

## Condensed consolidated interim financial statements

For the six-month period ended 31 July 2019

### Condensed consolidated statement of profit or loss and other comprehensive income

	Note	Current quarter 3 months ended		Cumulative quarter 6 months ended	
		31 July 2019 Unaudited RM'000	31 July 2018 Unaudited RM'000	31 July 2019 Unaudited RM'000	31 July 2018 Unaudited RM'000
<b>Revenue</b>		97,721	112,933	180,500	212,695
Cost of sales		(71,857)	(75,764)	(128,479)	(150,993)
<b>Gross profit</b>		25,864	37,169	52,021	61,702
Interest income		1,424	1,267	2,667	2,113
Other gains/(losses)		(334)	2,055	754	4,782
Administrative expenses		(538)	(550)	(1,052)	(1,079)
Distribution costs		(313)	(333)	(583)	(693)
Other expenses		(10,325)	(14,331)	(18,916)	(24,622)
Finance costs		(842)	(735)	(1,566)	(1,415)
Share of results of associate		406	239	576	460
Share of results of joint venture		408	5,095	(235)	14,317
<b>Profit before tax</b>	7	15,750	29,876	33,666	55,565
Income tax expense	8	(4,696)	(5,296)	(9,105)	(9,450)
<b>Profit for the period, attributable to the owners of the Company</b>		11,054	24,580	24,561	46,115
<b>Other comprehensive (loss)/income</b>					
Items that will not be reclassified subsequently to profit or loss:					
Fair value (loss)/gain on investments designated as at FVTOCI		(475)	-	381	-
Items that may be reclassified subsequently to profit or loss:					
Foreign exchange translation		(362)	695	(286)	769
Fair value gain/(loss) on investments designated as at FVTOCI		590	(517)	501	(1,305)
Net fair value gain on cash flow hedge		-	2	-	2
<b>Other comprehensive (loss)/income for the period, net of tax</b>		(247)	180	596	(534)
<b>Total comprehensive income for the period, attributable to the owners of the Company</b>		10,807	24,760	25,157	45,581
<b>Earnings per share attributable to the owners of the Company (sen):</b>					
Basic and diluted	9	2.1	4.4	4.6	8.2

*The condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.*

**Condensed consolidated interim financial statements**  
**For the six-month period ended 31 July 2019**  
**Condensed consolidated statement of financial position**

		31 July 2019	31 January 2019
	Note	Unaudited RM'000	Audited RM'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	121,672	125,345
Right-of-use assets	11	2,179	-
Goodwill	12	876	876
Other intangible assets	13	16,385	4,492
Financial assets at FVTOCI	15	1,986	2,082
Investment in associate		15,143	21,498
Investment in joint venture		36,368	36,603
Deferred tax assets		12,114	12,119
		<u>206,723</u>	<u>203,015</u>
<b>Current assets</b>			
Inventories	14	58,910	57,364
Trade and other receivables		232,447	231,208
Financial assets at FVTPL	15	143	147
Financial assets at FVTOCI	15	33,042	32,625
Tax recoverable		11,671	8,744
Deposits, cash and bank balances	16	235,768	264,016
		<u>571,981</u>	<u>594,104</u>
<b>Total assets</b>		<u>778,704</u>	<u>797,119</u>
<b>Equity and liabilities</b>			
<b>Equity attributable to the owners of the Company</b>			
Share capital	17	187,756	187,756
Treasury shares		(26,175)	(25,749)
Foreign currency translation reserve		(11,431)	(11,145)
Properties revaluation reserve		33,931	33,931
Investment revaluation reserve		(1,332)	(2,462)
Retained earnings		308,761	303,300
<b>Total equity</b>		<u>491,510</u>	<u>485,631</u>
<b>Non-current liabilities</b>			
Trade and other payables		1,684	1,749
Loans and borrowings	18	-	707
Lease liabilities		547	-
		<u>2,231</u>	<u>2,456</u>
<b>Current liabilities</b>			
Trade and other payables		210,218	248,693
Loans and borrowings	18	74,301	59,421
Lease liabilities		443	-
Tax liabilities		1	918
		<u>284,963</u>	<u>309,032</u>
<b>Total liabilities</b>		<u>287,194</u>	<u>311,488</u>
<b>Total equity and liabilities</b>		<u>778,704</u>	<u>797,119</u>

*The condensed consolidated statement of financial position should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.*

**Condensed consolidated interim financial statements**  
**For the six-month period ended 31 July 2019**  
**Condensed consolidated statement of changes in equity**

