

Condensed consolidated interim financial statements

For the six-month period ended 31 July 2020

Condensed consolidated statement of profit or loss and other comprehensive income

	Note	Current quarter 3 months ended		Cumulative quarter 6 months ended	
		31 July 2020 Unaudited RM'000	31 July 2019 Unaudited RM'000	31 July 2020 Unaudited RM'000	31 July 2019 Unaudited RM'000
Revenue		70,161	97,721	109,471	180,500
Cost of sales		(49,807)	(71,857)	(82,959)	(128,479)
Gross profit		20,354	25,864	26,512	52,021
Interest income		262	1,424	1,048	2,667
Other (losses)/gains		(460)	(334)	4,729	754
Administrative expenses		(597)	(538)	(1,207)	(1,052)
Distribution costs		(183)	(313)	(342)	(583)
Other expenses		(7,171)	(10,325)	(14,101)	(18,916)
Finance costs		(796)	(842)	(1,550)	(1,566)
Share of results of associate		55	406	55	576
Share of results of joint venture		170	408	504	(235)
Profit before tax	7	11,634	15,750	15,648	33,666
Income tax expense	8	(2,893)	(4,696)	(3,181)	(9,105)
Profit for the period, attributable to the owners of the Company		8,741	11,054	12,467	24,561
Other comprehensive (loss)/income					
Items that will not be reclassified subsequently to profit or loss:					
Fair value gain/(loss) on investments designated at FVTOCI		2,010	(475)	572	381
Items that may be reclassified subsequently to profit or loss:					
Foreign exchange translation		(681)	(362)	599	(286)
Fair value gain/(loss) on investments designated at FVTOCI		546	590	(255)	501
Other comprehensive income/(loss) for the period, net of tax		1,875	(247)	916	596
Total comprehensive income for the period, attributable to the owners of the Company		10,616	10,807	13,383	25,157
Earnings per share attributable to the owners of the Company (sen):					
Basic and diluted	9	1.7	2.1	2.4	4.6

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

Condensed consolidated interim financial statements
For the six-month period ended 31 July 2020
Condensed consolidated statement of financial position

		31 July 2020	31 January 2020
	Note	Unaudited RM'000	Audited RM'000
Assets			
Non-current assets			
Property, plant and equipment	10	128,510	124,798
Right-of-use assets	11	1,704	1,931
Goodwill	12	876	876
Other intangible assets	13	21,896	21,558
Financial assets at FVTOCI	15	2,063	1,968
Investment in associate		15,381	15,141
Investment in joint venture		37,381	36,877
Deferred tax assets		1,578	1,578
		<u>209,389</u>	<u>204,727</u>
Current assets			
Inventories	14	45,636	50,831
Trade and other receivables		186,976	197,618
Financial assets at FVTPL	15	114	137
Financial assets at FVTOCI	15	34,805	33,531
Tax recoverable		18,781	20,023
Deposits, cash and bank balances	16	212,937	241,914
		<u>499,249</u>	<u>544,054</u>
Total assets		<u>708,638</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	(34,499)	(30,579)
Foreign currency translation reserve		(11,170)	(11,769)
Properties revaluation reserve		37,405	37,405
Investment revaluation reserve		394	(1,138)
Retained earnings		323,588	312,336
Total equity		<u>503,474</u>	<u>494,011</u>
Non-current liabilities			
Trade and other payables		1,554	1,620
Loans and borrowings	18	1,383	1,731
		<u>2,937</u>	<u>3,351</u>
Current liabilities			
Trade and other payables		132,128	187,311
Loans and borrowings	18	70,098	64,107
Tax liabilities		1	1
		<u>202,227</u>	<u>251,419</u>
Total liabilities		<u>205,164</u>	<u>254,770</u>
Total equity and liabilities		<u>708,638</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 six-month period ended 31 July 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 (loss)/income		-	(286)	-	882	-	24,561	25,157
Transfer upon disposal of investment		-	-	-	248	-	(248)	-
Dividends	20	-	-	-	-	-	(18,852)	(18,852)
Share buybacks	17	-	-	-	-	(426)	-	(426)
At 31 July 2019		187,756	(11,431)	33,931	(1,332)	(26,175)	308,761	491,510
At 1 February 2020		187,756	(11,769)	37,405	(1,138)	(30,579)	312,336	494,011
Total comprehensive income		-	599	-	317	-	12,467	13,383
Transfer upon disposal of investment		-	-	-	1,215	-	(1,215)	-
Dividends	20	-	-	-	-	-	-	-
Share buybacks	17	-	-	-	-	(3,920)	-	(3,920)
At 31 July 2020		187,756	(11,170)	37,405	394	(34,499)	323,588	503,474

