

**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.

**MFRS 123 Borrowing Costs**

MFRS 123 establishes that borrowing costs on construction of a qualifying assets form part of the cost of that assets. Other borrowing costs are recognised as an expense.

Under MFRS 123, borrowing costs on ongoing property development projects are expensed off instead of capitalised in inventory. However, they were eliminated to certain extent for inter-company transactions.

The following reconciliations provide an estimate of the expected impact upon initial application of new MFRS Framework, MFRS 15, MFRS 9 and MFRS 123 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 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
<b>1 April 2017</b>					
<b>ASSETS</b>					
<b>Non-current assets</b>					
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
<b>Total non-current assets</b>	<b>545,617</b>	<b>-</b>	<b>205</b>	<b>-</b>	<b>545,822</b>
<b>Current assets</b>					
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
<b>Total current assets</b>	<b>290,073</b>	<b>-</b>	<b>(856)</b>	<b>(116)</b>	<b>289,101</b>
<b>TOTAL ASSETS</b>	<b>835,690</b>	<b>-</b>	<b>(651)</b>	<b>(116)</b>	<b>834,923</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to owners of the parent</b>					
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
<b>Total equity</b>	<b>666,569</b>	<b>-</b>	<b>(651)</b>	<b>(116)</b>	<b>665,802</b>
<b>Non-current liabilities</b>					
Hire purchase creditors	2,269	-	-	-	2,269
Borrowings	54,809	-	-	-	54,809
Deferred tax liabilities	8,790	-	-	-	8,790
<b>Total non-current liabilities</b>	<b>65,868</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>65,868</b>

## 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
<b>1 April 2017</b>					
<b>Current liabilities</b>					
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
<b>Total current liabilities</b>	<b>103,253</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>103,253</b>
<b>TOTAL LIABILITIES</b>	<b>169,121</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>169,121</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>835,690</b>	<b>-</b>	<b>(651)</b>	<b>(116)</b>	<b>834,923</b>

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	Effect of MFRS 123 RM'000	Restated Under MFRSs RM'000
<b>31 March 2018</b>						
<b>ASSETS</b>						
<b>Non-current assets</b>						
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
<b>Total non-current assets</b>	<b>502,884</b>	<b>-</b>	<b>740</b>	<b>-</b>	<b>-</b>	<b>503,624</b>
<b>Current assets</b>						
Inventories	17,752	139,927	-	-	-	157,679
Property development costs	138,786	(139,927)	1,396	-	(255)	-
Operating financial assets	23,286	-	-	-	-	23,286
Trade receivables	64,738	-	(4,480)	(72)	-	60,186
Other receivables, deposits & 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
<b>Total current assets</b>	<b>424,079</b>	<b>-</b>	<b>(3,084)</b>	<b>(72)</b>	<b>(255)</b>	<b>420,668</b>
<b>TOTAL ASSETS</b>	<b>926,963</b>	<b>-</b>	<b>(2,344)</b>	<b>(72)</b>	<b>(255)</b>	<b>924,292</b>

## 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	Effect of MFRS 123 RM'000	Restated Under MFRSs RM'000
<b>31 March 2018</b>						
<b>EQUITY AND LIABILITIES</b>						
<b>Equity attributable to owners of the parent</b>						
Share capital	172,736	-	-	-	-	172,736
Reserves	373,727	-	(1,758)	(36)	289	372,222
Treasury shares	(865)	-	-	-	-	(865)
Total equity attributable to owners of the parent	545,598	-	(1,758)	(36)	289	544,093
Non-controlling interests	159,305	-	(586)	(36)	(544)	158,139
<b>Total equity</b>	<b>704,903</b>	<b>-</b>	<b>(2,344)</b>	<b>(72)</b>	<b>(255)</b>	<b>702,232</b>
<b>Non-current liabilities</b>						
Hire purchase creditors	1,559	-	-	-	-	1,559
Borrowings	73,345	-	-	-	-	73,345
Deferred tax liabilities	8,061	-	-	-	-	8,061
<b>Total Non-current liabilities</b>	<b>82,965</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>82,965</b>
<b>Current liabilities</b>						
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
<b>Total Current liabilities</b>	<b>139,095</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>139,095</b>
<b>TOTAL LIABILITIES</b>	<b>222,060</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>222,060</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>926,963</b>	<b>-</b>	<b>(2,344)</b>	<b>(72)</b>	<b>(255)</b>	<b>924,292</b>

