



# **NESTCON BERHAD**

**[Registration No. 202001008684 (1365004-W)]  
(Incorporated in Malaysia)**

**Unaudited Interim Financial Report  
For the Third Quarter Ended  
30 September 2021**

**NESTCON BERHAD**

Registration No. 202001008684 (1365004-W)

• Unaudited Interim Financial Report For The Third (3<sup>rd</sup>) Quarter Ended 30 September 2021

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME<sup>(1)</sup>**

|  | Note | INDIVIDUAL QUARTER  |  | CUMULATIVE QUARTER   |   |
|--|------|---|--|--|---|
|  |      | Unaudited<br>Current<br>Year<br>Quarter<br>30.09.2021<br>RM'000 | Unaudited<br>Preceding Year<br>Corresponding<br>Quarter <sup>(2)</sup><br>30.09.2020<br>RM'000 | Unaudited<br>Current<br>Year-to-date<br>30.09.2021<br>RM'000 | Unaudited<br>Preceding Year<br>Corresponding<br>Year-to-date <sup>(2)</sup><br>30.09.2020<br>RM'000 |
| Revenue  |      | 70,588  | N/A  | 250,978  | N/A   |
| Cost of sales  |      | (66,899)  | N/A  | (231,701)  | N/A   |
| Gross profit   |      | 3,689   | N/A  | 19,277   | N/A   |
| Other income   |      | 301   | N/A  | 1,274  | N/A   |
| Administrative expenses  |      | (2,092)   | N/A  | (8,857)  | N/A   |
| Other operating expenses   |      | (24)  | N/A  | (56)   | N/A   |
| Profit from operations   |      | 1,874   | N/A  | 11,638   | N/A   |
| Finance costs  |      | (1,307)   | N/A  | (4,071)  | N/A   |
| <b>Profit before tax</b>   | B12  | <b>567</b>  | <b>N/A</b>   | <b>7,567</b>   | <b>N/A</b>  |
| Income tax expense   | B5   | 400   | N/A  | (1,904)  | N/A   |
| <b>Net profit/Total<br/>comprehensive income<br/>for the financial period</b>                      |      | <b>967</b>  | <b>N/A</b>   | <b>5,663</b>   | <b>N/A</b>  |
| <b>Net profit/Total<br/>comprehensive income<br/>for the financial period<br/>attributable to:</b> |      |   |  |  |   |
| Owners of the Company  |      | 967   | N/A  | 5,663  | N/A   |
|  |      | <b>967</b>  | <b>N/A</b>   | <b>5,663</b>   | <b>N/A</b>  |
| <b>Earnings Per Share<br/>attributable to Owners<br/>of the Company</b>                            |      |   |  |  |   |
| Basic <sup>(3)</sup> /Diluted <sup>(4)</sup> EPS (sen)   | B11  | 0.15  | N/A  | 0.88   | N/A   |

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME<sup>(1)</sup> (Continued)**

**Notes:**

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income is disclosed in Note A1 and should be read in conjunction with the Accountants' Report as disclosed in the Prospectus dated 8 June 2021 and the accompanying explanatory notes attached to this interim financial report.
- (2) This is the third interim financial report on the Company's unaudited condensed consolidated financial results for the third (3<sup>rd</sup>) quarter ended 30 September 2021 announced in compliance with the ACE Market Listing Requirements ("**Listing Requirements**") of Bursa Malaysia Securities Berhad ("**Bursa Securities**"). As the Company was listed on the ACE Market of Bursa Securities on 29 June 2021, there are no comparative figures for the preceding year's corresponding quarter and preceding year's corresponding year-to-date.
- (3) Basic earnings per share ("**EPS**") is calculated based on the Company's share capital of 643,822,000 ordinary shares after the Company listed on the ACE Market of Bursa Securities on 29 June 2021.
- (4) Diluted earnings per share of the Company for the individual quarter and cumulative quarter ended 30 September 2021 is equivalent to the basic earnings per share as the Company does not have any convertible options as at the end of the reporting period.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION<sup>(1)</sup>**

