B U I L D I N G   V A L U E   S P I R I T E D L Y

NAIM HOLDINGS BERHAD

Registration No.: 200201017804 (585467-M)

QUARTERLY REPORT - FOR THE SECOND QUARTER ENDED 30 JUNE 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the second quarter and six months ended 30 June 2021

(The figures have not been audited)

		CURRENT QUARTER		CUMULATIVE QUARTER	
		3 months ended 30 June		*6 months ended 30 June*	
		2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Revenue		59,473	30,033	143,388	98,452
Cost of sales		(54,687)	(29,052)	(132,889)	(94,162)
Gross profit		4,786	981	10,499	4,290
Other operating income		1,205	6,770	2,412	8,649
Selling and promotional expenses		(801)	(995)	(1,951)	(2,507)
Administrative expenses		(3,972)	(6,496)	(8,255)	(12,521)
Other operating expenses		(2,267)	(2,313)	(4,334)	(3,715)
Results from operating activities		(1,049)	(2,053)	(1,629)	(5,804)
Finance income		2,277	2,234	4,373	4,476
Finance costs		(2,928)	(5,430)	(6,119)	(11,414)
Net finance costs		(651)	(3,196)	(1,746)	(6,938)
Other non-operating expense		(18)	(493)	(1,961)	(7,148)
Share of results (net of tax) of equity-accounted:					
- associates		(443)	(575)	(8,004)	(886)
- joint ventures		187	89	471	305
Loss before tax	Note 19	(1,974)	(6,228)	(12,869)	(20,471)
Tax expense	Note 18	(1,349)	(426)	(2,242)	(1,657)
Loss for the period		(3,323)	(6,654)	(15,111)	(22,128)
Other comprehensive income/(expenses), net of tax					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		99	(47)	102	(30)
Realisation of reserves to profit or loss arising from deemed disposal of equity interest in an associate		- -	-	(1,344)	-
Share of other comprehensive income of associates		(63)	(1,115)	7,116	10,246
Other comprehensive income/(expenses) for the period		36	(1,162)	5,874	10,216
Total comprehensive expenses for the period		(3,287)	(7,816)	(9,237)	(11,912)
Loss attributable to:					
Owners of the Company		(3,253)	(6,412)	(14,739)	(21,922)
Non-controlling interests		(70)	(242)	(372)	(206)
Loss for the period		(3,323)	(6,654)	(15,111)	(22,128)
Total comprehensive expenses attributable to:					
Owners of the Company		(3,217)	(7,574)	(8,865)	(11,706)
Non-controlling interests		(70)	(242)	(372)	(206)
Total comprehensive expenses for the period		(3,287)	(7,816)	(9,237)	(11,912)
Basic loss per ordinary share (EPS) attributable to owners of the Company (sen)	Note 9	(0.65)	(1.28)	(2.94)	(4.38)

The notes set out on pages 5 to 22 form an integral part of, and should be read in conjunction with, these condensed consolidated interim financial statements.
The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2020.

B U I L D I N G   V A L U E   S P I R I T E D L Y

NAIM HOLDINGS BERHAD
Registration No.: 200201017804 (585467-M)

QUARTERLY REPORT - FOR THE SECOND QUARTER ENDED 30 JUNE 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021
(The figures have not been audited)

		Unaudited 30 June 2021 RM'000	Audited 31 December 2020 RM'000
ASSETS			
Property, plant and equipment		128,272	132,892
Interests in associates		471,203	475,395
Interests in joint ventures		3,031	2,412
Inventory - Land held for property development		172,242	172,242
Investment properties		77,089	78,152
Intangible assets		1,134	1,475
Deferred tax assets		4,439	4,433
Other investments		3,071	3,071
Trade and other receivables		56,952	60,463
Total non-current assets		**917,433**	**930,535**
Inventories		574,339	589,771
Contract costs		5,391	4,938
Contract assets		50,474	39,580
Trade and other receivables		89,972	133,253
Deposits and prepayments		8,016	6,855
Current tax recoverable		1,635	1,279
Cash and cash equivalents		326,354	353,313
		1,056,181	1,128,989
Assets classified as held for sale		84	82
Total current assets		**1,056,265**	**1,129,071**
Total assets		**1,973,698**	**2,059,606**
EQUITY			
Share capital		454,802	454,802
Treasury shares		(34,748)	(34,748)
Reserves		919,815	928,680
Total equity attributable to owners of the Company		**1,339,869**	**1,348,734**
Non-controlling interests		15,534	15,906
Total equity		**1,355,403**	**1,364,640**
LIABILITIES			
Loans and borrowings	Note 8	81,277	95,752
Deferred tax liabilities		22,753	23,037
Total non-current liabilities		**104,030**	**118,789**
Loans and borrowings	Note 8	212,147	218,117
Trade and other payables		274,834	324,295
Contract liabilities		18,518	15,940
Provisions		3,534	3,539
Current tax payable		5,232	14,286
Total current liabilities		**514,265**	**576,177**
Total liabilities		**618,295**	**694,966**
Total equity and liabilities		**1,973,698**	**2,059,606**
Net assets (NA) per ordinary share attributable to owners of the Company (RM), based on total paid up share capital		**2.61**	**2.63**

