

BINASAT COMMUNICATIONS BERHAD (Company No. 1222656-D)

INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 30 JUNE 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTERS</u>	
		Current Quarter Ended 30.6.2019 RM '000	Preceding Corresponding Quarter Ended 30.6.2018 RM '000	Current Year to Date Ended 30.6.2019 RM '000	Preceding Year To Date Ended 30.6.2018 RM '000
Revenue		12,545	17,749	54,686	57,260
Cost of sales		(9,721)	(12,885)	(39,462)	(37,426)
Gross profit		2,824	4,864	15,224	19,834
Other income		486	601	1,920	1,073
Administrative expenses		(1,794)	(1,980)	(6,376)	(6,978)
Other operating expenses		(1,742)	(723)	(2,680)	(1,591)
Finance costs		(62)	(46)	(273)	(216)
(Loss)/Profit before tax		(288)	2,716	7,815	12,122
Taxation		(359)	(522)	(2,721)	(3,017)
(Loss)/Profit for the financial period/year		(647)	2,194	5,094	9,105
Attributable to:					
- Owners of the Company		(521)	2,362	5,342	9,071
- Non-controlling interests		(126)	(168)	(248)	34
		(647)	2,194	5,094	9,105
Attributable to equity holders of the Company:					
- Basic (loss)/earnings per share(sen)	B9	(0.20)	0.91	2.05	4.18
- Diluted (loss)/earnings per share (sen)	B9	(0.20)	0.91	2.05	4.18

Note:

- (1) The above Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements.

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BINASAT COMMUNICATIONS BERHAD (Company No. 1222656-D)**INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 30 JUNE 2019****UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	UNAUDITED	AUDITED
	AS AT	AS AT
	30.6.2019	30.6.2018
Notes	RM'000	RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	8,872	9,100
Construction work-in-progress	2,463	-
Investment properties	4,344	4,439
Deferred tax assets	128	74
	<u>15,807</u>	<u>13,613</u>
CURRENT ASSETS		
Trade receivables and contract assets	27,387	23,035
Contract costs	2,618	868
Other receivables, deposits and prepayments	1,551	1,538
Current tax assets	1,552	-
Short-term investments	34,858	38,640
Cash and bank balances	9,560	11,447
	<u>77,526</u>	<u>75,528</u>
TOTAL ASSETS	<u>93,333</u>	<u>89,141</u>
EQUITY AND LIABILITIES		
EQUITY		
Share capital	55,219	55,219
Merger deficit	(16,052)	(16,052)
Retained profits	35,868	31,826
Equity attributable to owners of the Company	<u>75,035</u>	<u>70,993</u>
Non-controlling interests	(75)	173
TOTAL EQUITY	<u>74,960</u>	<u>71,166</u>
NON-CURRENT LIABILITIES		
Hire purchase payables	B7 1,017	1,058
Term loans	B7 6,382	6,897
Deferred tax liabilities	-	34
	<u>7,399</u>	<u>7,989</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)

	Notes	UNAUDITED AS AT 30.6.2019 RM'000	AUDITED AS AT 30.6.2018 RM'000
EQUITY AND LIABILITIES (CONT'D)			
CURRENT LIABILITIES			
Trade payables		7,660	6,267
Other payables, deposits and accruals		2,484	2,808
Hire purchase payables	B7	406	330
Term loans	B7	424	424
Current tax liabilities		-	157
		<u>10,974</u>	<u>9,986</u>
TOTAL LIABILITIES		<u>18,373</u>	<u>17,975</u>
TOTAL EQUITY AND LIABILITIES		<u>93,333</u>	<u>89,141</u>
Net asset per share (RM) ²		<u>0.29</u>	<u>0.27</u>

Notes:

- (1) The above Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements.
- (2) Based on the Company's issued share capital of 260,000,000 ordinary shares.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<u>Non-Distributable</u>		<u>Distributable</u>		Attributable to Non-Controlling Interests	Total
	Share Capital	Merger Deficit	Retained Profits	Owners of the Company		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance at 1.7.2017	17,402	(16,052)	24,055	25,405	139	25,544
Total comprehensive income for the financial year	-	-	9,071	9,071	34	9,105
Issuance of shares	39,550	-	-	39,550	-	39,550
Listing expenses	(1,733)	-	-	(1,733)	-	(1,733)
Dividend paid	-	-	(1,300)	(1,300)	-	(1,300)
Balance at 30.6.2018 /1.7.2018	55,219	(16,052)	31,826	70,993	173	71,166
Total comprehensive income for the financial year	-	-	5,342	5,342	(248)	5,094
Dividend paid	-	-	(1,300)	(1,300)	-	(1,300)
Balance at 30.6.2019	55,219	(16,052)	35,868	75,035	(75)	74,960

Note:

- (1) The above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements.

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BINASAT COMMUNICATIONS BERHAD (Company No. 1222656-D)**INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 30 JUNE 2019****UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	Current Year To Date Ended 30.6.2019 RM'000	Preceding Year To Date Ended 30.6.2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	7,815	12,122
Adjustments for:		
Allowance for impairment losses on trade and other receivables	1,401	347
Depreciation of property, plant and equipment	1,173	1,144
Depreciation of investment properties	96	89
Gain on disposal of property, plant and equipment	(153)	(68)
Interest expenses	273	216
Interest income	(1,322)	(690)
Reversal of impairment losses on trade receivables	(48)	(50)
Unrealised gain on foreign exchange	(39)	-
Operating profit before working capital changes	9,196	13,110
Changes in working capital:		
Receivables	(7,469)	(5,816)
Payables	1,069	39
CASH FROM OPERATIONS	2,796	7,333
Tax paid	(4,519)	(3,209)
Interest paid	(273)	(216)
Interest received	1,322	690
Net cash flows (for)/from operating activities	(674)	4,598
CASH FLOWS FOR INVESTING ACTIVITIES		
Purchase of property, plant and equipment and construction	(3,012)	(1,376)
Proceeds from disposal of property, plant and equipment	159	120
Purchase of Investment Properties	-	(68)
Net cash flows for investing activities	(2,853)	(1,324)
CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES		
Dividends paid	(1,300)	(1,300)
Drawdown of term loan	-	68
Net repayment of director	-	(202)
Payment of share issue expenses	-	(1,733)
Proceeds from issuance of shares	-	39,551
Repayment of hire purchase obligations	(366)	(360)
Repayment of term loans	(515)	(508)
Net cash flows (for)/from financing activities	(2,181)	35,516
Net change in cash and cash equivalents	(5,708)	38,790
Effects of changes in foreign exchange rate	39	-
Cash and cash equivalents at beginning of financial year	50,087	11,297
Cash and cash equivalents at end of financial year	44,418	50,087

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

	Current Year To Date Ended 30.6.2019 RM'000	Preceding Year To Date Ended 30.6.2018 RM'000
Cash and cash equivalents consist of:		
Cash and bank balances	9,560	11,447
Short- term investments	<u>34,858</u>	<u>38,640</u>
	<u>44,418</u>	<u>50,087</u>

Note:

- (1) The above Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements.

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A Explanatory notes to the Unaudited Interim Financial Report for the fourth quarter ended 30 June 2019

A1 Basis of Preparation

The interim financial statements of the Group are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standard 134: “Interim Financial Reporting” issued by the Malaysian Accounting Standards Board and Rule 9.22 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the audited financial statements of the Group for the financial year ended 30 June 2018 except for the adoption of the MFRS 9 “Financial Instruments” and MFRS 15 “Revenue from Contracts with Customers” as described below:

MFRS 9 Financial Instruments

MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces the existing guidance in MFRS 139 Financial Instruments: Recognition and Measurement and introduces a revised guidance on the classification and measurement of financial instruments, including a single forward-looking ‘expected loss’ impairment model for calculating impairment on financial assets, and a new approach to hedge accounting. Under this MFRS 9, the classification of financial assets is driven by cash flow characteristics and the business model in which a financial asset is held.

Furthermore, pursuant to MFRS 9, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, the Group is required to recognise and measure a lifetime expected credit loss (“ECL”) on its debt instruments. This application will result in earlier recognition of credit losses.

