

Condensed consolidated interim financial statements

For the twelve-month period ended 31 January 2020

Condensed consolidated statement of profit or loss and other comprehensive income

	Note	Current quarter 3 months ended		Cumulative quarter 12 months ended	
		31 January 2020	31 January 2019	31 January 2020	31 January 2019
		Unaudited RM'000	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000
Revenue		82,398	115,385	335,812	431,630
Cost of sales		(60,064)	(44,723)	(242,329)	(263,876)
Gross profit		22,334	70,662	93,483	167,754
Interest income		1,008	2,066	5,022	5,771
Other (losses)/gains		(2,222)	(1,091)	772	6,729
Administrative expenses		(1,196)	(1,894)	(2,701)	(3,503)
Distribution costs		(299)	(370)	(1,196)	(1,389)
Other expenses		(8,788)	(26,264)	(36,367)	(58,661)
Finance costs		(885)	(828)	(3,346)	(3,267)
Share of results of associate		74	275	735	993
Share of results of joint venture		335	(4,977)	274	13,407
Profit before tax	7	10,361	37,579	56,676	127,834
Income tax expense	8	(3,591)	(17,921)	(15,088)	(41,507)
Profit for the period, attributable to the owners of the Company		6,770	19,658	41,588	86,327
Other comprehensive income/(loss)					
Items that will not be reclassified subsequently to profit or loss:					
Gain/(Loss) on revaluation of properties		3,474	(1,209)	3,474	(1,209)
Fair value (loss)/gain on investments designated as at FVTOCI		-	(249)	1,875	(2,712)
Items that may be reclassified subsequently to profit or loss:					
Foreign exchange translation		(767)	(632)	(624)	535
Fair value (loss)/gain on investments designated as at FVTOCI		(93)	186	(799)	42
Other comprehensive income/(loss) for the period, net of tax		2,614	(1,904)	3,926	(3,344)
Total comprehensive income for the period, attributable to the owners of the Company		9,384	17,754	45,514	82,983
Earnings per share attributable to the owners of the Company (sen):					
Basic and diluted	9	1.3	3.5	7.7	15.5

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 twelve-month period ended 31 January 2020
Condensed consolidated statement of financial position

		31 January 2020	31 January 2019
	Note	Unaudited RM'000	Audited RM'000
Assets			
Non-current assets			
Property, plant and equipment	10	124,798	125,345
Right-of-use assets	11	1,931	-
Goodwill	12	876	876
Other intangible assets	13	21,558	4,492
Financial assets at FVTOCI	15	1,968	2,082
Investment in associate		15,141	21,498
Investment in joint venture		36,877	36,603
Deferred tax assets		1,578	12,119
		<u>204,727</u>	<u>203,015</u>
Current assets			
Inventories	14	50,831	57,364
Trade and other receivables		197,133	231,208
Financial assets at FVTPL	15	137	147
Financial assets at FVTOCI	15	33,530	32,625
Tax recoverable		20,023	8,744
Deposits, cash and bank balances	16	241,915	264,016
		<u>543,569</u>	<u>594,104</u>
Total assets		<u>748,296</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	(30,579)	(25,749)
Foreign currency translation reserve		(11,769)	(11,145)
Properties revaluation reserve		37,405	33,931
Investment revaluation reserve		(1,138)	(2,462)
Retained earnings		312,348	303,300
Total equity		<u>494,023</u>	<u>485,631</u>
Non-current liabilities			
Trade and other payables		1,620	1,749
Loans and borrowings	18	1,731	707
		<u>3,351</u>	<u>2,456</u>
Current liabilities			
Trade and other payables		186,814	248,693
Loans and borrowings	18	64,107	59,421
Tax liabilities		1	918
		<u>250,922</u>	<u>309,032</u>
Total liabilities		<u>254,273</u>	<u>311,488</u>
Total equity and liabilities		<u>748,296</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 twelve-month period ended 31 January 2020
Condensed consolidated statement of changes in equity

