

Notes to the interim financial report – 30 June 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 Market 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*

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*
- 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.

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 30 June 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 30 June 2021.

A8 Dividends paid

No dividend was paid for the current quarter and period ended 30 June 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 ("2Q 2021") against preceding year corresponding quarter ("2Q 2020")

	Current Year Quarter	Preceding Year Corresponding Quarter	Changes	
	30 June 2021 Revenue	30 June 2020 Revenue	Amount	%
	RM'000	RM'000	RM'000	
Trading	16,675	26,427	(9,752)	(36.9)
Property development	623	-	623	100.0
Construction	58,569	33,029	25,540	77.3
Investment property	811	713	98	13.7
Other services	754	1,455	(701)	(48.2)
	77,432	61,624	15,808	25.7
Inter-segment elimination	(7,389)	(7,546)	157	2.1
	70,043	54,078	15,965	29.5

	Current Year Quarter	Preceding Year Corresponding Quarter	Changes	
	30 June 2021 Profit/(Loss) before tax	30 June 2020 Profit/(Loss) before tax	Amount	%
	RM'000	RM'000	RM'000	
Trading	130	1,700	(1,570)	(92.4)
Property development	70	(194)	264	136.1
Construction	(172)	(1,456)	1,284	88.2
Investment property	1,173	577	596	103.3
Other services	(577)	(992)	415	41.8
	624	(365)	989	271.0
Interest income	103	154	(51)	(33.1)
Interest expense	(287)	(651)	364	55.9
Share of loss of equity-accounted investments	(77)	(1,418)	1,341	94.6
Unallocated other expenses	(425)	(408)	(17)	(4.2)
	(62)	(2,688)	2,626	97.7

A9 Segmental information (continue)
Current year to date (“YTD 2021”) against preceding year to date (“YTD 2020”)

	6 months ended	6 months ended	Changes	
	30 June 2021 Revenue	30 June 2020 Revenue	Amount	%
	RM'000	RM'000	RM'000	
Trading	41,699	50,943	(9,244)	(18.1)
Property development	3,011	1,769	1,242	70.2
Construction	105,335	68,945	36,390	52.8
Investment Property	1,618	1,478	140	9.5
Other services	1,325	2,262	(937)	(41.4)
	152,988	125,397	27,591	22.0
Inter-segment elimination	(23,586)	(17,688)	(5,898)	(33.3)
	129,402	107,709	21,693	20.1

	6 months ended	6 months ended	Changes	
	30 June 2021 Profit/(Loss) before tax	30 June 2020 Profit/(Loss) before tax	Amount	%
	RM'000	RM'000	RM'000	
Trading	760	2,215	(1,455)	(65.7)
Property development	543	51	492	964.7
Construction	(1,095)	(1,920)	825	43.0
Investment Property	1,388	646	742	114.9
Other services	(849)	(1,936)	1,087	56.1
	747	(944)	1,691	179.1
Interest income	281	428	(147)	(34.3)
Interest expense	(526)	(931)	405	43.5
Share of loss of equity- accounted investments	(49)	(1,341)	1,292	96.3
Unallocated other expenses	(835)	(726)	(109)	(15.0)
	(382)	(3,514)	3,132	89.1

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 was no material event subsequent to the balance sheet date.

A12 Changes in composition of the Group

There was no change in the composition of the Group for the current quarter and period ended 30 June 2021.

A13 Changes in contingent liabilities

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

	As at 30 June 2021 RM'000
Guarantees and contingencies relating to the Borrowings of subsidiaries (unsecured)	10,740
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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: -

	6 months ended 30 June 2021 RM'000
With companies in which certain Directors of the Company, have interests:	
Ekovest Berhad and its subsidiaries, jointly controlled and associate companies	47,046
Iskandar Waterfront City Berhad and its subsidiaries, jointly controlled and associate companies	25,065
Iskandar Waterfront Holdings Sdn Bhd and its subsidiaries, jointly controlled and associate companies	8,218
PLS Plantations Berhad and its subsidiaries, jointly controlled and associate companies	1,077
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B1 Detailed analysis of the performance of all operating segment of the Group in 2Q 2021