The notes set out on pages 5 to 22 form an integral part of, and should be read in conjunction with, these condensed consolidated interim financial statements.
The consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2020.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the second quarter and six months ended 30 June 2021
(The figures have not been audited)

	Total equity attributable to owners of the Company							
	Non-Distributable				Distributable			
	Share capital RM '000	Foreign currency translation reserve RM '000	Treasury shares RM '000	Other reserve RM '000	Retained earnings RM '000	Sub-total RM '000	Non-controlling interests RM '000	Total equity RM '000
For the 6 months ended 30 June 2020 (Unaudited)								
At 1 January 2020	454,802	9,936	(34,748)	174	918,379	1,348,543	19,822	1,368,365
Foreign currency translation differences for foreign operations	-	(30)	-	-	-	(30)	-	(30)
Share of other comprehensive income of associates	-	10,246	-	-	-	10,246	-	10,246
Total other comprehensive income for the period	-	10,216	-	-	-	10,216	-	10,216
Loss for the period	-	-	-	-	(21,922)	(21,922)	(206)	(22,128)
Total comprehensive income/(expenses) for the period	-	10,216	-	-	(21,922)	(11,706)	(206)	(11,912)
At 30 June 2020	454,802	20,152	(34,748)	174	896,457	1,336,837	19,616	1,356,453
For the 6 months ended 30 June 2021 (Unaudited)								
At 1 January 2021	454,802	6,172	(34,748)	166	922,342	1,348,734	15,906	1,364,640
Foreign currency translation differences for foreign operations	-	102	-	-	-	102	-	102
Realisation of reserves to profit or loss arising from deemed disposal of equity interest in an associate	-	(1,344)	-	-	-	(1,344)	-	(1,344)
Share of other comprehensive income of associates	-	7,116	-	-	-	7,116	-	7,116
Total other comprehensive income for the period	-	5,874	-	-	-	5,874	-	5,874
Loss for the period	-	-	-	-	(14,739)	(14,739)	(372)	(15,111)
Total comprehensive income/(expenses) for the period	-	5,874	-	-	(14,739)	(8,865)	(372)	(9,237)
At 30 June 2021	454,802	12,046	(34,748)	166	907,603	1,339,869	15,534	1,355,403

The notes set out on pages 5 to 22 form an integral part of, and should be read in conjunction with, these condensed consolidated interim financial statements.
The consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2020.

QUARTERLY REPORT - FOR THE SECOND QUARTER ENDED 30 JUNE 2021

CONSOLIDATED STATEMENT OF CASH FLOWS
For the second quarter and six months ended 30 June 2021

(The figures have not been audited)