		Attributable to the owners of the Company						
		Non-Distributable				Distributable		
		Share capital RM'000	Foreign currency translation reserve RM'000	Properties revaluation reserve RM'000	Investment revaluation reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000
At 1 February 2018		187,756	(11,680)	35,140	(13)	-	264,580	475,783
Total comprehensive income		-	535	(1,209)	(2,670)	-	86,327	82,983
Transfer upon disposal of investment		-	-	-	221	-	(221)	-
Dividends	20	-	-	-	-	-	(47,386)	(47,386)
Share buybacks	17	-	-	-	-	(25,749)	-	(25,749)
At 31 January 2019		187,756	(11,145)	33,931	(2,462)	(25,749)	303,300	485,631
At 1 February 2019		187,756	(11,145)	33,931	(2,462)	(25,749)	303,300	485,631
Total comprehensive income		-	(624)	3,474	1,076	-	41,588	45,514
Transfer upon disposal of investment		-	-	-	248	-	(248)	-
Dividends	20	-	-	-	-	-	(32,292)	(32,292)
Share buybacks	17	-	-	-	-	(4,830)	-	(4,830)
At 31 January 2020		187,756	(11,769)	37,405	(1,138)	(30,579)	312,348	494,023

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 twelve-month period ended 31 January 2020
Condensed consolidated statement of cash flows

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		12 months ended	
		31 January 2020	31 January 2019
	Note	Unaudited RM'000	Unaudited RM'000
<u>Operating activities</u>			
Profit before tax		56,676	127,834
Adjustments for:			
Interest income		(5,022)	(5,771)
Finance costs		3,346	3,267
Gain on disposal of property, plant and equipment	10	(283)	(112)
Impairment loss on property, plant and equipment		142	-
Property, plant and equipment written off		120	-
Depreciation of property, plant and equipment		4,758	5,109
Depreciation of right-of-use assets		611	-
Other intangible assets written off		-	1,294
Amortisation of other intangible assets	13	295	190
Inventories written down	14	557	182
Reversal on inventories written down	14	(388)	(342)
Impairment loss on trade and other receivables		150	1,106
Reversal of impairment loss on trade and other receivables		(234)	-
Loss on disposal of FVTPL investment		-	72
Fair value loss/(gain) on financial assets at FVTPL		10	(123)
Unrealised loss/(gain) on foreign exchange		1,206	(6,641)
Unrealised gain arising on financial liabilities designated as at FVTPL		-	(277)
Share of results of associate		(735)	(993)
Share of results of joint venture		(274)	(13,407)
Dividend income from FVTOCI investment		(1,352)	(1,261)
Dividend income from FVTPL investment		(7)	(10)
Operating profit before working capital changes		<u>59,576</u>	<u>110,117</u>
Changes in working capital:			
Decrease/(Increase) in inventories		6,359	(9,482)
Decrease/(Increase) in trade and other receivables		34,515	(29,644)
Decrease in trade and other payables		<u>(72,937)</u>	<u>(163,084)</u>
Total changes in working capital		<u>(32,063)</u>	<u>(202,210)</u>
Interest paid		(5,329)	(4,169)
Income tax refunded		92	-
Income tax paid		<u>(17,040)</u>	<u>(64,874)</u>
		<u>(22,277)</u>	<u>(69,043)</u>
Net cash from/(used in) operating activities		<u>5,236</u>	<u>(161,136)</u>
<u>Investing activities</u>			
Purchase of property, plant and equipment		(2,831)	(1,448)
Proceeds from disposal of property, plant and equipment		2,049	243
Acquisition of other intangible assets		(9,249)	(1,327)
Purchase of financial assets at FVTOCI		(3,179)	(33,865)
Proceeds from disposal of FVTPL investment		-	149
Proceeds from disposal of FVTOCI investment		3,358	6,216
Dividend income received from FVTPL investment		7	10
Dividend income received from FVTOCI investment		1,352	1,261
Interest income received		5,022	5,771
Dividend from an associate		6,793	-
Net cash from/(used in) investing activities		<u>3,322</u>	<u>(22,990)</u>
<u>Financing activities</u>			
Drawdown of other bank borrowings		63,499	58,508
Repayment of other bank borrowings		(58,508)	(53,543)
Repayment of finance lease		(1,265)	(2,437)
Dividends paid		(26,925)	(47,386)
Share buybacks		(4,830)	(25,749)
Net cash used in financing activities		<u>(28,029)</u>	<u>(70,607)</u>
Net change in cash and cash equivalents		(19,471)	(254,733)
Effect of foreign exchange rate changes		(2,094)	7,601
Cash and cash equivalents at 1 February		263,480	510,612
Cash and cash equivalents at 31 January*		<u>241,915</u>	<u>263,480</u>
* Cash and cash equivalents comprise the following:			
Deposits, cash and bank balances		241,915	264,016
Bank overdrafts		-	(536)
Total cash and cash equivalents		<u>241,915</u>	<u>263,480</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 twelve-month period ended 31 January 2020

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 30 April 2020.

