

Notes to the interim financial report – 31 March 2022

A1 Change in financial year end

As announced on 27 August 2021, the Company has changed its financial year end from 31 December 2021 to 31 March 2022. As a result, the current financial period of the Company shall be for a period of 15 months from 1 January 2021 to 31 March 2022 and thereafter 31 March for each subsequent year.

A2 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.

A3 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.

A4 Auditors’ report

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

A5 Seasonal or cyclical factors

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

A6 Unusual items due to their nature, size or incidence

There were no unusual items for the period ended 31 March 2022.

A7 Changes in estimates

Not applicable.

A8 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 2022.

A9 Dividends paid

No dividend was paid for the current quarter and period ended 31 March 2022.

A10 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 ("5Q 2022") against preceding year corresponding quarter ("1Q 2021")

	Current Period Quarter	Preceding Year Corresponding Quarter	Changes	
	31 March 2022 Revenue	31 March 2021 Revenue	Amount	%
	RM'000	RM'000	RM'000	
Trading	8,560	25,024	(16,464)	(65.8)
Property development	3,687	2,388	1,299	54.4
Construction	84,262	46,766	37,496	80.2
Investment property	777	807	(30)	(3.7)
Other services	193	570	(377)	(66.1)
	97,479	75,555	21,924	29.0
Inter-segment elimination	(1,059)	(16,196)	15,137	93.5
	96,420	59,359	37,061	62.4

	Current Period Quarter	Preceding Year Corresponding Quarter	Changes	
	31 March 2022 Profit/(Loss) before tax	31 March 2021 Profit/(Loss) before tax	Amount	%
	RM'000	RM'000	RM'000	
Trading	(683)	631	(1,314)	(208.2)
Property development	1,221	472	749	158.7
Construction	2,577	(923)	3,500	379.2
Investment property	367	215	152	70.7
Other services	(323)	(273)	(50)	(18.3)
	3,159	122	3,037	2,489.3
Interest income	620	178	442	248.3
Interest expense	(1,216)	(239)	(977)	(408.8)
Share of (loss)/profit of equity-accounted investments	(3,889)	28	(3,917)	13,989.3
Unallocated other expenses	(253)	(409)	156	38.1
	(1,579)	(320)	(1,259)	(393.4)

A10 Segmental information (continue)
Current period to date (“YTD 2022”)

	15 months ended	Changes	
	31 March 2022 Revenue	Amount	%
	RM'000	RM'000	
Trading	74,881	N/A	N/A
Property development	8,531	N/A	N/A
Construction	247,619	N/A	N/A
Investment Property	3,911	N/A	N/A
Other services	3,454	N/A	N/A
	338,396	N/A	N/A
Inter-segment elimination	(33,382)	N/A	N/A
	305,014	N/A	N/A

	15 months ended	Changes	
	31 March 2022 Profit/(Loss) before tax	Amount	%
	RM'000	RM'000	
Trading	50	N/A	N/A
Property development	1,421	N/A	N/A
Construction	(301)	N/A	N/A
Investment Property	2,400	N/A	N/A
Other services	(358)	N/A	N/A
	3,212	N/A	N/A
Interest income	2,142	N/A	N/A
Interest expense	(3,312)	N/A	N/A
Share of loss of equity- accounted investments	(3,769)	N/A	N/A
Unallocated other expenses	(1,598)	N/A	N/A
	(3,325)	N/A	N/A

N/A : There are no comparative figures for the cumulative preceding year corresponding periods.

A11 Valuation of property, plant and equipment

There was no amendment to the valuation of property & plant and equipment brought forward to the current quarter as compared with the previous year annual financial statements.

A12 Event subsequent to the balance sheet date

On 13 May 2022, Company has entered into a Head of Agreement (HOA) with Iskandar Waterfront City Berhad (IWCB) for the purpose of acquiring two (2) pieces of freehold lands measuring approximately 5.581 acres and 4.26 acres located in Mukim Pulai, District of Johor, State of Johor, for an aggregate indicative sale and purchase consideration in the region between RM 90 million to RM 95 million, the actual sales and purchase consideration shall be subject to valuations by an independent firm of valuer appointed by the Company.

For details, please refer to the announcement dated 13th May 2022.

A13 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 March 2022.

