

Condensed consolidated interim financial statements

For the three-month period ended 30 April 2020

Condensed consolidated statement of profit or loss and other comprehensive income

	Note	Current quarter 3 months ended		Cumulative quarter 3 months ended	
		30 April 2020	30 April 2019	30 April 2020	30 April 2019
		Unaudited RM'000	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000
Revenue		39,310	82,779	39,310	82,779
Cost of sales		(33,152)	(56,622)	(33,152)	(56,622)
Gross profit		6,158	26,157	6,158	26,157
Interest income		786	1,243	786	1,243
Other gains		5,189	1,088	5,189	1,088
Administrative expenses		(610)	(514)	(610)	(514)
Distribution costs		(159)	(270)	(159)	(270)
Other expenses		(6,930)	(8,591)	(6,930)	(8,591)
Finance costs		(754)	(724)	(754)	(724)
Share of results of associate		-	170	-	170
Share of results of joint venture		334	(643)	334	(643)
Profit before tax	7	4,014	17,916	4,014	17,916
Income tax expense	8	(288)	(4,409)	(288)	(4,409)
Profit for the period, attributable to the owners of the Company		3,726	13,507	3,726	13,507
Other comprehensive (loss)/income					
Items that will not be reclassified subsequently to profit or loss:					
Fair value (loss)/gain on investments designated as at FVTOCI		(1,438)	856	(1,438)	856
Items that may be reclassified subsequently to profit or loss:					
Foreign exchange translation		1,280	76	1,280	76
Fair value loss on investments designated as at FVTOCI		(801)	(89)	(801)	(89)
Other comprehensive (loss)/income for the period, net of tax		(959)	843	(959)	843
Total comprehensive income for the period, attributable to the owners of the Company		2,767	14,350	2,767	14,350
Earnings per share attributable to the owners of the Company (sen):					
Basic and diluted	9	0.7	2.5	0.7	2.5

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 three-month period ended 30 April 2020
Condensed consolidated statement of financial position

		30 April 2020	31 January 2020
	Note	Unaudited RM'000	Audited RM'000
Assets			
Non-current assets			
Property, plant and equipment	10	125,469	124,798
Right-of-use assets	11	1,783	1,931
Goodwill	12	876	876
Other intangible assets	13	21,665	21,558
Financial assets at FVTOCI	15	2,070	1,968
Investment in associate		15,759	15,141
Investment in joint venture		37,211	36,877
Deferred tax assets		1,578	1,578
		<u>206,411</u>	<u>204,727</u>
Current assets			
Inventories	14	50,855	50,831
Trade and other receivables		174,166	197,618
Financial assets at FVTPL	15	117	137
Financial assets at FVTOCI	15	32,317	33,531
Tax recoverable		20,004	20,023
Deposits, cash and bank balances	16	233,251	241,914
		<u>510,710</u>	<u>544,054</u>
Total assets		<u>717,121</u>	<u>748,781</u>
Equity and liabilities			
Equity attributable to the owners of the Company			
Share capital	17	187,756	187,756
Treasury shares	17	(33,047)	(30,579)
Foreign currency translation reserve		(10,489)	(11,769)
Properties revaluation reserve		37,405	37,405
Investment revaluation reserve		(2,162)	(1,138)
Retained earnings		314,847	312,336
Total equity		<u>494,310</u>	<u>494,011</u>
Non-current liabilities			
Trade and other payables		1,587	1,620
Loans and borrowings	18	1,588	1,731
		<u>3,175</u>	<u>3,351</u>
Current liabilities			
Trade and other payables		153,118	187,311
Loans and borrowings	18	66,517	64,107
Tax liabilities		1	1
		<u>219,636</u>	<u>251,419</u>
Total liabilities		<u>222,811</u>	<u>254,770</u>
Total equity and liabilities		<u>717,121</u>	<u>748,781</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 three-month period ended 30 April 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 2019		187,756	(11,145)	33,931	(2,462)	(25,749)	303,300	485,631
Total comprehensive income		-	76	-	767	-	13,507	14,350
Transfer upon disposal of investment		-	-	-	195	-	(195)	-
Dividends	20	-	-	-	-	-	(18,852)	(18,852)
Share buybacks	17	-	-	-	-	(426)	-	(426)
At 30 April 2019		187,756	(11,069)	33,931	(1,500)	(26,175)	297,760	480,703
At 1 February 2020		187,756	(11,769)	37,405	(1,138)	(30,579)	312,336	494,011
Total comprehensive income/(loss)		-	1,280	-	(2,239)	-	3,726	2,767
Transfer upon disposal of investment		-	-	-	1,215	-	(1,215)	-
Share buybacks	17	-	-	-	-	(2,468)	-	(2,468)
At 30 April 2020		187,756	(10,489)	37,405	(2,162)	(33,047)	314,847	494,310