|  | Note | Unaudited<br>As at<br>30.09.2021<br>RM'000 | Audited<br>As at<br>31.12.2020<br>RM'000 |
|--|------|--|--|
| <b>ASSETS</b>                                  |      |  |  |
| <b>Non-Current Assets</b>                      |      |  |  |
| Property, plant and equipment                  |      | 58,848                                     | 63,032                                   |
| Investment properties                          |      | 2,567                                      | 3,260                                    |
| Other investments                              |      | 1,978                                      | 1,941                                    |
| Deferred tax assets                            |      | 568  | 568                                      |
| Trade receivables                              |      | 40,740                                     | 38,168                                   |
|  |      | 104,701                                    | 106,969                                  |
| <b>Current Assets</b>                          |      |  |  |
| Trade receivables                              |      | 68,197                                     | 90,493                                   |
| Other receivables, deposits and prepayments    |      | 11,860                                     | 11,544                                   |
| Contract assets                                |      | 71,872                                     | 46,124                                   |
| Other investments                              |      | 74   | 74                                       |
| Fixed deposit with financial institution       |      | 26,315                                     | 28,128                                   |
| Cash and bank balances                         |      | 86,927                                     | 59,198                                   |
|  |      | 265,245                                    | 235,561                                  |
| <b>TOTAL ASSETS</b>                            |      | <b>369,946</b>                             | <b>342,530</b>                           |
| <b>EQUITY AND LIABILITIES</b>                  |      |  |  |
| <b>Equity</b>                                  |      |  |  |
| Share capital                                  |      | 101,029                                    | -(2)                                     |
| Invested equity                                |      | -  | 10,400                                   |
| Merger reserve                                 |      | (47,544)                                   | -  |
| Retained earnings                              |      | 67,508                                     | 61,845                                   |
| <b>Total equity</b>                            |      | <b>120,993</b>                             | <b>72,245</b>                            |
| <b>Non-Current Liabilities</b>                 |      |  |  |
| Trade payables                                 |      | 16,291                                     | 17,266                                   |
| Bank borrowings                                | B8   | 2,715                                      | 3,460                                    |
| Lease liabilities                              |      | 9,529                                      | 12,586                                   |
| Deferred tax liabilities                       |      | 2,339                                      | 2,833                                    |
|  |      | 30,874                                     | 36,145                                   |
| <b>Current Liabilities</b>                     |      |  |  |
| Trade payables                                 |      | 135,934                                    | 137,130                                  |
| Other payables and accruals                    |      | 6,389                                      | 6,372                                    |
| Contract liabilities                           |      | 10,846                                     | 24,917                                   |
| Bank borrowings                                | B8   | 49,470                                     | 47,734                                   |
| Lease liabilities                              |      | 10,149                                     | 13,088                                   |
| Income tax payable                             |      | 5,291                                      | 4,899                                    |
|  |      | 218,079                                    | 234,140                                  |
| <b>Total Liabilities</b>                       |      | <b>248,953</b>                             | <b>270,285</b>                           |
| <b>TOTAL EQUITY AND LIABILITIES</b>            |      | <b>369,946</b>                             | <b>342,530</b>                           |
| <b>NET ASSETS PER SHARE (RM)<sup>(3)</sup></b> |      | 0.19                                       | 0.11                                     |

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION<sup>(1)</sup>  
(Continued)****Notes:**

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statements of Financial Position is disclosed in Note A1 and should be read in conjunction with the Accountants' Report as disclosed in the Prospectus dated 8 June 2021 and the accompanying explanatory notes attached to this interim financial report.
- (2) Represents less than RM1,000.
- (3) Net assets per ordinary share is calculated based on the Company's number of ordinary shares as at 30 September 2021 of 643,822,000 shares (31 December 2020: 643,822,000 shares). The number of ordinary shares used in calculating the net asset per share as at 31 December 2020 has been restated to reflect the enlarged number of shares after the Company listed on 29 June 2021.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY<sup>(1)(2)</sup>**

