

Condensed consolidated interim financial statements

For the nine-month period ended 31 October 2019

Condensed consolidated statement of profit or loss and other comprehensive income

	Note	Current quarter 3 months ended		Cumulative quarter 9 months ended	
		31 October 2019 Unaudited RM'000	31 October 2018 Unaudited RM'000	31 October 2019 Unaudited RM'000	31 October 2018 Unaudited RM'000
Revenue		72,914	103,550	253,414	316,245
Cost of sales		(53,786)	(68,160)	(182,265)	(219,153)
Gross profit		19,128	35,390	71,149	97,092
Interest income		1,347	1,592	4,014	3,705
Other gains/(losses)		2,240	3,038	2,994	7,820
Administrative expenses		(453)	(530)	(1,505)	(1,609)
Distribution costs		(314)	(326)	(897)	(1,019)
Other expenses		(8,663)	(7,775)	(27,579)	(32,397)
Finance costs		(895)	(1,024)	(2,461)	(2,439)
Share of results of associate		85	258	661	718
Share of results of joint venture		174	4,067	(61)	18,384
Profit before tax	7	12,649	34,690	46,315	90,255
Income tax expense	8	(2,392)	(14,136)	(11,497)	(23,586)
Profit for the period, attributable to the owners of the Company		10,257	20,554	34,818	66,669
Other comprehensive income/(loss)					
Items that will not be reclassified subsequently to profit or loss:					
Fair value (loss)/gain on investments designated as at FVTOCI		1,494	(2,463)	1,875	(2,463)
Items that may be reclassified subsequently to profit or loss:					
Foreign exchange translation		429	398	143	1,167
Fair value gain/(loss) on investments designated as at FVTOCI		(1,207)	1,161	(706)	(144)
Net fair value gain on cash flow hedge		-	(2)	-	-
Other comprehensive income/(loss) for the period, net of tax		716	(906)	1,312	(1,440)
Total comprehensive income for the period, attributable to the owners of the Company		10,973	19,648	36,130	65,229
Earnings per share attributable to the owners of the Company (sen):					
Basic and diluted	9	1.9	3.7	6.5	11.9

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 nine-month period ended 31 October 2019
Condensed consolidated statement of financial position

		31 October 2019	31 January 2019
	Note	Unaudited RM'000	Audited RM'000
Assets			
Non-current assets			
Property, plant and equipment	10	119,534	125,345
Right-of-use assets	11	1,848	-
Goodwill	12	876	876
Other intangible assets	13	16,606	4,492
Financial assets at FVTOCI	15	2,007	2,082
Investment in associate		15,383	21,498
Investment in joint venture		36,542	36,603
Deferred tax assets		12,121	12,119
		<u>204,917</u>	<u>203,015</u>
Current assets			
Inventories	14	56,190	57,364
Trade and other receivables		223,356	231,208
Financial assets at FVTPL	15	140	147
Financial assets at FVTOCI	15	33,702	32,625
Tax recoverable		13,561	8,744
Deposits, cash and bank balances	16	217,120	264,016
		<u>544,069</u>	<u>594,104</u>
Total assets		<u>748,986</u>	<u>797,119</u>
Equity and liabilities			
Equity attributable to the owners of the Company			
Share capital	17	187,756	187,756
Treasury shares	17	(26,650)	(25,749)
Foreign currency translation reserve		(11,002)	(11,145)
Properties revaluation reserve		33,931	33,931
Investment revaluation reserve		(1,045)	(2,462)
Retained earnings		310,945	303,300
Total equity		<u>493,935</u>	<u>485,631</u>
Non-current liabilities			
Trade and other payables		1,651	1,749
Loans and borrowings	18	-	707
Lease liabilities	18	448	-
		<u>2,099</u>	<u>2,456</u>
Current liabilities			
Trade and other payables		180,219	248,693
Loans and borrowings	18	72,327	59,421
Lease liabilities	18	405	-
Tax liabilities		1	918
		<u>252,952</u>	<u>309,032</u>
Total liabilities		<u>255,051</u>	<u>311,488</u>
Total equity and liabilities		<u>748,986</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 nine-month period ended 31 October 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	
At 1 February 2018		187,756	(11,680)	35,140	(13)	-	-	264,580	475,783
Total comprehensive income		-	1,167	-	(2,607)	-	-	66,669	65,229
Dividends	20	-	-	-	-	-	-	(39,273)	(39,273)
Share buybacks	17	-	-	-	-	-	(11,694)	-	(11,694)
At 31 October 2018		187,756	(10,513)	35,140	(2,620)	-	(11,694)	291,976	490,045
At 1 February 2019		187,756	(11,145)	33,931	(2,462)	-	(25,749)	303,300	485,631
Total comprehensive income		-	143	-	1,169	-	-	34,818	36,130
Transfer upon disposal of investment		-	-	-	248	-	-	(248)	-
Dividends	20	-	-	-	-	-	-	(26,925)	(26,925)
Share buybacks	17	-	-	-	-	-	(901)	-	(901)
At 31 October 2019		187,756	(11,002)	33,931	(1,045)	-	(26,650)	310,945	493,935

