

Notes to the interim financial report – 31 December 2020

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 Marketing 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 2019.

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 2019 except for the following:

Amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*

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.

Amendments effective for annual periods beginning on or after 1 June 2020

- Amendments to MFRS 16, *Leases – Covid-19-Related Rent Concessions*

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 year ended 31 December 2020.

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 year ended 31 December 2020.

A8 Dividends paid

No dividend was paid for the current quarter and year ended 31 December 2020.

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 2020") against preceding year corresponding quarter ("4Q 2019")

	Current Year Quarter	Preceding Year Corresponding Quarter	Changes	
	31 December 2020 Revenue	31 December 2019 Revenue	Amount	%
	RM'000	RM'000	RM'000	
Trading	29,372	26,665	2,707	10.2
Property development	-	115	(115)	(100.0)
Construction	113,182	112,268	914	0.8
Investment property	748	703	45	6.4
Other services	1,984	2,261	(277)	(12.3)
	145,286	142,012	3,274	2.3
Inter-segment elimination	(19,172)	(11,110)	(8,062)	(72.6)
	126,114	130,902	(4,788)	(3.7)

	Current Year Quarter	Preceding Year Corresponding Quarter	Changes	
	31 December 2020 Profit/(Loss) before tax	31 December 2019 Profit/(Loss) before tax	Amount	%
	RM'000	RM'000	RM'000	
Trading	2,619	1,522	1,097	72.1
Property development	(462)	152	(614)	(403.9)
Construction	2,810	10,756	(7,946)	(73.9)
Investment property	240	228	12	5.3
Other services	(3,660)	(987)	(2,673)	(270.8)
	1,547	11,671	(10,124)	(86.7)
Interest income	177	269	(92)	(34.2)
Interest expense	306	(258)	564	218.6
Share of (loss) of equity-accounted investments	(3,112)	(651)	(2,461)	(378.0)
Unallocated other income / (expenses)	668	(1,132)	1,800	159.0
	(414)	9,899	(10,313)	(104.2)

A9 Segmental information (continued)
Current year to date (“YTD 2020”) against preceding year to date (“YTD 2019”)

	12 months ended	12 months ended	Changes	
	31 December 2020 Revenue	31 December 2019 Revenue	Amount	%
	RM'000	RM'000	RM'000	
Trading	111,794	127,397	(15,603)	(12.2)
Property development	3,854	4,714	(860)	(18.2)
Construction	254,137	311,609	(57,472)	(18.4)
Investment property	2,924	2,671	253	9.5
Other services	4,826	6,353	(1,527)	(24.0)
	377,535	452,744	(75,209)	(16.6)
Inter-segment elimination	(48,820)	(40,749)	(8,071)	(19.8)
	328,715	411,995	(83,280)	(20.2)

	12 months ended	12 months ended	Changes	
	31 December 2020 Profit/(Loss) before tax	31 December 2019 Profit/(Loss) before tax	Amount	%
	RM'000	RM'000	RM'000	
Trading	6,602	1,653	4,949	299.4
Property development	(25)	1,056	(1,081)	(102.4)
Construction	8,194	22,424	(14,230)	(63.5)
Investment property	997	474	523	110.3
Other services	(6,810)	(4,666)	(2,144)	(45.9)
	8,958	20,941	(11,983)	(57.2)
Interest income	809	934	(125)	(13.4)
Interest expense	(1,329)	(1,988)	659	33.1
Share of (loss)/profit of equity-accounted investments	(4,673)	494	(5,167)	(1,046.0)
Unallocated other expenses	(579)	(2,628)	2,049	78.0
	3,186	17,753	(14,567)	(82.1)

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 were no material events subsequent to the balance sheet date.

A12 Changes in composition of the Group

There were no changes in the composition of the Group for the current quarter and year ended 31 December 2020.