|  | <b>Attributable to Owners of the Company</b> |                                   |                                  |                                     | <b>Total Equity<br/>RM'000</b> |
|--|--|-----------------------------------|----------------------------------|-------------------------------------|--------------------------------|
|  | <b>Non-distributable</b>                     |                                   | <b>Distributable</b>             |                                     |                                |
|  | <b>Share capital<br/>RM'000</b>              | <b>Invested equity<br/>RM'000</b> | <b>Merger reserve<br/>RM'000</b> | <b>Retained earnings<br/>RM'000</b> |                                |
| <b>Balance as at 31 December 2020/1 January 2021 (Audited)</b>       | -(3)   | 10,400                            | -                                | 61,845                              | 72,245                         |
| Total comprehensive income for the financial period                  | -  | -                                 | -                                | 5,663                               | 5,663                          |
| Contributions by and distributions to Owners of the Company          |  |                                   |                                  |                                     |                                |
| - Issuance of shares pursuant to acquisition of subsidiary companies | 57,944                                       | (10,400)                          | (47,544)                         | -                                   | -                              |
| - Issuance of shares   | 45,068                                       | -                                 | -                                | -                                   | 45,068                         |
| - Share issuance expenses  | (1,983)                                      | -                                 | -                                | -                                   | (1,983)                        |
|  | 101,029                                      | (10,400)                          | (47,544)                         | -                                   | 43,085                         |
| <b>Balance as at 30 September 2021 (Unaudited)</b>                   | <b>101,029</b>                               | <b>-</b>                          | <b>(47,544)</b>                  | <b>67,508</b>                       | <b>120,993</b>                 |

**Notes:**

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statements of Changes in Equity is disclosed in Note A1 and should be read in conjunction with the Accountants' Report as disclosed in the Prospectus dated 8 June 2021 and the accompanying explanatory notes attached to this interim financial report.
- (2) This is the third interim financial report on the Company's unaudited condensed consolidated financial results for the third (3<sup>rd</sup>) quarter ended 30 September 2021 announced in compliance with the Listing Requirements of Bursa Securities. As the Company was listed on the ACE Market of Bursa Securities on 29 June 2021, there are no comparative figures for the preceding year's corresponding quarter and preceding year's corresponding year-to-date.
- (3) Represents less than RM1,000.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS<sup>(1)(2)</sup>**

|   | <b>Unaudited<br/>Current<br/>Year-to-date<br/>30.09.2021<br/>RM'000</b> | <b>Unaudited<br/>Preceding Year<br/>Corresponding<br/>Year-to-date<br/>30.09.2020<br/>RM'000</b> |
|---|---|--|
| <b>Cash Flows From Operating Activities</b>               |   |  |
| Profit before tax   | 7,567   | N/A  |
| Adjustments for:  |   |  |
| Depreciation of property, plant and equipment             | 9,206   | N/A  |
| Depreciation of investment properties                     | 46  | N/A  |
| Gain on disposal of property, plant and equipment         | (122)   | N/A  |
| Gain on disposal of investment property                   | (33)  | N/A  |
| Gain on remeasurement of lease liabilities                | (1)   | N/A  |
| Interest expense  | 4,071   | N/A  |
| Interest income   | (624)   | N/A  |
| Property, plant and equipment written off                 | 11  | N/A  |
| <b>Operating profit before changes in working capital</b> | 20,121  | N/A  |
| Decrease in trade and other receivables                   | 19,408  | N/A  |
| Decrease in trade and other payables                      | (2,154)   | N/A  |
| Increase in contract assets                               | (25,748)  | N/A  |
| Decrease in contract liabilities                          | (14,071)  | N/A  |
| <b>Cash used in operations</b>                            | (2,444)   | N/A  |
| Interest received   | 213   | N/A  |
| Income tax paid   | (3,309)   | N/A  |
| Income tax refunded                                       | 1,303   | N/A  |
| <b>Net cash used in operating activities</b>              | (4,237)   | N/A  |
| <b>Cash Flows From Investing Activities</b>               |   |  |
| Addition of other investment                              | (37)  | N/A  |
| Interest received   | 41  | N/A  |
| Proceeds from disposal of property, plant and equipment   | 528   | N/A  |
| Proceeds from disposal of investment property             | 680   | N/A  |
| Purchase of property, plant and equipment                 | (5,463)   | N/A  |
| <b>Net cash used in investing activities</b>              | (4,251)   | N/A  |

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS<sup>(1)(2)</sup> (Continued)**

