

AME Elite Consortium Berhad
Registration No. 201801030789 (1292815-W)
(Incorporated in Malaysia)

Interim Financial Report
Second quarter ended 30 September 2020

AME Elite Consortium Berhad

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Unaudited condensed consolidated statement of financial position As at 30 September 2020

	unaudited 30.9.2020 RM'000	audited 31.3.2020 RM'000
Assets		
Property, plant and equipment	98,659	100,579
Inventories	8,662	8,662
Investment properties	323,997	344,266
Investment in a joint venture	22,371	20,769
Deferred tax assets	6,533	7,148
Total non-current assets	<u>460,222</u>	<u>481,424</u>
Inventories	353,600	357,763
Contract costs	2,913	5,820
Contract assets	14,648	30,157
Trade and other receivables	82,596	86,234
Current tax assets	704	659
Cash and cash equivalents	224,353	191,806
Total current assets	<u>678,814</u>	<u>672,439</u>
Total assets	<u><u>1,139,036</u></u>	<u><u>1,153,863</u></u>
Equity		
Share capital	620,140	620,140
Retained earnings	469,951	466,048
Merger reserve	(452,311)	(452,311)
Equity attributable to owners of the Company	<u>637,780</u>	<u>633,877</u>
Non-controlling interests	36,116	33,769
Total equity	<u>673,896</u>	<u>667,646</u>
Liabilities		
Loans and borrowings ⁽ⁱ⁾	247,923	260,783
Due to a minority shareholder	10,000	10,000
Deferred tax liabilities	15,443	16,894
Total non-current liabilities	<u>273,366</u>	<u>287,677</u>
Loans and borrowings ⁽ⁱ⁾	23,074	22,442
Trade and other payables	125,019	144,643
Contract liabilities	38,389	23,707
Due to a minority shareholder	1,106	1,962
Current tax liabilities	4,186	5,786
Total current liabilities	<u>191,774</u>	<u>198,540</u>
Total liabilities	<u>465,140</u>	<u>486,217</u>
Total equity and liabilities	<u><u>1,139,036</u></u>	<u><u>1,153,863</u></u>
Net assets per share attributable to owners of the Company (RM)	<u>1.49</u>	<u>1.48</u>

(i) See Note B8.

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Unaudited condensed consolidated statement of profit or loss and other comprehensive income for the second quarter ended 30 September 2020

	Individual quarter 3 months ended		Cumulative quarter 6 months ended	
	30.9.2020 RM'000	30.9.2019 RM'000	30.9.2020 RM'000	30.9.2019 RM'000
Revenue	120,888	81,812	175,612	176,168
Cost of sales	(95,289)	(53,846)	(136,134)	(116,984)
Gross profit	25,599	27,966	39,478	59,184
Other income	784	7,987	1,547	8,322
Distribution expenses	(1,173)	(683)	(1,804)	(1,916)
Administrative expenses	(6,421)	(7,738)	(14,141)	(16,610)
Other expenses	(621)	(18)	(876)	(20)
Results from operating activities	18,168	27,514	24,204	48,960
Finance income	947	733	2,146	1,390
Finance costs	(2,641)	(3,131)	(5,207)	(7,251)
Net finance costs	(1,694)	(2,398)	(3,061)	(5,861)
Share of profit of an equity-accounted joint venture, net of tax	1,247	3,680	3,198	4,763
Profit before tax ⁽ⁱ⁾	17,721	28,796	24,341	47,862
Tax expense	(5,167)	(5,495)	(5,768)	(10,026)
Profit for the period/ Total comprehensive income for the period	12,554	23,301	18,573	37,836
Profit attributable to:				
Owners of the Company	11,393	20,976	16,716	34,119
Non-controlling interests	1,161	2,325	1,857	3,717
Profit for the period/ Total comprehensive income for the period	12,554	23,301	18,573	37,836
Basic earnings per ordinary share (sen) ⁽ⁱⁱ⁾	2.67	6.14	3.91	9.99
Diluted earnings per ordinary share (sen) ⁽ⁱⁱ⁾	2.67	6.14	3.91	9.99

Unaudited condensed consolidated statement of profit or loss and other comprehensive income for the second quarter ended 30 September 2020
(continued)

- (i) For illustration purposes only, the Group's normalised financial performance after adjusting for the fair value changes of investment properties and one-off listing expenses is as follow:

	Individual quarter 3 months ended		Cumulative quarter 6 months ended	
	30.9.2020 RM'000	30.9.2019 RM'000	30.9.2020 RM'000	30.9.2019 RM'000
Profit before tax	17,721	28,796	24,341	47,862
Less: *Fair value gains on investment properties	--	(7,267)	--	(7,267)
Add back: ^Realisation of fair value from sales of investment properties	7,603	--	7,603	--
Add back: Listing expenses	--	572	--	1,039
Normalised profit before tax	<u>25,324</u>	<u>22,101</u>	<u>31,944</u>	<u>41,634</u>

* The fair value gains on investment properties net of tax and share by non-controlling interests was RM5.23 million.

