-	-	-	(832)
Total equity attributable to shareholders of the Company	525,978	-	(488)	(58)	525,432
Non-controlling interests	140,591	-	(163)	(58)	140,370
Total equity	666,569	-	(651)	(116)	665,802
Non-current liabilities					
Hire purchase creditors	2,269	-	-	-	2,269
Borrowings	54,809	-	-	-	54,809
Deferred tax liabilities	8,790	-	-	-	8,790
Total non-current liabilities	65,868	-	-	-	65,868

A2. Changes in Accounting Policies (continued)

(a) Reconciliation of financial position and equity (continued)

Group	Previously reported under FRSs RM'000	Effect on adopting MFRSs RM'000	Effect of MFRS 15 RM'000	Effect of MFRS 9 RM'000	Restated under MFRSs RM'000
1 April 2017					
Current liabilities					
Trade payables	36,717	-	-	-	36,717
Other payables, deposits and accruals	21,978	-	-	-	21,978
Amount due to directors	1,013	-	-	-	1,013
Hire purchase creditors	2,114	-	-	-	2,114
Borrowings	41,221	-	-	-	41,221
Tax payable	210	-	-	-	210
Total current liabilities	103,253	-	-	-	103,253
TOTAL LIABILITIES	169,121	-	-	-	169,121
TOTAL EQUITY AND LIABILITIES	835,690	-	(651)	(116)	834,923
30 March 2018					
ASSETS					
Non-current assets					
Property, plant and equipment	4,622	-	-	-	4,622
Operating financial assets	4,209	-	-	-	4,209
Land held for development	272,435	(272,435)	-	-	-
Inventories	-	272,435	-	-	272,435
Investment properties	102,543	-	-	-	102,543
Investment in associates	58,343	-	-	-	58,343
Investment in joint venture	28,961	-	-	-	28,961
Other investments	595	-	-	-	595
Deferred tax asset	12,141	-	740	-	12,881
Goodwill on consolidation	17,099	-	-	-	17,099
Trade Receivable	1,936	-	-	-	1,936
Total non-current assets	502,884	-	740	-	503,624
Current assets					
Inventories	17,752	140,182	-	-	157,934
Property development costs	138,786	(140,182)	1,396	-	-
Operating financial assets	23,286	-	-	-	23,286
Trade receivables	64,738	-	(4,480)	(71)	60,187
Other receivables, deposits and prepayments	4,602	-	-	-	4,602
Tax recoverable	9,628	-	-	-	9,628
Deposits with licensed financial institutions	70,126	-	-	-	70,126
Short term investment	51,267	-	-	-	51,267
Cash and bank balances	43,894	-	-	-	43,894
Total current assets	424,079	-	(3,084)	(71)	420,924
TOTAL ASSETS	926,963	-	(2,344)	(71)	924,548

A2. Changes in Accounting Policies (continued)

(a) Reconciliation of financial position and equity (continued)

Group	Previously reported under FRSs	Effect on adopting MFRSs	Effect of MFRS 15	Effect of MFRS 9	Restated under MFRSs
30 March 2018	RM'000	RM'000	RM'000	RM'000	RM'000
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	172,736	-	-	-	172,736
Reserves	373,727	-	(1,758)	(36)	371,933
Treasury shares	(865)	-	-	-	(865)
Total equity attributable to shareholders of the Company	545,598	-	(1,758)	(36)	543,804
Non-controlling interests	159,305	-	(586)	(35)	158,684
Total equity	704,903	-	(2,344)	(71)	702,488
Non-current liabilities					
Hire purchase creditors	1,559	-	-	-	1,559
Borrowings	73,345	-	-	-	73,345
Deferred tax liabilities	8,061	-	-	-	8,061
Total non-current liabilities	82,965	-	-	-	82,965
Current liabilities					
Trade payables	49,330	-	-	-	49,330
Other payables, deposits and accruals	27,305	-	-	-	27,305
Amount due to directors	3,701	-	-	-	3,701
Hire purchase creditors	2,031	-	-	-	2,031
Borrowings	55,908	-	-	-	55,908
Tax payable	820	-	-	-	820
Total current liabilities	139,095	-	-	-	139,095
TOTAL LIABILITIES	222,060	-	-	-	222,060
TOTAL EQUITY AND LIABILITIES	926,963	-	(2,344)	(71)	924,548

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but not yet effective and have not applied by the Group:

	Effective dates for financial periods beginning on or after
MFRS 16 Leases	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 9 Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 128 Long-term interests in Associates and Joint Ventures	1 January 2019
Amendments to MFRS 119 Plan Amendment, Curtailment or Settlement	1 January 2019
Annual Improvements to MFRS Standards 2015-2017 Cycle: Amendments to MFRS 3 Business Combinations Amendments to MFRS 11 Joint Arrangements Amendments to MFRS 112 Income Taxes Amendments to MFRS 123 Borrowing Costs	1 January 2019 1 January 2019 1 January 2019 1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128 Sales or Contribution of Assets between an investor and its Associates or Joint Venture	Deferred

A3. Audit report of preceding annual financial statements

There was no audit qualification on the preceding annual financial statements.

