

Notes to the interim financial report – 30 September 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 September 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 September 2021.

A8 Dividends paid

No dividend was paid for the current quarter and period ended 30 September 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 ("3Q 2021") against preceding year corresponding quarter ("3Q 2020")

	Current Year Quarter	Preceding Year Corresponding Quarter	Changes	
	30 September 2021 Revenue	30 September 2020 Revenue	Amount	%
	RM'000	RM'000	RM'000	
Trading	10,648	31,479	(20,831)	(66.2)
Property development	1,833	2,085	(252)	(12.1)
Construction	37,035	72,010	(34,975)	(48.6)
Investment property	800	698	102	14.6
Other services	1,429	580	849	146.4
	51,745	106,852	(55,107)	(51.6)
Inter-segment elimination	(5,529)	(11,960)	6,431	53.8
	46,216	94,892	(48,676)	(51.3)

	Current Year Quarter	Preceding Year Corresponding Quarter	Changes	
	30 September 2021 Profit/(Loss) before tax	30 September 2020 Profit/(Loss) before tax	Amount	%
	RM'000	RM'000	RM'000	
Trading	(140)	1,768	(1,908)	(107.9)
Property development	356	386	(30)	(7.8)
Construction	(305)	7,304	(7,609)	(104.2)
Investment property	(81)	111	(192)	(173.0)
Other services	191	(1,214)	1,405	115.7
	21	8,355	(8,334)	(99.7)
Interest income	93	204	(111)	(54.4)
Interest expense	(679)	(704)	25	3.6
Share of profit/(loss) of equity-accounted investments	100	(221)	321	145.2
Unallocated other expenses	(451)	(520)	69	13.3
	(916)	7,114	(8,030)	(112.9)

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

	9 months ended	9 months ended	Changes	
	30 September 2021 Revenue	30 September 2020 Revenue	Amount	%
	RM'000	RM'000	RM'000	
Trading	52,347	82,422	(30,075)	(36.5)
Property development	4,844	3,854	990	25.7
Construction	142,370	140,955	1,415	1.0
Investment Property	2,418	2,176	242	11.1
Other services	2,754	2,842	(88)	(3.1)
	204,733	232,249	(27,516)	(11.8)
Inter-segment elimination	(29,115)	(29,648)	533	1.8
	175,618	202,601	(26,983)	(13.3)

	9 months ended	9 months ended	Changes	
	30 September 2021 Profit/(Loss) before tax	30 September 2020 Profit/(Loss) before tax	Amount	%
	RM'000	RM'000	RM'000	
Trading	620	3,983	(3,363)	(84.4)
Property development	899	437	462	105.7
Construction	(1,400)	5,384	(6,784)	(126.0)
Investment Property	1,307	757	550	72.7
Other services	(658)	(3,150)	2,492	79.1
	768	7,411	(6,643)	(89.6)
Interest income	374	632	(258)	(40.8)
Interest expense	(1,205)	(1,635)	430	26.3
Share of profit/(loss) of equity-accounted investments	51	(1,562)	1,613	103.3
Unallocated other expenses	(1,286)	(1,246)	(40)	(3.2)
	(1,298)	3,600	(4,898)	(136.1)

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 September 2021.

A13 Changes in contingent liabilities

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

	As at 30 September 2021
	RM'000
Guarantees and contingencies relating to the Borrowings of subsidiaries (unsecured)	3,299
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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: -

	9 months ended
	30 September 2021
	RM'000
With companies in which certain Directors of the Company, have interests:	
Ekovest Berhad and its subsidiaries, jointly controlled and associate companies	55,890
Iskandar Waterfront City Berhad and its subsidiaries, jointly controlled and associate companies	26,409
Iskandar Waterfront Holdings Sdn Bhd and its subsidiaries, jointly controlled and associate companies	8,920
PLS Plantations Berhad and its subsidiaries, jointly controlled and associate companies	1,914
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B1 Detailed analysis of the performance of all operating segment of the Group in 3Q 2021

Current quarter (“3Q 2021”) against preceding year corresponding quarter (“3Q 2020”)

