

TRC SYNERGY BERHAD

Company No. 199601040839 (413192-D)
(Incorporated in Malaysia)

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30TH SEPTEMBER 2022

(The figures have not been audited)

Explanatory Notes

1. *Accounting policies*

The Group has prepared the unaudited interim financial statements in accordance with the requirements of Malaysian Financial Reporting Standards ('MFRS') 134: "Interim Financial Reporting" issued by Malaysian Accounting Standard Board ('MASB') and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ('Bursa Malaysia').

The unaudited interim financial statements should be read in conjunction with audited financial statements of the Group for the financial year ended 31 December 2021. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2021.

The accounting policies adopted by the Group in this interim financial report are consistent with those adopted in the audited annual financial statements for the financial year ended 31 December 2021, except for the adoption of the following Amendments to MFRSs:

| | | Effective date |
|--|--|----------------|
| Amendment to MFRS 16 | Covid-19 – Related Rent Concessions | 1 April 2021 |
| Amendments to MFRS 1, MFRS 9, MFRS 16 and MFRS 141 | Annual Improvements to MFRS Standards 2018-2020 | 1 January 2022 |
| Amendments to MFRS 3 | Reference to the Conceptual Framework | 1 January 2022 |
| Amendments to MFRS 116 | Property, Plant & Equipment - Proceeds before Intended Use | 1 January 2022 |

The adoption of the above Amendments to MFRSs does not have significant financial impact to the Group and the Company.

2. *Status of Financial Statements Qualification*

The auditors' report on the financial statements for the year ended 31 December 2021 was not subject to any qualification.

3. *Seasonal or Cyclical Factors*

The Group's operations were not significantly affected by seasonal and cyclical factors for the financial period under review.

4. *Items affecting assets, liabilities, equity, net income or cash flows that are unusual to the nature, size or incidence*

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows for the current quarter and financial year to date.

5. *Changes in Estimates*

There were no changes in estimates that have a material effect in the current quarter.

6. *Changes in Share Capital and Loan Stocks*

There were no changes in share capital and loan stocks for the quarter ended 30 September 2022.

7. *Dividend paid*

The Company paid a single tier dividend of 1.20 sen per share amounting to RM5,655,464 in respect of the financial year ended 31 December 2021 on 15 July 2022.

8. *Segment Reporting*

Operating segment information for the current quarter is as follows:

| | Construction | Property | Hotel | | | |
|---|---------------------|--------------------|-------------------|---------------|--------------------|----------------|
| | activities | development | operations | Others | Elimination | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | | | | | | |
| External revenue | 425,566 | 73,648 | 13,671 | - | | 512,885 |
| Inter-segment revenue | 173,690 | - | 9,204 | 1,462 | (184,356) | - |
| | 599,256 | 73,648 | 22,875 | 1,462 | (184,356) | 512,885 |
| Results | | | | | | |
| Segment operating profits | 15,874 | 387 | (2,623) | 5,775 | (6,175) | 13,238 |
| Share of profits of associate | | | | | | 251 |
| Share of losses of joint venture | | | | | | (508) |
| Finance income | | | | | | 3,306 |
| Finance costs | | | | | | (4,791) |
| Profit before tax | | | | | | 11,496 |
| Taxation | | | | | | 1,555 |
| Net profit for the period | | | | | | 13,051 |

9. *Valuation of property, plant & equipment*

The valuations of land and buildings have been brought forward without amendment as there was no revaluation been carried out in this quarter.

10. *Subsequent Events*

There were no material events subsequent to the end of the current quarter.

11. *Changes in the composition of the Group*

There were no changes in the composition of the Group for the quarter ended 30 September 2022.

12. *Contingent Liabilities and Assets*

There were no material changes in contingent liabilities and assets for the Group as at the date of this announcement.

13. *Capital Commitment*

There was no capital commitment for the purchase of property, plant and equipment for the quarter ended 30 September 2022.

14. *Recurrent Related Party Transactions*

The Shareholders' mandate on Recurrent Related Party Transactions obtained on 29 June 2021 had expired on 22 June 2022. For the quarter ended 30 September 2022, there was no material recurrent related party transactions.

15. *Review of performance of the Company and its Principal Subsidiaries*

The Group recorded a profit before tax of RM2,690,740 in the current quarter as compared with a profit before tax of RM7,928,100 in the corresponding quarter.

The lower revenue and gross profit recognized in the current quarter had resulted the Group reporting a lower profit before tax in the current quarter. The sharing of loss of the joint venture as opposed to a profit in the corresponding quarter had contributed further to the lower profit before tax being reported in the current quarter.

The negative impact of the sharing of losses of joint venture in the current quarter as opposed to sharing of a gain in the corresponding quarter had been compensated by the lower administrative expenses being incurred in the current quarter.

16. *Material changes in the Profit before tax for the Current Quarter as compared with the Immediate Preceding Quarter*

The Group recorded a profit before tax of RM2,690,740 in the current quarter as compared with a profit before tax of RM3,453,118 recorded in the immediate preceding quarter.

The lower profit before tax reported in the current quarter was largely due to the lower revenue and gross profit being recognized in the current quarter.

