

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Current Quarter Ended	Preceding Corresponding Quarter Ended	Current Year to Date Ended	Preceding Year To Date Ended
		31.12.2019	31.12.2018	31.12.2019	31.12.2018
	Notes	RM '000	RM '000	RM '000	RM '000
Revenue		12,240	15,929	23,867	29,028
Cost of sales		(8,410)	(11,294)	(16,578)	(20,783)
Gross profit		3,830	4,635	7,289	8,245
Other income		476	406	897	1,007
Administrative expenses		(1,710)	(1,800)	(3,123)	(3,099)
Other operating expenses		(685)	(318)	(1,498)	(619)
Finance costs		(168)	(66)	(299)	(147)
Profit before tax		1,743	2,857	3,266	5,387
Taxation		(440)	(777)	(785)	(1,435)
Profit for the financial period/year		1,303	2,080	2,481	3,952
Attributable to:					
- Owners of the Company		1,304	2,150	2,421	4,087
- Non-controlling interests		(1)	(70)	60	(135)
		1,303	2,080	2,481	3,952
Attributable to equity holders of the Company:					
- Basic earnings per share(sen)	B10	0.50	0.83	0.93	1.57
- Diluted earnings per share (sen)	B10	0.50	0.83	0.93	1.57

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 SECOND QUARTER ENDED 31 DECEMBER 2019****UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	Notes	UNAUDITED AS AT 31.12.2019 RM'000	AUDITED AS AT 30.6.2019 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		14,278	12,354
Investment properties		4,295	4,343
Right of use assets		15,064	-
Prepaid lease payments		-	523
Deferred tax assets		128	128
		<u>33,765</u>	<u>17,348</u>
CURRENT ASSETS			
Contract costs		4,104	2,618
Trade receivables and contract assets		25,905	27,300
Other receivables, deposits and prepayments		879	1,028
Current tax assets		2,518	1,681
Short-term investments		31,437	34,858
Cash and bank balances		10,658	9,560
		<u>75,501</u>	<u>77,045</u>
TOTAL ASSETS		<u>109,266</u>	<u>94,393</u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital		56,588	55,219
Merger deficit		(16,052)	(16,052)
Retained profits		37,821	35,400
Equity attributable to owners of the Company		<u>78,357</u>	<u>74,567</u>
Non-controlling interests		(42)	(102)
TOTAL EQUITY		<u>78,315</u>	<u>74,465</u>
NON-CURRENT LIABILITIES			
Borrowings	B8	<u>19,656</u>	<u>7,352</u>

BINASAT COMMUNICATIONS BERHAD (Company No. 1222656-D)**INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2019****UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)**

	UNAUDITED AS AT 31.12.2019 RM'000	AUDITED AS AT 30.6.2019 RM'000
	Notes	
CURRENT LIABILITIES		
Trade payables and contract liabilities	6,904	8,222
Other payables, deposits and accruals	3,450	3,478
Borrowings	B8 941	876
	<u>11,295</u>	<u>12,576</u>
TOTAL LIABILITIES	<u>30,951</u>	<u>19,928</u>
TOTAL EQUITY AND LIABILITIES	<u>109,266</u>	<u>94,393</u>
Net asset per share (RM) ²	<u>0.30</u>	<u>0.29</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 264,367,550 ordinary shares for financial period ended 31 December 2019 and 260,000,000 ordinary shares for financial year ended 30 June 2019.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Non-Distributable		Distributable			Total
	Share Capital	Merger Deficit	Retained Profits	Attributable to Owners of the Company	Non-Controlling Interests	
	RM'000	RM'000	RM'000	RM'000	RM'000	
Balance at 1.7.2018	55,219	(16,052)	31,827	70,994	173	71,167
Total comprehensive income for the financial period	-	-	4,087	4,087	(135)	3,952
Dividend paid	-	-	(1,300)	(1,300)	-	(1,300)
Balance at 31.12.2018	55,219	(16,052)	34,614	73,781	38	73,819
Balance at 1.7.2019	55,219	(16,052)	35,400	74,567	(102)	74,465
Total comprehensive income for the financial period	-	-	2,421	2,421	60	2,481
<u>Transactions with owners :</u>						
Issuance of ordinary shares	1,369	-	-	1,369	-	1,369
Balance at 31.12.2019	56,588	(16,052)	37,821	78,357	(42)	78,315

