

Condensed consolidated interim financial statements
Condensed consolidated statement of profit or loss and other comprehensive income
For the financial period ended 31 March 2021

		2 months ended 31 March 2021 Unaudited RM'000	14 months ended 31 March 2021 Unaudited RM'000
	Note		
Revenue		34,618	310,829
Cost of sales		<u>(20,820)</u>	<u>(223,460)</u>
Gross profit		13,798	87,369
Interest income		206	2,138
Other gains		3,667	4,774
Administrative expenses		(566)	(2,860)
Distribution costs		(681)	(1,981)
Other expenses		(9,538)	(39,512)
Finance costs		(614)	(3,615)
Share of results of associate		(628)	(531)
Share of results of joint venture		<u>4,961</u>	<u>13,535</u>
Profit before tax	7	10,605	59,317
Income tax expense	8	<u>733</u>	<u>(10,569)</u>
Profit for the period, attributable to the owners of the Company		<u>11,338</u>	<u>48,748</u>
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Fair value gain on investments designated at FVTOCI		355	1,584
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange translation		474	258
Fair value loss on investments designated at FVTOCI		<u>(240)</u>	<u>(104)</u>
Other comprehensive income for the period, net of tax		<u>589</u>	<u>1,738</u>
Total comprehensive income for the period, attributable to the owners of the Company		<u>11,927</u>	<u>50,486</u>
Earnings per share attributable to the owners of the Company (sen):			
Basic and diluted	9	<u>2.2</u>	<u>9.2</u>

There is no comparative for the two months and fourteen months period ended 31 March 2021. Due to the change in the financial year end from 31 January to 31 March, the unaudited condensed consolidated statement of profit or loss for the fourteen months of the financial year ended 31 March 2021 is not comparable with that of the twelve months of the previous financial year ended 31 January 2020.

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
Condensed consolidated statement of financial position
For the financial period ended 31 March 2021

		31 March 2021	31 January 2020
	Note	Unaudited RM'000	Audited RM'000
Assets			
Non-current assets			
Property, plant and equipment	10	129,462	124,798
Right-of-use assets	11	1,330	1,931
Goodwill	12	876	876
Other intangible assets	13	21,865	21,558
Financial assets at FVTOCI	15	2,056	1,968
Investment in associate		3,469	15,141
Investment in joint venture		50,412	36,877
Deferred tax assets		-	1,578
		<u>209,470</u>	<u>204,727</u>
Current assets			
Inventories	14	60,562	50,831
Trade and other receivables		184,169	197,618
Financial assets at FVTPL	15	146	137
Financial assets at FVTOCI	15	36,174	33,531
Tax recoverable		17,517	20,023
Deposits, cash and bank balances	16	340,388	241,914
		<u>638,956</u>	<u>544,054</u>
Total assets		<u>848,426</u>	<u>748,781</u>
Equity and liabilities			
Equity attributable to the owners of the Company			
Share capital	17(a)	187,756	187,756
Treasury shares	17(a)	(37,433)	(30,579)
Foreign currency translation reserve		(11,511)	(11,769)
Properties revaluation reserve		37,405	37,405
Investment revaluation reserve		1,557	(1,138)
Retained earnings		346,745	312,336
Total equity		<u>524,519</u>	<u>494,011</u>
Non-current liabilities			
Other payables		1,879	1,620
Loans and borrowings	18	131,631	1,731
Deferred tax liabilities		2,850	-
		<u>136,360</u>	<u>3,351</u>
Current liabilities			
Trade and other payables		99,235	187,311
Loans and borrowings	18	88,311	64,107
Tax liabilities		1	1
		<u>187,547</u>	<u>251,419</u>
Total liabilities		<u>323,907</u>	<u>254,770</u>
Total equity and liabilities		<u>848,426</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
Condensed consolidated statement of changes in equity
For the financial period ended 31 March 2021

		Attributable to the owners of the Company						
		Non-Distributable			Distributable			
		Share capital	Foreign currency translation reserve	Properties revaluation reserve	Investment revaluation reserve	Treasury shares	Retained earnings	Total
Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 February 2020		187,756	(11,769)	37,405	(1,138)	(30,579)	312,336	494,011
Total comprehensive income		-	258	-	1,480	-	48,748	50,486
Transfer upon disposal of investment		-	-	-	1,215	-	(1,215)	-
Dividends	20	-	-	-	-	-	(13,124)	(13,124)
Share buybacks	17	-	-	-	-	(6,854)	-	(6,854)
At 31 March 2021		187,756	(11,511)	37,405	1,557	(37,433)	346,745	524,519

There is no comparative for the two months and fourteen months period ended 31 March 2021. Due to the change in the financial year end from 31 January to 31 March, the unaudited condensed consolidated statement of profit or loss for the fourteen months of the financial year ended 31 March 2021 is not comparable with that of the twelve months of the previous financial year ended 31 January 2020.