**Attributable to the owners of the Company**

		Non-Distributable					Distributable		Total RM'000
		Share capital RM'000	Foreign currency translation reserve RM'000	Properties revaluation reserve RM'000	Investment revaluation reserve RM'000	Cash flow hedging reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	
<b>At 1 February 2018</b>		187,756	(11,680)	35,140	(13)	-	-	264,580	475,783
Total comprehensive income		-	769	-	(1,305)	2	-	46,115	45,581
Dividends	20	-	-	-	-	-	-	(28,163)	(28,163)
Share buybacks	17	-	-	-	-	-	(6,328)	-	(6,328)
<b>At 31 July 2018</b>		<b>187,756</b>	<b>(10,911)</b>	<b>35,140</b>	<b>(1,318)</b>	<b>2</b>	<b>(6,328)</b>	<b>282,532</b>	<b>486,873</b>
<b>At 1 February 2019</b>		187,756	(11,145)	33,931	(2,462)	-	(25,749)	303,300	485,631
Total comprehensive income		-	(286)	-	882	-	-	24,561	25,157
Transfer upon disposal of investment		-	-	-	248	-	-	(248)	-
Dividends	20	-	-	-	-	-	-	(18,852)	(18,852)
Share buybacks	17	-	-	-	-	-	(426)	-	(426)
<b>At 31 July 2019</b>		<b>187,756</b>	<b>(11,431)</b>	<b>33,931</b>	<b>(1,332)</b>	<b>-</b>	<b>(26,175)</b>	<b>308,761</b>	<b>491,510</b>

*The condensed consolidated statement of changes in equity should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.*

**Condensed consolidated interim financial statements**  
**For the six-month period ended 31 July 2019**  
**Condensed consolidated statement of cash flows**

	6 months ended	
	31 July 2019	31 July 2018
Note	Unaudited RM'000	Unaudited RM'000
<u>Operating activities</u>		
<b>Profit before tax</b>	33,666	55,565
Adjustments for:		
Interest income	(2,667)	(2,113)
Finance costs	1,566	1,415
Gain on disposal of property, plant and equipment	10 (107)	(112)
Depreciation of property, plant and equipment	2,182	2,524
Depreciation of right-of-use assets	261	-
Amortisation of other intangible assets	13 134	91
Inventories written down	14 137	-
Reversal on inventories written down	14 (388)	(53)
Impairment loss on trade and other receivables	150	-
Reversal of impairment loss on trade and other receivables	(234)	-
Fair value loss on financial assets at FVTPL	5	17
Unrealised loss/(gain) on foreign exchange	537	(4,482)
Unrealised gain arising on financial liabilities designated as at FVTPL	-	(277)
Share of results of associate	(576)	(460)
Share of results of joint venture	235	(14,317)
Dividend income from FVTOCI investment	(670)	(502)
Dividend income from FVTPL investment	(4)	(5)
<b>Operating profit before working capital changes</b>	<u>34,227</u>	<u>37,291</u>
Changes in working capital:		
(Increase)/Decrease in inventories	(1,307)	119
Decrease/(Increase) in trade and other receivables	5,410	(52,625)
Decrease in trade and other payables	(48,816)	(83,784)
Total changes in working capital	<u>(44,713)</u>	<u>(136,290)</u>
Interest paid	(3,299)	(1,621)
Income tax paid	(12,947)	(22,878)
<b>Net cash used in operating activities</b>	<u>(26,732)</u>	<u>(123,498)</u>
<u>Investing activities</u>		
Purchase of property, plant and equipment	(727)	(447)
Proceeds from disposal of property, plant and equipment	252	242
Acquisition of other intangible assets	(276)	(654)
Purchase of financial assets at FVTOCI	(2,377)	(30,916)
Proceeds from disposal of FVTOCI investment	3,357	-
Dividend income received from FVTPL investment	3	5
Dividend income received from FVTOCI investment	277	-
Interest income received	2,667	2,113
Dividend from a joint venture	-	30,000
<b>Net (used in)/cash from investing activities</b>	<u>3,176</u>	<u>343</u>
<u>Financing activities</u>		
Drawdown of other bank borrowings	69,361	58,309
Repayment of other bank borrowings	(57,168)	(53,543)
Repayment of hire-purchase	-	(656)
Repayment of lease liabilities	(346)	-
Dividends paid	(18,852)	(28,163)
Share buybacks	(426)	(6,328)
<b>Net cash used in financing activities</b>	<u>(7,431)</u>	<u>(30,381)</u>
<b>Net change in cash and cash equivalents</b>	(30,987)	(153,536)
Effect of foreign exchange rate changes	(496)	6,028
<b>Cash and cash equivalents at 1 February</b>	263,480	510,612
<b>Cash and cash equivalents at 31 July*</b>	<u>231,997</u>	<u>363,104</u>
<b>* Cash and cash equivalents comprise the following:</b>		
Deposits, cash and bank balances	235,768	368,405
Bank overdrafts	(3,771)	(5,301)
Total cash and cash equivalents	<u>231,997</u>	<u>363,104</u>

