

EXPLANATORY NOTES

The figures have not been audited

1. Accounting Policies

The interim financial report is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134 "Interim Financial Reporting", International Financial Reporting Standards and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2020.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the most recent audited annual financial statements for the financial year ended 31 December 2020, except for the following Standards, Amendments and IC interpretation which are effective from the annual period beginning on or after 1 January 2021 which are applicable to the Group:

MFRSs/ Amendments/Interpretations	Effective date
Amendment to MFRS 16, Leases – Covid-19 Related Rent Concession	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	1 January 2021

The adoption of these Standards, Amendments and IC interpretation have no material impact on the Interim Financial Report.

The following are Standards of the MFRS Framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company.

MFRSs/ Amendments/Interpretations	Effective date
Amendments to MFRSs Contained in the document entitled Annual Improvements to MFRS Standards 2018–2020 Cycle	1 January 2022
Amendments to MFRS 3 Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 116 Property, Plant and Equipment-Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137 Onerous Contracts-Cost of Fulfilling a Contract	1 January 2022

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MFRSs/ Amendments/Interpretations	Effective date
MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 101 Classification of Liabilities as Current or Non-current	1 January 2023

The Group is in the process of assessing the impact of implementing these Amendments, Clarifications and Standards, since the effects would only be observable for subsequent periods and future financial years.

2. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2020 was not qualified.

3. Segmental Information

	Property development & construction RM'000	Investment holding RM'000	Total RM'000
3-months ended 31 March 2021			
Revenue			
External revenue	1,452	-	1,452
Results			
Operating loss	(575)	(1,481)	(2,056)
Finance costs	(444)	(4)	(448)
Interest income	-	28	28
Other income	45	-	45
Share of results in an associate	-	67	67
Loss before tax	(974)	(1,259)	(2,364)
Tax expense			(71)
Loss for the period			(2,435)

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	Property development & construction RM'000	Investment holding RM'000	Total RM'000
3-months ended 31 March 2020			
Revenue			
External revenue	163	-	163
Results			
Operating loss	(1,229)	(520)	(1,749)
Finance costs	(38)	(4)	(42)
Interest income	2	45	47
Other income	45	-	45
Loss before tax	(1,220)	(479)	(1,699)
Tax expense			(25)
Loss for the period			(1,724)

4. Unusual Items due to their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income and cash flow during the current quarter and financial year-to-date.

5. Changes in Estimates

There were no significant changes in estimates of amount reported in prior interim period or prior financial year that have a material effect in the current quarter and financial year-to-date.

6. Comments about Seasonal or Cyclical Factors

The Group's operations are not subject to seasonal or cyclical factors.

7. Dividends Paid

The Board of Directors has not paid any dividend for the current quarter (31 December 2020: Nil).

8. Carrying Amount of Revalued Assets

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss, if any.

9. Debt and Equity Securities

During the period, the Company issued 175,000,000 Redeemable Convertible Preference Shares ("RCPS") at RM0.10 per RCPS for a total of RM17,500,000 of which 155,000,000 shares were converted amounting to RM15,500,000. The remaining 20,000,000 shares amounting to RM2,000,000 is still outstanding.

Save for the above, there were no issuance and repayment of debt and equity securities, share cancellations and resale of treasury shares for the current financial year-to-date.

As at 31 March 2021, none of the Warrants have been exercised.

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10. Changes in Composition of the Group

There was no change in the composition of the Group for the current financial year under review except for as disclosed in Note 19.

11. Changes in Contingent Liabilities or Contingent Assets

The Company has an existing corporate guarantee amounting to RM37.5 million issued to a licensed bank for banking facilities granted to a subsidiary company. As at 31 March 2021, the Company is contingently liable for the amount of banking facilities utilised by the subsidiary company totalling RM14.7 million.

The Company had also issued another corporate guarantee amounting to RM2.2 million to a licensed bank for banking facilities granted to a subsidiary company. As at 31 March 2021, the Company is contingently liable for the amount of banking facilities utilised by the subsidiary company totalling RM2.2 million.

