

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2019

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SELANGOR PROPERTIES BERHAD

(Company Number: 5199-X)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 FOR THE FIRST QUARTER ENDED 31 JANUARY 2019**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year 31.01.2019 RM'000	Preceding Year Corresponding Quarter 31.01.2018 RM'000	Current Year To Date 31.01.2019 RM'000	Preceding Year Corresponding Period 31.01.2018 RM'000
Revenue	48,038	28,690	48,038	28,690
Operating expenses	(24,397)	(16,311)	(24,397)	(16,311)
Other operating income/(loss)	4,923	(49,659)	4,923	(49,659)
Profit/(Loss) from operations	28,564	(37,280)	28,564	(37,280)
Finance costs	(3,040)	(1,408)	(3,040)	(1,408)
Profit/(Loss) before tax	25,524	(38,688)	25,524	(38,688)
Income tax expense	(2,489)	(2,248)	(2,489)	(2,248)
Profit/(Loss) for the financial period	23,035	(40,936)	23,035	(40,936)
Foreign currency translation	727	(10,108)	727	(10,108)
Fair value changes on hedging instrument	(41)	5	(41)	5
Other comprehensive income/(loss) for the period (net of tax)	686	(10,103)	686	(10,103)
Total comprehensive income/(loss) for the period	23,721	(51,039)	23,721	(51,039)
Profit/(Loss) attributable to owners of the parent	23,035	(40,936)	23,035	(40,936)
Total comprehensive income/(loss) attributable to owners of the parent	23,721	(51,039)	23,721	(51,039)
Earnings/(Loss) per share attributable to owners of the Company				
- Basic (sen)	6.70	(11.91)	6.70	(11.91)
- Diluted (sen)	6.70	(11.91)	6.70	(11.91)

The Unaudited Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 October 2018

SELANGOR PROPERTIES BERHAD

(Company Number: 5199-X)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As At 31.01.2019 RM'000	Audited As At 31.10.2018 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	51,321	52,195
Land held for property development	423,294	423,294
Long term receivables	8,051	7,404
Investment properties	1,211,640	1,207,708
Financial assets at fair value through profit or loss ("FVTPL")	38,394	-
Financial assets available for sale ("AFS")	-	24,388
Deferred tax assets	3,622	3,622
Total Non-current Assets	1,736,322	1,718,611
Current assets		
Property development costs	215,172	205,342
Inventories	720	720
Trade receivables	6,193	6,539
Other receivables	3,634	3,710
Tax recoverable	5,879	4,868
Financial assets at fair value through profit or loss ("FVTPL")	571,957	559,022
Cash and bank balances	422,243	430,739
Total Current Assets	1,225,798	1,210,940
Assets held for sale	1,608	1,608
TOTAL ASSETS	2,963,728	2,931,159
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	545,371	545,371
Reserves	1,951,023	1,917,398
Total equity	2,496,394	2,462,769

SELANGOR PROPERTIES BERHAD

(Company Number: 5199-X)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As At 31.01.2019 RM'000	Audited As At 31.10.2018 RM'000
LIABILITIES		
Non-current liabilities		
Borrowings	243,452	207,620
Contract liabilities	658	636
Cash flow hedge instrument	26	26
Deferred tax liabilities	144,326	137,931
Total Non-current Liabilities	<u>388,462</u>	<u>346,213</u>
Current liabilities		
Cash flow hedge instrument	47	193
Borrowings	28,004	51,998
Trade payables and contract liabilities	23,675	36,860
Other payables	27,122	32,520
Tax payable	24	606
Total Current Liabilities	<u>78,872</u>	<u>122,177</u>
TOTAL LIABILITIES	<u>467,334</u>	<u>468,390</u>
TOTAL EQUITY AND LIABILITIES	<u>2,963,728</u>	<u>2,931,159</u>
Net assets per share attributable to owners of the parent (RM)	7.27	7.17

The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 October 2018

SELANGOR PROPERTIES BERHAD

(Company Number: 5199-X)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE FIRST QUARTER ENDED 31 JANUARY 2019**