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**

There were net impairment of trade receivable of RM759,330, bad debt written off of RM187,398 and impairment of inventories of RM399,000 during the quarter.

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 31 March 2019.

**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 31 March 2019.

**Treasury shares**

During the current quarter, the Company repurchased 2,438,600 of its issued ordinary shares from open market at an average price of RM0.751 per share. The total consideration paid for the repurchase including transaction costs was RM1,830,687 and this was financed by internally generated funds. 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 31 March 2019 was 4,452,334.

**A8. Dividend paid**

There was no dividend paid during the current quarter.

**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
<b>REVENUE</b>						
External	25,491	50,788	13,230	32,259	0	121,768
Inter-segment	56,492	0	0	0	(56,492)	0
Total revenue	81,983	50,788	13,230	32,259	(56,492)	121,768
<b>RESULT</b>						
Segment results	28,749	24,400	(4,494)	7,151	(22,726)	33,080
Finance cost						(3,532)
Share of results of associates						1,231
Taxation						(11,743)
Profit for the financial period						19,036

	Revenue from external customers by geographical market RM'000
Malaysia	89,509
Papua New Guinea	32,259
	<u>121,768</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 RM1.1991.

**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**

There was no material event subsequent to the financial period ended 31 March 2019 up to the date of this report.

**A12. Changes in the composition of the Group**

Titi Kaya Sdn Bhd, 48.33% subsidiary had on 8 October 2018 subscribed 55,000 ordinary shares representing 55% equity interest in Semangat Hijau Sdn Bhd (property development company) for a total cash consideration of RM55,000. The group had consolidated the accounts in the current quarter with a goodwill of RM346,107.

Other than the above, 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>23,050</u>

**A14. Capital commitments**

As at 31 March 2019, 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 12 months ended 31 March 2019, the Group registered lower revenue of RM121.8 million as compared to the preceding year corresponding period of RM292.0 million was mainly due to lower contribution from construction sector where most projects are near completion. In the same periods, the Group recorded lower profit before taxation (PBT) of RM30.8 million against the preceding year corresponding period of RM81.8 million was mainly due to lower contribution from construction sector. In addition, last year's PBT was increased by RM45.6 million from gain on disposal of investment in NPO Builders Sdn Bhd.

The further analysis of performance of each business segment for 12 months ended 31 March 2019 is as follows:

Civil engineering & construction

The segment recorded RM25.5 million in external revenue for the financial period ended 31 March 2019 as compared to the preceding year corresponding period of RM175.2 million. The PBT recorded RM14.0 million for the financial period ended 31 March 2019 as compared to the preceding

year corresponding period of RM23.5 million. The lower revenue and PBT was mainly due to lower percentage of completion from projects which are nearing completion.

#### Property development

The segment recorded RM50.8 million in revenue for the financial period ended 31 March 2019 as compared to the preceding year corresponding period of RM70.5 million. The decrease in revenue was due to lagging property sales coupled with lower percentage completion under project Harmony-2. The PBT recorded RM14.7 million for the financial period ended 31 March 2019 as compared to PBT in the preceding year corresponding period of RM12.0 million. The increase in PBT was due to higher profits from Harmony-2 project. In additions, the preceding year corresponding period's PBT was mitigated by goodwill written off of RM1.7 million.