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 three-month period ended 30 April 2020
Condensed consolidated statement of cash flows

	Note	3 months ended	
		30 April	30 April
		2020	2019
		Unaudited	Unaudited
		RM'000	RM'000
<u>Operating activities</u>			
Profit before tax		4,014	17,916
Adjustments for:			
Interest income		(786)	(1,243)
Finance costs		754	724
Gain on disposal of property, plant and equipment	10	(19)	(5)
Depreciation of property, plant and equipment		1,158	1,085
Depreciation of right-of-use assets		152	116
Amortisation of other intangible assets	13	72	42
Reversal on inventories written down	14	-	(181)
Trade receivables written off		-	150
Reversal of impairment loss on trade receivables		-	(234)
Fair value loss/(gain) on financial assets at FVTPL		20	(5)
Unrealised gain on foreign exchange		(3,929)	(343)
Unrealised loss arising on financial liabilities designated as at FVTPL		-	1
Share of results of associate		-	(170)
Share of results of joint venture		(334)	643
Income derived from capital guaranteed fund		(48)	(5)
Dividend income from FVTOCI investment		(332)	(352)
Operating profit before working capital changes		<u>722</u>	<u>18,139</u>
Changes in working capital:			
(Increase)/Decrease in inventories		(12)	1,231
Decrease in trade and other receivables		24,234	38,270
Decrease in trade and other payables		(34,769)	(34,791)
Total changes in working capital		<u>(10,547)</u>	<u>4,710</u>
Income tax paid		(220)	(5,513)
Net cash (used in)/from operating activities		<u>(10,045)</u>	<u>17,336</u>
<u>Investing activities</u>			
Purchase of property, plant and equipment		(1,712)	(118)
Proceeds from disposal of property, plant and equipment		24	120
Acquisition of other intangible assets		(177)	(376)
Purchase of financial assets at FVTOCI		(5,158)	(2,363)
Proceeds from disposal of FVTOCI investment		4,846	2,230
Dividend income received from FVTOCI investment		332	-
Interest income received		786	1,243
Income derived from capital guaranteed fund received		48	5
Net cash (used in)/from investing activities		<u>(1,011)</u>	<u>741</u>
<u>Financing activities</u>			
Drawdown of other bank borrowings		60,762	61,533
Repayment of other bank borrowings		(63,499)	(58,508)
Repayment of finance lease		(264)	(180)
Interest paid		(763)	(747)
Dividends paid		-	(18,852)
Share buybacks		(2,468)	(426)
Net cash used in financing activities		<u>(6,232)</u>	<u>(17,180)</u>
Net change in cash and cash equivalents		(17,288)	897
Effect of foreign exchange rate changes		4,015	541
Cash and cash equivalents at 1 February		<u>241,914</u>	<u>263,480</u>
Cash and cash equivalents at 30 April*		<u>228,641</u>	<u>264,918</u>
* Cash and cash equivalents comprise the following:			
Deposits, cash and bank balances		233,251	265,316
Bank overdraft		(4,610)	(398)
Total cash and cash equivalents		<u>228,641</u>	<u>264,918</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 three-month period ended 30 April 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 23 June 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 2020.

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 2020 as follows:

- Amendments to MFRS 3: Definition of a Business
- Amendments to MFRS 9, MFRS 139, MFRS 7: Interest Rate Benchmark Reform
- Amendments to MFRS 101, MFRS 108: Definition of Material
- Amendments to References to the Conceptual Framework in MFRS Standards