The adoption of MFRS 9 have no material impact on the financial statements of the Group upon its initial application.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a single comprehensive model for revenue recognition and will supersede the current revenue recognition guidance and other related interpretations when it becomes effective. Under MFRS 15, an entity shall recognise revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the distinct promised goods or services underlying the particular performance obligation is transferred to the customers. The amendments to MFRS 15 further clarify the concept of ‘distinct’ for the purposes of this accounting standard. In addition, extensive disclosures are also required by MFRS 15 about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The adoption of MFRS 15 have no material impact on the financial statements of the Group upon its initial application.

A2 Comments about Seasonal and Cyclical Factors

The Group does not experience significant fluctuations in operations due to seasonal factors or cyclical factors during the current financial quarter under review.

A3 Items or Unusual Nature and Amount

There were no unusual items affecting assets, liabilities, equity, net income or cash flows that were unusual because of their nature, size or incidence during the current financial quarter under review.

A4 Material Changes in Estimates

There were no material changes in estimates of amounts reported in the current financial quarter or changes in estimates of amounts reported in prior financial years that may have a material effect in the current financial quarter under review and the financial period to date.

A Explanatory notes to the Unaudited Interim Financial Report for the fourth quarter ended 30 June 2019 (Cont'd)

A5 Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debts and equity securities for the current financial quarter under review.

A6 Dividends Paid

There is no dividend paid by the Company for the financial quarter ended 30 June 2019 and 30 June 2018.

A7 Segmental Reporting

Information about operating segments has not been reported separately as the Group's revenue, profit or loss, assets and liabilities are mainly confined to a single operating segment, namely in the provision of support services for satellite, mobile and fibre optic telecommunications networks.

A8 Valuation of Property, Plant and Equipment

There was no valuation of property, plant and equipment in the current financial quarter under review.

A9 Capital Commitments

	As at 30.6.2019 RM'000	As at 30.6.2018 RM'000
Approved and contracted for:		
- Property, plant and equipment	7,032	5,737
Approved and not contracted for:		
- Teleport	324	-
- Property, plant and equipment	11,200	-
	<u>18,556</u>	<u>5,737</u>

A10 Material Subsequent Event

There are no material events subsequent to the end of the current financial quarter under review.

A11 Changes in Composition of the Group

There were no changes in the composition of the Group in the current financial quarter under review.

A12 Contingent Assets or Liabilities

There were no contingent assets as at the date of this interim report. Contingent liabilities of the Group as at 30 June 2019 comprise of bank guarantees issued to our customers for the purpose of performance bonds amounting to RM 452,259.

A13 Significant Related Party Transactions

There were no related party transactions in the current financial quarter under review.

Explanatory notes to the Unaudited Interim Financial Report for the fourth quarter ended 30 June 2019 (Cont'd)

B Additional Information Required by the Listing Requirement

B1 Comparison with Preceding Year Corresponding Quarter

	<u>Quarter ended</u>		Variance
	30.6.2019	30.6.2018	
	(4Q 19)	(4Q 18)	
	RM'000	RM'000	%
Revenue	12,545	17,749	-29.32%
Gross Profit	2,824	4,864	-41.94%
(Loss)/Profit before tax	(288)	2,716	-110.60%

The Group's revenue recorded in 4Q19 decreased by RM5.2 million or 29.3% compared to RM17.7 million in the 4Q 18. The decrease in revenue was mainly due to lower engineering activities resulting from reduced engineering, installation and no migrations and lesser equipment supplied. The gross profit for 4Q 19 of RM2.8 million was lower by RM2.1 million as compared with RM4.9 million in 4Q 18 as a result of lower margin for engineering projects due to competitive pricing.

Loss before taxation during the Q4 19 of RM0.30 million reflected a decline of RM3.0 million from RM2.7 million profit before taxation in 4Q 18, mainly due to lower margin from engineering projects explained above and allowance for impairment losses on trade receivables of RM1.4 million.

