

CYPARK RESOURCES BERHAD (642994-H)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 31 JULY 2014

Unaudited Condensed Consolidated Statements of Comprehensive Income**For the Third Quarter ended 31 July 2014**

	<u>Individual Quarter</u>		<u>Cumulative Period</u>	
	<u>Current Year</u> <u>Quarter</u> <u>31/07/2014</u> <u>RM</u>	<u>Preceding Year</u> <u>Quarter</u> <u>31/07/2013</u> <u>RM</u>	<u>Current Year</u> <u>To Date</u> <u>31/07/2014</u> <u>RM</u>	<u>Preceding Year</u> <u>To Date</u> <u>31/07/2013</u> <u>RM</u>
Continuing operations				
Revenue	66,581,105	53,687,486	186,962,007	163,897,814
Cost of sales	(49,937,536)	(37,695,140)	(140,335,475)	(118,204,503)
Gross profit	16,643,569	15,992,346	46,626,532	45,693,311
Other income	1,749,795	940,756	4,198,518	2,314,150
Administrative expenses	(1,108,277)	(1,801,748)	(4,261,479)	(7,577,749)
Operating profit	17,285,087	15,131,354	46,563,572	40,429,712
Finance costs	(4,411,052)	(3,342,381)	(11,413,549)	(9,166,987)
Profit before tax from continuing operations	12,874,035	11,788,973	35,150,023	31,262,725
Income tax expense	(728,796)	(1,926,549)	(1,623,421)	(4,271,392)
Profit from continuing operations, net of tax	12,145,239	9,862,424	33,526,602	26,991,333
Discontinued operation				
Loss from discontinued operations, net of tax	-	-	-	-
Profit net of tax	12,145,239	9,862,424	33,526,602	26,991,333
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year, attributable to owners of the parent	12,145,239	9,862,424	33,526,602	26,991,333
Earnings per share attributable to owners of the parent (sen per share)				
- Basic	6.70	6.13	18.50	16.76
- Diluted	6.42	5.80	17.73	15.87
Earnings per share from continuing operations attributable to owners of the parent (sen per share)				
- Basic	6.70	6.13	18.50	16.76
- Diluted	6.42	5.80	17.73	15.87

Note:

- The Unaudited Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 October 2013 and the accompanying notes attached to the unaudited interim financial statements.

Unaudited Condensed Consolidated Statements of Financial Position**As at 31 July 2014**

	Unaudited As At 31/07/2014 RM	Audited As At 31/10/2013 RM
Assets		
Non-current assets		
Plant and equipment	266,625,857	274,650,253
Intangible assets	204,199,967	85,810,825
Deferred tax assets	621,495	1,227,916
Long term trade receivables	2,414,647	2,016,884
	<u>473,861,966</u>	<u>363,705,878</u>
Current assets		
Trade and other receivables	198,061,846	200,592,748
Other current assets	1,328,493	319,548
Current tax assets	802,372	-
Cash and bank balances	58,570,984	112,939,014
	<u>258,763,694</u>	<u>313,851,310</u>
Total assets	<u>732,625,660</u>	<u>677,557,188</u>
Equity and liabilities		
Current liabilities		
Loans and borrowings	151,855,797	141,519,822
Trade and other payables	137,716,521	122,867,321
Tax payables	15,870	3,417,081
	<u>289,588,188</u>	<u>267,804,224</u>
Net current (liabilities)/assets	<u>(30,824,493)</u>	<u>46,047,086</u>
Non-current liabilities		
Loans and borrowings	174,098,912	178,401,102
Trade and other payables	14,544,078	11,845,867
Deferred tax liabilities	161,500	150,000
	<u>188,804,491</u>	<u>190,396,969</u>
Total liabilities	<u>478,392,678</u>	<u>458,201,193</u>
Net assets	<u>254,232,982</u>	<u>219,355,995</u>
Equity attributable to equity holders of the Company		
Share capital	92,875,335	89,172,325
Share premium	67,869,615	58,411,469
Reverse acquisition reserve	(36,700,000)	(36,700,000)
Share option reserve	3,125,338	5,723,576
Retained earnings	127,062,694	102,748,625
Total equity	<u>254,232,982</u>	<u>219,355,995</u>
Total equity and liabilities	<u>732,625,661</u>	<u>677,557,188</u>
Net assets per share attributable to ordinary equity holders of the Company (RM)	1.37	1.23

Note:

- The Unaudited Condensed Consolidated Statements of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 October 2013 and the accompanying notes attached to the unaudited interim financial statements.*
- The subsequent collection from trade receivables after the financial period ended 31 July 2014 amounted to approximately RM43.5 million.*
- As disclosed in Note B9 (a), subsequent to the financial period ended 31 July 2014, the Company has successfully raised the fund of approximately RM25 million via Private Placement (Tranche 1).*

