

A Explanatory Notes to the Unaudited Interim Financial Report for the First Quarter Ended 31 March 2020

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 2019.

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 2019 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 2020.

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 2019.

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 period 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 period to date.

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 period to date.

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2020

A Explanatory Notes to the Unaudited Interim Financial Report for the First Quarter Ended 31 March 2020 (Cont'd)

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 period to date.

A8 Dividends

There were no dividends paid for the current financial quarter under review and the financial period 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 period to date is derived entirely from its construction operations.

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

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2020

A Explanatory Notes to the Unaudited Interim Financial Report for the First Quarter Ended 31 March 2020 (Cont'd)

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 March 2020 comprise of bank guarantees issued for contract works being carried out by the Group amounting to RM46,434,154.

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	4,390

A12 Significant Related Party Transactions

	Current Quarter Ended 31/03/2020 RM'000	Comparative Quarter Ended 31/03/2019 RM'000	Current Period Ended 31/03/2020 RM'000	Comparative Period Ended 31/03/2019 RM'000
Transactions with related party				
Corporate shareholder of the Company- Apexjaya Industries Sdn Bhd ("Apexjaya")				
Construction related cost charged by Apexjaya	1,339	1,365	1,339	1,365
Rental income charged to Apexjaya	6	6	6	6
Family member of Lim Ooi Joo Lim Yeong Kern				
Rental expenses charged by Lim Yeong Kern	15	15	15	15

B Additional Information Required by the Listing Requirements

B1 Group Performance Review

The Group recorded a revenue of RM66.24 million and profit before tax of RM4.06 million for the current financial quarter ended 31 March 2020. The Group's current financial quarter revenue is mainly derived from the construction of residential properties which accounted for RM64.56 million or 97% of the total revenue. The balance revenue is derived from the construction of mix-development properties.

The current quarter revenue decreases by RM32.34 million or 32.81% over the corresponding quarter in previous year of RM98.58 million to RM66.24 million due to the lower recognition of progressive billings from the ongoing projects as a result of the Movement Control Order ("MCO") announced in mid-March 2020.

B2 Comparison with Immediate Preceding Quarter Results

The current quarter revenue of RM66.24 million was lower than immediate preceding quarter of RM91.45 million. However, the current quarter gross profit of RM7.83 million was higher than immediate preceding quarter of RM6.56 million due to revision of profit margin for certain projects.

B3 Prospects for the Current Financial Year

The Group operates within the property construction industry in Malaysia. The Group expects to benefit from the potential spillover effect from the acceleration and revival of the mega projects, as well as the recent economic stimulus package totaling RM280 billion that the Malaysian government announced to mitigate economic risks arising from the global Covid-19 pandemic. Fresh catalyst such as stamp duty exemptions, Real Property Gains Tax (RPGT) waivers and Home Ownership Campaign (HOC) announced by the Government to boost the property market bode well for the Group. In addition, Bank Negara Malaysia has taken step to reduce the overnight policy rate by 1% on 5 May 2020 to improve market liquidity and further reduction in cost of borrowing. In this respect, barring unforeseen circumstance and taking into account of the current Covid-19 outbreak, the Board is cautiously optimistic of its financial performance in the coming financial year by taking on larger tender in the construction of affordable home as well as seeking opportunity to venture into infrastructure sector. As at 31 March 2020, the Group's unbilled order book is approximately RM509 million.

B4 Profit Forecast

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

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2020

B Additional Information Required by the Listing Requirements (Cont'd)

B5 Taxation

	Current Quarter Ended 31/03/2020 RM'000	Comparative Quarter Ended 31/03/2019 RM'000	Current Period Ended 31/03/2020 RM'000	Comparative Period Ended 31/03/2019 RM'000
In respect of current period:				
Income tax	1,014	1,998	1,014	1,998
Deferred tax	-	-	-	-
	<u>1,014</u>	<u>1,998</u>	<u>1,014</u>	<u>1,998</u>
Effective tax rate ⁽²⁾	25.0%	25.0%	25.0%	25.0%

Notes:

- (1) The effective tax rate for the current financial period ended 31 March 2020 is higher than the statutory tax rate of 24% mainly due to adjustment for non-deductible expenses.
- (2) Tax expense is recognised based on management's best estimate.

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 31/03/2020 RM'000	As at 31/12/2019 RM'000
Non-current:		
Term loans	2,589	2,645
Islamic term financing	2,562	2,572
Finance lease liabilities	2,732	3,428
	<u>7,883</u>	<u>8,645</u>
Current:		
Term loans	308	308
Islamic term financing	61	61
Finance lease liabilities	3,274	3,274
Bank overdrafts	2,971	5,848
Bankers' acceptance	9,773	16,756
Revolving credit	1,000	1,000
Invoice financing	3,449	3,798
	<u>20,836</u>	<u>31,045</u>

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

No interim dividend has been declared for the current financial period to date.

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 financial period are computed as follows:

	Current Quarter Ended 31/03/2020	Comparative Quarter Ended 31/03/2019	Current Period Ended 31/03/2020	Comparative Period Ended 31/03/2019
Profit after taxation attributable to owners of the Company (RM'000)	3,042	5,991	3,042	5,991
Weighted average number of shares in issue ('000)	535,259	535,259	535,259	535,259
Basic earnings per share (sen) ⁽¹⁾	0.57	1.12	0.57	1.12
Diluted earnings per share (sen) ⁽²⁾	0.57	1.12	0.57	1.12

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 period 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 March 2020.

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 31/03/2020 RM'000	Comparative Quarter Ended 31/03/2019 RM'000	Current Period Ended 31/03/2020 RM'000	Comparative Period Ended 31/03/2019 RM'000
Interest income	(202)	(215)	(202)	(215)
Rental income	(148)	(153)	(148)	(153)
Interest expense	480	365	480	365
Depreciation of property, plant and equipment	1,757	1,988	1,757	1,988
Depreciation of investment properties	143	141	143	141

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 25 June 2020.

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

Date: 25 June 2020