

Notes to the interim financial report – 31 March 2021

A1 Basis of preparation

The condensed consolidated interim financial statements are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) 134: Interim Financial Reporting in Malaysia, IAS 34: Interim Financial Reporting and paragraph 9.22 of the Main Marketing Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020.

A2 Significant accounting policies

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those adopted in the preparation of the Group’s audited financial statements for the financial year ended 31 December 2020 except for the following:

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*
- The initial application of the amendments are not expected to have any material financial impacts to the current period and prior period financial statements of the Group.

Amendments effective for annual periods beginning on or after after 1 April 2021

- Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions beyond 30 June 2021*

A3 Auditors’ report

There was no qualification on the audited report of the Group’s preceding annual financial statements.

A4 Seasonal or cyclical factors

The business operations of the Group were not significantly affected by any seasonal or cyclical factors.

A5 Unusual items due to their nature, size or incidence

There were no unusual items for the period ended 31 March 2021.

A6 Changes in estimates

Not applicable.

A7 Debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the current quarter and period ended 31 March 2021.

A8 Dividends paid

No dividend was paid for the current quarter and period ended 31 March 2021.

A9 Segmental information

Segmental information is presented in respect of the Group's business segment. Inter-segment pricing is determined based on negotiated terms.

Current quarter ("1Q 2021") against preceding year corresponding quarter ("1Q 2020")

	Current Year Quarter	Preceding Year Corresponding Quarter	Changes	
	31 March 2021 Revenue	31 March 2020 Revenue	Amount	%
	RM'000	RM'000	RM'000	
Trading	25,024	24,516	508	2.1
Property development	2,388	1,769	619	35.0
Construction	46,766	35,916	10,850	30.2
Investment property	807	765	42	5.5
Other services	570	807	(237)	(29.4)
	75,555	63,773	11,783	18.5
Inter-segment elimination	(16,196)	(10,142)	(6,054)	(59.7)
	59,359	53,631	5,728	10.7

	Current Year Quarter	Preceding Year Corresponding Quarter	Changes	
	31 March 2021 Profit/(Loss) before tax	31 March 2020 Profit/(Loss) before tax	Amount	%
	RM'000	RM'000	RM'000	
Trading	631	515	116	22.5
Property development	472	245	227	92.7
Construction	(923)	(464)	(459)	(98.9)
Investment property	215	69	146	211.6
Other services	(273)	(944)	671	71.1
	122	(579)	701	121.1
Interest income	178	274	(96)	(35.0)
Interest expense	(239)	(280)	41	14.6
Share of profit of equity-accounted investments	28	77	(49)	(63.6)
Unallocated other expenses	(409)	(318)	(91)	(28.6)
	(320)	(826)	506	61.3

Current year to date ("YTD 2021") against preceding year to date ("YTD 2020")

As the comparatives are for the 1st Quarter results, the segmental information presented will be the same for 1Q 2021.

A10 Valuation of property, plant and equipment

Valuation of property, plant and equipment has been brought forward, without amendment from the preceding annual financial statements.

A11 Event subsequent to the balance sheet date

There were no material events subsequent to the balance sheet date.

A12 Changes in composition of the Group

There were no changes in the composition of the Group for the current quarter and period ended 31 March 2021.

A13 Changes in contingent liabilities

The Group has no contingent liabilities except for the following:-

	As at 31 March 2021
	RM'000
Guarantees and contingencies relating to the Borrowings of subsidiaries (unsecured)	9,146
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A14 Significant Related Party Transactions

The group has significant related party transactions with companies in which certain directors of the Company have interest, as follows: -

	3 months ended
	31 March 2021
	RM'000
With companies in which certain Directors of the Company, have interests:	
Ekovest Berhad and its subsidiaries, jointly controlled and associate companies	24,437
Iskandar Waterfront City Berhad and its subsidiaries jointly controlled and associate companies	7,807
Iskandar Waterfront Holdings Sdn Bhd and its subsidiaries, jointly controlled and associate companies	6,538
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B1 Detailed analysis of the performance of all operating segment of the Group in 1Q 2021
Current quarter (“1Q 2021”) against preceding year corresponding quarter (“1Q 2020”)

	Individual Period (1 st Quarter)		Changes	
	Current Year Quarter	Preceding Year Corresponding Quarter	Amount	%
	31 March 2021 RM'000	31 March 2020 RM'000	RM'000	
Revenue	59,359	53,631	5,728	10.7
Gross profit	2,879	3,053	(174)	(5.7)
Result from operating activities	(287)	(897)	610	68.0
Share of profit of equity-accounted investments, net of tax	28	77	(49)	(63.6)
Net loss before tax	(320)	(826)	506	61.3
Net loss after tax	(679)	(1,038)	359	34.6
Loss attributable to Owners of the Company	(679)	(1,038)	359	34.6

For the 1Q 2021, the Group registered revenue of RM59.359 million and loss before tax of RM0.320 million as compared to revenue of RM53.631 million and loss before tax of RM0.826 million reported in 1Q 2020.