*The condensed consolidated statement of cash flows should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements.*

## **Explanatory notes pursuant to MFRS 134**

### **For the six-month period ended 31 July 2019**

#### **1 Corporate information**

George Kent (Malaysia) Berhad is a public limited liability company incorporated and domiciled in Malaysia, and is listed on Bursa Malaysia Securities Berhad ("Bursa").

These condensed consolidated interim financial statements were approved by the Board of Directors on 24 September 2019.

#### **2 Basis of preparation**

These condensed consolidated interim financial statements are unaudited and had been prepared in compliance with the requirements of Malaysian Financial Reporting Standard ("MFRS") 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa and should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 January 2019.

#### **Adoption of New and Revised Malaysian Financial Reporting Standards**

During the current financial period, the Group has adopted all the new and revised Standards and Interpretation issued by the Malaysian Accounting Standards Board ("MASB") that are relevant to their operations and effective for annual periods beginning on or after 1 January 2019 as follows:

The adoption of these new and revised Standards and Interpretation does not have any material impact on the amounts reported in the financial statements of the Group in the current and previous financial year.

- MFRS 16: Leases
- Amendments to MFRS 9: Prepayment Features with Negative Compensation
- Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement
- Amendments to MFRS 128: Long-term Interest in Associate and Joint Ventures
- IC Interpretation 23: Uncertainty over Income Tax Treatments
- Annual Improvements to MFRS Standards 2015 - 2017 Cycle

The adoption of the above Standards, Amendments, Interpretations and Annual Improvements to Standards did not result in significant changes in the accounting policies and have no significant effect on the financial position, results and disclosures in the financial statements of the Group in the period of initial application.

#### **3 Changes in estimates**

There were no changes in estimates that have had a material effect in the current interim results.

#### **4 Changes in composition of the Group**

There were no significant changes in the composition of the Group during the current interim period.

## Explanatory notes pursuant to MFRS 134

### For the six-month period ended 31 July 2019

#### 5 Segment information

Segment information is presented in respect of the Group's operating segments. The activities within each of these segments are explained below:

##### (a) Engineering

Engineering comprises mainly revenue derived from the execution of construction contracts and income derived from infrastructure.

##### (b) Metering

Metering comprises mainly revenue derived from the production, marketing and trading of water related product and services.

There has been no material change in total assets and no differences in the basis of segmentation or in the basis of measurement of segment profit or loss as compared to the last annual financial statements.

	Construct- ion RM'000	Infrastruct- ure RM'000	Engineer- ing RM'000	Metering RM'000	Others RM'000	Adjust- ments and elimina- tions RM'000	Per condensed consoli- dated financial statements RM'000
<b>Current quarter</b>							
<b>3 months period ended</b>							
<b>31 July 2019</b>							
<b>Revenue:</b>							
External customers	65,622	3,298	68,920	28,801	-	-	97,721
<b>Results:</b>							
Interest income	3	42	45	85	213	1,081	1,424
Depreciation and amortisation	85	44	129	918	-	287	1,334
Share of results of associate	-	406	406	-	-	-	406
Share of results of joint venture	408	-	408	-	-	-	408
Segment profit (Note A)	16,359	673	17,032	4,326	(212)	(5,396)	15,750
<b>3 months period ended</b>							
<b>31 July 2018</b>							
<b>Revenue:</b>							
External customers	74,900	5,012	79,912	33,021	-	-	112,933
<b>Results:</b>							
Interest income	-	18	18	-	178	1,071	1,267
Depreciation and amortisation	104	56	160	875	-	294	1,329
Share of results of associate	-	239	239	-	-	-	239
Share of results of joint venture	5,095	-	5,095	-	-	-	5,095
Segment profit (Note A)	26,952	2,007	28,959	6,504	1,827	(7,414)	29,876

