

Condensed consolidated interim financial statements

For the six-month period ended 31 July 2017

Condensed consolidated statement of profit or loss and other comprehensive income

	Note	Current quarter 3 months ended		Cumulative quarter 6 months ended	
		31 July 2017 Unaudited RM'000	31 July 2016 Unaudited RM'000	31 July 2017 Unaudited RM'000	31 July 2016 Unaudited RM'000
Revenue		187,567	164,768	316,989	287,732
Cost of sales		(151,092)	(134,882)	(246,590)	(231,094)
Gross profit		36,475	29,886	70,399	56,638
Interest income		921	1,054	1,677	2,033
Dividend income		3	3	3	3
Other gains		3,768	1,791	1,767	1,993
Administrative expenses		(372)	(313)	(678)	(633)
Distribution costs		(429)	(367)	(665)	(871)
Other expenses		(9,447)	(7,136)	(17,588)	(14,151)
Finance costs		(581)	(658)	(1,171)	(1,170)
Share of results of associate		401	366	744	695
Share of results of joint venture		2,286	1,752	3,573	2,126
Profit before tax	8	33,025	26,378	58,061	46,663
Income tax expense	9	(7,650)	(5,865)	(14,190)	(11,143)
Profit for the period, net of tax, attributable to the owners of the Company		25,375	20,513	43,871	35,520
Other comprehensive (loss)/gain					
Items that will not be reclassified subsequently to profit or loss		-	-	-	-
Items that may be reclassified subsequently to profit or loss:					
Foreign exchange translation		(454)	(105)	(927)	(3,323)
Net fair value change in financial assets available-for-sale		128	-	(320)	-
Other comprehensive loss for the period, net of tax		(326)	(105)	(1,247)	(3,323)
Total comprehensive income for the period, net of tax, attributable to the owners of the Company		25,049	20,408	42,624	32,197
Earnings per share attributable to the owners of the Company (sen):					
Basic and diluted	10	4.5	3.6	7.8	6.3

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 six-month period ended 31 July 2017
Condensed consolidated statement of financial position

		31 July 2017	31 January 2017
	Note	Unaudited RM'000	Audited RM'000
Assets			
Non-current assets			
Property, plant and equipment	11	129,041	128,427
Goodwill	12	876	876
Other intangible assets	13	5,093	4,320
Investment in associate		22,151	22,039
Investment in joint venture		14,988	11,415
Deferred tax assets		853	881
		<u>173,002</u>	<u>167,958</u>
Current assets			
Inventories	14	51,490	43,126
Trade and other receivables		220,127	267,151
Financial assets held-for-trading	15	260	266
Financial assets available-for-sale	15	20,236	-
Other financial assets	15	14	-
Tax recoverable		1,685	997
Cash and bank balances	16	422,940	430,204
		<u>716,752</u>	<u>741,744</u>
Total assets		<u>889,754</u>	<u>909,702</u>
Equity and liabilities			
Equity attributable to the owners of the Company			
Share capital	17	187,756	187,756
Foreign currency translation reserve		(7,664)	(6,737)
Properties revaluation reserve		34,703	34,703
Investments revaluation reserve		(320)	-
Retained earnings		209,396	184,301
Total equity		<u>423,871</u>	<u>400,023</u>
Non-current liabilities			
Loans and borrowings	18	1,462	959
Deferred tax liabilities		134	3,606
		<u>1,596</u>	<u>4,565</u>
Current liabilities			
Trade and other payables		401,629	440,184
Loans and borrowings	18	46,841	56,364
Other financial liabilities	15	-	13
Tax liabilities		15,817	8,553
		<u>464,287</u>	<u>505,114</u>
Total liabilities		<u>465,883</u>	<u>509,679</u>
Total equity and liabilities		<u>889,754</u>	<u>909,702</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 six-month period ended 31 July 2017
Condensed consolidated statement of changes in equity

