

UNAUDITED CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME ⁽¹⁾

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER 30.06.2018 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30.06.2017 RM'000	CURRENT YEAR TO-DATE 30.06.2018 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30.06.2017 RM'000
Revenue	38,513	29,865	71,309	53,045
Cost of sales	(31,229)	(24,858)	(58,292)	(43,318)
Gross profit	7,284	5,007	13,017	9,727
Other income	201	27	365	58
Administrative expenses	(2,781)	(2,577)	(5,002)	(4,547)
Finance costs	(226)	(343)	(631)	(609)
Profit before tax	4,478	2,114	7,749	4,629
Income tax expense	(1,212)	(773)	(2,127)	(1,402)
Profit / Total comprehensive income for the period	3,266	1,341	5,622	3,227
Profit / Total comprehensive income attributable to owners of the Company	3,266	1,341	5,622	3,227
Earnings per share attributable to owners of the Company (sen) ⁽²⁾ :				
Basic	1.02	0.56	1.76	1.34
Diluted	1.02	0.56	1.76	1.34

Notes:

- (1) The basis of preparation of the Unaudited Condensed Statements of Profit or Loss and Other Comprehensive Income are disclosed in Note A1 and should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to this interim financial report.
- (2) Based on the Company's weighted average number of ordinary shares at the end of the reporting period.

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION⁽¹⁾

	Unaudited As at 30.06.2018 RM'000	Audited As at 31.12.2017 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	10,195	9,369
	<u>10,195</u>	<u>9,369</u>
Current assets		
Trade receivables	32,827	37,552
Other receivables, deposits and prepayments	2,908	1,643
Amount owing by contract customers	16,978	13,515
Deposits with licensed banks	11,476	16,244
Cash and bank balances	19,921	11,902
	<u>84,110</u>	<u>80,856</u>
TOTAL ASSETS	<u>94,305</u>	<u>90,225</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	32,000	32,000
Retained profits	14,922	10,899
Total equity attributable to owners of the Company	<u>46,922</u>	<u>42,899</u>
Non-current liabilities		
Hire purchase payables	535	709
Term loan	4,975	5,188
Deferred tax liabilities	78	78
	<u>5,588</u>	<u>5,975</u>
Current liabilities		
Trade payables	27,217	21,480
Other payables and accruals	1,155	929
Amount owing to contract customers	9,035	8,201
Hire purchase payables	343	355
Short-term borrowings	2,655	9,155
Current tax liabilities	1,390	1,231
	<u>41,795</u>	<u>41,351</u>
TOTAL LIABILITIES	<u>47,383</u>	<u>47,326</u>
TOTAL EQUITY AND LIABILITIES	<u>94,305</u>	<u>90,225</u>
Net asset per share (RM) ⁽²⁾	<u>0.15</u>	<u>0.13</u>

Notes:

- (1) The basis of preparation of the Unaudited Condensed Statement of Financial Position are disclosed in Note A1 and should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to this interim financial report.
- (2) Net assets per share is calculated based on the Company's number of ordinary shares at the end of the reporting period.

UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY⁽¹⁾

	Non- distributable Share Capital RM'000	Distributable Retained Profits RM'000	Total Equity RM'000
Balance at 01.01.2018	32,000	10,900	42,900
As at 31.03.2018 Profit after taxation	-	2,356	2,356
As at 30.06.2018 Profit after taxation	-	3,266	3,266
Dividend Paid	-	(1,600)	(1,600)
Balance as at 30.06.2018	32,000	14,922	46,922

Note:

- (1) The basis of preparation of the Unaudited Condensed Statement of Changes in Equity are disclosed in Note A1 and should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to this interim financial report.

