

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 2019. 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 2019.

A2. Changes in Accounting Policies

The accounting policies and methods of computation adopted by the Group and its subsidiary companies for the interim financial statements are consistent with those adopted for the audited financial statements for the financial year ended 31 March 2019 except for the mandatory adoption of the following new and revised MFRSs and Issues Committee Interpretations ("IC Interpretations") effective for the financial period beginning on 1 April 2019:

MFRSs, amendments to MFRSs and IC Interpretations

MFRS 16	Leases
IC Interpretation 23	Uncertainty over Income Tax Treatments
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 3	Annual Improvements to MFRS Standards 2015 - 2017 Cycle
Amendments to MFRS 11	Annual Improvements to MFRS Standards 2015 - 2017 Cycle
Amendments to MFRS 112	Annual Improvements to MFRS Standards 2015 - 2017 Cycle
Amendments to MFRS 123	Annual Improvements to MFRS Standards 2015 - 2017 Cycle
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement

The Group has adopted the new and revised MFRSs and IC Interpretations that are relevant and effective for accounting periods beginning on or after 1 April, 2019. The adoption of these new and revised MFRSs and IC Interpretations have not resulted in any material impact on the financial statements of the Group as mentioned below:

MFRS 16, Leases

On the adoption of MFRS 16, Group has assessed the estimated impact that the initial application of MFRS 16. Based on the preliminary assessment, the Group does not expect the application of MFRS 16 to have a significant financial impact on its consolidated financial statements.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

A2. Changes in Accounting Policies (continued)

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:

Title	Effective dates for financial periods beginning on or after
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Amendments to MFRS 3 Definition of a Business	1 January 2020
Amendments to MFRS 101 and MFRS 108 Definition of Material	1 January 2020
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate 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 was no unusual item affecting assets, liabilities, equity, net income or cash flows of the Group for the financial quarter ended 30 June 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 30 June 2019.

Treasury shares

During the current quarter, the Company repurchased 208,600 of its issued ordinary shares from open market at an average price of RM0.732 per share. The total consideration paid for the repurchase including transaction costs was RM152,765 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 30 June 2019 was 4,660,934.

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
REVENUE						
External	7,854	23,367	3,429	8,090	0	42,740
Inter-segment	7,979	0	0	0	(7,979)	0
Total revenue	15,833	23,367	3,429	8,090	(7,979)	42,740
RESULT						
Segment results	6,277	6,909	1,051	3,464	(2,831)	14,870
Finance cost						(716)
Share of results of associates						2,509
Taxation						(3,929)
Profit for the financial period						12,734

Revenue from external
customers by
geographical market
RM'000

Malaysia	34,650
Papua New Guinea	8,090
	<u>42,740</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 RM1.2138.

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 30 June 2019 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>23,313</u>

A14. **Capital commitments**

As at 30 June 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

The Group registered lower revenue of RM42.7 million as compared to the preceding year corresponding period of RM45.6 million. The lower in revenue was mainly due to lower contribution from civil engineering & construction sector where most projects are near to completion. However, in the same periods, the Group recorded higher profit before taxation (PBT) of RM16.7 million against the preceding year corresponding period of RM9.5 million. The increase was due to RM10 million impairment losses on investment mitigated by gain on disposal of the investment of RM5.4 million in the preceding year corresponding period.

The further analysis of performance of each business segment for 3 months ended 30 June 2019 is as follows:

Civil engineering & construction

The segment recorded RM7.9 million in external revenue for the financial period ended 30 June 2019 as compared to the preceding year corresponding period of RM12.1 million. The reduction in revenue was due to most projects are near to completion. The segment recorded PBT of RM5.9 million for the financial period ended 30 June 2019 as compared to the preceding year corresponding period of RM5.8 million. The higher PBT was mainly due to final recognition of revenue in one of the completed projects.