A4. Seasonal or cyclical factors

The businesses of the Group are not affected by seasonal or cyclical factors.

A5. Unusual items affecting assets, liabilities, equity, net income or cash flows

The balance of investment 69.2 million quoted shares in Titijaya Land Berhad (TLB) was mark-to-market. A further RM4.2 million was impaired during the quarter on top of the RM10 million impairments made in 1Q19.

Other than the above, there was no unusual item affecting assets, liabilities, equity, net income or cash flows of the Group for the financial quarter ended 30 September 2018.

A6. Changes in estimates

There were no significant changes in estimates used for preparation of the interim financial report.

A7. Issuance or repayment of debts and equity securities

Save as disclosed below, there were no issuance and repayment of debts and equity securities, share cancellation, and resale of treasury shares during the financial quarter ended 30 September 2018.

Treasury shares

During the current quarter, there is no repurchase of shares. Earlier shares repurchased were held as treasury shares in accordance with Section 127 of the Companies Act 2016. The total number of treasury shares held as at 30 September 2018 was 1,188,634.

A8. Dividend paid

No dividend payment during the quarter ended 30 September 2018.

A9. Segmental information

Business Segments

	Civil engineering & construction	Property development	Property investment & investment holding	Water supply & services	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
REVENUE						
External	17,641	21,223	6,694	16,183	0	61,741
Inter-segment	46,172	0	0	0	(46,172)	0
Total revenue	63,813	21,223	6,694	16,183	(46,172)	61,741
RESULT						
Segment results	17,101	6,731	(4,749)	3,702	(10,235)	12,550
Finance cost						(1,591)
Share of results of associates						538
Taxation						(5,287)
Profit for the financial period						6,210

	Revenue from external customers by geographical market RM'000
Malaysia	45,558
Papua New Guinea	16,183
	<u>61,741</u>

Statement of comprehensive income items of foreign subsidiary companies are translated into Ringgit Malaysia at average rate of exchange throughout the financial period. The average rate used in the translation is Kina1.00 equal to RM1.2135.

A10. Valuation of property, plant and equipment

Property, plant and equipment of the Group are stated at cost less accumulated depreciation/amortisation and impairment loss, if any.

A11. Events subsequent to the end of the financial period

48.33% owned subsidiary, Titikaya Sdn Bhd had on 8 October 2018 subscribed 55,000 ordinary shares representing 55.00% equity interest in Semangat Hijau Sdn Bhd for a total cash consideration of RM55,000.00.

Other than the above, there was no material events subsequent to the financial period ended 30 September 2018 up to the date of this report.

A12. Changes in the composition of the Group

There was no change of composition of the Group during the quarter.

A13. Contingent liabilities

The details of Group contingent liabilities are as follows:

	RM'000
Guarantees given to financial institutions in favour of third parties	<u>17,512</u>

A14. Capital commitments

As at 30 September 2018, the Group has no capital commitment.

**PART B : EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING
REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

B1. Review of performance

For the 6 months ended 30 September 2018, the Group registered lower revenue of RM61.7 million as compared to the preceding year corresponding period of RM177.0 million was mainly due to lower contribution from construction sector. In the same periods, the Group recorded lower profit before taxation of RM11.9 million against the preceding year corresponding period of RM38.6 million was mainly due to the impairment of investment stated in A5 above coupled with lower contribution from construction sector.

The further analysis of performance of each business segment for 6 months ended 30 September 2018 is as follows:

Civil engineering & construction

The segment recorded RM17.6 million in external revenue for the financial period ended 30 September 2018 as compared to the preceding year corresponding period of RM121.4 million. The profit before taxation recorded RM8.0 million for the financial period ended 30 September 2018 as compared to the preceding year corresponding period of RM16.9 million. The lower revenue and profit before taxation was mainly due to lower percentage of completion from projects which are near to completion.

Property development

The segment recorded RM21.2 million in revenue for the financial period ended 30 September 2018 as compared to the preceding year corresponding period of RM31.6 million. The profit before taxation recorded RM4.7 million as compared to profit before taxation in the preceding year corresponding period of RM6.0 million. The decrease in revenue and profit before tax was due to lagging property sales.

Property investment & investment holding

The segment recorded RM6.7 million in revenue for the financial period ended 30 September 2018 as compared to the preceding year corresponding period of RM7.2 million. The decrease in revenue was mainly due to lower rental income from Brem Mall, retail cum office complex at Jalan Kepong, Kuala Lumpur. RM5.0 million loss before taxation recorded for the financial period ended 30 September 2018 compared to profit before tax at the preceding year corresponding period of RM10.0 million. The loss in the current financial period was mainly due to the impairment of investment stated in A5 above. If the impairment of investments and gain on disposal of investment were excluded, the segment made RM1.9 million profit before taxation for both periods.