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 nine-month period ended 31 October 2019
Condensed consolidated statement of cash flows

		9 months ended	
		31 October 2019	31 October 2018
	Note	Unaudited RM'000	Unaudited RM'000
<u>Operating activities</u>			
Profit before tax		46,315	90,255
Adjustments for:			
Interest income		(4,014)	(3,705)
Finance costs		2,461	2,439
Gain on disposal of property, plant and equipment	10	(342)	(112)
Depreciation of property, plant and equipment		3,231	3,788
Depreciation of right-of-use assets		381	-
Amortisation of other intangible assets	13	222	138
Inventories written down	14	248	-
Reversal on inventories written down	14	(387)	(112)
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		7	25
Unrealised gain on foreign exchange		(731)	(7,318)
Unrealised gain arising on financial liabilities designated as at FVTPL		-	(277)
Share of results of associate		(661)	(718)
Share of results of joint venture		61	(18,384)
Dividend income from FVTOCI investment		(1,044)	(889)
Dividend income from FVTPL investment		(6)	(8)
Operating profit before working capital changes		<u>45,657</u>	<u>65,122</u>
Changes in working capital:			
Decrease/(Increase) in inventories		1,324	(4,288)
Decrease/(Increase) in trade and other receivables		15,199	(86,848)
Decrease in trade and other payables		(78,260)	(91,432)
Total changes in working capital		<u>(61,737)</u>	<u>(182,568)</u>
Interest paid		(4,198)	(3,252)
Income tax refunded		92	-
Income tax paid		(17,320)	(64,146)
		<u>(21,426)</u>	<u>(67,398)</u>
Net cash used in operating activities		<u>(37,506)</u>	<u>(184,844)</u>
<u>Investing activities</u>			
Purchase of property, plant and equipment		(920)	(8,038)
Proceeds from disposal of property, plant and equipment		2,010	243
Acquisition of other intangible assets		(1,611)	(928)
Purchase of financial assets at FVTOCI		(2,378)	(32,842)
Proceeds from disposal of FVTOCI investment		3,357	-
Dividend income received from FVTPL investment		6	7
Dividend income received from FVTOCI investment		415	-
Interest income received		4,014	3,705
Net cash from/(used in) investing activities		<u>4,893</u>	<u>(37,853)</u>
<u>Financing activities</u>			
Drawdown of other bank borrowings		69,500	59,824
Repayment of other bank borrowings		(57,167)	(53,543)
Repayment of hire-purchase		-	(2,256)
Repayment of lease liabilities		(493)	-
Dividends paid		(26,925)	(28,163)
Share buybacks		(901)	(11,694)
Net cash used in financing activities		<u>(15,986)</u>	<u>(35,832)</u>
Net change in cash and cash equivalents		(48,599)	(258,529)
Effect of foreign exchange rate changes		690	8,383
Cash and cash equivalents at 1 February		<u>263,480</u>	<u>510,612</u>
Cash and cash equivalents at 31 October*		<u>215,571</u>	<u>260,466</u>
* Cash and cash equivalents comprise the following:			
Deposits, cash and bank balances		217,120	263,442
Bank overdrafts		(1,549)	(2,976)
Total cash and cash equivalents		<u>215,571</u>	<u>260,466</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 nine-month period ended 31 October 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 18 December 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 nine-month period ended 31 October 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
Current quarter							
3 months period ended							
31 October 2019							
Revenue:							
External customers	39,848	23	39,871	33,043	-	-	72,914
Results:							
Interest income	-	43	43	53	144	1,107	1,347
Depreciation and amortisation	12	41	53	921	-	283	1,257
Share of results of associate	-	85	85	-	-	-	85
Share of results of joint venture	174	-	174	-	-	-	174
Segment profit (Note A)	9,445	(579)	8,866	5,974	711	(2,902)	12,649
3 months period ended							
31 October 2018							
Revenue:							
External customers	59,934	5,201	65,135	38,415	-	-	103,550
Results:							
Interest income	1	34	35	-	151	1,406	1,592
Depreciation and amortisation	100	58	158	875	-	278	1,311
Share of results of associate	-	258	258	-	-	-	258
Share of results of joint venture	4,067	-	4,067	-	-	-	4,067
Segment profit (Note A)	22,686	2,144	24,830	10,191	1,633	(1,964)	34,690

