

INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER AND THE YEAR ENDED 31 DECEMBER 2018

A Explanatory Notes to the Unaudited Interim Financial Report for the fourth quarter and the year ended 31 December 2018

A1 Basis of Preparation

The interim financial statements of the Group are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standard (“MFRS”) 134: “Interim Financial Reporting” issued by the Malaysian Accounting Standards Board (“MASB”) and Para 9.22 of the Listing Requirements.

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

A2 Significant Accounting Policies

The significant accounting policies and presentations adopted by the Group are consistent with those adopted for the audited financial statements of the Group for the financial year ended 31 December 2017 except for the changes in accounting policies and presentation resulting from the adoption of relevant MFRSs, Amendment to MFRSs and IC Interpretations that are effective beginning on 1 January 2018.

The adoption of relevant MFRSs, Amendment to MFRSs and IC Interpretations do not have any significant financial impact on the financial statements of the Group.

A3 Auditors’ Report

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

A4 Seasonal and Cyclical Factors

The Group does not experience significant fluctuations in operations due to seasonal factors or cyclical factors during the current financial quarter under review and the financial year to date.

A5 Items or Incidence of an Unusual Nature

The Directors are not aware of any items or incidence of an unusual nature not otherwise dealt with in this report which may or has substantially affected the value of assets, liabilities, equity, net income or cash flows of the Group for the current financial quarter under review and the financial year to date.

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A6 Effects of Changes in Estimates

There were no material changes in estimates of amounts reported in the current financial quarter or changes in estimates of amounts reported in prior financial years that may have a material effect in the current financial quarter under review and the financial year to date.

A7 Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debts and equity securities for the current financial quarter under review and the financial year to date.

A8 Dividends

There were no dividends paid for the current financial quarter under review and the financial year to date.

A9 Segmental Reporting

The Group is primarily involved in securing and carrying out construction contracts. As such, the Group's revenue for the current financial quarter under review and the financial year to date is derived entirely from its construction operations.

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

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A10 Contingent Assets or Liabilities

There were no contingent assets as at the date of this interim report. Contingent liabilities of the Group as at 31 December 2018 comprise of bank guarantees issued for contract works being carried out by the Group amounting to RM52,541,874.

A11 Capital Commitments

Save as disclosed below, there were no other material capital commitments as at the end of the current financial quarter and up to the date of this report.

| | <u>RM'000</u> |
|----------------------------------|---------------|
| Approved and contracted for: | |
| Investment properties | 2,131 |
| Approved but not contracted for: | |
| Investment properties | 4,556 |

A12 Significant Related Party Transactions

| | Current Quarter Ended 31/12/2018 RM'000 | Comparative Quarter Ended 31/12/2017 RM'000 | Current Year Ended 31/12/2018 RM'000 | Comparative Year Ended 31/12/2017 RM'000 |
|--|--|--|---|---|
| Transactions with related party | | | | |
| Corporate shareholder of the Company- Apexjaya Industries Sdn Bhd ("Apexjaya") | | | | |
| Construction related cost charged by Apexjaya | 2,089 | 2,217 | 9,488 | 6,688 |
| Rental income charged to Apexjaya | 7 | 7 | 27 | 27 |
| Family member of Lim Ooi Joo Lim Yeong Kern | | | | |
| Rental expenses charged by Lim Yeong Kern | 15 | - | 60 | - |

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B Additional Information Required by the Listing Requirements

B1 Group Performance Review

The Group recorded a revenue of RM107.13 million and profit before tax of RM5.60 million for the current financial quarter ended 31 December 2018. The Group's current financial quarter revenue is mainly derived from the construction of residential properties which accounted for RM85.71 million or 80% of the total revenue. The balance revenue is derived from the construction of mix-development properties.

The current quarter revenue grew by RM39.44 million or 58.27% over the corresponding quarter in previous year of RM67.69 million to RM107.13 million due to five more projects being undertaken by the Group thus also reflective of the work progress from the larger order book compared to previous year.

The current quarter gross profit grew by RM2.55 million or 39.17% over the corresponding quarter in previous year of RM6.51 million to RM9.06 million. Gross profit margin of current quarter is at 8.46% against 9.61% for the corresponding quarter in the previous year.

B2 Comparison with Immediate Preceding Quarter Results

The current quarter revenue of RM107.13 million was slightly lower than immediate preceding quarter of RM107.27 million. The current quarter gross profit of RM9.06 million was lower than immediate preceding quarter of RM12.25 million due to two high profit margin projects were completed in preceding quarter and the profit margin for portion of contract works performed during the current quarter was lower.

B3 Prospects for the Next Financial Year

The Group operates within the property construction industry in Malaysia. The outlook of the property construction industry is expected to post moderate growth throughout 2019. The Board is of the opinion that the Group will be able to sustain its financial performance and remain resilient. As at 31 December 2018, the Group's unbilled order book is approximately RM650 million.

B4 Profit Forecast

The Company did not issue any profit forecast or guarantee during the current financial quarter under review and the financial year to date.

INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER AND THE YEAR ENDED 31 DECEMBER 2018**B Additional Information Required by the Listing Requirements (Cont'd)****B5 Taxation**

| | Current Quarter Ended 31/12/2018 RM'000 | Comparative Quarter Ended 31/12/2017 RM'000 | Current Year ended 31/12/2018 RM'000 | Comparative Year ended 31/12/2017 RM'000 |
|-----------------------------------|--|--|---|---|
| In respect of current period: | | | | |
| Income tax | (71) | 1,609 | 6,066 | 5,684 |
| Deferred tax | 243 | - | 243 | (53) |
| | <u>172</u> | <u>1,609</u> | <u>6,309</u> | <u>5,631</u> |
| Effective tax rate ⁽²⁾ | 3.1% | 24.7% | 22.9% | 26.3% |

Notes:

- (1) The effective tax rate for the current financial year ended 31 December 2018 is lower than the statutory tax rate of 24% mainly due to relatively lower tax rate on the Gain on disposal of investment properties.
- (2) Tax expense is recognised based on management's best estimate.

INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER AND THE YEAR ENDED 31 DECEMBER 2018**B Additional Information Required by the Listing Requirements (Cont'd)****B6 Group Borrowings**

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

| | As at 31/12/2018 RM'000 | As at 31/12/2017 RM'000 |
|---------------------------|--|--|
| Non-current: | | |
| Term loans | 2,980 | 3,230 |
| Islamic term financing | 3,704 | 3,867 |
| Finance lease liabilities | 1,975 | 1,751 |
| | 8,659 | 8,848 |
| Current: | | |
| Term loans | 249 | 261 |
| Islamic term financing | 214 | 226 |
| Finance lease liabilities | 1,277 | 2,171 |
| Bank overdrafts | 4,564 | - |
| Bankers' acceptance | 15,904 | - |
| Revolving credit | 1,000 | - |
| | 23,208 | 2,658 |

All the Group's borrowings are denominated in Ringgit Malaysia.

B7 Off Balance Sheet Financial Instruments

Save for the contingent liabilities as disclosed in Note A10, there is no off balance sheet financial instruments as at the date of this report.

B8 Material Litigations

As at the date of this report, there is no litigation or arbitration, which has a material effect on the financial position of the Group, and the Board of Directors is not aware of any proceedings pending or threatened or of any fact likely to give rise to any proceedings.

B9 Proposed Dividends

The Board is proposing for the shareholders' approval at the forthcoming Annual General Meeting a final single tier dividend of 0.75 sen per ordinary share. The details of the entitlement date for the dividend will be announced later.

INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER AND THE YEAR ENDED 31 DECEMBER 2018**B Additional Information Required by the Listing Requirements (Cont'd)****B10 Earnings Per Share**

The basic and diluted earnings per share for the current quarter and year-to-date are computed as follows:

| | Current Quarter Ended 31/12/2018 | Comparative Quarter Ended 31/12/2017 | Current Year Ended 31/12/2018 | Comparative Year Ended 31/12/2017 |
|--|---|---|--|--|
| Profit after taxation attributable to owners of the Company (RM'000) | 5,431 | 4,904 | 21,200 | 15,794 |
| Weighted average number of shares in issue ('000) | 535,259 | 410,903 | 535,259 | 410,903 |
| Basic earnings per share (sen) ⁽¹⁾ | 1.01 | 1.19 | 3.96 | 3.84 |
| Diluted earnings per share (sen) ⁽²⁾ | 1.01 | 1.19 | 3.96 | 3.84 |

Notes:

- (1) The basic earnings per share is computed based on the profit attributable to the equity shareholders of the Company divided by the weighted average number of ordinary shares in issue for the financial year under review.
- (2) Diluted earnings per share is equivalent to the basic earnings per share as the Group does not have convertible securities as at 31 December 2018.

INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER AND THE YEAR ENDED 31 DECEMBER 2018**B Additional Information Required by the Listing Requirements (Cont'd)****B11 Notes to the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income**

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

| | Current Quarter Ended 31/12/2018 RM'000 | Comparative Quarter Ended 31/12/2017 RM'000 | Current Year Ended 31/12/2018 RM'000 | Comparative Year Ended 31/12/2017 RM'000 |
|---|--|--|---|---|
| Interest income | (368) | (271) | (806) | (805) |
| Rental income | (190) | (119) | (652) | (512) |
| Interest expense | 559 | 265 | 1,658 | 1,211 |
| Gain on disposal of investment properties | (697) | - | (1,995) | - |
| Gain on disposal of property, plant and equipment | (88) | (321) | (364) | (361) |
| Depreciation of property, plant and equipment | 1,833 | 1,241 | 6,216 | 4,263 |
| Depreciation of investment properties | 218 | 90 | 575 | 361 |

Other disclosure items pursuant to Appendix 9B Note 16 of the Listing Requirements are not applicable.

B12 Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors of the Company in accordance with a resolution of the directors on 26 February 2019.

By Order of the Board
INTA BINA GROUP BERHAD
Siew Suet Wei
Lim Yen Teng
Company Secretaries

Date: 26 February 2019