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

Condensed consolidated interim financial statements
For the six-month period ended 31 July 2020
Condensed consolidated statement of cash flows

	6 months ended	
	31 July 2020	31 July 2019
Note	Unaudited RM'000	Unaudited RM'000
<u>Operating activities</u>		
Profit before tax	15,648	33,666
Adjustments for:		
Interest income	(1,048)	(2,667)
Finance costs	1,550	1,566
Gain on disposal of property, plant and equipment	10 (20)	(107)
Depreciation of property, plant and equipment	2,346	2,182
Depreciation of right-of-use assets	308	261
Amortisation of other intangible assets	13 159	134
Inventories written down	14 -	137
Reversal on inventories written down	14 -	(388)
Trade receivables written off	-	150
Reversal of impairment loss on trade receivables	-	(234)
Fair value loss on financial assets at FVTPL	23	5
Unrealised (gain)/loss on foreign exchange	(2,573)	537
Share of results of associate	(55)	(576)
Share of results of joint venture	(504)	235
Income derived from capital guaranteed fund	(53)	74
Dividend income from FVTOCI investment	(633)	(670)
Dividend income from FVTPL investment	(2)	(4)
Operating profit before working capital changes	<u>15,146</u>	<u>34,301</u>
Changes in working capital:		
Decrease/(Increase) in inventories	5,211	(1,307)
Decrease in trade and other receivables	10,894	5,410
Decrease in trade and other payables	(48,513)	(48,816)
Total changes in working capital	<u>(32,408)</u>	<u>(44,713)</u>
Income tax paid	(3,590)	(12,947)
Net cash used in operating activities	<u>(20,852)</u>	<u>(23,359)</u>
<u>Investing activities</u>		
Purchase of property, plant and equipment	(6,098)	(727)
Proceeds from disposal of property, plant and equipment	61	252
Acquisition of other intangible assets	(494)	(276)
Purchase of financial assets at FVTOCI	(5,351)	(2,377)
Proceeds from disposal of FVTOCI investment	4,879	3,357
Dividend income received from FVTPL investment	2	3
Dividend income received from FVTOCI investment	633	277
Interest income received	1,048	2,667
Income derived from capital guaranteed fund received	53	(74)
Net cash (used in)/from investing activities	<u>(5,267)</u>	<u>3,102</u>
<u>Financing activities</u>		
Drawdown of other bank borrowings	67,875	69,361
Repayment of other bank borrowings	(63,499)	(57,168)
Repayment of lease liabilities	(544)	(346)
Interest paid	(1,550)	(3,299)
Dividends paid	(5,367)	(18,852)
Share buybacks	(3,920)	(426)
Net cash used in financing activities	<u>(7,005)</u>	<u>(10,730)</u>
Net change in cash and cash equivalents	(33,124)	(30,987)
Effect of foreign exchange rate changes	3,586	(496)
Cash and cash equivalents at 1 February	<u>241,914</u>	<u>263,480</u>
Cash and cash equivalents at 31 July*	<u>212,376</u>	<u>231,997</u>
* Cash and cash equivalents comprise the following:		
Deposits, cash and bank balances	212,937	235,768
Bank overdraft	(561)	(3,771)
Total cash and cash equivalents	<u>212,376</u>	<u>231,997</u>