		Attributable to the owners of the Company					
		Non-Distributable			Distributable		
		Share capital RM'000	Foreign currency translation reserve RM'000	Properties revaluation reserve RM'000	Investments revaluation reserve RM'000	Retained earnings RM'000	Total RM'000
At 1 February 2016		150,205	(6,789)	28,687	-	149,863	321,966
Total comprehensive income		-	(3,323)	-	-	35,520	32,197
Dividends	20	-	-	-	-	(10,514)	(10,514)
At 31 July 2016		150,205	(10,112)	28,687	-	174,869	343,649
At 1 February 2017		187,756	(6,737)	34,703	-	184,301	400,023
Total comprehensive income		-	(927)	-	(320)	43,871	42,624
Dividends	20	-	-	-	-	(18,776)	(18,776)
At 31 July 2017		187,756	(7,664)	34,703	(320)	209,396	423,871

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 six-month period ended 31 July 2017
Condensed consolidated statement of cash flows

	6 months ended	
	31 July 2017	31 July 2016
	Unaudited	Unaudited
Note	RM'000	RM'000
<u>Operating activities</u>		
Profit before tax	58,061	46,663
Adjustments for:		
Interest income	(1,677)	(2,033)
Finance costs	1,171	1,190
(Gain)/Loss on disposal of property, plant and equipment	11 (44)	13
Depreciation of property, plant and equipment	2,162	2,017
Amortisation of other intangible assets	13 89	74
Reversal on inventories written down	14 (11)	(10)
Net fair value loss/(gain) on held-for-trading investment	10	(8)
Dividend income from available-for-sale investment	(559)	-
Unrealised gain on foreign exchange	(124)	(1,942)
Share of results of associate	(744)	(695)
Share of results of joint venture	(3,573)	(2,126)
Unrealised gain arising on financial liabilities designated as at fair value through profit or loss	(28)	(213)
Dividend income	(3)	(3)
Operating cash flows before changes in working capital	<u>54,730</u>	<u>42,927</u>
Changes in working capital:		
(Increase)/Decrease in inventories	(8,391)	9,384
Decrease/(Increase) in trade and other receivables	46,275	(109,865)
(Decrease)/Increase in trade and other payables	(33,527)	88,621
Total changes in working capital	<u>4,357</u>	<u>(11,860)</u>
Interest paid	(3,807)	(1,560)
Income tax paid	(10,873)	(7,321)
Net cash generated from operating activities	<u>44,407</u>	<u>22,186</u>
<u>Investing activities</u>		
Purchase of property, plant and equipment	(1,932)	(4,282)
Proceeds from disposal of property, plant and equipment	45	10
Acquisition of other intangible assets	(859)	(1,186)
Acquisition of financial assets available-for-sale	(19,997)	-
Interest income received	1,677	2,033
Dividend from associate	-	6,252
Dividend income received	3	3
Net cash (used in)/generated from investing activities	<u>(21,063)</u>	<u>2,830</u>
<u>Financing activities</u>		
Repayment of term loans	-	(1,526)
Drawdown of other bank borrowings	42,710	45,561
Repayment of other bank borrowings	(55,713)	(18,626)
Repayment of hire-purchase	(492)	(492)
Dividends paid	(18,776)	-
Net cash (used in)/generated from financing activities	<u>(32,271)</u>	<u>24,917</u>
Net change in cash and cash equivalents	(8,927)	49,933
Effect of foreign exchange rate changes	(1,626)	604
Cash and cash equivalents at 1 February	430,204	238,875
Cash and cash equivalents at 31 July*	<u>419,651</u>	<u>289,412</u>
* Cash and cash equivalents comprise the following at 31 July:		
Cash and bank balances	422,940	292,756
Bank overdrafts	(3,289)	(3,344)
Total cash and cash equivalents	<u>419,651</u>	<u>289,412</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 six-month period ended 31 July 2017

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 28 September 2017.

2 Basis of preparation

These condensed consolidated interim financial statements, for the period ended 31 July 2017, 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 2017.

The consolidated financial statements of the Group for the financial year ended 31 January 2017 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 2017.

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 2017, except for the adoption of the following amendments to MFRSs:

Effective for financial periods beginning on or after 1 January 2017

- Amendments to MFRS 107: Disclosure Initiative
- Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to MFRSs: Annual Improvements to MFRSs 2014 - 2016 Cycle

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.