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 SECOND QUARTER ENDED 31 DECEMBER 2019****UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	Current Year To Date Ended 31.12.2019 RM'000	Preceding Year To Date Ended 31.12.2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	3,266	5,387
Adjustments for:		
Allowance for impairment losses on trade and other receivables	794	-
Depreciation of property, plant and equipment	519	571
Depreciation of investment properties	48	48
Depreciation of right of use assets	136	-
Gain on disposal of property, plant and equipment	*	(23)
Interest expenses	299	147
Interest income	(565)	(670)
Reversal of impairment losses on trade receivables	(281)	-
Unrealised gain on foreign exchange	(4)	(32)
Operating profit before working capital changes	<u>4,212</u>	<u>5,428</u>
Changes in working capital:		
Amount owing by customers on contract	-	(154)
Receivables	(478)	(581)
Payables	(1,346)	(2,406)
CASH FROM OPERATIONS	<u>2,388</u>	<u>2,287</u>
Tax paid	(1,819)	(1,189)
Tax refund	220	-
Interest paid	(120)	(147)
Interest received	565	670
Net cash flows from operating activities	<u>1,234</u>	<u>1,621</u>
CASH FLOWS FOR INVESTING ACTIVITIES		
Purchase of property, plant and equipment and construction	(4,422)	(765)
Proceeds from disposal of property, plant and equipment	*	29
Net cash flows for investing activities	<u>(4,422)</u>	<u>(736)</u>
CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES		
Proceed from issuance of shares	1,369	-
Repayment of hire purchase obligations	-	(172)
Repayment of term loans	(261)	(255)
Repayment of lease liabilities	(247)	-
Net cash flows from/(for) financing activities	<u>861</u>	<u>(427)</u>

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

	Current Year To Date Ended 31.12.2019 RM'000	Preceding Year To Date Ended 31.12.2018 RM'000
Net change in cash and cash equivalents	(2,327)	458
Effects of changes in foreign exchange rate	4	32
Cash and cash equivalents at beginning of financial year	<u>44,418</u>	<u>50,087</u>
Cash and cash equivalents at end of financial year	<u><u>42,095</u></u>	<u><u>50,577</u></u>
Cash and cash equivalents consist of:		
Cash and bank balances	10,658	13,270
Short- term investments	<u>31,437</u>	<u>37,307</u>
	<u><u>42,095</u></u>	<u><u>50,577</u></u>

Notes:

- (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.

* Less than one thousand ringgit.

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A Explanatory notes to the Unaudited Interim Financial Report for the Second Quarter ended 31 December 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 2019 except for the adoption of the MFRS 16 Leases as described below:

MFRS 16 Leases

MFRS 16 requires the lessee to recognize in the statements of financial position, a “right of use” of the underlying asset and a lease liability reflecting future lease payment for most leases. The right-of-use asset is depreciated in accordance with principle in MFRS 116 “Property, Plant and Equipment” and the lease liability is accreted over time with interest expense recognized in the statement of profit or loss.

On the date of initial application, the Group applied the simplified transition approach and did not restate comparative amounts for the period prior to first adoption. Right-of-use assets were measured on transition as if the new rules had always been applied.

The adoption of MFRS 16 impacts the Group’s financial performance in the current financial period as below:

- (a) On the statements of profit or loss, expenses which previously included operating lease rentals were replaced by interest expenses on lease liabilities (included within “finance costs”) and depreciation of right-of-use assets.
- (b) On the statement of cash flows, operating lease rental outflows previously recorded within “net cash flows from operating activities” were reclassified as “net cash flows used in financing activities” for repayment of the principal and interest of lease liabilities.

