

UOA DEVELOPMENT BHD
INTERIM FINANCIAL REPORT
SECOND QUARTER ENDED 30 JUNE 2014





INTERIM FINANCIAL REPORT

SECOND QUARTER ENDED 30 JUNE 2014

UOA DEVELOPMENT BHD (654023-V)
(Incorporated in Malaysia)

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(Cover) Strategically located in the prime district along Old Klang Road in Kuala Lumpur, Southbank is a freehold mixed use development designed for urbanites with a penchant for great location.

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UOA DEVELOPMENT BHD (654023-V)
(Incorporated in Malaysia)
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	As At 30 June 2014 RM'000	As At 31 December 2013 RM'000 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	155,271	47,880
Investment properties	753,534	775,641
Land held for property development	79,791	71,211
Available-for-sale financial assets	21,341	22,424
Investment in an associate	25,180	23,174
Amount due from associate	3,539	3,432
Deferred tax assets	24,492	19,550
	<u>1,063,148</u>	<u>963,312</u>
Current assets		
Property development costs	880,046	755,723
Inventories	157,040	146,119
Trade and other receivables	344,923	426,113
Current tax assets	7,534	1,963
Short term investments	284,145	469,909
Fixed deposits with licensed banks	271,090	193,361
Cash and bank balances	191,900	142,845
	<u>2,136,678</u>	<u>2,136,033</u>
TOTAL ASSETS	<u>3,199,826</u>	<u>3,099,345</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	66,989	66,989
Share premium	965,426	965,426
Merger reserve	2,252	2,252
Fair value reserve	3,247	4,330
Unappropriated profit	1,356,637	1,405,875
Less : Treasury shares	(1,376)	(59)
Equity attributable to owners of the Company	<u>2,393,175</u>	<u>2,444,813</u>
Non-controlling interests	71,085	97,714
Total equity	<u>2,464,260</u>	<u>2,542,527</u>
Non-current liabilities		
Amounts owing to non-controlling shareholders of subsidiary companies	69,278	56,010
Hire purchase and finance lease liabilities	8,571	10,542
Long term borrowings	48,775	13,356
Deferred tax liabilities	22,771	20,428
	<u>149,395</u>	<u>100,336</u>
Current liabilities		
Trade and other payables	379,226	424,615
Amount owing to holding company	127	-
Amount owing to a related company	190	111
Amounts owing to non-controlling shareholders of subsidiary company	-	23,487
Hire purchase and finance lease liabilities	6,488	6,204
Short term borrowings	26,065	2,065
Dividend payable	174,075	-
	<u>586,171</u>	<u>456,482</u>
TOTAL LIABILITIES	<u>735,566</u>	<u>556,818</u>
TOTAL EQUITY AND LIABILITIES	<u>3,199,826</u>	<u>3,099,345</u>
Net Asset Per Share (RM)	<u>1.79</u>	<u>1.82</u>
Based on number of shares net of treasury shares	<u>1,339,041,800</u>	<u>1,339,751,800</u>

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial report.

UOA DEVELOPMENT BHD (654023-V)
(Incorporated in Malaysia)
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2014

	Individual Quarter Ended		Cumulative Quarter Ended	
	30 June	30 June	30 June	30 June
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Revenue	219,259	295,604	394,244	677,463
Cost of sales	(135,586)	(148,943)	(228,680)	(341,332)
Gross profit	83,673	146,661	165,564	336,131
Fair value adjustment on investment properties	38,987	-	38,987	4,225
Other income	21,895	16,570	42,738	32,665
Administrative and general expenses	(31,755)	(27,691)	(59,548)	(55,587)
Other expenses	(11,284)	(10,572)	(17,756)	(20,422)
Finance costs	(2,148)	(1,175)	(3,352)	(2,380)
Share of results of associate	4,007	1,553	4,951	2,620
Profit before tax	103,375	125,346	171,584	297,252
Tax expense	(19,037)	(30,785)	(35,293)	(66,169)
Profit for the period	84,338	94,561	136,291	231,083
Other comprehensive income, net of tax				
<i>Item that will be reclassified subsequently to profit or loss</i>				
Fair value loss on available-for-sale financial assets	(310)	2,165	(1,083)	2,474
Total comprehensive income for the period	84,028	96,726	135,208	233,557
Profit attributable to:				
Owners of the Company	80,187	78,599	124,837	197,743
Non-controlling interests	4,151	15,962	11,454	33,340
	84,338	94,561	136,291	231,083
Total comprehensive income attributable to:				
Owners of the Company	79,877	80,764	123,754	200,217
Non-controlling interests	4,151	15,962	11,454	33,340
	84,028	96,726	135,208	233,557
Earnings per share (Sen)				
- Basic earnings per share	5.99	6.19	9.32	15.56
- Diluted earnings per share	N/A	N/A	N/A	N/A

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial report.