The adoption of the above Standards and Amendments 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 three-month period ended 30 April 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							
30 April 2020							
Revenue:							
External customers	21,540	-	21,540	17,770	-	-	39,310
Results:							
Interest income	-	22	22	42	98	624	786
Depreciation and amortisation	15	30	45	1,081	-	256	1,382
Share of results of associate	-	-	-	-	-	-	-
Share of results of joint venture	334	-	334	-	-	-	334
Segment profit (Note A)	2,091	(382)	1,709	1,989	2,397	(2,081)	4,014
3 months period ended							
30 April 2019							
Revenue:							
External customers	46,456	4,972	51,428	31,351	-	-	82,779
Results:							
Interest income	4	39	43	57	184	959	1,243
Depreciation and amortisation	84	51	135	831	-	277	1,243
Share of results of associate	-	170	170	-	-	-	170
Share of results of joint venture	(643)	-	(643)	-	-	-	(643)
Segment profit (Note A)	14,409	1,973	16,382	4,993	320	(3,779)	17,916

Explanatory notes pursuant to MFRS 134 For the three-month period ended 30 April 2020

5 Segment information (continued)

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	
	30 April	30 April	30 April	30 April
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Interest income	624	959	624	959
Finance costs	(754)	(724)	(754)	(724)
Other unallocated corporate expenses	(1,951)	(4,014)	(1,951)	(4,014)
	<u>(2,081)</u>	<u>(3,779)</u>	<u>(2,081)</u>	<u>(3,779)</u>

Engineering

Revenue of RM21.54 million for the current quarter ended 30 April 2020 was 58% lower as compared to RM51.43 million for the corresponding quarter in 2019. Segment profit of RM1.71 million for the current quarter ended 30 April 2020 was 90% lower as compared to RM16.38 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.

The foreign workers at our hospital construction sites have undergone mandatory health screenings for COVID-19. All have tested negative. As such, our Hospital Endokrin Putrajaya team recommenced work on 9 June 2020, whilst our Hospital Tanjung Karang team resumed construction on 11 June 2020. As we do not have foreign workers at our railway project sites, work has resumed, albeit at a slower pace.

Metering

Revenue of RM17.77 million for the current quarter ended 30 April 2020 was 43% lower compared to RM31.35 million for the corresponding quarter in 2019. Segment profit of RM1.99 million for the current quarter ended 30 April 2020 was 60% lower as compared to RM4.99 million for the corresponding quarter in 2019 mainly due to the lower sales and gross profit margin.

Metering activities was also disrupted with the implementation of MCO on 18 March 2020. The Company was allowed to reactivate its production line on 20 April 2020, albeit on a limited scale. Subsequently, the Company joined other companies in the approved economic sectors in operating with full workforce capacity and without limitation in operating time effective 4 May 2020, again under strict labour movement conditions. The Company is now undertaking production in three shifts, taking care to continue adhering strictly to social distancing and hygiene measures at our production site and workers' quarters.

Consolidated revenue

The Group mainly derives its revenue from Malaysia and other ASEAN countries. 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 RM4.01 million (30 April 2019: RM17.92 million) was 78% lower. The lower profit before tax reported was mainly attributed to lower contribution from the Engineering division. Other gains mainly arose from unrealised gain on foreign exchange of RM3.93 million (30 April 2019: RM0.34 million) on foreign currencies held.

Explanatory notes pursuant to MFRS 134 For the three-month period ended 30 April 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		3 months ended	
	30 April 2020 RM'000	30 April 2019 RM'000	30 April 2020 RM'000	30 April 2019 RM'000
Interest income	(786)	(1,243)	(786)	(1,243)
Dividend income from FVTOCI investment	(332)	(352)	(332)	(352)
Other income	(54)	(172)	(54)	(172)
Finance costs	754	724	754	724
Gain on disposal of property, plant and equipment	(19)	(5)	(19)	(5)
Depreciation of property, plant and equipment	1,158	1,085	1,158	1,085
Depreciation of right-of-use assets	152	116	152	116
Amortisation of other intangible assets	72	42	72	42
Reversal on inventories written down	-	(181)	-	(181)
Trade receivables written off	-	150	-	150
Reversal of impairment loss on trade receivables	-	(234)	-	(234)
Net fair value loss/(gain) on FVTPL investment	20	(5)	20	(5)
Unrealised loss arising on financial liabilities designated as at FVTPL:	-	1	-	1
(Gain)/Loss on foreign exchange:				
- realised	(875)	22	(875)	22
- unrealised	(3,929)	(343)	(3,929)	(343)

8 Income tax expense

	Current quarter		Cumulative quarter	
	3 months ended		3 months ended	
	30 April 2020 RM'000	30 April 2019 RM'000	30 April 2020 RM'000	30 April 2019 RM'000
Current Tax:				
Malaysian tax	393	3,783	393	3,783
Foreign tax	(105)	626	(105)	626
	288	4,409	288	4,409

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 lower than the statutory tax rate mainly due to certain income not being taxable for tax purposes.