B2 Comparison with Immediate Preceding Quarter Results

	<u>Quarter ended</u>		Variance
	30.6.2019	31.3.2019	
	(4Q 19)	(3Q 19)	
	RM'000	RM'000	%
Revenue	12,545	13,113	-4.33%
Gross Profit	2,824	4,155	-32.03%
(Loss)/Profit before taxation	(288)	2,716	-110.60%

The Group's revenue for the 4Q 19 has decreased by RM0.6 million or 4.3% to RM12.5 million as compared to RM13.1 million in 3Q 19 due to lower engineering activities resulting from reduced engineering, installation and no migrations and lesser equipment supplied. The gross profit of RM2.8 million in 4Q 19 reduced by RM1.4 million as compared with gross profit of RM4.2 million recorded in 3Q 19, largely attributed by net lower margin of engineering projects due to competitive pricing. The profit before taxation decreased by RM3.0 million due to corresponding decrease of RM1.4 million above and allowance for impairment losses on trade receivables of RM1.4 million.

B3 Commentary on Prospects

The Group will continue to grow its recurring revenue business via the post-IPO expansion plans to explore new sources of revenue and business opportunities, both in Malaysia and in other ASEAN countries. The Group is expected to benefit from the new satellite teleport facility, enhancing our mobile network operations and maintenance service and fiber optic network installation and commissioning capability and sourcing for business opportunities in ASEAN countries. The construction of the new teleport facility is on-going and with this, the Company expects to provide new services to customers, such as satellite downlink services for video content, managed satellite network services, uplink and downlink services to send and receive video data between Malaysia, and other countries and regions thereby creating opportunities for new revenue streams.

Barring unforeseen circumstances, the Board expects the financial performance for the financial year ending 30 June 2020 to be satisfactory.

B Additional Information required by the Listing Requirement (Cont'd)

B4 Taxation

	Current Quarter Ended 30.6.2019 RM'000	Preceding Year Corresponding Quarter Ended 30.6.2018 RM'000	Current Year To Date Ended 30.6.2019 RM'000	Preceding Year To Date Ended 30.6.2018 RM'000
Malaysia income tax:				
- Current tax	448	652	2,529	3,147
- Under/(Over) provision in prior year	-	(143)	281	(143)
	<u>448</u>	<u>509</u>	<u>2,810</u>	<u>3,004</u>
Deferred tax:				
- Relating to origination and reversal of temporary differences	(40)	(6)	(40)	(6)
- (Over)/Under provision in the previous financial year	(49)	19	(49)	19
	<u>(89)</u>	<u>13</u>	<u>(89)</u>	<u>13</u>
	<u>359</u>	<u>522</u>	<u>2,721</u>	<u>3,017</u>
Effective tax rate ⁽¹⁾	>100%	19.22%	34.82%	24.89%

Note:

(1) The Group's effective tax rate of 34.82% for the current financial year due to non-deductible expenses.

B5 Status of Corporate Proposals

Save as disclosed below, there is no other outstanding corporate proposals which have been announced but are pending completion as at 28 August 2019, being the latest practicable date ("LPD") of this interim financial report:

- (a) On 5 December 2018, the Company had announced that they have submitted an application to the Securities Commission Malaysia ("SC") and the Ministry of International Trade and Industry ("MITI") to seek their approvals with respect to a proposed special issue of up to 12.5% of the enlarged issued share capital of Binasat to bumiputera investors to be identified and/ or approved by the MITI ("**Proposed Special Issue**"). The Company had, on 22 January 2019, received approval from the MITI and is currently pending approval from the SC.

B Additional Information required by the Listing Requirement (Cont'd)

B6 Utilisation of Proceeds Raised from Public Issue

The gross proceeds from the Public Issue amounting to RM39.55 million is intended to be utilised in the following manner:

Details of use of proceeds		Estimated Timeframe for Utilisation⁽¹⁾	Amount RM'000	Actual Utilisation RM'000	Percentage Utilised %
1	Setting up a teleport	Within 24 months	14,360	9,926	69.12%
2	Enhancing operations and maintenance services capability	Within 36 months ⁽²⁾	4,900	1,425	29.09%
3	Enhancing fiber optic network installation and commissioning services capability	Within 36 months ⁽²⁾	4,800	55	1.15%
4	Regional business expansion in ASEAN countries	Within 36 months ⁽²⁾	1,500	8	0.53%
5	Working capital	Within 24 months	10,790	5,787	53.63%
6	Estimated listing expenses	Within 3 months	3,200	3,200	100.00%
			39,550	20,401	51.58%

Notes:

- (1) From the date of listing of the Company on the ACE Market of Bursa Securities on 8 January 2018. The utilisation of proceeds disclosed above should be read in conjunction with the Prospectus of the Company dated 13 December 2017.
- (2) Revised estimated timeframe as per company's announcement dated on 10 April 2019.