UNAUDITED CONDENSED STATEMENT OF CASH FLOWS⁽¹⁾

	CUMULATIVE PERIOD	
	Current Period Ended 30.06.2018 RM'000	Comparative Period Ended 30.06.2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	7,749	4,629
Adjustments for:		
Depreciation	413	285
Interest expense	419	609
Interest income	(282)	(63)
Loss/(Gain) on disposal of property, plant and equipment	(35)	14
Operating profit before changes in working capital	8,264	5,474
(Increase) / decrease in amount owing by/to contract customers	(2,629)	1,080
(Increase) / decrease in trade and other receivables	3,460	6,677
Increase / (decrease) in trade and other payables	5,963	(4,815)
Cash flows from operations	15,058	8,416
Interest paid	(419)	(609)
Interest received	282	63
Tax paid	(1,967)	(1,197)
Net cash from operating activities	12,954	6,673
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,204)	(1,320)
Net cash used in investing activities	(1,204)	(1,320)
CASH FLOWS FROM FINANCING ACTIVITIES		
Fixed deposits pledged to banks	4,768	(843)
Drawdown of term loan	-	4,000
Repayment in bank factoring	(3,466)	(1,167)
Repayment of hire purchase obligations	(185)	(152)
Repayment of term loans	(1,688)	(3,167)
Dividend Paid	(1,600)	-
Net cash used in financing activities	(2,171)	(1,329)
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,579	4,024
Cash and cash equivalents at beginning of the financial period	9,073	5,294
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	18,652	9,318
Cash and cash equivalents comprise :		
Deposits with licensed banks	11,476	4,956
Cash and bank balances	19,921	13,210
Bank overdrafts	(1,269)	(3,892)
	30,128	14,274
Less: Deposits pledged to licensed banks	(11,476)	(4,956)
	18,652	9,318

Notes:

- (1) The basis of preparation of the Unaudited Condensed Statement of Cash Flows are disclosed in Note A1 and should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to this interim financial report.

PART A – EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2018

A1 Basis of Preparation

The interim financial statements of the Company are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standard (“MFRS”) 134: Interim Financial Reporting and Rule 9.22 of the Listing Requirements.

The interim financial reports should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 December 2017.

A2 Significant Accounting Policies

In addition to the accounting policies and presentations adopted by the Company for the audited financial statements for the year ended 31 December 2017, the Company has further adopted the following MFRS in this interim financial statement, effective from 1 January 2018:-

MFRS 9 - Financial Instruments

MFRS 15 - Revenue from Contracts with Customers

The Company has not early adopted any new or revised standards, amendments or Issue Committees (IC) Interpretations which are applicable to the Company that have been issued by the MASB but are not yet effective for the Company’s current financial year ending 31 December 2018.

A3 Auditors’ Report

There was no qualification on the audited financial statements of the Company for the financial year ended 31 December 2017.

A4 Seasonal and Cyclical Factors

The business operations of the Company are not materially affected by any seasonal or cyclical factors.

A5 Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Company during the financial quarter and period under review.

A6 Changes in Estimates

There were no material changes in estimates that have a material effect on the financial quarter and period under review.

A7 Debt and Equity Securities

There were no issuance and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the second quarter ended 30 June 2018.

A8 Dividends Paid

Dividends amounting to RM1.6 million were paid during the second quarter ended 30 June 2018.

PART A – EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2018

A9 Segmental Reporting

The Company is principally involved in the provision of electrical and mechanical engineering services. As such, the revenue of the Company for the current financial quarter under review and the financial period to date is derived entirely from its electrical and mechanical engineering services.

No geographical analysis has been prepared as the Company operates wholly in Malaysia.

A10 Material Events after the End of the Reporting Period

Save as disclosed in Note B6 “Status of Corporate Proposals”, there were no other material events subsequent to the end of the current financial quarter that have not been reflected in the interim financial report.

A11 Changes in the Composition of the Company

There were no changes in the composition of the Company during the current financial quarter.

A12 Contingent Liabilities and Contingent Assets

Contingent liabilities of the Company as at 30 June 2018 comprised of guarantees given to third parties in respect of performance bonds for the Company’s projects amounting to RM9.29 million.

There were no contingent assets as at the date of this interim report.

A13 Capital Commitments

RM’000

Approved and contracted but not provided for:

- Property, plant and equipment

378

A14 Significant related party transactions

There were no significant related party transactions in the current financial quarter and financial period under review.

A15 Financial Liabilities

The Company has not entered into any derivatives and do not have any financial liabilities.

PART B – ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS**B1 Review of Company Performance**

For the current financial quarter under review, the Company posted revenues of RM38.51 million as compared to its preceding year's corresponding quarter ended 30 June 2017 of RM29.87 million. Along with the increase in revenues, profit before tax ("PBT") during the current quarter jumped to RM4.48 million, representing an increase of RM2.37 million from its preceding year's corresponding quarter ended 30 June 2017 of RM2.11 million.