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

A14 Changes in contingent liabilities

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

	As at 31 March 2022
	RM'000
Guarantees and contingencies relating to the borrowings of subsidiaries (unsecured)	20,528
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A15 Significant Related Party Transactions

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

	15 months ended
	31 March 2022
	RM'000
With companies in which certain Directors of the Company, have interests:	
Ekovest Berhad and its subsidiaries, jointly controlled and associate companies	72,174
Iskandar Waterfront City Berhad and its subsidiaries, jointly controlled and associate companies	39,510
Iskandar Waterfront Holdings Sdn Bhd and its subsidiaries, jointly controlled and associate companies	13,457
PLS Plantations Berhad and its subsidiaries, jointly controlled and associate companies	4,163
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B1 Detailed analysis of the performance of all operating segment of the Group in 5Q 2022
Current quarter (“5Q 2022”) against preceding year corresponding quarter (“1Q 2021”)

	Individual Period		Changes	
	Current Period Quarter	Preceding Year Corresponding Quarter	Amount	%
	31 March 2022 RM'000	31 March 2021 RM'000	RM'000	
Revenue	96,420	59,359	37,061	62.4
Gross profit	14,339	2,879	11,460	398.1
Result from operating activities	2,906	(287)	3,193	1,112.5
Share of (loss)/profit of equity-accounted investments, net of tax	(3,889)	28	(3,917)	13,989.3
Net loss before tax	(1,579)	(320)	(1,259)	(393.4)
Net loss after tax	(2,202)	(679)	(1,523)	(224.3)
Loss attributable to Owners of the Company	(2,202)	(679)	(1,523)	(224.3)

For 5Q 2022, the Group registered a revenue of RM96.420 million and loss before tax of RM1.579 million as compared to revenue of RM59.359 million and loss before tax of RM0.320 million reported in 1Q 2021.

The higher loss before tax recorded in 5Q 2022 was mainly due to higher loss of RM3.889 million in 5Q 2022 arising from the equity accounted investment as compared with a profit of RM0.028 million in 1Q 2021, mainly due to recognition of impairment loss on its receivables.

The performance of the respective operating business sector for the 5Q 2022 under review as compared to the 1Q 2021 is analysed as follows:

Trading

The revenue decreased by RM16.464 million or 65.8% to RM8.560 million as compared to RM25.024 million in 1Q 2021. The lower revenue for 5Q 2022 was mainly due to lesser demand for construction materials as certain on-going projects of our customers have reached the tail end stages of their construction works.

This sector reported a loss before tax of RM0.683 million in 5Q 2022 as against profit before tax of RM0.631 million in 1Q 2021 in line with the decrease in revenue as well as the recognition of net impairment loss on receivables of RM0.275 million.

Property development

Revenue for 5Q 2022 has increased by RM1.299 million to RM3.687 million as compared to the 1Q 2021 of RM2.388 million mainly due to more completed units sold in 5Q 2022. Accordingly, the profit before tax increased by RM0.749 million to RM1.221 million in 5Q 2022 as compared to RM0.472 million in 1Q 2021 in line with the increase in the revenue, which was partly offset by approximately RM0.565 million comprising of the unwinding of discount for a low cost housing project in 5Q 2022.

B1 Detailed analysis of the performance of all operating segment of the Group in 5Q 2022 (continue)

Current quarter (“5Q 2022”) against preceding year corresponding quarter (“1Q 2021”) (continue)

Construction

The construction sector registered a higher revenue of RM84.262 million in 5Q 2022 as compared to RM46.766 million in 1Q 2021, mainly due to higher work done recognised for the Duke 3 project.

The sector recorded a profit before tax of RM2.577 million in the 5Q 2022 as compared to a loss before tax of RM0.923 million in the 1Q 2021 in line with the increase in revenue. The increase in profit before tax was partly reduce by a net impairment loss on receivables of RM7.430 million in 5Q 2022.

Investment property

The sector recorded a slightly lower revenue of RM0.777 million in 5Q 2022 as compared to RM0.807 million in 1Q 2021. Despite a decrease in revenue, the sector reported a profit before tax of RM0.367 million as compared to a profit before tax of RM0.215 million in 1Q 2021 mainly due to miscellaneous income received in 5Q 2022.

Other services

In 5Q 2022, revenue decreased from RM0.570 million to RM0.193 million as compared to 1Q 2021 mainly due to lower income contribution from the landscape maintenance work. This sector reported a loss before tax of RM0.323 million as compared to loss before tax of RM0.273 million in 1Q 2021 mainly due to lower revenue in 5Q 2022.

Current period to date (“YTD 2022”)

	Cumulative Period	Changes	
	Current Period To-Date	Amount	%
	31 March 2022 RM'000	RM'000	
Revenue	305,014	N/A	N/A
Gross profit	24,140	N/A	N/A
Result from operating activities	1,614	N/A	N/A
Share of loss of equity-accounted investments, net of tax	(3,769)	N/A	N/A
Loss before tax	(3,325)	N/A	N/A
Loss after tax	(5,264)	N/A	N/A
Loss attributable to Owners of the Company	(5,264)	N/A	N/A

N/A : There are no comparative figures for the cumulative preceding year corresponding periods.