Statements of Changes in Equity
For the Third Quarter ended 31 July 2014

	← Non-distributable →			Distributable		Equity Total RM
	Share capital RM	Share premium RM	Share option reserve RM	Reverse acquisition reserve RM	Retained earnings RM	
2014						
Group						
Opening balance at 1 November 2013	89,172,325	58,411,469	5,723,576	(36,700,000)	102,748,625	219,355,995
Total comprehensive income	-	-	-	-	33,526,602	33,526,602
Transactions with owners						
Dividend on ordinary shares	-	-	-	-	(9,212,533)	(9,212,533)
Exercise of employee share options	3,703,010	9,458,146	(2,598,238)	-	-	10,562,918
Total transactions with owners	3,703,010	9,458,146	(2,598,238)	-	(9,212,533)	1,350,385
Closing balance at 31 July 2014	92,875,335	67,869,615	3,125,338	(36,700,000)	127,062,694	254,232,982
2013						
Group						
Opening balance at 1 November 2012	79,966,250	34,008,536	2,106,258	(36,700,000)	73,250,254	152,631,298
Total comprehensive income	-	-	-	-	26,991,333	26,991,333
Transactions with owners						
Dividend on ordinary shares	-	-	-	-	(6,426,060)	(6,426,060)
Issue of ordinary shares	8,032,575	22,491,210	-	-	-	30,523,785
Exercise of employee share options	359,500	662,362	(183,202)	-	-	838,660
Share issuance expenses	-	(104,240)	-	-	-	(104,240)
Grant of equity-settled share options to employees	-	-	428,754	-	-	428,754
Total transactions with owners	8,392,075	23,049,332	245,552	-	(6,426,060)	25,260,899
Closing balance at 31 July 2013	88,358,325	57,057,868	2,351,810	(36,700,000)	93,815,527	204,883,530

Note: The Unaudited Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 October 2013 and the accompanying notes attached to the unaudited interim financial statements.

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 31 JULY 2014

**Unaudited Condensed Consolidated Statements of Cash Flows
For the Third Quarter ended 31 July 2014**

	9 months ended	
	31/07/2014	31/07/2013
	RM	RM (Restated)
Cash flows from operating activities		
Profit before tax from continuing operations	35,150,023	31,262,725
Loss before tax from discontinued operations	-	-
	<u>35,150,023</u>	<u>31,262,725</u>
Adjustments for:		
Depreciation of plant and equipment	9,664,645	4,914,403
Gain on disposal of plant and equipment	(88,250)	-
Grant of equity-settled share options to employees	-	428,754
Construction profit recognised pursuant to IC Interpretation 12	(27,453,806)	(12,694,484)
Interest expense	11,413,549	9,166,987
Interest income	(1,391,894)	(1,807,109)
Operating cash flows before changes in working capital	<u>27,294,267</u>	<u>31,271,276</u>
Changes in working capital:		
Trade and other receivables	2,118,028	47,202,546
Other current assets	(1,008,945)	(453,796)
Trade and other payables	17,636,664	25,259,229
Cash flows from operations	<u>46,040,015</u>	<u>103,279,255</u>
Interest paid	(11,487,690)	(8,657,184)
Taxes paid	(5,209,083)	(6,991,511)
Net cash flows generated from operating activities	<u>29,343,243</u>	<u>87,630,560</u>
Cash flows from investing activities		
Proceeds from disposal of plant and equipment	136,000	-
Additions to service concession asset	(90,935,336)	(36,269,953)
Purchase of plant and equipment	(1,167,999)	(13,063,736)
Net cash inflow on business combination	-	2,747,030
Interest received	1,391,894	1,807,109
Net cash flows used in investing activities	<u>(90,575,442)</u>	<u>(44,779,550)</u>
Cash flows from financing activities		
Dividend paid	(9,212,533)	(6,426,060)
Proceeds from issuance of ordinary shares		
- Private placement	-	30,523,785
- ESOS	10,562,918	838,660
Share issuance expense	-	(104,240)
Revolving credit, net	(5,439,000)	(619,000)
Short term borrowings, net	9,042,015	(17,402,955)
Term loans, net	1,933,711	(1,058,529)
Finance lease obligations, net	(453,854)	(217,935)
Net cash flows generated from financing activities	<u>6,433,257</u>	<u>5,533,726</u>
Net (decrease)/increase in cash and cash equivalents	<u>(54,798,942)</u>	<u>48,384,736</u>
Cash and cash equivalents at beginning of financial period	Note (2) <u>90,771,044</u>	<u>43,188,862</u>
Cash and cash equivalents at end of financial period	<u>35,972,102</u>	<u>91,573,598</u>
Cash and cash equivalents at the end of the financial period comprise the following:		
Short term deposits with licensed banks	49,607,579	89,778,464
Cash at banks and in hand	8,963,404	12,412,996
Cash and bank balances	<u>58,570,984</u>	<u>102,191,460</u>
Less: Bank overdrafts	(22,598,882)	(10,617,862)
	<u>35,972,102</u>	<u>91,573,598</u>

Notes:

- (1) The Unaudited Condensed Consolidated Statements of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 October 2013 and the accompanying notes attached to the unaudited interim financial statements.
- (2) Cash and cash equivalents at beginning of financial period has been restated from RM65,873,693 (audited figure as at 31.10.2013) to RM90,771,044 by adding the short term deposits with maturity more than 90 days as part of the cash and cash equivalents.

NOTES TO THE INTERIM FINANCIAL REPORT**PART A: EXPLANATORY NOTES IN COMPLIANCE WITH MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") 134, INTERIM FINANCIAL REPORTING****A1. Basis of Preparation**

The interim financial report is unaudited and has been prepared in accordance with *MFRS 134: Interim Financial Reporting*, issued by Malaysian Accounting Standards Board ("MASB") and paragraph 9.22 and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad. These condensed consolidated interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 October 2013. The explanatory notes attached to these interim financial statements provide an explanation of events and transactions that are significant to understand the changes in the financial position and performance of the Group since the financial year ended 31 October 2013.