A13 Changes in contingent liabilities

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

	As at 31 December 2020
	RM'000
Guarantees and contingencies relating to the Borrowings of subsidiaries (unsecured)	9,146
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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 2020
	RM'000
With companies in which certain Directors of the Company, have interests:	
Ekovest Berhad and its subsidiaries, jointly controlled and associate companies	110,305
Iskandar Waterfront City Berhad and its subsidiaries jointly controlled and associate companies	18,217
Iskandar Waterfront Holdings Sdn Bhd and its subsidiaries, jointly controlled and associate companies	58,001
PLS Plantations Berhad and its subsidiaries, jointly controlled and associate companies	2,311
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B1 Detailed analysis of the performance of all operating segment of the Group in 4Q 2020
Current quarter (“4Q 2020”) against preceding year corresponding quarter (“4Q 2019”)

	Individual Period (4 th Quarter)		Changes	
	Current Year Quarter	Preceding Year Corresponding Quarter	Amount	%
	31 December 2020 RM'000	31 December 2019 RM'000	RM'000	
Revenue	126,114	130,902	(4,788)	(3.7)
Gross profit	8,591	23,457	(14,866)	(63.4)
Result from operating activities	2,215	10,539	(8,324)	(79.0)
Share of loss of equity-accounted investments, net of tax	(3,112)	(651)	(2,461)	(378.0)
Net (loss)/profit before tax	(414)	9,899	(10,313)	(104.2)
Net (loss)/profit after tax	(1,892)	9,188	(11,080)	(120.6)
(Loss)/Profit attributable to Owners of the Company	(1,892)	9,188	(11,080)	(120.6)

For the 4Q 2020, the Group registered revenue of RM126.114 million and loss before tax of RM0.414 million as compared to revenue of RM130.902 million and profit before tax of RM9.899 million reported in 4Q 2019. The Group's share of loss from its equity accounted investments of RM3.112 million which is RM2.461 million higher than the share of loss in 4Q 2019, mainly due to impairment loss on receivables.

The performance of the respective operating business sector for the 4Q 2020 under review as compared to the 4Q 2019 is analysed as follow:

Trading

Revenue is higher by RM2.707 million or 10.2 % to RM29.372 million as compared to RM26.665 million in 4Q 2019, mainly due to increase in sales volume. The sector recorded a profit before tax of RM2.619 million as compared to RM1.522 million in 4Q 2019, mainly due to higher sales volume and reversal of impairment loss on receivables of RM1.272 million in 4Q 2020.

Property development

No revenue was recognised in 4Q 2020 as compared to RM 0.115 million in 4Q 2019, due to no sale recorded in 4Q 2020.

Construction

The construction sector registered a slightly higher revenue of RM113.182 million in 4Q 2020 as compared to RM112.268 million in 4Q 2019, mainly due to a higher rate of construction activity for its on-going projects.

Despite a slightly higher turnover, the sector recorded a profit before tax of RM2.810 million in the 4Q 2020 as compared to RM10.756 million in the 4Q 2019. The decreased in profit before tax is mainly due to reversal of impairment loss on receivables of RM4.508 million as well as higher contribution of project with higher profit margin in 4Q 2019.

Investment property

The revenue has improved by RM0.045 million to RM0.748 million in the 4Q 2020 as compared to RM0.703 million in 4Q 2019. Correspondingly, the profit before tax also increased slightly from RM0.228 million in 4Q 2019 to RM0.240 million in 4Q 2020.

Other services

The 4Q 2020's revenue of RM1.984 million was lower than the 4Q 2019 of RM2.261 million mainly due to decrease in rental of plant and machinery in 4Q 2020. This sector recorded a higher loss before tax of RM3.660 million as compared to loss before tax of RM0.987 million in 4Q 2019, mainly due to recognition of impairment loss on receivables of RM 3.333 million in 4Q 2020.