Explanatory notes pursuant to MFRS 134 For the three-month period ended 30 April 2020

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		3 months ended	
	30 April	30 April	30 April	30 April
	2020	2019	2020	2019
Profit net of tax attributable to owners used in computation of earnings per share (RM'000)	3,726	13,507	3,726	13,507
Weighted average number of ordinary shares (excluding Treasury Shares) for earnings per share computation ('000)	531,741	538,720	531,741	538,720
Basic/Diluted earnings per share (sen)	0.7	2.5	0.7	2.5

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

10 Property, plant and equipment

Acquisitions and disposals

During the period ended 30 April 2020, the Group acquired assets at a cost of RM1.71 million (30 April 2019: RM0.12 million).

Assets with carrying amount of RM5,000 (30 April 2019: RM115,000) were disposed of by the Group during the period ended 30 April 2020, resulting in a gain on disposal of RM19,000 (30 April 2019: RM5,000), recognised in profit or loss.

11 Right-of-use assets

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 three-month period ended 30 April 2020

13 Other intangible assets

	Computer software RM'000	License RM'000	Product develop- ment costs RM'000	Total RM'000
Cost:				
At 1 February 2020	720	12,061	9,849	22,630
Additions	-	-	179	179
At 30 April 2020	<u>720</u>	<u>12,061</u>	<u>10,028</u>	<u>22,809</u>
Accumulated amortisation:				
At 1 February 2020	605	-	467	1,072
Amortisation	11	-	61	72
At 30 April 2020	<u>616</u>	<u>-</u>	<u>528</u>	<u>1,144</u>
Carrying amount:				
At 1 February 2020	115	12,061	9,382	21,558
At 30 April 2020	<u>104</u>	<u>12,061</u>	<u>9,500</u>	<u>21,665</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 later of commencement of the contract to which they relate or when all the related machinery and equipment are ready for the intended use 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

There were no inventories write down and reversal of inventories write down (30 April 2019: reversal of inventories write down of RM181,000) recognised in profit or loss during the current interim period.

Explanatory notes pursuant to MFRS 134

For the three-month period ended 30 April 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 30 April 2020				
Financial assets at FVTPL:				
- Quoted equity securities	117	117	-	-
Financial assets at FVTOCI:				
- Quoted bonds	15,203	15,203	-	-
- Quoted equity securities	17,114	17,114	-	-
- Unquoted equity securities	2,070	-	2,070	-
Non-financial assets:				
- Freehold land	91,350	-	-	91,350
- Building on freehold land	16,205	-	-	16,205
- Long-term leasehold land	1,228	-	-	1,228
- Building on long-term leasehold land	1,049	-	-	1,049
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	17,116	17,116	-	-
- 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

16 Deposits, cash and bank balances

Cash and cash equivalents comprised the following amounts:

	30 April 2020 RM'000	31 January 2020 RM'000
Short-term deposits with licensed banks	85,769	104,180
Cash and bank balances	147,482	137,734
	<u>233,251</u>	<u>241,914</u>

Explanatory notes pursuant to MFRS 134 For the three-month period ended 30 April 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 30 April 2020, the Company repurchased a total of 33,627,800 of its shares from the open market for a total consideration of RM33,047,214. Subsequent to 30 April 2020 and up to date of this announcement, a total of 390,000 shares were repurchased from the open market for a total consideration of RM269,647. 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

	30 April 2020 RM'000	31 January 2020 RM'000
Short-term borrowings		
Secured:		
Bank overdraft	4,610	-
Revolving credits	47,511	48,657
Bankers' acceptance	11,781	14,481
Invoice Financing	1,749	-
Lease payables	866	969
	66,517	64,107
Long-term borrowings		
Secured:		
Lease payables	1,588	1,731
	68,105	65,838

19 Provisions for costs of restructuring

Not applicable.

20 Dividend

No interim ordinary dividend has been declared for the financial period ended 30 April 2020 (30 April 2019: Nil).