Property development

The segment recorded RM23.4 million in revenue for the financial period ended 30 June 2019 as compared to the preceding year corresponding period of RM22.4 million. The increase in revenue was due higher sales recorded under Project Harmony-2 in the period compared to the preceding corresponding period. The PBT recorded RM4.1 million for the financial period ended 30 June 2019 as compared to PBT in the preceding year corresponding period of RM5.9 million. The decrease in PBT was mainly due to RM1.3 million provisions for liquidated ascertained damages (LAD) on Harmony-2 project.

Property investment & investment holding

The segment recorded RM3.4 million revenue for both the financial periods ended 30 June 2019 and 30 June 2018. The PBT has recorded RM3.2 million for the financial period ended 30 June 2019 as compared to loss before taxation at the preceding year corresponding period of RM4.1 million. The loss in the previous financial period was mainly due to RM10 million impairment loss on investment mitigated by gain on disposal of the investment of RM5.4 million. Share of profit from associated companies has also contributed to the increase.

Water supply & services

The revenue of the segment recorded RM8.1 million for the financial period ended 30 June 2019 as compared to the preceding year corresponding period of RM7.8 million. The increase was due to increase in sales of water. The PBT has increased by RM1.5 million, from RM2.0 million in preceding year corresponding period to RM3.5 million for the current financial period ended 30 June 2019. The increase was due to higher interest income earned during the period.

B2. Comparison with preceding quarter results

The Group recorded PBT of RM16.7 million in the current quarter as compared to the preceding quarter of RM9.6 million. The higher in PBT was mainly due to higher revenue from all segments especially property development and civil engineering & construction segments and higher interest income from water supply & services segment.

B3. Prospects

The construction sector will continue to make contribution to the Group based on the value of projects on hand. The group will be selective in tendering for valued projects. In water supply and services sector, the water concession has ceased during the financial year. Contribution from this sector in the future would mainly come from interest income. For the property investment and investment holding sector, the rental receivable in Kepong Brem Mall will continue to face challenges 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 continue to sell its unsold properties while carefully time its new launching of any development in the midst of oversupply of properties and availability of financing.

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 30 June 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
Malaysian taxation	3,215	3,215
Foreign taxation	1,042	1,042
Deferred taxation	(328)	(328)
	<u>3,929</u>	<u>3,929</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>16,663</u>	<u>16,663</u>
Tax at the statutory rate of 24%	3,999	3,999
Higher foreign tax rate	208	208
Non-taxable income	(2)	(2)
Non-allowable expenses	326	326
Share of associates results	(602)	(602)
Tax expenses	<u>3,929</u>	<u>3,929</u>

B6. Corporate proposal

There was no corporate proposal during the financial period ended 30 June 2019.

B7. Group borrowings

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

	RM'000
Long term	68,645
Short term	44,307
	<u>112,952</u>
Secured	88,434
Unsecured	24,518
	<u>112,952</u>

B8. Material litigation

There was no material litigation for the financial period ended 30 June 2019.

B9. Dividends

On 28 June 2019, the Company declared an interim single tier dividend of 2.0 sen per ordinary share in respect of the financial year ended 31 March 2019. It was subsequently paid on 26 July 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
	30/6/19	30/6/18	30/6/19	30/6/18
Profit attributable to the equity holders of the parent (RM'000)	8,603	4,968	8,603	4,968
Weighted average number of ordinary shares ('000)	341,002	344,335	341,002	344,335
Basic earnings per share (sen)	2.5	1.4	2.5	1.4

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	70	70
Interest expense	716	716
Depreciation/Amortisation of property, plant and equipment	788	788
Loss on:		
-foreign exchange unrealised	17	17
Provision for liquidated ascertained damages	1,282	1,282
Rental of premise	97	97
And crediting		
Gain on:		
-foreign exchanged unrealised	3	3
-disposal of property, plant and equipment	23	23
Interest income	2,941	2,941
Rental income	425	425

By Order of the Board

Andrea Huang Jia Mei

Company Secretary

Kuala Lumpur

29 Aug 2019