|   | <b>Unaudited<br/>Current<br/>Year-to-date<br/>30.09.2021<br/>RM'000</b> | <b>Unaudited<br/>Preceding Year<br/>Corresponding<br/>Year-to-date<br/>30.09.2020<br/>RM'000</b> |
|---|---|--|
| <b>Cash Flows From Financing Activities</b>                           |   |  |
| Interest paid   | (4,071)   | N/A  |
| Interest received   | 370   | N/A  |
| Proceeds from issuance of ordinary shares                             | 45,068  | N/A  |
| Payment of share issuance expenses                                    | (1,983)   | N/A  |
| Placement of pledged deposits with financial institution              | (3,187)   | N/A  |
| Movement in restricted cash at bank                                   | 5,587   | N/A  |
| Repayment of term loans   | (746)   | N/A  |
| Repayment of lease liabilities  | (5,971)   | N/A  |
| Net movement of bank borrowings                                       | 13,353  | N/A  |
| <b>Net cash from financing activities</b>                             | 48,420  | N/A  |
| <b>Net increase in cash and cash equivalents</b>                      | 39,932  | N/A  |
| <b>Cash and cash equivalents at beginning of the financial period</b> | 12,484  | N/A  |
| <b>Cash and cash equivalents at end of the financial period</b>       | <b>52,416</b>   | <b>N/A</b>   |
| <b>Cash and cash equivalents comprise of:</b>                         |   |  |
| Cash and bank balances  | 86,927  | N/A  |
| Fixed deposits with financial institution                             | 26,315  | N/A  |
|   | 113,242   | N/A  |
| Less: Bank overdraft  | (23,037)  | N/A  |
| Less: Pledged deposits with financial institution                     | (26,315)  | N/A  |
| Less: Restricted cash at bank   | (11,474)  | N/A  |
|   | <b>52,416</b>   | <b>N/A</b>   |



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS<sup>(1)(2)</sup> (Continued)****Notes:**

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statements of Cash Flows is disclosed in Note A1 and should be read in conjunction with the Accountants' Report as disclosed in the Prospectus dated 8 June 2021 and the accompanying explanatory notes attached to this interim financial report.
- (2) This is the third interim financial report on the Company's unaudited condensed consolidated financial results for the third (3<sup>rd</sup>) quarter ended 30 September 2021 announced in compliance with the Listing Requirements of Bursa Securities. As the Company was listed on the ACE Market of Bursa Securities on 29 June 2021, there are no comparative figures for the preceding year's corresponding quarter and preceding year's corresponding year-to-date.

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**PART A – EXPLANATORY NOTES ON COMPLIANCE WITH MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134, INTERIM FINANCIAL REPORTING****A1. Basis of Preparation**

The interim financial report of Nestcon Berhad (“**Nestcon**” or “**Company**”) and its subsidiaries (“**Group**”) are unaudited and have been prepared in accordance with the requirements of MFRS No. 134: *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board (“**MASB**”) and Rule 9.22 and Appendix 9B of the Listing Requirements of Bursa Securities.

This is the third interim financial report on the Company’s unaudited condensed consolidated financial results for the third (3<sup>rd</sup>) quarter ended 30 September 2021 announced in compliance with the Listing Requirements of Bursa Securities. As the Company was listed on the ACE Market of Bursa Securities on 29 June 2021, there are no comparative figures for the preceding year’s corresponding quarter and preceding year’s corresponding year-to-date.

The interim financial report should be read in conjunction with the Accountants’ Report as disclosed in the Prospectus dated 8 June 2021 and the accompanying notes attached to this interim financial report.

**A2. Significant Accounting Policies**

The significant accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in preparation of the Accountants’ Report as disclosed in the Prospectus dated 8 June 2021.

**A3. Auditors’ Report on Preceding Annual Financial Statements**

There was no qualification on the audited financial statements of the Group for the financial year ended 31 December 2020.

**A4. Seasonal or Cyclical Factors**

The Group’s performance has not been materially affected by any seasonal or cyclical factors during the current financial quarter under review.

**A5. Items or Incidence of an Unusual Nature**

There were no unusual items affecting the assets, liabilities, equity, net income and cash flows during the current financial quarter under review.

**A6. Material Changes in Accounting Estimates**

There were no material changes in accounting estimates during the current financial quarter under review.

**A7. Debt and Equity Securities**

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial quarter under review.

**A8. Dividends Paid**

There were no dividends paid during the current financial quarter under review.

**PART A – EXPLANATORY NOTES ON COMPLIANCE WITH MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134, INTERIM FINANCIAL REPORTING (Continued)**

**A9. Segment Information**

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 building and infrastructure construction works.

The Group operates predominantly in Malaysia and hence, no geographical segment presented.

**A10. Valuation of Property, Plant and Equipment and Investment Properties**

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

**A11. Material Subsequent Events**

Save as disclosed below, there were no material events subsequent to the end of the current financial period under review that have not been reflected in this interim financial report.