	Unaudited 30 June 2021 RM'000	Unaudited 30 June 2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(12,869)	(20,471)
Adjustments for:		
Amortisation of:		
- intangible asset	340	340
- investment properties	1,063	1,063
Depreciation of property, plant and equipment	4,702	5,208
Dividend income from unquoted shares	(1)	(83)
Finance income	(4,373)	(4,476)
Finance costs	6,119	11,414
(Gain)/Loss on disposal of:		
- property, plant and equipment	(155)	(5,088)
- deemed disposal of associates	1,961	7,148
Property, plant and equipment written off	-	31
Net change in impairment loss on financial assets and contract assets	416	(567)
Share of results of equity-accounted:		
- associates	8,004	886
- joint ventures	(471)	(305)
Unrealised foreign exchange gain	(145)	(363)
Operating profit/(loss) before changes in working capital	4,591	(5,263)
Changes in working capital:		
Inventories	15,579	(8,883)
Contract assets/liabilities	(8,316)	19,895
Contract cost	(422)	(50)
Trade and other receivables, deposits and prepayments	44,975	18,295
Trade and other payables	(48,885)	(32,346)
Provisions	(5)	(13)
Cash generated from/(used in) operations	7,517	(8,365)
Net income taxes paid	(12,091)	(2,372)
Net cash used in operating activities	(4,574)	(10,737)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(260)	(983)
Proceeds from disposal of:		
- property, plant and equipment	155	54
Changes in pledged deposits	(22)	(114)
Dividends received	1	83
Interest received	4,613	5,055
Net cash from investing activities	4,487	4,095
CASH FLOWS FROM FINANCING ACTIVITIES		
Net repayments of loans and borrowings	(20,429)	(26,975)
Net repayment of finance lease liabilities	(16)	(5)
Interest paid	(6,595)	(12,078)
Net cash used in financing activities	(27,040)	(39,058)
Net decrease in cash and cash equivalents	(27,127)	(45,700)
Effects of exchange rate changes on cash and cash equivalents	145	202
Cash and cash equivalents at beginning of year	337,950	211,396
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**310,968**	**165,898**
Representing by:		
Deposits with licensed banks with maturities less than three months, net of deposits pledged	260,608	122,455
Cash in hand and at banks	50,360	43,443
Total cash and cash equivalents as shown in statement of cash flows	310,968	165,898

The notes set out on pages 5 to 22 form an integral part of, and should be read in conjunction with, these condensed consolidated interim financial statements.
The consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2020.

QUARTERLY REPORT - FOR THE SECOND QUARTER ENDED 30 JUNE 2021

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Naim Holdings Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

The condensed consolidated interim financial statements of the Group as at and for the period ended 30 June 2021 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interests in associates and joint ventures.

1. Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, MFRS 134, *Interim Financial Reporting* in Malaysia and IAS 134, *Interim Financial Reporting*.

The condensed consolidated interim financial statements do not include all of the information required for a complete annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2020. The 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 Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2020.

The annual financial statements of the Group as at and for the year ended 31 December 2020 are available upon request from the Company's registered office at 9th floor, Wisma Naim, 2 ½ Mile, Rock Road, 93200 Kuching, Sarawak, Malaysia.

2. Significant accounting policies

The accounting policies adopted by the Group in preparing the condensed consolidated interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2020, except as explained below.

During the current period under review, the Group has adopted the following accounting standards and amendments which are effective for annual periods beginning on and after 1 June 2020 and 1 January 2021:

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

The adoption of the above MFRS standards and associated amendments did not have any material financial impact on the financial statements of the Group.

2. Significant accounting policies (continued)

2.1 Standards, amendments and interpretations yet to be effective

The Group has not applied the following MFRSs and amendments that have been issued by the Malaysian Accounting Standards Board ("MASB") but are neither effective yet nor early adopted by the Group:

- ***MFRSs effective for annual periods beginning on or after 1 April 2021***
  - Amendments to MFRS 16*, Leases - Covid-19-Related Rent Concessions beyond 30 June 2021*
- ***MFRSs effective for annual periods beginning on or after 1 January 2022***
  - Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards* (*Annual Improvements to MFRS Standards 2018−2020)*
  - Amendments to MFRS 3, *Business Combinations - Reference to the Conceptual Framework*
  - Amendments to MFRS 9, *Financial Instruments* (*Annual Improvements to MFRS Standards 2018−2020)*
  - Amendments to Illustrative Examples accompanying MFRS 16*, Leases (Annual Improvements to MFRS Standards 2018 – 2020)*
  - Amendments to MFRS 116, *Property, Plant and Equipment − Proceeds before Intended Use*
  - Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts − Cost of Fulfilling a Contract*
  - Amendment to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018−2020)*
- ***MFRSs effective for annual periods beginning on or after 1 January 2023***
  - Amendments to MFRS 17, *Insurance Contracts*
  - Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Disclosure of Accounting Policies*
  - Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
  - Amendments to MFRS 112, *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- ***MFRSs effective from a date yet to be determined***
  - Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The adoption of the above MFRSs and associated amendments is not expected to have any material financial impact on the financial statements of the Group.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. Seasonality or cyclicality of operations

The business operations of the Group are not materially affected by any seasonal or cyclical fluctuations during the period under review.

