

## Condensed consolidated interim financial statements

For the twelve-month period ended 31 January 2016

### Condensed consolidated statement of profit or loss and other comprehensive income

	Note	Current quarter 3 months ended		Cumulative quarter 12 months ended	
		31 January 2016 Unaudited RM'000	31 January 2015 Unaudited RM'000	31 January 2016 Unaudited RM'000	31 January 2015 Audited RM'000
<b>Revenue</b>		267,465	117,225	538,088	353,158
Cost of sales		(226,430)	(98,362)	(444,590)	(294,023)
<b>Gross profit</b>		41,035	18,863	93,498	59,135
Interest income		807	553	2,461	1,871
Dividend income		1	3	14	96
Other gains and losses		(5,735)	957	10,530	1,122
Administrative expenses		(328)	(570)	(1,306)	(1,521)
Distribution costs		(745)	(396)	(1,496)	(1,244)
Other expenses		(7,210)	(6,347)	(32,293)	(19,116)
Finance costs		(846)	(682)	(2,917)	(2,387)
Share of results of associate		471	281	1,869	2,376
Share of results of joint venture		554	-	554	-
<b>Profit before tax</b>	8	28,004	12,662	70,914	40,332
Income tax expense	9	(8,129)	(4,372)	(20,625)	(12,244)
<b>Profit for the period, net of tax, attributable to the owners of the Company</b>		19,875	8,290	50,289	28,088
<b>Other comprehensive income/(loss)</b>					
Items that will not be reclassified subsequently to profit or loss:					
Gain on revaluation of properties		517	-	517	28,170
Items that may be reclassified subsequently to profit or loss:					
Foreign exchange translation		(3,277)	3,319	(505)	2,164
Net fair value gain/(loss) on cash flow hedge		-	546	1,501	208
<b>Other comprehensive gain/(loss) for the period, net of tax</b>		(2,760)	3,865	1,513	30,542
<b>Total comprehensive income for the period, net of tax, attributable to the owners of the Company</b>		17,115	12,155	51,802	58,630
<b>Earnings per share attributable to the owners of the Company (sen):</b>					
Basic and diluted	10	6.6	2.8	16.7	9.3

*The condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.*

**Condensed consolidated interim financial statements**  
**For the twelve-month period ended 31 January 2016**  
**Condensed consolidated statement of financial position**

		31 January 2016	31 January 2015
	Note	Unaudited RM'000	Audited RM'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	121,087	121,345
Goodwill	12	876	876
Other intangible assets	13	2,557	1,145
Investment in associate		20,157	27,194
Investment in joint venture		5,554	-
Deferred tax assets		5,340	1,122
		<u>155,571</u>	<u>151,682</u>
<b>Current assets</b>			
Inventories	14	47,910	41,672
Trade and other receivables		239,204	246,159
Investment securities	15	199	2,380
Cash and bank balances	16	241,641	163,816
Other financial assets	15	-	6
Tax recoverable		541	702
		<u>529,495</u>	<u>454,735</u>
<b>Total assets</b>		<u>685,066</u>	<u>606,417</u>
<b>Equity and liabilities</b>			
<b>Equity attributable to the owners of the Company</b>			
Share capital	17	150,205	150,205
Foreign currency translation reserve		(6,791)	(6,286)
Revaluation reserve		28,687	28,170
Cash flow hedging reserve		-	(1,501)
Retained earnings		150,077	116,612
<b>Total equity</b>		<u>322,178</u>	<u>287,200</u>
<b>Non-current liabilities</b>			
Loans and borrowings	18	1,240	5,373
Deferred tax liabilities		4,507	3,212
		<u>5,747</u>	<u>8,585</u>
<b>Current liabilities</b>			
Trade and other payables		323,641	255,681
Loans and borrowings	18	26,063	52,981
Other financial liabilities	15	455	1,165
Tax payable		6,982	805
		<u>357,141</u>	<u>310,632</u>
<b>Total liabilities</b>		<u>362,888</u>	<u>319,217</u>
<b>Total equity and liabilities</b>		<u>685,066</u>	<u>606,417</u>

*The condensed consolidated statement of financial position should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.*

**Condensed consolidated interim financial statements**  
**For the twelve-month period ended 31 January 2016**  
**Condensed consolidated statement of changes in equity**