^ The realisation of fair value from sales of investment properties net of tax and share by non-controlling interests was RM6.30 million.

- (ii) See Note B11.

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Unaudited condensed consolidated statement of changes in equity for the period ended 30 September 2020

	← Non-distributable →			Distributable		Non-controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Invested equity RM'000	Merger reserve RM'000	Retained earnings RM'000	Total RM'000		
At 1 April 2019	1	4,501	--	401,907	406,409	30,266	436,675
Profit and total comprehensive income for the period	--	--	--	34,119	34,119	3,717	37,836
Capitalisation of amounts due to Directors	55,725	--	--	--	55,725	--	55,725
New shares issued by the Company as consideration for the acquisition of subsidiaries	456,812	--	(456,812)	--	--	--	--
Subscription of shares in subsidiaries	--	800	(800)	--	--	--	--
Reversal of issued and paid-up share capital of the subsidiaries	--	(5,301)	5,301	--	--	--	--
At 30 September 2019	512,538	--	(452,311)	436,026	496,253	33,983	530,236
At 1 April 2020	620,140	--	(452,311)	466,048	633,877	33,769	667,646
Profit and total comprehensive income for the period	--	--	--	16,716	16,716	1,857	18,573
Subscription of shares by non-controlling interests	--	--	--	--	--	490	490
Dividends to owners of the Company	--	--	--	(12,813)	(12,813)	--	(12,813)
At 30 September 2020	620,140	--	(452,311)	469,951	637,780	36,116	673,896

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Unaudited condensed consolidated statement of cash flows for the period ended 30 September 2020

	6 months ended	
	30.9.2020 RM'000	30.9.2019 RM'000
Cash flows from operating activities		
Profit before tax	24,341	47,862
Adjustments for:		
Impairment loss/(Reversal) on trade receivables	130	(4)
Property, plant and equipment:		
- depreciation	3,302	2,992
- gain on disposal	(192)	(27)
Loss on disposal of investment properties	197	--
Share of profit of an equity-accounted joint venture, net of tax	(3,198)	(4,763)
Finance costs	5,207	7,251
Finance income	(2,146)	(1,390)
Unrealised gain on foreign exchange	(1)	(7)
Changes in fair value of investment properties	--	(7,267)
	27,640	44,647
Operating profit before changes in working capital	27,640	44,647
Changes in inventories	14,240 ⁽ⁱ⁾	(102,710)
Changes in trade and other receivables	3,604	(7,452)
Changes in trade and other payables	(19,624)	9,043
Changes in contract assets/(liabilities)	30,191	(12,547)
Changes in contract costs	2,907	(1,545)
	58,958	(70,564)
Cash generated from/(used in) operations	58,958	(70,564)
Interest received	2,146	1,390
Interest paid	(5,016)	(4,245)
Tax paid	(8,247)	(2,385)
	47,841	(75,804) ⁽ⁱⁱⁱ⁾
Net cash from/(used in) operating activities	47,841	(75,804) ⁽ⁱⁱⁱ⁾
Cash flows from investing activities		
Acquisition of:		
- property, plant and equipment	(946)	(6,104)
- investment properties	(9,108)	(40,698)
Proceeds from disposal of:		
- property, plant and equipment	206	33
- investment properties	19,103	--
Dividends received from a joint venture	1,500	8,000
Changes in pledged deposits	2,230	2,655
	12,985	(36,114)
Net cash from/(used in) investing activities	12,985	(36,114)
Cash flows from financing activities		
Repayment of hire purchase liabilities	(567)	(1,136)
Proceeds from short term borrowings	--	705
Repayment of term loans	(15,018)	(44,174)
Drawdown from term loans	3,372	146,015
Proceeds from issuance of shares to non-controlling interests	490	--
Interest paid	(48)	(114)
Dividends paid to:		
- owners of the Company	(12,813)	--
- non-controlling interests	(1,000)	--
Due to Directors	--	1,500
	(25,584)	102,796
Net cash (used in)/from financing activities	(25,584)	102,796

Unaudited condensed consolidated statement of cash flows for the period ended 30 September 2020
(continued)

	6 months ended	
	30.9.2020 RM'000	30.9.2019 RM'000
Net increase/(decrease) in cash and cash equivalents	35,242	(9,122)
Cash and cash equivalents as at 1 April	<u>173,174</u>	<u>78,436</u>
Cash and cash equivalents as at 30 September	<u><u>208,416</u></u>	<u><u>69,314</u></u>

Cash and cash equivalents included in the condensed consolidated statement of cash flows comprise the following amounts from the condensed consolidated statement of financial position:

	6 months ended	
	30.9.2020 RM'000	30.9.2019 RM'000
Cash and cash equivalents:		
- cash and bank balances	72,141	45,610
- fixed deposits with licensed banks	<u>152,212</u>	<u>41,780</u>
	224,353	87,390
Less: Pledged deposits	(13,942)	(15,857)
Bank overdrafts	<u>(1,995)</u>	<u>(2,219)</u>
	<u><u>208,416</u></u>	<u><u>69,314</u></u>

- (i) There was a transfer of investment properties to inventories amounting to RM10.08 million during the financial period under review.
- (ii) There was a net cash used in operating activities during the corresponding financial period under review mainly due to the acquisition of a parcel of land for the Phase 3 development of i-Park @ Senai Airport City at RM150.14 million ("Land") of which a deposit of RM15.01 million was paid in financial year ended 31 March 2016, a differential sum of RM30.13 million was paid using internally generated funds and the remaining balance of RM105.00 million was financed through bank borrowing during the current financial period under review. The acquisition of the Land was completed on 27 August 2019. 80% of the Land amounting to RM120.11 million was determined for purpose of development properties for sale whilst the remaining 20% of the Land amounting to RM30.03 million was held for purpose of investment properties for lease.

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Notes to the interim financial report

Part A: Explanatory notes pursuant to Malaysian Financial Reporting Standards (“MFRS”) 134 and International Accounting Standards (“IAS”) 34 Interim Financial Reporting

A1. Basis of preparation

This interim financial report is unaudited and has been prepared in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Listing Requirements”), Malaysia Financial Reporting Standards (MFRS) 134: Interim Financial Reporting and International Accounting Standards (IAS) 34: Interim Financial Reporting.

This interim financial report should be read in conjunction with the audited consolidated financial statements for the year ended 31 March 2020 and the accompanying notes attached to the interim financial report.

A2. Significant accounting policies

The accounting policies applied by the Group in this interim financial report are the same as those applied by the Group in its audited consolidated financial statements for the year ended 31 March 2020.

The following are accounting standards, interpretations and amendments of the MFRSs that have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been adopted by the Group:

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 June 2020

- Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement*, MFRS 7, *Financial Instruments: Disclosures*, MFRS 4, *Insurance Contracts* and MFRS 16, *Leases – Interest Rate Benchmark Reform – Phase 2*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*

MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Part A: Explanatory notes pursuant to MFRS 134 and IAS 34 Interim Financial Reporting (continued)

A2. Significant accounting policies (continued)

The Group plans to apply the abovementioned accounting standards, interpretations and amendments in the respective financial year when the above accounting standards, interpretations and amendments become effective, if applicable.

The initial application of the accounting standards, interpretations and amendments are not expected to have any material financial impacts to the current period and prior period financial statements of the Group upon their first adoption.

A3. Auditors' report

The audited consolidated financial statements for the financial year ended 31 March 2020 were not subject to any qualifications.

A4. Seasonal or cyclical factors

The nature of the Group's business was not subject to any significant seasonal or cyclical factors.

A5. Unusual items

There were no unusual items affecting assets, liabilities, equity, net income or cash flow of the Group for the current quarter and financial period under review.

A6. Changes in estimates

There were no material changes in estimates for the current quarter and financial period under review.

A7. Debt and equity securities

There were no debt and equity securities issued during the current quarter and financial period under review.

A8. Dividends paid

On 25 June 2020, the Board of Directors declared an interim single-tier dividend of 3.0 sen per ordinary share totaling RM12.81 million in respect of the financial year ended 31 March 2020, which was paid on 18 August 2020 to shareholders whose names appeared in the Record of Depositors of the Company at the close of business on 30 July 2020.

A9. Property, plant and equipment ("PPE")

There were no material additions and disposals of PPE during the current quarter and financial period under review.

A10. Impairment losses

There were no significant impairment losses or reversal of impairment losses arising from property, plant and equipment, financial assets, assets arising from contracts with customers or other assets during the current quarter and financial period under review.

Part A: Explanatory notes pursuant to MFRS 134 and IAS 34 Interim Financial Reporting (continued)

A11. Segmental information (continued)

Segmental information is presented in respect of the Group's business segments as follows:

1.7.2019 to 30.9.2019 (2Q2020)	Construction RM'000	Property development RM'000	Engineering RM'000	Investment holding/ Property investment and management services RM'000	Total RM'000	Elimination RM'000	Total RM'000
Revenue from external customers	40,237	19,282	11,936	10,357	81,812	--	81,812
Inter-segment revenue	7,322	--	13,634	2,088	23,044	(23,044)	--
Total revenue	47,559	19,282	25,570	12,445	104,856	(23,044)	81,812
Segment results from operating activities	7,653	2,468	1,133	16,113 ⁽ⁱ⁾	27,367	147	27,514
Share of profit of a joint venture							3,680
Finance income							733
Finance costs							(3,131)
Profit before tax							28,796
Tax expense							(5,495)
Profit after tax							23,301

(i) Inclusive of fair value gains on investment properties as disclosed in Note B13.