A2. Changes in accounting policies

The significant accounting policies and computation methods are consistent with those adopted for the year ended 31 October 2013 except for the adoption of the following new and revised MFRSs, amendments to MFRS and IC Interpretation by the Group with the effective from 1 January 2013.

MFRSs, Amendments to MFRSs and IC Interpretation	
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement
MFRS 119	Employee Benefits (Revised)
MFRS 127	Separate Financial Statements (2011)
MFRS 128	Investments in Associates and Joint Ventures (2011)
Amendments to MFRS 1	Government Loans
Amendments to MFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 10, 11 & 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
Amendments to MFRSs	Annual Improvements 2009-2011 Cycle
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine
Amendments to IC Interpretations	Annual Improvements 2009-2011 Cycle

The above MFRSs, IC Interpretations and amendments are expected to have no material impact on the financial statements of the Group upon their initial application.

At the date of authorisation of these interim financial statements, the Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments) that have been issued by the Malaysian Accounting Standards Board (MASB) but not yet effective:-

MFRSs, Amendments to MFRSs and IC Interpretation		Effective for annual period beginning on or after
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009 and October 2010)	<i>To be announced by MASB</i>
MFRS 14	Regulatory Deferral Accounts	<i>1 January 2016</i>
MFRS 15	Revenue from Contracts with Customers	<i>1 January 2017</i>
Amendments to MFRS 10, 12 & 127	Investment Entities	<i>1 January 2014</i>
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations	<i>1 January 2016</i>

A2. Significant accounting policies – cont'd**Standards and Interpretations issued and not yet effective – cont'd**

MFRSs, Amendments to MFRSs and IC Interpretation		Effective for annual period beginning on or after
Amendments to MFRS 116 & 138	Clarification of Acceptable Methods of Depreciation and Amortisation	<i>1 January 2016</i>
Amendments to MFRS 116 & 141	Agriculture: Bearer Plants	<i>1 January 2016</i>
Amendments to MFRS 119	Defined Benefit Plans: Employee Contributions	<i>1 July 2014</i>
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	<i>1 January 2014</i>
Amendments to MFRS 136	Recoverable Amount Disclosures for Non-Financial Assets	<i>1 January 2014</i>
Amendments to MFRS 139	Novation of Derivatives and Continuation of Hedge Accounting	<i>1 January 2014</i>
Amendments to MFRSs	Annual Improvements 2010 – 2012 Cycle	<i>1 July 2014</i>
Amendments to MFRSs	Annual Improvements 2011 – 2013 Cycle	<i>1 July 2014</i>
IC Interpretation 21	Levies	<i>1 January 2014</i>

The Group and the Company plan to adopt the above pronouncements when they become effective in the respective financial period. Unless otherwise stated, the initial application of the above pronouncements is not expected to have any significant impact on the Group and the Company.

A3. Auditors' report on preceding annual financial statements

There were no audit qualifications to the audited financial statements of the Company and its subsidiaries for the financial year ended 31 October 2013.

A4. Seasonal or cyclical factors

The business operations of the Group were not significantly affected by any seasonal or cyclical factor.

A5. Items of unusual nature

There were no significant unusual items affecting the assets, liabilities, equity, net income or cash flow during the current financial quarter.

A6. Changes in estimates

There were no changes in estimates of amounts reported in prior financial years that have had a material effect in the current financial quarter.

A7. Changes in debt and equity securities

There were no issuance, cancellation, repurchase, resale, and repayment of debt and equity securities for the current financial quarter.

A8. Dividends paid

No interim ordinary dividend has been recommended for the quarter under review.

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A9. The Group is organised into the following business segments:-

- 1) Environmental engineering
- 2) Landscaping and Infrastructure
- 3) Maintenance
- 4) Renewable energy

	Environmental Engineering RM	Landscaping, Infrastructure & Construction RM	Maintenance RM	Renewable Energy RM	Elimination RM	Total RM
9 months ended 31 July 2014						
Revenue						
Sale to external customers	124,995,607	36,010,746	630,000	25,325,655	-	186,962,007
Inter-segment sales	3,470,000	-	-	-	(3,470,000)	-
Total revenue	128,465,607	36,010,746	630,000	25,325,655	(3,470,000)	186,962,007
Results						
Profit for reportable segments	31,150,080	3,566,093	330,000	11,580,360	-	46,626,532
Other income						4,198,518
Administrative expenses						(4,261,479)
Operating profits						46,563,572
Finance costs						(11,413,549)
Profit before taxation from continuing operations						35,150,023
Income tax expense						(1,623,421)
Profit from continuing operations, net of tax						33,526,602
Loss from discontinued operations, net of tax						-
Profit net of tax						33,526,602
Other Comprehensive Income						-
Total comprehensive income						33,526,602
9 months ended 31 July 2013						
Revenue						
Sale to external customers	130,193,805	17,555,473	722,700	15,425,836	-	163,897,814
Inter-segment sales	11,042,903	19,853,831	-	-	(30,896,734)	-
Total revenue	141,236,708	37,409,304	722,700	15,425,836	(30,896,734)	163,897,814
Results						
Profit for reportable segments	36,300,136	3,877,496	422,700	5,092,979	-	45,693,311
Other income						2,314,150
Administrative expenses						(7,577,749)
Operating profit						40,429,712
Finance costs						(9,166,987)
Profit before taxation from continuing operations						31,262,725
Income tax expense						(4,271,392)
Profit from continuing operations, net of tax						26,991,333
Loss from discontinued operations, net of tax						-
Profit net of tax						26,991,333
Other Comprehensive Income						-
Total comprehensive income						26,991,333

A10. Valuation of property, plant and equipment

There was no valuation of property, plant and equipment in the current financial quarter.

