



TCS GROUP HOLDINGS BERHAD

(Registration No. 201901004613 (1313940-W))
(Incorporated in Malaysia)

**Interim Financial Report
For Third Quarter Ended
30 September 2022**



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME⁽¹⁾

	NOTE	QUARTER ENDED		YEAR-TO-DATE ENDED	
		30.09.2022	30.09.2021	30.09.2022	30.09.2021
		RM'000	RM'000	RM'000	RM'000
Revenue	A9	69,452	48,346	176,779	149,199
Cost of sales		(66,379)	(42,518)	(171,622)	(130,000)
Gross profit		3,073	5,828	5,157	19,199
Other income		166	88	722	218
Administrative expenses		(2,870)	(3,027)	(8,860)	(9,171)
Profit/ (Loss) from operations		369	2,889	(2,981)	10,246
Finance income		92	131	366	390
Finance costs		(386)	(186)	(1,113)	(680)
Profit/ (Loss) before tax	B12	75	2,834	(3,728)	9,956
Tax expense	B5	-	(724)	-	(2,797)
Profit/Total Comprehensive income/(expenses) for the financial period		75	2,110	(3,728)	7,159
Profit/Total Comprehensive income/(expenses) for the financial period after taxation attributable to:					
Owners of the Company		85	2,117	(3,718)	7,166
Non-controlling interest		(10)	(7)	(10)	(7)
		75	2,110	(3,728)	7,159



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME⁽¹⁾ (CONT'D)

	NOTE	QUARTER ENDED		YEAR-TO-DATE ENDED	
		30.09.2022	30.09.2021	30.09.2022	30.09.2021
		RM'000	RM'000	RM'000	RM'000
Earnings Per Share					
Basic (sen)	B11	0.02	0.56	(0.95)	1.90
Diluted (sen)	B11	0.02	0.52	(0.95)	1.68

Notes:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income is disclosed in Note A1 and should be read in conjunction with the audited financial statements for financial year ended 31 December 2021 and the accompanying explanatory notes attached to this interim financial report.



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION⁽¹⁾

	Unaudited 30.09.2022	Audited 31.12.2021
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	25,002	30,392
Investment property	7,874	3,568
Deferred tax assets	628	628
Fixed deposits with licensed banks	6,884	7,480
Cash and bank balances	1,962	798
	<u>42,350</u>	<u>42,866</u>
Current assets		
Trade receivables	97,938	79,282
Other receivables	5,051	7,042
Tax recoverable	2,548	29
Contract assets	29,982	20,571
Fixed deposits with licensed banks	11,050	26,332
Cash and bank balances	4,182	5,589
	<u>150,751</u>	<u>138,845</u>
TOTAL ASSETS	<u>193,101</u>	<u>181,711</u>
EQUITY AND LIABILITIES		
Equity		
Share Capital	58,476	58,476
Merger deficit	(24,065)	(24,065)
Retained earnings	47,448	51,166
Equity attributable to owners of the Company	81,859	85,577
Non-controlling interest	865	645
Total equity	<u>82,724</u>	<u>86,222</u>
Non-current liabilities		
Lease liabilities	6,053	8,105
Borrowings	9,792	10,273
	<u>15,845</u>	<u>18,378</u>
Current liabilities		
Trade payables	73,762	61,014
Other payables	4,364	7,566
Contract liabilities	1,193	-
Lease liabilities	5,593	6,678
Borrowings	6,090	627
Bank overdraft	3,530	-
Tax payable	-	1,226
	<u>94,532</u>	<u>77,111</u>
Total liabilities	<u>110,377</u>	<u>95,489</u>
TOTAL EQUITY AND LIABILITIES	<u>193,101</u>	<u>181,711</u>
Number of issued shares ('000)	390,000	390,000
Net asset per share attributable to owner of the Company (RM)	<u>0.21</u>	<u>0.22</u>

Note:

(1) The basis of preparation of the Unaudited Condensed Consolidated Statement of Financial Position is disclosed in Note A1 and should be read in conjunction with the audited financial statements for financial year ended 31 December 2021 and the accompanying explanatory notes attached to this interim financial report.



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY⁽¹⁾

	<-----Attributable to owners of the Company----->					
	<----Non-Distributable---->		Distributable		Non-	Total
	Share Capital	Merger Deficit	Retained Earnings	Total	controlling interest	Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 31.12.2020 (Audited)	46,176	(24,065)	52,279	74,390	397	74,787
Total comprehensive income for the financial period	-	-	2,487	2,487	(15)	2,472
Transaction with owners:						
Issue of shares	12,300	-	-	12,300	-	12,300
Newly incorporated subsidiary	-	-	-	-	263	263
Dividend paid	-	-	(3,600)	(3,600)	-	(3,600)
Balance as at 31.12.2021 (Audited)	58,476	(24,065)	51,166	85,577	645	86,222

Note:

(1) The basis of preparation of the Unaudited Condensed Consolidated Statement of Changes in Equity is disclosed in Note A1 and should be read in conjunction with the audited financial statements for financial year ended 31 December 2021 and the accompanying explanatory notes attached to this interim financial report.