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
Condensed consolidated statement of cash flows
For the financial period ended 31 March 2021

	14 months ended 31 March 2021 Unaudited RM'000
Note	
<u>Operating activities</u>	
Profit before tax	59,317
Adjustments for:	
Interest income	(2,138)
Finance costs	3,615
Gain on disposal of property, plant and equipment	10 (145)
Impairment loss on property, plant and equipment	194
Depreciation of property, plant and equipment	5,420
Depreciation of right-of-use assets	670
Amortisation of other intangible assets	13 1,204
Inventories written down	14 344
Fair value gain on financial assets at FVTPL	(9)
Unrealised gain on foreign exchange	(2,075)
Share of results of associate	531
Share of results of joint venture	(13,535)
Income derived from capital guaranteed fund	(242)
Dividend income from FVTOCI investment	(1,520)
Dividend income from FVTPL investment	(6)
Operating profit before working capital changes	<u>51,625</u>
Changes in working capital:	
Increase in inventories	(10,075)
Decrease in trade and other receivables	20,383
Decrease in trade and other payables	(96,153)
Total changes in working capital	<u>(85,845)</u>
Income tax refunded	5,026
Income tax paid	(8,679)
	<u>(3,653)</u>
Net cash used in operating activities	<u>(37,873)</u>
<u>Investing activities</u>	
Purchase of property, plant and equipment	(10,605)
Proceeds from disposal of property, plant and equipment	280
Acquisition of other intangible assets	(1,503)
Purchase of financial assets at FVTOCI	(8,635)
Proceeds from disposal of FVTOCI investment	7,543
Dividend income received from FVTPL investment	6
Dividend income received from FVTOCI investment	1,520
Interest income received	2,138
Income derived from capital guaranteed fund received	242
Dividend from an associate	5,256
Net cash used in investing activities	<u>(3,758)</u>
<u>Financing activities</u>	
Drawdown of other bank borrowings	87,445
Repayment of other bank borrowings	(63,499)
Repayment of lease liabilities	(1,206)
Drawdown of bond	132,000
Interest paid	(5,372)
Dividends paid	(5,273)
Share buybacks	(6,854)
Net cash from financing activities	<u>137,241</u>
Net change in cash and cash equivalents	95,610
Effect of foreign exchange rate changes	2,864
Cash and cash equivalents at 1 February	<u>241,914</u>
Cash and cash equivalents at 31 March*	<u>340,388</u>
* Cash and cash equivalents comprise the following:	
Deposits, cash and bank balances	340,388
Bank overdraft	-
Total cash and cash equivalents	<u>340,388</u>

There is no comparative for the two months and fourteen months period ended 31 March 2021. Due to the change in the financial year end from 31 January to 31 March, the unaudited condensed consolidated statement of profit or loss for the fourteen months of the financial year ended 31 March 2021 is not comparable with that of the twelve months of the previous financial year ended 31 January 2020.

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 financial period ended 31 March 2021

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 21 June 2021.

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.

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.

Explanatory notes pursuant to MFRS 134
For the financial period ended 31 March 2021
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
Current period							
2 months period ended							
31 March 2021							
Revenue:							
External customers	1,170	-	1,170	33,448	-	-	34,618
Results:							
Interest income	-	10	10	31	54	111	206
Depreciation and amortisation	10	14	24	1,291	-	358	1,673
Share of results of associate	-	(628)	(628)	-	-	-	(628)
Share of results of joint ventur	4,961	-	4,961	-	-	-	4,961
Segment profit (Note A)	2,789	(722)	2,067	9,073	1,981	(2,516)	10,605

	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 period							
14 months period ended							
31 March 2021							
Revenue:							
External customers	141,232	-	141,232	169,597	-	-	310,829
Results:							
Interest income	-	91	91	101	296	1,650	2,138
Depreciation and amortisation	68	102	170	5,747	-	1,377	7,294
Share of results of associate	-	(531)	(531)	-	-	-	(531)
Share of results of joint ventur	13,535	-	13,535	-	-	-	13,535
Segment profit (Note A)	36,917	(1,687)	35,230	41,605	(1,088)	(16,430)	59,317

