

A Explanatory Notes to the Unaudited Interim Financial Report for the Third Quarter Ended 30 September 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.

A Explanatory Notes to the Unaudited Interim Financial Report for the Third Quarter Ended 30 September 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.

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 September 2020 comprise of bank guarantees issued for contract works being carried out by the Group amounting to RM56.39 million.

A Explanatory Notes to the Unaudited Interim Financial Report for the Third Quarter Ended 30 September 2020 (Cont'd)

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	1,153

A12 Significant Related Party Transactions

	Current Quarter Ended 30/09/2020 RM'000	Comparative Quarter Ended 30/09/2019 RM'000	Current Period Ended 30/09/2020 RM'000	Comparative Period Ended 30/09/2019 RM'000
Transactions with related party				
Corporate shareholder of the Company- Apexjaya Industries Sdn Bhd ("Apexjaya")				
Construction related cost charged by Apexjaya	1,244	1,475	3,015	4,142
Rental income charged to Apexjaya	7	7	20	20
Family member of Lim Ooi Joo Lim Yeong Kern				
Rental expenses charged by Lim Yeong Kern	15	15	45	45

A13 Significant Event Subsequent to the End of the Interim Financial Report

The management is not aware of any material events subsequent to the end of the interim financial report that have not been reflected in the in financial statements for the current financial quarter ended 30 September 2020, save and except for the followings:

With reference to the Company's earlier announcement made by M&A Securities Sdn Bhd on behalf of the board on 22 September 2020 in relation to the Proposed Private Placement of up to 53,525,900 new ordinary shares which represent up to 10% of the issued shares of the Company to independent investor(s) to be identified later at an issue price to be determined later, the Company announced on 6 October 2020 that Bursa Malaysia Securities Berhad had, vide its letter dated 6 October 2020, approved the listing of and quotation for up to 53,525,900 new ordinary shares to be issued pursuant to the Proposed Private Placement.

B Additional Information Required by the Listing Requirements

B1 Group Performance Review

The Group recorded revenue of RM195.44 million and profit before tax of RM8.77 million for the 9-month period ended 30 September 2020 as compared to RM320.17 million and RM25.95 million respectively for the preceding year. For the current quarter, revenue decreased to RM83.67 million as compared to RM103.35 million in the corresponding quarter of the preceding year.

The revenue for the 9-month period under review was wholly derived from the construction of residential and commercial properties. The decrease in revenue and profit before tax for the period under review were mainly due to lower recognition of progress billings from ongoing projects as a result of the suspension of construction works and disruption of operation during Movement Control Order (“MCO”), Conditional Movement Control Order (“CMCO”) and Recovery Movement Control Order RMCO (“RMCO”).

B2 Comparison with Immediate Preceding Quarter Results

The current quarter revenue and profit before tax increased to RM83.67 million and RM6.15 million as compared to revenue of RM45.53 million and loss before tax of RM1.43 million in the immediate preceding quarter.

B3 Prospects for the Current Financial Year

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, most businesses and industries have been adversely affected. The Malaysian government has introduced various stimulus packages to boost consumers’ spending and improve liquidity in the market.

The Bank Negara Malaysia on 3 November 2020 mentioned in its press release that Malaysia economy improved significantly in the third quarter. It also cautioned that the reintroduction of CMCO to contain the COVID-19 in several states since October will likely affect the recovery momentum in the fourth quarter. The CMCO has recently been extended to 6 December 2020.

However, the Group had secured major contracts with contract sum totaling RM747.69 million in third quarter. As at 30 September 2020, the Group’s unbilled order book is approximately RM1.15 billion which is expected to contribute positively to the Group’s earnings over the next two to three years. The Board is cautiously optimistic of its financial performance in the coming financial year by continue to participate on larger tenders in the construction of affordable home as well as seeking opportunity to venture into infrastructure sector.

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.

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

B5 Taxation

	Current Quarter Ended 30/09/2020 RM'000	Comparative Quarter Ended 30/09/2019 RM'000	Current Period Ended 30/09/2020 RM'000	Comparative Period Ended 30/09/2019 RM'000
In respect of current period:				
Income tax /(credit)	1,477	1,863	2,106	6,488
Deferred tax	-	-	-	-
	<u>1,477</u>	<u>1,863</u>	<u>2,106</u>	<u>6,488</u>
Effective tax rate ⁽¹⁾	24.0%	23.2%	24.0%	25.0%

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 30/09/2020 RM'000	As at 31/12/2019 RM'000
Non-current:		
Term loans	2,559	2,645
Islamic term financing	2,558	2,572
Finance lease liabilities	1,203	3,428
	<u>6,320</u>	<u>8,645</u>
Current:		
Term loans	308	308
Islamic term financing	61	61
Finance lease liabilities	3,207	3,274
Bank overdrafts	-	5,848
Bankers' acceptance	15,828	16,756
Revolving credit	2,000	1,000
Invoice financing	2,784	3,798
	<u>24,188</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

The Board of Directors has declared a first interim single tier dividend of 0.5 sen per ordinary share amounting to approximately RM2.676 million in respect of financial year ending 31 December 2020, to be paid on 21 December 2020. The entitlement date is 11 December 2020.

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 30/09/2020	Comparative Quarter Ended 30/09/2019	Current Period Ended 30/09/2020	Comparative Period Ended 30/09/2019
Profit after taxation attributable to owners of the Company (RM'000)	4,675	6,152	6,668	19,464
Weighted average number of shares in issue ('000)	535,259	535,259	535,259	535,259
Basic earnings per share (sen) ⁽¹⁾	0.87	1.15	1.25	3.64
Diluted earnings per share (sen) ⁽²⁾	0.87	1.15	1.25	3.64

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 September 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 30/09/2020 RM'000	Comparative Quarter Ended 30/09/2019 RM'000	Current Period Ended 30/09/2020 RM'000	Comparative Period Ended 30/09/2019 RM'000
Interest income	(210)	(191)	(659)	(614)
Rental income	(149)	(177)	(440)	(490)
Interest expense	348	441	1,159	1,328
Gain on disposal of investment properties	(137)	(33)	(137)	(139)
Gain on disposal of property, plant and equipment	(10)	-	(19)	(21)
Depreciation of property, plant and equipment	1,975	1,855	5,585	5,719
Depreciation of investment properties	143	146	429	430

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 November 2020.

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

Date: 25 November 2020