MFRS, amendments and improvements to MFRSs and IC Interpretation

The Malaysian Accounting Standards Board had issued the following new standard, amendments and improvements to MFRSs and IC interpretation, all of which are effective for the financial period beginning on or after 1 January 2020.

- Amendments to MFRS 3 Definition of a Business
- Amendments to MFRS 101 and MFRS 108 Definition of Material

The Group has not applied in advance any new or revised Malaysia Financial Reporting Standards and IC interpretation which are applicable to the Group but are not yet effective for the Group’s current financial period.

A2 Auditor’s Report of preceding annual financial statements

The preceding year’s audited financial statements of the Group did not contain any qualification.

A3 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.

A4 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.

A Explanatory notes to the Unaudited Interim Financial Report for the Second Quarter ended 31 December 2019 (Cont'd)

A5 Material Changes in Estimates

There were no material changes in estimates that may have a material effect in the current financial quarter under review and the financial period to date.

A6 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, save for the special issue of 4,367,550 new ordinary shares of Binasat to Bumiputera investors approved by the Ministry of International Trade and Industry which are completed on 20 December 2019.

A7 Dividends Paid

The table below sets out the dividend paid for the current financial quarter under review and the previous corresponding period:

	Financial Quarter Ended 31.12.2019
In respect of the financial year ending 30 June 2020:	RM

There was no dividend paid during the financial quarter ended 31 December 2019.

	Financial Quarter Ended 31.12.2018
In respect of the financial year ended 30 June 2019:	RM

A second interim single-tier dividend of 0.5 sen per share declared on 28 August 2018. The entitlement date was 19 September 2018 and dividend paid on 8 October 2018.

(1) 1,300,000

Note:

(1) Based on the Company's issued share capital of 260,000,000 ordinary shares as at the entitlement date.

A8 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 in Malaysia.

A9 Valuation of Property, Plant and Equipment

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

Explanatory notes to the Unaudited Interim Financial Report for the Second Quarter ended 31 December 2019 (Cont'd)

A10 Capital Commitments

	As at 31.12.2019 RM'000	As at 31.12.2018 RM'000
Approved and contracted for:		
- Property, plant and equipment	11,991	5,645
- Office building	9,251	-
Approved and not contracted for:		
- Teleport	-	89
	21,242	5,734

A11 Material Subsequent Event

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

A12 Changes in Composition of the Group

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

A13 Contingent Assets or Liabilities

There were no contingent assets as at the date of this interim report. Contingent liabilities of the Group as at 31 December 2019 comprise of bank guarantees issued to our customers for the purpose of performance bonds amounting to RM 596,122.

A14 Recurrent Related Party Transactions ("RRPT")

RRPT conducted by the transacting subsidiaries, Binasat Sdn Bhd ("BSB") and Satellite NOC Sdn Bhd ("SNSB") during the validity period are as follows:

No.	Transacting parties	Interested directors, major shareholders and/or person connected with them	Nature of transaction	Aggregate value transacted from 29.11.2019 up to 31.12.2019 RM'000
1	BSB and SNSB	Zulamran bin Hamat Na Boon Aik Na Bon Tiam	Payment of rental for Digital Satellite News Gathering ("DSNG") equipment.	19

Explanatory notes to the Unaudited Interim Financial Report for the Second Quarter ended 31 December 2019 (Cont'd)

B Additional Information Required by the Listing Requirement

B1 Comparison with Preceding Year Corresponding Quarter

	<u>Quarter ended</u>		Variance %
	31.12.2019 (2Q 20)	31.12.2018 (2Q 19)	
	RM'000	RM'000	
Revenue	12,240	15,929	-23.16%
Gross Profit	3,830	4,635	-17.37%
Profit before taxation	1,743	2,857	-38.99%

In 2Q20, the Group's revenue has decreased by RM3.69 million or 23.16% compared to RM15.93 million in the 2Q19. The decrease in revenue was mainly due to lower engineering activities in infrastructure as compared to an ad hoc project in telecommunications industry that was completed in last year.