Part A: Explanatory notes pursuant to MFRS 134 and IAS 34 Interim Financial Reporting (continued)

A11. Segmental information (continued)

Segmental information is presented in respect of the Group's business segments as follows:

1.4.2020 to 30.9.2020 (Cumulative 2Q2021)	Construction RM'000	Property development RM'000	Engineering RM'000	Investment holding/ Property investment and management services RM'000	Total RM'000	Elimination RM'000	Total RM'000
Revenue from external customers	71,067	64,929	22,140	17,476	175,612	--	175,612
Inter-segment revenue	27,816	--	27,885	4,444	60,145	(60,145)	--
Total revenue	98,883	64,929	50,025	21,920	235,757	(60,145)	175,612
Segment results from operating activities	2,881	12,331	(3,046)	13,539	25,705	(1,501)	24,204
Share of profit of a joint venture							3,198
Finance income							2,146
Finance costs							(5,207)
Profit before tax							24,341
Tax expense							(5,768)
Profit after tax							18,573

Part A: Explanatory notes pursuant to MFRS 134 and IAS 34 Interim Financial Reporting (continued)

A11. Segmental information (continued)

Segmental information is presented in respect of the Group's business segments as follows:

1.4.2019 to 30.9.2019 (Cumulative 2Q2020)	Construction RM'000	Property development RM'000	Engineering RM'000	Investment holding/ Property investment and management services RM'000	Total RM'000	Elimination RM'000	Total RM'000
Revenue from external customers	80,260	55,778	23,732	16,398	176,168	--	176,168
Inter-segment revenue	26,320	--	36,482	3,936	66,738	(66,738)	--
Total revenue	106,580	55,778	60,214	20,334	242,906	(66,738)	176,168
Segment results from operating activities	14,785	9,364	3,950	21,151 ⁽ⁱ⁾	49,250	(290)	48,960
Share of profit of a joint venture							4,763
Finance income							1,390
Finance costs							(7,251)
Profit before tax							47,862
Tax expense							(10,026)
Profit after tax							37,836

(i) Inclusive of fair value gains on investment properties as disclosed in Note B13.

Part A: Explanatory notes pursuant to MFRS 134 and IAS 34 Interim Financial Reporting (continued)

A12. Material events subsequent to the statement of financial position date

There were no material events subsequent to the end of the current quarter and financial period under review that have not been reflected in the interim financial report.

A13. Changes in the composition of the Group

Quantum Renewable Energy Sdn Bhd (“QRE”) was incorporated on 1 July 2020. It is formed to provide engineering, procurement, construction and commissioning services for solar energy projects and solution for solar energy systems for commercial and industrial buildings in Malaysia. QRE is 51% owned by a subsidiary of the Company, Symphony Square Sdn Bhd (“SS”) and 49% owned by Baozhou New Energy Technology Sdn Bhd (“BNET”). The initial share capital of QRE is RM1 million in which SS subscribed for 510,000 ordinary shares and BNET subscribed for 490,000 ordinary shares.

Saved as disclosed above, there were no changes in the composition of the Group for the current quarter and financial period under review.

A14. Contingent assets and contingent liabilities

A performance guarantee of RM20.19 million given to a customer of a subsidiary in respect of performance of contract has been fully discharged on 20 July 2020.

Saved as disclosed above, there were no changes in contingent assets or contingent liabilities of the Group for the current quarter and financial period under review.

A15. Capital commitments

	30.9.2020 RM'000	31.3.2020 RM'000
Capital expenditure commitment		
Property, plant and equipment		
(Two new blocks of workers' dormitories in i-Park @ Indahpura)		
Contracted but not provided for	<u>20,900</u>	<u>--</u>

Saved as disclosed above, there were no changes in capital commitments of the Group for the current quarter and financial period under review.

A16. Significant related party transactions

The significant related party transactions of the Company are shown below.

	Individual quarter 3 months ended		Cumulative quarter 6 months ended	
	30.9.2020 RM'000	30.9.2019 RM'000	30.9.2020 RM'000	30.9.2019 RM'000
A. Joint venture				
Contract income	4,392	1,022	6,048	1,735
Rental income	<u>21</u>	<u>27</u>	<u>42</u>	<u>48</u>
B. Minority shareholder of a subsidiary				
Interest expenses	<u>(67)</u>	<u>(102)</u>	<u>(144)</u>	<u>(205)</u>
C. Firm in which a Director has financial interest				
Professional fees	<u>(27)</u>	<u>(1)</u>	<u>(36)</u>	<u>(176)</u>

Part B: Explanatory notes pursuant to Part A, Appendix 9B of the Listing Requirements