A11. Capital commitments

Except as disclosed below, there was no capital commitment as at 31 July 2014:-

	Capital Commitment as at 31 July 2014
Capital expenditure	
Approved and contracted for:-	
- Intangible assets	<u>7,727,803</u>

A12. Material events subsequent to the end of the period

There were no material events subsequent to the end of the current financial quarter up to 24 July 2014, being the latest practicable date ("LPD") which is not earlier than 7 days from the date of issuance of this quarterly report, that have not been reflected in this quarterly report.

A13. Changes in composition of the group

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

A14. Contingent liabilities

As at this reporting date, the group does not have any contingent liabilities, other than as disclosed below:

	31 July 2014 RM
Secured:	
- Performance bond guarantees favouring Government/ Statutory bodies and companies acceptable to the banks for various projects	34,034,129
- Bank guarantees extended to Government/Government Bodies in respect of various projects of the Group	20,000
- Bank guarantees extended to third parties in respect various projects of the Group	220,000
- Letter of credits given to suppliers for purchase of materials	<u>14,175,673</u>
	<u>48,449,803</u>
Unsecured:	
- Corporate guarantees given to banks for credit facilities granted to subsidiaries	<u>318,700,000</u>
	<u>318,700,000</u>
TOTAL	<u>367,149,803</u>

The secured performance bonds, corporate guarantees and letter of credits are secured by way of charge over certain fixed deposits of the Group.

A15. Significant related party transactions

The Group had the following transactions during the current financial quarter with related parties in which certain directors of the Company have substantial financial interest:-

Related Party	Interested Promoter / Director / Substantial Shareholder / Key Management	Nature of Transactions	Transaction value based on billings for current quarter RM	Transaction value based on billings year to date RM	Balance Outstanding as at 31/07/2014 RM
CyEn Resources Sdn Bhd	Dato' Daud bin Ahmad, Tan Sri Razali bin Ismail and Tan Swee Loon	Sub-contractor charges and consulting fees paid for environmental / landscape works	1,520,000	1,872,473	2,542,499

B1. Analysis of performance**Current year Quarter ended 31 July 2014 Vs Preceding year Quarter ended 31 July 2013**

The Group's revenue for 3Q2014 increased by 24.0% to RM66.6 million from RM53.7 million recorded in 3Q2013. The profit before tax for 3Q2014 increased by 9.2% to RM12.8 million from RM11.8 million as recorded in 3Q2013. The Group's profit after tax increased significantly by RM2.3 million or 23.1% to RM12.9 million as compared to RM9.9 million in 3Q2013 due to significant tax saving generated from renewable energy related projects. The details of the performance of each segment are as follows:-

Environmental Engineering

The revenue for 3Q2014 increased slightly by 2.8% to RM44.7 million from RM43.5 million recorded in 3Q2013. However, the profit before tax decreased by RM1.4 million or 12.9% to RM9.5 million from RM10.9 million in 3Q2013. This is mainly due to additional rectification costs incurred for project closure purpose before handover to client in 3Q2014 as compared to 2Q2013.

Landscaping, Infrastructure & Construction

Revenue for the landscaping, infrastructure and construction division increased significantly to RM13.1 million in 3Q2014 as compared to RM4.5 million in 3Q2013. In line with the increase in revenue, the profit before tax of this division also increased significantly to RM1.7 million in 3Q2014 from RM0.7 million reported in preceding year quarter. The increase is mainly attributed to the works performed for new infrastructure projects and new building projects secured in current financial period.

Maintenance

Revenue in current quarter is generated from general maintenance works performed for landfill sites.

Renewable Energy

The revenue for renewable energy division increased significantly by 56% to RM8.6 million in 3Q2014 from RM5.5 million in 3Q2013 as the export capacity of green electricity had increased to 29.3MW from 19MW in 3Q2013. Due to the cost efficiency achieved through shared resources and economies of scale resulted from increase in capacity, the profit before tax for 3Q2014 further increased significantly to RM1.6 million.

Current financial period ended 31 July 2014 Vs Preceding financial period ended 31 July 2013

The Group's revenue for the current financial period increased by 14.1% to RM187.0 million from RM163.9 million recorded in the preceding financial period. The Group's profit before tax for the current financial period increased accordingly by 12.4% to RM35.2 million from RM31.3 million reported in the preceding financial period. The Group's profit after tax increased substantially by 24.2% to RM33.5 million from RM27.0 million recorded in preceding financial period due to tax savings arising from tax incentive granted to renewable energy related projects. The details of the performance of the segments are as follows:-

B1. Analysis of performance – cont'd**Current financial period ended 31 July 2014 Vs Preceding financial period ended 31 July 2013****Environmental Engineering**

The revenue for current financial period decreased by RM5.2 million or 4% to RM125.0 million from RM130.2 million recorded in the preceding financial period. The profit before tax accordingly decreased by RM1.9 million or 6.9% to RM26.0 million from RM27.9 million recorded in the preceding financial period. This is mainly due to additional rectification costs incurred for project closure purpose before handover to client in current financial period as compared to the preceding financial period.