		Attributable to the owners of the Company						
		Non-Distributable				Distributable		
		Share capital RM'000	Share premium RM'000	Foreign currency translation reserve RM'000	Revaluation reserve RM'000	Cash flow hedging reserve RM'000	Retained earnings RM'000	Total RM'000
<b>At 1 February 2014</b>		112,654	2,093	(8,450)	-	(1,709)	142,607	247,195
Total comprehensive income		-	-	2,164	28,170	208	28,088	58,630
Dividends	20	-	-	-	-	-	(18,625)	(18,625)
Bonus issue	17	37,551	(2,093)	-	-	-	(35,458)	-
<b>At 31 January 2015</b>		<b>150,205</b>	<b>-</b>	<b>(6,286)</b>	<b>28,170</b>	<b>(1,501)</b>	<b>116,612</b>	<b>287,200</b>
<b>At 1 February 2015</b>		<b>150,205</b>	<b>-</b>	<b>(6,286)</b>	<b>28,170</b>	<b>(1,501)</b>	<b>116,612</b>	<b>287,200</b>
Total comprehensive income		-	-	(505)	517	1,501	50,289	51,802
Dividends	20	-	-	-	-	-	(16,824)	(16,824)
<b>At 31 January 2016</b>		<b>150,205</b>	<b>-</b>	<b>(6,791)</b>	<b>28,687</b>	<b>-</b>	<b>150,077</b>	<b>322,178</b>

*The condensed consolidated statement of changes in equity should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.*

**Condensed consolidated interim financial statements**  
**For the twelve-month period ended 31 January 2016**  
**Condensed consolidated statement of cash flows**

	<b>12 months ended</b>	
	<b>31 January 2016</b>	<b>31 January 2015</b>
<b>Note</b>	<b>Unaudited RM'000</b>	<b>Audited RM'000</b>
<u>Operating activities</u>		
<b>Profit before tax</b>	70,914	40,332
Adjustments for:		
Interest income	(2,461)	(1,871)
Finance costs	2,986	2,387
Gain on disposal of property, plant and equipment	11 (148)	(224)
Gain on disposal of investment securities	(48)	(33)
Net fair value loss/(gain) on held for trading investment securities	2	(53)
Impairment loss on property, plant and equipment	-	224
Amortisation of other intangible assets	13 137	84
Reversal of impairment loss on trade receivables	-	(5)
Depreciation of property, plant and equipment	3,775	3,664
Inventories written down	14 626	7
Reversal on inventories written down	14 (583)	(619)
Unrealised (gain)/loss on foreign exchange	(1,769)	1,294
Share of results of associate	(1,869)	(2,376)
Share of results of joint venture	(554)	-
Unrealised loss/(gain) arising on financial liabilities designated as at fair value through profit or loss	461	(924)
Dividend income	(14)	(96)
<b>Operating cash flows before changes in working capital</b>	<u>71,455</u>	<u>41,791</u>
Changes in working capital:		
Increase in inventories	(6,303)	(8,818)
Decrease/(increase) in trade and other receivables	12,108	(102,064)
Increase in trade and other payables	70,526	20,006
<b>Total changes in working capital</b>	<u>76,331</u>	<u>(90,876)</u>
Interest paid	(3,965)	(3,172)
Income tax paid	(17,378)	(14,650)
	<u>(21,343)</u>	<u>(17,822)</u>
<b>Net cash generated from/(used in) operating activities</b>	<u>126,443</u>	<u>(66,907)</u>
<u>Investing activities</u>		
Purchase of property, plant and equipment	(2,806)	(2,345)
Proceeds from disposal of property, plant and equipment	203	254
Acquisition of other intangible assets	(1,549)	(932)
Acquisition of joint venture	(5,000)	-
Acquisition of investment securities	(80)	(4,158)
Proceeds from disposal of investment securities	2,200	4,250
Interest income received	2,461	1,871
Dividend from associate	2,397	-
Dividend income received	12	67
<b>Net cash used in investing activities</b>	<u>(2,162)</u>	<u>(993)</u>
<u>Financing activities</u>		
Repayment of term loans	(3,050)	(3,050)
Drawdown of other bank borrowings	18,626	26,370
Repayment of other bank borrowings	(30,436)	-
Repayment of hire-purchase	(1,035)	(867)
Dividend paid	(16,824)	(18,625)
<b>Net cash (used in)/generated from financing activities</b>	<u>(32,719)</u>	<u>3,828</u>
<b>Net change in cash and cash equivalents</b>	91,562	(64,072)
Effect of foreign exchange rate changes	2,041	(540)
<b>Cash and cash equivalents at 1 February</b>	<u>145,268</u>	<u>209,880</u>
<b>Cash and cash equivalents at 31 January*</b>	<u>238,871</u>	<u>145,268</u>
<b>* Cash and cash equivalents comprise the following at 31 January:</b>		
Cash and bank balances	241,641	163,816
Bank overdrafts	(2,770)	(18,548)
<b>Total cash and cash equivalents</b>	<u>238,871</u>	<u>145,268</u>

