

Gamuda Berhad (29579-T)

Quarterly Report On Consolidated Results For The Period Ended 30 April 2019

Notes To The Interim Financial Statements

(The figures have not been audited)

1. Basis of Preparation

The interim financial report has been prepared in accordance with Malaysian Financial Reporting Standard (“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 31 July 2018, which have been prepared in accordance with Financial Reporting Standards (“FRS”) and the Companies Act 2016.

The date of transition to the MFRS Framework is 1 August 2018 and the interim financial statements of the Group for the period ended 31 October 2018 are the first set of interim financial statements prepared in accordance with the MFRS Framework issued by Malaysian Accounting Standard Board (“MASB”). This MFRS framework was introduced by MASB in order to fully converge Malaysia’s existing FRS framework with the International Financial Reporting Standards (“IFRS”) framework issued by the International Accounting Standards Board.

At the transition date, the Group reviewed its accounting policies and considered the transitional opportunities under MFRS 1.

Changes in accounting policies and methods of computation

The significant accounting policies, method of computation and basis of consolidation applied in the consolidated condensed interim financial statements for the period ended 30 April 2019 have been prepared in accordance with the MFRS Framework and are consistent with those of the audited financial statements for the financial year ended 31 July 2018, except for the adoption of the following two new accounting standards:

a) **MFRS 15: Revenue from Contracts with Customers**

Changes arising from this new accounting standard mainly affects the property development activities of the Group as follows:

i) Multiple promises from the sale of each development property

The sales and purchase agreement (‘SPA’) for each property sold may include multiple promises to customers including the sale of property with furniture and fittings. The previous accounting standard prescribed that the Group account for the bundled sales as one deliverable and recognise revenue over time. However, in accordance with the new accounting standard, each promise in the SPA is recognised as separate deliverable resulting in revenue for some deliverable to be recognised over the construction period while revenue for other deliverable are recognised upon completion of the property.

ii) Cost incurred in fulfilling a contract

The previous accounting standard prescribed that the commissions paid to sales agents and free legal fees were expensed off to the Income Statement as and when these costs were incurred. However, in accordance with the new accounting standard, these costs are eligible to be capitalised and amortised over the construction period. Any unamortised costs can be capitalised as contract assets in the Balance Sheet.

iii) Variable consideration

The previous accounting standard prescribed that sales rebates and incentives to buyers be recognised as an expense to the Income Statement. However, in accordance with the new accounting standard, sales rebates and incentives to buyers are recognised as a deduction to revenue line item. This amounts to a reclassification within the Income Statement.

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1. Basis of Preparation (cont'd)

b) MFRS 9: Financial Instruments

The key effect of the adoption of this new accounting standard would principally be in respect of the assessment of impairment losses of outstanding debts based on an "expected credit loss" model instead of the "incurred loss" model. This may have the effect of accelerating the recognition of impairment losses in respect of some of these debts.

The effects to the financial statements from the adoption of MFRS 15 and MFRS 9 are as follows:

	As previously stated	Effect of adoption MFRS 15	Effect of adoption MFRS 9	Restated under MFRS
	RM000	RM000	RM000	RM000
Condensed Consolidated Income Statement 3 months ended 30 April 2018				
Revenue	1,237,668	(2,442)	-	1,235,226
Operating expenses	(1,084,824)	8,832	-	(1,075,992)
Other income	31,648	515	-	32,163
Profit from operations	184,492	6,905	-	191,397
Finance costs	(27,052)	-	-	(27,052)
Share of profit of associated companies	46,955	18	-	46,973
Share of profit of joint ventures	49,518	(90)	-	49,428
Profit before taxation	253,913	6,833	-	260,746
Income tax expenses	(41,184)	(1,420)	-	(42,604)
Profit for the period	212,729	5,413	-	218,142
Profit attributable to :-				
Ow ners of the Company	200,688	5,413	-	206,101
Non-controlling interests	12,041	-	-	12,041
	212,729	5,413	-	218,142

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1. Basis of Preparation (cont'd)

The effects to the financial statements from the adoption of MFRS 15 and MFRS 9 are as follows: (cont'd)

	As previously stated	Effect of adoption MFRS 15	Effect of adoption MFRS 9	Restated under MFRS
	RM000	RM000	RM000	RM000
Condensed Consolidated Income Statement 9 months ended 30 April 2018				
Revenue	3,012,248	(7,335)	-	3,004,913
Operating expenses	(2,570,970)	23,010	-	(2,547,960)
Other income	97,495	1,538	-	99,033
Profit from operations	538,773	17,213	-	555,986
Finance costs	(76,717)	-	-	(76,717)
Share of profit of associated companies	152,672	54	-	152,726
Share of profit of joint ventures	166,827	5,203	-	172,030
Profit before taxation	781,555	22,470	-	804,025
Income tax expenses	(127,036)	(3,614)	-	(130,650)
Profit for the period	654,519	18,856	-	673,375
Profit attributable to :-				
Ow ners of the Company	614,961	18,856	-	633,817
Non-controlling interests	39,558	-	-	39,558
	654,519	18,856	-	673,375

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1. Basis of Preparation (cont'd)

The effects to the financial statements from the adoption of MFRS 15 and MFRS 9 are as follows: (cont'd)