Landscaping, Infrastructure & Construction

Revenue for the landscaping, infrastructure and construction division increased significantly by 105.1% to RM36.0 million in current financial period from RM17.6 million in the preceding financial period. The profit before tax of this division increased by 85.9% to RM4.0 million in current financial period from RM2.1 million reported in the preceding financial period. The increase is mainly attributed to the works performed for new infrastructure projects and new building projects secured in current financial period.

Maintenance

Revenue in current financial period is generated from general maintenance works performed for landfill sites.

Renewable Energy

The revenue for renewable energy division increased significantly by 64.2% to RM25.3 million in current financial period from RM15.4 million in preceding financial period. This is due to increase in export capacity of green electricity to 29.3MW from 19MW in preceding financial period. The profit before tax of this division also increased significantly to RM4.8 million in current financial period due to cost efficiency achieved through shared resources and economies of scale resulted from increase in capacity.

B2. Material changes in the quarterly results compared to the results of the preceding quarter

The revenue of the Group decreased by RM2.3 million or 3.4% from RM68.9 million in the immediate preceding quarter to RM66.6 million in the current quarter. The operating profit for the current quarter decreased slightly by 1.1% to RM17.3 million from RM17.5 million recorded in the immediate preceding quarter.

The profit before tax margin decreased by 1.3% from 20.6% in the immediate preceding quarter to 19.3% in the current quarter due to the higher finance costs incurred in current quarter for renewable energy projects.

B3. Prospects for the Current Financial Year

The Malaysian government recognises that effective management of waste, in particular solid waste, is one of the prerequisites for Malaysia to achieve a developed nation status. With this as a premise, market growth of solid waste management services is expected to be driven by the increasing waste output of Malaysia's population and the increasing awareness for environmental care and protection. Urbanisation and the increasing development of urban areas are the main causes of solid waste generation. Recent statistics from Ministry of Urban Wellbeing, Housing and Local Government indicated that Malaysians produced 33,000 tonnes of solid waste a day, seven years earlier than the target of 30,000 tonnes projected for 2020.

Valued at RM3.82 billion in 2009, and expected to grow at a compounded annual growth rate of 5.3% from 2009 to 2014, the solid waste management market is expected to grow robustly. The Tenth Malaysia Plan (RMK-10), spanning from 2011 to 2015, detailed out measures to be undertaken to enhance the efficiency and effectiveness of solid waste management. Among the measures include constructing material recovery facilities and thermal treatment plants as well as recycling of non-organic waste. It is expected that management of solid waste through sanitary landfills would enable methane recovery from waste for green energy generation. The RMK-10 targeted that by 2015, renewable energy from solid waste and biomass would contribute 530 megawatts of the 985 megawatts to be produced from other renewable energy sources.

The demand-push for solid waste management solutions and services are likely to originate significantly from public sector initiatives. Under Malaysia's Economic Transformation Programme (ETP), waste management firms utilizing green technologies were identified as one of the services that can jump-start a vibrant green technology industry. The ETP forecast that green services offer RM295 billion in potential energy savings by 2020. With its experience, expertise and proven track records, the Group is well-positioned to benefit from government projects earmarked under the RMK-10 and ETP.

Malaysia's major driver of renewable energy sector is the Renewable Energy Act (RE Act) which was passed in April 2011. The Sustainable Energy Development Authority (SEDA) was subsequently established in September 2011 to implement the target 11% renewable energy contribution to the national grid and manage renewable energy fund (RE Fund) and Feed-In-Tariff (FiT) formulated under the RE Act. The RE Fund was implemented on 1st December 2011, under Section 23 of the RE Act 2011 to facilitate the implementation of the FiT mechanism which enables electricity generated from renewable sources to be paid a premium tariff.

As at the end of January 2014, SEDA had received 3,498 Feed-in Approval applications and 2,760 applications were approved with a total RE capacity of 536.07 MW. The total number of approved Feed-in Approval applications for solar photovoltaic (PV) is 2,700 (39%), with total capacity of 209.06 MW, biomass is 18 (31.06%), with total capacity of 166.49 MW, small hydro 22 (24.44%), with total capacity of 130.99 MW and biogas 20 (5.51 %), with total capacity of 29.53 MW. SEDA indicated that as at the end of January 2014, the total RE capacity achieving commercial operation was 163.19 MW led by 85.36 MW of solar PV, followed by 50.4 MW of biomass including 15.7 MW and 11.73 MW of small hydro and biogas respectively.

