

Notes to the interim financial report – 31 December 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 31 December 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 December 2021.

A8 Dividends paid

No dividend was paid for the current quarter and period ended 31 December 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 ("4Q 2021") against preceding year corresponding quarter ("4Q 2020")

	Current Year Quarter	Preceding Year Corresponding Quarter	Changes	
	31 December 2021 Revenue	31 December 2020 Revenue	Amount	%
	RM'000	RM'000	RM'000	
Trading	13,975	29,372	(15,397)	(52.4)
Property development	-	-	-	-
Construction	20,986	110,394	(89,408)	(81.0)
Investment property	715	748	(33)	(4.4)
Other services	507	1,984	(1,477)	(74.4)
	36,183	142,498	(106,315)	(74.6)
Inter-segment elimination	(3,207)	(19,172)	15,965	83.3
	32,976	123,326	(90,350)	(73.3)

	Current Year Quarter	Preceding Year Corresponding Quarter	Changes	
	31 December 2021 Profit/(Loss) before tax	31 December 2020 Profit/(Loss) before tax	Amount	%
	RM'000	RM'000	RM'000	
Trading	112	2,619	(2,507)	(95.7)
Property development	(699)	(462)	(237)	(51.3)
Construction	(1,477)	2,838	(4,315)	(152.0)
Investment property	726	240	486	202.5
Other services	623	(3,688)	4,311	116.9
	(715)	1,547	(2,262)	(146.2)
Interest income	1,148	177	971	548.6
Interest expense	(891)	306	(1,197)	391.2
Share of profit/(loss) of equity-accounted investments	69	(3,111)	3,180	102.2
Unallocated other expenses	(59)	667	(726)	108.8
	(448)	(414)	(34)	8.2

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

	12 months ended	12 months ended	Changes	
	31 December 2021 Revenue	31 December 2020 Revenue	Amount	%
	RM'000	RM'000	RM'000	
Trading	66,322	111,794	(45,472)	(40.7)
Property development	4,844	3,854	990	25.7
Construction	163,356	251,349	(87,993)	(35.0)
Investment Property	3,133	2,924	209	7.1
Other services	3,261	4,826	(1,565)	(32.4)
	240,916	374,747	(133,831)	(35.7)
Inter-segment elimination	(32,322)	(48,820)	16,498	33.8
	208,594	325,927	(117,333)	(36.0)

	12 months ended	12 months ended	Changes	
	31 December 2021 Profit/(Loss) before tax	31 December 2020 Profit/(Loss) before tax	Amount	%
	RM'000	RM'000	RM'000	
Trading	732	6,602	(5,870)	(88.9)
Property development	200	(25)	225	(900.0)
Construction	(2,877)	8,222	(11,099)	(135.0)
Investment Property	2,033	997	1,036	103.9
Other services	(35)	(6,838)	6,803	99.5
	53	8,958	(8,905)	(99.4)
Interest income	1,522	809	713	88.1
Interest expense	(2,096)	(1,329)	(767)	(57.7)
Share of profit/(loss) of equity-accounted investments	120	(4,673)	4,793	(102.6)
Unallocated other expenses	(1,345)	(579)	(766)	(132.3)
	(1,746)	3,186	(4,932)	(154.8)

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

Save as disclose below, there were no change in the composition of the Group for the current quarter and period ended 31 December 2021:

On 6th December 2021, Knusford Internatioanl Pte Ltd, a wholly-owned subsidiary of Knusford Oil & Gas Sdn Bhd has been struck off from the register in Singapore.

A13 Changes in contingent liabilities

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

	As at 31 December 2021
	RM'000
Guarantees and contingencies relating to the Borrowings of subsidiaries (unsecured)	20,527
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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: -

	12 months ended
	31 December 2021
	RM'000
With companies in which certain Directors of the Company, have interests:	
Ekovest Berhad and its subsidiaries, jointly controlled and associate companies	61,400
Iskandar Waterfront City Berhad and its subsidiaries, jointly controlled and associate companies	35,266
Iskandar Waterfront Holdings Sdn Bhd and its subsidiaries, jointly controlled and associate companies	11,790
PLS Plantations Berhad and its subsidiaries, jointly controlled and associate companies	3,211
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B1 Detailed analysis of the performance of all operating segment of the Group in 4Q 2021
Current quarter (“4Q 2021”) against preceding year corresponding quarter (“4Q 2020”)