	← Attributable to equity holders of the Company →			Total Equity RM'000
	Share Capital RM'000	Distributable Reserve RM'000	Retained earnings RM'000	
Current Year To Date				
As at 1 November 2018	545,371	54,110	1,863,288	2,462,769
Effects on adoption of MFRS 9	-	-	9,904	9,904
	<u>545,371</u>	<u>54,110</u>	<u>1,873,192</u>	<u>2,472,673</u>
Total comprehensive income	-	686	23,035	23,721
As at 31 January 2019	<u>545,371</u>	<u>54,796</u>	<u>1,896,227</u>	<u>2,496,394</u>
Preceding Year Corresponding Period				
As at 1 November 2017	545,371	88,238	1,906,618	2,540,227
Total comprehensive loss	-	(10,103)	(40,936)	(51,039)
As at 31 January 2018	<u>545,371</u>	<u>78,135</u>	<u>1,865,682</u>	<u>2,489,188</u>

The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 October 2018

SELANGOR PROPERTIES BERHAD

(Company Number: 5199-X)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
 FOR THE PERIOD ENDED 31 JANUARY 2019**

	3 Months ended	
	31.01.2019	31.01.2018
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before tax	25,524	(38,688)
Adjustments for non-cash item	(6,237)	54,021
Working capital changes	(29,280)	(18,583)
Net cash used in operations	(9,993)	(3,250)
Interest received	827	2,437
Taxes paid	(2,162)	(1,395)
Net cash used in operating activities	(11,328)	(2,208)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of FVTPL financial assets	(16,827)	(35,801)
Proceeds from disposal of FVTPL financial assets	3,000	37,120
Additions of investment properties	(2,662)	(2,039)
Return of capital from FVTPL financial assets	188	-
Purchase of property, plant and equipment	-	(391)
Dividends received from foreign investments	12,015	2,309
Net cash (used in)/generated from investing activities	(4,286)	1,198
CASH FLOWS FROM FINANCING ACTIVITIES		
Net drawdown of borrowings	11,404	10,582
Interest paid	(2,611)	(812)
Net cash used in financing activities	8,793	9,770
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(6,821)	8,760
EFFECTS OF EXCHANGE RATE CHANGES	(1,675)	(11,991)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	430,739	304,131
CASH AND CASH EQUIVALENTS AT END OF PERIOD	422,243	300,900

*The Unaudited Condensed Consolidated Cash Flow Statement should be read in conjunction
 with the Audited Financial Statements for the year ended 31 October 2018*

PART A

Explanatory Notes Pursuant to MFRS 134 “Interim Financial Reporting”

1. Basis of Preparation

The condensed consolidated interim financial statements for the period ended 31 October 2018 of the Group have been prepared in accordance with the International Financial Reporting Standards compliant framework, Malaysian Financial Reporting Standards (“MFRS”), MFRS 134 “Interim Financial Reporting”, Paragraph 9.22 and Appendix 9B of the Bursa Malaysia Securities Berhad (“Bursa Securities”) Main Market Listing Requirements (“Main LR”), and should be read in conjunction with the Group’s audited financial statements for the financial year ended 31 October 2018.

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 October 2018.

2. Accounting Policies

The accounting policies and methods of computation and presentation adopted by the Group in this quarterly report are consistent with those adopted in the audited financial statements for the financial year ended 31 October 2018 except as described below.

On 1 November 2018, the Group adopted the following Amendments of MFRSs that have been issued by MASB:

<u>Titles</u>		<u>Effective Date</u>
MFRS 9	Financial Instruments	1 January 2018
MFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRSs	Annual Improvements to MFRS Standards 2014 - 2016 Cycle	1 January 2018
Amendments to MFRS 140	Transfers of Investment Property	1 January 2018
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018

The adoption of these new MFRSs do not have any significant financial impact on the financial statements of the Group for the current quarter, other than those described below.

(a) MFRS 9 Financial Instruments

MFRS 9 introduces new requirements for classification and measurement, impairment and hedge accounting.

MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory.

The Group adopted MFRS 9 retrospectively on the initial application date of 1 November 2018 and has elected not to restate comparatives.

2. Accounting Policies (cont'd)

(a) MFRS 9 Financial Instruments (cont'd)

The effect of adopting MFRS 9 is, as follows:

(i) Classification and measurement

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss ("FVTPL") and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset.

Investments in equity instruments are always measured at FVTPL with an irrevocable option at inception to present changes in OCI (provided the instrument is not held for trading). The Group has changed the measurement of its investment in equity instruments currently held as available-for-sale ("AFS") to FVTPL.