#### Property investment & investment holding

The segment recorded RM13.2 million in revenue for the financial period ended 31 March 2019 as compared to the preceding year corresponding period of RM13.9 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 losses before taxation recorded for the financial period ended 31 March 2019 compared to PBT at the preceding year corresponding period of RM36.7 million. The loss in the current financial period was mainly due to the RM15.9 million impairment of investment in Titijaya Land Berhad while the huge gain in the preceding year corresponding period was due to RM45.6 million gain on disposal of a subsidiary mitigated by RM20.3 million impairment loss on investment in Titijaya Land Berhad.

#### Water supply & services

The revenue of the segment recorded RM32.3 million for the financial period ended 31 March 2019 as compared to the preceding year corresponding period of RM32.4 million. The decrease was due to the lower foreign currency translation rate from its originating currency, Kina, during the period. The PBT has decreased by RM2.4 million, from RM9.6 million in preceding year corresponding period to RM7.2 million for the current financial period ended 31 March 2019. The decrease in PBT was mainly due to decrease in interest income.

### **B2. Comparison with preceding quarter results**

The Group recorded PBT of RM9.2 million for the current quarter as compared to the preceding quarter PBT of RM10.1 million. Current quarter PBT was affected by net impairment of trade receivable of RM759,330, bad debt written off of RM187,398 and impairment of inventories of RM399,000 while the preceding quarter PBT was affected by RM1.7 million impairment loss on investment in Titijaya Land Berhad.

### **B3. Prospects**

The construction sector will have less contribution to the Group as some projects are near to completion. In water supply and services sector, the revenue is expected to cease and its profit will wind-down together with its depleting financial assets once the water concession end 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 2020.

### **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	2,594	13,286
Foreign taxation	537	2,163
Withholding tax	14	14
Deferred taxation	107	(3,246)
Real Property Gain Tax	(474)	(474)
	<u>2,778</u>	<u>11,743</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>9,190</u>	<u>30,779</u>
Tax at the statutory rate of 24%	2,206	7,387
Higher foreign tax rate	107	432
Non-taxable income	(5)	(2,276)
Non-allowable expenses	1,013	7,073
Over/(under) provision in prior financial years	-	(103)
Real property gain tax	(474)	(474)
Share of associates results	(69)	(296)
Tax expenses	<u>2,778</u>	<u>11,743</u>

**B6. Corporate proposal**

There was no corporate proposal during the financial period ended 31 March 2019.

**B7. Group borrowings**

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

	RM'000
Long term	67,813
Short term	50,017
	<u>117,830</u>
Secured	93,912
Unsecured	24,518
	<u>117,830</u>

**B8. Material litigation**

There was no material litigation for the financial period ended 31 March 2019.

**B9. Dividends**

No dividend has been declared in respect of the financial quarter ended 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
	31/3/19	31/3/18 (Restated)	31/3/19	31/3/18 (Restated)
Profit attributable to the equity holders of the parent (RM'000)	4,886	(4,474)	14,183	38,246
Weighted average number of ordinary shares ('000)	342,191	344,335	343,742	344,341
Basic earnings per share (sen)	1.4	(1.3)	4.1	11.1

*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	56	259
Interest expense	966	3,532
Depreciation/Amortisation of property, plant and equipment	849	3,349
Loss/(Gain) on:		
-foreign exchange unrealised	(28)	26
Bad debt written off	187	190
Impairment of trade receivables	807	807
Impairment of investment	-	15,923
Property, plant and equipment written off	1	5
Inventory written off	399	399
Rental of premise	98	381
And crediting		
Gain on:		
-foreign exchanged realised	-	1
-disposal of investment	-	5,363
-disposal of property, plant and equipment	5	39
Interest income	1,732	7,774
Rental income	394	1,100
Reversal of impairment on receivables	48	137

By Order of the Board

**Andrea Huang Jia Mei**

Company Secretary

Kuala Lumpur

30 May 2019