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:

	2 months ended 31 March 2021 RM'000	14 months ended 31 March 2021 RM'000
Interest income	111	1,650
Finance costs	(614)	(3,615)
Other unallocated corporate expenses	(2,013)	(14,465)
	<u>(2,516)</u>	<u>(16,430)</u>

Explanatory notes pursuant to MFRS 134

For the financial period ended 31 March 2021

5 Segment information (continued)

Engineering

Revenue of RM1.17 million for the 2 months period ended 31 March 2021 is derived from projects in progress. Segment profit of RM2.07 million mainly contributed by the share of results of joint venture.

Revenue of RM141.23 million for the 14 months period ended 31 March 2021 is derived from projects in progress. Segment profit of RM35.23 million is mainly contributed by projects in progress and the share of results of joint venture.

Projects' revenue was affected by the suspension of construction activities upon the implementation of MCO on 18 March 2020 until the progressive resumption of works on 9 June 2020 and 11 June 2020.

Metering

Revenue for 2 months and 14 months period ended 31 March 2021 was RM33.45 million and RM169.60 million respectively.

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 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 period profit before tax is RM10.61 million which include unrealised gain on foreign exchange of RM2.97 million.

The Group's profit before tax for the 14 months period ended 31 March 2021 of RM59.32 million is mainly derived from both Engineering and Metering divisions. Other gains mainly arose from unrealised gain on foreign exchange of RM2.08 million.

6 Seasonality of operations

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

Explanatory notes pursuant to MFRS 134

For the financial period ended 31 March 2021

7 Profit before tax

Included in the profit before tax are the following items:

	2 months ended 31 March 2021 RM'000	14 months ended 31 March 2021 RM'000
Interest income	(206)	(2,138)
Dividend income from:		
- FVTPL investment	-	(6)
- FVTOCI investment	(259)	(1,520)
Other income	(152)	(575)
Finance costs	614	3,615
Gain on disposal of property, plant and equipment	(8)	(145)
Depreciation of property, plant and equipment	771	5,420
Depreciation of right-of-use assets	55	670
Impairment loss on property, plant and equipment	194	194
Amortisation of other intangible assets	847	1,204
Inventories written down	344	344
Net fair value gain on FVTPL investment	(17)	(9)
Loss arising on financial liabilities designated at FVTPL:		
- realised	-	1
- unrealised	-	-
Gain on foreign exchange:		
- realised	(264)	(445)
- unrealised	(2,967)	(2,075)

8 Income tax expense

	2 months ended 31 March 2021 RM'000	14 months ended 31 March 2021 RM'000
Current Tax:		
Malaysian tax	(5,480)	4,383
Foreign tax	322	1,693
	(5,158)	6,076
(Over)/Underprovision in prior years:		
Malaysian tax	(2)	66
	(5,160)	6,142
Deferred tax	4,427	4,427
	(733)	10,569

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 financial period ended 31 March 2021

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:

	2 months ended 31 March 2021	14 months ended 31 March 2021
Profit net of tax attributable to owners used in computation of earnings per share (RM'000)	<u>11,338</u>	<u>48,748</u>
Weighted average number of ordinary shares (excluding Treasury Shares) for earnings per share computation ('000)	<u>523,444</u>	<u>527,723</u>
Basic/Diluted earnings per share (sen)	<u>2.2</u>	<u>9.2</u>

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

10 Property, plant and equipment

Acquisitions and disposals

During the period ended 31 March 2021, the Group acquired assets at a cost of RM10.61 million.

Assets with carrying amount of RM135,000 were disposed of by the Group during the period ended 31 March 2021, resulting in a gain on disposal of RM145,000, 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 financial period ended 31 March 2021

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	163	-	1,348	1,511
At 31 March 2021	883	12,061	11,197	24,141
Accumulated amortisation:				
At 1 February 2020	605	-	467	1,072
Amortisation	53	716	435	1,204
At 31 March 2021	658	716	902	2,276
Carrying amount:				
At 1 February 2020	115	12,061	9,382	21,558
At 31 March 2021	225	11,345	10,295	21,865

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 the related machinery and equipment are ready for their intended use over the period of their expected benefit not exceeding 10 years.

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 period ended 31 March 2021, the Group recognised inventories write down of RM344,000 in profit or loss. There was no reversal of inventories write down.