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

Explanatory notes pursuant to MFRS 134 For the six-month period ended 31 July 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 14 September 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 six-month period ended 31 July 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 July 2020							
Revenue:							
External customers	38,388	-	38,388	31,773	-	-	70,161
Results:							
Interest income	-	19	19	16	6	221	262
Depreciation and amortisation	15	15	30	1,143	-	258	1,431
Share of results of associate	-	55	55	-	-	-	55
Share of results of joint venture	170	-	170	-	-	-	170
Segment profit (Note A)	9,690	(195)	9,495	6,912	(1,205)	(3,568)	11,634
3 months period ended							
31 July 2019							
Revenue:							
External customers	65,622	3,298	68,920	28,801	-	-	97,721
Results:							
Interest income	3	42	45	85	213	1,081	1,424
Depreciation and amortisation	85	44	129	918	-	287	1,334
Share of results of associate	-	406	406	-	-	-	406
Share of results of joint venture	408	-	408	-	-	-	408
Segment profit (Note A)	16,359	673	17,032	4,326	(212)	(5,396)	15,750

Explanatory notes pursuant to MFRS 134

For the six-month period ended 31 July 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							
6 months period ended							
31 July 2020							
Revenue:							
External customers	59,928	-	59,928	49,543	-	-	109,471
Results:							
Interest income	-	41	41	58	104	845	1,048
Depreciation and amortisation	30	45	75	2,224	-	514	2,813
Share of results of associate	-	55	55	-	-	-	55
Share of results of joint venture	504	-	504	-	-	-	504
Segment profit (Note A)	11,781	(577)	11,204	8,901	1,192	(5,649)	15,648
6 months period ended							
31 July 2019							
Revenue:							
External customers	112,078	8,270	120,348	60,152	-	-	180,500
Results:							
Interest income	7	81	88	142	397	2,040	2,667
Depreciation and amortisation	169	95	264	1,749	-	564	2,577
Share of results of associate	-	576	576	-	-	-	576
Share of results of joint venture	(235)	-	(235)	-	-	-	(235)
Segment profit (Note A)	30,768	2,646	33,414	9,319	108	(9,175)	33,666

Note A

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

	Current quarter 3 months ended		Cumulative quarter 6 months ended	
	31 July 2020 RM'000	31 July 2019 RM'000	31 July 2020 RM'000	31 July 2019 RM'000
Interest income	221	1,081	845	2,040
Finance costs	(796)	(842)	(1,550)	(1,566)
Other unallocated corporate expenses	(2,993)	(5,635)	(4,944)	(9,649)
	<u>(3,568)</u>	<u>(5,396)</u>	<u>(5,649)</u>	<u>(9,175)</u>

Explanatory notes pursuant to MFRS 134

For the six-month period ended 31 July 2020

5 Segment information (continued)

Engineering

Revenue of RM38.39 million for the current quarter ended 31 July 2020 was 44% lower as compared to RM68.92 million for the corresponding quarter in 2019. Segment profit of RM9.49 million for the current quarter ended 31 July 2020 was 44% lower as compared to RM17.03 million for the corresponding quarter in 2019. The lower segment profit was mainly contributed by the lower revenue in the current quarter.

Revenue of RM59.93 million for the period ended 31 July 2020 was 50% lower as compared to RM120.35 million for the corresponding period in 2019 attributed to the lower revenue contribution towards the end of a project. Segment profit of RM11.2 million for the period ended 31 July 2020 was 66% lower as compared to RM33.41 million for the period ended 31 July 2019 due to lower revenue and gross profit margin.

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 RM31.77 million for the current quarter ended 31 July 2020 was 10% higher compared to RM28.80 million for the corresponding quarter in 2019. Segment profit of RM6.91 million for the current quarter ended 31 July 2020 was 60% higher as compared to RM4.33 million for the corresponding quarter in 2019 mainly due to the higher sales and gross profit margin in the current quarter.

Revenue of RM49.54 million for the period ended 31 July 2020 was 18% lower compared to RM60.15 million for the corresponding period in 2019. Segment profit of RM8.90 million for the period ended 31 July 2020 was 5% lower as compared to RM9.32 million for the corresponding period 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 RM11.63 million (31 July 2019: RM15.75 million) was 26% lower. The lower profit before tax reported was mainly attributed to lower contribution from the Engineering division.