*The condensed consolidated statement of cash flows should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements.*

## **Explanatory notes pursuant to MFRS 134**

### **For the twelve-month period ended 31 January 2016**

#### **1 Corporate information**

George Kent (Malaysia) Berhad is a public limited liability company incorporated and domiciled in Malaysia, and is listed on Bursa Malaysia Securities Berhad ("Bursa").

These condensed consolidated interim financial statements were approved by the Board of Directors on 29 March 2016.

#### **2 Basis of preparation**

These condensed consolidated interim financial statements, for the period ended 31 January 2016, have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134 Interim Financial Reporting and Paragraph 9.22 of the Listing Requirements of Bursa. These condensed consolidated interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standard Board and should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 January 2015.

The consolidated financial statements of the Group for the financial year ended 31 January 2015 are available upon request from the Company's registered office at 1115, Jalan Puchong, Taman Meranti Jaya, 47120 Puchong, Selangor Darul Ehsan.

The explanatory notes attached to these condensed consolidated 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 financial year ended 31 January 2015.

#### **3 Significant accounting policies**

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial year ended 31 January 2015, except for the adoption of the following amendments to MFRSs:

##### Effective for financial periods beginning on or after 1 July 2014

- Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions
- Amendments to MFRSs: Annual Improvements to MFRSs 2010-2012 Cycle
- Amendments to MFRSs: Annual Improvements to MFRSs 2011-2013 Cycle

On 8 September 2015, the Malaysian Accounting Standards Board confirmed that the effective date of MFRS 15 *Revenue from Contracts with Customers* will be deferred to annual periods beginning on or after 1 January 2018.

The Directors expect that the adoption of the above Amendments to MFRSs will not result in any significant changes in the accounting policies and will not have any significant effect on the financial position, results and disclosures in the financial statements of the Group and the Company in the period of initial application.

#### **4 Changes in estimates**

There were no changes in estimates that have had a material effect in the current interim results.

## **Explanatory notes pursuant to MFRS 134**

### **For the twelve-month period ended 31 January 2016**

#### **5 Changes in composition of the Group**

There were no other changes in the composition of the Group during the current interim period save for the following:

- (a) On 17 September 2015, the Company incorporated a wholly-owned subsidiary, George Kent Rail Sdn Bhd ("GKR"). GKR has an authorised share capital of RM400,000 and an initial issued and fully paid up capital of RM2.00. The principal activity of GKR is that of an investment and management company.
- (b) On 22 October 2015, GKR acquired 1 ordinary share of RM1.00 each, representing 50% equity interest in the share capital of MRCB George Kent Sdn Bhd ("MRCBGK"), for a cash consideration of RM1.00. Effective from that date MRCBGK became a joint venture of the Group. MRCBGK was appointed to act as the Project Delivery Partner for the implementation of the Construction and Completion of Light Rail Transit Line 3 from Bandar Utama to Johan Setia.
- (c) On 30 October 2015, the issued and paid up share capital of GKR was increased to RM5,000,000 by the additional allotment of 4,999,998 ordinary shares of RM1.00 each at par to the Company, the authorised share capital of GKRSB is currently RM5,000,000 divided into 5,000,000 ordinary shares of RM1.00 each.
- (d) On 30 October 2015, the authorised share capital of MRCBGK was increased from RM400,000 divided into 400,000 ordinary shares of RM1.00 each to RM25,000,000 divided into 12,500,000 ordinary shares of RM1.00 each and 12,500,000 redeemable preference shares of RM1.00 each. The issued and paid up share capital of MRCBGK was increased from RM2.00 to RM10,000,000 with the allotment of 9,999,998 ordinary shares of RM1.00 each for a cash consideration of RM4,999,999 each from the Company and MRCB Builders Sdn Bhd (formerly known as Gelanggang Harapan Construction Sdn Bhd).