B1. Review of performance

Current quarter against corresponding quarter

	Individual quarter 3 months ended		Changes %
	30.9.2020 RM'000	30.9.2019 RM'000	
Revenue	120,888	81,812	48
Gross profit	25,599	27,966	(8)
Share of profit of an equity-accounted joint venture, net of tax	1,247	3,680	(66)
Profit before tax	17,721	28,796	(38)
Profit after tax	12,554	23,301	(46)
Profit attributable to owners of the Company	<u>11,393</u>	<u>20,976</u>	<u>(46)</u>

The Group's revenue increased by RM39.08 million mainly due to the increase in construction services revenue of RM16.11 million, property development revenue of RM21.32 million and engineering services revenue of RM3.27 million, partially offset by the decrease in rental income of RM1.62 million.

The Group's construction services revenue increased from RM40.24 million to RM56.35 million, which was an increase of approximately 40.03%. The increase in the revenue was mainly due to the progress of a large-scale project.

The Group's property development revenue increased from RM19.28 million to RM40.60 million, which was an increase of approximately 110.58%. The increase in the revenue was mainly due to the higher stage of work completed.

The Group's engineering services revenue increased from RM11.93 million to RM15.20 million, which was an increase of approximately 27.41%. The increase in the revenue was mainly due to the higher contribution from steel engineering and precast concrete works division, partially offset by the lower contribution from mechanical and electrical engineering works division.

The Group's rental income decreased from RM10.36 million to RM8.74 million, which was a decrease of approximately 15.64%. The decrease in the rental income was mainly due to the sales of factories leased by tenants, partially offset by the higher rental income generated from workers' dormitories.

Despite the higher revenue, the Group recorded lower gross profit mainly due to some construction and engineering projects with lower profit margin.

The decrease in the Group's share of profit from an equity-accounted joint venture was mainly due to the lower sales of industrial properties recorded by the joint venture.

Overall, the Group recorded lower profit before tax, profit after tax and profit attributable to owners of the Company mainly due to the lower gross profit, lower share of profit from the joint venture and no recognition of fair value gains on investment properties, whilst RM7.27 million was recognised in the corresponding quarter.

Part B: Explanatory notes pursuant to Part A, Appendix 9B of the Listing Requirements (continued)

B1. Review of performance (continued)

Current financial period against corresponding financial period

	Cumulative quarter 6 months ended		Changes %
	30.9.2020 RM'000	30.9.2019 RM'000	
Revenue	175,612	176,168	--
Gross profit	39,478	59,184	(33)
Share of profit of an equity-accounted joint venture, net of tax	3,198	4,763	(33)
Profit before tax	24,341	47,862	(49)
Profit after tax	18,573	37,836	(51)
Profit attributable to owners of the Company	<u>16,716</u>	<u>34,119</u>	<u>(51)</u>

The Group's property development, construction and engineering operations were temporarily disrupted by the Movement Control Order ("MCO") imposed by the Government of Malaysia from mid-March to May 2020, which led to delay in project completion and recognition, especially construction and engineering projects.

The Group's revenue slightly decreased by RM0.56 million due to the decrease in construction services revenue of RM9.19 million and engineering services revenue of RM1.59 million, partially offset by the increase in property development revenue of RM9.15 million and rental income of RM1.07 million.

The Group's property development revenue increased from RM55.78 million to RM64.93 million, which was an increase of approximately 16.40%. The increase in the revenue recognised was mainly due to the higher stage of work completed.

The Group's rental income increased from RM16.40 million to RM17.47 million, which was an increase of approximately 6.52%. The increase in the rental income was mainly due to the higher rental income generated from workers' dormitories.

In addition to the fixed overhead costs incurred during the temporary disruption to the Group's operations caused by the MCO, the Group recorded lower gross profit mainly due to the construction and engineering projects with lower profit margin.

The decrease in the Group's share of profit from an equity-accounted joint venture was mainly due to the lower sales of industrial properties recorded by the joint venture.

Overall, the Group recorded lower profit before tax, profit after tax and profit attributable to owners of the Company mainly due to the temporary disruption to the Group's operations caused by the MCO, lower share of profit from the joint venture and no recognition of fair value gains on investment properties, whilst RM7.27 million was recognised in the corresponding financial period.

Part B: Explanatory notes pursuant to Part A, Appendix 9B of the Listing Requirements (continued)

B2. Comparison with immediate preceding quarter

	Current quarter 30.9.2020 RM'000	Preceding quarter 30.6.2020 RM'000	Changes %
Revenue	120,888	54,724	121
Gross profit	25,599	13,879	84
Share of profit of an equity-accounted joint venture, net of tax	1,247	1,951	(36)
Profit before tax	17,721	6,620	168
Profit after tax	12,554	6,019	109
Profit attributable to owners of the Company	11,393	5,323	114

In the immediate preceding quarter, the Group reported lower revenue and profit as a result of the MCO. There were reduced contribution from the property development segment, and losses recorded by the construction and engineering segments. In compliance with the MCO, the Group experienced a temporary disruption to activity in the property development, construction and engineering segments from mid-March to May 2020, which led to delay in project completion and recognition. The fixed overhead costs incurred during the temporary disruption to the Group's operations affected the overall profitability for the immediate preceding quarter, but was partially mitigated by higher contribution from our property investment and management services segment.