5 Changes in composition of the Group

There were no significant changes in the composition of the Group during the current interim period.

Explanatory notes pursuant to MFRS 134

For the six-month period ended 31 July 2017

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) Engineering

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

(b) Metering

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

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.

	Construct- ion RM'000	Infrastruct- ure RM'000	Engineer- ing RM'000	Metering RM'000	Others RM'000	Adjust- ments and elimina- tions RM'000	Per condensed consoli- dated financial statements RM'000
Current quarter							
3 months period ended							
31 July 2017							
Revenue:							
External customers	142,645	5,212	147,857	39,710	-	-	187,567
Results:							
Interest income	-	5	5	7	144	765	921
Depreciation and amortisation	52	59	111	771	-	290	1,172
Share of results of associate	-	401	401	-	-	-	401
Share of results of joint venture	2,286	-	2,286	-	-	-	2,286
Segment profit (Note A)	23,934	2,379	26,313	9,342	(766)	(1,864)	33,025
3 months period ended							
31 July 2016							
Revenue:							
External customers	127,191	4,792	131,983	32,785	-	-	164,768
Results:							
Interest income	-	2	2	-	53	999	1,054
Depreciation and amortisation	38	63	101	700	-	260	1,061
Share of results of associate	-	366	366	-	-	-	366
Share of results of joint venture	1,752	-	1,752	-	-	-	1,752
Segment profit (Note A)	17,968	2,213	20,181	8,231	290	(2,324)	26,378

Explanatory notes pursuant to MFRS 134

For the six-month period ended 31 July 2017

6 Segment information (continued)

	Construct- ion RM'000	Infrastruct- ure RM'000	Engineer- ing RM'000	Metering RM'000	Others RM'000	Adjust- ments and elimina- tions RM'000	Per condensed consoli- dated financial statements RM'000
Cumulative quarter							
6 months period ended							
31 July 2017							
Revenue:							
External customers	232,555	10,271	242,826	74,163	-	-	316,989
Results:							
Interest income	-	18	18	18	273	1,368	1,677
Depreciation and amortisation	88	120	208	1,502	-	541	2,251
Share of results of associate	-	744	744	-	-	-	744
Share of results of joint venture	3,573	-	3,573	-	-	-	3,573
Segment profit (Note A)	43,550	4,799	48,349	19,045	(3,684)	(5,649)	58,061
6 months period ended							
31 July 2016							
Revenue:							
External customers	217,565	9,042	226,607	61,125	-	-	287,732
Results:							
Interest income	-	4	4	-	128	1,901	2,033
Depreciation and amortisation	86	122	208	1,370	-	513	2,091
Share of results of associate	-	695	695	-	-	-	695
Share of results of joint venture	2,126	-	2,126	-	-	-	2,126
Segment profit (Note A)	36,372	4,231	40,603	11,961	(259)	(5,642)	46,663

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 3 months ended		Cumulative quarter 6 months ended	
	31 July 2017 RM'000	31 July 2016 RM'000	31 July 2017 RM'000	31 July 2016 RM'000
Interest income	765	999	1,368	1,901
Finance costs	(581)	(669)	(1,171)	(1,190)
Other unallocated corporate expenses	(2,048)	(2,654)	(5,846)	(6,353)
	<u>(1,864)</u>	<u>(2,324)</u>	<u>(5,649)</u>	<u>(5,642)</u>

Explanatory notes pursuant to MFRS 134

For the six-month period ended 31 July 2017

6 Segment information (continued)

Engineering

Revenue of RM147.86 million for the current quarter ended 31 July 2017 was 12% higher as compared to RM131.98 million for the corresponding quarter in 2016. Segment profit of RM26.31 million for the current quarter ended 31 July 2017 was 30% higher as compared to RM20.18 million for the corresponding quarter in 2016. Construction accounts for 96% of the revenue and 91% of segment profit of the Engineering Division. The higher revenue and segment profit was mainly contributed by the steady progress of the construction projects in hand.