#### **6 Segment information**

Segment information is presented in respect of the Group's operating segments. The activities within each of these segments are explained below:

##### **(a) Metering**

Metering comprises mainly revenue derived from the production, marketing and trading of water related product and services.

##### **(b) Engineering**

Engineering comprises mainly revenue derived from the execution of construction contracts and income derived from investments in infrastructure.

There has been no material change in total assets and no differences in the basis of segmentation or in the basis of measurement of segment profit or loss as compared to the last annual financial statements.

## Explanatory notes pursuant to MFRS 134

### For the twelve-month period ended 31 January 2016

#### 6 Segment information (continued)

	Metering RM'000	Engineering RM'000	Others RM'000	Adjustments and eliminations RM'000	Per condensed consolidated financial statements RM'000
<b><u>Current quarter</u></b>					
<b>3 months period ended 31 January 2016</b>					
<b>Revenue:</b>					
External customers	30,937	236,528	-	-	267,465
<b>Results:</b>					
Interest income	-	2	86	719	807
Depreciation and amortisation	632	116	-	254	1,002
Share of results of associate	-	471	-	-	471
Segment profit (Note A)	5,463	32,897	(2,596)	(7,760)	28,004
<b>3 months period ended 31 January 2015</b>					
<b>Revenue:</b>					
External customers	24,723	92,502	-	-	117,225
<b>Results:</b>					
Interest income	-	9	89	455	553
Depreciation and amortisation	624	118	-	236	978
Share of results of associate	-	281	-	-	281
Segment profit (Note A)	4,574	11,630	(387)	(3,155)	12,662
<b><u>Cumulative quarter</u></b>					
<b>12 months period ended 31 January 2016</b>					
<b>Revenue:</b>					
External customers	105,398	432,690	-	-	538,088
<b>Results:</b>					
Interest income	-	6	431	2,024	2,461
Depreciation and amortisation	2,452	480	-	980	3,912
Share of results of associate	-	1,869	-	-	1,869
Segment profit (Note A)	23,567	60,761	403	(13,817)	70,914
<b>12 months period ended 31 January 2015</b>					
<b>Revenue:</b>					
External customers	96,609	256,549	-	-	353,158
<b>Results:</b>					
Interest income	-	9	377	1,485	1,871
Depreciation and amortisation	2,482	402	-	864	3,748
Share of results of associate	-	2,376	-	-	2,376
Segment profit (Note A)	19,211	32,491	(956)	(10,414)	40,332

## Explanatory notes pursuant to MFRS 134

### For the twelve-month period ended 31 January 2016

#### 6 Segment information (continued)

##### Note A

The following items are deducted from segment profit to arrive at "Profit before tax" presented in the consolidated statement of profit or loss and other comprehensive income:

	Current quarter		Cumulative quarter	
	3 months ended		12 months ended	
	31 January	31 January	31 January	31 January
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Finance costs	(870)	(682)	(2,986)	(2,387)
Net (loss)/gain on foreign exchange	(5,716)	1,890	9,997	(191)
Net (loss)/gain arising on financial liabilities designated as at FVTPL	(455)	(897)	(440)	(380)
Unallocated corporate expenses	(719)	(3,466)	(20,388)	(7,456)
	<u>(7,760)</u>	<u>(3,155)</u>	<u>(13,817)</u>	<u>(10,414)</u>

##### Metering

Revenue of RM30.94 million for the current quarter ended 31 January 2016 is 25% higher compared to RM24.72 million for the corresponding quarter in 2015. Correspondingly, segment profit of RM5.47 million for the current quarter ended 31 January 2016 is 20% higher as compared to RM4.57 million for the corresponding quarter in 2015.