	Individual Period (3 rd Quarter)		Changes	
	Current Year Quarter	Preceding Year Corresponding Quarter	Amount	%
	30 September 2021 RM'000	30 September 2020 RM'000	RM'000	
Revenue	46,216	94,892	(48,676)	(51.3)
Gross profit	2,442	11,282	(8,840)	(78.4)
Result from operating activities	(430)	7,834	(8,264)	(105.5)
Share of profit/(loss) of equity-accounted investments, net of tax	100	(220)	320	145.5
Net (loss)/profit before tax	(916)	7,114	(8,030)	(112.9)
Net (loss)/profit after tax	(1,248)	6,375	(7,623)	(119.6)
(Loss)/profit attributable to Owners of the Company	(1,248)	6,375	(7,623)	(119.6)

For 3Q 2021, the Group registered a revenue of RM46.216 million and loss before tax of RM0.916 million as compared to revenue of RM94.892 million and profit before tax of RM7.114 million reported in 3Q 2020.

The performance of the respective operating business sector for the 3Q 2021 under review as compared to the 3Q 2020 is analysed as follows:

Trading

The revenue decreased by RM20.831 million or 66.2 % to RM10.648 million as compared to RM31.479 million in 3Q 2020. The lower revenue for 3Q 2021 was mainly due to lesser demand for construction materials resulted from the slower pace of construction activities during the implementation of Full MCO 3.0. The profit before tax for the sector has also decreased by RM1.908 million from profit before tax of RM1.768 million in 3Q 2020 to the loss before tax of RM0.140 million in 3Q 2021 mainly due to decrease in revenue.

Property development

In 3Q 2021, the sector recorded a revenue of RM1.833 million and profit before tax of RM0.356 million as compared to RM2.085 million and RM0.386 million recorded in 3Q 2020 respectively. The decrease in profit before tax is mainly due to lower sales value recorded in 3Q 2021.

Construction

The construction sector registered a lower revenue of RM37.035 million in 3Q 2021 as compared to RM72.010 million in 3Q 2020, mainly due to the new SOPs and restrictions imposed by authority during the Full MCO 3.0 which has resulted in slower construction progress for its on-going projects.

The sector recorded a loss before tax of RM0.305 million in the 3Q 2021 as compared to a profit before tax of RM7.304 million in the 3Q 2020 in tandem with the decrease in revenue and escalation of material cost in 3Q 2021.

B1 Detailed analysis of the performance of all operating segment of the Group in 3Q 2021 (continue)
Current quarter (“3Q 2021”) against preceding year corresponding quarter (“3Q 2020”) (continue)
Investment property

The sector recorded a higher revenue of RM0.800 million in 3Q 2021, an increase of RM0.102 million as compared to RM0.698 million in 3Q 2020. Despite an increase in revenue, the sector reported a loss before tax of RM0.081 million as compared to a profit before tax of RM0.111 million in 3Q 2020 mainly due to higher overheads in 3Q 2021.

Other services

In 3Q 2021, revenue increased from RM0.580 million to RM1.429 million as compared to 3Q 2020 mainly due to higher contribution of landscape maintenance work income. As a result of the increased revenue, this sector reported a profit before tax of RM0.191 million as compared to loss before tax of RM1.214 million in 3Q 2020.

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 September 2021 RM'000	30 September 2020 RM'000	RM'000	
Revenue	175,618	202,601	(26,983)	(13.3)
Gross profit	8,522	16,551	(8,029)	(48.5)
Result from operating activities	(518)	6,164	(6,682)	(108.4)
Share of profit/(loss) of equity-accounted investments, net of tax	51	(1,561)	1,612	103.3
(Loss)/profit before tax	(1,298)	3,600	(4,898)	(136.1)
(Loss)/profit after tax	(2,356)	2,191	(4,547)	(207.5)
(Loss)/profit attributable to Owners of the Company	(2,356)	2,191	(4,547)	(207.5)

For the YTD 2021, the Group recorded a revenue of RM175.618 million, a decrease of RM26.983 million or 13.3% from RM202.601 million in YTD 2020. The Group also recorded a loss before tax of RM1.298 million in YTD 2021 as compared to a profit before tax of RM3.600 million in YTD 2020. The decrease in revenue was mainly due to lower revenue contribution by the trading sector.