On 9 November 2021, the Company’s wholly-owned subsidiary, Nestcon Sustainable Solutions Sdn Bhd (“**NSS**”) had entered into a Joint Venture Agreement with Hatten Renewable Energy Sdn Bhd, a wholly-owned subsidiary of Hatten Land Limited (“**Hatten**”), a public limited company incorporated in Singapore and listed on the Catalist board of Singapore Exchange, with the objective of forming a joint venture company to jointly co-operating and collaborating to secure, supply, construct, develop and manage solar photovoltaic plants and facilities in Malaysia.

**A12. Changes in The Composition of The Group**

On 7 September 2021, the Company incorporated a wholly owned subsidiary, NSS with a paid-up capital of RM100,000, representing RM1 per ordinary share. NSS is an investment holding company, and principally engaged in renewable energy activities and maintenance works.

Save as disclosed above, there were no other material changes in the composition of the Group for the current financial quarter under review.

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**PART A – EXPLANATORY NOTES ON COMPLIANCE WITH MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134, INTERIM FINANCIAL REPORTING (Continued)****A13. Contingent Liabilities**

Save as disclosed below, there were no other contingent liabilities as at the date of this interim financial report.

|  | <b>Unaudited<br/>As at<br/>30.09.2021<br/>RM’000</b> | <b>Audited<br/>As at<br/>31.12.2020<br/>RM’000</b> |
|--|--|--|
| Performance guarantee for construction contracts   | 52,487   | 42,446   |
| Corporate guarantee given to licensed bank to secure credit facilities granted to a related party <sup>(1)</sup> | 40,500   | 40,500   |

As at 30 September 2021, the maximum exposure to credit risk amounting to RM16.26 million (31 December 2020: RM14.08 million) representing the outstanding banking facilities of a Company which a Director has interests as at end of the current financial quarter under review.

**Note:**

(1) This corporate guarantee was discharged on 26 October 2021.

**A14. Capital Commitments**

Save as disclosed below, there were no other material capital commitments incurred or known to be incurred as at the date of this interim financial report.

|   | <b>Unaudited<br/>As at<br/>30.09.2021<br/>RM’000</b> | <b>Audited<br/>As at<br/>31.12.2020<br/>RM’000</b> |
|---|--|--|
| <b>Property, plant and equipment</b><br>Authorised and contracted for | 7,536  | -  |

**A15. Related Party Transactions**

|  | <b>INDIVIDUAL QUARTER</b>   |   | <b>CUMULATIVE QUARTER</b>   |  |
|--|---|---|---|--|
|  | <b>Unaudited<br/>Current<br/>Year<br/>Quarter<br/>30.09.2021<br/>RM’000</b> | <b>Unaudited<br/>Preceding Year<br/>Corresponding<br/>Quarter<sup>(1)</sup><br/>30.09.2020<br/>RM’000</b> | <b>Unaudited<br/>Current<br/>Year-to-date<br/>30.09.2021<br/>RM’000</b> | <b>Unaudited<br/>Preceding Year<br/>Corresponding<br/>Year-to-date<sup>(1)</sup><br/>30.09.2020<br/>RM’000</b> |
| Lease payment charged by a Director        | 20  | N/A   | 59  | N/A  |
| Purchase of materials from a related party | 42  | N/A   | 722   | N/A  |

**PART A – EXPLANATORY NOTES ON COMPLIANCE WITH MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134, INTERIM FINANCIAL REPORTING (Continued)**

**A15. Related Party Transactions (Continued)**

**Note:**

- (1) This is the third interim financial report on the Company’s unaudited condensed consolidated financial results for the third (3<sup>rd</sup>) quarter ended 30 September 2021 announced in compliance with the Listing Requirements of Bursa Securities. As the Company was listed on the ACE Market of Bursa Securities on 29 June 2021, there are no comparative figures for the preceding year’s corresponding quarter and preceding year’s corresponding year-to-date.

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**PART B – EXPLANATORY NOTES PURSUANT TO CHAPTER 9, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD****B1. Review of Performance**

The Group recorded revenue of RM70.59 million, gross profit of RM3.69 million and profit before tax of RM0.57 million for the current financial quarter ended 30 September 2021 (“**3Q2021**”). The 3Q2021 revenue is primarily contributed from our building division of RM38.66 million and civil engineering and infrastructure division of RM31.93 million, respectively.