	Individual Period (4 th Quarter)		Changes	
	Current Year Quarter	Preceding Year Corresponding Quarter	Amount	%
	31 December 2021 RM'000	31 December 2020 RM'000	RM'000	
Revenue	32,976	123,326	(90,350)	(73.3)
Gross profit	1,279	6,766	(5,487)	(81.1)
Result from operating activities	(774)	2,215	(2,989)	(134.9)
Share of profit/(loss) of equity-accounted investments, net of tax	69	(3,112)	3,181	102.2
Net loss before tax	(448)	(414)	(34)	(8.2)
Net loss after tax	(705)	(1,892)	1,187	62.7
Loss attributable to Owners of the Company	(705)	(1,892)	1,187	62.7

For 4Q 2021, the Group registered a revenue of RM32.976 million and loss before tax of RM0.448 million as compared to revenue of RM123.326 million and loss before tax of RM0.414 million reported in 4Q 2020.

The performance of the respective operating business sector for the 4Q 2021 under review as compared to the 4Q 2020 is analysed as follows:

Trading

The revenue decreased by RM15.397 million or 52.4 % to RM13.975 million as compared to RM29.372 million in 4Q 2020. The lower revenue for 4Q 2021 was mainly due to lesser demand for construction materials as certain on-going projects have reached the tail end stages of their construction works. The profit before tax for the sector has also decreased by RM2.507 million from profit before tax of RM2.619 million in 4Q 2020 to RM0.112 million in 4Q 2021 in tandem with the decrease in revenue.

Property development

No revenue were recognised in 4Q 2021 and 4Q 2020 as no sales were recorded for both quarters.

Construction

The construction sector registered a lower revenue of RM20.986 million in 4Q 2021 as compared to RM110.394 million in 4Q 2020, mainly due to lower construction activities as certain on-going projects have reached the tail end stages of their construction works.

The sector recorded a loss before tax of RM1.477 million in the 4Q 2021 as compared to a profit before tax of RM2.838 million in the 4Q 2020 in tandem with the decrease in revenue in 4Q 2021.

Investment property

The sector recorded a slightly lower revenue of RM0.715 million in 4Q 2021, a decrease of RM0.033 million as compared to RM0.748 million in 4Q 2020. Despite a decrease in revenue, the sector reported a profit before tax of RM0.726 million as compared to a profit before tax of RM0.240 million in 4Q 2020 mainly due to higher gain on disposal of investment properties of RM0.234 million and lower overheads incurred in 4Q 2021.

B1 Detailed analysis of the performance of all operating segment of the Group in 4Q 2021 (continue)
Current quarter (“4Q 2021”) against preceding year corresponding quarter (“4Q 2020”) (continue)
Other services

In 4Q 2021, revenue decreased from RM1.984 million to RM0.507 million as compared to 4Q 2020 mainly due to lower income contribution of landscape maintenance work. This sector reported a profit before tax of RM0.623 million as compared to loss before tax of RM3.688 million in 4Q 2020 mainly due to recognition of impairment loss on receivable of RM3.333 million in 4Q 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	%
	31 December 2021 RM'000	31 December 2020 RM'000	RM'000	
Revenue	208,594	325,927	(117,333)	(36.0)
Gross profit	9,801	23,317	(13,516)	(58.0)
Result from operating activities	(1,292)	8,379	(9,671)	(115.4)
Share of profit/(loss) of equity-accounted investments, net of tax	120	(4,673)	4,793	102.6
(Loss)/profit before tax	(1,746)	3,186	(4,932)	(154.8)
(Loss)/profit after tax	(3,062)	299	(3,361)	(1,124.1)
(Loss)/profit attributable to Owners of the Company	(3,062)	299	(3,361)	(1,124.1)

For the YTD 2021, the Group recorded a revenue of RM208.594 million, a decrease of RM117.333 million or 36.0% from RM325.927 million in YTD 2020. Correspondingly, the Group recorded a loss before tax of RM1.746 million in YTD 2021 as compared to a profit before tax of RM3.186 million in YTD 2020. The decrease in revenue was mainly due to lower revenue contribution by the trading and construction sector.