Revenue of RM105.40 million for the current period ended 31 January 2016 is 9% higher compared to RM96.61 million for the corresponding period in 2015. Segment profit of RM23.57 million for the current period ended 31 January 2016 is 23% higher as compared to RM19.21 million for the corresponding period in 2015 mainly due to the higher revenue and gross profit margin in the current quarter. Gross profit margin is higher mainly attributed to the effect of foreign exchange rate on export sales.

##### Engineering

Revenue of RM236.53 million for the current quarter ended 31 January 2016 is 156% higher as compared to RM92.50 million for the corresponding quarter in 2015. Correspondingly, segment profit of RM32.90 million for the current quarter ended 31 January 2016 is 183% higher as compared to RM11.63 million for the corresponding quarter in 2015.

Revenue of RM432.69 million for the current period ended 31 January 2016 is 69% higher as compared to RM256.55 million for the corresponding period in 2015 contributed by steady progress in our Engineering projects. Segment profit of RM60.76 million for the current period ended 31 January 2016 is 87% higher as compared to RM32.49 million for the period ended 31 January 2015 due to the higher revenue and gross profit margin. Gross profit margin is higher due to improvement in profit margin of certain projects.

##### Consolidated revenue

The operations for the Group are mainly based in Malaysia, with the regional activities in the ASEAN countries and Papua New Guinea. Its core businesses are centred in the water industry and engineering works. The main factors which have affected the Group's revenue have been stated above.



## Explanatory notes pursuant to MFRS 134

### For the twelve-month period ended 31 January 2016

#### 6 Segment information (continued)

##### Consolidated profit before tax

The Group's current quarter profit before tax of RM28.00 million (31 January 2015: RM12.66 million) is 121% higher. The higher profit before tax reported was in line with the higher revenue and profits contributed by Metering and Engineering Divisions. Foreign exchange is at a net loss position of RM5.72 million (31 January 2015: net gain of RM1.89 million) due to unrealised loss on foreign currencies held and higher salaries and related expenses were incurred to support the continuous expansion of the Group.

The Group's profit before tax for the year ended 31 January 2016 of RM70.91 million (31 January 2015: RM40.33 million) is 76% higher. The higher profit before tax reported was in line with the higher revenue and profits contributed by Metering and Engineering Divisions. Foreign exchange is at a net gain position of RM10.0 million (31 January 2015: net loss of RM0.2 million) mainly due to realised gain on settlement. The increase in other expenses is mainly contributed by higher salaries and related expenses incurred to support the continuous expansion of the Group.

#### 7 Seasonality of operations

The Group's performance was not affected by any significant seasonal or cyclical factors.

#### 8 Profit before tax

Included in the profit before tax are the following items:

	Current quarter 3 months ended		Cumulative quarter 12 months ended	
	31 January 2016 RM'000	31 January 2015 RM'000	31 January 2016 RM'000	31 January 2015 RM'000
Interest income	(807)	(553)	(2,461)	(1,871)
Other income (including investment income)	(449)	(247)	(793)	(1,512)
Finance costs	870	682	2,986	2,387
Depreciation of property, plant and equipment	969	949	3,775	3,664
Impairment loss on property, plant and equipment	-	224	-	224
Amortisation of other intangible assets	33	29	137	84
Gain on disposal of investment securities	-	80	(48)	(33)
Gain on disposal of property, plant and equipment	-	(1)	(148)	(224)
Net fair value loss/(gain) on investment securities	12	168	2	(53)
Reversal of impairment loss on trade receivables	-	(5)	-	(5)
Inventories written down	506	7	626	7
Reversal on inventories written down	-	(619)	(583)	(619)
(Gain)/loss arising on financial liabilities designated as at FVTPL				
- realised	-	934	(21)	1,304
- unrealised	455	(37)	461	(924)
(Gain)/loss on foreign exchange:				
- realised	(3,397)	(2,136)	(8,228)	(1,103)
- unrealised	9,113	246	(1,769)	1,294

## Explanatory notes pursuant to MFRS 134

### For the twelve-month period ended 31 January 2016

#### 9 Income tax expenses

	Current quarter 3 months ended		Cumulative quarter 12 months ended	
	31 January 2016 RM'000	31 January 2015 RM'000	31 January 2016 RM'000	31 January 2015 RM'000
Current Tax:				
Malaysian tax	9,120	2,865	17,935	8,310
Foreign tax	1,076	1,092	4,763	2,828
	<u>10,196</u>	<u>3,957</u>	<u>22,698</u>	<u>11,138</u>
Under/(over)provision in prior years:				
Malaysian tax	1,028	(164)	1,028	(164)
	<u>11,224</u>	<u>3,793</u>	<u>23,726</u>	<u>10,974</u>
Deferred tax	(3,095)	579	(3,101)	1,270
	<u>8,129</u>	<u>4,372</u>	<u>20,625</u>	<u>12,244</u>