For the current financial year-to-date ended 30 September 2021 (“**YTD 3Q2021**”), the Group reported revenue of RM250.98 million, gross profit of RM19.28 million and profit before tax of RM7.57 million. The Group’s revenue is mainly attributable from our building division of RM160.06 million and civil engineering and infrastructure division of RM90.92 million, respectively.

The Group had incurred one-off listing expenses of approximately RM2.09 million in YTD 3Q2021.

This is the third interim financial report on the Company’s unaudited condensed consolidated financial results for the third (3<sup>rd</sup>) quarter ended 30 September 2021 announced in compliance with the Listing Requirements of Bursa Securities. As the Company was listed on the ACE Market of Bursa Securities on 29 June 2021, there are no comparative figures for the preceding year’s corresponding quarter and preceding year’s corresponding year-to-date.

**B2. Comparison with Immediate Preceding Quarter’s Results**

|                                    | INDIVIDUAL QUARTER                                      |   | VARIANCE |         |
|------------------------------------|---|---|----------|---------|
|                                    | Unaudited<br>Current<br>Quarter<br>30.09.2021<br>RM’000 | Unaudited<br>Preceding<br>Quarter<br>30.06.2021<br>RM’000 | RM’000   | %       |
| Revenue                            | 70,588  | 84,774  | (14,186) | (16.73) |
| Profit before tax (“ <b>PBT</b> ”) | 567   | 2,079   | (1,512)  | (72.73) |

The Group recorded revenue of RM70.59 million in 3Q2021 as compared to RM84.77 million in the preceding quarter ended 30 June 2021 (“**2Q2021**”), a decrease of RM14.19 million in 3Q2021. The decrease in revenue was mainly attributable to lower level of construction activities following the implementation of Enhanced Movement Control Order (“**EMCO**”) on 3 July 2021 due to the Covid-19 pandemic. EMCO has halted all of our building construction activities and partial of our civil engineering and infrastructure activities in 3Q2021.

Our building construction projects started to resume site activities since middle of August 2021 following the government’s announcement to the reopening of majority industries progressively. The work force capacity was depending on the vaccinated rates achieved.

The Group registered a PBT of RM0.57 million in 3Q2021, a decrease of RM1.51 million from RM2.08 million in 2Q2021. The decrease in PBT was mainly due to lower revenue generated as a result of lower level of construction activities following the implementation of EMCO.

**PART B – EXPLANATORY NOTES PURSUANT TO CHAPTER 9, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (Continued)**

**B3. Prospects and Outlook for the Current Financial Year**

The joint venture with Hatten marks a promising beginning of the expansion of our building and civil engineering and infrastructure business into the renewable energy segment. This joint initiative will generate sustainable revenue to our Group while reducing carbon emissions by generating electricity through a greener method.

With the recent announced 12<sup>th</sup> Malaysian Plan (2021 – 2025), higher development expenditure of RM400 billion spending is to rejuvenate and revitalise the economy post Covid-19. As a result, the long-term prospects of the construction industry remain promising underpinned by the implementation of various government measures and economic stimulus packages.

Further, as disclosed in the Prospectus of the Company dated 8 June 2021, our Group will implement the following future plans:

- (a) To establish our own on-site IBS facility that will expedite project delivery time and reduce reliance on foreign workers while simultaneously improve the quality of work; and
- (b) To improve our profile by tendering for more construction contracts, hence, expanding our construction portfolio in the following segments:
  - (i) high-rise building;
  - (ii) purpose-built and industrial building; and
  - (iii) larger civil engineering and infrastructure projects such as highways, transportation infrastructure and various renewable energy projects.

**B4. Variance of Actual Profit from Forecast Profit**

The Group did not issue any profit forecast or profit guarantee in the current financial quarter under review.

**B5. Income Tax Expense**

|                                       | INDIVIDUAL QUARTER                                     |   | CUMULATIVE QUARTER                                     |  |
|---------------------------------------|--|---|--|--|
|                                       | Unaudited Current Year Quarter<br>30.09.2021<br>RM'000 | Unaudited Preceding Year Corresponding Quarter <sup>(1)</sup><br>30.09.2020<br>RM'000 | Unaudited Current Year-to-date<br>30.09.2021<br>RM'000 | Unaudited Preceding Year Corresponding Year-to-date <sup>(1)</sup><br>30.09.2020<br>RM'000 |
| <b>In respect of current period:</b>  |  |   |  |  |
| Income tax expense <sup>(2)</sup>     | 94   | N/A   | 2,398  | N/A  |
| Deferred tax                          | (494)  | N/A   | (494)  | N/A  |
| Effective tax rate <sup>(3)</sup> (%) | (70.55)  | N/A   | 25.16  | N/A  |
| Statutory tax rate (%)                | 24.00  | N/A   | 24.00  | N/A  |