UOA DEVELOPMENT BHD (654023-V)
(Incorporated in Malaysia)
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2014

	Attributable to Owners of the Company									
	Non-distributable									
	Share Capital RM'000	Share Premium RM'000	Merger Reserve RM'000	Fair Value Reserve RM'000	Unappropriated profits RM'000	Treasury shares RM'000	Total RM'000	Non-controlling interest RM'000	Total Equity RM'000	
Balance at 1 January 2014	66,989	965,426	2,252	4,330	1,405,875	(59)	2,444,813	97,714	2,542,527	
Total comprehensive income for the year	-	-	-	(1,083)	124,837	-	123,754	11,454	135,208	
Purchase of Treasury shares	-	-	-	-	-	(1,317)	(1,317)	-	(1,317)	
Dividend paid to non-controlling shareholder of a subsidiary company	-	-	-	-	-	-	-	(40,000)	(40,000)	
Dividend	-	-	-	-	(174,075)	-	(174,075)	-	(174,075)	
Acquisition of a new subsidiary	-	-	-	-	-	-	-	1,917	1,917	
Balance at 30 June 2014	66,989	965,426	2,252	3,247	1,356,637	(1,376)	2,393,175	71,085	2,464,260	
Balance at 1 January 2013	63,540	826,283	2,252	3,093	1,195,536	(18)	2,090,686	58,359	2,149,045	
Total comprehensive income for the year	-	-	-	2,474	197,743	-	200,217	33,340	233,557	
Purchase of Treasury shares	-	-	-	-	-	(18)	(18)	-	(18)	
Dividend paid to non-controlling shareholder of a subsidiary company	-	-	-	-	-	-	-	(3,375)	(3,375)	
Balance at 30 June 2013	63,540	826,283	2,252	5,567	1,393,279	(36)	2,290,885	88,324	2,379,209	

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial report.

UOA DEVELOPMENT BHD (654023-V)
(Incorporated in Malaysia)
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2014

	Current Year To Date 30 June 2014 RM'000	Preceding Year To Date 30 June 2013 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	171,584	297,252
Adjustments for:		
Non-cash items	(30,291)	3,519
Non-operating items	(4,950)	(2,826)
Dividend income	(834)	(765)
Net interest expense	(11,717)	(6,151)
Operating profit before changes in working capital	123,792	291,029
Net changes in inventories	17,371	174,091
Net changes in property development costs	(67,210)	(36,532)
Net changes in receivables	9,682	(67,264)
Net changes in payables	(87,660)	2,475
Cash (used in)/generated from operations	(4,025)	363,799
Interest received	1,602	1,629
Tax paid	(43,463)	(68,486)
Net cash (used in)/generated from operating activities	(45,886)	296,942
CASH FLOWS FROM INVESTING ACTIVITIES		
Repayment to associate company	(21)	-
Dividend received	834	765
Proceeds from disposal of investment properties	-	247,905
Proceeds from disposal of property, plant and equipment	72,674	209
Acquisition of shares in new subsidiary company, net of cash	58	-
Additions to investment properties	(39,141)	(128,147)
Purchase of property, plant and equipment	(11,441)	(1,948)
Purchase of land held for property development	(8,580)	(733)
Interest income	8,785	6,381
Net cash generated from investing activities	23,168	124,432
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from holding company	127	2,310
Advances from related company	79	-
Payment of hire purchase and finance lease liabilities	(3,279)	(2,352)
Dividends paid to non-controlling shareholders of a subsidiary company	(40,000)	(3,375)
Net drawdown of borrowings	19,419	9,391
Fixed deposit pledged to secure bank borrowings	(12)	(336)
(Repayment to)/advances from non-controlling shareholders of subsidiary companies	(8,460)	3,375
Shares repurchase at cost	(1,317)	(18)
Interest paid	(2,831)	(925)
Net cash (used in)/generated from financing activities	(36,274)	8,070
Net (decrease)/increase in cash and cash equivalents	(58,992)	429,444
Cash and cash equivalents at beginning of period	805,158	378,577
Cash and cash equivalents at end of period	746,166	808,021
Cash and cash equivalents at end of period comprise:		
Short term investments	284,145	501,192
Fixed deposits with licensed banks	271,090	119,872
Cash and bank balances	191,900	187,897
	747,135	808,961
Fixed deposit pledged to secure bank borrowings	(969)	(940)
	746,166	808,021

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial report.