17. Prospects

Following our country transitioned into endemicity in April 2022, majority of the economic activities have since been normalised, translated into decent Gross Domestic Products (“GDP”) growth of 8.9% year-on-year (YoY) in Q2 followed by an impressive 14.2% YoY jump in Q3, partly due to the favourable base effect and also driven by robust domestic demand as a result of continued recovery in employment, higher investments, continued policy support, resilient external sector, opening of international borders, etc. For the first 9 months of the year, Malaysia GDP had climbed 9.3% YoY and the better- than expected expansion means full year performance is likely to exceed the earlier official forecast of 6.5% to 7.0%.

For construction industry as a whole, the value of construction work done in Q3 had surged by 23.2% YoY, again due to low base effect (vs +6.1% YoY growth achieved in Q2). The stronger number reported in Q3 was driven by Non-Residential Building as well as Special Trade Activities, where both segments spiked above 30% while Civil Engineering and Residential Buildings grew moderately between 14.6% to 17.8%, amidst a confluence of headwinds impacted the industry players.

Barring any further unforeseen developments, the Group is cautiously optimistic about the outlook for the coming quarter and we shall remain focusing on reinforcing our business fundamental, strengthening our core capability and capacity in project implementation while continue to managing our costs and cashflow.

18. Variance of Actual Profit against Estimated Profit

The disclosure requirement for this section is not applicable to the Group.

19. Income tax

The tax expenses comprise the following:

| | <u>Individual Quarter</u> | | <u>Cumulative Quarter</u> | |
|------------------------------|--|---|--|--|
| | Current Year Quarter 30.9.2022 RM'000 | Preceding Year Corresponding Quarter 30.9.2021 RM'000 | Current Year To Date 30.9.2022 RM'000 | Preceding Year Corresponding Period 30.9.2021 RM'000 |
| Current taxation | 1,733 | 2,655 | 5,136 | 4,325 |
| Deferred taxation | (1,790) | (551) | (6,297) | (20) |
| Prior year over provision | (394) | (29) | (394) | (29) |
| | <u>(451)</u> | <u>2,075</u> | <u>(1,555)</u> | <u>4,276</u> |
| | ===== | ===== | ===== | ===== |

The provision for deferred tax asset in the current period was largely related to the unutilized tax losses of a subsidiary company.

20. Profit on sale of investments and properties

There were no sales of unquoted investments or properties by the Group in the current quarter.

21. Quoted Securities

The Company did not hold any quoted securities for the quarter ended 30 September 2022.

22. Status of Corporate Proposal

There was no outstanding corporate proposal.

23. **Group Borrowings and Debt Securities**

Total borrowings of the Group as at 30 September 2022 are as follows:-

| Security | Type | Amount (RM'000) |
|-----------------|-------------|------------------------|
| Secured | Short Term | 48,788 |
| Secured | Long Term | 98,263 |
| Unsecured | Long Term | - |

Currency exposure profile of borrowings is as follows:-

| Currency | Secured Short Term RM'000 | Secured Long Term RM'000 |
|-------------------|--------------------------------------|-------------------------------------|
| Malaysian Ringgit | 47,540 | 5,929 |
| Australian Dollar | 1,248 | 92,334 |

24. **Off Statement of Financial Position Financial Instruments**

There were no off statement of financial position financial instruments as at the date of this announcement.

25. **Material Litigation**

Trans Resources Corporation Sdn Bhd ('TRC') the wholly-owned subsidiary of the Company had commenced arbitration proceedings (as the 1st Claimant) to resolve its disputes with The Brunei Economic Development Board ('BEDB').

TRC's claims against BEDB for payment of amounts which are wrongfully deducted by BEDB from sums due to TRC under the Contract and compensation for losses suffered by TRC as a result of certain acts and/or omissions of BEDB.

The arbitration trial was duly convened in early November 2021 and all parties have submitted their case submission in January 2022.

The Arbitrator is expected to give his award in due course.

26. **Dividends**

The directors have not recommended the payment of any dividend for the quarter ended 30 September 2022.

27. Earnings/(Loss) per share

The basic earnings per share was calculated based on the net profit for the period attributable to equity holders of the Company of RM12,820,737 (2021: RM14,950,146) and on the weighted average number of ordinary shares in issue of 471,288,703 (2021: 471,288,703) shares.

The fully diluted earnings per share for the period have been computed using a weighted average number of shares of 471,288,703 (2021: 471,288,703).

28. Notes to Statement of Comprehensive Income

| | Third quarter | | Cumulative 9 months | |
|---|---------------|-----------|---------------------|-----------|
| | 30/9/2022 | 30/9/2021 | 30/9/2022 | 30/9/2021 |
| | RM'000 | RM '000 | RM'000 | RM'000 |
| Depreciation of property, plant and equipment | 3,153 | 3,375 | 9,641 | 10,187 |
| Property, plant and equipment written off | - | - | 50 | 24 |
| Amortisation of right-of-use asset | 415 | 623 | 1,511 | 1,878 |
| Allowance for expected credit loss | - | - | - | - |
| Impairment loss of investment in an associate | - | - | - | - |
| Amortisation of investment in joint venture | 48 | 330 | 48 | 2,273 |
| Gain on disposal of property, plant & equipment | (33) | (2) | (621) | (236) |
| Gain on disposal of right-of-use asset | - | - | (10) | - |
| Provision for & write-off of inventories | - | - | - | - |