B2 Comparison with preceding quarter results

Current quarter (“5Q 2022”) against preceding quarter (“4Q 2021”)

	Current Quarter	Preceding Quarter	Changes	
	31 March 2022	31 December 2021	Amount	%
	RM'000	RM'000	RM'000	
Revenue	96,420	32,976	63,444	192.4
Gross profit	14,339	1,279	13,060	1,021.1
Result from operating activities	2,906	(774)	3,680	475.5
Share of (loss)/profit of equity-accounted investments, net of tax	(3,889)	69	(3,958)	(5,736.2)
Net loss before tax	(1,579)	(448)	(1,131)	(252.5)
Net loss after tax	(2,202)	(705)	(1,497)	(212.3)
Loss attributable to Owners of the Company	(2,202)	(705)	(1,497)	(212.3)

The Group reported higher revenue of RM96.420 million in 5Q 2022 as compared to RM32.976 million in 4Q 2021, this was mainly due to higher contribution from the construction sector in 5Q 2022 for the Duke 3 project.

Despite the increase in the revenue, the Group recorded higher loss before tax of RM1.579 million in 5Q 2022 as compared to loss before tax of RM0.448 million in 4Q 2021, mainly due to higher share of loss of RM3.889 million in 5Q 2022 arising from the equity accounted investment as compared with the share of profit of RM0.069 million in 4Q 2021.

B3 Prospects

The business environment is transitioning into an endemic phase in the year 2022 as the majority of the population has been vaccinated. However, it will take some time for consumer sentiment to be restored to pre-pandemic levels.

For the financial year ending 31 March 2023, the Board is still mindful of the uncertainties surrounding the operating landscape of the property and construction industries which include the escalation of the prices of construction materials and shortage of labour. 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.

The Group adopts a cautious outlook on the recovery of the property and construction industries and will continue to pursue potential business opportunities to replenish its order book.

As at 31 March 2022, the Group has approximately RM352 million in unbilled construction works.

B4 Variance of actual profit from forecast profit / profit guarantee

Not applicable.

B5 Taxation

	Current quarter ended 31 March 2022 RM '000	15 months ended 31 March 2022 RM '000
Income tax		
Current provision	178	1,571
Over provision in prior years	(11)	(74)
Deferred tax	456	442
	623	1,939
	623	1,939

The Group's effective tax rate for the financial period ended 31 March 2022 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 except for the Group entered into HOA with IWCB on the proposed land acquisition as disclosed in Note A12.

B7 Group borrowings

	As at 31 March 2022		
	Non-current RM'000	Current RM'000	Total borrowings RM'000
Secured			
Hire purchase liabilities	2,646	2,925	5,571
Lease liabilities	10	11	21
Unsecured			
Revolving credit	-	36,500	36,500
	2,656	39,436	42,092
	2,656	39,436	42,092

	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
	5,947	16,060	22,007
	5,947	16,060	22,007

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 24 May 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 March 2022.

B10 Loss per share

	Current quarter ended 31 March 2022	Preceding year corresponding quarter ended 31 March 2021	Cumulative 15 months ended 31 March 2022
Loss for the period attributable to owners of the Parent (RM'000)	(2,202)	(679)	(5,264)
Weighted average number of ordinary shares in issue ('000)	99,645	99,645	99,645
Basic loss per share (sen)	(2.21)	(0.68)	(5.28)
Diluted earnings per share (sen)	N/A	N/A	N/A

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

	Current quarter ended 31 March 2022 RM'000	Cumulative 15 months ended 31 March 2022 RM'000
Profit/(Loss) before tax is arrived at after (crediting)/charging:		
Interest income	(620)	(2,142)
Other income including investment income	(825)	(4,534)
Interest expense		
- Unwinding of discount in relation to provision for onerous contract	565	898
- Others	651	2,414
Depreciation and amortisation	908	4,934
Impairment loss on receivables	7,299	9,053
Reversal of impairment loss on receivables	(358)	(366)
Gain on disposal of investment properties	-	(1,244)
Gain on disposal of plant and equipment	(143)	(371)
Reversal of impairment loss on inventory	(205)	(205)

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	Level 2	Level 3	Total fair	Carrying
	RM'000	RM'000	RM'000	value	amount
				RM'000	RM'000
31 March 2022					
Financial liabilities					
Finance lease liabilities	-	-	5,788	5,788	5,571
31 December 2020					
Financial liabilities					
Finance lease liabilities	-	-	9,611	9,611	9,065