## Explanatory notes pursuant to MFRS 134

### For the six-month period ended 31 July 2019

#### 5 Segment information (continued)

	Construct- ion RM'000	Infrastruct- ure RM'000	Engineer- ing RM'000	Metering RM'000	Others RM'000	Adjust- ments and elimina- tions RM'000	Per condensed consoli- dated financial statements RM'000
<b>Cumulative quarter</b>							
<b>6 months period ended</b>							
<b>31 July 2019</b>							
<b>Revenue:</b>							
External customers	112,078	8,270	120,348	60,152	-	-	180,500
<b>Results:</b>							
Interest income	7	81	88	142	397	2,040	2,667
Depreciation and amortisation	169	95	264	1,749	-	564	2,577
Share of results of associate	-	576	576	-	-	-	576
Share of results of joint venture	(235)	-	(235)	-	-	-	(235)
Segment profit (Note A)	30,768	2,646	33,414	9,319	108	(9,175)	33,666
<b>6 months period ended</b>							
<b>31 July 2018</b>							
<b>Revenue:</b>							
External customers	143,333	9,564	152,897	59,798	-	-	212,695
<b>Results:</b>							
Interest income	1	36	37	-	360	1,716	2,113
Depreciation and amortisation	196	110	306	1,717	-	592	2,615
Share of results of associate	-	460	460	-	-	-	460
Share of results of joint venture	14,317	-	14,317	-	-	-	14,317
Segment profit (Note A)	46,359	3,910	50,269	12,589	1,699	(8,992)	55,565

#### Note A

The following items are deducted from segment profit to arrive at "Profit before tax" presented in the consolidated statement of profit or loss and other comprehensive income:

	Current quarter 3 months ended		Cumulative quarter 6 months ended	
	31 July 2019 RM'000	31 July 2018 RM'000	31 July 2019 RM'000	31 July 2018 RM'000
Interest income	1,166	1,071	2,182	1,716
Finance costs	(842)	(735)	(1,566)	(1,415)
Other unallocated corporate expenses	(5,720)	(7,750)	(9,791)	(9,293)
	<u>(5,396)</u>	<u>(7,414)</u>	<u>(9,175)</u>	<u>(8,992)</u>

## **Explanatory notes pursuant to MFRS 134**

### **For the six-month period ended 31 July 2019**

#### **5 Segment information (continued)**

##### **Engineering**

Revenue of RM68.92 million for the current quarter ended 31 July 2019 was 14% lower as compared to RM79.91 million for the corresponding quarter in 2018. Segment profit of RM17.03 million for the current quarter ended 31 July 2019 was 41% lower as compared to RM28.96 million for the corresponding quarter in 2018. The lower segment profit was mainly contributed by the lower revenue. Construction accounts for 95% of the revenue and 96% of segment profit of the Engineering Division.

Revenue of RM120.35 million for the period ended 31 July 2019 was 21% lower as compared to RM152.90 million for the corresponding period in 2018 attributed to the lower revenue contribution towards the end of a project. Segment profit of RM33.41 million for the period ended 31 July 2019 was 34% lower as compared to RM50.27 million for the period ended 31 July 2018 due to lower revenue.

##### **Metering**

Revenue of RM28.80 million for the current quarter ended 31 July 2019 was 13% lower compared to RM33.02 million for the corresponding quarter in 2018. Segment profit of RM4.33 million for the current quarter ended 31 July 2019 was 33% lower as compared to RM6.50 million for the corresponding quarter in 2018 mainly due to the lower sales and gross profit margin in the current quarter.

Revenue of RM60.15 million for the period ended 31 July 2019 was 1% higher compared to RM59.80 million for the corresponding period in 2018. Segment profit of RM9.32 million for the period ended 31 July 2019 was 26% lower as compared to RM12.59 million for the corresponding period in 2018 mainly due to the lower gross profit margin in the current period.

##### **Consolidated revenue**

The Group mainly derives its revenue from Malaysia, other ASEAN countries, Hong Kong and Papua New Guinea. Its core businesses are centred in the water industry and engineering works. The main factors which have affected the Group's revenue have been stated above.

##### **Consolidated profit before tax**

The Group's current quarter profit before tax of RM15.75 million (31 July 2018: RM29.88 million) was 47% lower. The lower profit before tax reported was mainly attributed to lower contribution from the Engineering division. Other gains/(losses) mainly arose from unrealised loss on foreign exchange of RM0.88 million (31 July 2018: unrealised gain of RM1.81 million) on foreign currencies held.

The Group's profit before tax for the period ended 31 July 2019 of RM33.67 million (31 July 2018: RM55.57 million) was 39% lower. The lower profit before tax reported was mainly attributed to lower contribution from the Engineering division. Other gains/(losses) mainly arose from unrealised loss on foreign exchange of RM0.54 million (31 July 2018: unrealised gain of RM4.48 million) on foreign currencies held.



