

H1 SIGNIFICANTLY IMPACTED BY IMPAIRMENT PROVISIONS RESULTING FROM THE COVID PANDEMIC

KUALA LUMPUR, 27 AUGUST 2020 - Malaysian Resources Corporation Berhad (MRCB) recorded Revenue of RM592.9 million and a Loss Before Tax of RM195.2 million in the first half of 2020. While Revenue increased by 25% compared to the first half of 2019, due to revenue recognition from the completed 1060 Carnegie development in Melbourne, losses were recorded due to impairment provisions totalling RM202.5 million on the recoverability of contract assets, trade and other receivables mostly from certain completed construction projects impacted by the pandemic. Had these provisions not been prudently recognised, the Group would have recorded a small profit of RM7.4 million in the first half of 2020, despite the total halt of construction during the MCO/CMCO in the period.

Commenting on the results, Encik Imran Salim, Group Managing Director said, "As we cautioned earlier, the COVID-19 pandemic had a very significant impact on our operations in the second quarter. We believe it is prudent to recognise these impairments, as we now have serious doubts in the recoverability of these contract assets, trade and other receivables, as they emanate from a sector that has been impacted severely by the on-going pandemic."

The Property Development & Investment Division recorded a 115% increase in Revenue to RM336.4 million and a 52% decrease in Operating Profit to RM22.6 million in the first half of 2020, compared to RM156.4 million and RM47.0 million respectively in the corresponding period in 2019. The increase in Revenue was mainly due to revenue recognition from 1060 Carnegie, upon the settlement and handover of purchased units following its construction completion in December 2019, as well construction progress at Sentral Suites in KL Sentral, which saw a 2-fold increase in revenue recognition to RM68.9 million compared to RM33.5 million in the corresponding period in 2019. The decline in Operating Profit was mainly due to minimal construction progress during the MCO and CMCO period. The Division sold RM86.1 million worth of properties in the first half of 2020 and had unbilled property sales of RM1.3 billion.

The Engineering, Construction & Environment Division recorded Revenue of RM231.5 million, which was mostly earned pre-MCO in the first quarter from the Damansara-Shah Alam Elevated Highway Package CB2, EPF Headquarters at Kwasa Sentral, Sungai Besi-Ulu Kelang Elevated Expressway Package CA2 and Mass Rapid Transit Line 2 Package projects. Following the pandemic, the Division performed a detailed business impact assessment on the recoverability of the carrying amounts of assets, and subsequently provided RM197.4 million for the impairment of contract assets, trade and other receivables it believes will be impacted as a result of the pandemic in Q2 2020. This resulted in an Operating Loss of RM195.7 million in the first half of 2020. The Group's 50%-owned LRT3 project joint venture company contributed Profit After Tax of RM1.4 million compared with RM1.0 million in the corresponding period in 2019.

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About MRCB

MRCB is a leading urban property and construction company, which has been listed on the Main Board of Bursa Malaysia since 1971.

The Group's activities span three areas: Property Development & Investment; Engineering, Construction & Environment and Facilities Management & Parking.

As the developer of the iconic RM18 billion KL Sentral CBD, MRCB pioneered Transit Oriented Development (TOD) in Malaysia and is setting the standard for future fully integrated TOD projects. MRCB's property development revenues are underpinned by its 323-acre urban land bank which has an estimated GDV of RM32 billion. Its property investment activity is conducted through its 27.94% equity stake in MRCB-Quill REIT.

Apart from constructing world class commercial and residential developments, MRCB's Engineering, Construction & Environment Division also has an enviable track record in highways, rail infrastructure, high voltage power transmission projects and the rehabilitation of rivers and coastal areas. The division currently has an external order book of RM21.9 billion.

MRCB's largest shareholder is the Employees Provident Fund.

Visit www.mrcb.com for more information.

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