The Group's profit before tax for the period ended 31 July 2020 of RM15.65 million (31 July 2019: RM33.67 million) was 54% 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 RM2.6 million (31 July 2019: loss of RM0.5 million) on foreign currencies held.

Explanatory notes pursuant to MFRS 134

For the six-month period ended 31 July 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		6 months ended	
	31 July 2020 RM'000	31 July 2019 RM'000	31 July 2020 RM'000	31 July 2019 RM'000
Interest income	(262)	(1,424)	(1,048)	(2,667)
Dividend income from:				
- FVTPL investment	(2)	(4)	(2)	(4)
- FVTOCI investment	(301)	(318)	(633)	(670)
Other income	(157)	18	(211)	(304)
Finance costs	796	842	1,550	1,566
Gain on disposal of property, plant and equipment	(1)	(102)	(20)	(107)
Depreciation of property, plant and equipment	1,188	1,097	2,346	2,182
Depreciation of right-of-use assets	156	145	308	261
Amortisation of other intangible assets	87	92	159	134
Inventories written down	-	137	-	137
Reversal on inventories written down	-	(207)	-	(388)
Trade receivables written off	-	-	-	150
Reversal of impairment loss on trade receivables	-	-	-	(234)
Net fair value loss on FVTPL investment	3	10	23	5
Loss/(Gain) arising on financial liabilities designated at FVTPL:				
- realised	1	43	1	43
- unrealised	-	(1)	-	-
(Gain)/Loss on foreign exchange:				
- realised	(439)	(42)	(1,314)	(20)
- unrealised	1,356	880	(2,573)	537

Explanatory notes pursuant to MFRS 134

For the six-month period ended 31 July 2020

8 Income tax expense

	Current quarter		Cumulative quarter	
	3 months ended		6 months ended	
	31 July	31 July	31 July	31 July
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Current Tax:				
Malaysian tax	2,978	3,318	3,371	7,101
Foreign tax	(85)	1,377	(190)	2,003
	<u>2,893</u>	<u>4,695</u>	<u>3,181</u>	<u>9,104</u>
Deferred tax	-	1	-	1
	<u>2,893</u>	<u>4,696</u>	<u>3,181</u>	<u>9,105</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 lower than the statutory tax rate mainly due to certain income not being taxable for tax purposes.

9 Earnings Per Share

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

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

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

	Current quarter		Cumulative quarter	
	3 months ended		6 months ended	
	31 July	31 July	31 July	31 July
	2020	2019	2020	2019
Profit net of tax attributable to owners used in computation of earnings per share (RM'000)	<u>8,741</u>	<u>11,054</u>	<u>12,467</u>	<u>24,561</u>
Weighted average number of ordinary shares (excluding Treasury Shares) for earnings per share computation ('000)	<u>528,980</u>	<u>538,617</u>	<u>530,345</u>	<u>538,668</u>
Basic/Diluted earnings per share (sen)	<u>1.7</u>	<u>2.1</u>	<u>2.4</u>	<u>4.6</u>

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

Explanatory notes pursuant to MFRS 134

For the six-month period ended 31 July 2020

10 Property, plant and equipment

Acquisitions and disposals

During the period ended 31 July 2020, the Group acquired assets at a cost of RM6.1 million (31 July 2019: RM1.23 million).

Assets with carrying amount of RM41,000 (31 July 2019: RM145,000) were disposed of by the Group during the period ended 31 July 2020, resulting in a gain on disposal of RM20,000 (31 July 2019: RM107,000), 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.