In respect of banking facilities granted by a licensed bank to associate company Harum Eco Dormitory Sdn Bhd, the Company is contingently liable up to 30% of the amount of banking facilities utilised by the associate under the proportionate corporate guarantee scheme. As at 31 March 2021, the Company is liable for the amount of RM9.2 million, representing 30% proportion of the RM30.6 million banking facilities utilised and remain outstanding.

12. Subsequent Events

On 5 March 2021, the Company announced that subsidiary Teras Eco Sdn Bhd had entered into a Sale and Purchase Agreement with Pegasus Advance Engineering Sdn Bhd for the disposal of a parcel of land, known as HS(D) 52526 PTB 18056 measuring approximately 3.239 acres, in the Mukim of Tanjung Surat, District of Kota Tinggi, State of Johor for a cash consideration of RM6,400,000.00. Subsequently, the Sales and Purchase Agreement became unconditional on the 29 March 2021, with the 10 % of the Deposit received, and the balance proceeds is received on the 21 May 2021.

13. Review of Performance

For the quarter under review, the Group posted a turnover of RM1.452 million compared to RM0.163 million for the corresponding preceding quarter. Turnover for the quarter was primarily attributed to the development progress of Phase 1 and Phase 2 terrace factories. Compared to the preceding quarter, revenue was higher mainly due to contribution of revenue from both Desa 88 Phase 1 and Phase 2 units as opposed to purely contribution of revenue from Desa 88 Phase 1 units in the preceding quarter.

The earthworks and some of the infrastructure works for Project Sentrion in Pasir Gudang has commenced during this quarter, with the constructions for the main building expected to commence by the second quarter of 2021. The Group posted a pre-tax loss of RM 2.364 million for the current quarter as compared to a pre-tax loss of RM1.699 million in the corresponding quarter, mainly attributed to higher operating expenses amounting to RM3.508 million for the current quarter as compared to RM1.912 million in the corresponding quarter. This increase in operating expenses was mainly due to cost associated with the issuance of RCPS and Private Placement Shares amounting to RM1.012 million, and Agent commissions due for Desa Phase 1 and Phase 2 units. The issuance of both the RCPS and Private Placement fund raising during this

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quarter were essential for the Company to have sufficient funding for the ongoing projects during a period affected by the second Movement Control Order ('MCO 2.0') imposed in January 2021.

14. Material Change In Profit Before Tax For The Current Quarter As Compared With The Immediate Preceding Quarter

For the quarter under review, the Group posted a pre-tax loss of RM2.364 million mainly attributed to high operating expenses as mentioned above in Note 13. The RM2.364 million pre-tax loss for the quarter is lower than the RM17.873 million pre-tax loss posted by the Group in the immediate preceding quarter, mainly due to the effects of multiple impairment made during the immediate preceding quarter and the delay in launch of Desa 88 Phase 2 and Project Sentrico as a consequence of COVID-19 movement control restrictions which spanned over most parts of 2020. With the rollout of COVID-19 vaccine in the current quarter, both Desa 88 Phase 2 and Project Sentrico have shown encouraging sales take up rates and development progress.

15. Prospects for the current financial year

The year 2021 started on a hopeful note, despite the unprecedented impacts spurred by the Covid-19 pandemic in the preceding year.

In the Group context, Desa 88 Phase 1 Project's CCC is targeted to be achievable by the third quarter of 2021, of which the international units of 24 units having been fully sold. At the same time, Bumi units have also shown favourable numbers of booking.

At the same time, the Desa 88 Phase 2 Project is showing encouraging prospects with promising purchasers' response. With the 36 units of the terrace factories expected to be completed by second quarter of 2022, progress is foreseen to surpass the expected schedule. On the premise of such results, the Group targets to sell the remaining international units in year 2021.

In the year 2021, the Group also expects to focus on the Sentrico Project, a proposed development of 66 units of shop offices on a land measuring 5.94 acres in Pasir Gudang. With the earthworks expected to be completed by June 2021, structural works are to commence in the second quarter of 2021. In the year 2021 alone, the Group is confident in being able to register the sales of a total of 24 units.