Explanatory notes pursuant to MFRS 134

For the nine-month period ended 31 October 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
Cumulative quarter							
9 months period ended							
31 October 2019							
Revenue:							
External customers	151,926	8,293	160,219	93,195	-	-	253,414
Results:							
Interest income	7	124	131	195	541	3,147	4,014
Depreciation and amortisation	181	136	317	2,670	-	847	3,834
Share of results of associate	-	661	661	-	-	-	661
Share of results of joint venture	(61)	-	(61)	-	-	-	(61)
Segment profit (Note A)	40,213	2,067	42,280	15,293	819	(12,077)	46,315
9 months period ended							
31 October 2018							
Revenue:							
External customers	203,267	14,765	218,032	98,213	-	-	316,245
Results:							
Interest income	2	70	72	-	511	3,122	3,705
Depreciation and amortisation	296	168	464	2,592	-	870	3,926
Share of results of associate	-	718	718	-	-	-	718
Share of results of joint venture	18,384	-	18,384	-	-	-	18,384
Segment profit (Note A)	69,045	6,054	75,099	22,780	3,332	(10,956)	90,255

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		Cumulative quarter	
	3 months ended	3 months ended	9 months ended	9 months ended
	31	31	31	31
	October	October	October	October
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Interest income	1,107	1,406	3,147	3,122
Finance costs	(895)	(1,024)	(2,461)	(2,439)
Other unallocated corporate expenses	(3,114)	(2,346)	(12,763)	(11,639)
	<u>(2,902)</u>	<u>(1,964)</u>	<u>(12,077)</u>	<u>(10,956)</u>

Explanatory notes pursuant to MFRS 134

For the nine-month period ended 31 October 2019

5 Segment information (continued)

Engineering

Revenue of RM39.87 million for the current quarter ended 31 October 2019 was 39% lower as compared to RM65.13 million for the corresponding quarter in 2018. Segment profit of RM8.87 million for the current quarter ended 31 October 2019 was 64% lower as compared to RM24.83 million for the corresponding quarter in 2018. The lower segment profit was mainly contributed by the lower revenue and gross profit margin in the current quarter.