Explanatory notes pursuant to MFRS 134

For the financial period ended 31 March 2021

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 March 2021				
Financial assets at FVTPL:				
- Quoted equity securities	146	146	-	-
Financial assets at FVTOCI:				
- Quoted bonds	17,480	17,480	-	-
- Quoted equity securities	18,694	18,694	-	-
- Unquoted equity securities	2,056	-	2,056	-
Non-financial assets:				
- Freehold land	91,350	-	-	91,350
- Building on freehold land	15,750	-	-	15,750
- Long-term leasehold land	1,150	-	-	1,150
- Building on long-term leasehold land	959	-	-	959
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:

	31 March 2021 RM'000	31 January 2020 RM'000
Short-term deposits with licensed banks	51,750	104,180
Cash and bank balances	288,638	137,734
	340,388	241,914

Explanatory notes pursuant to MFRS 134

For the financial period ended 31 March 2021

17 Debt and Equity Securities

(a) 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 March 2021, the Company repurchased a total of 39,859,200 of its shares from the open market for a total consideration of RM37,432,897. Subsequent to 31 March 2021 and up to date of this announcement, a total of 700,000 shares were repurchased from the open market for a total consideration of RM561,094. 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.

(b) Bond payables

Status of Sukuk Wakalah Programme

On 26 March 2021, the Company announced that it has completed its inaugural issuance of the Islamic Medium Term Notes (iMTN) of RM132.00 million in nominal value under the iMTN Programme with the periodic distribution rate of 5.5% p.a.. The tenure of the iMTN is 5 years. It is rated A+/S (stable) by Malaysian Rating Corporation Berhad.

The proceeds from the issuance shall be utilised by the Company in accordance to the terms and conditions of the iMTN Programme, which are:

- (i) to finance investments, capital expenditure, working capital requirements and general corporate purposes of the Company, its subsidiaries, associates and/or joint venture entities;
- (ii) to refinance existing borrowings/financings and also to refinance future Islamic financings which include any outstanding Sukuk Wakalah (whether in whole or part); and/or
- (iii) to defray fees and expenses in relation to the Sukuk Wakalah Programme.

The cumulative drawdown of the facility at the end of the reporting period are as follows:

Date of drawdown	Amount of drawdown RM'000	Repayment RM'000	Amount outstanding RM'000
26 March 2021	132,000	-	132,000

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

Explanatory notes pursuant to MFRS 134

For the financial period ended 31 March 2021

18 Loans and borrowings

	31 March 2021 RM'000	31 January 2020 RM'000
Short-term borrowings		
Secured:		
Revolving credits	47,638	48,657
Bankers' acceptance	39,758	14,481
Lease liabilities	816	969
	<u>88,212</u>	<u>64,107</u>
Unsecured:		
Bond payables	99	-
	<u>88,311</u>	<u>64,107</u>
Long-term borrowings		
Secured:		
Lease liabilities	910	1,731
Unsecured:		
Bond payables	130,721	-
	<u>131,631</u>	<u>1,731</u>
	<u>219,942</u>	<u>65,838</u>

19 Provisions for costs of restructuring

Not applicable.

20 Dividend

The Directors have declared a third dividend of 1.0 sen per share for FY2021, payable on 28 July 2021 to shareholders whose names appear in the Record of Depositors on 7 July 2021, being the Book Closure Date ("BCD").

On the assumption that as announced to date, the Treasury Shares of 40,559,200 (which are not entitled to dividends), remained the same as at BCD, the dividend pay-out on 522,709,865 shares will amount to approximately RM5.23 million.

Two dividends have been paid for the financial year ended 31 March 2021. The first and second dividends of 1.0 sen per share on 527,256,265 shares and 1.5 sen per share on 523,409,865 shares respectively amounting to RM13.12 million were paid on 22 October 2020 and 28 April 2021 respectively.

In Ringgit term the three dividends will total RM18.35 million for the financial year ended 31 March 2021.