Loans and receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under MFRS 9. Therefore, reclassification for these instruments is not required.

(ii) Impairment

MFRS 9 requires the Group to record expected credit losses ("ECL") on all of its debt securities, loans and receivables, either on a 12-months or lifetime basis. The Group applied the simplified approach and record lifetime expected losses on all receivables. Based on the assessment undertaken to date, the adoption of the ECL requirements of MFRS 9 did not result in any increase in impairment of the allowance for doubtful debts.

(iii) Hedge accounting

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach.

In summary, the impacts of adopting MFRS 9 to opening balances are as follows:

As at 1 November 2018	As previously reported RM'000	Adjustment for MFRS 9 RM'000	After adjustments RM'000
Assets			
Financial assets available for sale ("AFS")	24,388	(24,388)	-
Financial assets at fair value through profit or loss ("FVTPL")	-	38,536	38,536
Impact to assets	<u>24,388</u>	<u>14,148</u>	<u>38,536</u>
Liabilities			
Deferred tax liabilities	<u>137,931</u>	<u>4,244</u>	<u>142,175</u>
Equity			
Retained earnings	<u>1,863,288</u>	<u>9,904</u>	<u>1,873,192</u>

3. Annual Audited Financial Statements

The audited financial statements of the Company for the preceding financial year ended 31 October 2018 were not subject to any qualification.

4. Comments on the Seasonality or Cyclicity of Operations

The operations of the Group were not affected by any seasonal or cyclical factors.

5. Unusual Items

Save for the information disclosed in this interim financial report, there were no unusual items affecting assets, liabilities, equity, net income or cash flow.

6. Changes in Estimates of Amounts Reported Previously

There were no material changes in estimates of amounts used in the preparation of the financial statements in the current financial quarter as compared to the previous corresponding financial quarter.

7. Issuances, Cancellations, Repurchases, Resale and Repayments of Debt and Equity

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the current quarter.

8. Dividends Paid

No dividend has been paid for the current quarter under review.

9. Segment Information

The analysis of the Group's operations for the period ended 31 January 2019 is as follows: -

	Individual Quarter		Cumulative Period	
	Current Year Quarter 31.01.2019 RM'000	Preceding Year Corresponding Quarter 31.01.2018 RM'000	Current Year To Date 31.01.2019 RM'000	Preceding Year Corresponding Period 31.01.2018 RM'000
<u>Revenue</u>				
Property Investment	10,757	11,896	10,757	11,896
Property Development	15,014	4,276	15,014	4,276
Investment Holding	3,295	4,503	3,295	4,503
Australian Operations	18,972	8,015	18,972	8,015
	<u>48,038</u>	<u>28,690</u>	<u>48,038</u>	<u>28,690</u>
<u>Profit/(loss) before tax</u>				
Property Investment	6,471	8,026	6,471	8,026
Property Development	378	(3,121)	378	(3,121)
Investment Holding	3,580	(49,874)	3,580	(49,874)
Australian Operations	15,280	6,284	15,280	6,284
Others	(185)	(3)	(185)	(3)
	<u>25,524</u>	<u>(38,688)</u>	<u>25,524</u>	<u>(38,688)</u>

9. Segment Information (cont'd)

	Total assets		Total liabilities	
	31.01.2019	31.01.2018	31.01.2019	31.01.2018
	RM'000	RM'000	RM'000	RM'000
Property Investment	649,902	660,952	50,872	50,433
Property Development	715,638	729,344	103,624	73,798
Investment Holding	899,804	824,633	16	20
Australian Operations	697,853	733,115	312,178	333,888
Others	531	236	644	953
	<u>2,963,728</u>	<u>2,948,280</u>	<u>467,334</u>	<u>459,092</u>

10. Valuation of Property, Plant and Equipment

The valuations of property, plant and equipment have been brought forward, without amendment from the previous annual financial statements.

11. Material Events Subsequent to the End of the Interim Period

The Company ("SPB") had on 25 October 2018 received a letter from its major shareholder, Kayin Holdings Sdn Bhd ("Kayin"), requesting for SPB to undertake a selective capital reduction and repayment exercise pursuant to Section 116 of the Companies Act 2016 ("Proposed SCR").

The Proposed SCR entails a selective capital reduction and a corresponding capital repayment of proposed cash amount of RM5.70 ("SCR Offer Price") per ordinary share in SPB held by all the shareholders of SPB (other than Kayin), whose names appear in the Record of Depositors of SPB as at the close of business on an entitlement date to be determined and announced later by the Board.