Domestic income tax is calculated at the Malaysian statutory rate of 24% (31 January 2015: 25%) of the estimated assessable profit. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The effective tax rate for the current period is higher than the statutory tax rate mainly due to withholding tax paid/payable for dividend declared by a foreign subsidiary and an associate.

#### 10 Earnings Per Share

Basic earnings per share amounts are calculated by dividing profit for the period, net of tax attributable to owners by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing profit for the period, net of tax attributable to owners by the weighted average number of ordinary shares outstanding during the period, plus the weighted average number of ordinary shares that would be issued on the conversion of the dilutive potential ordinary shares into ordinary shares.

The following reflect the profit and share data used in the computation of basic earnings per share:

	Current quarter 3 months ended		Cumulative quarter 12 months ended	
	31 January 2016	31 January 2015	31 January 2016	31 January 2015
Profit net of tax attributable to owners used in computation of earnings per share (RM'000)	<u>19,875</u>	<u>8,290</u>	<u>50,289</u>	<u>28,088</u>
Number of ordinary shares in issue ('000)	<u>300,410</u>	<u>300,410</u>	<u>300,410</u>	<u>300,410</u>
Basic/diluted earnings per share (sen)	<u>6.6</u>	<u>2.8</u>	<u>16.7</u>	<u>9.3</u>

The basic and diluted earnings per share are the same as the Company has no dilutive potential ordinary shares.

## Explanatory notes pursuant to MFRS 134

### For the twelve-month period ended 31 January 2016

#### 11 Property, plant and equipment

##### Acquisitions and disposals

During the twelve months period ended 31 January 2016, the Group acquired assets at a cost of RM3.43 million (31 January 2015: RM3.45 million).

Assets with carrying amount of RM55,000 (31 January 2015: RM30,000) were disposed of by the Group during the twelve months period ended 31 January 2016, resulting in a gain on disposal of RM148,000 (31 January 2015: RM224,000), recognised in profit or loss.

#### 12 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. Impairment is assessed whenever there is an indication that the intangible asset may be impaired.

#### 13 Other intangible assets

	Computer software RM'000	Product develop- ment costs RM'000	Other develop- ment costs RM'000	Total RM'000
<b>Cost:</b>				
At 1 February 2015	471	764	980	2,215
Additions	112	1,437	-	1,549
At 31 January 2016	583	2,201	980	3,764
<b>Accumulated amortisation:</b>				
At 1 February 2015	286	-	784	1,070
Amortisation	72	16	49	137
At 31 January 2016	358	16	833	1,207
<b>Carrying amount:</b>				
At 1 February 2015	185	764	196	1,145
At 31 January 2016	225	2,185	147	2,557

##### Computer software

Computer software are stated at cost less any accumulated impairment losses and are amortised on a straight-line basis over the estimated economic useful lives at the annual rate of 20%. The amortisation of computer software is recognised in profit or loss.

##### Product development costs

Product development costs relate to costs incurred in the development of new products, considered to have finite useful lives, are stated at cost less any accumulated impairment losses and are amortised over the period of expected benefit not exceeding 10 years on straight-line basis. The amortisation of product development costs is recognised in profit or loss.

##### Other development costs

Other development costs considered to have finite useful lives, are stated at cost less any accumulated impairment losses and are amortised using the straight-line basis from the commencement of the contract to which they relate over the period of their expected benefit not exceeding 20 years. The amortisation of other development costs is recognised in profit or loss.

## Explanatory notes pursuant to MFRS 134

### For the twelve-month period ended 31 January 2016

#### 14 Inventories

During the twelve months ended 31 January 2016, the Group recognised an inventories write down of RM626,000 (31 January 2015: RM7,000) and reversal of inventories write down of RM583,000 (31 January 2015: RM619,000). The inventories write down and reversal of inventories write down are recognised in profit or loss.