Profit before taxation during 2Q20 of RM1.74 million reflected a decline of RM1.12 million from RM2.86 million profit before taxation in 2Q19, mainly due lower margin from engineering projects by approximately RM0.67 million as a result of corresponding decline in revenue, bonus to directors of RM0.25 million and also allowance for impairment losses on trade receivables of RM0.20 million.

B2 Comparison with Preceding Year Corresponding Period

	<u>Cumulative 6 months Period ended</u>		Variance %
	31.12.2019	31.12.2018	
	RM'000	RM'000	
Revenue	23,867	29,028	-17.78%
Gross Profit	7,289	8,245	-11.59%
Profit before taxation	3,266	5,387	-39.37%

The Group's revenue of RM23.87 million for the current 6 months financial period decreased by 17.78% as compared to preceding year corresponding period of RM29.03 million. The decrease in revenue was mainly due to completion of several ad hoc projects on engineering activities and fiber installation in the preceding year corresponding period.

The Group gross profit has decreased to RM7.29 million as compared to preceding year corresponding period of RM8.25 million as a result of the decline in revenue.

The Group has recorded a profit before taxation of RM3.27 million for the current period as compared to RM5.39 million in the preceding year corresponding period. The decrease in profit before taxation was mainly due to lower margin from engineering projects by approximately RM0.90 million as a result of corresponding decline in revenue, recognition allowance for impairment losses on trade receivables of RM0.79 million, bonus to directors of RM0.25 million and also interest on lease liabilities of RM0.18 million.

B Additional Information required by the Listing Requirement (Cont'd)**B3 Comparison with Immediate Preceding Quarter Results**

	<u>Quarter ended</u>		Variance
	31.12.2019	31.09.2019	
	(2Q 20)	(1Q 20)	
	RM'000	RM'000	%
Revenue	12,240	11,627	5.27%
Gross Profit	3,830	3,459	10.73%
Profit before taxation	1,743	1,523	14.45%

In 2Q20, the Group has recorded an increase in revenue of 5.27% to RM12.24 million as compared to RM11.63 million in 1Q20. The increase in revenue was mainly due to new contracts related to fiber installation signed for fiber segment.

The Group's gross profit for 2Q20 of RM3.83 million has increased by 10.73% or RM0.37 million as compared with RM3.46 million in 1Q20 arising from the increase in revenue. In addition, during the current quarter, the Group has continued to reduce duplication of functions, reduce costs and improve efficiency in its delivery of services.

The Group's current quarter's profit before tax of RM1.74 million represents an increase of 14.45% or RM0.22 million as compared to RM1.52 million recorded in 1Q20. The increase in profit was mainly attributable to corresponding increase in revenue generated from fiber projects.

B4 Commentary on Prospects

The Group will continue to grow its recurring revenue business as set out under its post-IPO expansion plans to explore new sources of revenue and business opportunities, both in Malaysia and in other ASEAN countries. To this end, the Group is expected to benefit from the completion of its first teleport Ku-band gateway which operations since January 2020 and has since contributed a new revenue stream to the Group. The Group is expected to complete another satellite teleport C-band gateway in the first half of 2020 which the Board expects it to have high possibility of collaboration with other satellite operator. In addition, Ka-band gateway is expected to be completed by end of 2020, which will expand another service of the Group to its customers.

The Group will continue its focus on its current mobile network and building telecommunication tower structure for 5G implementation activities. The Board is also optimistic on the prospects of the Group in view of the announcement made under the Malaysian National Fiberisation and Connectivity Plan (NFCP) outlined in Budget 2020 where the NFCP aims to achieve a coverage of 98% connectivity nationwide and our Group has participated in delivery of various NFCP projects.