On 17 December 2018, Kayin notified the Board of Directors that they wish to revise the SCR Offer Price for each existing share held by the shareholders (other than Kayin) to RM6.00 ("Revised SCR Offer Price"). On 15 January 2019, Kayin notified the Board of Directors of a revision of the Revised SCR Offer Price to RM6.30 ("Final SCR Offer Price") per ordinary share.

Consequential to the Final SCR Offer Price, the issued share capital of SPB will be reduced by up to RM687,768,008 pursuant to the Proposed SCR. As a result of the Final SCR Offer Price, the capital reduction is still higher than the existing issued share capital of SPB and hence, a bonus issue is proposed to be undertaken by SPB to increase the share capital of SPB to a level which is sufficient for the capital reduction to facilitate the Proposed SCR. Upon completion of the Proposed SCR, Kayin will hold the remaining SPB shares which are not cancelled and will own 100% equity interest in the Company.

Kayin has indicated vide the Proposal Letter that it does not intend to maintain the listing status of the Company on the Main Market of Bursa Malaysia Securities Berhad upon the completion of the exercise.

At an Extraordinary General Meeting held on 14 February 2019, the shareholders, save for Kayin, have voted in favour of the Proposed SCR. Following the shareholders approval, the Company had on 21 February 2019 filed a petition to the High Court of Malaysia at Kuala Lumpur to obtain an order under Section 116 of the Companies Act 2016 to proceed with the process of capital reduction and repayment exercise.

12. Changes in the Composition of the Group

There were no other changes in the composition of the Group for the financial period ended 31 January 2019.

13. Changes in Contingent Liabilities or Contingent Assets since the Last Annual Reporting Date

There were no material changes in contingent liabilities or contingent assets since the last audited reporting date.

14. Capital Commitments

There are no material capital commitments in relation to the Group's capital expenditure except as disclosed below:

	RM' 000
Approved and contracted for	34,309
Approved but not contracted for	36,501
Total	<u>70,810</u>

PART B

Explanatory Notes Pursuant to Appendix 9B of the Bursa Malaysia Securities Berhad Main Market Listing Requirements

1. Detailed analysis of the performance for the current quarter and year-to-date

Review of Group Performance

	Current Year Quarter ("Q1 2019")	Preceding Year Corresponding Quarter ("Q1 2018")	Changes	
	31.01.2019	31.01.2018	RM'000	%
Revenue	48,038	28,690	19,348	67.4
Profit/(Loss) before interest and tax	27,734	(38,784)	66,518	>(100.0)
Profit/(Loss) before tax	25,524	(38,688)	64,212	>(100.0)
Profit/(Loss) after tax	23,035	(40,936)	63,971	>(100.0)
Profit/(Loss) attributable to owners of the parent	23,035	(40,936)	63,971	>(100.0)

The Group's revenue for Q1 2019 increased by 67.4% as compared to Q1 2018 mainly due to higher revenue contribution from property development in Malaysia and Australian operations. This is despite the Ringgit strengthening against the AUD (2019: RM2.99/AUD; 2018: RM3.14/AUD) in current quarter.

The Group recorded a pre-tax profit of RM25.5 million in Q1 2019 as compared to a pre-tax loss of RM38.7 million in Q1 2018. This arose mainly from lower foreign exchange loss recognised (2019: RM5.2 million; 2018: RM52.8 million) for the Group's overseas investments. In Q1 2019, fair value gain of RM5.8 million from FVTPL was recognised, and there was higher contribution from Australia's operation in land development projects while Q1 2018 suffered a fair value loss of RM2.0 million from Group's overseas investments.

The performances of the respective business sectors are as follows:

Property Investment

Revenue for Q1 2019 decreased by 9.6% as compared to preceding year corresponding period, attributable to lower rental income from certain properties and lower car park income. Certain blocks of Taman Tunku Apartments were vacated to facilitate with the on-going refurbishment works, thereby decreasing occupancy rate by 17%. Occupancy rate for Kompleks Pejabat Damansara and Menara Milenium also decreased by 17% and 7% respectively.

Lower pre-tax profit for the quarter under review was mainly due to lower revenue and higher repair and maintenance costs incurred.