4. Estimates

The preparation of the condensed consolidated interim financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Although these estimates and judgements are based on the management's best knowledge of current events and actions, actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the areas of estimation uncertainty comprise those disclosed in the annual financial statements as at and for the year ended 31 December 2020.

5. Debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the current period under review.

There was no share buy-back during the period under review. The number of ordinary shares repurchased in earlier periods retained as treasury shares as at 30 June 2021 is 13,056,000 shares.

6. Property, plant and equipment - *acquisitions and disposals*

During the current period, the Group acquired property, plant and equipment costing about RM0.3 million (30.6.2020: RM1.0 million) which were satisfied in cash.

Some fully depreciated property, plant and equipment (30.6.2020: with carrying amount of RM3.6 million) were either disposed of and/or written off during the current period under review.

7. Changes in the composition of the Group

Dilution in equity interest in existing associates

(i) Perdana Petroleum Berhad ("PPB")

During the current period under review, following the conversion of some 1.2 million redeemable convertible preference shares ("RCPS") into ordinary shares in PPB by the RCPS holders, the Group's equity interest in PPB had further decreased from 3.48% as at 31 December 2020 to 3.47% as at 30 June 2021. The dilution in the equity interest in PPB, after considering both direct and indirect interests held therein, was accounted for as a deemed disposal and a loss of about RM171,000 was recognised as other non-operating expense in the profit or loss.

7. Changes in the composition of the Group (continued)

Dilution in equity interest in existing associates (continued)

(ii) Dayang Enterprise Holdings Berhad ("DEHB")

The Group's equity interest in DEHB decreased from 26.42% to 24.22% following a private placement exercise effected by DEHB during March 2021. The dilution in equity interest was accounted for as deemed disposal with a resultant loss of RM1.8 million recognised as part of other non-operating expense in the profit or loss.

Save as disclosed above, there were no changes in the composition of the Group during the period under review.

8. Loans and borrowings

		30 June 2021 RM'000	31 December 2020 RM'000
Non-current			
Secured	- Term loans	81,239	95,709
	- Hire purchases	38	43
		81,277	95,752
Current			
Unsecured	- Revolving credits	172,000	167,000
Secured	- Term loans	40,130	51,089
	- Finance lease	6	17
	- Hire purchases	11	11
		212,147	218,117
Total		293,424	313,869

9. Earnings per ordinary share ("EPS")

Basic EPS

The calculation of the basic EPS was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding calculated as follows:

	6 months ended 30 June	
	2021	**2020**
Loss attributable to owners of the Company (RM'000)	(14,739)	(21,922)
Weighted average number of ordinary shares, net of treasury shares bought back in previous years ('000)	500,743	500,743
Basic EPS (sen)	(2.94)	(4.38)

Diluted EPS

No diluted EPS was presented as there are no dilutive potential ordinary shares.

10. Dividend

No dividend was declared/paid during the six months ended 30 June 2021.

On 9 July 2021, the Board declared an interim single-tier tax exempt dividend in the aggregate amount of about RM40 million, being an interim dividend of RM0.079 per ordinary share, in respect of the financial year ending 31 December 2021. The dividend was subsequently paid to the shareholders on 6 August 2021. The said dividend payment was made using the proceeds from the land disposal which was completed on 21 October 2020.

11. Operating segments

The Group has three reportable segments, which are the Group's strategic business units. For each of the strategic business units, the Group Managing Director (GMD) (being the Chief Operating Decision Maker), reviews internal management reports for resource allocation and decision making at least on a quarterly basis.

The following summary describes the operations in each of the Group's existing reporting segments.

Property development	-	Development and construction of residential and commercial properties (including sale of vacant land).
Construction	-	Construction of buildings, roads, bridges and other infrastructure and engineering works (including oil and gas related construction projects).
Others	-	All other business segments with profit contributions less than 10%. This includes manufacture and sale of buildings and construction materials, provision of sand extraction and land filling services, property investment and management, hotel operation as well as quarry operation.

Performance is measured based on segment profit before tax as included in the internal management reports that are reviewed by the GMD. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of the segments relative to other entities that operate within these industries.