	As previously stated	Effect of adoption MFRS 15	Effect of adoption MFRS 9	Restated under MFRS
	RM000	RM000	RM000	RM000
Condensed Consolidated Statement of Financial Position As at 1 August 2018				
ASSETS				
Non-current assets				
Interests in associated companies	1,814,717	(5,391)	-	1,809,326
Interests in joint arrangements	961,294	5,053	-	966,347
Deferred tax assets	39,219	1,205	-	40,424
Other assets	6,586,103	-	-	6,586,103
	9,401,333	867	-	9,402,200
Current assets				
Receivables	2,559,650	-	(401)	2,559,249
Contract assets	545,280	36,759	-	582,039
Other assets	4,332,944	-	-	4,332,944
	7,437,874	36,759	(401)	7,474,232
TOTAL ASSETS	16,839,207	37,626	(401)	16,876,432
EQUITY AND LIABILITIES				
EQUITY				
Share capital	3,452,940	-	-	3,452,940
Retained profits	3,751,678	24,566	(401)	3,775,843
Reserves	363,227	-	-	363,227
Owners' equity	7,567,845	24,566	(401)	7,592,010
Non-controlling interests	383,681	-	-	383,681
TOTAL EQUITY	7,951,526	24,566	(401)	7,975,691
Non-current liabilities				
Payables	205,185	5,020	-	210,205
Deferred tax liabilities	400,672	8,040	-	408,712
Other liabilities	4,508,669	-	-	4,508,669
	5,114,526	13,060	-	5,127,586
Current liabilities				
Other liabilities	3,773,155	-	-	3,773,155
	3,773,155	-	-	3,773,155
TOTAL LIABILITIES	8,887,681	13,060	-	8,900,741
TOTAL EQUITY AND LIABILITIES	16,839,207	37,626	(401)	16,876,432

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2. Audit Report of Preceding Annual Financial Statements

The audit report of the Group's annual financial statements for the year ended 31 July 2018 was not subject to any qualification.

3. Seasonal or Cyclical Factors

The business operations of the Group are not significantly affected by seasonal or cyclical factors.

4. Unusual Items

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

5. Changes in Estimates

There were no changes in estimates of amounts reported previously that have any material effect in the current period under review.

6. Changes in Debt and Equity Securities

During the financial period to-date, the Company increased its issued and paid up share capital (excluding share premium) from 2,467,991,951 as at 31 July 2018 to 2,468,497,951 as at 30 April 2019 by way of issuance of 506,000 new ordinary shares pursuant to the exercise of the Employees' Share Option Scheme.

There were no cancellations, repurchases, resale of equity securities for the current period to date.

7. Valuation of Property, Plant and Equipment

The valuation of land and buildings has been brought forward without amendment from the previous audited financial statements as at 31 July 2018.

8. Material Events Subsequent to Balance Sheet Date

There were no material events subsequent to the end of the quarter under review.

9. Changes in Composition of the Group

- (i) On 5 March 2019, Gamuda Berhad had formed a new wholly owned subsidiary, Intensif Inovatif Sdn. Bhd. ("Intensif Inovatif"). Intensif Inovatif is incorporated as a private company limited by shares with an initial issued share capital of RM1.00 representing one (1) ordinary share which is fully subscribed and paid by Gamuda Berhad. The intended principal activity of Intensif Inovatif is to carry out property related businesses.
- (ii) On 19 December 2018, Gamuda Engineering Sdn. Bhd. ("Gamuda Engineering"), a wholly-owned subsidiary of the Company, has acquired one (1) ordinary share in Megah Integrasi Sdn Bhd ("Megah Integrasi") representing 100% of the total issued share capital of Megah Integrasi, for a total cash consideration of RM1.00 only ("Acquisition"). Following the Acquisition, Megah Integrasi has become a wholly-owned subsidiary of Gamuda Engineering, which in turn is a wholly-owned subsidiary of Gamuda. Megah Integrasi was incorporated in Malaysia on 28 October 2018 as a private limited company. The intended principal activity is to specialise in tunnelling works.

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9. Changes in Composition of the Group (cont'd)

- (iii) On 19 October 2018, a joint venture company, Anchorvale Pte.Ltd. was incorporated with equity participation in the joint venture consist of Gamuda Singapore Pte. Ltd. (50%), H10 Holdings Pte.Ltd. (30%) and Evia Real Estate (8) Pte. Ltd. (20%) to carry out the development project on the land parcel at Anchorvale Crescent site earmarked for executive condominium development.
- (iv) On 5 October 2018, Gamuda Engineering has acquired one ordinary share in Gamuda Building Ventures Sdn Bhd (formerly known as Imbangan Integrasi Sdn Bhd) ("Gamuda Building Ventures") representing 100% of the total issued share capital of Gamuda Building Ventures, for a total cash consideration of RM1.00 only ("Acquisition"). Gamuda Building Ventures was incorporated in Malaysia on 27 March 2018 as a private limited company. Following the Acquisition, Gamuda Building Ventures has become a wholly-owned subsidiary of Gamuda Engineering, which in turn is a wholly-owned subsidiary of Gamuda. Gamuda Building Ventures' principal activity is to undertake infrastructure and building works.

10. Dividends

The Board of Directors declare an interim dividend in respect of financial year ending 31 July 2019 as follows:

- (i) A second interim dividend of 6.00 sen per ordinary share;
- (ii) A second interim dividend of 6.00 sen per ordinary share capital was declared in previous corresponding period;
- (iii) The payment date of the second interim dividend is 6 August 2019;
- (iv) In respect of deposited securities, entitlement to dividends to be determined on the basis of the record of depositors as at 19 July 2019.

The total dividend declared for the current financial period is 12.00 sen per ordinary share. In respect of the preceding year's corresponding period, a total dividend of 12.00 sen per ordinary share was declared.

11. Dividends Paid

	9 months ended 30 April	
	2019	2018
	RM'000	RM'000
<u>First Interim Dividend</u>		
First interim dividend comprising single tier dividend of 6.00 sen per ordinary share for the year ending 31 July 2019 was paid on 25 January 2019	148,083	-
First interim dividend comprising single tier dividend of 6.00 sen per ordinary share for the year ended 31 July 2018 was paid on 25 January 2018	-	147,347
	<u>148,083</u>	<u>147,347</u>

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12. Segmental Analysis

	Engineering and Construction	Property Development and Club Operations	Water and Expressway Concessions	Inter- segment Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
9 months period ended 30 April 2019					
REVENUE					
Revenue as reported	1,349,727	1,341,989	373,976	-	3,065,692
Share of joint venture companies' revenue	1,782,611	342,653	12,662	-	2,137,926
	3,132,338	1,684,642	386,638	-	5,203,618
Inter-segment sales	363,443	-	-	(363,443)	-
Total revenue	3,495,781	1,684,642	386,638	(363,443)	5,203,618
RESULTS					
Profit from operations	188,663	148,221	208,841	-	545,725
Finance costs	(23,859)	(29,609)	(19,908)	-	(73,376)
Share of profits of associated companies	475	3,200	74,858	-	78,533
Share of profits/(loss) of joint ventures	79,691	56,470	(1,879)	-	134,282
Profit before taxation	244,970	178,282	261,912	-	685,164
Percentage of segment results	36%	26%	38%		
Taxation					(119,598)
Profit for the period					565,566
Owners of the Company					521,165
Non-controlling interests					44,401
					565,566

Notes:

* Revenue used in the calculation of margin includes share of joint ventures' and associates' revenue.