In December 2013, the Malaysian government announced an upward revision of surcharge on electricity bill for the RE Fund. Effective 1st January 2014, the surcharge for Peninsular Malaysia would be revised from 1.0% to 1.6%. The 1.6% collection would be payable by all electricity consumers, except for domestic consumers utilizing less than 300 kWh per month. It is to be noted that Sabah consumers, for the first time, would also be imposed a surcharge of 1.6%. Monies collected for the RE Fund would be administered by SEDA and used to pay RE players who generate electricity from RE sources through the FiT mechanism. With 1.6%, SEDA will collect about RM625 million annually which go towards paying to renewable energy project owners for the sale of renewable energy.

Supporting the growth of renewable energy is the Green Technology Financing Scheme (GTFS), a special financing scheme introduced in October 2009, with an initial RM1.5 billion allocation, to support the development of Green Technology in Malaysia. The successful take-up rate has encouraged the Government to allocate an additional RM2 billion to the scheme in 2012 and extend its availability period to 2015.

B3. Prospects for the Current Financial Year – cont'd

Through the various initiatives and support available for green technology, the Group has successfully ventured into the renewable energy sector. The Group's first Integrated Renewable Energy Park project in Pajam, Negeri Sembilan, Malaysia which utilizes two potential resources available at remediated landfill, Solar and Landfill gas (Biogas), into a scalable renewable energy project has received several awards and accolades. Capable of generating up to 15 megawatts of sustainable green electricity, the Pajam Integrated Renewable Energy Park, which includes Malaysia's first and largest grid-connected solar park, has the privilege of being included as an Entry Point Project under the New Key Economic Area of Oil, Gas & Energy of the nation's Economic Transformation Program announced by the Prime Minister of Malaysia on 8 March 2011. In tandem with the Group's growing capacity, Cypark, the only public listed renewable energy developer, is expected to benefit from the revised surcharge and the additional funds available through GTFS.

The renewable energy business is expected to contribute significantly and the Group expects to secure additional quota once the new quota allocation is opened for application.

The Group believes that with the various initiatives being implemented by the Malaysian Government in promoting Green Energy, our plans for our future growth, augur well for Cypark Resources Berhad.

In addition, the integrated waste management plant which includes waste to energy facility through public private partnership scheme that was approved in 2012 is expected to boost the earning of the Group and enhance the financial position of the Group with a stable revenue stream over the next 25 years. The concession agreement nearing finalisation is expected to be signed soon.

Based on the industry outlook and our plans as indicated above and barring any unforeseen circumstances, the Board of Directors is of the opinion that the business and performance of the Group is expected to remain positive and strong.

B4. Profit forecast and profit estimate

The Group did not issue any profit forecast or profit estimate previously in any public document.

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B5. Profit before tax

	Individual Quarter 3 months ended 31 July 2014	Cumulative Year to date 9 months ended 31 July 2014
Profit before tax is stated after crediting:-		
Interest income	429,533	1,391,894
Other income (including investment income)	1,232,012	2,718,374
Gain on disposal of plant and equipment	88,250	88,250
Foreign exchange gain	N/A	N/A
Profit before tax is stated after charging:-		
Interest expenses	4,411,052	11,413,549
Depreciation	3,358,337	9,664,645
Foreign exchange loss	N/A	N/A
Impairment loss on trade receivables	N/A	N/A
Provision for and write off of inventories	N/A	N/A
Impairment of assets	N/A	N/A
Loss on derivatives	N/A	N/A
Exceptional items	N/A	N/A

B6. Income tax expense

	Current year quarter 31 July 2014 RM	Current year to date 31 July 2014 RM
Income tax		
- Current	757,918	1,858,870
- Over provision in prior year	-	(853,370)
Deferred tax	(29,122)	617,921
	<u>728,796</u>	<u>1,623,421</u>

B7. Profit on sale of unquoted investments and/or properties

There was no profit on sale of unquoted investments and/or properties during the current financial quarter.

B8. Purchase or disposal of quoted securities

There was no purchase or disposal of quoted securities during the current financial quarter.

B9. Status of corporate proposals

Save as disclosed below, there was no corporate proposal announced but not completed as at the date of this report:-

a. Private Placement

On 7 August 2014, the Company announced its proposal to implement a private placement up to 19,362,015 new ordinary shares of RM0.50 each in Cypark Resources Berhad (“CRB Shares” or “Shares”) (“Placement Shares”), representing up to ten per cent (10%) of the issued and paid up share capital of the Company, to third party investors to be identified for the Group working capital requirements.

The Placement Shares shall be issued based on a discount, if any, of not more than ten per cent (10%) to the five (5) days weighted average market price of CRB Shares immediately preceding the price-fixing date. In any case, the issue price of the Placement Shares shall not be lower than the par value of CRB Shares of RM0.50 each.

The Company submitted the additional listing application to Bursa Securities on 8 August 2014 and obtained the approval from Bursa Securities on 11 August 2014.

On 29 August 2014, the Company announced that the issue price for 10,670,410 Placement Shares, being the first (1st) tranche of the Private Placement, has been fixed by the board of directors at RM2.36 per placement share. The issued price represents a discount of approximately 9.81% to the five (5) days volume weighted average market price of the CRB shares up to and including 28 August 2014, being the market day immediately preceding to the Price Fixing Date of RM2.6166.

On 8 September 2014, the Company announced that 10,670,410 new ordinary shares of RM0.50 each issued pursuant to the 1st tranche of the Private Placement will be granted listing and quotation with effect from 9 September 2014. The Private Placement will be implemented on a staggered basis.