There are varying levels of integration between the reportable segments. Inter-segment pricing is determined on negotiated terms. Unallocated items mainly comprise corporate and headquarters expenses and other investment income, which are managed on a group basis and are not allocated to any operating segment.

Segment assets and liabilities

The GMD reviews the statements of financial position of subsidiaries for resource allocation and decision making instead of a summary of consolidated assets and liabilities by segments. As such, information on segment assets and segment liabilities is not presented.

11. Operating segments (continued)

	Property development		Construction		Others		Inter-segment elimination		Consolidated	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
For the 6 months ended 30 June										
Revenue from external customers	47,399	30,753	86,269	60,070	9,720	7,629	-	-	143,388	98,452
Inter segment revenue	-	-	-	-	1,132	2,838	(1,132)	(2,838)	-	-
Total segment revenue	47,399	30,753	86,269	60,070	10,852	10,467	(1,132)	(2,838)	143,388	98,452
Segment profit/(loss)	2,318	760	74	(2,274)	(3,458)	(6,969)	(443)	(796)	(1,509)	(9,279)
Share of results (net of tax) of:										
- associates, other than Dayang Enterprise Holdings Bhd. ("DEHB group")	1,530	(310)	5,548	803	-	(1,585)	-	-	7,078	(1,092)
- joint ventures	-	-	471	305	-	-	-	-	471	305
	3,848	450	6,093	(1,166)	(3,458)	(8,554)	(443)	(796)	6,040	(10,066)
Unallocated expense									(1,866)	(3,463)
Loss on deemed disposal of interests in associates, DEHB and PPB									(1,961)	(7,148)
Share of results (net of tax) of associates, DEHB group[1] (in oil and gas segment)									(15,082)	206
Tax expense									(2,242)	(1,657)
Loss for the period									(15,111)	(22,128)
Other comprehensive income, net of tax									5,874	10,216
Total comprehensive expenses for the period									(9,237)	(11,912)
Non-controlling interests									372	206
Total comprehensive expenses attributable to the owners of the Company									(8,865)	(11,706)

[1] *Share of results of DEHB Group comprises the share of results from two associates, DEHB and Perdana Petroleum Berhad*

12. Subsequent events

Acquisition of new subsidiary

On 4 August 2021, a direct subsidiary, Naim Land Sdn. Bhd. subscribed for 2 ordinary shares of RM1.00 each in Naim Mortgage Sdn. Bhd. ("NMSB"), representing 100% of the equity interest therein, for a cash consideration of RM2. The acquisition did not have a material impact on the Group's assets and liabilities due to the dormancy of NMSB.

Save as disclosed above, there are no other material events subsequent to the end of the period reported on, that has not been reflected in the condensed consolidated interim financial statements for the said period, made up to the date of this quarterly report.

13. Contingencies

There were no contingent liabilities in respect of the Group that had arisen since 31 December 2020 till the date of this quarterly report, except for those disclosed in Note 22.

14. Capital expenditure commitments

	30 June 2021 RM'000	31 December 2020 RM'000
Property, plant and equipment		
- Authorised but not contracted for	5,374	5,536
	=======	=======

15. Financial risk management

The Group's financial risk management objectives, policies and processes and risk profiles are consistent with those disclosed in the annual financial statements as at and for the year ended 31 December 2020.

QUARTERLY REPORT - FOR THE SECOND QUARTER ENDED 30 JUNE 2021

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

16. Related parties

i) Transactions with key management personnel

Compensations payable/paid to key management personnel during the period under review are as follows:

	6 months ended 30 June	
	2021	**2020**
	RM'000	**RM'000**
Directors of the Company	1,957	2,374
Other key management personnel	2,040	2,490
	3,997	4,864

ii) Other related party transactions

	Transaction value 6 months ended 30 June		**Balance outstanding as at 30 June**	
	2021	**2020**	**2021**	**2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**
<u>Transactions with associates</u>				
Construction contract cost	38,738	72,100	(9,272)	(19,956)
Construction contract sum billed	(2,093)	(260)	2,684	3,897
Sale of construction raw materials	-	-	223	223

QUARTERLY REPORT - FOR THE SECOND QUARTER ENDED 30 JUNE 2021

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Other notes pursuant to Bursa Malaysia Listing Requirements: Chapter 9, Appendix 9B, Part A

17. Review of Group performance

Current 6-month vs corresponding preceding 6-month review (June 2021 vs June 2020)

	Cumulative quarters 6 months ended 30 June	
	2021	**2020**
	RM'000	**RM'000**
Revenue	143,388	98,452
Loss before tax	12,869	20,471

The Group recorded higher revenue of RM143.4 million for the period under review, as compared to RM98.5 million reported in the corresponding period of 2020. The increase was mainly attributable to the Property Development and Construction divisions, which recorded a 47% increase in their revenue when compared against that achieved in the corresponding period of 2020.