Revenue of RM160.22 million for the period ended 31 October 2019 was 27% lower as compared to RM218.03 million for the corresponding period in 2018 attributed to the lower revenue contribution towards the end of a project. Segment profit of RM42.28 million for the period ended 31 October 2019 was 44% lower as compared to RM75.10 million for the period ended 31 October 2018 due to lower revenue.

Metering

Revenue of RM33.04 million for the current quarter ended 31 October 2019 was 14% lower compared to RM38.42 million for the corresponding quarter in 2018. Segment profit of RM5.97 million for the current quarter ended 31 October 2019 was 41% lower as compared to RM10.19 million for the corresponding quarter in 2018 mainly due to the lower sales and gross profit margin in the current quarter.

Revenue of RM93.20 million for the period ended 31 October 2019 was 5% lower compared to RM98.21 million for the corresponding period in 2018. Segment profit of RM15.29 million for the period ended 31 October 2019 was 33% lower as compared to RM22.78 million for the corresponding period in 2018 mainly due to the lower sales and 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 RM12.65 million (31 October 2018: RM34.69 million) was 64% lower. The lower profit before tax reported was mainly attributed to lower contribution from the Engineering division. Other gains/(losses) mainly arose from unrealised gain on foreign exchange of RM1.27 million (31 October 2018: RM2.84 million) on foreign currencies held.

The Group's profit before tax for the period ended 31 October 2019 of RM46.32 million (31 October 2018: RM90.26 million) was 49% lower. The lower profit before tax reported was mainly attributed to lower contribution from the Engineering division. Other gains/(losses) mainly arose from unrealised gain on foreign exchange of RM0.73 million (31 October 2018: RM7.32 million) on foreign currencies held.

Explanatory notes pursuant to MFRS 134

For the nine-month period ended 31 October 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		9 months ended	
	31	31	31	31
	October	October	October	October
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Interest income	(1,347)	(1,592)	(4,014)	(3,705)
Dividend income from:				
- FVTPL investment	(2)	(3)	(6)	(8)
- FVTOCI investment	(374)	(387)	(1,044)	(889)
Other income	(19)	(230)	(473)	(2,353)
Finance costs	895	1,024	2,461	2,439
Gain on disposal of property, plant and equipment	(235)	-	(342)	(112)
Depreciation of property, plant and equipment	1,049	1,264	3,231	3,788
Depreciation of right-of-use assets	120	-	381	-
Amortisation of other intangible assets	88	47	222	138
Inventories written down	111	-	248	-
Reversal on inventories written down	1	(59)	(387)	(112)
Impairment loss on trade and other receivables	-	-	150	-
Reversal of impairment loss on trade receivables	-	-	(234)	-
Net fair value loss on FVTPL investment	2	8	7	25
Loss/(Gain) arising on financial liabilities designated as at FVTPL:				
- realised	-	-	43	450
- unrealised	-	-	-	(277)
(Gain)/Loss on foreign exchange:				
- realised	(344)	410	(364)	2,662
- unrealised	(1,268)	(2,836)	(731)	(7,318)

Explanatory notes pursuant to MFRS 134

For the nine-month period ended 31 October 2019

8 Income tax expense

	Current quarter 3 months ended		Cumulative quarter 9 months ended	
	31 October 2019 RM'000	31 October 2018 RM'000	31 October 2019 RM'000	31 October 2018 RM'000
Current Tax:				
Malaysian tax	2,723	6,162	9,824	14,326
Foreign tax	(330)	686	1,673	1,816
	<u>2,393</u>	<u>6,848</u>	<u>11,497</u>	<u>16,142</u>
Underprovision in prior years:				
Malaysian tax	-	4,123	-	4,123
	<u>2,393</u>	<u>10,971</u>	<u>11,497</u>	<u>20,265</u>
Deferred tax	(1)	3,165	-	3,321
	<u>2,392</u>	<u>14,136</u>	<u>11,497</u>	<u>23,586</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 3 months ended		Cumulative quarter 9 months ended	
	31 October 2019	31 October 2018	31 October 2019	31 October 2018
Profit net of tax attributable to owners used in computation of earnings per share (RM'000)	<u>10,257</u>	<u>20,554</u>	<u>34,818</u>	<u>66,669</u>
Weighted average number of ordinary shares (excluding Treasury Shares) for earnings per share computation ('000)	<u>538,465</u>	<u>561,641</u>	<u>538,599</u>	<u>560,478</u>
Basic/Diluted earnings per share (sen)	<u>1.9</u>	<u>3.7</u>	<u>6.5</u>	<u>11.9</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 nine-month period ended 31 October 2019