On 9 September 2014, the Company announced that the 1st tranche of the Private Placement is completed following the listing and quotation of the private placement, comprising 10,670,410 Placement Shares on the Main Market Malaysia Securities Berhad on 9 September 2014.

The utilisation of the proceeds raised (Tranche 1) is as follows:-

Purpose	Proposed Utilisation	Actual Utilisation (up to LPD)	Intended Timeframe for Utilisation	Deviation		Explanations
				RM	%	
	RM	RM		RM	%	
Working capital requirements	24,482,168	-	12 months	24,482,168	100%	To be utilised from Q4 2014 onwards
Expenses	700,000	84,000	6 months	616,000	88%	To be utilised in following quarters
	25,182,168	-				

B9. Status of corporate proposals - cont'd**b. ESOS**

Bursa Securities had vide its letter dated 20 September 2010 granted the approval-in-principle for the listing of and quotation for new Shares of up to a maximum of fifteen percent (15%) of the issued and paid-up share capital to be issued at any point in time within the duration of the ESOS pursuant to the exercise of options granted to eligible Directors and employees of the Group.

The ESOS shall be for a duration of five (5) years and may be extended for up to another five (5) years at the discretion of the Board of Directors upon the recommendation of the ESOS committee.

A total of 3,650,000 ESOS options (2010 Options) under the ESOS Scheme was offered to eligible directors and employees at the Initial Public Offer (IPO) price of RM1.10 each on 14 October 2010 and were fully accepted by all eligible parties on 3 November 2010.

A total of 6,578,000 ESOS options (2011 Options) under the ESOS Scheme was offered to eligible directors and employees at RM1.34 each on 22 December 2011 and were fully accepted by all eligible parties on 5 January 2012.

A total of 7,827,000 ESOS options (2013 Options) under the ESOS Scheme was offered to eligible directors and employees at RM1.65 each on 3 September 2013 and were fully accepted by all eligible parties on 17 September 2013.

Details of the ESOS options granted to eligible directors are disclosed as below: -

	Title	Options Offered (Unit)		Options Accepted (Unit)
Dato' Daud Bin Ahmad	Director	2010 Option	1,400,000	1,400,000
		2011 Option	2,000,000	2,000,000
		2013 Option	2,000,000	2,000,000
Tan Sri Razali bin Ismail	Director	2013 Option	1,500,000	1,500,000
Dato' Dr. Freezailah bin Che Yeom	Director	2013 Option	75,000	75,000
Headir bin Mahfidz	Director	2013 Option	75,000	75,000
Megat Abdul Munir bin Megat Abdullah Rafaie	Director	2013 Option	75,000	75,000
Datuk Abdul Malek bin Abdul Aziz	Director	2013 Option	50,000	50,000

B9. Status of corporate proposals – cont'd**b. ESOS – cont'd**

The details of the options over ordinary shares of the Company are as follows:

	Number of options over ordinary shares of RM0.50 each					Exercisable as at 31.7.2014
	Outstanding as at 1.11.2013	Granted	Movement during the financial period Exercised Lapsed		Outstanding as at 31.7.2014	
2010 option	1,428,000	-	1,383,000	-	45,000	45,000
Weighted average exercise price (RM)	1.10	1.10	1.10	1.10	1.10	1.10
Weighted average remaining contractual life (months)	24					15

The details of the share options outstanding at the end of the financial period are as follows:

	Weighted average exercise price (RM)	Exercise period
2010 option	1.10	14.10.2010 - 13.10.2015

The fair value of share options granted during the financial period was estimated using the Monte Carlo simulation model, taking into account the terms and conditions upon which the options were granted. The inputs to the option pricing model are as follows:-

Weighted average share price (RM)	1.04
Weighted average exercise price (RM)	1.10
Expected volatility (%)	40.00
Expected life (years)	5.00
Risk-free Interest rate (%)	2.30
Expected dividend yield (%)	<u>2.88</u>

B9. Status of corporate proposals – cont'd**b. ESOS – cont'd**

The details of the options over ordinary shares of the Company are as follows:

	Outstanding as at 1.11.2013	Number of options over ordinary shares of RM0.50 each Movement during the financial period			Outstanding as at 31.7.2014	Exercisable as at 31.7.2014
		Granted	Exercised	Lapsed		
2011 option	6,020,500	-	2,891,500	-	3,129,000	3,129,000
Weighted average exercise price (RM)	1.34	1.34	1.34	1.34	1.34	1.34
Weighted average remaining contractual life (months)	24					15

The details of the share options outstanding at the end of the financial period are as follows:

	Weighted average exercise price (RM)	Exercise period
2011 option	1.34	22.12.2011 - 13.10.2015

The fair value of share options granted during the financial period was estimated using the Monte Carlo simulation model, taking into account the terms and conditions upon which the options were granted. The inputs to the option pricing model are as follows:-

Fair value of share options at the following grant date (RM):

Weighted average share price (RM)	1.38
Weighted average exercise price (RM)	1.34
Expected volatility (%)	20.00
Expected life (years)	3.80
Risk-free Interest rate (%)	3.00
Expected dividend yield (%)	2.21

B9. Status of corporate proposals – cont'd**b. ESOS – cont'd**

The details of the options over ordinary shares of the Company are as follows:

	Outstanding as at 1.11.2013	Number of options over ordinary shares of RM0.50 each Movement during the financial period			Outstanding as at 31.7.2014	Exercisable as at 31.7.2014
		Granted	Exercised	Lapsed		
2013 option	7,827,000	-	3,131,520	-	4,695,480	4,695,480
Weighted average exercise price (RM)	1.65	1.65	1.65	1.65	1.65	1.65
Weighted average remaining contractual life (months)	24					15

The details of the share options outstanding at the end of the financial period are as follows:

	Weighted average exercise price (RM)	Exercise period
2013 option	1.65	3.9.2013 - 13.10.2015

The fair value of share options granted during the financial period was estimated using the Monte Carlo simulation model, taking into account the terms and conditions upon which the options were granted. The inputs to the option pricing model are as follows:-

Fair value of share options at the following grant date (RM):

Weighted average share price (RM)	1.88
Weighted average exercise price (RM)	1.65
Expected volatility (%)	36.60
Expected life (years)	2.11
Risk-free Interest rate (%)	3.28
Expected dividend yield (%)	2.21

B10. Group's borrowings and debts securities

The Group's borrowings and debts securities as at 31 July 2014 are as follows:-

	RM
Short term borrowings	
Secured:-	
Bank overdrafts	22,598,882
Advance against progress claim	11,479,900
Trust receipts	21,602,170
Bill discounting	2,641,465
Finance lease	319,998
Short term loan	44,535,062
Term loans	22,878,320
Revolving credits	25,800,000
	<u>151,855,797</u>
Long term borrowings	
Secured:-	
Finance lease	1,234,635
Term loans	172,864,277
	<u>174,098,912</u>
Total borrowings	
Secured:-	
Bank overdrafts	22,598,882
Advance against progress claim	11,479,900
Trust receipts	21,602,170
Bill discounting	2,641,465
Finance lease	1,554,633
Short term loan	44,535,062
Term loans	195,742,597
Revolving credits	25,800,000
	<u>325,954,709</u>

B11. Off Balance Sheet Financial Instruments

There were no off balance sheet financial instruments as at the date of this quarterly report.

B12. Material Litigation

There is no pending material litigation as at the date of issuance of this quarterly report except for the following:

a. **Ocned Water Technology Sdn. Bhd. (“Plaintiff”) v CSB (Shah Alam High Court Suit No. 22NCVC-627-10/2013)**

The Plaintiff claimed, inter alia, for a sum of RM1,350,907.11, being the alleged and purported outstanding amount due to the plaintiff under their subcontract.

CSB filed a counter claim against the plaintiff on 18 November 2013. CSB in its defence and counter claim is disputing the alleged outstanding claim by the Plaintiff as the Subcontract was terminated as a result of the Plaintiff’s non-performance and default of the Subcontract. CSB has deducted various deductibles incurred including costs in engaging third party subcontractors to execute the balance of the works under the Plaintiff’s Subcontract, whereby CSB has a balance outstanding amount of RM36,449.11 due from the Plaintiff. CSB further seeks indemnity against the Plaintiff for any losses suffered by CSB in completing the balance of works under the Subcontract.

This matter was fixed for case management on 9 January 2014. Both parties have filed the bundle of pleadings, summary of case, statement of issues to be tried and statement of agreed facts on 27 February 2014. However, with the court instructions, the statement of issues to be tried is required to be redrafted to cut down the issues. Further, the parties are also in the process of finalizing the common bundle of documents. Trial dates are further fixed from 7 July 2014 to 9 July 2014, respectively.

When the matter was called up for trial on 7 July 2014, the claim and the counterclaim were withdrawn by the Plaintiff and CSB, with liberty and without order as to costs. Following the withdrawals by the parties, the matter was struck out of court, accordingly.

B13. Realised and unrealised profits or losses of the Group

	Current Financial Period As at 31 July 2014 RM	Preceding Financial Year As at 31 October 2013 RM (Restated)
Total retained earnings of the Group and its subsidiaries		
Realised	129,992,244	104,845,362
Unrealised	(142,500)	458,206
	129,849,744	105,303,568
Add: Consolidation adjustments	(2,787,050)	(2,554,943)
Retained earnings as per financial statements	127,062,694	102,748,625

B14. Dividends

No interim ordinary dividend has been recommended for the quarter under review.

B15. Earnings per share

The following reflect the profit and share date used in the computation of basic and diluted earnings per share for the quarter ended 31 July 2014:-

	Quarter ended		Year to date ended	
	31 July 2014	31 July 2013	31 July 2014	31 July 2013
	RM	RM	RM	RM
Profit net of tax attributable to owners of the parent used in the computation of the basic and diluted earnings per share	12,145,239	9,862,424	33,526,602	26,991,333
Add back: Loss from discontinued operation, net of tax, attributable to owners of the parent	-	-	-	-
Profit net of tax from continuing operations attributable to owners of the parent used in the computation of basic and diluted earnings per share	12,145,239	9,862,424	33,526,602	26,991,333
Weighted average number of ordinary shares for basic earnings per shares computation	181,200,326	161,004,894	181,200,326	161,004,894
Effects of dilution - share options	7,869,480	9,076,500	7,869,480	9,076,500
Weighted average number of ordinary shares for diluted earnings per share computation	189,069,806	170,081,394	189,069,806	170,081,394