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	27	-	470	497
At 31 July 2020	<u>747</u>	<u>12,061</u>	<u>10,319</u>	<u>23,127</u>
Accumulated amortisation:				
At 1 February 2020	605	-	467	1,072
Amortisation	22	-	137	159
At 31 July 2020	<u>627</u>	<u>-</u>	<u>604</u>	<u>1,231</u>
Carrying amount:				
At 1 February 2020	115	12,061	9,382	21,558
At 31 July 2020	<u>120</u>	<u>12,061</u>	<u>9,715</u>	<u>21,896</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, is stated at cost less any accumulated impairment losses and is amortised using the straight-line basis from the later of commencement of the contract to which it relates or when all the related machinery and equipment are ready for their intended use over the period of their expected benefit not exceeding 10 years.

Explanatory notes pursuant to MFRS 134

For the six-month period ended 31 July 2020

13 Other intangible assets (continued)

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 (31 July 2019: inventories write down of RM137,000 and reversal of inventories write down of RM388,000) recognised in profit or loss during the current interim period.

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 July 2020				
Financial assets at FVTPL:				
- Quoted equity securities	114	114	-	-
Financial assets at FVTOCI:				
- Quoted bonds	16,321	16,321	-	-
- Quoted equity securities	18,484	18,484	-	-
- Unquoted equity securities	2,063	-	2,063	-
Non-financial assets:				
- Freehold land	91,350	-	-	91,350
- Building on freehold land	16,057	-	-	16,057
- Long-term leasehold land	1,188	-	-	1,188
- Building on long-term leasehold land	1,022	-	-	1,022
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

Explanatory notes pursuant to MFRS 134

For the six-month period ended 31 July 2020

16 Deposits, cash and bank balances

Cash and cash equivalents comprised the following amounts:

	31	
	31 July	January
	2020	2020
	RM'000	RM'000
Short-term deposits with licensed banks	95,037	104,180
Cash and bank balances	117,900	137,734
	<u>212,937</u>	<u>241,914</u>

17 Share capital and treasury shares

At the 69th AGM of the Company held on 29 July 2020, shareholders' approval was obtained for the Share Buy-Back scheme to be renewed from 29 July 2020 until the conclusion of the next AGM of the Company to be convened in 2021.

As at 31 July 2020, the Company repurchased a total of 35,837,800 of its shares from the open market for a total consideration of RM34,498,502. Subsequent to 31 July 2020 and up to date of this announcement, a total of 175,000 shares were repurchased from the open market for a total consideration of RM119,965. 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	
	31 July	January
	2020	2020
	RM'000	RM'000
Short-term borrowings		
Secured:		
Bank overdraft	561	-
Revolving credits	47,993	48,657
Bankers' acceptance	13,308	14,481
Invoice Financing	7,328	-
Lease liabilities	831	969
	<u>70,021</u>	<u>64,107</u>
Long-term borrowings		
Secured:		
Lease liabilities	1,460	1,731
	<u>71,481</u>	<u>65,838</u>

Explanatory notes pursuant to MFRS 134 For the six-month period ended 31 July 2020

19 Provisions for costs of restructuring

Not applicable.

20 Dividend

The Directors have declared an interim dividend of 1.0 sen per share for FY2021 (FY2020: 1.5 sen per share), payable on 22 October 2020 to shareholders whose names appear in the Record of Depositors on 1 October 2020, being the Book Closure Date ("BCD").

On the assumption that as announced to date, the Treasury Shares of 36,012,800 (which are not entitled to dividends), remained the same as at BCD, the dividend pay-out on 527,256,265 shares will amount to approximately RM5.27 million (FY2020: RM8.07 million on 538,211,685 shares).

21 Commitments

Capital expenditure as at the reporting date is as follows:

	31 31 July 2020 RM'000	31 January 2020 RM'000
Approved and contracted for:		
Property, plant and equipment	5,722	6,224
Approved but not contracted for:		
Property, plant and equipment	5	235

22 Contingencies

Apart from what was reported in our announcement for the first quarter of the financial year, dated 23 June 2020, nothing has changed except that the Custom's appeal to the High Court is fixed for hearing on 17 November 2020 and the Company's application for leave to commence judicial review proceedings is fixed for hearing on 11 November 2020.