The Group recorded a profit of RM0.051 million in YTD 2021 from the equity accounted investment as compared with a loss of RM1.561 million in YTD 2020. The significant loss of RM1.561 million reported by the equity accounted investment for YTD 2020 was mainly due to the recognition of impairment on its property, plant and equipment after the completion of the project.

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 a lower revenue of RM52.347 million in YTD 2021 as compared to RM82.422 million in YTD 2020. The new SOPs and restrictions imposed by authority during the Full MCO 3.0 has resulted in lesser construction activities at our customers' construction sites leading to lesser demand on building materials. Correspondingly, this sector recorded a lower profit before tax of RM0.620 million in YTD 2021 as compared with the profit before tax of RM3.983 million in the YTD 2020.

B1 Detailed analysis of the performance of all operating segment of the Group in 3Q 2021 (continue)

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

Property development

The property development sector registered a higher revenue of RM4.844 million in YTD 2021 as compared to RM3.854 million in YTD 2020, mainly due to more completed units sold in YTD 2021. Correspondingly, this sector recorded a higher profit before tax of RM0.899 million in YTD 2021 as against RM0.473 million in YTD2020.

Construction

The construction sector registered higher revenue of RM142.370 million in YTD 2021 as compared to RM140.955 million in YTD 2020. This sector recorded a loss before tax of RM1.400 million in YTD 2021 as compared to profit before tax of RM5.384 million in YTD 2020. Despite a marginal increase in revenue, the sector recorded a loss before tax of RM1.400 million mainly due to escalation of construction material cost in YTD2021.

Investment property

The investment property sector recorded higher revenue of RM2.418 million in YTD 2021 as compared to RM2.176 million in YTD 2020, mainly due to new tenancies on certain properties which were vacant for a certain period in YTD 2020. This sector also recorded a higher profit before tax of RM1.307 million in YTD 2021 as compared to profit before tax of RM0.757 million in YTD 2020, mainly due to the additional rental income from new tenancies and higher gain on disposal of investment properties of RM0.795 million in YTD 2021 as compared to RM0.423 million in YTD 2020.

Other services

The decrease in revenue from RM2.842 million in YTD 2020 to RM2.754 million in YTD 2021 was mainly due to decrease in rental of plant and machinery in YTD 2021. Despite the decrease in revenue, this sector recorded a lower loss before tax of RM0.658 million in YTD 2021 as compared to loss before tax of RM3.150 million in YTD 2020, mainly due to reduction in overheads in YTD 2021.

B2 Comparison with preceding quarter results

Current quarter (“3Q 2021”) against preceding quarter (“2Q 2021”)

	Current Quarter	Preceding Quarter	Changes	
	30 September 2021	30 June 2021	Amount	%
	RM'000	RM'000	RM'000	
Revenue	46,216	70,043	(23,827)	(34.0)
Gross profit	2,442	3,201	(759)	(23.7)
Result from operating activities	(430)	199	(629)	(316.1)
Share of profit/(loss) of equity-accounted investments, net of tax	100	(77)	177	229.9
Net loss before tax	(916)	(62)	(854)	(1,377.4)
Net loss after tax	(1,248)	(430)	(818)	(190.2)
Loss attributable to Owners of the Company	(1,248)	(430)	(818)	(190.2)

B2 Comparison with preceding quarter results (continue)
Current quarter (“3Q 2021”) against preceding quarter (“2Q 2021”) (continue)

	Current Quarter	Preceding Quarter	Changes	
	30 September 2021 Revenue	30 June 2021 Revenue	Amount	%
	RM'000	RM'000	RM'000	
Trading	10,648	16,675	(6,027)	(36.1)
Property development	1,833	623	1,210	194.2
Construction	37,035	58,569	(21,534)	(36.8)
Investment property	800	811	(11)	(1.4)
Other services	1,429	754	675	89.5
	51,745	77,432	(25,687)	(33.2)
Inter-segment elimination	(5,529)	(7,389)	1,860	25.2
	46,216	70,043	(23,827)	(34.0)