Current year to date (“YTD 2020”) against preceding year corresponding period (“YTD 2019”)

	Cumulative Period		Changes	
	Current Year To-Date	Preceding Year To-Date	Amount	%
	31 December 2020 RM'000	31 December 2019 RM'000	RM'000	
Revenue	328,715	411,995	(83,280)	(20.2)
Gross profit	25,142	42,727	(17,585)	(41.2)
Result from operating activities	8,379	18,313	(9,934)	(54.2)
Share of (loss)/profit of equity-accounted investments, net of tax	(4,673)	494	(5,167)	(1,046.0)
Profit before tax	3,186	17,753	(14,567)	(82.1)
Profit after tax	299	16,706	(16,407)	(98.2)
Profit attributable to Ordinary Equity Holders of Parent	299	16,706	(16,407)	(98.2)

For the YTD 2020, the Group recorded revenue of RM328.715 million, a decrease of RM83.280 million or 20.2% from RM411.995 million in YTD 2019. The Group also recorded profit before tax of RM3.186 million in YTD 2020 as compared to a profit before tax of RM17.753 million in YTD 2019. The decrease in revenue was mainly due to lesser revenue contribution by construction and trading sector.

The Group recognised a loss of RM4.673 million in YTD 2020 from the equity accounted investments as compared with the share of profit of RM0.494 million in YTD 2019, mainly due to recognition of impairment loss on receivables of RM4.153 million in YTD 2020 (YTD 2019: RM0.282 million).

The performance of the respective operating business segments for the YTD 2020 under review as compared to the YTD 2019 is analysed as follow:

Trading

The trading sector reported a lower revenue of RM111.794 million in YTD 2020 as compared to RM127.397 million in YTD 2019, mainly due to lesser demand from existing key customers. Despite the decreased in revenue, the sector recorded a higher profit before tax of RM6.602 million in YTD 2020 as compared to RM1.653 million in YTD 2019, mainly due to recognition of impairment loss on receivables of RM5.636 million in YTD 2019.

Property development

The property development sector registered a lower revenue of RM3.854 million in YTD 2020 as compared to RM4.714 million in YTD 2019, mainly due to lesser units sold in YTD 2020. This sector recorded a loss before tax of RM0.025 million in YTD 2020 as compared to profit before tax of RM1.056 million in YTD 2019 mainly due to higher operating expenses and lower revenue contribution in YTD 2020.

Construction

The construction sector registered a lower revenue of RM254.137 million in YTD 2020 as compared to RM311.609 million in YTD 2019. This sector recorded a lower profit before tax of RM8.194 million in YTD 2020 as compared to profit before tax of RM22.424 million in YTD 2019 mainly due to lower revenue contribution and lesser profit margin on its on-going projects. The YTD 2019's results also include a completion of a construction project which has a better profit margin.

Current year to date (“YTD 2020”) against preceding year corresponding period (“YTD 2019”) (cont’d)
Investment property

The investment property sector recorded an increased in revenue of RM2.924 million in YTD 2020 as compared to RM2.671 million in YTD 2019, mainly due to rental revision for our investment properties. This sector also recorded a higher profit before tax of RM0.997 million in YTD 2020 as compared to profit before tax of RM0.474 million in YTD 2019, mainly due to gain on disposal of an investment property of RM0.423 million in YTD 2020.

Other services

The decrease in revenue from RM6.353 million in YTD 2019 to RM4.826 million in YTD 2020 was mainly due to decrease in rental of plant and machinery in YTD 2020. This sector also recorded a higher loss before tax of RM6.810 million in YTD 2020 as compared to loss before tax of RM4.666 million in YTD 2019, mainly due to recognition of impairment loss on receivables of RM3.376 million in YTD 2020.

B2 Comparison with preceding quarter results
Current quarter (“4Q 2020”) against immediate preceding quarter (“3Q 2020”)

	Current Quarter	Immediate Preceding Quarter	Changes	
	31 December 2020	30 September 2020	Amount	%
	RM’000	RM’000	RM’000	
Revenue	126,114	94,892	31,222	32.9
Gross profit	8,591	11,282	(2,691)	(23.9)
Result from operating activities	2,215	7,834	(5,619)	(71.7)
Share of loss of equity-accounted investments, net of tax	(3,112)	(220)	(2,892)	(1,314.5)
Net (loss)/profit before tax	(414)	7,114	(7,528)	(105.8)
Net (loss)/profit after tax	(1,892)	6,375	(8,267)	(129.7)
(Loss)/Profit attributable to Owners of the Company	(1,892)	6,375	(8,267)	(129.7)