Property Development

Revenue was derived from the work progress recognition over cumulative units sold for AIRA Residence. Higher revenue of RM15.0 million recorded in Q1 2019 as compared to RM4.3 million in Q1 2018 mainly due to higher work progress and increase in cumulative units sold achieved in the current quarter. With higher revenue recognised, property development division registered a pre-tax profit of RM0.4 million in Q1 2019, compared to a loss of RM3.1 million recorded in preceding year corresponding period.

Investment Holding

Lower investment income of RM3.3 million was recorded in Q1 2019 as compared to RM4.5 million in Q1 2018, mainly due to lower income from overseas investment and lower distribution income from local unit trust placements.

1. Detailed analysis of the performance for the current quarter and year-to-date (Cont'd.)

Investment holding division recorded a pre-tax profit of RM3.6 million as compared to a pre-tax loss of RM49.9 million in preceding year corresponding period. This was mainly attributable to lower foreign exchange loss recognised of RM5.2 million in Q1 2019 (Q1 2018: RM52.8 million). In addition, a fair value gain of RM5.8 million from overseas investment in Q1 2019 was recognised compared to a loss of RM2.0 million in Q1 2018.

Australian Operations

Higher revenue of RM19.0 million was recorded for Q1 2019 as compared to RM8.0 million in preceding year corresponding period mainly due to higher dividend income from investments in land development projects and higher rental income, despite lower exchange rate at RM2.99/AUD1.00 (2018: RM3.14/AUD1.00) applied in the translation of Australian Dollars for Group's results. Dividend income from land development projects in Q1 2019 was RM9.1 million while in Q1 2018 was RM2.0 million.

Australian operations recorded a higher pre-tax profit in Q1 2019 of RM15.3 million compared to RM6.3 million in Q1 2018 was in line with higher revenue, offset by higher operating expenses.

2. Comments on Material Changes in the Profit/(Loss) Before Taxation for the Quarter Reported as Compared with the Preceding Quarter

	Current Quarter Ended	Preceding Quarter Ended	Changes	
	("Q1 2019")	("Q4 2018")		
	31.01.2019	31.10.2018		
	RM'000	RM'000	RM'000	%
Revenue	48,038	46,513	1,525	3.3
Profit before interest and tax	27,734	653	27,081	>100.0
Profit before tax	25,524	3,771	21,753	>100.0
Profit/(Loss) after tax	23,035	(993)	24,028	>100.0
Profit/(Loss) attributable to owners of the parent	23,035	(993)	24,028	>100.0

The Group's revenue for Q1 2019 marginally increased by 3.3% compared to Q4 2018 mainly due to higher revenue contribution from property development and dividend income from investment in land development projects in Australia, mitigated by lower rental income from investment properties and investment income from overseas investment.

The Group recorded a pre-tax profit of RM25.5 million in Q1 2019, representing an increase by RM21.8 million over Q4 2018. This is mainly attributable to profit from property development of RM0.4 million against a loss of RM7.9 million recognised in immediate preceding quarter and higher dividend income received from investment in land development projects in Australia. However, these impact were mitigated by lower overseas investment income and higher foreign exchange loss recognised in current quarter. In Q4 2018, lower pre-tax profit also resulted from recognition of fair value loss for investment properties of RM19.1 million.

The performances of the respective business sectors are as follows:

Property Investment

Property investment recorded pre-tax profit of RM6.4 million in current quarter as compared to a pre-tax loss of RM15.1 million in the immediate preceding quarter. The loss in the immediate preceding quarter was mainly due to recognition of fair value loss on investment properties in Malaysia by RM19.1 million, provision for impairment of RM1.0 million on equity investments in Malaysia and higher operating costs.

Property Development

Property development registered a profit of RM0.4 million in Q1 2019 as compared to a loss of RM7.9 million in Q4 2018. This was mainly due to higher contribution from work progress of AIRA Residence project and lower operating expenses and staff costs incurred in the current quarter. In addition, a provision for impairment on a development land of RM3.1 million was included in the results of immediate preceding quarter.

