

INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 DECEMBER 2017

PART A – EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD (“FRS”) 134

A1. Basis of Preparation

The unaudited interim financial report has been prepared in accordance with the reporting requirements as set out in the Financial Reporting Standards (“FRS”) No. 134 - Interim Financial Reporting and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 30 September 2017. These explanatory notes attached to the 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 30 September 2017.

A2. Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 30 September 2017.

Malaysian Financial Reporting Standards (MFRS Framework)

Malaysian Accounting Standards Board (“MASB”) has issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (“MFRSs”), which are to be applied by all entities other than private entities with the exception of entities that are within the scope of MFRS 141 (Agriculture) and IC Interpretation 15 (Agreements for Construction of Real Estate), including its parent, significant investor and venturer (herein called “transitioning entities”).

As announced by MASB on 28 October 2015, the transitioning entities are allowed to defer the adoption of MFRSs to annual periods beginning on or after 1 January 2018.

Accordingly, as a transitioning entity as defined above, the Group has chosen to defer the adoption of MFRSs and will only prepare its first set of MFRS financial statements for the financial year ending 30 September 2019. The Group is currently assessing the possible financial impact that may arise from the adoption of MFRSs and the process is still ongoing.

A3. Auditors' Report for the Financial Year Ended 30 September 2017

The auditors' report on the financial statements for the financial year ended 30 September 2017 was not subject to any qualification.

A4. Seasonality or Cyclicity Factors

The Group's operations during the financial period under review were 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 that affected the assets, liabilities, equity, net income or cash flows of the Group for the current quarter under review.

A6. Material Changes in Estimates of Amounts

There were no changes in estimates that have had any material effect on the results for the current quarter and current financial year under review.

SUNSURIA BERHAD

(Company No.: 8235-K)

INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 DECEMBER 2017

PART A – EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD (“FRS”) 134

A7. Debts and Equity Securities

There were no issuance, cancellation, repurchase, resale or repayment of debt and equity securities during the current quarter under review.

A8. Dividends Paid

The company did not pay any dividend for the quarter under review.

A9. Segmental Information

Segmental information of the Group's business segments are based on the internal reporting structure presented by the management of the Company. The Group's business segments include property development, construction, investment holding and others.

The information by geographical location is not presented as the Group's activities are carried out pre-dominantly in Malaysia.

Business Segment Analysis (RM'000)	Quarter and Year to date ended 31 December 2017				Quarter and Year to date ended 31 December 2016			
	Property Development	Construction	Investment Holding and Others	Total	Property Development	Construction	Investment Holding and Others	Total
Revenue								
External revenue	110,540	-	160	110,700	65,812	-	164	65,976
Inter-segment revenue	-	20,348	-	20,348	-	-	855	855
Consolidation adjustments	110,540	20,348	160	131,048	65,812	-	1,019	66,831
Consolidation Revenue				(20,225)				(3,029)
				110,823				63,802
Results from Operation	45,988	2,391	(4,468)	43,911	22,928	-	(1,399)	21,529
- Depreciation	(364)	(19)	(260)	(643)	(83)	-	(172)	(255)
- Finance Cost	(297)	(45)	(8)	(350)	(259)	-	(81)	(340)
Consolidation adjustments	45,327	2,327	(4,736)	42,918	22,586	-	(1,652)	20,934
Consolidation Profit/(Loss) Before Taxation				(4,550)				(2,769)
				38,368				18,165

INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 DECEMBER 2017

PART A – EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD (“FRS”) 134

A10. Valuation on Property, Plant and Equipment

There was no valuation done on the Group's property, plant and equipment during the financial period under review.

A11. Material Events Subsequent to the End of the Period

There was no material event subsequent to the end of the current quarter up to the date of this report that have not been reflected in the interim financial statements except for the following:-

Pursuant to the Shareholders' Agreement (“SHA”) signed between Citicc International Investment Ltd (“CITIC”) and Sunsuria Builders Sdn Bhd (formerly known as Goodwill Atlas Sdn Bhd) (“SBSB”) on 28 June 2017, SBSB had on 21 December 2017 received confirmation from CITIC agreeing to SBSB's request for a further extension of time for an additional four (4) months until 27 April 2018 for the Company to procure its shareholders' approval for the diversification of the business of the Group to include construction and related businesses in compliance with Paragraph 10.13 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

On 8 February 2018, the Company has issued a circular to seek approval from its shareholders for the proposed diversification of its existing principal activities of property development to include construction and related businesses (“Proposed Diversification”).