	Current Quarter	Immediate Preceding Quarter	Changes	
	31 December 2020 Revenue	30 September 2020 Revenue	Amount	%
	RM’000	RM’000	RM’000	
Trading	29,372	31,479	(2,107)	(6.7)
Property development	-	2,085	(2,085)	(100.0)
Construction	113,182	72,010	41,172	57.2
Investment property	748	698	50	7.2
Other services	1,984	580	1,404	242.1
	145,286	106,852	38,434	36.0
Inter-segment elimination	(19,172)	(11,960)	(7,212)	(60.3)
	126,114	94,892	31,222	32.9

	Current Quarter	Immediate Preceding Quarter	Changes	
	31 December 2020 Profit/(Loss) before tax	30 September 2020 Profit/(Loss) before tax	Amount	%
	RM'000	RM'000	RM'000	
Trading	2,619	1,768	851	48.1
Property development	(462)	386	(848)	(219.7)
Construction	2,810	7,304	(4,494)	(61.5)
Investment property	240	111	129	116.2
Other services	(3,660)	(1,214)	(2,446)	(201.5)
	1,547	8,355	(6,808)	(81.5)
Interest income	177	204	(27)	(13.2)
Interest expense	306	(704)	1,010	143.5
Share of loss of equity- accounted investments	(3,112)	(221)	(2,891)	(1,308.1)
Unallocated other income/(expenses)	668	(520)	1,188	228.5
	(414)	7,114	(7,528)	(105.8)

For 4Q 2020, the Group recorded a higher revenue of RM126.114 million, an increase of RM31.222 million or 32.9% from RM94.892 million in 3Q 2020 mainly due to a higher rate of construction activity for its on-going projects.

The Group recorded loss before tax of RM0.414 million as compared to profit before tax of RM7.114 million in 3Q 2020, mainly due to recognition of impairment loss on receivables of RM4.066 million in 4Q 2020 (3Q 2020: RM0.409 million). The profit before tax for the 3Q 2020 is better than 4Q 2020, mainly due to reversal of construction cost over accrued upon finalisation of account with sub-contractors in 3Q 2020.

B3 Prospects

In view of the continuing uncertainty arising from the ongoing Covid-19 pandemic affecting the domestic market and the Group's business, the Group will continue to monitor and implement appropriate business strategies in a timely manner to address the adverse effect of this pandemic on the Group's operations and financial performance.

Despite the Group having resumed operation at higher level of activities since the implementation of nationwide RMCO on 10 June 2020, we expect our financial performance in terms of revenue and earnings for the financial year ending 31 December 2021 to remain challenging amidst the uncertainties resulting from the pandemic.

The Board is mindful of the risks arising from Covid-19 pandemic and will continue to take all proactive measures to ensure the existing business remains sustainable, resilient and will focus in delivering and completing all our projects in hand within the budgeted cost and on agreed time frame.

Barring any unforeseen circumstances, considering the anticipated rollout of the vaccination programs in Malaysia which is expected to positively impact the Group's activities, the Board is cautiously optimistic that the current on-going projects will contribute positively to the Group's revenue and earnings in the coming financial year.

As at 31 December 2020, the Group's unbilled construction order book is about RM436 million.

B4 Variance of actual profit from forecast profit / profit guarantee

Not applicable.

B5 Taxation

	Current quarter ended 31 December 2020 RM '000	12 months ended 31 December 2020 RM '000
Income tax		
Current provision	1,121	2,575
Deferred tax	357	312
	1,478	2,887

The Group's effective tax rate for the financial year ended 31 December 2020 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 2020		
	Non-current RM'000	Current RM'000	Total borrowings RM'000
Secured			
Hire purchase liabilities	5,919	3,146	9,065
Lease liabilities	22	19	41
Unsecured			
Revolving credit	-	12,900	12,900
	5,941	16,065	22,006
	As at 31 December 2019		
	Non-current RM'000	Current RM'000	Total borrowings RM'000
Secured			
Hire purchase liabilities	5,266	2,150	7,416
Lease liabilities	40	54	94
Unsecured			
Revolving credit	-	11,400	11,400
	5,306	13,604	18,910

The borrowing is mainly for the purpose of working capital requirement.