2. Comments on Material Changes in the Profit/(Loss) Before Taxation for the Quarter Reported as Compared with the Preceding Quarter (cont'd)

Investment Holding

The current quarter under review recorded a lower pre-tax profit of RM3.6 million against RM16.9 million in Q4 2018. The decrease in pre-tax profit was mainly due to the recognition of foreign exchange loss of RM5.2 million in Q1 2019 against a foreign exchange gain of RM16.9 million in Q4 2018 as the Ringgit strengthened against USD (Q1 2019: RM4.09/USD1.00; Q4 2018 RM4.18/USD1.00) and lower investment income from overseas investment by RM6.4 million in Q1 2019. However, this was mitigated by fair value gain of RM5.8 million recorded in Q1 2019 against fair value loss of RM6.6 million in Q4 2018.

Australian Operations

In Q1 2019, it recorded pre-tax profit of RM15.3 million as compared to RM10.2 million in the Q4 2018. The higher profit in the current quarter was mainly due to higher dividend income from investment in land development projects.

3. Prospects

Despite uncertainties in the global economies arising from US-China trade disputes, volatility in crude oil prices and global financial markets, Malaysia expects an economic growth rate of 4.9% in year 2019, driven by the private sector. Nevertheless, the outlook for property investment and development will remain challenging in year 2019 due to the prevalent oversupply of the commercial and office space, and the residential sub-sectors.

The incoming supply of office spaces in the Klang Valley is estimated to be over 15 million square feet up until year 2020 while an additional 4.04 million square feet retail spaces expected to come onstream in 1st half 2019 will worsen the oversupply going forward. The excess supply of office space and shopping complex segments has continued to exert downward pressure on occupancy and rental rates.

In view of the subdued property markets, it is not expected that there will be any significant change in fair values of the Group's investment properties, which are expected to be able to maintain their present occupancy and rental rates in current financial year.

With the soft property market condition, the Group is increasing marketing efforts to drive sales of units in AIRA Residence project. As construction progress on the site advances, higher progress billings to customers will be generated. Subject to market conditions, the target launch of Bukit Permata Phase 4 in the first half of 2019 is expected to generate more sales which will add to the Group's revenue.

Until the Government's freeze on residential developments priced above RM1.0 million has been revisited and subject to market conditions, the Group will re-assess the feasibility of the development of Wisma Damansara site.

The Group expects to maintain its investment holdings with no significant changes in portfolios. No significant gains/losses in operations has been anticipated. However, these overseas investments which are held in foreign currencies will continue to be affected by fluctuations in foreign exchange.

In summary, barring unforeseen circumstances and subject to foreign exchange fluctuations and properties revaluation, the Group expects its operations in all business segments to remain stable for the current financial year.

4. Variances between Actual Profit and Forecast Profit

Not applicable as no profit forecast was published.

5. Tax Expense

Tax expense comprise the following:

	Individual Quarter		Cumulative Period	
	Current Year Quarter 31.01.2019 RM'000	Preceding Year Corresponding Quarter 31.01.2018 RM'000	Current Year To Date 31.01.2019 RM'000	Preceding Year Corresponding Period 31.01.2018 RM'000
Income tax expense:				
Current year provision	595	448	595	448
Deferred taxation	1,894	1,800	1,894	1,800
	<u>2,489</u>	<u>2,248</u>	<u>2,489</u>	<u>2,248</u>

The difference between the effective tax rate of the Group and the statutory tax rate is mainly due to the following:

- foreign exchange gains/losses and fair value changes on financial assets (FVTPL) are not taxable/tax deductible;
- income/expenses contributed by overseas subsidiary company, Allied Provincial Invest Ltd, are not taxable/tax deductible;
- utilisation of previously unrecognised tax losses;
- investment income generated from Malaysian unit trusts are not taxable; and
- Australian operations has a higher statutory tax rate.

6. Status of Corporate Proposals

At an Extraordinary General Meeting held on 14 February 2019, the shareholders, save for Kayin Holdings Sdn Bhd, have voted in favour of the Proposed SCR. Following the shareholders approval, submission of the petition to the High Court of Malaysia under Section 116 of Companies Act 2016 has been made on 21 February 2019.

Barring any unforeseen circumstances, the Board expects the Proposed SCR to be completed in the second quarter of 2019.

Save for the Proposed SCR, there is no outstanding corporate proposal as at the date of this report.