Revenue of RM242.83 million for the current period ended 31 July 2017 was 7% higher as compared to RM226.61 million for the corresponding period in 2016 contributed by steady progress in our Engineering projects. Segment profit of RM48.35 million for the current period ended 31 July 2017 was 19% higher as compared to RM40.60 million for the period ended 31 July 2016 due to the higher revenue and segment profit margin.

Metering

Revenue of RM39.71 million for the current quarter ended 31 July 2017 was 21% higher compared to RM32.79 million for the corresponding quarter in 2016. Segment profit of RM9.34 million for the current quarter ended 31 July 2017 was 13% higher as compared to RM8.23 million for the corresponding quarter in 2016, in line with the higher revenue.

Revenue of RM74.16 million for the current period ended 31 July 2017 was 21% higher compared to RM61.13 million for the corresponding period in 2016. Segment profit of RM19.05 million for the current period ended 31 July 2017 was 59% higher as compared to RM11.96 million for the corresponding period in 2016 mainly due to the higher revenue and gross profit margin in the current period derived from both local and export sales of water meters, particularly to local authority in Selangor and to Nepal and Singapore.

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.

Consolidated profit before tax

The Group's current quarter profit before tax of RM33.03 million (31 July 2016: RM26.38 million) was 25% higher. The higher profit before tax reported was in line with the higher revenue and profits contributed by both the Engineering and Metering divisions. Other gains mainly arising from unrealised gain arising on financial liabilities designated as at FVTPL of RM0.73 million (31 July 2016: unrealised loss of RM0.48 million) on foreign exchange option contracts held.

The Group's profit before tax for the period ended 31 July 2017 of RM58.06 million (31 July 2016: RM46.66 million) was 24% higher. The higher profit before tax reported was in line with the higher revenue and profits contributed by both the Engineering and Metering divisions.

7 Seasonality of operations

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

Explanatory notes pursuant to MFRS 134

For the six-month period ended 31 July 2017

8 Profit before tax

Included in the profit before tax are the following items:

	Current quarter		Cumulative quarter	
	3 months ended		6 months ended	
	31 July	31 July	31 July	31 July
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Interest income	(921)	(1,054)	(1,677)	(2,033)
Other income	(1,110)	(530)	(2,144)	(736)
Finance costs	581	669	1,171	1,190
Depreciation of property, plant and equipment	1,127	1,026	2,162	2,017
Amortisation of other intangible assets	45	35	89	74
Reversal on inventories written down	(5)	(9)	(11)	(10)
Gain on disposal of property, plant and equipment	(4)	13	(44)	13
Net fair value loss/(gain) on held-for-trading investment	3	35	10	(8)
Dividend income from available-for-sale investment	(65)	-	(559)	-
Loss/(Gain) arising on financial liabilities designated as at FVTPL				
- realised	49	(7)	6	(7)
- unrealised	(737)	476	(28)	(213)
(Gain)/Loss on foreign exchange:				
- realised	(563)	(181)	1,113	897
- unrealised	(1,344)	(1,600)	(124)	(1,942)

9 Income tax expenses

	Current quarter		Cumulative quarter	
	3 months ended		6 months ended	
	31 July	31 July	31 July	31 July
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Current Tax:				
Malaysian tax	10,529	5,296	16,445	9,744
Foreign tax	565	562	1,189	1,392
	11,094	5,858	17,634	11,136
Deferred tax	(3,444)	7	(3,444)	7
	7,650	5,865	14,190	11,143

Domestic income tax is calculated at the Malaysian statutory rate of 24% of the estimated assessable profit. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Explanatory notes pursuant to MFRS 134

For the six-month period ended 31 July 2017

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 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		Cumulative quarter	
	3 months ended		6 months ended	
	31 July	31 July	31 July	31 July
	2017	2016	2017	2016
Profit net of tax attributable to owners used in computation of earnings per share (RM'000)	25,375	20,513	43,871	35,520
Number of ordinary shares in issue ('000)	563,269	563,269	563,269	563,269
Basic/diluted earnings per share (sen)	4.5	3.6	7.8	6.3

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

11 Property, plant and equipment

Acquisitions and disposals

During the six months period ended 31 July 2017, the Group acquired assets at a cost of RM3.14 million (31 July 2016: RM4.28 million).