During the current quarter, the Group resumed its business activities and operations with full workforce capacity and took steps to speed up the construction, engineering and property development progresses due to the delay caused by the MCO amid the Recovery MCO ("RMCO") period. Hence, the Group achieved improvement in performance across the segments.

The decrease in the Group's share of profit of an equity-accounted joint venture was mainly due to the lower sales of industrial properties recorded by the joint venture.

Part B: Explanatory notes pursuant to Part A, Appendix 9B of the Listing Requirements (continued)

B3. Prospects for the Group for the financial year ending 31 March 2021

The protracted and evolving COVID-19 situation worldwide and the recent surge in the COVID-19 infections within the country may adversely impact the foreign direct investment flows to the country. The take-up of our i-Park industrial properties may be under pressure from the on-going border closures. Nevertheless, this impact has been alleviated as the Group was able to secure a substantial domestic direct investment to build its headquarter and industrial facilities in i-Park @ Senai Airport City during the financial year.

We will continue developing i-Park @ Senai Airport City (Phase 1, Phase 2 and Phase 3) and expanding our construction and engineering segments to improve the Group's profitability. We are also targeting growth in rental income and increase in the value of our investment properties in line with the expanding activity at our industrial parks.

We have a healthy level of unbilled sales from industrial properties at our i-Parks, as well as construction and engineering orderbook, which would contribute to earnings recognition until the financial year ending 31 March 2022.

While mindful of potential changes in the business landscape in light of the economic challenges at the macro level, we remain steadfast in exploring, identifying and transforming suitable landbank to potentially replicate our i-Park model in Peninsular Malaysia.

Despite the uncertain economic scenario posed by the COVID-19 pandemic, the Board expects the Group to achieve a satisfactory financial performance for this financial year.

B4. Profit forecast

The Group did not issue any profit forecast during the current quarter and financial period under review.

B5. Tax expense

Income tax expenses on continuing operations comprise the following:

	Individual quarter 3 months ended		Cumulative quarter 6 months ended	
	30.9.2020 RM'000	30.9.2019 RM'000	30.9.2020 RM'000	30.9.2019 RM'000
Current				
Tax expense	4,534	4,076	5,659	8,691
Deferred tax (income)/expense	(312)	1,419	(836)	1,335
Real Property Gains Tax ("RPGT")	945	--	945	--
	<u>5,167</u>	<u>5,495</u>	<u>5,768</u>	<u>10,026</u>

The Group's effective tax rate for the current quarter under review was higher than the statutory tax rate mainly due to certain expenses not deductible for tax purposes and the RPGT incurred for disposal of investment properties, partially offset by the effect of share of profit of an equity-accounted joint venture on a net of tax basis.

Part B: Explanatory notes pursuant to Part A, Appendix 9B of the Listing Requirements (continued)

B6. Status of corporate proposals

On 9 October 2020, wholly-owned subsidiaries of the Company, Pentagon Land Sdn Bhd (“Pentagon”) and Greenhill SILC Sdn Bhd (“Greenhill”) (Pentagon and Greenhill are collectively defined as “Purchaser”) entered into two separate Heads of Agreement (“HOAs”) with UEM Land Berhad (“UEM” or “Vendor”) and Nusajaya Heights Sdn Bhd (“NHSB” or “Proprietor”), both being the subsidiaries of UEM Sunrise Berhad, in the following manner:

- (i) the first HOA (“HOA 1”) was entered into between Pentagon, Greenhill, UEM and NHSB; and
- (ii) the second HOA (“HOA 2”) was entered into between Pentagon, UEM and NHSB

Pentagon, Greenhill, UEM and NHSB are collectively defined as (“Parties”) and HOA 1 and HOA 2 are collectively defined as (“Signed HOA”).

The Signed HOA is in relation to the acquisition of seventy-two (72) freehold industrial plots in Phase 3, Southern Industrial & Logistic Clusters (“SiLC”) in Iskandar Puteri, Johor measuring a total acreage of approximately 169.8 acres by the Purchaser for a total purchase consideration of approximately RM434.3 million (“Proposed Acquisition”).