**PART B – EXPLANATORY NOTES PURSUANT TO CHAPTER 9, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (Continued)**

**B5. Income Tax Expense (Continued)**

**Notes:**

- (1) This is the third interim financial report on the Company's unaudited condensed consolidated financial results for the third (3<sup>rd</sup>) quarter ended 30 September 2021 announced in compliance with the Listing Requirements of Bursa Securities. As the Company was listed on the ACE Market of Bursa Securities on 29 June 2021, there are no comparative figures for the preceding year's corresponding quarter and preceding year's corresponding year-to-date.
- (2) Income tax expense is recognised based on management's estimate.
- (3) The effective tax rate of the Group for the current financial quarter was lower than the statutory tax rate primarily contributed by the reversal of over provision of deferred tax. However, the current year-to-date effective tax rate was higher than the statutory tax rate mainly due to the adjustment of non-deductible expenses such as listing expenses, which was partially mitigated by the reversal of over provision of deferred tax. Excluding the one-off listing expenses, the current year-to-date effective tax rate is 19.71%.

**B6. Status of Corporate Proposals**

There were no corporate proposals announced but not implemented as at the date of this interim financial report.

**B7. Utilisation of Proceeds from IPO**

As at 30 September 2021, the status of the utilisation of proceeds arising from IPO amounting to approximately RM45.07 million is stated in the following manner:

| <b>Details of Utilisation</b>   | <b>Proposed Utilisation<br/>RM'000</b> | <b>Actual Utilisation<br/>RM'000</b> | <b>Unutilised Amount<br/>RM'000</b> | <b>Estimated<br/>Timeframe for<br/>the Utilisation<br/>Upon Listing</b> |
|---|--|--------------------------------------|-------------------------------------|---|
| Establish IBS facility for our building division  | 6,000                                  | -                                    | 6,000                               | Within 24 months  |
| Acquire machineries and equipment for our business expansion in the civil engineering and infrastructure division | 6,615                                  | -                                    | 6,615                               | Within 24 months  |
| Upgrade software and systems  | 1,000                                  | -                                    | 1,000                               | Within 12 months  |
| Repayment of bank borrowings  | 16,500                                 | (16,500)                             | -                                   | Within 3 months   |
| Working capital   | 10,953                                 | (3,500)                              | 7,453                               | Within 12 months  |
| Estimated listing expenses  | 4,000                                  | (4,000)                              | -                                   | Within 1 month  |
| <b>Total</b>  | <b>45,068</b>                          | <b>(24,000)</b>                      | <b>21,068</b>                       |   |

From the date of listing of the Company on the ACE Market of Bursa Securities on 29 June 2021, the utilisation of proceeds disclosed above should be read in conjunction with the Prospectus of the Company dated 8 June 2021.



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**PART B – EXPLANATORY NOTES PURSUANT TO CHAPTER 9, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (Continued)****B8. Bank Borrowings**

|                    | <b>Unaudited<br/>As at<br/>30.09.2021<br/>RM'000</b> | <b>Audited<br/>As at<br/>31.12.2020<br/>RM'000</b> |
|--------------------|--|--|
| <b>Current</b>     |  |  |
| Term loans         | 596  | 597  |
| Bank overdraft     | 23,037   | 34,653   |
| Factoring payable  | 15,092   | 12,484   |
| Invoice financing  | 3,522  | -  |
| Revolving credit   | 7,223  | -  |
|                    | <u>49,470</u>  | <u>47,734</u>                                      |
| <b>Non-current</b> |  |  |
| Term loans         | <u>2,715</u>   | <u>3,460</u>                                       |

The bank borrowings are secured and denominated in Ringgit Malaysia.

**B9. Material Litigation**

There were no material litigations involving the Group as at 30 September 2021.

**B10. Dividend**

No dividend has been declared or recommended by the Board of Directors for the current financial quarter under review.