## Explanatory notes pursuant to MFRS 134

### For the six-month period ended 31 July 2019

#### 6 Seasonality of operations

The Group's performance was not affected by any significant seasonal or cyclical factors.

#### 7 Profit before tax

Included in the profit before tax are the following items:

	Current quarter		Cumulative quarter	
	3 months ended		6 months ended	
	31 July	31 July	31 July	31 July
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Interest income	(1,424)	(1,267)	(2,667)	(2,113)
Dividend income from:				
- FVTPL investment	(4)	(5)	(4)	(5)
- FVTOCI investment	(318)	(284)	(670)	(502)
Other income	(136)	(657)	(458)	(2,128)
Finance costs	842	735	1,566	1,415
Gain on disposal of property, plant and equipment	(102)	(112)	(107)	(112)
Depreciation of property, plant and equipment	1,097	1,283	2,182	2,524
Depreciation of right-of-use assets	145	-	261	-
Amortisation of other intangible assets	92	46	134	91
Inventories written down	137	-	137	-
Reversal on inventories written down	(207)	(47)	(388)	(53)
Impairment loss on trade and other receivables	-	-	150	-
Reversal of impairment loss on trade receivables	-	-	(234)	-
Net fair value loss on FVTPL investment	10	31	5	17
Loss/(Gain) arising on financial liabilities designated as at FVTPL:				
- realised	43	-	43	450
- unrealised	(1)	-	-	(277)
(Gain)/Loss on foreign exchange:				
- realised	(42)	775	(20)	2,252
- unrealised	880	(1,808)	537	(4,482)

## Explanatory notes pursuant to MFRS 134

### For the six-month period ended 31 July 2019

#### 8 Income tax expense

	Current quarter		Cumulative quarter	
	3 months ended		6 months ended	
	31 July	31 July	31 July	31 July
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Current Tax:				
Malaysian tax	3,318	4,564	7,101	8,164
Foreign tax	1,377	576	2,003	1,130
	<u>4,695</u>	<u>5,140</u>	<u>9,104</u>	<u>9,294</u>
Deferred tax	1	156	1	156
	<u>4,696</u>	<u>5,296</u>	<u>9,105</u>	<u>9,450</u>

Domestic income tax is calculated at the Malaysian statutory rate of 24% of the estimated assessable profit. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The effective tax rate (excluding the results of associate and joint venture which is equity accounted net of tax) was higher than the statutory tax rate mainly due to withholding tax paid for dividend declared by a foreign associate.

#### 9 Earnings Per Share

Basic earnings per share amounts are calculated by dividing profit for the period, net of tax attributable to owners by the number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing profit for the period, net of tax attributable to owners by the weighted average number of ordinary shares outstanding during the period, plus the weighted average number of ordinary shares that would be issued on the conversion of the dilutive potential ordinary shares into ordinary shares.

The following reflect the profit and share data used in the computation of basic earnings per share:

	Current quarter		Cumulative quarter	
	3 months ended		6 months ended	
	31 July	31 July	31 July	31 July
	2019	2018	2019	2018
Profit net of tax attributable to owners used in computation of earnings per share (RM'000)	<u>11,054</u>	<u>24,580</u>	<u>24,561</u>	<u>46,115</u>
Weighted average number of ordinary shares (excluding Treasury Shares) for earnings per share computation ('000)	<u>538,617</u>	<u>561,885</u>	<u>538,668</u>	<u>562,566</u>
Basic/Diluted earnings per share (sen)	<u>2.1</u>	<u>4.4</u>	<u>4.6</u>	<u>8.2</u>

The basic and diluted earnings per share are the same as the Company has no dilutive potential ordinary shares.

## **Explanatory notes pursuant to MFRS 134**

### **For the six-month period ended 31 July 2019**

#### **10 Property, plant and equipment**

##### **Acquisitions and disposals**

During the period ended 31 July 2019, the Group acquired assets at a cost of RM1.23 million (31 July 2018: RM0.98 million).

Assets with carrying amount of RM145,000 (31 July 2018: RM130,000) were disposed of by the Group during the period ended 31 July 2019, resulting in a gain on disposal of RM107,000 (31 July 2018: RM112,000), recognised in profit or loss.

#### **11 Right-of-use assets**

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of times in exchange for a consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on statement of financial position) or operating leases (off statement of financial position). MFRS 16 requires a lessee to recognise a “right-of-use” of the underlying asset and a lease liability reflecting future lease payments for most leases.