EXPLANATORY NOTES TO THE INTERIM REPORT FOR THE QUARTER ENDED 30 JUNE 2014

A EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD (“FRS”) 134, INTERIM FINANCIAL REPORTING

A1 BASIS OF PREPARATION

The interim financial report has been prepared in accordance with FRS 134, Interim Financial Reporting and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the Group’s audited financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to this interim financial report.

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 Company and its subsidiaries (“the Group”) since the year ended 31 December 2013.

A2 CHANGES IN ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the audited financial statements of the Group for the year ended 31 December 2013, except for the adoption of the following Amendments to FRSs and Issues Committee Interpretation (“IC Interpretation”) that are relevant to its operations:

Amendments to FRS 10, FRS 12 and FRS 127	Investment Entities
Amendments to FRS 132	Offsetting Financial Assets and Financial Assets
Amendments to FRS 136	Recoverable Amount Disclosures for Non-financial Assets
Amendments to FRS 139	Novation of Derivatives and Continuation of Hedge Accounting
IC Interpretation 21	Levies

The adoption of the above Amendments to FRSs and IC Interpretation does not have significant impact on the financial statements of the Group.

Malaysian Financial Reporting Standards

On 19 November 2011, the MASB issued new MASB approved accounting framework, i.e. Malaysian Financial Reporting Standards (“MFRS”).

MFRS is to be applied by all entities other than private entities for annual periods beginning on or after 1 January 2012, with the exception of entities subject to the application of MFRS 141 *Agriculture* and/or IC Interpretation 15 *Agreements for Construction of Real Estate*, including the entities’ parent, significant investor and venturer (herein referred to as ‘Transitioning Entities’). Transitioning Entities are allowed to defer adoption of MFRS, and continue to use the existing FRS framework until the MFRS framework is mandated by the MASB.

The Group falls within the definition of Transitioning Entities and has opted to defer adoption of MFRS. The Group will adopt MFRS and will prepare its first set of MFRS financial statements when the MFRS framework is mandated by the MASB. In presenting its first set of MFRS financial statements, the Group will quantify the financial effects of the differences between the currently applied FRS and MFRS. The majority of the adjustments required on transition will be made, retrospectively, against opening retained earnings.

Accordingly, the financial performance and financial position of the Group as disclosed in these financial statements for the year ended 31 December 2013 could be different if prepared in accordance with MFRS framework.

Certain subsidiaries and associates of the Group prepare their financial statements using MFRS framework. Accordingly, reconciliations have been performed for the different financial reporting frameworks. However, the differences did not have significant impact to these consolidated financial statements.

A3 QUALIFIED AUDIT REPORT

The auditors' report of the financial statements of the Company for the financial year ended 31 December 2013 was not qualified.

A4 COMMENTS ON SEASONALITY OR CYCLICALITY OF OPERATIONS

The business operations of the Group during the financial period under review have not been materially affected by any seasonal or cyclical factors.

A5 UNUSUAL ITEMS

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the quarter under review.

A6 MATERIAL CHANGES IN ESTIMATES

There were no material changes in estimates that have had a material effect in the current quarter results.

A7 DEBT AND EQUITY SECURITIES

Save as disclosed below, there were no issuance, cancellation, repurchase, resale and repayment of debt and/or equity securities, share buybacks, share cancellations, shares held as treasury shares and resale of treasury shares for the current quarter.

(a) Share buyback by the Company

During the current quarter, there was no buyback of shares nor resale or cancellation of treasury shares.

(b) As at 30 June 2014, the Company has 740,000 ordinary shares held as treasury shares and the issued and paid-up share capital of the Company remained unchanged at 1,339,781,800 ordinary shares of RM0.05 each.**A8 DIVIDENDS PAID**

A first and final single tier dividend of 13 sen per ordinary share of RM0.05 each in respect of the financial year ended 31 December 2013 was approved by shareholders during the Annual General Meeting held on 28 May 2014. The dividend was paid on 17 July 2014.