21 Commitments

Capital expenditure as at the reporting date is as follows:

	31 March 2021 RM'000	31 January 2020 RM'000
Approved and contracted for:		
Property, plant and equipment	4,419	6,224
	<u>4,419</u>	<u>6,224</u>
Approved but not contracted for:		
Property, plant and equipment	-	235
	<u>-</u>	<u>235</u>

Explanatory notes pursuant to MFRS 134 For the financial period ended 31 March 2021

22 Contingencies

Apart from what was reported in our announcement for the fourth quarter of the financial year, dated 22 March 2021, nothing has changed except that:

- (i) The Custom's appeal to the High Court was heard on 21 April 2021 and fixed for decision on 14 June 2021. On 14 June 2021, the High Court delivered its decision wherein it dismissed Custom's appeal to the High Court. This means that the High Court has affirmed the decision of the Customs Appeal Tribunal. Customs has filed its appeal to the Court of Appeal and the matter is fixed for case management on 2 August 2021.
- (ii) In respect of Customs bill of demand for RM28.8 million, the application for judicial review application is rescheduled for case management on 15 July 2021; and
- (iii) in respect of the other bill of demand for RM33.3 million against the Company, the Company has filed an application for leave to file judicial review against Custom's decision to issue the said bill of demand. On 16 February 2021, the Court granted leave to the Company to commence judicial review proceedings against Customs. The Court has on 13 April 2021 granted a stay of the bill of demand. Judicial review application was fixed for case management on 7 July 2021.

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 31 March:

	14 months ended 31 March 2021 RM'000
Related companies: *	
Purchase of motor vehicle	87
Purchase of air tickets	20
Share registration charges and secretarial fees	121
	<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.

26 Change of financial year end

On 6 January 2021, the Board approved the change of financial year end of the Group from 31 January to 31 March. Therefore, these unaudited condensed consolidated financial statements is for the 14 months from 1 February 2020 to 31 March 2021 being the financial year ended 31 March 2021.

Due to the change in the financial year, the performance of the 14 months ended 31 March 2021 is not comparable with the 12 months of the previous financial year ended 31 January 2020.

**Explanatory notes pursuant to Bursa Malaysia Listing Requirements:
 Chapter 9, Appendix 9B, Part A
 For the financial period ended 31 March 2021**

27 Performance review

	2 months ended 31 March 2021 RM'000	14 months ended 31 March 2021 RM'000
Revenue	34,618	310,829
Profit before tax	10,605	59,317
Profit after tax	<u>11,338</u>	<u>48,748</u>

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

28 Comment on material change in profit before taxation

	Current period 2 months ended 31 March 2021 RM'000	Preceding quarter 3 months ended 31 January 2021 RM'000	Changes %
Revenue	34,618	87,830	- 61
Profit before tax	10,605	16,975	- 38
Profit after tax	<u>11,338</u>	<u>14,294</u>	- 21

The profit before taxation for the current period ended 31 March 2021 is 38% lower than the preceding quarter mainly due to the shorter period of 2 months.

29 Commentary on prospects

The Group's commendable results in FY2021 were primarily attributed to robust sales of the Group's water meters worldwide. The Group continued to receive water meter orders in spite of continuing people movement controls in Malaysia and around the world since the beginning of last year. This demonstrates the resilience and growth of the Metering Business. The Group continued to adhere to prevailing SOPs in managing its production activities.

The Group also continued to work on the two hospital projects whilst complying with government SOPs.

Metering

In spite of the production disruptions caused by the Movement Control Order (MCO), the Metering Business continued to perform well as global demand for the Group's renowned water meters remained strong. The Group continued to adhere to the Malaysian Government's SOPs as it optimised its capacity to meet orders in the period under review.

The Government announced on 10 May 2021 the imposition of a nationwide MCO until 7 June 2021, which has since been extended until 28 June 2021. Essential economic and service sectors, however, are allowed to operate, subject to strict compliance with the SOPs. The Group will continue to adapt to any changes to government guidelines in managing its production activities.

It is the Group's strategy to continue to develop the markets for our existing water meters which are already the market leaders globally. To complement our existing range of water meters by increasing the product portfolio, our R&D team is collaborating with partners and specialists to commercialise a range of other water meters, including Smart Meters. The enlarged portfolio will accelerate the expansion of our global market footprint.

Explanatory notes pursuant to Bursa Malaysia Listing Requirements:

Chapter 9, Appendix 9B, Part A

For the financial period ended 31 March 2021

29 Commentary on prospects (continued)

Engineering

The Group continued to adapt to prevailing SOPs in the period under review as it accelerated progress on Hospital Tanjung Karang and Hospital Endokrin Putrajaya. The Group continues to liaise closely with JKR in managing the delivery timelines for the two hospitals.

Save for some minor variation orders, the LRT2 project is completed and now awaits the closing of the final account. Works on LRT3 are proceeding with strict adherence to the SOPs.