7. Group Borrowings

Total Group borrowings and debt securities as at 31 January 2019 are as follows: -

		As at 31 January 2019					
	Currency	Long term		Short term		Total borrowings	
		Foreign denomination RM'000	RM denomination RM'000	Foreign denomination RM'000	RM denomination RM'000	Foreign denomination RM'000	RM denomination RM'000
Secured							
Foreign term loans	AUD	208,054	-	-	-	208,054	-
Term loan	RM	-	35,398	-	24,000	-	59,398
Unsecured							
Revolving credit	RM	-	-	-	4,004	-	4,004
		As at 31 January 2018					
	Currency	Long term		Short term		Total borrowings	
		Foreign denomination RM'000	RM denomination RM'000	Foreign denomination RM'000	RM denomination RM'000	Foreign denomination RM'000	RM denomination RM'000
Secured							
Foreign term loans	AUD	237,052	-	-	-	237,052	-
Term loan	RM	-	11,477	-	10,000	-	21,477
Unsecured							
Revolving credit	RM	-	-	-	4,000	-	4,000

7. Group Borrowings (cont'd)

The foreign currency term loans comprise 2 loans of AUD35,000,000 each (2018: AUD75,000,000) which bear interest at rates ranging from 1.97% to 3.39% per annum. These loans are secured by registered mortgages over investment properties of the Group. These loans are translated at RM2.97/AUD1.00 (2018: RM3.16/AUD1.00) at the reporting date.

The Group has secured a Commodity Murabahah Financing-i (Islamic term loan) and bank guarantee facilities of RM160,000,000 and RM18,000,000 respectively to finance the AIRA Residence Project. These facilities are secured by third-party first legal charge over an investment property and a corporate guarantee by a subsidiary company of the Group. The loan bears interest rate of 4.18% per annum.

8. Derivatives

The Group has the following derivative agreement to hedge against interest rate risk:

Type of Derivatives	Notional Value as at 31.01.2019 AUD '000	Notional Value as at 31.01.2019 RM '000	Fair Value as at 31.01.2019 AUD '000	Fair Value as at 31.01.2019 RM '000
Interest rate swap				
Less than 1 year	20,000	59,444	16	47
1 to 3 years	20,000	59,444	9	26

The interest rate swap contracts were entered to hedge the exposure to changes in cash flow of the Group arising from the floating rate of the secured term loans denominated in AUD in order to minimise its exposure to the volatility of the interest rate. The market risk associated with the derivative is the potential fluctuation in the fair value arising from the change in interest rates in Australia.

There is no cash requirement for this derivative other than the repayment obligation for the underlying bank borrowings.

There have been no changes since the end of the previous financial year ended 31 October 2018 in respect of the accounting policies.

9. Material Litigation

There is no material litigation as at the date of this quarterly report and the financial year to date.

10. Dividend

The Board of Directors does not recommend any dividend for the current quarter ended 31 January 2019.

11. Earnings/(Loss) Per Share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.01.2019	Preceding Year Corresponding Quarter 31.01.2018	Current Year To Date 31.01.2019	Preceding Year Corresponding Period Ended 31.01.2018
Net profit/(loss) for the period attributable to shareholders of the parent (RM'000)	23,035	(40,936)	23,035	(40,936)
Number of ordinary shares in issue ('000)	343,617	343,617	343,617	343,617
Basic earnings/(loss) per share (sen)	6.70	(11.91)	6.70	(11.91)
Diluted earnings/(loss) per share (sen)	6.70	(11.91)	6.70	(11.91)

12. Additional Disclosures

Notes to the Statement of Comprehensive Income comprises:-

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.01.2019 RM'000	Preceding Year Corresponding Quarter 31.01.2018 RM'000	Current Year To Date 31.01.2019 RM'000	Preceding Year Corresponding Period Ended 31.01.2018 RM'000
Interest income	830	1,504	830	1,504
Dividend income	12,015	3,505	12,015	3,505
Distribution income from unit trusts	154	833	154	833
Gain on disposal of:				
- unquoted investments	-	1,412	-	1,412
Foreign exchange gains/(losses)	(5,225)	(52,837)	(5,225)	(52,837)
Interest expense	(3,040)	(1,408)	(3,040)	(1,408)
Depreciation of property, plant and equipment	(874)	(898)	(874)	(898)
Fair value changes of financial assets at fair value through profit or loss	5,845	(2,184)	5,845	(2,184)

Other than as disclosed above, there was no amortisation, provision for, and write off, of receivables and inventories, gain or loss on disposal of quoted investments, impairment of assets, gain or loss on derivatives and exceptional item for the current quarter.