The performance of the respective operating business sector for the 1Q 2021 under review as compared to the 1Q 2020 is analysed as follows:

Trading

Revenue is higher by RM0.508 million or 2.1 % to RM25.024 million as compared to RM24.516 million in 1Q 2020. The profit before tax for the sector has also increased by RM0.116 million from RM0.515 million in 1Q 2020 to RM0.631 million in 1Q 2021, in tandem with the increase in revenue.

Property development

Revenue for 1Q 2021 has increased by RM0.619 million to RM2.388 million as compared to the 1Q 2020 of RM1.769 million. The profit before tax has also increased by RM0.227 million to RM0.472 million in 1Q 2021 as compared to RM0.245 million in 1Q 2020 mainly due to more completed units sold in 1Q 2021.

Construction

The construction sector registered a higher revenue of RM46.766 million in 1Q 2021 as compared to RM35.916 million in 1Q 2020, mainly due to a higher rate of construction activity for its on-going projects.

Despite an increase in the revenue, the sector recorded a higher loss before tax of RM0.923 million in the 1Q 2021 as compared to RM0.464 million in the 1Q 2020 mainly due to higher building material price in 1Q 2021.

Investment property

The sector recorded a higher revenue of RM0.807 million in 1Q 2021, an increase of RM0.042 million as compared to RM0.765 million in 1Q 2020. This sector also recorded a higher profit before tax of RM0.215 million compared to profit before tax of RM0.069 million in 1Q 2020 mainly due to revision of rental rate and to lower overheads incurred in 1Q 2021.

Other services

In 1Q 2021, revenue decreased from RM0.807 million to RM0.571 million as compared to 1Q 2020. This sector recorded a lower loss before tax of RM0.273 million as compared to loss before tax of RM0.944 million in 1Q 2020, mainly due to reduction in overhead in 1Q 2021.

Financial review for financial year to date

	Individual Period (1 st Quarter)		Changes	
	Current Year To-Date	Preceding Year Corresponding Period	Amount	%
	31 March 2021 RM'000	31 March 2020 RM'000	RM'000	
Revenue	59,359	53,631	5,728	10.7
Gross profit	2,879	3,053	(174)	(5.7)
Result from operating activities	(287)	(897)	610	68.0
Share of profit of equity-accounted investments, net of tax	28	77	(49)	(63.6)
Loss before tax	(320)	(826)	506	61.3
Loss after tax	(679)	(1,038)	359	34.6
Loss attributable to Ordinary Equity Holders of Parent	(679)	(1,038)	359	34.6

Current year to date (“YTD 2021”) against preceding year corresponding period (“YTD 2020”)

As the comparatives are for the 1st quarter results, the analysis of the respective operative business sectors will be the same for 1Q 2021.

B2 Comparison with preceding quarter results
Current quarter (“1Q 2021”) against immediate preceding quarter (“4Q 2020”)

	Current Quarter	Immediate Preceding Quarter	Changes	
	31 March 2021	31 December 2020	Amount	%
	RM'000	RM'000	RM'000	
Revenue	59,359	123,326	(63,967)	(51.9)
Gross profit	2,879	6,766	(3,887)	(57.4)
Result from operating activities	(287)	2,215	(2,502)	(113.0)
Share of profit/(loss) of equity-accounted investments, net of tax	28	(3,112)	3,140	100.9
Net loss before tax	(320)	(414)	94	22.7
Net loss after tax	(679)	(1,892)	1,213	64.1
Loss attributable to Owners of the Company	(679)	(1,892)	1,213	64.1

	Current Quarter	Immediate Preceding Quarter	Changes	
	31 March 2021 Revenue	31 December 2020 Revenue	Amount	%
	RM'000	RM'000	RM'000	
Trading	25,024	29,372	(4,348)	(14.8)
Property development	2,388	-	2,388	100.0
Construction	46,766	110,394	(63,628)	(57.6)
Investment property	807	748	59	7.9
Other services	570	1,984	(1,414)	(71.3)
	75,555	142,498	(66,943)	(47.0)
Inter-segment elimination	(16,196)	(19,172)	2,976	15.5
	59,359	123,326	(63,967)	(51.9)

	Current Quarter	Immediate Preceding Quarter	Changes	
	31 March 2021 Profit/(Loss) before tax	31 December 2020 Profit/(Loss) before tax	Amount	%
	RM'000	RM'000	RM'000	
Trading	631	2,619	(1,988)	(75.9)
Property development	472	(462)	934	(202.2)
Construction	(923)	2,839	(3,762)	(132.5)
Investment property	215	240	(25)	(10.4)
Other services	(273)	(3,689)	3,416	92.6
	122	1,547	(1,425)	(92.1)
Interest income	178	177	1	0.6
Interest expense	(239)	306	(545)	(178.1)
Share of profit/(loss) of equity-accounted investments	28	(3,112)	3,140	100.9
Unallocated other (expenses)/income	(409)	668	(1,077)	161.2
	(320)	(414)	94	22.7

For 1Q 2021, the Group recorded a lower revenue of RM59.359 million, a decrease of RM63.967 million or 51.9% from RM123.326 million in 4Q 2020 mainly due to a lower rate of construction activity for 1Q 2021.