The Proposed Diversification will take immediate effect upon obtaining the approval of the Company's shareholders at the AGM to be convened on 8 March 2018.

A12. Changes in the Composition of the Group

There were no changes in the composition of the Group during the current quarter under review except for the following:-

- i) On 14 February 2018, the Company has entered into a Share Sale Agreement with Sunsuria City Sdn Bhd (“SCSB”), an indirect subsidiary of the Company with an effective interest of 99.99%, for the Company to acquire from SCSB the entire issued shares of Library Mall Development Sdn Bhd (“LMDSB”) for a total cash consideration of RM2.00. The internal reorganisation has been completed and LMDSB has become a direct wholly-owned subsidiary of the Company.
- ii) On 14 February 2018, LMDSB, a wholly-owned subsidiary of the Company, acquired the 100% equity interest of Dreamsphere Sdn Bhd (“DSB”) comprising of one (1) ordinary share in DSB for a cash consideration of RM1.00. The said acquisition has been completed and DSB has become a wholly-owned indirect subsidiary of the Company.

A13. Changes in Contingent Liabilities or Contingent Assets

There were no changes in contingent liabilities or contingent assets since the last audited financial position as at 30 September 2017.

INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 DECEMBER 2017

PART B – EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BHD

B1. Review of Performance

	3 months ended		
	31/12/2017 RM'000	31/12/2016 RM'000	Changes (RM'000 / %)
Revenue	110,823	63,802	47,021 / 74%
Cost of sales	(51,109)	(31,622)	(19,487) / (62%)
Gross profit	59,714	32,180	27,534 / 86%
Profit before taxation	38,368	18,165	20,203 / 111%
Profit after taxation	29,587	14,192	15,395 / 108%
Profit attributable to owners of the Company	20,842	10,634	10,208 / 96%

Quarterly and Financial Year-to date Results

The Group reported a 74% growth in revenue of RM110.82million for the current quarter under review compared to RM63.80million reported in the corresponding quarter in the previous year. Profit before taxation also increased by 111% to RM38.37million in the current quarter under review compared to RM18.17million in the corresponding quarter of the previous year. Two new projects namely the Bell Suites SOHO and Monet Lily double storey terrace, coupled with additional sales and work done from Forum 1, Suria Residence, Bell Avenue, Jasper Square and The Olive developments have contributed to this commendable results.

B2. Variation of Results against the Preceding Quarter

	Current Quarter 31/12/2017 RM'000	Immediate Preceding Quarter 30/09/2017 RM'000	Changes (RM'000 / %)
Revenue	110,823	108,255	2,568 / 2%
Cost of sales	(51,109)	(47,044)	(4,065) / (9%)
Gross profit	59,714	61,211	(1,497) / (2%)
Profit before taxation	38,368	46,786	(8,418) / (18%)
Profit after taxation	29,587	39,982	(10,395) / (26%)
Profit after taxation attributable to owners of the company	20,842	30,203	(9,361) / (31%)

The Group continues to chart growth in revenue on a quarter to quarter basis with revenue growing to RM110.82 million in current quarter compared to RM108.25million in the preceding quarter. In the current quarter under review, the Group launched Monet Lily, the first of Sunsuria City's landed residential developments which has a gross development value of RM151.5million. However, profit before taxation recorded for the current quarter was RM38.37million compared to RM46.79million in the preceding quarter mainly due to the writing back of certain marketing expenses no longer required and non-recurring gain arising from sale of fixed asset in the preceding quarter.

INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 DECEMBER 2017

PART B – EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BHD

B3. Prospects

While the Malaysian property market still remains soft, the Group believes that there will always be demand for housing and real estate investments located at strategic locations. The management team will continue to tap innovation and roll out developments with innovative features to appeal to and attract existing and new buyers. The Group is also seeking its shareholders' approval to diversify its principal activities of property development to include construction and related businesses. With the proposed diversification and against the backdrop of a challenging market environment, the Group expects to remain resilient and deliver healthy financial results.