10 Property, plant and equipment

Acquisitions and disposals

During the period ended 31 October 2019, the Group acquired assets at a cost of RM1.42 million (31 October 2018: RM8.57 million).

Assets with carrying amount of RM1,668,000 (31 October 2018: RM131,000) were disposed of by the Group during the period ended 31 October 2019, resulting in a gain on disposal of RM342,000 (31 October 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 nine-month period ended 31 October 2019

13 Other intangible assets

	Computer software RM'000	License RM'000	Product development costs RM'000	Total RM'000
Cost:				
At 1 February 2019	676	-	4,593	5,269
Additions	-	11,824	384	12,208
Exchange differences	-	128	-	128
At 31 October 2019	676	11,952	4,977	17,605
Accumulated amortisation:				
At 1 February 2019	549	-	228	777
Amortisation	47	-	175	222
At 31 October 2019	596	-	403	999
Carrying amount:				
At 1 February 2019	127	-	4,365	4,492
At 31 October 2019	80	11,952	4,574	16,606

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 nine-month period ended 31 October 2019

14 Inventories

During the period ended 31 October 2019, the Group recognised a reversal of inventories write down of RM387,000 (31 October 2018: RM112,000) and inventories write down of RM248,000 (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
At 31 October 2019				
Financial assets at FVTPL:				
- Quoted equity securities	140	140	-	-
Financial assets at FVTOCI:				
- Quoted bonds	17,028	17,028	-	-
- Quoted equity securities	16,674	16,674	-	-
- Unquoted equity securities	2,007	-	2,007	-
Non-financial assets:				
- Freehold land	87,700	-	-	87,700
- Building on freehold land	16,514	-	-	16,514
- Long-term leasehold land	840	-	-	840
- Building on long-term leasehold land	1,375	-	-	1,375
<hr/>				
At 31 January 2019				
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
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Explanatory notes pursuant to MFRS 134

For the nine-month period ended 31 October 2019

16 Deposits, cash and bank balances

Cash and cash equivalents comprised the following amounts:

	31 October 2019 RM'000	31 January 2019 RM'000
Short-term deposits with licensed banks	97,203	138,152
Cash and bank balances	119,917	125,864
	<u>217,120</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 October 2019, the Company repurchased a total of 25,107,900 of its shares from the open market for a total consideration of RM26,650,113. Subsequent to 31 October 2019 and up to date of this announcement, a total of 1,015,000 shares were repurchased from the open market for a total consideration of RM986,832. 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 Loans and borrowings

	31 October 2019 RM'000	31 January 2019 RM'000
Short-term borrowings		
Secured:		
Bank overdrafts	1,549	536
Revolving credits	47,949	48,409
Bankers' acceptance	10,966	9,060
Invoice Financing	11,863	783
Lease creditors	405	-
Hire-purchase payables	-	633
	<u>72,732</u>	<u>59,421</u>
Long-term borrowings		
Secured:		
Lease creditors	448	-
Hire-purchase payables	-	707
	<u>448</u>	<u>707</u>
	<u>73,180</u>	<u>60,128</u>

Explanatory notes pursuant to MFRS 134

For the nine-month period ended 31 October 2019

19 Provisions for costs of restructuring

Not applicable.