Water supply & services

The revenue of the segment recorded RM16.2 million for the financial period ended 30 September 2018 as compared to the preceding year corresponding period of RM16.9 million. The decrease was due to the lower foreign currency translation rate from its originating currency, Kina, during the period. The profit before taxation has decreased by RM2.0 million, from RM5.7 million in preceding year corresponding period to RM3.7 million for the current financial period ended 30 September 2018. The decrease in profit before taxation was mainly due to decrease in interest income.

B2. Comparison with preceding quarter results

The Group recorded profit before taxation of RM2.0 million for the current quarter as compared to the preceding quarter profit before taxation of RM9.5 million. The lower profit was mainly due to slow in property sales and lower percentage of completion from construction segment as projects are near to completion. Net impact of impairment of investment and gain on disposal of investment has RM4 million to RM5 million negative impact to both periods.

B3. Prospects

The construction sector will have less contribution to the Group as some projects are near completion. In water supply and services sector, the revenue is expected to be stable. However, its profit will wind-down together with its depleting financial assets which are expiring in June 2019. For the property investment and investment holding sector, the rental receivable in Kepong Brem Mall is expected to subdue due to oversupply of retail complex while for property development, the short-term prospect of the industry is expected to remain challenging. The Group will be careful in selecting areas for development as well as open to explore joint development with other parties.

The Board is cautious about the current market sentiment and will continue to seek ways and implement measures to improve the financial performance for the financial year ending 31 March 2019.

B4. Variance of actual profit from forecast profit

- (a) The Company did not issue any profit forecast during the financial period.
- (b) The Company did not issue profit guarantee to any parties.

B5. Taxation

The taxation for the current quarter and financial period to-date are as follows:

	Current quarter RM'000	Financial period to-date RM'000
Malaysia taxation	2,412	5,883
Foreign taxation	623	1,119
Deferred taxation	<u>(1,274)</u>	<u>(1,715)</u>
	<u>1,761</u>	<u>5,287</u>

The relationship between the tax expenses and accounting profit are as follows:-

	Current quarter RM'000	Financial period to-date RM'000
Profit before taxation	<u>1,952</u>	<u>11,497</u>
Tax at the statutory rate of 24%	468	2,759
Higher foreign tax rate	124	224
Non-taxable income	(1)	(1,403)
Non-allowable expenses	1,263	3,759
Over/(under) provision in prior financial years	77	77
Share of associates results	<u>(170)</u>	<u>(129)</u>
Tax expenses	<u>1,761</u>	<u>5,287</u>

B6. Corporate proposal

There was no corporate proposal during the financial period ended 30 September 2018.

B7. Group borrowings

The tenure of group borrowings classified as short and long term categories are as follows:

	RM'000
Long term	72,551
Short term	<u>45,773</u>
	<u>118,324</u>
Secured	98,324
Unsecured	<u>20,000</u>
	<u>118,324</u>

B8. Material litigation

There was no material litigation for the financial period ended 30 September 2018.

B9. Dividends

The Board has proposed an interim single tier dividend of 2.0 sen per ordinary share in respect of the financial year ending 31 March 2019.

B10. Earnings per share*Basic earnings per share*

Basic earnings per share for the financial period to-date are calculated by dividing the net profit attributable to the equity holders of the parent by the weighted average number of ordinary shares in issue during the financial period, excluding the average number of ordinary shares purchased by the Company and held as treasury shares.

	Current Quarter	Preceding year corresponding quarter	Financial period to-date	Preceding year corresponding period to-date
	30/9/18	30/9/17 (Restated)	30/9/18	30/9/17 (Restated)
Profit attributable to the equity holders of the parent (RM'000)	(654)	13,096	4,314	16,734
Weighted average number of ordinary shares ('000)	344,284	344,335	344,290	344,347
Basic earnings per share (sen)	(0.2)	3.8	1.3	4.9

Diluted earnings per share

There is no dilution of earnings per share.

B11. Profit before taxation

The profit before taxation for the financial period is arrived at:

	Current quarter	Financial period to-date
	RM'000	RM'000
After charging		
Auditors' remuneration	79	141
Interest expense	719	1,591
Depreciation/Amortisation of property, plant and equipment	846	1,718
Loss on:		
-foreign exchange unrealised	10	70
-disposal of property, plant and equipment	51	51
Impairment of investment	4,154	14,192
Property, plant and equipment written off	-	4
Rental of premise	90	186
And crediting		
Gain on:		
-foreign exchanged unrealised	1	5
-foreign exchanged realised	1	1
-disposal of investment	5,363	5,363
-disposal of property, plant and equipment	6	6
Interest income	2,801	4,652
Rental income	231	409

By Order of the Board

Andrea Huang Jia Mei

Company Secretary

Kuala Lumpur

28 November 2018