The Group believes the COVID-19 pandemic is far from over, although the Government's vaccination program has already commenced according to plan. Given the occasional unpredictable spikes of infectivity rate, virus mutation and discovery of new strains, the Group plans to approach the post Covid-19 landscape with cautiousness in the assessment of potential projects and expansion of its land bank.

16. Deviation from Profit Forecast and Profit Guarantee

The Group did not provide any profit forecast in a public document and therefore, this note is not applicable.

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17. (a) Loss Before Tax

The loss before tax of the Group is arrived at after charging/(crediting):

	Current Quarter 31/03/2021 RM'000	Preceding Year Corresponding Quarter 31/03/2020 RM'000	Cumulative Quarter 31/03/2021 RM'000	Preceding Year Cumulative Quarter 31/03/2020 RM'000
Depreciation of property, plant and equipment	48	35	48	35
Depreciation of right-of-use assets	86	121	86	121
Interest expense on borrowings	297	41	297	41
Interest income	(28)	(47)	(28)	(47)

(b) Cash and Cash Equivalents

The cash and cash equivalents at end of the financial period comprise of the following:

	Current year to date RM'000 31/03/2021	Preceding year to date RM'000 31/03/2020
Cash and bank balances	11,826	1,428
Fixed deposit with a licensed bank	200	-
	12,026	1,428

18. Income Tax Expense

The taxation of the Group comprises the following:

	Current Quarter 31/03/2021 RM'000	Preceding Year Corresponding Quarter 31/03/2020 RM'000	Cumulative Quarter 31/03/2021 RM'000	Preceding Year Cumulative Quarter 31/03/2020 RM'000
In respect of current period:				
- deferred tax	71	25	71	25
	71	25	71	25

The tax charge for the period is primarily in respect of deferred tax liabilities provision on interest charged to subsidiaries.

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19. Corporate Proposals

- (a) On 7 January 2021, the Company announced that Private Placement has been completed following the listing and quotation of the 44,274,200 Placement Shares on the Main Market, raising gross proceeds of RM8,456,372.

Save for the above, there were no other corporate proposals announced which remained incomplete as at the date of issue of this interim report.

20. Group Borrowings and Debt Securities

Group borrowings, which are denominated in Ringgit Malaysia, as at 31 March 2021 are as follows:

(a) **Short term borrowings**

<u>Secured</u>	RM'000
Term loans & bridging finance	2,162

(b) **Long term borrowings**

<u>Secured</u>	RM'000
Term loans & bridging finance	14,676

21. Material Litigation

The Group does not have any material litigation as at the date of this report.

22. Dividend Payable

The Board of Directors has not recommended any dividend for the current quarter.

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23. Earnings/(Loss) Per Share

Basic loss per share	Current Quarter 31/3/2021	Preceding Year Corresponding Quarter 31/3/2020	Cumulative Quarter 31/03/2021	Preceding Year Cumulative Quarter 31/3/2020
Loss attributable to equity holders of the parent (RM'000)	(2,435)	(1,724)	(2,435)	(1,724)
Weighted average number of shares in issue ('000)	284,651	194,535	284,651	194,535
Basic EPS (sen)	(0.86)	(0.89)	(0.86)	(0.89)
Diluted loss per share	Current Quarter 31/3/2021	Preceding Year Corresponding Quarter 31/3/2020	Cumulative Quarter 31/03/2021	Preceding Year Cumulative Quarter 31/3/2020
Loss attributable to equity holders of the parent (RM'000)	(2,435)	(1,724)	(2,435)	(1,724)
Weighted average number of shares in issue ('000)	284,651	194,535	284,651	194,535
Cumulative Redeemable Convertible Preference Shares	8,673	-	8,673	-
Shares deemed issued for no consideration ('000) - Warrants	97,212	-	97,212	-
Weighted average number of shares for diluted EPS ('000)	390,536	194,535	390,536	194,535
Diluted EPS (sen)	(0.62)	(0.89)	(0.62)	(0.89)