At the same time, the Group reported a lower loss before tax of RM12.9 million, as compared to the loss of RM20.5 million reported in June 2020. The fluctuation in net results was explained as follows:

- a lower loss reported from the business segments of RM1.5 million, against the loss of RM9.3 million reported in June 2020;
- an accounting loss of about RM2.0 million arising from the dilution in equity interest in its associates, Dayang Enterprise Holdings Bhd. ("DEHB") and Perdana Petroleum Berhad ("PPB") (see Note 7 for details);
- share of loss (after tax) of RM15.1 million from its associate, DEHB and PPB, in the current period, against a share of profit (after tax) of RM0.2 million recorded in the corresponding period of 2020.

Current 3-month vs immediate preceding 3-month review (June 2021 vs March 2021)

	Current 3 months ended 30 June 2021	**Immediate preceding 3 months ended 31 March 2021**
	RM'000	**RM'000**
Revenue	59,473	83,915
Loss before tax	1,974	10,895

When compared to the immediate preceding quarter (January to March 2021), group revenue had decreased substantially. This was mainly attributable to lower work progress achieved at construction and property development sites and lower new property sales secured during this 3-month period.

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Other notes pursuant to Bursa Malaysia Listing Requirements: Chapter 9, Appendix 9B, Part A

17. Review of Group performance (continued)

Detailed review of the performance and prospects of each operating segment (as shown in Note 11) are discussed in Section 17.1 below.

17.1 Review of performance of operating segments and current year prospects

a) Property development

Current 6-month vs corresponding preceding 6-month review (June 2021 vs June 2020)

	Cumulative quarters	
	6 months ended 30 June	
	2021	2020
	RM'000	RM'000
Revenue	47,399	30,753
Segment profit	2,318	760

Property Development Segment recorded an improvement in its revenue and performance for the current period, partly due to higher new property sales achieved of RM50.6 million (30.6.2020: RM31.3 million). Increased work progress at site also contributed to the current period's achievement.

Current 3-month vs immediate preceding 3-month review (June 2021 vs March 2021)

	Current	Immediate preceding
	3 months ended	3 months ended
	30 June 2021	31 March 2021
	RM'000	RM'000
Revenue	16,581	30,818
Segment profit	1,046	1,272

The decrease in Property Development revenue in the current 3-month period was mainly due to lower work progress achieved and low sales transacted during the current 3-month period, following the implementation of MCO and CMCO during the period. The Group only managed to secure new property sales of about RM15.7 million, against that achieved in the immediate preceding quarter of about RM34.9 million.

Other notes pursuant to Bursa Malaysia Listing Requirements: Chapter 9, Appendix 9B, Part A

17. Review of Group performance (continued)

17.1 Review of performance of operating segments and current year prospects (continued)

a) *Property development* (continued)

Prospects

The coronavirus (COVID-19) outbreak since January 2020 has severe negative impacts on the global economy, causing widespread disruptions to businesses affected by a fall in demand. The various industries across Malaysia have been similarly impacted by the pandemic.

Following the recent implementation of Movement Control Order ("MCO") and Conditional Movement Control Order ("CMCO") in various states, our performance is not expected to fare well in the near term. The business activities of the Group remain subdued - lower rate of sales conversion, disruption of work progress due to labour shortage, anticipated increase in cost of construction due to material price surge and tightening liquidity position with low debts collection.

The Group anticipates the weaker buying sentiments in the property market to continue as consumers remain cautious in view of the uncertainties expected post COVID-19, coupled with the ongoing huge overhang in the property market, increased competitions and job insecurity due to rising retrenchments and pay cuts.