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 year, 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

- 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 twelve-month period ended 31 January 2020

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 January 2020							
Revenue:							
External customers	50,881	1,218	52,099	30,299	-	-	82,398
Results:							
Interest income	1	(14)	(13)	54	136	831	1,008
Depreciation and amortisation	48	17	65	1,485	-	280	1,830
Share of results of associate	-	74	74	-	-	-	74
Share of results of joint venture	335	-	335	-	-	-	335
Segment profit (Note A)	12,179	396	12,575	5,878	(2,164)	(5,928)	10,361
3 months period ended							
31 January 2019							
Revenue:							
External customers	75,352	5,172	80,524	34,861	-	-	115,385
Results:							
Interest income	1	39	40	147	163	1,716	2,066
Depreciation and amortisation	100	54	154	932	-	287	1,373
Share of results of associate	-	275	275	-	-	-	275
Share of results of joint venture	(4,977)	-	(4,977)	-	-	-	(4,977)
Segment profit (Note A)	38,030	2,267	40,297	5,596	(1,658)	(6,656)	37,579

Explanatory notes pursuant to MFRS 134

For the twelve-month period ended 31 January 2020

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							
12 months period ended							
31 January 2020							
Revenue:							
External customers	202,807	9,511	212,318	123,494	-	-	335,812
Results:							
Interest income	8	110	118	249	677	3,978	5,022
Depreciation and amortisation	229	153	382	4,155	-	1,127	5,664
Share of results of associate	-	735	735	-	-	-	735
Share of results of joint venture	274	-	274	-	-	-	274
Segment profit (Note A)	52,392	2,463	54,855	21,171	(1,345)	(18,005)	56,676
12 months period ended							
31 January 2019							
Revenue:							
External customers	278,619	19,937	298,556	133,074	-	-	431,630
Results:							
Interest income	3	109	112	147	674	4,838	5,771
Depreciation and amortisation	396	222	618	3,524	-	1,157	5,299
Share of results of associate	-	993	993	-	-	-	993
Share of results of joint venture	13,407	-	13,407	-	-	-	13,407
Segment profit (Note A)	107,075	8,321	115,396	28,376	1,674	(17,612)	127,834

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 12 months ended	
	31 January 2020 RM'000	31 January 2019 RM'000	31 January 2020 RM'000	31 January 2019 RM'000
Interest income	831	1,863	3,978	4,985
Finance costs	(885)	(828)	(3,346)	(3,267)
Other unallocated corporate expenses	(5,874)	(7,691)	(18,637)	(19,330)
	<u>(5,928)</u>	<u>(6,656)</u>	<u>(18,005)</u>	<u>(17,612)</u>

Explanatory notes pursuant to MFRS 134

For the twelve-month period ended 31 January 2020

5 Segment information (continued)

Engineering

Revenue of RM52.10 million for the current quarter ended 31 January 2020 was 35% lower as compared to RM80.53 million for the corresponding quarter in 2019. Segment profit of RM12.58 million for the current quarter ended 31 January 2020 was 69% lower as compared to RM40.30 million for the corresponding quarter in 2019. The lower segment profit was mainly contributed by the lower revenue and gross profit margin in the current quarter.

Revenue of RM212.32 million for the year ended 31 January 2020 was 29% lower as compared to RM298.56 million for the corresponding period in 2019 attributed to the lower revenue contribution towards the end of a project. Segment profit of RM54.86 million for the year ended 31 January 2020 was 52% lower as compared to RM115.40 million for the year ended 31 January 2019 due to lower revenue and gross profit margin.

Metering

Revenue of RM30.29 million for the current quarter ended 31 January 2020 was 13% lower compared to RM34.86 million for the corresponding quarter in 2019. Segment profit of RM5.88 million for the current quarter ended 31 January 2020 was slightly higher as compared to RM5.60 million for the corresponding quarter in 2019.