Current quarter (“2Q 2021”) against preceding year corresponding quarter (“2Q 2020”)

	Individual Period (2 nd Quarter)		Changes	
	Current Year Quarter	Preceding Year Corresponding Quarter	Amount	%
	30 June 2021 RM'000	30 June 2020 RM'000	RM'000	
Revenue	70,043	54,078	15,965	29.5
Gross profit	3,201	2,216	985	44.4
Result from operating activities	199	(773)	972	125.7
Share of loss of equity-accounted investments, net of tax	(77)	(1,418)	1,341	94.6
Net loss before tax	(62)	(2,688)	2,626	97.7
Net loss after tax	(430)	(3,146)	2,716	86.3
Loss attributable to Owners of the Company	(430)	(3,146)	2,716	86.3

For the 2Q 2021, the Group registered revenue of RM70.043 million and loss before tax of RM0.620 million as compared to revenue of RM54.078 million and loss before tax of RM2.688 million reported in 2Q 2020.

The performance of the respective operating business sector for the 2Q 2021 under review as compared to the 2Q 2020 is analysed as follows:

Trading

The revenue decreased by RM9.752 million or 36.9 % to RM16.675 million as compared to RM26.427 million in 2Q 2020. The profit before tax for the sector has also decreased by RM1.570 million from RM1.700 million in 2Q 2020 to RM0.130 million in 2Q 2021 in tandem with the decrease in revenue and impairment of receivables for 2Q 2021.

Property development

In 2Q 2021, the sector recorded revenue of RM0.623 million and profit before tax of RM0.070 million. No development units were sold and the sector recorded loss before tax of RM0.194 million in 2Q 2020.

Construction

The construction sector registered higher revenue of RM58.569 million in 2Q 2021 as compared to RM33.029 million in 2Q 2020, mainly due to a higher rate of construction activity for its on-going projects.

The sector recorded a lower loss before tax of RM0.172 million in the 2Q 2021 as compared to loss before tax of RM1.456 million in the 2Q 2020 in tandem with a higher revenue.

Investment property

The sector recorded higher revenue of RM0.811 million in 2Q 2021, an increase of RM0.098 million as compared to RM0.713 million in 2Q 2020. The sector reported higher profit before tax of RM1.173 million as compared to profit before tax of RM0.577 million in 2Q 2020 mainly due to higher gain on disposal of investment properties recognized in 2Q 2021.

B1 Detailed analysis of the performance of all operating segment of the Group in 2Q 2021 (continue)

Current quarter (“2Q 2021”) against preceding year corresponding quarter (“2Q 2020”) (continue)

Other services

In 2Q 2021, revenue decreased from RM1.455 million to RM0.754 million as compared to 2Q 2020, mainly due to decrease in rental of plant and machinery. This sector recorded a lower loss before tax of RM0.577 million as compared to loss before tax of RM0.992 million in 2Q 2020, mainly due to lower overheads in 2Q 2021.

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

	Cumulative Period		Changes	
	Current Year To-Date	Preceding Year Corresponding Period	Amount	%
	30 June 2021 RM'000	30 June 2020 RM'000	RM'000	
Revenue	129,402	107,709	21,693	20.1
Gross profit	6,080	5,269	811	15.4
Result from operating activities	(88)	(1,670)	1,582	94.7
Share of loss of equity-accounted investments, net of tax	(49)	(1,341)	1,292	96.3
Loss before tax	(382)	(3,514)	3,132	89.1
Loss after tax	(1,109)	(4,184)	3,075	73.5
Loss attributable to Owners of the Company	(1,109)	(4,184)	3,075	73.5

For the YTD 2021, the Group recorded revenue of RM129.402 million, an increase of RM21.693 million or 20.1% from RM107.709 million in YTD 2020. The Group also recorded loss before tax of RM0.382 million in YTD 2021 as compared to loss before tax of RM3.514 million in YTD 2020. The increase in revenue was mainly due to higher revenue contribution by the construction sector.