The Proposed Acquisition is conditional upon the execution of legal binding agreements comprising the sale and purchase agreements, amongst others (“Definitive Agreements”). Negotiations between the Parties have commenced with respect to the Definitive Agreements. Pending the conclusion of the negotiations, the Parties have agreed to document their intentions as well as the salient terms to be incorporated in the Definitive Agreements via the Signed HOA, which is non-binding and not intended to create any legal obligations between the Parties.

The Signed HOA will be valid for a period of thirty (30) days from the date of execution, or at an extended date as agreed in writing by the Parties, whichever is the later. The Vendor and Proprietor will not enter into deals with other parties during this period.

On 6 November 2020, the Parties mutually agreed to extend the validity period of the Signed HOA for another thirty (30) days from 8 November 2020 to 7 December 2020.

Saved as disclosed above, there were no corporate proposals pending completion as at date of this report.

Part B: Explanatory notes pursuant to Part A, Appendix 9B of the Listing Requirements (continued)

B7. Utilisation of proceeds from the Public Issue

The gross proceeds from the Public Issue approximately RM111.05 million is expected to be utilised in the following manner:

Details of use of proceeds	Estimated timeframe for the use of proceeds upon Listing	Initial proposed utilisation RM'000	Revised proposed utilisation RM'000	Actual utilisation RM'000
Future industrial property development and investment projects including land acquisitions and joint ventures	Within 36 months	69,050	69,050	--
Working capital for our i-Park @ Senai Airport City development project	Within 12 to 36 months	23,000	24,344	1,991
Complete the expansion of our precast concrete fabrication capacity	Within 12 months ⁽ⁱ⁾	9,000	9,000	--
Estimated listing expenses	Within 6 months	10,000	8,656	8,656 ⁽ⁱⁱ⁾
		<u>111,050</u>	<u>111,050</u>	<u>10,647</u>

The utilisation of the proceeds as disclosed above should be read in conjunction with the Prospectus of the Company dated 24 September 2019.

- (i) In view of the uncertain economic scenario posed by the COVID-19 pandemic, the Board of Directors of the Company is still in the midst of evaluating the Group's expansion plan for precast concrete fabrication capacity.
- (ii) The actual listing expenses incurred of RM8.66 million is lower than the estimated amount of RM10.00 million, therefore the excess amount of RM1.34 million will be used for working capital purposes, particularly as payment of initial development costs of Phase 3 of our i-Park @ Senai Airport City industrial park project.

B8. Borrowings and debt securities

	30.9.2020 RM'000	31.3.2020 RM'000
Secured		
Non-current		
Term loans	246,379	259,278
Hire purchase liabilities	1,544	1,505
	247,923	260,783
Current		
Term loans	19,791	18,538
Hire purchase liabilities	1,288	1,444
Bank overdrafts	1,995	2,460
	<u>23,074</u>	<u>22,442</u>
	<u>270,997</u>	<u>283,225</u>

Part B: Explanatory notes pursuant to Part A, Appendix 9B of the Listing Requirements (continued)

B9. Material litigations

AME Construction Sdn Bhd (“Plaintiff”), a wholly owned subsidiary of Amsun Industries Sdn Bhd which in turn is a wholly owned subsidiary of the Company, has on 6 November 2020 filed a Writ of Summons and Statement of Claim in the High Court of Malaya at Shah Alam, Selangor Darul Ehsan (“Civil Suit”) against Area Ventures Sdn Bhd (“Defendant”), via its solicitors Messrs Raja, Darryl & Loh pertaining to a project known as

“Cadangan Membina Sebuah Pusat Gudang Logistik Yang Mengandungi: (i) 1 Blok Gudang 3 Tingkat Dengan Pejabat Di Tingkat Mezzanine Dan 1 Tingkat Sub-Basemen Gudang dan Tempat Letak Kereta, (ii) 2 Unit Pondok Pengawal, (iii) 1 Unit Pencawang Pembahagian Utama TNB Dan Bangunan-Bangunan Utiliti, (iv) 1 Unit Bangunan Pejabat Satelite Kastam, Di Atas Lot 7716 (PN 97879) Dan Lot 7717 (HSM 2601/PT 7666), Lorong Enggang, Hulu Kelang FTZ, Seksyen 2, Bandar Hulu Kelang, Daerah Gombak, Selangor Darul Ehsan, Untuk Tetuan Area Ventures Sdn Bhd” (“Project”)

where the Plaintiff was engaged by the Defendant, via inter alia a principal letter of award dated 1 August 2016, as its main contractor to carry out the construction works for the project. The said principal letter of award has incorporated various documents all of which taken together formed the contract between the parties (“Contract”).

The Plaintiff had completed all the works under the Contract and the Certificate of Practical Completion was obtained on 17 November 2019. The defects liability period will therefore expire on 16 November 2020. However, the Defendant failed to pay the Plaintiff for part of the works properly done and completed under the Contract.

To resolve the overdue payment for the debt owing to the Plaintiff by the Defendant, the parties agreed to a settlement by way of a letter dated 19 June 2020 (“Settlement Letter”) from the Defendant to the Plaintiff.