The right-of-use asset is depreciated in accordance with the principle in MFRS 116 ‘Property, Plant and Equipment’ and the lease liability is accreted over time with interest expense recognised in the profit or loss.

The Group has applied the standard from the mandatory adoption date of 1 January 2019. The Group applies the simplified transition approach and as such, did not apply a restatement of comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. Based on the assessment undertaken to-date, the adoption of this standard will impact the Group’s financial position with the recognition of right-of-use assets and lease liabilities.

##### **Acquisitions and disposals**

There were no acquisition and disposal during the current interim period.

#### **12 Goodwill**

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. Impairment is assessed annually and whenever there is an indication that the goodwill may be impaired.

## Explanatory notes pursuant to MFRS 134

### For the six-month period ended 31 July 2019

#### 13 Other intangible assets

	Computer software RM'000	License RM'000	Product develop- ment costs RM'000	Total RM'000
<b>Cost:</b>				
At 1 February 2019	676	-	4,593	5,269
Additions	-	11,806	279	12,085
Exchange differences	-	(58)	-	(58)
At 31 July 2019	676	11,748	4,872	17,296
<b>Accumulated amortisation:</b>				
At 1 February 2019	549	-	228	777
Amortisation	34	-	100	134
At 31 July 2019	583	-	328	911
<b>Carrying amount:</b>				
At 1 February 2019	127	-	4,365	4,492
At 31 July 2019	93	11,748	4,544	16,385

#### Computer software

Computer software are stated at cost less any accumulated impairment losses and are amortised on a straight-line basis over the estimated economic useful lives at the annual rate of 20%. The amortisation of computer software is recognised in profit or loss.

#### License

License considered to have finite useful lives, are stated at cost less any accumulated impairment losses and are amortised using the straight-line basis from the commencement of the contract to which they relate over the period of their expected benefit not exceeding 10 years. The amortisation of license is recognised in profit or loss.

#### Product development costs

Product development costs relate to costs incurred in the development of new products, considered to have finite useful lives, are stated at cost less any accumulated impairment losses and are amortised over the period of expected benefit not exceeding 10 years on straight-line basis. The amortisation of product development costs is recognised in profit or loss.

## Explanatory notes pursuant to MFRS 134

### For the six-month period ended 31 July 2019

#### 14 Inventories

During the period ended 31 July 2019, the Group recognised a reversal of inventories write down of RM388,000 (31 July 2018: RM53,000) and inventories write down of RM137,000 (31 January 2018: Nil). The inventories write down and reversal of inventories write down are recognised in profit or loss.

#### 15 Fair value hierarchy

The Group used the following hierarchy for determining the fair value of all instruments carried at fair value:

Level 1 - Quoted price (unadjusted) in active markets for identical assets or liabilities

Level 2 - Input that are based on observable market data

Level 3 - Input that are not based on observable market data

As at the reporting date, the Group held the following assets that are measured at fair value:

	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
<b>At 31 July 2019</b>				
Financial assets at FVTPL:				
- Quoted equity securities	143	143	-	-
Financial assets at FVTOCI:				
- Quoted bonds	16,539	16,539	-	-
- Quoted equity securities	16,503	16,503	-	-
- Unquoted equity securities	1,986	-	1,986	-
Non-financial assets:				
- Freehold land	87,700	-	-	87,700
- Building on freehold land	16,670	-	-	16,670
- Long-term leasehold land	830	-	-	830
- Building on long-term leasehold land	1,378	-	-	1,378
<b>At 31 January 2019</b>				
Financial assets at FVTPL:				
- Quoted equity securities	147	147	-	-
Financial assets at FVTOCI:				
- Quoted bonds	13,191	13,191	-	-
- Quoted equity securities	19,434	19,434	-	-
- Unquoted equity securities	2,082	-	2,082	-
Non-financial assets:				
- Freehold land	87,700	-	-	87,700
- Building on freehold land	16,975	-	-	16,975
- Long-term leasehold land	837	-	-	837
- Building on long-term leasehold land	1,431	-	-	1,431

## Explanatory notes pursuant to MFRS 134

### For the six-month period ended 31 July 2019

#### 16 Deposits, cash and bank balances

Cash and cash equivalents comprised the following amounts:

	31 July 2019 RM'000	31 January 2019 RM'000
Short-term deposits with licensed banks	114,772	138,152
Cash and bank balances	120,996	125,864
	<u>235,768</u>	<u>264,016</u>

#### 17 Share capital and treasury shares

At the 68th AGM of the Company held on 9 July 2019, shareholders' approval was obtained for the Share Buy-Back scheme to be renewed from 9 July 2019 until the conclusion of the next AGM of the Company to be convened in 2020.