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(The figures have not been audited)

12. Segmental Analysis (cont'd)

	Engineering and Construction	Property Development and Club Operations	Water and Expressway Concessions	Inter- segment Elimination	Total
	RM000	RM000	RM000	RM000	RM000
9 months period ended 30 April 2018 (Restated)					
REVENUE					
Revenue as reported	1,465,469	1,172,166	367,278	-	3,004,913
Share of joint venture companies' revenue	1,650,437	604,237	12,242	-	2,266,916
	<u>3,115,906</u>	<u>1,776,403</u>	<u>379,520</u>	<u>-</u>	<u>5,271,829</u>
Inter-segment sales	283,424	-	-	(283,424)	-
Total revenue	<u>3,399,330</u>	<u>1,776,403</u>	<u>379,520</u>	<u>(283,424)</u>	<u>5,271,829</u>
RESULTS					
Profit from operations	229,296	110,441	216,249	-	555,986
Finance costs	(8,655)	(28,548)	(39,514)	-	(76,717)
Share of profits of associated companies	915	1,429	150,382	-	152,726
Share of profits/(loss) of joint ventures	92,249	82,341	(2,560)	-	172,030
Profit before taxation	<u>313,805</u>	<u>165,663</u>	<u>324,557</u>	<u>-</u>	<u>804,025</u>
Percentage of segment results	39%	21%	40%		
Taxation					<u>(130,650)</u>
Profit for the period					<u>673,375</u>
Owners of the Company					633,817
Non-controlling interests					<u>39,558</u>
					<u>673,375</u>

Notes:

* Revenue used in the calculation of margin includes share of joint ventures' and associates' revenue.

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13. Review of Performance

	Current Year Quarter	Comparative Quarter (Restated)		Current Year To Date	Preceding Year Corresponding Period (Restated)	
	30-Apr-19	30-Apr-18	Var	30-Apr-19	30-Apr-18	Var
	RM'000	RM'000	%	RM'000	RM'000	%
BY SEGMENT						
* Revenue						
Construction	978,351	1,020,167	-4%	3,132,338	3,115,906	1%
Property	619,782	667,483	-7%	1,684,642	1,776,403	-5%
Concession	126,464	121,914	4%	386,638	379,520	2%
	1,724,597	1,809,564	-5%	5,203,618	5,271,829	-1%
Profit before tax						
Construction	71,439	102,042	-30%	244,970	313,805	-22%
Property	85,389	57,366	49%	178,282	165,663	8%
Concession	78,728	101,338	-22%	261,912	324,557	-19%
	235,556	260,746	-10%	685,164	804,025	-15%
BY GEOGRAPHY						
* Revenue						
Malaysia	1,311,096	1,349,619	-3%	4,164,746	4,173,942	0%
Overseas	413,501	459,945	-10%	1,038,872	1,097,887	-5%
	1,724,597	1,809,564	-5%	5,203,618	5,271,829	-1%
Profit before tax						
Malaysia	195,437	209,536	-7%	500,693	678,334	-26%
Overseas	40,119	51,210	-22%	184,471	125,691	47%
	235,556	260,746	-10%	685,164	804,025	-15%

* Including the Group's share of joint ventures' revenue.

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13. Review of Performance (cont'd)

Year to date : Overseas property projects contributed two-thirds of Group property sales; lower Group earnings due to sale of SPLASH last year

Gamuda Land's overseas projects contributed two-thirds of group property sales; steered by steady sales of its two projects in Vietnam namely Gamuda City in Hanoi and Celadon City in Ho Chi Minh City.

Meanwhile, Gamuda Group posted lower net profit of RM521 million for the first nine months of this year compared with RM634 million for the same period last year mainly due to the sale of Splash at the end of last year.

Current quarter : Overseas property projects continued to perform well driven by Vietnam

The two projects in Vietnam continued to sell well and together with the earnings contribution from Singapore, mitigated the lower earnings contribution from the new townships in Malaysia.

Meanwhile, Gamuda Group posted lower quarterly net profit of RM176 million compared with RM206 million for the same quarter last year mainly because the Group stopped recognising its share of Splash profits following the sale of Splash at the end of last year.

The performances of the respective divisions were as follows :

(a) **GAMUDA ENGINEERING**

The lower construction earnings is due to the reduction in MRT Line 2's contract value following the agreement with the Government to undertake the elevated and underground works as a single Turnkey Contract.

(b) **GAMUDA LAND**

The overseas projects continued to perform well with overseas sales representing two-thirds of group property sales; bolstering overall property earnings.

(c) **GAMUDA INFRASTRUCTURE CONCESSION**

The lower earnings was mainly due to the sale of Splash last year. The Group stopped recognising its share of Splash profits at the end of last year.

14. Comparison with immediate Preceding Quarter's Results

The Group's profit before tax for this quarter of RM236 million is similar to the immediate preceding quarter's profit before tax of RM223 million.

15. Other Comprehensive Income (OCI)

Included in other comprehensive income for the year to date ended 30 April 2019 is a net foreign exchange gain of RM32 million. The net foreign exchange gain resulted from the gain on foreign currency translation of the Group's overseas net assets due to the weaker Ringgit Malaysia.