The Defendant has failed to honour its payment obligations under the Settlement Letter by failing to pay the Plaintiff a substantial amount due under the Settlement Letter by 30 September 2020. In view of the current default by the Defendant, it is anticipated that the Defendant may default in the subsequent payment obligation as well.

The Plaintiff was claiming against the Defendant for the following:

- (i) The sum of RM24,700,143.13;
- (ii) The sum of RM4,878,971.01 as the Defendant fails to pay the same to the Plaintiff on 17 November 2020;
- (iii) Interest at the rate of 5% per annum on RM24,700,143.13 to be calculated from 1 October 2020 until full realisation and interest at the rate of 5% per annum on RM4,878,971.01 to be calculated from 17 November 2020 until full realisation;
- (iv) Costs on indemnity basis to be paid by the Defendant to the Plaintiff; and
- (v) Such further and/or other order or relief as the Honourable Court thinks fit to grant.

The Board of Directors of the Company was of the opinion that it was necessary for the Plaintiff to pursue the Civil Suit to best protect the interest of the Group.

The Civil Suit is not expected to materially affect the operations of the Group.

Saved as disclosed above, there were no other material litigations which might materially and adversely affect the financial position of the Group as at date of this report.

Part B: Explanatory notes pursuant to Part A, Appendix 9B of the Listing Requirements (continued)

B10. Dividends

The Board of Directors does not recommend any dividend for the current quarter and financial period under review.

B11. Earnings per share (“EPS”)

The basic and diluted EPS for the current quarter and financial period under review are computed as follows:

	Individual quarter 3 months ended		Cumulative quarter 6 months ended	
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
Net profit attributable to the owners of the Company (RM'000)	11,393	20,976	16,716	34,119
Weighted average number of ordinary shares in issue ('000)	427,115 ⁽ⁱ⁾	341,692 ⁽ⁱⁱ⁾	427,115 ⁽ⁱ⁾	341,692 ⁽ⁱⁱ⁾
Basic EPS (sen) ⁽ⁱⁱⁱ⁾	2.67	6.14	3.91	9.99
Diluted EPS (sen) ^(iv)	2.67	6.14	3.91	9.99

(i) Based on the issued share capital of 427,115,101 ordinary shares after the completion of the Restructuring Exercise and the Public Issue.

(ii) Based on the issued share capital of 341,692,101 ordinary shares after the completion of the Restructuring Exercise but before the Public Issue.

(iii) Basic EPS is calculated by dividing the net profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the current quarter and financial period under review.

(iv) The Company does not have any outstanding dilutive potential ordinary shares as at end of the current quarter and financial period under review.

B12. Revenue

Disaggregation of revenue

	Individual quarter 3 months ended		Cumulative quarter 6 months ended	
	30.9.2020 RM'000	30.9.2019 RM'000	30.9.2020 RM'000	30.9.2019 RM'000
Revenue from contracts with customers				
Construction contract				
- over time	71,548	52,173	93,207	103,992
Sales of properties under development				
- over time	12,643	19,282	14,760	33,628
Sales of completed properties and land				
- at a point in time	27,955	--	50,169	22,150
	112,146	71,455	158,136	159,770
Other revenue				
Rental income	8,742	10,357	17,476	16,398
Total revenue	<u>120,888</u>	<u>81,812</u>	<u>175,612</u>	<u>176,168</u>

Part B: Explanatory notes pursuant to Part A, Appendix 9B of the Listing Requirements (continued)

B13. Profit before tax

	Individual quarter 3 months ended		Cumulative quarter 6 months ended	
	30.9.2020 RM'000	30.9.2019 RM'000	30.9.2020 RM'000	30.9.2019 RM'000
Profit before tax is arrived at after charging/(crediting):				
Depreciation	1,621	1,599	3,302	2,992
Expenses relating to short term leases of:				
- equipment	3,025	3,204	3,116	6,316
- premises	25	3	58	15
Rental income of premises	(404)	(371)	(808)	(506)
(Gain)/Loss on disposal of:				
- property, plant and equipment	(89)	6	(192)	(27)
- investment properties	197	--	197	--
Loss/(Gain) on foreign exchange:				
- realised	31	10	17	12
- unrealised	--	(2)	(1)	(7)
(Reversal)/Impairment loss on trade receivables	--	(4)	130	(4)
Late payment interest income from purchasers	--	(126)	--	(173)
Changes in fair value of investment properties ⁽ⁱ⁾	--	(7,267)	--	(7,267)

- (i) The fair value of investment properties was at level 3 which is estimated by Directors using the sales comparison approach. Sale price of comparable properties in close proximity were adjusted for differences in key attributes such as property size. The significant unobservable input into the Directors' valuation was adjustment to the price per square foot of comparable properties.