**B11. Earnings Per Share**

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

|  | <b>INDIVIDUAL QUARTER</b>   |   | <b>CUMULATIVE QUARTER</b>   |  |
|--|---|---|---|--|
|  | <b>Unaudited<br/>Current<br/>Year<br/>Quarter<br/>30.09.2021<br/>RM'000</b> | <b>Unaudited<br/>Preceding Year<br/>Corresponding<br/>Quarter<sup>(1)</sup><br/>30.09.2020<br/>RM'000</b> | <b>Unaudited<br/>Current<br/>Year-to-date<br/>30.09.2021<br/>RM'000</b> | <b>Unaudited<br/>Preceding Year<br/>Corresponding<br/>Year-to-date<sup>(1)</sup><br/>30.09.2020<br/>RM'000</b> |
| Profit attributable to the Owners of the Company       | 967   | N/A   | 5,663   | N/A  |
| Number of ordinary shares                              | 643,822   | N/A   | 643,822   | N/A  |
| Basic <sup>(2)</sup> /Diluted <sup>(3)</sup> EPS (sen) | <u>0.15</u>   | <u>N/A</u>  | <u>0.88</u>   | <u>N/A</u>   |

**PART B – EXPLANATORY NOTES PURSUANT TO CHAPTER 9, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (Continued)****B11. Earnings Per Share (Continued)****Notes:**

- (1) This is the third interim financial report on the Company's unaudited condensed consolidated financial results for the third (3<sup>rd</sup>) quarter ended 30 September 2021 announced in compliance with the Listing Requirements of Bursa Securities. As the Company was listed on the ACE Market of Bursa Securities on 29 June 2021, there are no comparative figures for the preceding year's corresponding quarter and preceding year's corresponding year-to-date.
- (2) Basic earnings per share is calculated based on the Company's share capital of 643,822,000 ordinary shares after the Company listed on the ACE Market of Bursa Securities on 29 June 2021.
- (3) Diluted earnings per share of the Company for the individual quarter and cumulative quarter ended 30 September 2021 is equivalent to the basic earnings per share as the Company does not have any convertible options as at the end of the reporting period.

**B12. Notes to the Condensed Consolidated Statement of Profit and Other Comprehensive Income**

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

|   | INDIVIDUAL QUARTER  |  | CUMULATIVE QUARTER   |   |
|---|---|--|--|---|
|   | Unaudited<br>Current<br>Year<br>Quarter<br>30.09.2021<br>RM'000 | Unaudited<br>Preceding Year<br>Corresponding<br>Quarter <sup>(1)</sup><br>30.09.2020<br>RM'000 | Unaudited<br>Current<br>Year-to-date<br>30.09.2021<br>RM'000 | Unaudited<br>Preceding Year<br>Corresponding<br>Year-to-date <sup>(1)</sup><br>30.09.2020<br>RM'000 |
| Depreciation of property,<br>plant and equipment        | 3,088   | N/A  | 9,206  | N/A   |
| Depreciation of<br>investment properties                | 14  | N/A  | 46   | N/A   |
| Property, plant and<br>equipment written off            | 11  | N/A  | 11   | N/A   |
| Rental of machineries                                   | 3,278   | N/A  | 13,259   | N/A   |
| Rental of premises                                      | 52  | N/A  | 147  | N/A   |
| Interest expense  | 1,307   | N/A  | 4,071  | N/A   |
| Gain on disposal of<br>property, plant and<br>equipment | -   | N/A  | (122)  | N/A   |
| Gain on disposal of<br>investment property              | -   | N/A  | (33)   | N/A   |
| Gain on remeasurement<br>of lease liabilities           | (1)   | N/A  | (1)  | N/A   |
| Interest income   | (277)   | N/A  | (624)  | N/A   |

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**PART B – EXPLANATORY NOTES PURSUANT TO CHAPTER 9, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (Continued)****B12. Notes to the Condensed Consolidated Statement of Profit and Other Comprehensive Income (Continued)****Note:**

- (1) This is the third interim financial report on the Company's unaudited condensed consolidated financial results for the third (3<sup>rd</sup>) quarter ended 30 September 2021 announced in compliance with the Listing Requirements of Bursa Securities. As the Company was listed on the ACE Market of Bursa Securities on 29 June 2021, there are no comparative figures for the preceding year's corresponding quarter and preceding year's corresponding year-to-date.

**B13. Authorisation for Issue**

The interim financial report was authorised for issue by the Board of Directors of the Company in accordance with a resolution passed by the Board of Directors on 30 November 2021.

**BY ORDER OF THE BOARD  
NESTCON BERHAD  
30 NOVEMBER 2021**