

Interim Financial Statements for the First Quarter Ended 30 September 2019

Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income
for the First Quarter Ended 30 September 2019

(Unaudited)

	CURRENT QUARTER		CUMULATIVE QUARTER	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
	RM'000	RM'000	RM'000	RM'000
Revenue	24,978	33,852	24,978	33,852
Operating expenses	(31,221)	(38,748)	(31,221)	(38,748)
Impairment of financial assets	(1,908)	(485)	(1,908)	(485)
Other operating income	275	5,636	275	5,636
(Loss)/Profit from operations	(7,876)	255	(7,876)	255
Finance costs	(1,160)	(1,002)	(1,160)	(1,002)
Finance Income	166	753	166	753
(Loss)/Profit before taxation	(8,870)	6	(8,870)	6
Taxation	(13)	(189)	(13)	(189)
Loss after taxation from continued operations	(8,883)	(183)	(8,883)	(183)
Profit after taxation from discontinued operations	404	222	404	222
(Loss)/Profit after taxation for the period	(8,479)	39	(8,479)	39
Other comprehensive (loss)/income				
<u>Items that may be reclassified subsequently to profit or loss:</u>				
Foreign currency translation differences	-	16	-	16
Fair value changes of other investments	(25)	11	(25)	11
Other comprehensive (loss)/income, net of tax	(25)	27	(25)	27
Total comprehensive (loss)/income	(8,504)	66	(8,504)	66
(Loss)/Profit for the period attributable to:				
Owners of the Company	(8,604)	(39)	(8,604)	(39)
Non-controlling interests	125	78	125	78
	(8,479)	39	(8,479)	39
Total comprehensive (loss)/income for the period attributable to:				
Owners of the Company	(8,629)	(12)	(8,629)	(12)
Non-controlling interests	125	78	125	78
	(8,504)	66	(8,504)	66
Basic/Diluted (loss)/profit for the period per ordinary share (sen)				
- from continued operations	(12.25)	(0.26)	(12.25)	(0.26)
- from discontinued operations	0.38	0.21	0.38	0.21
	(11.87)	(0.05)	(11.87)	(0.05)

The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the audited Annual Financial Statements for the financial year ended 30 June 2019.

Interim Financial Statements for the First Quarter Ended 30 September 2019

Condensed Consolidated Statements of Financial Position as at 30 September 2019

	AS AT END OF CURRENT QUARTER <u>30/09/2019</u> Unaudited RM'000	AS AT PRECEDING FINANCIAL YEAR ENDED <u>30/06/2019</u> Audited RM'000
Non-current Assets		
Property, plant and equipment	17,575	16,348
Investment properties	53,000	53,000
Land held for property development	7,583	7,427
Investments in associated companies	7	7
Other investments	576	601
Deferred tax assets	8	8
	<u>78,749</u>	<u>77,391</u>
Current Assets		
Inventories	5,109	5,035
Trade and other receivables	59,478	62,601
Tax recoverable	791	1,906
Cash and cash equivalents	11,588	11,257
Assets classified as held for sale	58,668	48,542
	<u>135,634</u>	<u>129,341</u>
Current Liabilities		
Trade and other payables	18,226	21,964
Hire purchase payables	14	18
Overdraft and short term borrowings	72,984	61,530
Tax payable	343	347
Liabilities classified as held for sale	39,135	29,134
	<u>130,702</u>	<u>112,993</u>
NET CURRENT ASSETS	<u>4,932</u>	<u>16,348</u>
	<u>83,681</u>	<u>93,739</u>
FINANCED BY:		
Total Equity		
Share capital	75,926	75,926
Reserves	(10,763)	(2,134)
Equity attributable to owners of the Company	65,163	73,792
Non-controlling interests	8,321	8,196
	<u>73,484</u>	<u>81,988</u>
Non-current Liabilities		
Term Financing/Loan	7,589	9,143
Deferred tax liabilities	2,608	2,608
	<u>10,197</u>	<u>11,751</u>
	<u>83,681</u>	<u>93,739</u>

The Condensed Consolidated Statements of Financial Position should be read in conjunction with the audited Annual Financial Statements for the financial year ended 30 June 2019.