The Group shared a much lesser loss of RM0.049 million in YTD 2021 from the equity accounted investment as compared with a loss of RM1.341 in YTD 2020, mainly due to impairment on its property, plant and equipment upon completion of the project in 2Q 2020.

The performance of the respective operating business segments for the YTD 2021 under review as compared to the YTD 2020 is analysed as follow:

Trading

The trading sector reported lower revenue of RM41.699 million in YTD 2021 as compared to RM50.943 million in YTD 2020 mainly due to lesser demand from existing customers. The sector recorded lower profit before tax of RM0.760 million in 2Q 2021 as compared with the profit before tax of RM2.215 million in the 2Q 2020. This is mainly attributable to the decrease in revenue and the additional impairment loss on receivables in 2Q 2021.

Property development

The property development sector registered higher revenue of RM3.011 million in YTD 2021 as compared to RM1.769 million in YTD 2020, mainly due to more completed units sold in YTD 2021. Correspondingly, a higher profit before tax from RM0.051 million in YTD 2020 to RM0.543 million in YTD 2021 was reported.

B1 Detailed analysis of the performance of all operating segment of the Group in 2Q 2021 (continue)

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

Construction

The construction sector registered higher revenue of RM105.335 million in YTD 2021 as compared to RM68.945 million in YTD 2020. This sector recorded lower loss before tax of RM1.095 million in YTD 2021 as compared to RM1.920 million in YTD 2020, the decrease in loss before tax was mainly due to higher revenue for its on-going project, which has substantially negated the impact from the escalation of material costs.

Investment property

The investment property sector recorded higher revenue of RM1.618 million in YTD 2021 as compared to RM1.478 million in YTD 2020, mainly due to revision of rental rate. This sector also recorded higher profit before tax of RM1.388 million in YTD 2021 as compared to profit before tax of RM0.646 million in YTD 2020, mainly due to higher gain on disposal of investment properties of RM 0.973 million in YTD 2021 as compare to RM0.423 million in YTD 2020.

Other services

The decrease in revenue from RM2.262 million in YTD 2020 to RM1.325 million in YTD 2021 was mainly due to decrease in rental of plant and machinery in YTD 2021. However, this sector recorded a lower loss before tax of RM0.849 million in YTD 2021 as compared to loss before tax of RM1.936 million in YTD 2020, mainly due to reduction in overheads in YTD 2021.

B2 Comparison with preceding quarter results

Current quarter (“2Q 2021”) against preceding quarter (“1Q 2021”)

	Current Quarter	Preceding Quarter	Changes	
	30 June 2021	31 March 2021	Amount	%
	RM'000	RM'000	RM'000	
Revenue	70,043	59,359	10,684	18.0
Gross profit	3,201	2,879	322	11.2
Result from operating activities	199	(287)	486	169.3
Share of (loss)/profit of equity-accounted investments, net of tax	(77)	28	(105)	(375.0)
Net loss before tax	(62)	(320)	258	80.6
Net loss after tax	(430)	(679)	249	36.7
Loss attributable to Owners of the Company	(430)	(679)	249	36.7

B2 Comparison with preceding quarter results (continue)
Current quarter (“2Q 2021”) against preceding quarter (“1Q 2021”) (continue)

	Current Quarter	Preceding Quarter	Changes	
	30 June 2021 Revenue	31 March 2021 Revenue	Amount	%
	RM'000	RM'000	RM'000	
Trading	16,675	25,024	(8,349)	(33.4)
Property development	623	2,388	(1,765)	(73.9)
Construction	58,569	46,766	11,803	25.2
Investment property	811	807	4	0.5
Other services	754	570	184	32.3
	77,432	75,555	1,877	2.5
Inter-segment elimination	(7,389)	(16,196)	8,807	54.4
	70,043	59,359	10,684	18.0