The Group recorded a profit of RM0.120 million in YTD 2021 from the equity accounted investment as compared with a loss of RM4.673 million in YTD 2020. The significant loss of RM4.673 million reported by the equity accounted investment for YTD 2020 was mainly due to the recognition of impairment loss on receivables of RM4.153 million.

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 RM66.322 million in YTD 2021 as compared to RM111.794 million in YTD 2020 mainly due to lesser demand on building materials as certain on-going projects have reached the tail end stages of their construction works. Correspondingly, this sector recorded a lower profit before tax of RM0.732 million in YTD 2021 as compared with the profit before tax of RM6.602 million in YTD 2020.

B1 Detailed analysis of the performance of all operating segment of the Group in 4Q 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 profit before tax of RM0.200 million in YTD 2021 as against loss before tax of RM0.025 million in YTD 2020.

Construction

The construction sector registered lower revenue of RM163.356 million in YTD 2021 as compared to RM251.349 million in YTD 2020. This sector recorded a loss before tax of RM2.877 million in YTD 2021 as compared to profit before tax of RM8.222 million in YTD 2020 mainly due to escalation of construction material cost and lesser construction activities in YTD 2021.

Investment property

The investment property sector recorded higher revenue of RM3.133 million in YTD 2021 as compared to RM2.924 million in YTD 2020, mainly due to rental income contribution from new tenancies. This sector also recorded a higher profit before tax of RM2.033 million in YTD 2021 as compared to profit before tax of RM0.997 million in YTD 2020, mainly due to the additional rental income from new tenancies and higher gain on disposal of investment properties of RM1.244 million in YTD 2021 as compared to RM0.423 million in YTD 2020.

Other services

The decrease in revenue from RM4.826 million in YTD 2020 to RM3.261 million in YTD 2021 was mainly due to decrease in rental of plant and machinery and landscape maintenance work in YTD 2021. Despite the decrease in revenue, this sector recorded a lower loss before tax of RM0.035 million in YTD 2021 as compared to loss before tax of RM6.838 million in YTD 2020, The lower loss before tax recorded for YTD 2021 was mainly due to reduction in overheads in YTD 2021, and an impairment loss on receivables of RM3.376 million recognized in YTD 2020.

B2 Comparison with preceding quarter results
Current quarter (“4Q 2021”) against preceding quarter (“3Q 2021”)

	Current Quarter	Preceding Quarter	Changes	
	31 December 2021	30 September 2021	Amount	%
	RM'000	RM'000	RM'000	
Revenue	32,976	46,216	(13,240)	(28.6)
Gross profit	1,279	2,442	(1,163)	(47.6)
Result from operating activities	(774)	(430)	(344)	(80.0)
Share of profit/(loss) of equity-accounted investments, net of tax	69	100	(31)	(31.0)
Net loss before tax	(448)	(916)	468	(51.1)
Net loss after tax	(705)	(1,248)	543	43.5
Loss attributable to Owners of the Company	(705)	(1,248)	543	43.5

B2 Comparison with preceding quarter results (continue)
Current quarter (“4Q 2021”) against preceding quarter (“3Q 2021”) (continue)

	Current Quarter	Preceding Quarter	Changes	
	31 December 2021 Revenue	30 September 2021 Revenue	Amount	%
	RM'000	RM'000	RM'000	
Trading	13,975	10,648	3,327	31.2
Property development	-	1,833	(1,833)	(100.0)
Construction	20,986	37,035	(16,049)	(43.3)
Investment property	715	800	(85)	(10.6)
Other services	507	1,429	(922)	(64.5)
	36,183	51,745	(15,562)	(30.1)
Inter-segment elimination	(3,207)	(5,529)	2,322	42.0
	32,976	46,216	(13,240)	(28.6)