Assets with carrying amount of RM1,000 (31 July 2016: RM23,000) were disposed of by the Group during the six months period ended 31 July 2017, resulting in a gain on disposal of RM44,000 (31 July 2016: loss of RM13,000), 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 annually and whenever there is an indication that the goodwill may be impaired.

Explanatory notes pursuant to MFRS 134

For the six-month period ended 31 July 2017

13 Other intangible assets

	Computer software RM'000	Product development costs RM'000	Other development costs RM'000	Total RM'000
Cost:				
At 1 February 2017	593	4,133	980	5,706
Additions	-	862	-	862
At 31 July 2017	593	4,995	980	6,568
Accumulated amortisation:				
At 1 February 2017	428	76	882	1,386
Amortisation	29	36	24	89
At 31 July 2017	457	112	906	1,475
Carrying amount:				
At 1 February 2017	165	4,057	98	4,320
At 31 July 2017	136	4,883	74	5,093

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.

14 Inventories

During the six months ended 31 July 2017, the Group recognised a reversal of inventories write down of RM11,000 (31 July 2016: RM10,000) in profit or loss.

Explanatory notes pursuant to MFRS 134

For the six-month period ended 31 July 2017

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
At 31 July 2017				
Financial assets held-for-trading:				
- Quoted shares	260	260	-	-
Financial assets available-for-sale:				
- Quoted securities	20,236	20,236	-	-
Financial assets carried at FVTPL:				
- Foreign exchange option contracts	14	-	14	-
Non-financial assets:				
- Freehold land	87,700	-	-	87,700
- Building on freehold land	17,864	-	-	17,864
- Long-term leasehold land	943	-	-	943
- Long-term leasehold building	2,166	-	-	2,166
	<hr/>			
At 31 January 2017				
Financial assets held for trading				
- Quoted shares	266	266	-	-
Financial liabilities carried at FVTPL:				
- Foreign exchange option contracts	(13)	-	(13)	-
Non-financial assets:				
- Freehold land	87,700	-	-	87,700
- Building on freehold land	18,155	-	-	18,155
- Long-term leasehold land	974	-	-	974
- Long-term leasehold building	2,295	-	-	2,295
	<hr/>			

16 Cash and bank balances

Cash and cash equivalents comprised the following amounts:

	31 July 2017 RM'000	31 January 2017 RM'000
Short-term deposits	95,861	118,602
Cash in hand and at banks	327,079	311,602
	<hr/>	
	422,940	430,204

Explanatory notes pursuant to MFRS 134

For the six-month period ended 31 July 2017

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 July 2017 RM'000	31 January 2017 RM'000
Short-term borrowings		
Secured:		
Bank overdrafts	3,289	-
Revolving credits	32,760	41,959
Bankers' acceptance	9,898	13,718
Hire-purchase payables	894	687
	<u>46,841</u>	<u>56,364</u>
Long-term borrowings		
Secured:		
Hire-purchase payables	1,462	959
	<u>48,303</u>	<u>57,323</u>

19 Provisions for costs of restructuring

Not applicable.

20 Dividends

The Directors have declared an interim dividend of 2.5 sen per share (FY2017: 3.0 sen per share) based on the enlarged share capital of 563.27 million shares (FY2017: share capital of 375.51 million shares) amounting to RM14.08 million (FY2017: RM11.27 million) up 25% for the financial year ending 31 January 2018.

The dividend will be paid on 9 November 2017 to shareholders whose names appear in the Record of Depositors on 13 October 2017.

The final dividend of 5.0 sen per share (FY2016: 3.5 sen per share) on 375.51 million shares (FY2016: 300.41 million shares) for the financial year ended 31 January 2017 was approved by the Shareholders of the Company on 22 June 2017 and paid on 20 July 2017. In Ringgit term, the total dividend for the financial year ended 31 January 2017 was RM37.56 million (FY2016: RM21.03 million), up by 79%.