	Current Quarter	Preceding Quarter	Changes	
	30 June 2021 Profit/(Loss) before tax	31 March 2021 Profit/(Loss) before tax	Amount	%
	RM'000	RM'000	RM'000	
Trading	130	631	(501)	(79.4)
Property development	70	472	(402)	(85.2)
Construction	(172)	(923)	751	81.4
Investment property	1,173	215	958	445.6
Other services	(577)	(273)	(304)	(111.4)
	624	122	502	411.5
Interest income	103	178	(75)	(42.1)
Interest expense	(287)	(239)	(48)	(20.1)
Share of (loss)/profit of equity-accounted investments	(77)	28	(105)	(375.0)
Unallocated other expenses	(425)	(409)	(16)	(3.9)
	(62)	(320)	258	80.6

For 2Q 2021, the Group recorded a higher revenue of RM70.043 million, an increase of RM10.684 million or 18.0% from RM59.359 million in 1Q 2021 mainly due to a higher rate of construction activity in 2Q 2021. However, the positive effect of increased revenue was partially weighed down by the lower revenue reported in trading sector.

The Group recorded a lower loss before tax of RM0.062 million as compared to RM0.320 million in 1Q 2021. The decrease in the loss before tax is mainly due to increase in revenue and recognition of gain on disposal of investment properties of RM0.973 million. However, the gain is partially off-set by the additional impairment on receivables of RM1.019 million in 2Q 2021.

B3 Prospects

The Board expects the economic outlook remain challenging, with outcomes depending largely on the duration of the Covid-19 pandemic, economic recovery, the increasing steel material pricing risk and current political situation. Given the uncertain business environment, we expect our financial performance for the financial year ending 31 December 2021 to be negatively impacted.

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 30 June 2021, the Group has approximately RM334 million unbilled construction order books.

B4 Variance of actual profit from forecast profit / profit guarantee

Not applicable.

B5 Taxation

	Current quarter ended 30 June 2021 RM '000	6 months ended 30 June 2021 RM '000
Income tax		
Current provision	368	754
Deferred tax	-	(27)
	368	727
	368	727

The Group's effective tax rate for the financial period ended 30 June 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 30 June 2021		
	Non-current RM'000	Current RM'000	Total borrowings RM'000
Secured			
Hire purchase liabilities	4,379	3,101	7,480
Lease liabilities	16	14	30
Unsecured			
Revolving credit	-	36,500	36,500
	4,395	39,615	44,010
	4,395	39,615	44,010
	As at 30 June 2020		
	Non-current RM'000	Current RM'000	Total borrowings RM'000
Secured			
Hire purchase liabilities	6,342	2,943	9,285
Lease liabilities	33	20	53
Unsecured			
Revolving credit	-	11,400	11,400
	6,375	14,363	20,738
	6,375	14,363	20,738

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 20 August 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 period ended 30 June 2021.

B10 Loss per share

	Current quarter ended 30 June 2021	Preceding year corresponding quarter ended 30 June 2020	Cumulative 6 months ended 30 June 2021	Cumulative 6 months ended 30 June 2020
Loss for the period attributable to owners of the Parent (RM'000)	(430)	(3,146)	(1,109)	(4,184)
Weighted average number of ordinary shares in issue ('000)	99,645	99,645	99,645	99,645
Basic loss per share (sen)	(0.43)	(3.16)	(1.11)	(4.20)
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 30 June 2021 RM'000	6 months ended 30 June 2021 RM'000
Loss before tax is arrived at after (crediting)/charging:		
Interest income	(103)	(281)
Other income including investment income	(101)	(461)
Interest expense		
- Unwinding of discount in relation to provision for onerous contract	-	-
- Others	287	526
Depreciation and amortisation	1,019	2,077
Impairment loss on receivables	930	1,104
Reversal of impairment loss on receivables	(4)	(8)
Gain on disposal of investment properties	(973)	(973)
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 is 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 RM'000	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying amount RM'000
30 June 2021					
Financial liabilities					
Finance lease liabilities	-	-	7,796	7,796	7,480
30 June 2020					
Financial liabilities					
Finance lease liabilities	-	-	9,924	9,924	9,285