Nevertheless, we continuously emphasise in meeting customers' demand by building and delivering properties that are value for money in term of quality and service. At the same time, a more cautious approach has been adopted towards new product launches (i.e. timing and size of launches) and product types. Various initiatives (including digital marketing and online sales/bookings) have been introduced along the way to sell off the existing property stocks to improve the performance of this segment and reduce associated holding costs. In addition, we are managing and monitoring closely the development progress and construction costs to ensure that the properties are completed and handed over to buyers on time as well as minimise the possibility of costs overrun and sustain the property profit.

Other notes pursuant to Bursa Malaysia Listing Requirements: Chapter 9, Appendix 9B, Part A

17. Review of Group performance (continued)

17.1 Review of performance of operating segments and current year prospects (continued)

b) Construction

Current 6-month vs corresponding preceding 6-month review (June 2021 vs June 2020)

	Cumulative quarters 6 months ended 30 June	
	2021	**2020**
	RM'000	**RM'000**
Revenue	86,269	60,070
Segment profit/(loss)	74	(2,274)

The Group achieved a higher Construction revenue of RM86.3 million, a 44% increase when compared against that achieved in June 2020. The increase was contributed by higher work progress achieved from the existing on-going projects. The segment also reported a marginal profit in current period, due to the incurrence of lower overheads.

Current 3-month vs immediate preceding 3-month review (June 2021 vs March 2021)

	Current	Immediate preceding
	3 months ended	**3 months ended**
	30 June 2021	**31 March 2021**
	RM'000	**RM'000**
Revenue	37,929	48,340
Segment profit/(loss)	171	(97)

Construction revenue had decreased in the current 3-month, mainly due to lower work progress achieved from the on-going projects. The segment had reported a marginal profit in the current period.

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17. Review of Group performance (continued)

17.1 Review of performance of operating segments and current year prospects (continued)

b) Construction (continued)

Prospects

As explained in Note 17.1(a) under Prospects of Property Development segment on the anticipated impact of COVID 19 to the Group's business activities, tightened project planning, execution and monitoring are in place to catch up on the work progress that has been delayed particularly during the MCO and CMCO periods. This is to make sure the projects are completed within the targeted schedule and to achieve the expected margin. We also continuously build up and replenish our order book to sustain the performance of this Segment. Nonetheless, we are cautious and selective in project tendering and focus particularly on those projects where we have proven track records and experiences, supported by current project management resources.

c) Other Segment

Current 6-month vs corresponding preceding 6-month review (June 2021 vs June 2020)

	Cumulative quarters 6 months ended 30 June	
	2021	2020
	RM'000	RM'000
Revenue	9,720	7,629
Segment loss	3,458	6,969

The Other segment revenue and performance had shown an improvement in the current 6-month period. The improvement was mainly contributed by lower loss reported by our hotel operation which had recorded an improvement in its occupancy rates during the current period.

17. Review of Group performance (continued)

17.1 Review of performance of operating segments and current year prospects (continued)

c) Other Segment (continued)

Current 3-month vs immediate preceding 3-month review (June 2021 vs March 2021)

	Current	Immediate preceding
	3 months ended	3 months ended
	30 June 2021	31 March 2021
	RM'000	RM'000
Revenue	4,963	4,757
Segment loss	1,875	1,583

When compared to the immediate preceding quarter, Other segment showed a slight improvement in its revenue during the current 3 months, mainly due to the improvement in our hotel performance with increased occupancy rates during the current 3-month period.

However, this segment continued to register a loss due to the incurrence of fixed overheads and interest expense, particularly from the quarry and mall operations which had registered a loss of RM0.9 million in the current quarter, against the loss of RM0.4 million reported in the immediate preceding quarter (January to March 2021).

Prospects

As explained in Note 17.1(a) under Prospects of Property Development segment on the anticipated impact of COVID 19 to the Group's business activities, the Group expects lower contributions from this segment in the near term, particularly in the retail leasing and hotel businesses which experienced a fall in demand due to travel restrictions and the implementation of various preventative MCO/CMCO measures across the states. We continuously implement various cost controls measures to bring down overheads. At the same time, we also monitor and manage closely on the debts collection of retail leasing business while providing necessary support and assistance to our tenants during this difficult period. In addition, we are exploring into possible options to sell off or divest some non-performing operations to minimise further loss and realise some cash.