	Current Quarter	Preceding Quarter	Changes	
	31 December 2021 Profit/(Loss) before tax	30 September 2021 Profit/(Loss) before tax	Amount	%
	RM'000	RM'000	RM'000	
Trading	112	(140)	252	180.0
Property development	(699)	356	(1,055)	(296.3)
Construction	(1,477)	(305)	(1,172)	(384.3)
Investment property	726	(81)	807	996.3
Other services	623	191	432	226.2
	(715)	21	(736)	(3,504.8)
Interest income	1,148	93	1,055	1,134.4
Interest expense	(891)	(679)	(212)	(31.2)
Share of profit/(loss) of equity-accounted investments	69	100	(31)	(31.0)
Unallocated other expenses	(59)	(451)	392	86.9
	(448)	(916)	468	51.1

For 4Q 2021, the Group recorded a lower revenue of RM32.976 million, a decrease of RM13.240 million or 28.6% from RM46.216 million in 3Q 2021. This was mainly due to lower contribution from construction sector in 4Q 2021 as certain on-going projects have reached the tail end stages of their construction works.

Despite the decrease in revenue, the Group recorded a lower loss before tax of RM0.448 million as compared to RM0.916 million in 3Q 2021, mainly due to the higher contribution from interest income in 4Q 2021.

B3 Prospects

Outlook for 2022 will continue to be cautious as Malaysia is migrating from a pandemic to an endemic approach but leans towards optimism due to positive economic signals including high vaccination rates, implementation of recovery policies by the government and the expected re-opening of international borders. Market confidence in 2022 will continue to be heavily influenced by positive or negative developments of containing Covid-19. Given the uncertain business environment coupled with the higher price of construction materials, we expect our financial performance for the financial year period ending 31 March 2022 to be adversely impacted.

Bearing in mind the challenges and economic 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 31 December 2021, the Group has approximately RM446 million in unbilled construction works.

B4 Variance of actual profit from forecast profit / profit guarantee

Not applicable.

B5 Taxation

	Current quarter ended 31 December 2021 RM '000	12 months ended 31 December 2021 RM '000
Income tax		
Current provision	500	1,393
Over provision in prior years	(25)	(63)
Deferred tax	(218)	(14)
	257	1,316

The Group's effective tax rate for the financial period ended 31 December 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 December 2021		
	Non-current RM'000	Current RM'000	Total borrowings RM'000
Secured			
Hire purchase liabilities	2,709	3,206	5,915
Lease liabilities	11	10	21
Unsecured			
Revolving credit	-	36,500	36,500
	2,720	39,716	42,436

B7 Group borrowings (continued)

	As at 31 December 2020		
	Non-current RM'000	Current RM'000	Total borrowings RM'000
Secured			
Hire purchase liabilities	5,925	3,140	9,065
Lease liabilities	22	20	42
Unsecured			
Revolving credit	-	12,900	12,900
	<u>5,947</u>	<u>16,060</u>	<u>22,007</u>

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 February 2022 (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 31 December 2021.

B10 (Loss)/Earning per share

	Current quarter ended 31 December 2021	Preceding year corresponding quarter ended 31 December 2020	Cumulative 12 months ended 31 December 2021	Cumulative 12 months ended 31 December 2020
(Loss)/profit for the period attributable to owners of the Parent (RM'000)	(705)	(1,892)	(3,062)	299
Weighted average number of ordinary shares in issue ('000)	99,645	99,645	99,645	99,645
Basic (loss)/profit per share (sen)	(0.71)	(1.90)	(3.07)	0.30
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 December 2021 RM'000	12 months ended 31 December 2021 RM'000
(Loss)/Profit before tax is arrived at after (crediting)/charging:		
Interest income	(1,148)	(1,522)
Other income including investment income	(2,051)	(3,709)
Interest expense		
- Unwinding of discount in relation to provision for onerous contract	107	333
- Others	784	1,763
Depreciation and amortisation	954	4,026
Impairment loss on receivables	363	1,754
Reversal of impairment loss on receivables	-	(8)
Gain on disposal of investment properties	(271)	(1,244)
Gain on disposal of plant and equipment	(150)	(228)
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
31 December 2021					
Financial liabilities					
Finance lease liabilities	-	-	6,130	6,130	5,915
31 December 2020					
Financial liabilities					
Finance lease liabilities	-	-	9,611	9,611	9,065