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16. Current Year Prospects

Overall Prospects

The Group anticipates this year's performance to be driven by overseas property sales especially Vietnam, the progress of MRT Line 2 that continues to pick up pace and steady earnings contribution from the expressway division.

The status of projects for the respective division are as follows :

(a) GAMUDA ENGINEERING

(i) Klang Valley Mass Rapid Transit: Sungai Buloh – Serdang – Putrajaya Line (“MRT Line 2”)

MMC Gamuda reached an agreement with the Government to convert the elevated works under a Project Delivery Partner ('PDP') model, and the design and build underground works package to a single Turnkey Contract for a combined contract price of RM30.53 billion.

The overall cumulative progress at the end of May 2019 for the:

- Elevated Works Package is on track at 54%; and
- Underground Works Package is on track at 55%.

Rail systems final design and procurement is proceeding as planned. The manufacture and assembly of train sets is in progress, and at the Sungai Besi Depot, the laying of ballasted track was completed. Two TBMs have completed their drives, with another eight TBMs making good progress.

(ii) Pan Borneo Highway, Sarawak – WPC04 (Pantu Junction to Btg Skrang)

Naim Engineering Sdn Bhd – Gamuda Berhad JV accepted the award of the WPC04 (Pantu Junction to Btg Skrang) for the Pan Borneo Sarawak project on 25 July 2016. The scope includes the widening and upgrading of the existing 89.30km long, 2-lane single carriageway road from Pantu Junction to Batang Skrang to a 4-lane dual carriageway of JKR R5 standard.

Overall cumulative progress at the end May 2019 was 43% and is on track.

(iii) Penang Transport Master Plan

On 14 August 2015, the Company's 60%-owned SRS Consortium received a Letter of Award ('LOA') from the Penang State Government appointing SRS Consortium as the Project Delivery Partner (PDP) for the implementation of the Penang Transport Master Plan (PTMP). The PDP Agreement is almost finalised.

The major components of Phase 1 of the project are :

- a. The Light Rail Transit (LRT) from George Town to Island A of the Penang South Reclamation component;
- b. The Pan Island Link 1 (PIL1) highway; and
- c. Reclamation Works (Penang South Reclamation).

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16. Current Year Prospects (cont'd)

(a) GAMUDA ENGINEERING (cont'd)

(iii) Penang Transport Master Plan (cont'd)

Approvals for LRT

The Railway Scheme approval is expected by end of June 2019, with the public inspection to be held from 15th July until 15th October 2019.

The approval of the Revised Environmental Impact Assessment (EIA) Report for the LRT is anticipated by August 2019.

Approval for Pan Island Link 1 (PIL1) Highway

The EIA Report for PIL1 has been approved by DOE in letter dated on 10 April 2019. Detailed engineering design to start in July 2019.

Approvals for Penang South Reclamation

Penang South Reclamation (PSR) Project was presented to Majlis Perancang Fizikal Negara (MPFN) on 18 Apr 2019.

The revised EIA Report for Penang South Reclamation was submitted to DOE on 2 Apr 2019 and public display completed on 28 May 2019. Approval is anticipated by end June 2019. Detailed engineering design shall follow after the EIA approval, with the reclamation works for the 2,300-acre Island A to commence in mid-2020.

(iv) Gamuda Industrialised Building Systems ('Gamuda IBS')

Gamuda IBS commenced operations in June 2016 with the first factory in Sepang. On 2 May 2019, YAB Tun Dr. Mahathir bin Mohamad, Prime Minister of Malaysia officially launched Gamuda IBS' second factory in Banting. With the factory in Banting, our product portfolio has expanded beyond solid walls and slabs to include double-wall, pre-stressed slab and bathroom pod production.

With the use of Building Information Modelling (BIM) platform integrated with a robotic manufacturing line, Gamuda IBS is able to optimise resource allocations to maximise output. The benefits are:

- a. Improved factory-finished quality
- b. Enhanced worker safety and health
- c. Environmental friendly and reducing wastage to below one per cent
- d. Reducing reliance on manual labour by 70%
- e. Shortening construction period by 12 months

The two factories will have a combined capacity to produce 10,000 units per year. We look forward to the roll-out of projects in support of the Government's target to build 1 million affordable homes in the coming decade.

For the current financial year, some 1,200 units have been completed as at 30 April 2019 for Gamuda Land and external developers such as Perbadanan Kemajuan Negeri Selangor (PKNS) and Worldwide Holdings Berhad.

By 2020, all of Gamuda Land's high rise developments will be manufactured at Gamuda IBS. Additionally, Gamuda IBS will also extend its digital manufacturing capabilities to landed properties, starting with the first phase of Gamuda Cove.

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16. Current Year Prospects (cont'd)

(a) GAMUDA ENGINEERING (cont'd)

(v) Gamuda (Australia) Branch

The Gamuda (Australia) Branch office was established in Sydney, with a staff force of 60 Australians and Malaysians. The purpose is to participate in tenders, where the Australian Government is investing A\$100 billion over the next 10 years from 2019-20 in transport infrastructure across the country.

(b) GAMUDA LAND

The property division sold RM2 billion worth of properties for the first nine months of this year. Overseas projects contributed two-thirds of the overall sales.

(i) Overseas

The two developments in Vietnam namely Gamuda City in Hanoi and Celadon City in Ho Chi Minh City continued to deliver steady results and remained the biggest contributor of overseas sales.

Sales at the now-completed 661 Chapel Street, a luxury high-rise condominium in Melbourne, Australia is on-going while construction works for Anchorvale Crescent in Singapore is expected to commence soon.

(ii) Malaysia

Established projects in Horizon Hills and Jade Hills continued to sell well due to its product offerings. Newer townships like Gamuda Gardens and twentyfive.7 saw improved take-up rates since the opening of their Experience Gallery & Show Village.