Despite the revenue has decreased significantly from RM123.326 million to RM59.359 million in 1Q 2021 as compared to 4Q 2020, the Group recorded a lower loss before tax of RM0.320 million as compared to RM0.414 million in 4Q 2020. This was mainly due to share of loss from its equity accounted investments of RM3.112 million.

B3 Prospects

In view of the resurgence Covid-19 infections leading to the imposition of MCO 3.0 from early May 2021 until 7 June 2021 and the increasing steel material pricing, we expect our financial performance for the financial year ending 31 December 2021 will be challenging and may have negative impact on our profitability.

The Board is mindful of the risks arising from Covid-19 pandemic and will continue to take all proactive measures to ensure the existing business remains sustainable, resilient and will focus in delivering and completing all our projects in hand within the budgeted cost and on agreed time frame.

As at 31 March 2021, the Group has approximately RM380 million unbilled construction order books.

B4 Variance of actual profit from forecast profit / profit guarantee

Not applicable.

B5 Taxation

	Current quarter ended 31 March 2021 RM '000	3 months ended 31 March 2021 RM '000
Income tax		
Current provision	386	386
Deferred tax	(27)	(27)
	359	359

The Group's effective tax rate for the financial period ended 31 March 2021 was higher than the prima facie tax rate mainly due to the losses incurred by certain subsidiaries and disallowable expenses.

B6 Corporate proposals

There were no corporate proposals announced or pending completion as at the date of this report.

B7 Group borrowings

	As at 31 March 2021		
	Non-current RM'000	Current RM'000	Total borrowings RM'000
Secured			
Hire purchase liabilities	5,156	3,109	8,265
Lease liabilities	19	17	36
Unsecured			
Revolving credit	-	21,600	21,600
	5,175	24,726	29,901
	As at 31 March 2020		
	Non-current RM'000	Current RM'000	Total borrowings RM'000
Secured			
Hire purchase liabilities	5,505	2,330	7,835
Lease liabilities	27	39	66
Unsecured			
Revolving credit	-	11,400	11,400
	5,532	13,769	19,301

The borrowing is mainly for the purpose of working capital requirement.

B8 Changes in material litigation

There is no material litigation pending from 31 December 2020 (being the date of the last annual statement of financial position) to 18 May 2021 (being the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report) in which the Group is engaged either as plaintiff or defendant, and the Board has no knowledge of any proceedings pending or threatened against the company or of any facts likely to give rise to any proceedings which might materially and adversely affect the position or business of the Group.

B9 Dividends declared

No interim dividend has been declared for the current quarter and year ended 31 March 2021.

B10 Earnings per share

	Current quarter ended 31 March 2021	Preceding year corresponding quarter ended 31 March 2020	Cumulative 3 months ended 31 March 2021	Cumulative 3 months ended 31 March 2020
Loss for the period attributable to owners of the Parent (RM'000)	(679)	(1,038)	(679)	(1,038)
Weighted average number of ordinary shares in issue ('000)	99,645	99,645	99,645	99,645
Basic loss per share (sen)	(0.68)	(1.04)	(0.68)	(1.04)
Diluted earnings per share (sen)	N/A	N/A	N/A	N/A

B11 Notes to the statement of profit or loss and other comprehensive income

	Current quarter ended 31 March 2021 RM'000	3 months ended 31 March 2021 RM'000
Loss before tax is arrived at after (crediting)/charging :		
Interest income	(178)	(178)
Other income including investment income	(360)	(360)
Interest expense		
- Unwinding of discount in relation to provision for onerous contract	-	-
- Others	239	239
Depreciation and amortisation	1,058	1,058
Provision for and write off of receivables	174	174
Reversal of impairment loss on receivables	(4)	(4)
Gain on disposal of investment properties	-	-
Impairment loss on inventory	-	-

B12 Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments. Accordingly, the fair values and fair value hierarchy levels have not been presented for these instruments.

Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical financial assets or liabilities

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the financial asset or liabilities, either directly or indirectly

Level 3 – Inputs for the financial asset or liabilities that are not based on observable market data

The table below analyses financial instruments not carried at fair value for which fair value is disclosed, together with their carrying amounts shown in the statements of financial position.

	Level 1	Level 2	Level 3	Total fair value	Carrying amount
	RM'000	RM'000	RM'000	RM'000	RM'000
31 March 2021					
Financial liabilities					
Finance lease liabilities	-	-	8,626	8,626	8,265
31 March 2020					
Financial liabilities					
Finance lease liabilities	-	-	8,362	8,362	7,835