B8 Changes in material litigation

The wholly-owned subsidiary of Knusford Berhad (“KB”), Knusford Marketing Sdn Bhd (“KMKSb”) had served a notice under Section 218(1)(e) & 218(2)(a) of the Companies Act 1965 (collectively known as “Notices”) on Kinsteel Berhad (“KINSB”) and Kin Kee Marketing Sdn Bhd (“KKMSB”) on 25 November 2016 for failure, negligence and/or refusal to comply with a Consent Judgment dated 5 September 2016 recorded at the Kuantan High Court Suit No. 22NCVC-21-04/2016 which involved the sum of RM19,574,186.09.

Winding up petition was subsequently filed and served on both Companies, KINSB and KKMSB on 22 December 2016 at the Kuantan High Court.

The winding up petition hearing was postponed several times due to multiple Restraining Orders (“ROs”) filed in different states.

The following is a summary of outcome of the said winding up petition:-

KMKSb v KKMSB, Winding Up Petition No. 28NCC-49-12/2016

On 18 January 2018, the Court proceeded with winding up Hearing in absence of the KKMSB’s directors and/or its solicitors and ordered as follows:

- a) KKMSB be wound up pursuant to Section 218(1)(e) and 218(2)(a) of the Companies Act 1965
- b) Baltasar bin Maskor be appointed as liquidator of KKMSB

KMKSb v KINSB, Winding Up Petition No. 28NCC-50-12/2016

On 22 January 2018, the Court proceeded with winding up hearing and ordered as follows:

- a) KINSB be wound up pursuant to Section 218(1)(e) and 218(2)(a) of the Companies Act 1965
- b) Duar Tuan Kiat be appointed as liquidator of KINSB as he gathered consent of the majority creditors.

On 29 January 2018, KINSB lodged an appeal to the Court of Appeal against the Winding Up Order. The trial for this matter was concluded on 15 October 2019, the Court of Appeal dismissed the appeal with costs.

On 5 February 2018, KINSB filed a motion at the Kuantan High Court to stay the Winding Up Order pending its appeal to the Court of Appeal. The trial for this matter was concluded on 20 November 2020, the Kuantan High Court dismissed the appeal with costs.

The Board is of the opinion that the above suit will not have any material adverse financial or operational impact as the claim involved a back-to-back agreement with KMKSb’s customer who has paid for steel bars which were to be delivered to them and agreed not to hold KMKSb accountable nor liable for any losses suffered (if any).

B9 Dividends declared

No interim dividend has been declared for the current quarter and year ended 31 December 2020.

B10 Earnings per share

	Current quarter ended 31 December 2020	Preceding year corresponding quarter ended 31 December 2019	Cumulative 12 months ended 31 December 2020	Cumulative 12 months ended 31 December 2019
(Loss)/Profit for the period attributable to owners of the Parent (RM'000)	(1,892)	9,188	299	16,706
Weighted average number of ordinary shares in issue ('000)	99,645	99,645	99,645	99,645
Basic (loss)/earnings per share (sen)	(1.90)	9.22	0.30	16.77
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 2020 RM'000	12 months ended 31 December 2020 RM'000
Loss before tax is arrived at after (crediting)/charging :		
Interest income	(177)	(809)
Other income including investment income	358	(725)
Interest expense		
- Unwinding of discount in relation to provision for onerous contract	(520)	128
- Others	214	1,201
Depreciation and amortisation	1,552	5,127
Provision for and write off of receivables	4,849	5,717
Reversal of impairment loss on receivables	(3,024)	(3,309)
Gain on disposal of investment properties	-	(423)
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 are 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 value	Carrying amount
	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2020					
Financial liabilities					
Finance lease liabilities	-	-	9,611	9,611	9,065
31 December 2019					
Financial liabilities					
Finance lease liabilities	-	-	7,792	7,792	7,416