Gamuda Gardens' 50-acre central park with two waterfalls & five lakes and the 100,000 sq. ft. Waterfront Village which are nearing completion has helped the project attract footfall to the site. The MoU with key partners like Skyline Luge Enterprises for a 60,000 square metres hillside site and Beaconhouse at Gamuda Gardens are expected to help boost sales in the coming months.

Meanwhile, attractions at twentyfive.7 such as The Buzz.ar and The Field, an international sized football field which is professionally managed by the FTA – the Football Talent Asia, boosted twentyfive.7's brand recognition and this has further improved sales. Phase 1 of twentyfive.7's landed residences is 80% sold with the launch of Phase 2 landed residences targeted in Q4 FY2019.

The ELITE highway's interchange connecting directly to Gamuda Cove, a 1,530-acre smart city in a nature sanctuary with a GDV of RM20 billion, is targeted to be opened in July 2019.

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16. Current Year Prospects (cont'd)

(c) GAMUDA INFRASTRUCTURE CONCESSIONS

(i) Expressway

The traffic volumes of all expressways have been stable and resilient.

On 21 June 2019, the Government offered to take over Gamuda's four highways namely KESAS, SPRINT, LITRAK and SMART. Gamuda is expected to receive RM2.36 billion from the sale of its stakes in the four highways. The sale is expected to be completed by 31 December 2019.

(ii) Water

Splash, 40%-owned by the Group, was sold to Pengurusan Air Selangor Sdn Bhd ("Air Selangor") for RM2.55 billion last year. The upfront payment of RM1.9 billion was received in April 2019 upon the completion of all condition precedents prescribed in the share purchase agreement. Thereafter, the balance purchase price of RM650 million will be settled in nine equal annual instalments.

On 24 May 2019, the Group's 80%-owned Gamuda Water Sdn Bhd ("Gamuda Water") and Air Selangor executed a debt settlement agreement and a new operations & maintenance agreement. Hence, Gamuda Water shall continue as the Operations and Maintenance Operator for Sungai Selangor Water Treatment Plant Phase 3.

17. Variance from Profit Forecast and Profit Guarantee

This is not applicable to the Group.

18. Income Tax

	3 months ended 30 April		9 months ended 30 April	
	2019	2018 (Restated)	2019	2018 (Restated)
	RM'000	RM'000	RM'000	RM'000
Income tax				
- Current year	59,634	41,693	127,599	127,844
- Prior year	11,564	(8,315)	6,257	(2,637)
Deferred tax				
- Current year	(25,506)	10,670	(15,922)	4,447
- Prior year	42	(1,444)	1,664	996
	<u>45,734</u>	<u>42,604</u>	<u>119,598</u>	<u>130,650</u>

The Group's effective tax rate (excluding the results of joint ventures and associates which is equity accounted net of tax) for the current quarter and current year to date are higher than the statutory tax rate mainly due to certain expenses not being deductible for tax purposes.

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19. Status of Corporate Proposals

- (i) The Group's 40%-owned associated company, Syarikat Pengeluar Air Selangor Holdings Berhad ("SPLASH Holdings") has on 28 September 2018 entered into a conditional share purchase agreement with Pengurusan Air Selangor Sdn Bhd ("Air Selangor") in respect of Air Selangor's purchase of 100% equity in Syarikat Pengeluar Air Sungai Selangor Sdn. Bhd. ("SPLASH"). SPLASH, the concession holder of the Sungai Selangor Water Supply Scheme Phase 1 and 3 is a wholly-owned subsidiary of SPLASH Holdings.

The acquisition of SPLASH by Air Selangor consist of:

- 50,000,000 ordinary shares in SPLASH ("SPLASH Shares"), being 100% of the issued and paid up ordinary share capital of SPLASH;
- 350,000,000 Redeemable Unsecured Loan Stocks issued by SPLASH to SPLASH Holdings ("SPLASH RULS"), being 100% of SPLASH RULS,

for a combined total purchase consideration of RM2.55 billion, which shall paid in the following manner:

- an upfront payment of RM1.9 billion;
- the balance purchase price of RM650 million to be settled in 9 annual instalments, with an interest of 5.25% per annum.

The upfront payment of RM1.9 billion was received in April 2019 upon the completion of all condition precedents prescribed in the share purchase agreement. Hence, Gamuda has disposed of its effective 40% equity stake in SPLASH via SPLASH Holdings.

- (ii) The Group's 80%-owned Gamuda Water Sdn Bhd ("Gamuda Water") has accepted Air Selangor's offer to :-

- settle Gamuda Water's outstanding receivables arising from its existing operations and maintenance of the Sungai Selangor Water Treatment Plant Phase 3 ("SSP 3") at an amount equal to 90% of the outstanding receivables as at a date to be mutually agreed by all parties. 10% of the settlement sum shall be paid upfront and the balance shall be settled in 9 equal annual instalments; and
- enter into a new operations and maintenance agreement ("OMA") to replace the existing OMA for the continued operation and maintenance of SSP 3. The rates in the new OMA represent an approximately 2 sen/m³ reduction to the rates in the existing OMA.

The new OMA and settlement agreement have been executed on 24 May 2019.

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(The figures have not been audited)

19. Status of Corporate Proposals (cont'd)

- (iii) On 14 December 2018 the Company announced that it proposes to undertake the following proposals: -
- a) a renounceable rights issue of warrants in Gamuda ("Warrant(s) F") on the basis of one (1) Warrant F at an issue price of RM0.25 per Warrant F for every four (4) existing ordinary shares in Gamuda ("Gamuda Share(s)") held on an entitlement date to be determined later ("Proposed Rights Issue of Warrants"); and
 - b) an establishment of a dividend reinvestment plan that provides the shareholders of Gamuda with an option to elect to reinvest their cash dividends in new Gamuda Shares ("Proposed DRP")

collectively referred to as the "Proposals".

The Company has obtained Bursa Malaysia Securities Berhad ("Bursa Securities") approval for an extension of time for approximately 6 months until 19 September 2019 for the issuance of the circular to the shareholders of Gamuda in relation to the Proposals to comply with the Main Market Listing Requirements of Bursa Securities.