Interim Financial Statements for the First Quarter Ended 30 September 2019

Condensed Consolidated Statements of Changes in Equity for the First Quarter Ended 30 September 2019

(Unaudited)

	◀ Attributable to Owners of the Parent ▶					Total Equity RM'000
	← Non-Distributable →		Distributable		Non- Controlling Interests RM'000	
	Share * Capital RM'000	Other Reserves RM'000	Retained Profits RM'000	Total RM'000		
3 months ended						
30 September 2019						
At 1 July 2019	75,926	38	(2,172)	73,792	8,196	81,988
(Loss)/Profit after taxation for the financial period	-		(8,604)	(8,604)	125	(8,479)
Other comprehensive loss for the financial period, net of tax						
- Fair value changes of other investments	-	(25)	-	(25)	-	(25)
Total comprehensive (loss)/income for the financial period	-	(25)	(8,604)	(8,629)	125	(8,504)
At 30 September 2019	75,926	13	(10,776)	65,163	8,321	73,484
3 months ended						
30 September 2018						
At 1 July 2018	75,926	653	42,915	119,494	8,027	127,521
Effect on initial adoption of MFRS 9 net of tax	-	-	(8,022)	(8,022)	-	(8,022)
At 1 July 2018, as restated	75,926	653	34,893	111,472	8,027	119,499
(Loss)/Profit after taxation for the financial period	-	-	(39)	(39)	78	39
Other comprehensive income for the financial period						
- Fair value changes of other investments	-	11	-	11	-	11
- Foreign currency translation	-	16	-	16	-	16
Total comprehensive income/(loss) for the financial period	-	27	(39)	(12)	78	66
At 30 September 2018	75,926	680	34,854	111,460	8,105	119,565

Note *

The Group had adopted MFRS 9 on 1 July 2018. As permitted by the transitional provisions of MFRS 9, the cumulative impacts arising from the adoption of this standard were adjusted to the retained earnings of the Group as at 1 July 2018.

The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

Interim Financial Statements for the First Quarter Ended 30 September 2019

Condensed Consolidated Statements of Cash Flows for the First Quarter 30 September 2019

(Unaudited)

	<u>1.7.2019 to</u> <u>30/09/2019</u> RM'000	<u>1.7.2018 to</u> <u>30/09/2018</u> RM'000
Cash flows for operating activities		
(Loss)/Profit before tax from		
- continuing operations	(8,870)	6
- discontinued operations	532	292
Adjustments for:-		
Non-cash items	2,261	(4,941)
Non-operating items	(118)	(155)
Operating loss before working capital changes	<u>(6,195)</u>	<u>(4,798)</u>
Net change in current assets	(9,804)	21,059
Net change in current liabilities	6,487	(6,375)
Cash flows (for)/from operations	<u>(9,512)</u>	<u>9,886</u>
Tax refunded/(paid)	1,250	(60)
Net cash (for)/from operating activities	<u>(8,262)</u>	<u>9,826</u>
Cash flows (for)/from investing activities		
Equity investments	5	-
Other investments	(3,121)	6,137
Net cash (for)/from investing activities	<u>(3,116)</u>	<u>6,137</u>
Cash flows from/(for) financing activities		
Deposits pledged with a licensed bank	-	(7)
Term financing/loan	(1,126)	(1,587)
Hire purchase financing	(16)	(38)
Short term bank borrowings	10,542	(762)
Net cash from/(for) financing activities	<u>9,400</u>	<u>(2,394)</u>
Net decrease in cash and cash equivalents	(1,978)	13,569
Cash and cash equivalents at beginning of financial period	(1,414)	(14,656)
Cash and cash equivalents at end of financial period	<u>(3,392)</u>	<u>(1,087)</u>
Cash and cash equivalent at the end of the financial period comprise of:		
	<u>30/09/2019</u> RM'000	<u>30/09/2018</u> RM'000
Cash and bank balances	12,177	7,620
Bank overdrafts	(13,765)	(6,903)
Finance service revenue account	(1,804)	(1,804)
	<u>(3,392)</u>	<u>(1,087)</u>

The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the audited Annual Financial Statements for the financial year ended 30 June 2019.

A EXPLANATORY NOTES AS PER MFRS 134

A1. Accounting Policies

The interim financial report has been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134 Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report is unaudited and should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 June 2019 and the accompanying explanatory notes attached to the interim financial report.

Changes in accounting policies

The significant accounting policies adopted are consistent with those of the audited financial statements of the Group for the year ended 30 June 2019, except for the adoption of the following MFRSs and amendments to MFRSs that are relevant to its operations:

MFRS 16

MFRS 16 was issued in January 2016 and it replaces MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

The Group has adopted MFRS 16 Leases retrospectively from 1 July 2019, but has not restated comparatives for the 30 June 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 July 2019.

The adoption of MFRS 16 does not have significant impact to the Group other than the classification. For leases previously classified as finance leases, the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of MFRS 16 are only applied after that date.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

A1. Accounting Policies (cont'd)

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying MFRS 117 and Interpretation 4 Determining whether an Arrangement contains a Lease.

A2. Audit Report

The audit report of the most recent annual financial statements was not subject to any qualification.