B7 Group Borrowings

	As at 30.6.2019 RM'000	As at 30.6.2018 RM'000
Non-current:		
Hire purchase payables (secured)	1,017	1,058
Term loans (secured)	6,382	6,897
	7,399	7,955
Current:		
Hire purchase payables (secured)	406	330
Term loans (secured)	424	424
	830	754

All the Group's borrowings are denominated in Ringgit Malaysia.

B8 Material Litigation

As at the date of this report, the Group is not engaged in any material litigation.

BINASAT COMMUNICATIONS BERHAD (Company No. 1222656-D)

INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 30 JUNE 2019

B Additional Information required by the Listing Requirement (Cont'd)

B9 Earnings per Share

The basic and diluted earnings per share for the current quarter and financial year-to-date are computed as follows:

	Current Quarter Ended 30.6.2019	Preceding Year Corresponding Quarter Ended 30.6.2018	Current Year To Date Ended 30.6.2019	Preceding Year To Date Ended 30.6.2018
Profit after taxation attributable to owners of the Company (RM'000)	(521)	2,362	5,342	9,071
Weighted average number of shares	260,000	260,000	260,000	217,011
Basic (loss)/earnings per share (sen) ⁽¹⁾	(0.20)	0.91	2.05	4.18
Diluted (loss)/earnings per share (sen) ⁽²⁾	(0.20)	0.91	2.05	4.18

Notes:

- (1) The basic earnings per share is computed based on the profit after taxation attributable to the equity shareholders of the Company divided by the number of ordinary shares for the period under review.
- (2) Diluted earnings per share is equivalent to the basic earnings per share as the Group does not have convertible securities as at 30 June 2019.

B10 Notes to the Statement of Comprehensive Income

Profit before taxation is arrived at after charging/(crediting):

	Current Quarter Ended 30.6.2019 RM'000	Preceding Year Corresponding Quarter Ended 30.6.2018 RM'000	Current Year To Date Ended 30.6.2019 RM'000	Preceding Year To Date Ended 30.6.2018 RM'000
Allowance for impairment losses on trade and other receivables	1,401	347	1,401	347
Depreciation of property, plant and equipment	307	873	1,173	1,144
Depreciation of investment property	24	24	96	89
Interest expense	62	46	273	216
Realised loss on foreign exchange	-	-	9	9
Other income: -				
Rental income	(17)	(6)	(66)	(56)
Reversal of impairment losses on trade receivables	(14)	(50)	(48)	(50)
Interest income	(314)	(405)	(1,322)	(690)
Gain on disposal of property, plant and equipment	(96)	(6)	(153)	(68)
Unrealised gain on foreign exchange	(3)	(17)	(39)	-
Claim, fees and rebates	(42)	(117)	(292)	(209)
	(486)	(601)	(1,920)	(1,073)

B Additional Information required by the Listing Requirement (Cont'd)

B11 Declared Dividend

There is no dividend declared and/ or paid by the Company for the financial quarter ended 30 June 2019. On 29 August 2018, the Board of Directors approved and declared a second interim dividend of 0.5 sen per share under the single-tier system in respect of the financial year ended 30 June 2018, amounting to RM1,300,000.00. The book closure and payment dates for the aforesaid dividend are 19 September 2018 and 8 October 2018 respectively.

BY ORDER OF THE BOARD

**TAI YIT CHAN (MAICSA 7009143)
TAN AI NING (MAICSA 7015852)
COMPANY SECRETARIES**

**KUALA LUMPUR
28 AUGUST 2019**