#### 15 Fair value hierarchy

The Group used the following hierarchy for determining the fair value of all instruments carried at fair value:

- Level 1 - Quoted price (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Input that are based on observable market data
- Level 3 - Input that are not based on observable market data

As at the reporting date, the Group held the following assets/(liabilities) that are measured at fair value:

	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
<b>At 31 January 2016</b>				
Financial assets held for trading:				
- Quoted shares	199	199	-	-
Financial liabilities carried at FVTPL:				
- Foreign exchange option contracts	(455)	-	(455)	-
Derivatives that are designated and effective as hedging instrument carried at fair value:				
- Foreign currency forward contracts	-	-	-	-
Non-financial assets:				
- Freehold land	80,365	-	-	80,365
- Building on freehold land	19,935	-	-	19,935
- Long-term leasehold land	959	-	-	959
- Long-term leasehold building	1,915	-	-	1,915
<b>At 31 January 2015</b>				
Financial assets held for trading				
- Quoted shares	2,380	2,380	-	-
Financial assets carried at FVTPL:				
- Foreign exchange option contracts	6	-	6	-
Derivatives that are designated and effective as hedging instrument carried at fair value:				
- Foreign currency forward contracts	(1,165)	-	(1,165)	-
Non-financial assets:				
- Freehold land	80,365	-	-	80,365
- Building on freehold land	19,697	-	-	19,697
- Long-term leasehold land	968	-	-	968
- Long-term leasehold building	2,031	-	-	2,031

## Explanatory notes pursuant to MFRS 134

### For the twelve-month period ended 31 January 2016

#### 16 Cash and bank balances

Cash and cash equivalents comprised the following amounts:

	31 January 2016 RM'000	31 January 2015 RM'000
Short-term deposits	143,411	70,279
Cash in hand and at banks	98,230	93,537
	<u>241,641</u>	<u>163,816</u>

#### 17 Share capital, share premium and treasury shares

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the current interim period.

#### 18 Interest-bearing loans and borrowings

	31 January 2016 RM'000	31 January 2015 RM'000
<b>Short-term borrowings</b>		
Secured:		
Bank overdrafts	2,770	18,548
Revolving credits	16,600	21,000
Bankers' acceptance	2,026	9,436
Term loans	3,813	3,050
Hire-purchase payables	854	947
	<u>26,063</u>	<u>52,981</u>
<b>Long-term borrowings</b>		
Secured:		
Term loans	-	3,813
Hire-purchase payables	1,240	1,560
	<u>1,240</u>	<u>5,373</u>
	<u>27,303</u>	<u>58,354</u>

#### 19 Provisions for costs of restructuring

Not applicable.

## Explanatory notes pursuant to MFRS 134

### For the twelve-month period ended 31 January 2016

#### 20 Dividends

Two interim dividends have been paid for the financial year ended 31 January 2016. The first and second interim single-tier dividends of 2.0 sen per share and 1.5 sen per share respectively amounting to RM10.51 million were paid on 12 November 2015 and 26 January 2016 respectively. (FY2015: 2.0 sen per share and 1.2 sen per share totalled RM9.61 million).

Subject to Shareholders' approval at the forthcoming Annual General Meeting, the Directors have recommended a final single-tier dividend of 3.5 sen per share (FY2015: 2.1 sen per share) amounting to RM10.51 million (FY2015: RM6.31 million) for the financial year ended 31 January 2016. In Ringgit term, the total dividend for the financial year ended 31 January 2016 will be RM21.03 million (FY2015: RM15.92 million) which will be 32% higher.

#### 21 Commitments

Capital expenditure as at the reporting date is as follows:

	31 January 2016 RM'000	31 January 2015 RM'000
<b>Approved and contracted for:</b>		
Property, plant and equipment	2,671	58
<b>Approved but not contracted for:</b>		
Property, plant and equipment	11	184

#### 22 Contingencies

The Group does not have any material contingent liabilities or contingent assets.

#### 23 Related party transactions

The Group had the following transactions with related parties during the twelve months period ended 31 January:

	Cumulative quarter 12 months ended	
	31 January 2016 RM'000	31 January 2015 RM'000
Related companies: *		
Purchase of air tickets	(633)	(481)
Professional and share registration charges	(123)	(112)

\* Related companies are companies within the Johan Holdings Berhad group.

