

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 RM7.3 million impairment loss on trade receivable during the quarter. The losses were mainly come from one of the group major customers in construction segment. In addition, there was RM0.35 million impairment losses on other investments during the quarter on shareholding of Titijaya Land Berhad bringing the total YTD impairment of RM0.69 million.

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 December 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 December 2019.

Treasury shares

During the current quarter, the Company repurchased 3,434,600 of its issued ordinary shares from open market at an average price of RM0.784 per share. The total consideration paid for the repurchase including transaction costs was RM2,692,193 and this was financed by internally generated funds. 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 December 2019 was 11,062,434.

A8. Dividend paid

On 26 July 2019, the Company paid an interim single tier dividend of 2.0 sen per ordinary share in respect of the financial year ended 31 March 2019.

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	18,754	93,674	9,868	8,048	0	130,344
Inter-segment	21,556	0	0	0	(21,556)	0
Total revenue	<u>40,310</u>	<u>93,674</u>	<u>9,868</u>	<u>8,048</u>	<u>(21,556)</u>	<u>130,344</u>
RESULT						
Segment results	17,090	39,598	3,603	3,464	(11,085)	52,670
Finance cost						(1,817)
Share of results of associates						5,843
Taxation						<u>(18,150)</u>
Profit for the financial period						<u>38,546</u>

Revenue from external
customers by
geographical market
RM'000

Malaysia	122,296
Papua New Guinea	8,048
	<u>130,344</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 RM1.2077.

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 December 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>9,776</u>

A14. **Capital commitments**

As at 31 December 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

	Revenue				Profit before tax			
	31-12-19	31-12-18	Variances		31-12-19	31-12-18	Variances	
Business Segment	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Civil engineering & construction	18,754	21,036	(2,282)	(10.8)	13,483	10,770	2,713	25.2
Property development	93,674	34,648	59,026	170.4	31,454	11,152	20,302	182.0
Property investment & investment holding	9,868	9,984	(116)	(1.2)	8,291	(5,720)	14,011	(244.9)
Water supply & services	8,048	24,377	(16,329)	(67.0)	3,468	5,387	(1,919)	(35.6)
Total	130,344	90,045	40,299	44.8	56,696	21,589	35,107	162.6

The Group registered 44.8% improvement in revenue in the current financial period of RM130.3 million as compared to the preceding year corresponding period of RM90.0 million. In the same periods, the Group recorded 162.6% improvement in profit before taxation (PBT) against the preceding year corresponding period. The increase in revenue and PBT was mainly due to higher contribution from property development segment where it has registered improvement in sales and percentage of completion.

The further analysis of performance of each business segment for 9 months ended 31 December 2019 is as follows:

Civil engineering & construction

The segment recorded 10.8% lower revenue for the current financial period ended 31 December 2019 as compared to the preceding year corresponding period. The reduction in revenue was due to most projects are near to completion. However, the segment recorded 25.2% higher PBT of RM13.5 million for the financial period ended 31 December 2019 as compared to the preceding year corresponding period. The higher PBT was mainly due to final recognition of revenue in one of the completed projects.

Property development

The segment recorded 170.4% improvement in revenue for the financial period ended 31 December 2019 as compared to the preceding year corresponding period. The PBT also recorded 182.0% improvement for the financial period ended 31 December 2019 as compared to PBT in the preceding year corresponding period. The increase in revenue and PBT was due to higher sales recorded under Project Harmony-2 due to government Home Ownership Campaign from January to December 2019 as well as higher percentage of project completion.

Property investment & investment holding

The segment recorded 1.2% lower revenue for the financial periods ended 31 December 2019 as compared to the preceding year corresponding period. The softer revenue was due to lower rental income from Brem Mall, retail cum office complex at Jalan Kepong, Kuala Lumpur. However, the PBT has recorded 244.9% improvement for the financial period ended 31 December 2019 as compared to loss before taxation at the preceding year corresponding period. The loss in the previous financial period was mainly due to RM15.9 million impairment losses 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 in profits in the current financial period.

Water supply & services

The revenue of the segment recorded 67% drop for the financial period ended 31 December 2019 as compared to the preceding year corresponding period. The PBT has decreased by 35.6% for the financial period as compared to the preceding year. The decrease in revenue and PBT was due to the cessation of water concession since June 2019.

B2. Comparison with preceding quarter results

Business Segment	Revenue				Profit before tax			
	Current Quarter	Preceding Quarter	Variances		Current Quarter	Preceding Quarter	Variances	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Civil engineering & construction	7,131	3,769	3,362	89.2	5,200	2,376	2,824	118.9
Property development	49,055	21,252	27,803	130.8	15,435	11,888	3,547	29.8
Property investment & investment holding	3,206	3,233	(27)	(0.8)	3,514	1,620	1,894	116.9
Water supply & services	(81)	39	(120)	(307.7)	0	(0)	0	NM
Total	59,311	28,293	31,018	109.6	24,149	15,884	8,265	52.0

The Group recorded 109.6% improvement in revenue during the current quarter compared to immediate preceding quarter mainly due to property development and civil engineering & construction segments.

The Group recorded 52.0% higher PBT as compared to the preceding quarter was mainly contributed by all segments except water supply & services segment.

B3. Prospects

The construction segment 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 segment, the water concession has ceased in June 19. No further contribution from this segment in the future. For the property investment and investment holding segment, the rental receivable in Kepong Brem Mall is expected to see some improvements in the next financial year for changes in one of the anchor tenants despite facing the oversupply of retail complex. For property development segment, the short-term prospect of the industry is expected to remain challenging. The Group will continue to sell its unsold properties while carefully time 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 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
Malaysian taxation	6,189	13,698
Foreign taxation	119	1,358
Withholding tax	-	2,780
Deferred taxation	953	314
	<u>7,261</u>	<u>18,150</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	24,149	56,696
Tax at the statutory rate of 24%	5,796	13,607
Higher foreign tax rate	24	272
Non-taxable income	19	(47)
Non-allowable expenses	2,387	5,952
Share of associates results	(733)	(1,402)
Overprovision in prior financial year	(232)	(232)
Tax expenses	<u>7,261</u>	<u>18,150</u>

B6. Corporate proposal

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

B7. Group borrowings

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

	RM'000
Long term	50,655
Short term	40,571
	<u>91,226</u>
Secured	65,355
Unsecured	25,871
	<u>91,226</u>

B8. Material litigation

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

B9. Dividends

There was no dividend declared during the quarter ended 31 December 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
	31/12/19	31/12/18	31/12/19	31/12/18
Profit attributable to the equity holders of the parent (RM'000)	16,063	4,983	30,438	9,297
Weighted average number of ordinary shares ('000)	335,636	344,167	338,750	344,249
Basic earnings per share (sen)	4.8	1.4	9.0	2.7

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	60	238
Interest expense	474	1,817
Depreciation/Amortisation of property, plant and equipment	813	2,417
Liquidated ascertained damages	31	1,313
Rental of premise	96	289
Loss on:		
-Impairment of trade receivables	7,339	7,339
-foreign exchanged unrealised	(282)	35
-other investments	346	692
And crediting		
Gain on disposal of property, plant and equipment	63	90
Interest income	607	4,339
Rental income	424	1,289
Dividend Income	104	104

By Order of the Board

Andrea Huang Jia Mei
Company Secretary
Kuala Lumpur
26 February 2020