Overall the increase in revenues and PBT were mainly attributed to increased activity.

B2 Comparison with Immediate Preceding Quarter Results

	Current Quarter 30.06.2018	Immediate Preceding Quarter 31.03.2018	Changes (Amount / %)	
	RM'000	RM'000	RM'000	%
Revenue	38,513	32,797	5,716	17.4
Profit Before Tax	4,478	3,271	1,207	36.9

The Company recorded higher gross profit of RM7.28 million for the current quarter as compared with RM5.73 million in the previous quarter ended 31 March 2018 mainly due to higher margin and revenues.

The Company's profit before tax of RM4.48 million for the current quarter was 37% higher than the RM3.27 million achieved in the previous quarter ended 31 March 2018. The increase was mainly due to the increased revenues and other income, lower finance costs.

B3 Prospects for the Financial Year

The Company will continue to focus on the following future plans and business strategies for the future growth and expansion of its business:-

- (i) grow its market share in Malaysia by increasing tendering activities, focusing on affordable housing sector and geographical expansion;
- (ii) strengthen its capabilities by growing its mechanical engineering services segment;
- (iii) diversifying its revenue stream by providing maintenance services including upgrading, expansion, refurbishment, retrofitting and renovation projects; and
- (iv) In the area of technology innovation, we are planning to collaborate with a software specialist to develop our own proprietary Internet-of-Things based software that can monitor ventilation and air-conditioning systems in order to enhance operational efficiencies and reduce cost.

As at 30 June 2018, the Company's order book, contracts secured and tenders are as follows:-

- (i) order book balance is approximately RM233 million;
- (ii) total value of contracts secured is approximately RM49 million; and
- (iii) approximately RM300 million worth of tenders still pending.

The Board of Directors is of the opinion that the Company's financial performance for the current year to be satisfactory.

PART B – ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

B4 Profit Forecast

The Company has not issued any profit forecast or profit guarantee in any form of public documentation and announcement.

B5 Taxation

	Current quarter ended 30 June 2018 RM'000	Comparative quarter ended 30 June 2017⁽¹⁾ RM'000	Cumulative 6-month period ended 30 June 2018 RM'000	Cumulative 6-month period ended 30 June 2017⁽¹⁾ RM'000
Income tax	1,212	773	2,049	1,402
Deferred tax	-	-	78	-
	1,212	773	2,127	1,402
Effective tax rate ⁽¹⁾	27.06%	36.55%	27.45%	30.28%

Notes:

- (1) The effective tax rate for the current quarter is higher than the statutory tax rate of 24% mainly due to adjustment for non-deductible expenses.

B6 Status of Corporate Proposals

- (1) On 21 May 2018, the shareholders of the Company had approved the Proposed ESOS during the extraordinary general meeting held for the Proposed ESOS.

On 1 June 2018, the Company had announced the effective date on the implementation of the ESOS, being 1 June 2018, the date on which the Company is in full compliance with all relevant requirements including Rule 6.44(1) of the Listing Requirements.

- (2) On 28 June 2018, the Company announced that the proposal to comply with the Bumiputera equity condition of ensuring at least 12.5% of the Company's enlarged share capital to be allocated or held by Bumiputera investors recognised by the Ministry of International Trade and Industry has been submitted to the Equity Compliance Unit of the Securities Commission Malaysia on 28 June 2018.

KEJURUTERAAN ASASTERA BERHAD (420505-H)**INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2018****PART B – ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS****B7 Utilisation of Proceeds**

Pursuant to the listing of the Company on the ACE Market of Bursa Securities on 17 November 2017 (“**Listing**”), the utilisation of the gross proceeds from the Listing amounting to RM20.00 million is as follows:-

Details of utilisation	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance Unutilised RM'000	Revised Unutilised RM'000	Estimated timeframe for utilisation upon Listing
Working capital	12,100	(6,853)	5,247	⁽¹⁾ / ⁽²⁾ 5,718	Within 24 months
Capital expenditure	2,200	(1,239)	961	961	Within 18 months
Setting up a proposed new branch office in Johor Bahru ⁽¹⁾ and an additional office in Kuala Lumpur	600	(289)	⁽¹⁾ 311	-	Within 12 months
Repayment of bank borrowings	1,600	(1,600)	-	-	Within 12 months
Estimated Listing expenses	3,500	(3,340)	⁽²⁾ 160	-	Immediate
Total	20,000	(13,321)	6,679	6,679	