21 Commitments

Capital expenditure as at the reporting date is as follows:

	30 April 2020 RM'000	31 January 2020 RM'000
Approved and contracted for:		
Property, plant and equipment	6,770	6,224
	12	235
Approved but not contracted for:		
Property, plant and equipment	12	235

Explanatory notes pursuant to MFRS 134 For the three-month period ended 30 April 2020

22 Contingencies

Apart from what was reported in our announcement for the fourth quarter of the immediate preceding financial year, dated 14 May 2020, nothing has changed except that the Custom's appeal to the High Court is fixed for hearing on 5 August 2020 and the Company's application for leave to commence judicial review proceedings is fixed for hearing on 2 July 2020.

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

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 30 April:

	Cumulative quarter	
	30 April	30 April
	2020	2019
	RM'000	RM'000
Related companies: *		
Rental expenses for land	-	120
Purchase of air tickets	15	58
Share registration charges, secretarial and accounting fees	22	36

* 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 three-month period ended 30 April 2020**

26 Performance review

	Current quarter 3 months ended			Cumulative quarter 3 months ended		
	30 April 2020	30 April 2019	Changes %	30 April 2020	30 April 2019	Changes %
	RM'000	RM'000		RM'000	RM'000	
Revenue	39,310	82,779	- 53	39,310	82,779	- 53
Profit before tax	4,014	17,916	- 78	4,014	17,916	- 78
Profit after tax	3,726	13,507	- 72	3,726	13,507	- 72

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 30 April 2020 RM'000	Preceding quarter 3 months ended 31 January 2020 RM'000	Changes %
Revenue	39,310	82,398	- 52
Profit before tax	4,014	10,349	- 61
Profit after tax	3,726	6,758	- 45

The profit before taxation for the current quarter ended 30 April 2020 is 61% lower than the preceding quarter due to lower profit contributed by the Engineering division.

28 Commentary on prospects

Malaysia is now in the Recovery Movement Control Order (RMCO) phase. The RMCO, which will expire on 31 August 2020, permits almost all social, educational, religious and business activities, as well as economic sectors to reopen in phases.

The Group continues to closely monitor and adapt to the developments in our operating landscape.

Our manufacturing team is now operating with full workforce capacity and without limitation in operating time. We are enforcing the approved Standard Operating Procedures (SOPs), taking care to observe strict social distancing and hygiene measures at our plant and workers' quarters.

As for our Engineering division, our construction teams have recommenced work at the hospital and railway project sites after the completion of the mandatory health screenings for COVID-19. Work progress is slower in view of the strict compliance of the SOPs at the construction sites.

Not unlike other local companies, there will be disruptions to our operations that will affect our performance. The Group will exercise heightened prudence in our business dealings, further improve our financial and operational efficiency and drastically reduce costs.

Due to the lockdown from COVID-19 pandemic we have lost valuable time and the Group will be gearing up production and implementing measures to mitigate this loss.

**Explanatory notes pursuant to Bursa Malaysia Listing Requirements:
Chapter 9, Appendix 9B, Part A
For the three-month period ended 30 April 2020**

28 Commentary on prospects (continued)

Metering

The long-term Honeywell license agreement that the Group signed in June 2019 enables the production of precision measuring components to be assembled with the brass housings manufactured by the Group. This enhances the Group's control of production levels and costs. Production in stages has commenced. Full implementation will, however, be delayed by several months due to the MCO.

The Group's Smart Metering solution was tested by several state water authorities through proof-of-concepts and pilot projects. All tests have been completed, the results of which are being evaluated. The Group is preparing to pursue other such opportunities locally and in the region.

Meanwhile, concerted efforts are being channelled to increase the Group's manufacturing capacity to clear the backlog of orders due to the MCO as well as to cater for new orders from several contract extensions and new tenders from local and regional water authorities.

Engineering

With the recommencement of construction work at Hospital Tanjung Karang and Hospital Endokrin Putrajaya, the Group hopes to gradually accelerate our work progress as we adapt to the approved SOPs. Further Extension of Time applications will be submitted in due course in view of the MCO to ensure the timely completion of the hospitals.

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

Apart from what was reported in our announcement for the fourth quarter of the immediate preceding financial year, dated 14 May 2020, nothing has changed.

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.

**Explanatory notes pursuant to Bursa Malaysia Listing Requirements:
Chapter 9, Appendix 9B, Part A
For the three-month period ended 30 April 2020**

35 Derivative financial instruments

There were no derivative financial instruments outstanding as at 30 April 2020 and 31 January 2020.

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 30 April 2020 and 31 January 2020.

37 Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the financial year ended 31 January 2020 was not qualified.

BY ORDER OF THE BOARD

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

23 June 2020