

A Explanatory Notes to the Unaudited Interim Financial Report for the Second Quarter Ended 30 June 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.

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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.

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A Explanatory Notes to the Unaudited Interim Financial Report for the First Quarter Ended 30 June 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 30 June 2020 comprise of bank guarantees issued for contract works being carried out by the Group amounting to RM39,436,229.

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 30/06/2020 RM'000	Comparative Quarter Ended 30/06/2019 RM'000	Current Period Ended 30/06/2020 RM'000	Comparative Period Ended 30/06/2019 RM'000
Transactions with related party				
Corporate shareholder of the Company- Apexjaya Industries Sdn Bhd (“Apexjaya”)				
Construction related cost charged by Apexjaya	432	1,302	1,771	2,667
Rental income charged to Apexjaya	7	7	13	13
Family member of Lim Ooi Joo Lim Yeong Kern				
Rental expenses charged by Lim Yeong Kern	15	15	30	30

B Additional Information Required by the Listing Requirements

B1 Group Performance Review

The Group recorded a revenue of RM45.53 million and loss before tax of RM1.43 million for the 3-month period ended 30 June 2020. The revenue for the current quarter was wholly derived from the construction of residential properties.

The current quarter revenue decreased by RM72.71 million or 61.5% compared to the previous year's corresponding quarter figures of RM118.24 million due to lower recognition of progressive billings from the ongoing projects as a result of the Movement Control Order ("MCO") started on 18 March 2020; the Conditional Movement Control Order ("CMCO") and Recovery Movement Control Order ("RMCO") which took effect from 12 May 2020 and 10 June 2020 respectively.

B2 Comparison with Immediate Preceding Quarter Results

The current quarter revenue of RM45.53 million was lower than immediate preceding quarter of RM66.24 million. The current quarter gross profit of RM1.13 million was lower than immediate preceding quarter of RM7.83 million.

B3 Prospects for the Current Financial Year

Overall Malaysia's economic activities have been adversely affected following the implementation of Movement Control Order (MCO), Conditional Movement Control Order (CMCO) and Recovery Movement Control Order (RMCO) to contain the widespread of COVID-19 pandemic. Malaysia's GDP contracted 17.1 percent in Q2 2020, of which the construction sector's recorded negative growth of 44.5 percent year-on-year due to the closing of construction activities, from a marginal growth of 0.7 percent in the Q1 2020. To improve the economy activities, the Malaysia government has implemented stimulus packages including Pakej Rangsangan Ekonomi Prihatin Rakyat (PRIHATIN), Pelan Jana Semula Ekonomi Negara (PENJANA) and the short-term economic recovery plan.

Based on the data from the Department of Statistics Malaysia for June 2020, the economy is showing positive sign of recovery with positive growth of 8.8% for exports and slower contraction for other industries including slower contraction of 12.7% for the construction industry. Except for tourism oriented industry, it is expected that the economy will gradually pick up in the second half of the year. In this respect, barring unforeseen circumstances and the possible extension of RMCO, 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 30 June 2020, the Group's unbilled order book is approximately RM460 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.

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

B5 Taxation

	Current Quarter Ended 30/06/2020 RM'000	Comparative Quarter Ended 30/06/2019 RM'000	Current Period Ended 30/06/2020 RM'000	Comparative Period Ended 30/06/2019 RM'000
In respect of current period:				
Income tax /(credit)	(385)	2,627	629	4,625
Deferred tax	-	-	-	-
	<u>(385)</u>	<u>2,627</u>	<u>629</u>	<u>4,625</u>
Effective tax rate ⁽¹⁾	n.a%	26.4%	24.0%	25.8%

Notes:

(1) 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 30/06/2020 RM'000	As at 31/12/2019 RM'000
Non-current:		
Term loans	2,549	2,645
Islamic term financing	2,564	2,572
Finance lease liabilities	2,095	3,428
	<u>7,208</u>	<u>8,645</u>
Current:		
Term loans	308	308
Islamic term financing	61	61
Finance lease liabilities	3,009	3,274
Bank overdrafts	3,117	5,848
Bankers' acceptance	9,670	16,756
Revolving credit	2,000	1,000
Invoice financing	5,789	3,798
	<u>23,954</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.

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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 30/06/2020	Comparative Quarter Ended 30/06/2019	Current Period Ended 30/06/2020	Comparative Period Ended 30/06/2019
Profit after taxation attributable to owners of the Company (RM'000)	(1,050)	7,321	1,992	13,312
Weighted average number of shares in issue ('000)	535,259	535,259	535,259	535,259
Basic earnings per share (sen) ⁽¹⁾	(0.20)	1.37	0.37	2.49
Diluted earnings per share (sen) ⁽²⁾	(0.20)	1.37	0.37	2.49

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 30 June 2020.

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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 30/06/2020 RM'000	Comparative Quarter Ended 30/06/2019 RM'000	Current Period Ended 30/06/2020 RM'000	Comparative Period Ended 30/06/2019 RM'000
Interest income	(247)	(208)	(449)	(423)
Rental income	(143)	(160)	(291)	(313)
Interest expense	331	522	811	887
Gain on disposal of investment properties	-	(106)	-	(106)
Gain on disposal of property, plant and equipment	(9)	(21)	(9)	(21)
Depreciation of property, plant and equipment	1,853	1,876	3,610	3,864
Depreciation of investment properties	143	143	286	284

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 August 2020.

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

Date: 25 August 2020