Explanatory notes pursuant to MFRS 134

For the six-month period ended 31 July 2017

21 Commitments

Capital expenditure as at the reporting date is as follows:

	31 July 2017 RM'000	31 January 2017 RM'000
Approved and contracted for:		
Property, plant and equipment	1,692	136
Approved but not contracted for:		
Property, plant and equipment	3	207

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 six months period ended 31 July:

	Cumulative quarter 6 months ended	
	31 July 2017 RM'000	31 July 2016 RM'000
Related companies: *		
Rental expenses for motor vehicle	38	28
Rental expenses for land	120	20
Purchase of air tickets	322	452
Share registration charges, secretarial and accounting fees	48	46

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

24 Events after the reporting period

On 10 August 2017, the issued share capital of 375,512,710 shares have been subdivided into 563,269,065 split shares. 187,756,355 new ordinary shares in the Company have been credited as fully paid-up on the basis of every two existing shares into three split shares. Accordingly, the earnings per share figures have been adjusted retrospectively to enable a fair comparison.

Save as disclosed above, 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 six-month period ended 31 July 2017**

25 Performance review

	Current quarter 3 months ended			Cumulative quarter 6 months ended		
	31 July 2017	31 July 2016	Changes %	31 July 2017	31 July 2016	Changes %
	RM'000	RM'000		RM'000	RM'000	
Revenue	187,567	164,768	+ 14	316,989	287,732	+ 10
Profit before tax	33,025	26,378	+ 25	58,061	46,663	+ 24
Profit after tax	25,375	20,513	+ 24	43,871	35,520	+ 24

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

	Current quarter 3 months ended 31 July 2017 RM'000	Preceding quarter 3 months ended 30 April 2017 RM'000	Changes %
Revenue	187,567	129,422	+ 45
Profit before tax	33,025	25,036	+ 32
Profit after tax	25,375	18,496	+ 37

The profit before taxation for the current quarter ended 31 July 2017 is 32% higher than the preceding quarter due to higher revenue and profit attributed to project related works.

27 Commentary on prospects

The Group achieved yet another record quarter pre-tax profit of RM33.03 million (31 July 2016: RM26.38 million) on the back of a revenue of RM187.57 million (31 July 2016: RM164.77 million). Again, both the Engineering and Metering divisions contributed to the Group's growth.

The Engineering division's growth was contributed by both on-going as well as new projects secured in the previous year. The Metering division's growth was contributed by increase in orders from both the local and export markets.

The half yearly pre-tax profit of RM58.06 million (31 July 2016: RM46.66 million) was another record on the back of a revenue of RM316.99 (31 July 2016: RM287.73 million). The Group is on the right trajectory for yet another good year. We will continue to seek opportunities to grow the already strong order book of RM5.93 billion.

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

34 Derivative financial instruments

Details of derivative financial instruments outstanding as at 31 July 2017 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 RM'000	Net fair value assets/(liabilities) RM'000	Maturity
At 31 July 2017			
Foreign exchange option contracts	13,042	14	Less than 1 year
At 31 January 2017			
Foreign exchange option contracts	3,335	(13)	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 July 2017 and 31 January 2017.

**Explanatory notes pursuant to Bursa Malaysia Listing Requirements:
 Chapter 9, Appendix 9B, Part A
 For the six-month period ended 31 July 2017**

36 Breakdown of realised and unrealised profits or losses

The breakdown of the retained earnings of the Group as at 31 July 2017 and 31 January 2017 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.

	Current quarter ended 31 July 2017 RM'000	Previous financial year ended 31 January 2017 RM'000
Total retained earnings/(accumulated losses) of the Company and its subsidiaries		
- Realised	1,740	(17,329)
- Unrealised	47,974	46,264
	<u>49,714</u>	<u>28,935</u>
Total share of profits from associate		
- Realised	27,484	26,741
Total share of profits from joint venture		
- Realised	9,988	6,415
	<u>87,186</u>	<u>62,091</u>
Add: Consolidation adjustments	122,210	122,210
Retained earnings as per financial statements	<u>209,396</u>	<u>184,301</u>

37 Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the financial year ended 31 January 2017 was not qualified.

BY ORDER OF THE BOARD

TEH YONG FAH (MACS00400)
 GAN LEE MEI (MAICSA7057081)
 Company Secretaries

28 September 2017