The extension of time was made in view of the press statement from The Prime Minister's Office dated 23 February 2019 which states that the Government of Malaysia has commenced talks with Gamuda to negotiate the acquisition of 4 highway concessions in which Gamuda has an interest in ("Proposed Acquisition of Tolled Highways"). As the Proposed Acquisition of Tolled Highways by the Government of Malaysia will result in a cash injection into Gamuda, the extension of time above will enable the Company to, amongst others, re-evaluate the cash flow requirements of the Gamuda Group moving forward on a holistic manner.

- (iv) On 21 June 2019, Kesas Holdings Berhad ("**Kesas Holdings**"), its 70% owned subsidiary, received a Letter of Offer from Minister of Finance (Incorporated) ("MOF") in respect of its offer to acquire all the securities (including all ordinary shares, preference shares and loan stocks) of Kesas Sdn Bhd ("**Kesas Offer**"). Kesas is a wholly owned subsidiary of Kesas Holdings.

Simultaneously, each of the following associated companies and joint venture company of Gamuda had on 21 June 2019, received a Letter of Offer from MOF for the following acquisitions:

- a) Sistem Penyuraian Trafik KL Barat Holdings Sdn Bhd ("**SPRINT Holdings**"), Gamuda's 52% associated company, received a Letter of Offer from MOF in respect of its offer to acquire all the securities (including all ordinary shares, preference shares and loan stocks) of Sistem Penyuraian Trafik KL Barat Sdn Bhd ("**SPRINT Offer**"). SPRINT is a wholly-owned subsidiary of SPRINT Holdings;
- b) Lingkaran Trans Kota Holdings Berhad ("**LITRAK Holdings**"), Gamuda's 44% associated company, had on 21 June 2019, received a Letter of Offer from MOF in respect of its offer to acquire all the securities (including all ordinary shares, preference shares and loan stocks) of Lingkaran Trans Kota Sdn Bhd ("**LITRAK Offer**"). LITRAK is a wholly-owned subsidiary of LITRAK Holdings; and
- c) Projek SMART Holdings Sdn Bhd ("**SMART Holdings**"), Gamuda's 50% joint venture company, had on 21 June 2019, received a Letter of Offer from MOF in respect of its offer to acquire all the securities (including all ordinary shares, preference shares and loan stocks) of Syarikat Mengurus Air Banjir & Terowong Sdn Bhd ("**SMART Offer**"). SMART is a wholly-owned subsidiary of SMART Holdings.

(Kesas, SPRINT, LITRAK and SMART shall collectively be referred to as the "**Expressway Concession Companies**" and each a "**Expressway Concession Company**", and Kesas Holdings, SPRINT Holdings, LITRAK Holdings and SMART Holdings shall collectively be referred to as the "**Concession Holding Companies**" and each a "**Concession Holding Company**").

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(The figures have not been audited)

19. Status of Corporate Proposals (cont'd)

(iv) (cont'd)

The purchase considerations are as follows:

Kesas Offer	SPRINT Offer	LITRAK Offer	SMART Offer
Cash consideration payable on completion shall be a sum equivalent to RM1,377 million less any outstanding Indebtedness as at completion	Cash consideration payable on completion shall be a sum equivalent to RM1,984 million less any outstanding Indebtedness as at completion	Cash consideration payable on completion shall be a sum equivalent to RM2,470 million less any outstanding Indebtedness as at completion	Cash consideration payable on completion shall be a sum equivalent to RM369 million less any outstanding Indebtedness as at completion

Gamuda is expected to receive RM2.36 billion from the sale of its stakes in the four highways.

The proposed offer to purchase by MOF shall subject to the conditions precedent being satisfied by 29 November 2019:-

- i) The requisite shareholders' approval for the disposal of each Expressway Concession Company; and
- ii) The approval or consent of the creditors of the Concession Holding Companies and/or the Expressway Concession Companies, where applicable.

The sale is expected to be completed by 31 December 2019.

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(The figures have not been audited)

20. Group Borrowings and Debt Securities

The details of the Group's borrowings as at the end of the period are as follows:-

	As At 30 Apr 19			As At 30 Apr 18		
	Secured	Unsecured	Total	Secured	Unsecured	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Long Term Borrowings						
Medium Term Notes						
- Gamuda	-	1,300,000	1,300,000	-	1,500,000	1,500,000
- Gamuda Gardens	-	600,000	600,000	-	500,000	500,000
- Kesas	375,000	-	375,000	465,000	-	465,000
Term Loans						
- Gamuda	-	825,361	825,361	-	818,456	818,456
- twentyfive.7	433,965	-	433,965	346,347	-	346,347
- Gamuda City	105,078	-	105,078	175,845	-	175,845
- Celadon City	255,190	-	255,190	330,270	-	330,270
- Chapel Street	-	-	-	-	221,820	221,820
- Gamuda Singapore	-	-	-	-	177,552	177,552
Revolving Credits						
- Jade Hills	63,259	-	63,259	85,677	-	85,677
- Gamuda Singapore	-	-	-	-	29,592	29,592
	1,232,492	2,725,361	3,957,853	1,403,139	3,247,420	4,650,559
Short Term Borrowings						
Medium Term Notes						
- Gamuda	-	300,000	300,000	-	800,000	800,000
- Kesas	90,000	-	90,000	90,000	-	90,000
Commercial Papers						
- Gamuda	-	300,000	300,000	-	-	-
Term Loans						
- Gamuda City	35,026	-	35,026	-	-	-
- Celadon City	85,063	-	85,063	-	110,000	110,000
- Chapel Street	-	-	-	57,506	-	57,506
- Gamuda Singapore	-	151,990	151,990	-	-	-
Revolving Credits						
- Gamuda	-	766,848	766,848	-	-	-
- Pan Borneo	-	128,000	128,000	-	-	-
- Jade Home	8,371	-	8,371	-	-	-
- Gamuda Singapore	-	30,398	30,398	-	-	-
	218,460	1,677,236	1,895,696	147,506	910,000	1,057,506
Total Borrowings	1,450,952	4,402,597	5,853,549	1,550,645	4,157,420	5,708,065

The Group borrowings and debt securities are denominated in the following currencies:

	As At 30 Apr 19		As At 30 Apr 18	
	Foreign Currency (‘000)	RM'000 Equivalent	Foreign Currency (‘000)	RM'000 Equivalent
RM	-	5,137,075	-	4,772,986
USD	13,000	53,729	-	-
VND	2,700,000,000	480,357	2,930,770,000	506,115
SGD	60,000	182,388	70,000	207,144
AUD	-	-	75,000	221,820
		5,853,549		5,708,065

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(The figures have not been audited)

21. Changes in Contingent Liabilities or Contingent Assets

There are no significant contingent liabilities or contingent assets.