A3. Seasonal or Cyclical Factors

There is no major seasonality or cyclicity in the Group's operations.

A4. Unusual Items

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group during the current interim period.

A5. Changes in Estimates

There were no changes in estimates of amounts reported in prior financial years that have a material effect in the current interim period.

A6. Debt and Equity Securities

There were no share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current interim period.

A7. Payment of Dividend

There was no payment of dividend for the quarter under review.

A8. Segmental Reporting

Segment information for the first quarter ended 30 September 2019 is as follows: -

	Trading	Contract (exclude discontinuing operations)	Property Development	Property and Investment Holding	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	24,951		-	27	-	24,978
(Loss)/Profit from operations	(7,586)	(123)	(1)	5	(5)	(7,710)
Finance costs						(1,160)
Loss before taxation						(8,870)
Income tax expenses						(13)
Loss after tax from continuing						(8,883)
Result from discontinuing operations						404
Loss after taxation						(8,479)

A8. Segmental Reporting (cont'd)

Segment information for the first quarter ended 30 September 2018 is as follows: -

	Trading RM'000	Contract (exclude discontinuing operations) RM'000	Property Development RM'000	Property and Investment Holding RM'000	Others RM'000	Total RM'000
Revenue	30,635	641	2,465	111	-	33,852
(Loss)/Profit from operations	686	(24)	281	66	(1)	1,008
Finance costs						(1,002)
Profit before taxation						6
Income tax expenses						(189)
Loss after tax from continuing operations						(183)
Result from discontinuing operations						222
Profit after taxation						39

A9. Property, Plant and Equipment

Property, plant and equipment, other than freehold land are stated at cost less accumulated depreciation and any impairment losses. Freehold land is stated at cost less any impairment losses and is not depreciated.

A10. Disposal Group Classified as Held for Sale

At the end of the current reporting period, the operating segment for the constructing and assembling industrial control instruments is presented as a disposal group classified as held for sale following the Group's plan to divest its investment in this business segment to focus on its core business of trading in construction materials. Efforts to sell the disposal group have commenced and as at 30 September 2019, its after tax loss of RM 0.4 million is presented separately on the consolidated statement of profit and loss and other comprehensive income as "loss after taxation from discontinuing operations". The assets and liabilities of the disposal group are as follows:

	<u>30/09/2019</u> RM'000	<u>30/06/2019</u> RM'000
<u>Assets classified as held for sale</u>		
Property, plant and equipment	17,448	15,467
Inventories	1,220	1,239
Receivables	45,310	34,092
Tax recoverable	-	5
Cash and bank balances	589	3,254
Goodwill	99	99
Assets of disposal group classified as held for sale	<u>64,666</u>	<u>54,156</u>
Less: impairment losses	<u>(6,698)</u>	<u>(6,698)</u>
	<u>57,968</u>	<u>47,458</u>
<u>Liabilities classified as held for sale</u>		
Payables and accruals	31,332	21,106
Bank borrowings	7,488	7,984
Deferred tax liabilities	44	44
Tax payables	271	-
	<u>39,135</u>	<u>29,134</u>

A10. Disposal Group Classified as Held for Sale (cont'd)

Included within assets classified as held for sale are also land and buildings and investment properties with total value of RM0.7 million as at 30 September 2019 and RM1.1 million as at 30 June 2019 as Sale and Purchase Agreements for these properties have been executed or are in progress.

A11. Material Subsequent Events

There are no material events subsequent to the end of the current interim period that have not been reflected in these interim financial statements.

A12. Changes in Composition of the Group

On 23 August 2019, the Company entered into a Share Sale Agreement with Makin Juta Steel Industries Sdn Bhd (Company No. 1211805-A) for the disposal of 695,408 ordinary shares, being the Company's 68.15% equity interest in the issued and paid up share capital of its subsidiary, Control Instruments (M) Sdn Bhd for a cash consideration of RM9.5 million. The sale transaction was completed on 18 October 2019.

A13. Contingent Liabilities

There are no material changes in contingent liabilities and contingent assets since the last financial reporting period.

B. ADDITIONAL INFORMATION REQUIRED BY BMSB'S LISTING REQUIREMENTS**B1. Review of Performance**

The Group recorded a turnover of RM25 million with a pre-tax loss of RM8.87 million for its continuing operation. The softening of property market, delay in commencement of residential projects coupled with strict lending conditions imposed by financial institutions due to the overhang and unsold stocks in the market that causes the decrease in turnover. Drop in average gross margin and high impairment in receivables lead the Group reported loss after tax of RM8.48 million for the financial period under review.