As at 31 July 2019, the Company repurchased a total of 24,651,900 of its shares from the open market for a total consideration of RM26,175,294. Subsequent to 31 July 2019 and up to date of this announcement, there were no repurchase of shares from the open market. All these repurchased shares are being held as Treasury Shares in accordance with Section 127 of the Companies Act, 2016 and no Treasury Shares have been cancelled or resold to date. The repurchase of these shares were financed by internally generated funds.

Save for the above, there were no other issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the current interim period.

#### 18 Interest-bearing loans and borrowings

	31 July 2019 RM'000	31 January 2019 RM'000
<b>Short-term borrowings</b>		
Secured:		
Bank overdrafts	3,771	536
Revolving credits	47,832	48,409
Bankers' acceptance	10,271	9,060
Invoice Financing	12,427	783
Hire-purchase payables	-	633
	<u>74,301</u>	<u>59,421</u>
<b>Long-term borrowings</b>		
Secured:		
Hire-purchase payables	-	707
	<u>74,301</u>	<u>60,128</u>

## Explanatory notes pursuant to MFRS 134

### For the six-month period ended 31 July 2019

#### 19 Provisions for costs of restructuring

Not applicable.

#### 20 Dividend

The Directors have declared an interim dividend of 1.5 sen per share for FY2020 (FY2019: 2.0 sen per share), payable on 31 October 2019 to shareholders whose names appear in the Record of Depositors on 10 October 2019, being the Book Closure Date ("BCD").

On the assumption that as announced to date, the Treasury Shares of 24,651,900 (which are not entitled to dividends), remained the same as at BCD, the dividend pay-out on 538,617,165 shares will amount to approximately RM8.08 million (FY2019: RM11.11 million on 555,498,165 shares).

#### 21 Commitments

Capital expenditure as at the reporting date is as follows:

	31 July 2019 RM'000	31 January 2019 RM'000
<b>Approved and contracted for:</b>		
Property, plant and equipment	898	1,054
<b>Approved but not contracted for:</b>		
Property, plant and equipment	2	24

#### 22 Contingencies

The Company has, after seeking professional advice, treated the contract of a project as qualifying for zero-rating under the transitional provisions of the Goods and Services Tax Act, 2014 ("GST Act"). The Royal Malaysian Customs Department ("Customs") has however challenged this and takes the view that the contract is not eligible for zero-rating. The amount being contested amounts to approximately RM29 million. The Company has appealed against this decision by Customs. The appeal was heard before the Customs Appeal Tribunal on 29 May 2019 and the decision has been re-scheduled to 26 September 2019.

Based on professional advice, the Company believes that it has strong grounds in its appeal against the decision of Customs.

Save for the above, there were no other material contingent liabilities or contingent assets.

## Explanatory notes pursuant to MFRS 134

### For the six-month period ended 31 July 2019

#### 23 Provision of Financial Assistance

Pursuant to paragraph 8.23(1)(ii) of Bursa Malaysia Securities Berhad's Listing Requirements, the financial assistance provided by the Company is as follows:

The Company and its joint venture partner, each ultimately holding 50% of the total issued and paid up share capital of MRCB George Kent Sdn Bhd (the "Contractor") have on 22 March 2019 issued their respective parent company guarantee to Prasarana Malaysia Berhad, to guarantee the due performance and all obligations, duties and undertakings of the Contractor for the construction and completion of the Project known as Light Rail Transit Line 3 (LRT3) from Bandar Utama to Johan Setia.

As at reporting date, the aforementioned parent company guarantee has not been called as the Contractor is fulfilling its performance and obligations under the Project.

The Directors are of the opinion that the issue of the parent company guarantee by the Company is in its ordinary course of business.

#### 24 Related party transactions

The Group had the following transactions with related parties during the period ended 31 July:

	Cumulative quarter	
	6 months ended	
	31 July 2019 RM'000	31 July 2018 RM'000
Related companies: *		
Rental expenses for motor vehicle	-	60
Rental expenses for land	240	240
Purchase of air tickets	369	673
Share registration charges, secretarial and accounting fees	73	42
	<hr/>	<hr/>

\* Related companies are companies within the Johan Holdings Berhad group.

#### 25 Events after the reporting period

There were no material event subsequent to the end of current interim period.