Revenue of RM123.49 million for the year ended 31 January 2020 was 7% lower compared to RM133.07 million for the corresponding period in 2019. Segment profit of RM21.17 million for the year ended 31 January 2020 was 25% lower as compared to RM28.38 million for the corresponding period in 2019 mainly due to the lower sales and gross profit margin.

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 RM10.36 million (31 January 2019: RM37.58 million) was 72% 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 RM1.94 million (31 January 2019: RM0.68 million) on foreign currencies held.

The Group's profit before tax for the year ended 31 January 2020 of RM56.68 million (31 January 2019: RM127.83 million) was 56% 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 RM1.21 million (31 January 2019: gain of RM6.64 million) on foreign currencies held.

Explanatory notes pursuant to MFRS 134

For the twelve-month period ended 31 January 2020

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		12 months ended	
	31	31	31	31
	January	January	January	January
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Interest income	(1,008)	(2,066)	(5,022)	(5,771)
Dividend income from:				
- FVTPL investment	(1)	(2)	(7)	(10)
- FVTOCI investment	(308)	(372)	(1,352)	(1,261)
Other income	(51)	(151)	(524)	(2,504)
Finance costs	885	828	3,346	3,267
Loss/(Gain) on disposal of property, plant and equipment	59	-	(283)	(112)
Depreciation of property, plant and equipment	1,527	1,321	4,758	5,109
Depreciation of right-of-use assets	230	-	611	-
Impairment loss on property, plant and equipment	142	-	142	-
Property, plant and equipment written off	120	-	120	-
Amortisation of other intangible assets	73	52	295	190
Other intangible assets written off	-	1,294	-	1,294
Inventories written down	309	182	557	182
Reversal on inventories written down	(1)	(230)	(388)	(342)
Impairment loss on trade and other receivables	-	1,106	150	1,106
Reversal of impairment loss on trade receivables	-	-	(234)	-
Loss on disposal of FVTPL investment	-	72	-	72
Net fair value loss/(gain) on FVTPL investment	3	(148)	10	(123)
Loss/(Gain) arising on financial liabilities designated as at FVTPL:				
- realised	-	-	43	450
- unrealised	-	-	-	(277)
Loss/(Gain) on foreign exchange:				
- realised	583	(91)	219	2,571
- unrealised	1,937	677	1,206	(6,641)

Explanatory notes pursuant to MFRS 134

For the twelve-month period ended 31 January 2020

8 Income tax expense

	Current quarter		Cumulative quarter	
	3 months ended		12 months ended	
	31	31	31	31
	January	January	January	January
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Current Tax:				
Malaysian tax	(5,311)	(14,319)	4,513	7
Foreign tax	66	1,707	1,739	3,523
	<u>(5,245)</u>	<u>(12,612)</u>	<u>6,252</u>	<u>3,530</u>
(Over)/Underprovision in prior years:				
Malaysian tax	(1,514)	44,315	(1,514)	48,438
	<u>(6,759)</u>	<u>31,703</u>	<u>4,738</u>	<u>51,968</u>
Deferred tax	10,350	(13,782)	10,350	(10,461)
	<u>3,591</u>	<u>17,921</u>	<u>15,088</u>	<u>41,507</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		12 months ended	
	31	31	31	31
	January	January	January	January
	2020	2019	2020	2019
Profit net of tax attributable to owners used in computation of earnings per share (RM'000)	<u>6,770</u>	<u>19,658</u>	<u>41,588</u>	<u>86,327</u>
Weighted average number of ordinary shares (excluding Treasury Shares) for earnings per share computation ('000)	<u>537,208</u>	<u>555,729</u>	<u>538,249</u>	<u>556,782</u>
Basic/Diluted earnings per share (sen)	<u>1.3</u>	<u>3.5</u>	<u>7.7</u>	<u>15.5</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 twelve-month period ended 31 January 2020

10 Property, plant and equipment

Acquisitions and disposals

During the year ended 31 January 2020, the Group acquired assets at a cost of RM2.83 million (31 January 2019: RM2.33 million).