B4. Variance from Profit Forecast and Profit Guarantee

Not applicable as there were no profit forecast and profit guarantee published.

B5. Income tax expense

The breakdown of the Malaysian income tax charge is as follows:

	Individual and Year To Date	
	31/12/2017	31/12/2016
	RM'000	RM'000
Current Taxation	9,248	5,588
Deferred Taxation	(467)	(1,615)
Provision based on current year's profit	<u>8,781</u>	<u>3,973</u>

The effective tax rate of the Group for the year-to-date is lower than the applicable statutory tax rate mainly due to over provision of taxation in the previous financial year by a subsidiary.

B6. Corporate Proposals

There were no other corporate proposals announced by the Company that have not been completed as at 19 February 2018 (being the latest practicable date), which is not earlier than 7 days from the date of issuance of these Interim Financial Statements except as follows:-

- i) On 8 February 2018, the Company issued a circular to seek its shareholders' approval for the Proposed Renewal of the Share Buy-Back Authority and the proposed diversification of its existing principal activities to include construction and related businesses at the forthcoming Forty-Ninth Annual General Meeting of the Company to be convened on 8 March 2018.
- ii) On 15 February 2018, LMDSB has entered into a Joint Development Agreement ("JDA") with CI Medini Sdn Bhd ("Leaseowner") whereby LMDSB, via its wholly-owned subsidiary DSB, and the Leaseowner shall jointly carry out and undertake the development of 6-storey stratified multi-storey shops known as "Pusat Perdagangan ION Akses" ("Development") on all that piece of freehold land known as Plot C17 held under PTD201442 (HSD559037) in the Mukim of Pulai in the District of Johor Bahru in the State of Johor Darul Ta'zim and the disposal of the individual parcels of stratified multi-storey shops within the Development.

Pursuant to the JDA, LMDSB shall be entitled to a 20% share of profit of the net sales revenue for all units sold less aggregate Development project expenditure on the project completion i.e 6 months after the date of issuance of the Certificate of Completion and Compliance for all units. The Leaseowner shall be entitled to the balance of the profit less LMDSB's share of profits.

INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 DECEMBER 2017

PART B – EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BHD

B6. Corporate Proposals (cont'd)

The Proposed JDA is subject to the condition precedent that DSB shall procure an end-financier to serve as a panel financier for the Development for the purpose of providing end-financing to the purchasers of the units within the Development within 6 months from the date of JDA.

B7. Group Borrowings

	As at 31/12/2017	As at 31/12/2016
	RM'000	RM'000
Secured short term borrowings	16,332	6,941
Secured long term borrowings	160,188	193,627
Total	<u>176,520</u>	<u>200,568</u>

The Group's borrowings as at 31 December 2017 were dominated in Ringgit Malaysia. There were no borrowings in foreign currency during the financial period under review.

B8. Material Litigation

There was no material litigation against the Group as at the reporting date.

B9. Earnings per share

(a) Basic earnings per ordinary share (Basic EPS)

The basic EPS has been calculated by dividing the Group's net profit attributable to the ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Individual quarter		Year to date	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Net profit attributable to ordinary equity holders of the Company (RM'000)	20,842	10,634	20,842	10,634
Weighted average number of ordinary shares in issues ('000)	798,834	798,833	798,834	798,833
Basic EPS (sen)	<u>2.61</u>	<u>1.33</u>	<u>2.61</u>	<u>1.33</u>

(b) Diluted earnings per ordinary share

The potential conversion of warrants are anti-dilutive as their exercise prices are higher than the average market price of the Company's ordinary shares during the current financial period. Accordingly, the exercise of warrants have been ignored in the calculation of dilutive earnings per share.

INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 DECEMBER 2017

PART B – EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BHD

B10. Notes to the Statement of Comprehensive Income

Description	Individual Quarter and Year to date 31/12/2017 RM'000
Profit for the period is arrived at after crediting/(charging) :	
- Interest income	823
- Loss on disposal of properties	(73)
- Other income including investment income	261
- Interest expense	(350)
- Depreciation and amortisation	(643)

BY ORDER OF THE BOARD

Company Secretary
26 February 2018