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

B5 Taxation

	Current Quarter Ended	Preceding Year Corresponding Quarter Ended	Current Year To Date Ended	Preceding Year To Date Ended
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Malaysia income tax:				
- Current tax	440	777	785	1,435
	<u>440</u>	<u>777</u>	<u>785</u>	<u>1,435</u>
Effective tax rate ⁽¹⁾	25.24%	27.20%	24.04%	26.64%

Note:

- (1) The Group's effective tax rate of 25.24% for the current quarter is higher than the statutory tax rate mainly due to adjustment for non-deductible expenses.

B6 Status of Corporate Proposals

There is no other outstanding corporate proposals as at 28 February 2020.

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

B7 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⁾	Proposed Utilisation RM'000	Actual Utilisation RM'000	Percentage Utilised %
1	Setting up a teleport	Within 24 months	14,360	14,360	100.00%
2	Enhancing operations and maintenance services capability	Within 36 months ⁽²⁾	4,900	1,498	30.57%
3	Enhancing fiber optic network installation and commissioning services capability	Within 36 months ⁽²⁾	4,800	56	1.17%
4	Regional business expansion in ASEAN countries	Within 36 months ⁽²⁾	1,500	8	0.53%
5	Working capital	Within 30 months ⁽²⁾	10,790	7,746	71.79%
6	Estimated listing expenses	Within 3 months	3,200	3,200	100.00%
			39,550	26,868	67.93%

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 announcements dated on 10 April 2019 and 28 February 2020.

B8 Group Borrowings

	As at 31.12.2019 RM'000	As at 30.6.2019 RM'000
Non-current:		
Hire purchase payables (secured)	1,017	1,017
Term loans (secured)	5,999	6,335
Lease liabilities (secured)	12,640	-
	19,656	7,352
Current:		
Hire purchase payables (secured)	202	406
Term loans (secured)	545	470
Lease liabilities (secured)	194	-
	941	876

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

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

B9 Material Litigation

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

B10 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	Preceding Year Corresponding Quarter Ended	Current Year To Date Ended	Preceding Year To Date Ended
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Profit after taxation attributable to owners of the Company (RM)	1,304	2,150	2,421	4,087
Weighted average number of shares	260,485	260,000	260,243	260,000
Basic earnings per share (sen) ⁽¹⁾	0.50	0.83	0.93	1.57
Diluted earnings per share (sen) ⁽²⁾	0.50	0.83	0.93	1.57

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 weighted average 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 31 December 2019.

B11 Derivatives

The Group did not enter into any derivatives contracts during the current quarter under review.

B12 Disclosure of gain/losses arising from fair value changes of financial liabilities

The Group did not have any financial liabilities measured at fair value through profit and loss for the current quarter under review.

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

B13 Notes to the Statement of Comprehensive Income

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

	Current Quarter Ended	Preceding Year Corresponding Quarter Ended	Current Year To Date Ended	Preceding Year To Date Ended
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Allowance for impairment losses on trade and other receivables	310	-	794	-
Depreciation of property, plant and equipment	273	294	519	571
Depreciation of investment property	24	24	48	48
Depreciation of right of use assets	78	-	136	-
Interest expense	168	66	299	147
Realised loss on foreign exchange	17	*	20	1
Rental income	(21)	(17)	(39)	(33)
Reversal of impairment losses on trade receivables	(186)	-	(281)	-
Interest income	(267)	(338)	(565)	(670)
Gain on disposal of property, plant and equipment	*	*	*	(23)
Unrealised (gain)/loss on foreign exchange	5	(27)	(4)	(32)
Other income ⁽¹⁾	(8)	(24)	(8)	(249)

Notes:

(1) Other income includes, amongst others, fire insurance claims, compensation from the Group's customer and processing fees.

* Less than one thousand ringgit.

Same as disclosed above and in the Condensed Consolidated Statements of Comprehensive Income, other disclosure items pursuant to Note 16 of Appendix 9B Part A of the listing requirements are not applicable to the Group.

B14 Declared Dividend

There is no dividend declared and/ or paid by the Company for the financial quarter ended 31 December 2019.

BY ORDER OF THE BOARD

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

KUALA LUMPUR
28 FEBRUARY 2020