Other notes pursuant to Bursa Malaysia Listing Requirements: Chapter 9, Appendix 9B, Part A

17. Review of Group performance (continued)

17.2 Review of performance of major associate

For the current period under review, our associate, Dayang Enterprise Holdings Bhd. ("DEHB"), reported an unaudited loss after tax attributable to owners of about RM49.4 million, against a profit of RM8.3 million achieved in June 2020. The decline in DEHB's performance was mainly due to lower vessel utilization resulted from delayed work orders, impairment loss on property, plant and equipment of RM27.9 million as well as higher operating cost incurred during the period under review.

18. Tax expense

Despite the group loss before tax being RM3.4 million for the period under review (excluding other non-operating expense and the share of results from the associates and joint ventures), the Group incurred tax expense of RM2.2 million, mainly due to higher non-deductible expenses as well as the effect of unrecognised deferred tax assets arising from certain loss making operations.

19. Additional disclosures on loss before tax

	6 months ended 30 June	
	2021 RM'000	2020 RM'000
Loss before tax is arrived at after (crediting)/charging:		
(Gain)/Loss on disposal of:		
- property, plant and equipment	(155)	(5,088)
- deemed disposal of associates	1,961	7,148
Interest income from fixed deposits and cash funds	(1,792)	(1,526)
Other interest income	(2,581)	(2,950)
Amortisation of:		
- intangible assets	340	340
- investment properties	1,063	1,063
Depreciation of property, plant and equipment	4,702	5,208
Foreign exchange (gain)/loss:		
- unrealised	(145)	(363)
- realised	-	2
Interest expense on loans and borrowings	6,119	11,414
Net change in impairment loss on financial assets and contract assets	416	(567)

Save as disclosed, there were neither provision for and write-off of inventories, gain or loss arising from disposal of financial derivatives or other exceptional items for the period under review.

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Other notes pursuant to Bursa Malaysia Listing Requirements: Chapter 9, Appendix 9B, Part A

20. Profit guarantee

The Group did not issue any profit guarantee.

21. Derivative financial instruments

The Group does not have any outstanding financial derivatives as at 30 June 2021.

22. Update of material litigations status

(a) Contract litigation

On 12 November 2020, Naim Engineering Sdn. Bhd. ("NESB") received a Writ of Summons together with a Statement of Claim from a subcontractor in respect of two completed works package projects. The claims against NESB is for damages and/or compensation in the sum of about RM32.93 million, or alternatively a sum of about RM29.60 million, costs of engaging an expert and/or the continuous costs until the completion of the suit, judgement interest and costs.

Based on our records, the Group is of the view that the claim by the subcontractor is frivolous. As such, the Group does not expect the claim to succeed and is of the view that the claim does not have material financial and/or operational impact on the Group's results for the financial year ended 31 March 2021. Notwithstanding, in the event that the claim is allowed by the Court, the financial impact is limited to what is claimed by the subcontractor in the Statement of Claim. The Group has instructed its solicitor to vigorously contest the claim.

The subcontractor had on 25 April 2017 issued three (3) separate Payment Claims, totalling some RM29.60 million, under the Construction Industry Payment and Adjudication Act 2012 ("CIPAA") against NESB; the subject matter of which is similar to that as contained in the Statement of Claim as stated above. The subcontractor however failed to and/or did not pursue the matter then after NESB responded with its Payment Response dated 11 May 2017.

Following the stay of proceeding in favour of arbitration as agreed by both parties, Notice of Arbitration dated 16 July 2021 was received on 19 July 2021. The matter is now pending agreement by both parties on the appointment of arbitrator.

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22. Update of material litigations status (continued)

(b) Litigation against a trade debtor

On 30 April 2021, a 70% owned subsidiary, Jelas Kemuncak Resources Sdn. Bhd. ("JKRSB") filed a Writ of Summons and Statement of Claim against its trade debtor, Sia Bintangor Holdings Sdn. Bhd. for a total outstanding debt of RM15.9 million, interest thereon and costs.

In the meanwhile, JKRSB has filed Summary Judgment Application on 11 August 2021 in the High Court. The court has fixed 5 October 2021 for case management, i.e. to monitor the status of the parties' exchange of documents.

23. Status of corporate proposals

There are no corporate proposals announced and/or not completed at the date of this quarterly report.

24. Auditors' report on preceding annual financial statements

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

25. Authorisation for issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 28 September 2021.