22. Provision of Financial Assistance

Pursuant to paragraph 8.23(1)(ii) of Bursa Malaysia Securities Berhad's Listing Requirements, the financial assistance provided by Gamuda Berhad ("Gamuda") is as follows:

a) Company Guarantees

1. The Company and its joint venture partner, MMC Corporation Berhad ("MMC"), issued parent company guarantees to guarantee the due performance and obligations of MMC - Gamuda KVMRT (T) Sdn. Bhd. ("Tunnel JV") in the underground works packages of the Klang Valley Mass Rapid Transit Project Sungai Buloh - Kajang Line ("KVMRT Line 1") and Klang Valley Mass Rapid Transit Project Sungai Buloh - Serdang - Putrajaya Line ("KVMRT Line 2"). Tunnel JV is equally owned by MMC and the Company.
2. The Company and its joint venture partner, MMC, have also issued parent company guarantees to guarantee the due performance and obligations of MMC - Gamuda KVMRT (PDP SSP) Sdn. Bhd. ("PDP SSP") as the Project Delivery Partner ("PDP") of KVMRT Line 2. PDP SSP is equally owned by MMC and the Company.
3. The Company and its partner, WCT Holdings Berhad formed a 51%: 49% joint venture ("GWJV") to undertake the design and to construct the airfield facilities, tunnel and detention ponds of the New Doha International Airport Project in the state of Qatar. Pursuant to the conditions of contract, GWJV is required to issue a performance bond of QAR336 million (approximately RM380 million at the prevailing exchange rate on 30 April 2019) to the client to guarantee the due performance and obligations of GWJV in the project. In January 2014, GWJV was issued with the initial acceptance certificate signifying the completion of the project, pending issuance of the final acceptance certificate upon expiry of the maintenance period in January 2015. The airport commenced operations in April 2014. To-date, the performance bond has not been returned to GWJV even though the project has been completed. GWJV has performed the works and has met all its obligations in accordance with the terms of the contract. The performance bond remains enforceable in perpetuity unless it is returned by the client for cancellation.

The parent company guarantees for the contracts in (a) and (b) and the performance bond issued in (c) have not been called because Tunnel JV, PDP SSP and GWJV have performed and met their obligations in compliance with the terms of the contract.

The directors are of the opinion that the transactions above have been entered into in the normal course of business.

b) Advances to sub-contractors

	As at 30-Apr-19 RM'000
Non-interest bearing advances	<u>192,133</u>

The financial assistance provided does not have any material effect on the earnings, net assets and liquidity of Gamuda Group.

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(The figures have not been audited)

23. Capital Commitments

The amount for capital commitments not provided for in the interim financial statements as at 30 April 2019 are as follows:

	RM'000
Approved and contracted for :-	
Integrated Industrialised Building System (IBS) factory	30,096
Tunnel Boring Machines	13,616
Plant & Equipment	4,558
	<u>48,270</u>

24. Material Litigation

- (i) On 27 June 2016, Gamuda Berhad announced that its jointly controlled entity, MMC Gamuda KVMRT (PDP) Sdn Bhd ("PDP") had, on 24 June 2016, been served with a writ and statement of claim filed by Accolade Land Sdn Bhd ("Accolade") against Mass Rapid Transit Corporation Sdn Bhd ("MRT Corp"), PDP and other parties.

The suit is premised on an alleged breach of an alleged contract between Accolade and MRT Corp relating to the acquisition of land belonging to Accolade by MRT Corp for the Klang Valley Mass Rapid Transit project.

Accolade is claiming, jointly and severally against the defendants, damages in the sum of RM303,534,216.00, with interest and costs.

On 5 August 2016, the PDP filed an application to strike out the Accolade's Writ and Statement of Claim on the premise that it discloses no reasonable cause of action, is scandalous, frivolous and vexatious and amounts to an abuse of process ("PDP's 1st Striking Out Application"). On 15 September 2016, the PDP filed an application to strike out parts of Accolade's Amended Reply to the PDP's Defence on the premise that they are scandalous, frivolous and vexatious and amounts to an abuse of process ("PDP's 2nd Striking Out Application"). The PDP's 1st Striking out Application and 2nd Striking Out Application were heard before the Judge on 23 November 2016 and 28 February 2017. On 20 April 2017, the Judge allowed the PDP's 1st Striking Out Application. As a result of the Judge's decision the PDP's 2nd Striking Out Application was struck out as the same has become academic. On 16 May 2017, Accolade filed a Notice of Appeal against the decision of the Judge. On 25 April 2019, Accolade withdrew its appeal against PDP.

- (ii) On 9 March 2018, Gamuda Berhad announced that its 80% owned subsidiary, Gamuda Water Sdn Bhd ("Gamuda Water") has received four writs of summons filed by Tenaga Nasional Berhad ("TNB"). The suits are premised on the failure by Gamuda Water in paying electricity bills amounted to RM39,512,062.75. On 18 May 2018, upon the application of Gamuda Water, the Court granted an order to consolidate all four writs. Gamuda Water filed an application for stay of proceedings ("Stay Application") on 12 June 2018. On 19 July 2018, TNB served on Gamuda Water its application for summary judgment ("Summary Judgment"). The hearing date for the Stay Application and the Summary judgment are fixed on 15 August 2019.