Assets with carrying amount of RM1,766,000 (31 January 2019: RM131,000) were disposed of by the Group during the year ended 31 January 2020, resulting in a gain on disposal of RM283,000 (31 January 2019: 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 twelve-month period ended 31 January 2020

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	44	12,061	5,256	17,361
At 31 January 2020	<u>720</u>	<u>12,061</u>	<u>9,849</u>	<u>22,630</u>
Accumulated amortisation:				
At 1 February 2019	549	-	228	777
Amortisation	56	-	239	295
At 31 January 2020	<u>605</u>	<u>-</u>	<u>467</u>	<u>1,072</u>
Carrying amount:				
At 1 February 2019	127	-	4,365	4,492
At 31 January 2020	<u>115</u>	<u>12,061</u>	<u>9,382</u>	<u>21,558</u>

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.

14 Inventories

During the year ended 31 January 2020, the Group recognised a reversal of inventories write down of RM388,000 (31 January 2019: RM342,000) and inventories write down of RM557,000 (31 January 2019: RM182,000). The inventories write down and reversal of inventories write down are recognised in profit or loss.

Explanatory notes pursuant to MFRS 134

For the twelve-month period ended 31 January 2020

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 January 2020				
Financial assets at FVTPL:				
- Quoted equity securities	137	137	-	-
Financial assets at FVTOCI:				
- Quoted bonds	16,415	16,415	-	-
- Quoted equity securities	17,115	17,115	-	-
- Unquoted equity securities	1,968	-	1,968	-
Non-financial assets:				
- Freehold land	91,350	-	-	91,350
- Building on freehold land	16,360	-	-	16,360
- Long-term leasehold land	1,171	-	-	1,171
- Building on long-term leasehold land	1,030	-	-	1,030
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

16 Deposits, cash and bank balances

Cash and cash equivalents comprised the following amounts:

	31 January 2020 RM'000	31 January 2019 RM'000
Short-term deposits with licensed banks	104,180	138,152
Cash and bank balances	137,735	125,864
	<u>241,915</u>	<u>264,016</u>

Explanatory notes pursuant to MFRS 134

For the twelve-month period ended 31 January 2020

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 January 2020, the Company repurchased a total of 29,528,800 of its shares from the open market for a total consideration of RM30,578,766. Subsequent to 31 January 2020 and up to date of this announcement, a total of 4,099,000 shares were repurchased from the open market for a total consideration of RM2,468,447. 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 January 2020 RM'000	31 January 2019 RM'000
Short-term borrowings		
Secured:		
Bank overdrafts	-	536
Revolving credits	48,657	48,409
Bankers' acceptance	14,481	9,060
Invoice Financing	-	783
Finance lease payables	969	633
	<u>64,107</u>	<u>59,421</u>
Long-term borrowings		
Secured:		
Finance lease payables	1,731	707
	<u>65,838</u>	<u>60,128</u>

19 Provisions for costs of restructuring

Not applicable.

Explanatory notes pursuant to MFRS 134

For the twelve-month period ended 31 January 2020

20 Dividend

The Company has paid two dividends totalling RM13.44 million (FY2019: RM38.07 million) for the year under review. In view of the current uncertain business environment, the Board of Directors does not propose paying a further dividend for the year under review.

21 Commitments

Capital expenditure as at the reporting date is as follows:

	31 January 2020 RM'000	31 January 2019 RM'000
Approved and contracted for:		
Property, plant and equipment	6,224	1,054
Approved but not contracted for:		
Property, plant and equipment	235	24

22 Contingencies

Apart from what was reported in our announcement for the third quarter dated 18 December 2019, nothing has changed except that the Customs issued a Bill of Demand for the sum of RM28.8 million although the appeal by the Customs is still pending.

The Company has filed an application for leave to commence judicial review proceedings to challenge the issuance of the said Bill of Demand on the grounds that it is illegal and unreasonable since it was issued in direct contravention of the binding decision of the Customs Appeal Tribunal. The Company's application for leave is set for case management on a date yet to be decided by the High Court.