	Current Quarter	Preceding Quarter	Changes	
	30 September 2021 Profit/(Loss) before tax	30 June 2021 Profit/(Loss) before tax	Amount	%
	RM'000	RM'000	RM'000	
Trading	(140)	130	(270)	(207.7)
Property development	356	70	286	408.6
Construction	(305)	(172)	(133)	(77.3)
Investment property	(81)	1,173	(1,254)	(106.9)
Other services	191	(577)	768	133.1
	21	624	(603)	(96.6)
Interest income	93	103	(10)	(9.7)
Interest expense	(679)	(287)	(392)	(136.6)
Share of profit/(loss) of equity-accounted investments	100	(77)	177	229.9
Unallocated other expenses	(451)	(425)	(26)	(6.1)
	(916)	(62)	(854)	(1,377.4)

For 3Q 2021, the Group recorded a lower revenue of RM46.216 million, a decrease of RM23.827 million or 34.0% from RM70.043 million in 2Q 2021. This was mainly due lower contribution from construction and trading sectors in 3Q 2021 which was affected by slower pace of construction activities during the implementation of Full MCO 3.0 in 3Q 2021.

The Group recorded a higher loss before tax of RM0.916 million as compared to RM0.062 million in 2Q 2021. The increase in the loss before tax is mainly due to decrease in revenue and provision of unwinding discount in relation to the provision for onerous contract of RM0.226 million in 3Q 2021. Furthermore, there was also a one-off recognition of gain on disposal of investment properties of RM0.973 million in 2Q 2021.

B3 Prospects

The Board expects the economic outlook to remain challenging due to the impact from the prolonged Covid-19 pandemic coupled with the increasing global market price for steel products which are affecting the construction industry. Given the uncertain business environment, we expect our financial performance for the financial period ending 31 March 2022 to be negatively impacted.

Recognising the challenges and uncertainties arising from the Covid-19 pandemic, the Group will continue to take all proactive measures to ensure the existing business remains sustainable, resilient and focused on delivering and completing all its projects in hand within the budgeted cost and on agreed time frame.

As at 30 September 2021, the Group has approximately RM298 million in unbilled construction works.

B4 Variance of actual profit from forecast profit / profit guarantee

Not applicable.

B5 Taxation

	Current quarter ended 30 September 2021 RM '000	9 months ended 30 September 2021 RM '000
Income tax		
Current provision	139	893
Over provision in prior years	(38)	(38)
Deferred tax	231	204
	332	1,059

The Group's effective tax rate for the financial period ended 30 September 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 September 2021		
	Non-current RM'000	Current RM'000	Total borrowings RM'000
Secured			
Hire purchase liabilities	3,604	3,072	6,676
Lease liabilities	13	12	25
Unsecured			
Revolving credit	-	36,500	36,500
Banker acceptance	-	909	909
Invoice financing	-	8,594	8,594
	3,617	49,087	52,704

B7 Group borrowings (continued)

	As at 30 September 2020		
	Non-current RM'000	Current RM'000	Total borrowings RM'000
Secured			
Hire purchase liabilities	6,763	3,227	9,990
Lease liabilities	27	20	47
Unsecured			
Revolving credit	-	8,400	8,400
	6,790	11,647	18,437

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 19 November 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 September 2021.

B10 (Loss)/Earning per share

	Current quarter ended 30 September 2021	Preceding year corresponding quarter ended 30 September 2020	Cumulative 9 months ended 30 September 2021	Cumulative 9 months ended 30 September 2020
(Loss)/profit for the period attributable to owners of the Parent (RM'000)	(1,248)	6,375	(2,357)	2,191
Weighted average number of ordinary shares in issue ('000)	99,645	99,645	99,645	99,645
Basic (loss)/profit per share (sen)	(1.25)	6.40	(2.37)	2.20
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 September 2021 RM'000	9 months ended 30 September 2021 RM'000
(Loss)/Profit before tax is arrived at after (crediting)/charging:		
Interest income	(93)	(374)
Other income including investment income	(1,197)	(1,658)
Interest expense		
- Unwinding of discount in relation to provision for onerous contract	226	226
- Others	453	979
Depreciation and amortisation	995	3,072
Impairment loss on receivables	279	1,383
Reversal of impairment loss on receivables	-	(8)
Gain on disposal of investment properties	-	(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 September 2021					
Financial liabilities					
Finance lease liabilities	-	-	6,942	6,942	6,676
30 September 2020					
Financial liabilities					
Finance lease liabilities	-	-	10,633	10,633	9,990