A9 EFFECT OF CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the quarter under review.

A10 MATERIAL EVENTS SUBSEQUENT TO THE END OF THE INTERIM PERIOD

On 17 July 2014, the Company issued and allotted 91,966,200 new shares pursuant to the Dividend Reinvestment Scheme which applies to the final dividend for the year ended 31 December 2013. With the listing of the new shares, the issued and paid up capital of the Company increased from RM66,989,090 to RM71,587,400.

Save as disclosed above, there were no material events as at the latest practicable date from the date of this report.

A11 OPERATING SEGMENT INFORMATION

	Property development RM'000	Construction RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
<u>Cumulative quarter ended 30 June 2014</u>					
Revenue					
External revenue	342,231	69,536	-	(17,523)	394,244
Inter-segment revenue	-	314,598	-	(314,598)	-
Total revenue	342,231	384,134	-	(332,121)	394,244
Results					
Segment results	154,534	29,747	(17,648)	-	166,633
Share of results of associate					4,951
Tax expense					(35,293)
Profit for the period					136,291

	Property development RM'000	Construction RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
<u>Cumulative quarter ended 30 June 2013</u>					
Revenue					
External revenue	624,923	78,107	-	(25,567)	677,463
Inter-segment revenue	62,300	218,305	-	(280,605)	-
Total revenue	687,223	296,412	-	(306,172)	677,463
Results					
Segment results	272,726	31,796	(9,890)	-	294,632
Share of results of associate					2,620
Tax expense					(66,169)
Profit for the period					231,083

A12 CONTINGENT LIABILITIES OR CONTINGENT ASSETS

The contingent liabilities of the Company as at the end of the current quarter are as follows:

	As at 30 June 2014 RM'000
Corporate guarantees given to banks to secure banking facilities granted to subsidiary companies	50,742

A13 RELATED PARTY TRANSACTIONS

There were no significant related party transactions as at the date of this announcement.

A14 CAPITAL COMMITMENTS

The Group has the following capital commitments:

	As at 30 June 2014 RM'000
Approved and contracted for	
- Purchase of plant and equipment	15,513
- Purchase of investment property	231,260
	246,773

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

B1 REVIEW OF PERFORMANCE

The Group's revenue for the quarter ended 30 June 2014 was at RM219.3 million representing a decrease of 25.8% from the corresponding quarter in the preceding year. Despite the drop in revenue, profit after tax for the quarter improved marginally by 2% to RM80.2 million bringing year-to-date profit after tax to RM124.8 million. The decline in revenue was due to the higher contribution from sale of completed properties, mainly Binjai 8 and a boutique office tower in The Horizon Bangsar South, in the preceding year. Total expenditure for the quarter under review of RM45.2 million comprises mainly marketing expenses of RM13.5 million and administrative and operating expenses of RM18.2 million.

The Group's revenue and profit attributable to the Company were mainly derived from the progressive recognition of the Group's on-going development projects namely Desa Green, Le Yuan Residence, Vertical Office Suites, Scenaria @ North Kiara Hills, South View Serviced Apartments and sales of inventories at Menara UOA Bangsar.

B2 MATERIAL CHANGES IN INCOME BEFORE TAX FOR THE QUARTER AS COMPARED WITH THE IMMEDIATE PRECEDING QUARTER

The Group's profit before tax of RM103.4 million for the second quarter ended 30 June 2014 was higher than the immediate preceding quarter of RM68.2 million. The higher profit was mainly due to fair value gains recognised on investment properties in the current quarter.

B3 PROSPECTS

The SouthBank Residence at Jalan Klang Lama was launched towards the end of the quarter under review. Total new sales achieved in the first half of 2014 was RM697.9 million with recently launched projects such as South View Serviced Apartments and SouthBank Residence being the major contributors. Total unbilled sales as at 30 June 2014 was approximately RM1.6 billion.

Following the successful launch of South View Serviced Apartments and SouthBank Residence, the response on the preview of Sentul Village (Phase I) continued to be encouraging. Slated to be launched in the remaining part of the year are projects in Kepong, Taman Desa and Jalan Ipoh. These developments are expected to be introduced in phases throughout the remaining half of the financial year.

The Group will continue its focus on development in Greater Kuala Lumpur and source for strategic development lands that meet the criteria.

B4 VARIANCES BETWEEN ACTUAL PROFIT AND FORECAST PROFIT

Not applicable as no profit forecast was published.