Notes:

- (1) We have set up the additional office in Kuala Lumpur as set out in the prospectus dated 30 October 2017. Further to our Listing, the management has decided that the Company is currently able to service and meet the requirement of our Johor Bahru clients from our headquarters located in Kuala Lumpur. As part of our prudent cost management, the management has decided not to invest in the opening of a new branch office in Johor Bahru at this juncture. However, the Company will reassess the commercial and financial viability to set up the branch office again should there be any future need and demand. As such, the proceeds allocated for the setting up of the Johor Bahru branch office will be re-allocated for working capital purposes.
- (2) The Company's has fully settled the expenses incurred in relation to the Listing. As such, the balance proceeds will be re-allocated for working capital purposes.

As at the date of this report, save for approximately RM13.3 million which has been utilised for various purposes as disclosed above, there is no other utilisation of IPO proceeds.

PART B – ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

B8. Company Borrowings and Debt Securities

The details of the borrowings of the Company are as follows:-

	As at 30 June 2018 RM'000	As at 30 June 2017 RM'000
Long term:		
Term loans	4,975	5,063
Hire purchase payables	535	555
	5,510	5,618
Short term:		
Term loans	287	770
Hire purchase payables	343	292
Bank overdrafts	1,269	3,892
Bank factoring / Bank Acceptance	1,099	4,439
	2,998	9,393

All the Company's borrowings are secured and denominated in Ringgit Malaysia.

B9. Material Litigation

Save as disclosed below, the Company is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, which has or would have a material and adverse effect on the financial position or business of the Company and, to the best of the Board's knowledge and belief, the Board is not aware of any proceedings pending or threatened against the Company or of any facts likely to give rise to any proceedings which might materially and adversely affect the financial position or business of the Company:-

(i) Kuala Lumpur Sessions Court Suit No: WA-A52C-40-12/2017

The Company ("KAB" or "Plaintiff") has initiated a suit against Cangkat Mentari Sdn Bhd ("CMSB" or "Defendant") on 20 December 2017 for a sum of RM160,982.20 being the losses incurred due to CMSB's failure to carry out the defect rectification works and overpayment made under the construction contract for the project known as "Cadangan Pembangunan Kompleks Pangsapuri Perkhidmatan 21 Tingkat dan Pejabat 22 Tingkat di No. 11 (PT 1090), Jalan Judo 13/45, Seksyen 13, Shah Alam, Selangor" ("Adina Project"). CMSB denied KAB's claims.

CMSB has counterclaimed an alleged sum of RM1,278,187.38 being the balance sum of the unpaid progress claims for both Adina and Cascade Project.

During the proceedings, CMSB filed an application in the High Court to transfer the proceedings from the Sessions Court to the High Court. CMSB's application was subsequently struck out by the court without any order for costs. The High Court too has directed CMSB to amend the pleadings to state its claim for Adina Project only. CMSB then amended the pleading to exclude the claims for Cascade Project and the amended counterclaim sum was RM549,851.35.

The court has directed the parties to undergo mediation on 8 May 2018 and the matter was not settled. As the matter was not settled during mediation, the matter was set for trial on 23 July 2018 until 26 July 2018.

Prior to the trial, CMSB has requested for a meeting with KAB to explore the settlement options. A meeting was held between the Company and CMSB on 20 July 2018, where both

PART B – ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

parties have reached an agreement to settle the dispute amicably. The terms of the settlement are as follows:-

- (i) The Plaintiff paid a sum of RM50,000 without admission to liability;
- (ii) RM50,000.00 is a full and final settlement for the dispute herein;
- (iii) Each party to bear its own cost; and
- (iv) Both the Plaintiff's and the Defendant's claim are withdrawn without any order as to costs and without the liberty to file afresh.

(ii) Kuala Lumpur Sessions Court Suit No: WA-B52NCVC-7-01/2018

The Company has also initiated a suit against CMSB on 4 January 2018 or a sum of RM601,028.97 being the losses incurred due to CMSB's failure to carry out the defect rectification works and overpayment made under the construction contract for the project known as "Cadangan Pembangunan Komersial (2 Blok Perniagaan 4-5 Tingkat, 1 Blok Pejabat 28 Tingkat dan 1 Blok Pangsapuri Servis 20 Tingkat) di atas 2 hingga 5 Tingkat Besmen Tempat Letak Kereta di atas Lot 53298 (PT 97930) Kota Damansara, Petaling Jaya" ("Cascade Project").