B2. Comparison with Preceding Quarter's Result

In the quarter under review, the Group's turnover of RM25 million is decreased by 26% compared to the preceding quarter's RM34 million. The loss for the current quarter was mainly due to low turnover from the trading operations and impairment in receivables.

B3. Current Year Prospects

The Directors expect the Group's performance to continue to be challenging and is currently consolidating and rationalising its operation including continuing cost cutting measures. Effort to streamline the businesses of the Group where concentration will be in line with the business aspirations and greater participation within the value chain of the property development and construction industry are also underway.

B4. Variances from Profit Forecast and Profit Guarantee

The Company did not make a profit forecast and therefore comments on variances with forecast profit are not applicable.

B5. (Loss)/Profit Before Taxation

The loss/profit before taxation is stated after charging/(crediting):

	CURRENT QUARTER		CUMULATIVE QUARTER	
	<u>30/9/2019</u>	<u>30/9/2018</u>	<u>30/9/2019</u>	<u>30/9/2018</u>
	RM'000	RM'000	RM'000	RM'000
Interest income	(166)	(753)	(166)	(753)
Interest expenses	1,160	1,002	1,160	1,002
Depreciation and amortisation	331	274	331	274
Gain on disposal of property, plant & equipment	(14)	(5,327)	(14)	(5,327)
Gain on disposal of investment properties	(6)	-	(6)	-
Impairment of inventories	18	192	18	192
Impairment of receivables	1,908	485	1,908	485
Loss on foreign exchange	-	13	-	13

B6. Taxation

Taxation comprises the following:

	CURRENT QUARTER		CUMULATIVE QUARTER	
	<u>30/9/2019</u>	<u>30/9/2018</u>	<u>30/9/2019</u>	<u>30/9/2018</u>
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax:				
Current year tax	(13)	(198)	(13)	(198)
Deferred tax	-	9	-	9
Total income tax expense	<u>(13)</u>	<u>(189)</u>	<u>(13)</u>	<u>(189)</u>

B7. Sale of Investments and Properties

- a) On 1 August 2019, a subsidiary entered into a Sale and Purchase Agreement for the disposal of a double storey shop lot for sale consideration of RM300,000. The transaction was subsequently completed on 19 November 2019.
- b) On 23 August 2019, a subsidiary entered into a Sale and Purchase Agreement for the disposal of a unit freehold condominium for sale consideration of RM550,000. The transaction has yet to be completed.

B8. Purchase or Disposal of Quoted Securities

There is no purchase or disposal of quoted securities for the current interim period.

Total investments in quoted shares as at 30 September 2019 are at carrying value/ market value of RM128,225.

B9. Status of Corporate Proposals

There was no corporate proposal announced but not completed as at the date of this report.

B10. Group Borrowings and Debt Securities

The Group borrowings and debt securities which are denominated in Ringgit Malaysia as at 30 June are as below:

	As at	As at
	<u>30/09/2019</u>	<u>30/06/2019</u>
	RM'000	RM'000
Secured	27,773	32,999
Unsecured	45,211	28,531
Total short term borrowings	<u>72,984</u>	<u>61,530</u>
Secured long term borrowings	7,589	9,143
Total borrowings	<u>80,573</u>	<u>70,673</u>

B11. Off Balance Sheet Financial Instruments

There are no financial instruments with off balance sheet risk as at the date of this report.

B12. Material Litigation

There is no pending material litigation as at the date of this report.

B13. Dividend

No dividend has been recommended by the Board of Directors.

B14. Earnings Per Share

The basic earnings per share for the financial period have been calculated by dividing the Group's losses by the weighted average number of ordinary shares issued.

	CURRENT QUARTER		CUMULATIVE QUARTER	
	<u>30/9/2019</u>	<u>30/9/2018</u>	<u>30/9/2019</u>	<u>30/9/2018</u>
(Loss)/Profit attributable to owners of the Company (RM'000)				
- from continuing operations	(8,879)	(190)	(8,879)	(190)
- from discontinued operations	275	151	275	151
	<u>(8,604)</u>	<u>(39)</u>	<u>(8,604)</u>	<u>(39)</u>
Weighted average number of shares outstanding ('000)	72,469	72,469	72,469	72,469
Basic earnings per share (sen)				
- from continuing operations	(12.25)	(0.26)	(12.25)	(0.26)
- from discontinued operations	0.38	0.21	0.38	0.21
	<u>(11.87)</u>	<u>(0.05)</u>	<u>(11.87)</u>	<u>(0.05)</u>

The Company has not issued any dilutive potential ordinary shares and hence, the diluted earnings per share is equal to the basic earnings per share.

BY ORDER OF THE BOARD

Chan Lai Choon

Secretary

Kuala Lumpur

27 November 2019