20 Dividend

The Directors have declared a second dividend of 1.0 sen per share for FY2020 (FY2019: 1.5 sen per share), payable on 5 February 2020 to shareholders whose names appear in the Record of Depositors on 9 January 2020, being the Book Closure Date ("BCD").

On the assumption that as announced to date, the Treasury Shares of 26,122,900 (which are not entitled to dividends), remained the same as at BCD, the dividend pay-out on 537,146,165 shares will amount to approximately RM5.37 million (FY2019: RM8.11 million on 540,837,799 shares).

The Directors declared a first dividend of 1.5 sen per share (FY2019: 2.0 sen per share) on 24 September 2019 paid on 31 October 2019 which amounted to RM8.07 million on 538,211,685 shares (FY2019: RM11.11 million on 555,498,165 shares).

In Ringgit term the two interim dividends will total RM13.44 million (FY2019: RM19.22 million) for the financial year ending 31 January 2020.

21 Commitments

Capital expenditure as at the reporting date is as follows:

	31 October 2019 RM'000	31 January 2019 RM'000
Approved and contracted for:		
Property, plant and equipment	4,480	1,054
Approved but not contracted for:		
Property, plant and equipment	501	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 Customs Appeal Tribunal has ruled in favour of the Company. Customs has filed an appeal to the High Court. The appeal is fixed for hearing before the High Court judge on 13 February 2020.

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

Explanatory notes pursuant to MFRS 134

For the nine-month period ended 31 October 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 October:

	Cumulative quarter 9 months ended	
	31 October 2019 RM'000	31 October 2018 RM'000
Related companies: *		
Rental expenses for motor vehicle	-	82
Rental expenses for land	360	360
Purchase of air tickets	477	914
Share registration charges, secretarial and accounting fees	123	101

* 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 nine-month period ended 31 October 2019**

26 Performance review

	Current quarter 3 months ended			Cumulative quarter 9 months ended		
	31 October 2019	31 October 2018	Changes %	31 October 2019	31 October 2018	Changes %
	RM'000	RM'000		RM'000	RM'000	
Revenue	72,914	103,550	- 30	253,414	316,245	- 20
Profit before tax	12,649	34,690	- 64	46,315	90,255	- 49
Profit after tax	10,257	20,554	- 50	34,818	66,669	- 48

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 October 2019 RM'000	Preceding quarter 3 months ended 31 July 2019 RM'000	Changes %
Revenue	72,914	97,721	- 25
Profit before tax	12,649	15,750	- 20
Profit after tax	10,257	11,054	- 7

The profit before taxation for the current quarter ended 31 October 2019 is 20% lower than the preceding quarter due to lower profit contributed by the Engineering division.

28 Commentary on prospects

The results are credible considering the substantially lower revenue and contribution from the Engineering & Construction division.

Metering

The Group signed a long-term license agreement with Honeywell on 28 June 2019 to manufacture high-precision water meter measuring components and exclusively sell these water meters to 26 territories, including 15 new territories in the Asian region. This Agreement enables the Group to have control over the component supply and production costs. Both of these and the increased territories will help the Group enhance earnings.

Our Smart Metering solution continues to be tested and refined in various states. Commercialisation of this solution will be a key growth driver in the coming years.

These initiatives will grow 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.

Group

The Group will further accelerate growth by substantially increasing its investments in rail and water-related projects through M&As and strategic partnerships.

Explanatory notes pursuant to Bursa Malaysia Listing Requirements:

Chapter 9, Appendix 9B, Part A

For the nine-month period ended 31 October 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"). The matter is ongoing and pending parties to agree on procedural timelines.

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

There were no derivative financial instruments outstanding as at 31 October 2019 and 31 January 2019.

The Group enter into foreign currency contracts which were 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 nine-month period ended 31 October 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 October 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

18 December 2019