## Explanatory notes pursuant to Bursa Malaysia Listing Requirements:

### Chapter 9, Appendix 9B, Part A

For the six-month period ended 31 July 2019

#### 26 Performance review

	Current quarter 3 months ended			Cumulative quarter 6 months ended		
	31 July 2019	31 July 2018	Changes	31 July 2019	31 July 2018	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	97,721	112,933	- 13	180,500	212,695	- 15
Profit before tax	15,750	29,876	- 47	33,666	55,565	- 39
Profit after tax	11,054	24,580	- 55	24,561	46,115	- 47

Explanatory comment on the performance of each of the Group's business activities is provided in Note 5.

#### 27 Comment on material change in profit before taxation

	Current quarter 3 months ended 31 July 2019 RM'000	Preceding quarter 3 months ended 30 April 2019 RM'000	Changes %
Revenue	97,721	82,779	+ 18
Profit before tax	15,750	17,916	- 12
Profit after tax	11,054	13,507	- 18

The profit before taxation for the current quarter ended 31 July 2019 is 12% lower than the preceding quarter due to lower profit contributed by the Engineering division.

#### 28 Commentary on prospects

The Engineering division's performance continues to be credible. The Metering division's results reflect lower export sales and margins. These results are expected to improve in the second half of the financial year as export orders that were anticipated for the first half of the year are realised.

##### Metering

The long-term Licensing Agreement with Honeywell, signed in June 2019, enables the Group to have better control over our component supply to meet increasing domestic and global demand for water meters. This agreement will also help reduce production cost and provide the Group with 15 additional territories to sell our water meters. Implementation of this project is in full swing.

Our Smart Metering solution is undergoing proof of concept and pilot testing in various states. This will pave the way for the commercialisation of this solution, which will be a key growth driver in the coming years.

These initiatives are positive steps taken to expand the Metering Business contribution to the Group's earnings, in line with the Group's long-stated Strategic Plan to broaden its income base.

##### Engineering

The Group continues to seek opportunities in the Regional railway space, leveraging on its expertise as Rail Systems Integrator in domestic railway projects and its established network with global rail specialists.

We continue to invest substantial resources to facilitate the timely delivery of our projects.

**Explanatory notes pursuant to Bursa Malaysia Listing Requirements:  
 Chapter 9, Appendix 9B, Part A  
 For the six-month period ended 31 July 2019**

**29 Commentary on progress to achieve revenue or profit estimate, forecast, projection or internal targets**

Not applicable.

**30 Statement by directors on achievability of revenue or profit estimate, forecast, projection or internal targets**

Not applicable.

**31 Profit forecast or profit guarantee**

Not applicable.

**32 Corporate proposals**

There were no corporate proposals announced but not completed as at the date of issue of these interim financial statements.

**33 Changes in material litigation**

The Company has commenced arbitration proceedings with the serving of a Notice Of Arbitration dated 13 August 2019 on Malaysian Resources Corporation Berhad ("MRCB") under the AIAC Arbitration Rules, pursuant to Clause 22 of the Shareholders' Agreement dated 8 June 2015 entered into between the Company and MRCB (the "SHA").

Save for the above, there was no outstanding material litigation as at the date of this report.

**34 Dividend payable**

Please refer to Note 20 for details.

**35 Derivative financial instruments**

Details of derivative financial instruments outstanding as at 31 July 2019 measured at their fair values together with their corresponding contract/notional amounts classified by the remaining period of maturity are as follows:

<b>Types of derivatives</b>	<b>Contract/notional values RM'000</b>	<b>Net fair value assets/(liabilities) RM'000</b>	<b>Maturity</b>
<b>At 31 July 2019</b>			
Foreign currency forward contracts	-	-	Less than 1 year
<b>At 31 January 2019</b>			
Foreign exchange option contracts	-	-	Less than 1 year

Forward exchange contracts are used to manage the foreign currency exposures arising from the Company's payables denominated in currencies other than the functional currencies of the Company. Most of the forward exchange contracts have maturities of less than one year after the end of the reporting period.

**Explanatory notes pursuant to Bursa Malaysia Listing Requirements:  
Chapter 9, Appendix 9B, Part A  
For the six-month period ended 31 July 2019**

**36 Disclosure of gains/losses arising from fair value changes of financial liabilities**

The Group did not have gains/losses arising from fair value changes of financial liabilities (other than derivative financial instruments) as at 31 July 2019 and 31 January 2019.

**37 Auditors' report on preceding annual financial statements**

The auditors' report on the financial statements for the financial year ended 31 January 2019 was not qualified.

BY ORDER OF THE BOARD

TEH YONG FAH (*MACS00400*)  
GAN LEE MEI (*MAICSA7057081*)  
Company Secretaries

24 September 2019