#### 24 Events after the reporting period

There were no material event subsequent to the end of current interim period.

**Explanatory notes pursuant to Bursa Malaysia Listing Requirements:  
Chapter 9, Appendix 9B, Part A  
For the twelve-month period ended 31 January 2016**

**25 Performance review**

Explanatory comment on the performance of each of the Group's business activities is provided in Note 6.

**26 Comment on material change in profit before taxation**

The profit before taxation for the current quarter ended 31 January 2016 is 68% higher than the preceding quarter due to higher revenue and profit attributed to project related works.

**27 Commentary on prospects**

The Group expects to continue with its growth after another record year of revenue and profit.

This growth will be achieved from its growing order book and its efforts to enhance the capability, efficiency & productivity of the manufacturing facilities. The Light Rail Transit Line 3 (LRT 3) Project is expected to contribute positively to the earnings of the Group.

The Board is optimistic of the Group's prospects for the financial year ending 31 Jan 2017.

**28 Commentary on progress to achieve revenue or profit estimate, forecast, projection or internal targets**

Not applicable.

**29 Statement by directors on achievability of revenue or profit estimate, forecast, projection or internal targets**

Not applicable.

**30 Profit forecast or profit guarantee**

Not applicable.

**31 Corporate proposals**

There were no corporate proposals announced but not completed as at the date of issue of these interim financial statements.

**32 Changes in material litigation**

There was no outstanding material litigation as at the date of this report.

**33 Dividend payable**

Please refer to Note 20 for details.

**Explanatory notes pursuant to Bursa Malaysia Listing Requirements:  
 Chapter 9, Appendix 9B, Part A  
 For the twelve-month period ended 31 January 2016**

**34 Derivative financial instruments**

Details of derivative financial instruments outstanding as at 31 January 2016 measured at their fair values together with their corresponding contract/notional amounts classified by the remaining period of maturity are as follows:

Types of derivatives	Contract/notional values	Net fair value (liabilities)/assets	Maturity
	RM'000	RM'000	
<b>At 31 January 2016</b>			
Foreign exchange option contracts	12,368	(455)	Less than 1 year
<b>At 31 January 2015</b>			
Foreign exchange option contracts	3,784	6	Less than 1 year
Foreign currency forward contracts	24,341	(1,165)	Less than 1 year

Forward exchange contracts are used to manage the foreign currency exposures arising from the Company's payables denominated in currencies other than the functional currencies of the Company. Most of the forward exchange contracts have maturities of less than one year after the end of the reporting period.

**35 Disclosure of gains/losses arising from fair value changes of financial liabilities**

The Group did not have gains/losses arising from fair value changes of financial liabilities (other than derivative financial instruments) as at 31 January 2016 and 31 January 2015.



**Explanatory notes pursuant to Bursa Malaysia Listing Requirements:  
 Chapter 9, Appendix 9B, Part A  
 For the twelve-month period ended 31 January 2016**

**36 Breakdown of realised and unrealised profits or losses**

The breakdown of the retained earnings of the Group as at 31 January 2016 and 31 January 2015 into realised and unrealised profits is presented in accordance with the directives issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and 20 December 2010, prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirement, as issued by the Malaysian Institute of Accountants.

	<b>Current quarter ended 31 January 2016 RM'000</b>	<b>Previous financial year ended 31 January 2015 RM'000</b>
Total (accumulated losses)/retained earnings of the Company and its subsidiaries		
- Realised	(40,991)	(78,315)
- Unrealised	43,075	40,673
	<u>2,084</u>	<u>(37,642)</u>
Total share of profits from associate		
- Realised	25,231	32,011
- Unrealised	-	-
Total share of profits from joint venture		
- Realised	554	-
- Unrealised	-	-
	<u>27,869</u>	<u>(5,631)</u>
Add: Consolidation adjustments	122,208	122,243
Retained earnings as per financial statements	<u>150,077</u>	<u>116,612</u>

**37 Auditors' report on preceding annual financial statements**

The auditors' report on the financial statements for the financial year ended 31 January 2015 was not qualified.

BY ORDER OF THE BOARD

TEH YONG FAH  
 (MACS00400)

Company Secretary  
 29 March 2016