The Group had at its Extraordinary General Meeting on 8 June 2021 received shareholders' approval to design and build a glove manufacturing plant ("Plant") in Lumut Port Industrial Park, Perak, for a contract sum of approximately RM624.10 million plus or minus 10% (excluding sales and service tax). The Plant will be owned and operated by Dynacare Sdn Bhd ("Dynacare"). The Group had also received shareholders' approval to take up a 40% equity stake in Dynacare, thereby enabling the Group to diversify its business activities to include the manufacture, sale and distribution of gloves.

This Design and Build Contract will bolster George Kent's construction order book at a time when construction contracts are scarce. The contract is timely and will immediately contribute to the Group's bottom line over the next two years. The Design and Build Contract will also create a new growth area for George Kent's Construction arm. The Group expects to expand this glove manufacturing facility construction business locally and internationally to cater for strong demand from existing and new glove manufacturing players wishing to expand their production capacity in the coming years.

The Group continues to develop new opportunities in the Regional railway space, leveraging on its established network with international rail specialists and expertise as a rail systems specialist in domestic railway projects.

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

Not applicable.

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

Not applicable.

32 Profit forecast or profit guarantee

Not applicable.

**Explanatory notes pursuant to Bursa Malaysia Listing Requirements:
Chapter 9, Appendix 9B, Part A
For the financial period ended 31 March 2021**

33 Corporate proposals

On 29 March 2021, the Board announced the following proposals, which were subject to shareholders' approval of the Company:-

- (i) Proposed diversification of the existing business activities of George Kent (Malaysia) Berhad and its subsidiaries to include the Gloves business. ("Proposed Diversification");
- (ii) Johan Holdings Berhad ("Johan") had vide its Letter of Offer dated 29 March 2021 invited the Company to subscribe for 40% equity interest in Dynacare Sdn Bhd ("Dynacare"), a wholly owned subsidiary of Johan, at an issue price of RM1.00 per ordinary share. The intended equity to be contributed by the shareholders of Dynacare is RM 100,000,000. The Company had on 29 March 2021 accepted the Letter of Offer. ("Proposed
- (iii) Proposed Right To Execute the Works entails contract for the construction of a Gloves manufacturing plant in Lumut, Perak Darul Ehsan for Dynacare. The Company had on 21 April 2021 accepted the Letter of Intent from Dynacare to appoint the Company as the design and build contractor for 42 units of high capacity double former dipping lines for the Gloves manufacturing plant for a contract sum of RM624,100,000 plus or minus 10% (excluding sales and service tax). ("Proposed Right To Execute The Works")

The Proposed Diversification, Proposed Subscription and Proposed Right To Execute The Works were overwhelmingly approved by shareholders at the Extraordinary General Meeting of the Company held on 8 June 2021.

Save for the above, there were no corporate proposals announced but not completed as at the date of issue of these interim financial statements.

34 Changes in material litigation

The Company had on 13 August 2019 commenced arbitration proceedings against Malaysian Resources Corporation Berhad ("MRCB") arising out of a difference of opinion to the interpretation of certain provisions in the Shareholders' Agreement dated 8 June 2015 with regards to the options for securing financing for the joint venture company, MRCB George Kent Sdn Bhd ("JV Co").

On 17 May 2021, the Arbitrator in its Final Award Save as to Costs, found *inter alia* that a deadlock on the issue of shareholders funding has occurred and that the Party A Notice dated 24 October 2019 issued by MRCB is valid. As a consequence, George Kent has been directed to confirm their agreement in writing within 21 days of the Award to the appointment of an audit firm by the JV Co's management for the purposes of carrying out an independent valuation of the JV Co's shares on a discounted cash flow basis. Following therefrom, unless resolved by the Parties or MRCB withdraws its Party A Notice, MRCB shall be obliged upon receipt of the Valuation to make an unconditional cash offer to buy all of George Kent's shares in the JV Co ("Offer to Buy") and at the same time unconditionally offer to sell all of MRCB's shares in the JV Co to George Kent ("Offer to Sell") at the same price ("Offer Price"). This deadlock resolution process is expected to take approximately four months.

All questions of costs and disbursements, including costs of the Arbitration and legal costs will be determined at a later date by the Arbitrator following submissions on cost by the Parties.

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

**Explanatory notes pursuant to Bursa Malaysia Listing Requirements:
Chapter 9, Appendix 9B, Part A
For the financial period ended 31 March 2021**

35 Dividend payable

Please refer to Note 20 for details.

36 Derivative financial instruments

There were no derivative financial instruments outstanding as at 31 March 2021 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.

37 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 March 2021 and 31 January 2020.

38 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

21 June 2021