B5 TAX EXPENSE

The breakdown of the tax components is as follows:

	Current Quarter		Year To Date	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
	RM'000	RM'000	RM'000	RM'000
In respect of current period				
- income tax	19,655	30,149	37,960	77,617
- deferred tax	(2,587)	636	(4,549)	(11,448)
- deferred Real Property Gain Tax (RPGT)	1,949	-	1,949	-
In respect of prior period				
- income tax	20	-	20	-
- deferred tax	-	-	(87)	-
Tax expense for the period	19,037	30,785	35,293	66,169

The Group's effective tax rate for the current quarter and year to date was lower than the statutory tax rate of 25% mainly due to the difference between the income tax and RPGT rates applicable on fair value adjustments on investment properties. The effective tax rate for the corresponding quarter of the preceding year approximated the statutory tax rate of 25%. The effective tax rate for the corresponding year to date of the preceding year was lower than the statutory tax rate due to the reversal of deferred tax which is no longer required.

B6 STATUS OF CORPORATE PROPOSAL

Save as disclosed below, there were no other corporate proposals announced but not completed during the current financial quarter and financial period to date under review.

B7 BORROWINGS AND DEBT SECURITIES

The Group does not have any debt securities. The Group borrowings are denominated in Ringgit Malaysia (“RM”) as follows:

	As at 30 June 2014 Secured RM'000	As at 31 December 2013 Secured RM'000
<u>Current</u>		
- Revolving credit	2,065	2,065
- Term loan	24,000	-
<u>Non-current</u>		
- Term loan	48,775	10,112
- Bridging loan	-	3,244
	74,840	15,421

B8 DERIVATIVE FINANCIAL INSTRUMENTS

The Group does not have any derivative financial instruments as at the date of this report.

B9 FAIR VALUE CHANGES OF FINANCIAL LIABILITIES

The Group does not have any financial liabilities that are measured at fair value at the date of this report.

B10 DISCLOSURE OF REALISED AND UNREALISED PROFITS

	As at 30 June 2014 RM'000	As at 31 December 2013 RM'000
Total retained profit of the Company and its subsidiaries		
- Realised	1,265,195	1,369,795
- Unrealised	285,931	249,286
	<hr/> 1,551,126	<hr/> 1,619,081
Total share of retained profits from associate company		
- Realised	12,385	7,433
- Unrealised	(6,035)	(3,090)
	<hr/> 6,350	<hr/> 4,343
Less : Consolidated adjustments	(200,839)	(217,549)
Total Group retained profits as per consolidated financial statements	<hr/> 1,356,637	<hr/> 1,405,875

B11 MATERIAL LITIGATION

There was no pending material litigation as at the latest practicable date from the date of issuance of this report.

B12 DIVIDENDS

The Board does not recommend any dividend for the current quarter under review.

B13 PROFIT BEFORE TAX

Profit before tax is stated after charging/(crediting):

	Current Quarter		Year To Date	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
	RM'000	RM'000	RM'000	RM'000
Interest income	(5,755)	(4,881)	(15,069)	(8,531)
Other income including investment income	(48,531)	(7,715)	(56,770)	(20,614)
Interest expense	2,148	1,175	3,352	2,380
Depreciation and amortisation	3,277	2,431	5,718	4,794
Bad and doubtful debts	15	29	9	39
Provision for and write off of inventories	-	-	-	-
(Gain)/Loss on disposal				
- Quoted/unquoted investments	-	-	-	-
- Property, plant and equipment	1	-	1	-
Impairment of assets	-	-	-	-
Foreign exchange (gain)/loss	-	-	-	-
(Gain)/Loss on derivatives	-	-	-	-
Exceptional items	-	-	-	-

B14 EARNINGS PER SHARE

- a) The basic earnings per share ("EPS") is calculated by dividing the profit for the period attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Current Quarter		Year to Date	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
Profit attributable to owners of the Company (RM'000)	80,187	78,599	124,837	197,743
Weighted average number of ordinary shares	1,339,041,800	1,270,775,000	1,339,079,590	1,270,778,260
Basic EPS (Sen)	5.99	6.19	9.32	15.56

- b) The Company does not have any diluted earnings per share.

BY ORDER OF THE BOARD

YAP KAI WENG
Company Secretary
UOA DEVELOPMENT BHD
Kuala Lumpur

26 AUGUST 2014