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(The figures have not been audited)

24. Material Litigation (cont'd)

- (iii) On 2 April 2018, Gamuda Berhad announced that Syarikat Pengeluar Air Sungai Selangor Sdn Bhd (a 40% associate company) ("SPLASH") was served with two third party notices ("Third Party Suits") by Sungai Harmoni Sdn Bhd ("SHSB") in respect of the two suits filed by TNB against SHSB for outstanding electricity charges. In the Third-Party Suits, SHSB is claiming against SPLASH (1) the sum of RM621,576,212.76 for the supply of treated water (less the indemnified sum claimed by TNB in the two suits) and an indemnification sum of RM8,014,837.69 against TNB's claim together with interest and cost, and (2) an indemnification sum of RM27,692,527.95 against TNB's claim together with interest and cost. On 26 April 2018, SPLASH served on SHSB its application to stay the proceedings of the Third Party Suits ("Stay Application"). On 31 July 2018, the court allowed the Stay Application. As at 24 April 2019, SPLASH ceases to be an associate company of Gamuda Berhad upon completion of the Share Purchase Agreement dated 28 September 2018, between Syarikat Pengeluar Air Selangor Holdings Berhad and Pengurusan Air Selangor Sdn Bhd.
- (iv) On 29 October 2018, Gamuda Berhad announced that its 50% jointly controlled entity, MMC-Gamuda Joint Venture Sdn Bhd ("MGJV") have been served with the Notice by Emrail Sdn Bhd ("Emrail") in respect of an alleged dispute and differences arising out of the Conditions of Contract dated 23 December 2010 for the Construction, Completion, Testing, Commissioning and Maintenance of Track Works for the Electrified Double Track Project between Ipoh and Padang Besar.

On 6 December 2018, MGJV has notified the Company that they have filed an Originating Summons at the Kuala Lumpur High Court to seek for a declaration, among others, that the Notice is invalidly issued and Emrail is not entitled to commence arbitration proceedings against MGJV. Emrail has withdrawn the Notice against MGJV and consequently, on 16 May 2019 MGJV withdrew its Originating Summons filed at the Kuala Lumpur High Court.

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(The figures have not been audited)

25. Earnings Per Share

	Current Quarter 30-Apr-19	Current Year To Date 30-Apr-19
Basic		
Net profit attributable to shareholders (RM'000)	<u>175,987</u>	<u>521,165</u>
Number of ordinary shares in issue as at 1 Aug 2018 ('000)	2,467,991	2,467,991
Effect of shares issued during the year ('000)	<u>263</u>	<u>125</u>
Weighted average number of ordinary shares in issue ('000)	<u>2,468,254</u>	<u>2,468,116</u>
Basic earnings per ordinary share (sen)	<u>7.13</u>	<u>21.12</u>
Diluted		
Net profit attributable to shareholders (RM'000)	<u>175,987</u>	<u>521,165</u>
Weighted average number of ordinary shares in issue ('000)	2,468,254	2,468,116
- Assumed shares issued from the exercise of ESOS ('000)	942	781
- Assumed shares issued from the conversion of Warrants 2016/2020 ('000)	-	-
Adjusted weighted average number of ordinary shares for calculating diluted earnings per ordinary share ('000)	<u>2,469,196</u>	<u>2,468,897</u>
Diluted earnings per ordinary share (sen)	<u>7.13</u>	<u>21.11</u>

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26. Trade Receivables

The current trade receivables are non-interest bearing and are generally on 14 to 90 days terms. Other credit terms are assessed and approved on a case-by-case basis. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Receivables of the Group is analysed as follows:

	As At 30-Apr-19 RM'000	As At 30-Apr-18 RM'000
Current		
Trade receivables		
Third parties	1,098,244	1,351,321
Due from associated companies	159,956	56,541
Due from joint venture	624,613	831,877
Due from joint venture partners	-	688
	1,882,813	2,240,427
Other receivables		
Accrued billings	855,735	644,478
Sundry receivables	206,624	316,488
	2,945,172	3,201,393

Ageing analysis of current trade receivables:-

Neither past due nor impaired	1,480,428	1,858,624
1 to 30 days past due not impaired	98,289	163,433
31 to 60 days past due not impaired	32,664	75,361
61 to 90 days past due not impaired	31,567	17,604
91 to 120 days past due not impaired	27,390	16,345
More than 121 days past due not impaired	123,587	84,658
	313,497	357,401
Impaired	88,888	24,402
Total trade receivables	1,882,813	2,240,427

a) Due from joint venture

Included is an amount of RM575,128,000 due from MMC Gamuda KVMRT (T) Sdn. Bhd. ("MGKT"). MGKT is the underground works contractor for KVMRT Line 1 and Line 2.

b) More than 121 days past due not impaired

Included is mainly related to Kesas outstanding toll compensation claim of RM74 million from Government of Malaysia. The amount is expected to receive in September 2019.

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27. Notes to the Consolidated Statement of Comprehensive Income

Total comprehensive income for the year is arrived at after charging/(crediting) the following items:

	Current Quarter 30-Apr-19 RM'000	Current Year To Date 30-Apr-19 RM'000
Interest income	(38,765)	(101,114)
Other income	(15,154)	(33,373)
Interest expense	24,879	73,376
Depreciation and amortisation	48,645	140,012
Provision for impairment of receivables	-	-
Provision for and write-off of inventories	-	-
Gain on disposal of quoted or unquoted investment	-	-
Gain on disposal of property, plant and equipment	(12)	(324)
Provision for impairment of assets	-	-
Loss on foreign exchange	10	13
Gain on derivatives	-	-

The above disclosure is prepared in accordance with paragraph 16 of Appendix 9B of the Main Listing Requirements ("MLR") issued by Bursa Malaysia Securities Berhad. Except for the above, the rest of the items required for disclosures pursuant to paragraph 16 of MLR are not applicable to the Group.