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

Explanatory notes pursuant to MFRS 134 For the twelve-month period ended 31 January 2020

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 year ended 31 January:

	Cumulative quarter 12 months ended	
	31 January 2020 RM'000	31 January 2019 RM'000
Related companies: *		
Rental expenses for motor vehicle	-	85
Rental expenses for land	440	480
Purchase of air tickets	642	1,068
Share registration charges, secretarial and accounting fees	169	132
	<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 twelve-month period ended 31 January 2020**

26 Performance review

	Current quarter 3 months ended			Cumulative quarter 12 months ended		
	31	31	Changes %	31	31	Changes %
	January 2020 RM'000	January 2019 RM'000		January 2020 RM'000	January 2019 RM'000	
Revenue	82,398	115,385	- 29	335,812	431,630	- 22
Profit before tax	10,361	37,579	- 72	56,676	127,834	- 56
Profit after tax	6,770	19,658	- 66	41,588	86,327	- 52

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 January 2020 RM'000	Preceding quarter 3 months ended 31 October 2019 RM'000	Changes %
Revenue	82,398	72,914	+ 13
Profit before tax	10,361	12,649	- 18
Profit after tax	6,770	10,257	- 34

The profit before taxation for the current quarter ended 31 January 2020 is 18% lower than the preceding quarter mainly arose from unrealised loss on foreign exchange on foreign currencies held.

28 Commentary on prospects

In spite of lower profits from the Engineering Division, particularly from the reduced pace of work on LRT3, the Group's results were credible, which demonstrates the robustness of the Group's businesses. The Metering Business continued to be resilient. In spite of the retiming of some export orders, revenue for sales to local authorities in Peninsular Malaysia rose from the previous year.

In response to the COVID-19 pandemic, the Malaysian Government instituted the Movement Control Order (MCO) on 18 March 2020, which has since been extended thrice to 12 May 2020. Under the MCO, all non-essential business activities in the country must be suspended. This has temporarily disrupted the Group's local and export businesses. The Group received on 19 April 2020 the Ministry of International Trade and Industry's approval to resume its manufacturing activities during the MCO under strict labour movement conditions. This enabled the Group to reactivate its production line on 20 April 2020, albeit on a limited scale. Subsequently, the Government announced that companies in the approved economic sectors are permitted to operate with full workforce capacity and without limitation in operating time effective 29 April 2020, again under strict labour movement conditions. Whilst the Group is taking steps to return to normalcy, it will take time for the production to gradually reach full capacity.

Going forward, the Group will continue to exercise prudence in its business dealings, improving the Group's financial and operational efficiency and drastically reducing costs. Whilst the Group expects some disruptions to its performance, the Group is cautiously optimistic of its prospects.

**Explanatory notes pursuant to Bursa Malaysia Listing Requirements:
Chapter 9, Appendix 9B, Part A
For the twelve-month period ended 31 January 2020**

28 Commentary on prospects (continued)

Metering

In line with the Group's strategy to become a one-stop purveyor of water meters, the Group is working with partners to offer water meters that complement its existing range, such as static meters and products in other classes.

The long-term license agreement with Honeywell, signed by the Group in June 2019, enables the production of precision measuring components to be assembled with the brass housings the Group already manufactures. This will provide the Group with better control of production levels and costs. Production in stages is commencing.

The Group's Smart Metering solution is being implemented through proof-of-concepts and pilot projects with state water authorities. Commercialisation of this solution will be a key growth driver in the coming years.

The above initiatives to expand the Metering Business' contribution to group earnings are in line with the Group's long-stated Strategic Plan to broaden its income base.

Engineering

The Group continued to execute Hospital Tanjung Karang and Hospital Endokrin Putrajaya.

The Group is concluding work on some variation orders for the LRT2 project. It is also continuing to execute the LRT3 project, the contract for which was signed by its joint-venture company MRCB George Kent Sdn Bhd on 25 January 2019 for RM11.4 billion. Civil construction works were undertaken albeit at a reduced pace in the year under review. Progress should pick up in the coming months.

The Group will further accelerate growth by substantially increasing its investments in rail and water-related projects through M&As and strategic partnerships. It continues to develop new 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. In addition, the Group's successful completion of over 30 water infrastructure projects in the last 27 years underscores its project management expertise and dedication to quality. This track record will give the Group a leg-up in pursuing water infrastructure opportunities arising from the national drive to reduce non-revenue water.

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.

**Explanatory notes pursuant to Bursa Malaysia Listing Requirements:
Chapter 9, Appendix 9B, Part A
For the twelve-month period ended 31 January 2020**

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 January 2020 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.

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 January 2020 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

30 April 2020