CMSB has counterclaimed an alleged sum of RM1,278,187.38 being the balance sum of the unpaid progress claims for both Adina and Cascade Project.

During the proceedings, CMSB filed an application at High Court to transfer the proceedings from the Sessions Court to the High Court. CMSB's application was subsequently struck out by the court without any order for costs. The High Court too has directed CMSB to amend the pleadings to state its claim for Cascade only. CMSB then amended the pleading to exclude the claims for Adina Project and the amended counterclaim sum was RM728,336.03

The court has directed the parties to undergo mediation on 8 May 2018 and the matter was not settled. As the matter was not settled during mediation, the matter was set for trial on 13 August 2018 until 17 August 2018.

Prior to the trial, CMSB has requested for a meeting with KAB to explore the settlement options. A meeting was held between the Company and CMSB on 20 July 2018, where both parties have reached an agreement to settle the dispute amicably. The terms of the settlement are as follows:-

- (i) The Plaintiff paid a sum of RM50,000 without admission to liability;
- (ii) RM50,000.00 is a full and final settlement for the dispute herein;
- (iii) Each party to bear its own cost; and
- (iv) Both the Plaintiff's and the Defendant's claim are withdrawn without any order as to costs and without the liberty to file afresh.

B10. Dividends

Dividends amounting to RM1.6 million were paid during the second quarter ended 30 June 2018.

PART B – ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

B11. Earnings Per Share

The basic and diluted earnings per share for the current quarter is computed as follows:-

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	Quarter Ended 30 June 2018	Preceding Year Corresponding Quarter Ended 30 June 2017	Quarter Ended 30 June 2018	Preceding Year Corresponding Quarter Ended 30 June 2017
Profit after tax attributable to owners of the Company (RM'000)	3,266	1,341	5,622	3,227
Weighted average number of ordinary shares ('000)	320,000	240,000	320,000	240,000
Basic earnings per share (sen) ⁽¹⁾	1.02	0.56	1.76	1.34
Diluted earnings per share (sen) ⁽²⁾	1.02	0.56	1.76	1.34

Notes:

- (1) The basic earnings per share is computed based on the profit attributable to the equity shareholders of the Company divided by the weighted average number of ordinary shares in issue for the period under review.
- (2) Diluted earnings per share is equivalent to the basic earnings per share as the Company does not have convertible securities as at 30 June 2018.

B12. Disclosure of Realised and Unrealised Profits

The breakdown of the retained profits of the Company as at 30 June 2018 into realised and unrealised profits is as follows:-

	As at 30 June 2018 RM'000	As at 30 June 2017 RM'000
Total retained profits of the Company:		
- Realised	16,522	7,351
- Unrealised	-	-
	16,522	7,351

PART B – ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

B13. Notes to the Statement of Profit or Loss and Comprehensive Income

Profit before tax is arrived at after (crediting) / charging:

	Current quarter ended 30 June 2018 RM'000	Comparative quarter ended 30 June 2017 RM'000	Cumulative 6-month period ended 30 June 2018 RM'000	Cumulative 6-month period ended 30 June 2017 RM'000
Interest income	(142)	(19)	(282)	(63)
Interest expense	132	343	419	609
Depreciation of property, plant and machinery	213	142	413	284
Professional fees	381	1,120	592	1,282
Provision for and write off receivables	N/A	N/A	N/A	N/A
Provision for and write off inventories	N/A	N/A	N/A	N/A
Gain or loss on disposal of quoted or unquoted investments of properties	N/A	N/A	N/A	N/A
Impairment of assets	N/A	N/A	N/A	N/A
Foreign exchange gain or loss	N/A	N/A	N/A	N/A
Gain or loss on derivatives	N/A	N/A	N/A	N/A
Exceptional items	N/A	N/A	N/A	N/A

Note:

N/A – Not applicable

B14. Authorised for issue

The interim financial statements were authorised by the Board of Directors in accordance with the resolution of the Directors on 16 August 2018.