On 10 September 2020, the Company received another Bill of Demand from Customs demanding payment of the sum of RM33.2 million. The Company has sought legal advice from its tax solicitors and believes that it has strong grounds to contest and challenge this Bill of Demand. The Company does not admit liability to the demand made by Customs and will take the appropriate measures to contest and challenge the Bill of Demand.

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

Explanatory notes pursuant to MFRS 134 For the six-month period ended 31 July 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 period ended 31 July:

	Cumulative quarter 6 months ended	
	31 July 2020 RM'000	31 July 2019 RM'000
Related companies: *		
Rental expenses for land	-	240
Purchase of air tickets	19	369
Share registration charges, secretarial and accounting fees	56	73
	56	73

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

25 Events after the reporting period

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

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

26 Performance review

	Current quarter 3 months ended			Cumulative quarter 6 months ended		
	31 July 2020	31 July 2019	Changes	31 July 2020	31 July 2019	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	70,161	97,721	- 28	109,471	180,500	- 39
Profit before tax	11,634	15,750	- 26	15,648	33,666	- 54
Profit after tax	8,741	11,054	- 21	12,467	24,561	- 49

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

27 Comment on material change in profit before taxation

	Current quarter 3 months ended 31 July 2020	Preceding quarter 3 months ended 30 April 2020	Changes
	RM'000	RM'000	%
Revenue	70,161	39,310	+ 78
Profit before tax	11,634	4,014	+ 190
Profit after tax	8,741	3,726	+ 135

The profit before taxation for the current quarter ended 31 July 2020 is 190% higher than the preceding quarter due to higher profit contributed by both Engineering and Metering divisions.

28 Commentary on prospects

The Group's Q2FY2021 results improved in tandem with the gradual resumption of business activities, as Malaysia progressively relaxed its people movement controls.

The commendable results reflect the robustness of the Metering Business. In spite of the lockdowns implemented domestically since 18 March 2020 and in many countries abroad since early in the year, orders for the Group's water meters were largely uninterrupted. The Group in Q2FY2021 took steps to gradually restore its manufacturing capacity to clear the backlog of orders, and cater for new orders from local and regional water authorities.

Likewise, construction activities ceased completely during the Movement Control Order (MCO) but were restarted mid-June 2020 after the completion of mandatory foreign worker health screenings. As expected, this cessation of activity has affected our performance, not unlike other construction companies.

On a quarter-on-quarter basis, revenue rose by 78%, whilst profit after tax gained 135%.

The Group continues to take out costs as one of its major objectives. The Group is optimistic of its prospects, given its ongoing operating and long-term plans.

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

28 Commentary on prospects (continued)

Metering

Concerted efforts continue to be channelled to gradually restore the Group's manufacturing capacity, in order to clear the backlog of orders due to the MCO as well as to cater for new orders from local and regional water authorities.

It is the Group's strategy to become a one-stop purveyor of water meters. We are actively expanding our product portfolio through partnerships with other manufacturers. The enlarged range will give us a stronger footing to penetrate more markets globally.

The Group's long-term license agreement with Honeywell enhances our control over component supply and production costs. It also gives us the right to sell water meters to 15 new territories in Asia. Production has commenced in stages.

The Group's proprietary Smart Metering technology is undergoing real-world tests through POCs and pilot projects with state water authorities. We are pursuing other such opportunities both in Malaysia and the region.

Engineering

Work on Hospital Tanjung Karang and Hospital Endokrin Putrajaya, having recommenced mid-June 2020, is being accelerated with our increased adaptation to government SOPs. The Public Works Department has also approved the Group's Extension of Time applications, in acknowledgement of the disruptions caused by the MCO.

The Group is dedicated to developing new opportunities in the Regional railway space, leveraging on our expertise as rail systems specialist in domestic railway projects. Our established network with international rail specialists will assist us in tapping into Regional projects requiring international collaborations through joint ventures or strategic alliances.

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.

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

33 Changes in material litigation

Apart from what was reported in our announcement for the first quarter of the financial year, dated 23 June 2020, nothing has changed except that the arbitration is fixed for hearing from 21 to 23 September 2020.

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 July 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 31 July 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

14 September 2020