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY⁽¹⁾ (CONT'D)

	<-----Attributable to owners of the Company----->			Total RM'000	Non- controlling interest RM'000	Total Equity RM'000
	<----Non-Distributable---->	Distributable				
	Share Capital RM'000	Merger Deficit RM'000	Retained Earnings RM'000			
Balance as at 31.12.2021 (Audited)	58,476	(24,065)	51,166	85,577	645	86,222
Transaction with owners:-						
Acquisition of a subsidiary	-	-	-	-	230	230
Total transaction with owners	-	-	-	-	230	230
Total comprehensive loss for the financial period (Unaudited)	-	-	(3,718)	(3,718)	(10)	(3,728)
Balance as at 30.09.2022 (Unaudited)	<u>58,476</u>	<u>(24,065)</u>	<u>47,448</u>	<u>81,859</u>	<u>865</u>	<u>82,724</u>

Note:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statement of Changes in Equity is disclosed in Note A1 and should be read in conjunction with the audited financial statements for financial year ended 31 December 2021 and the accompanying explanatory notes attached to this interim financial report.



UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS⁽¹⁾

	<u>CURRENT YEAR</u> <u>TO-DATE</u> <u>30.09.2022</u> <u>RM'000</u>	<u>PRECEDING YEAR</u> <u>TO-DATE</u> <u>30.09.2021⁽¹⁾</u> <u>RM'000</u>
OPERATING ACTIVITIES		
(Loss)/Profit before tax	(3,728)	9,956
Adjustments for:-		
Depreciation of property, plant and equipment	3,854	4,815
Amortisation of investment property	127	34
Interest expense	1,113	680
Interest income	(366)	(390)
Impairment of goodwill	15	-
Operating profit before working capital changes	1,015	15,095
Changes in working capital:-		
Receivables	(16,214)	(3,011)
Contract assets/liabilities	(8,219)	(11,617)
Payables	9,539	(9,938)
Cash used in from operations	(13,879)	(9,471)
Interest received	366	390
Interest paid	(1,113)	(680)
Tax paid	(3,745)	(2,887)
Net cash used in from operating activities	(18,371)	(12,648)
INVESTING ACTIVITIES		
Acquisition of subsidiary, net of cash acquired	(228)	-
Purchase of property, plant and equipment	(2,897)	(9,163)
Withdrawal of fixed deposits pledged	596	3,330
Placement of sinking fund pledged	(1,164)	(956)
Newly incorporated subsidiary	-	262
Net cash used in investing activities	(3,693)	(6,527)



UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT'D)⁽¹⁾

	CURRENT YEAR TO-DATE	PRECEDING YEAR TO-DATE
	30.09.2022	30.09.2021⁽¹⁾
	RM'000	RM'000
FINANCING ACTIVITIES		
Dividend paid	-	(3,600)
Drawdown of lease liabilities	2,184	6,943
Repayment of lease liabilities	(5,322)	(4,404)
Drawdown of term loans	32,857	189
Repayment of term loans	(27,874)	(292)
Proceeds from issuance of share capital, net of share issuance expenses	-	7,380
Net cash from financing activities	1,845	6,216
CASH AND CASH EQUIVALENTS		
Net changes	(20,219)	(12,959)
Brought forward	31,921	48,105
Carried forward	11,702	35,146
CASH AND CASH EQUIVALENTS		
Fixed deposits with licensed banks	17,934	33,632
Cash and bank balances	6,144	11,216
Bank overdraft	(3,530)	-
	20,548	44,848
Less: Fixed deposits pledged	(6,884)	(7,808)
Less: Sinking fund pledged	(1,962)	(1,894)
	11,702	35,146

Notes:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statements of Cash Flows is disclosed in Note A1 and should be read in conjunction with the audited financial statements for financial year ended 31 December 2021 and the accompanying explanatory notes attached to the interim financial report.



A. NOTES TO THE INTERIM FINANCIAL REPORT

A1. Basis of Preparation

The interim financial report of TCS Group Holdings Berhad (“TCS” or “Company”) and its subsidiaries (“Group”) are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards (“MFRS”) No. 134: Interim Financial Reporting and Rule 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2021.

A2. Significant Accounting Policies

At the beginning of the current financial year, the Group adopted new standards/amendments/improvements to MFRSs which are mandatory for the financial periods beginning on or after 1 January 2022.

Initial application of the amendments/improvements to the standards did not have material impact to the financial statements.

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group’s financial statements are disclosed below. The Group intend to adopt these new and amended standards and interpretations, if applicable, when they become effective.

MFRSs, Amendments to MFRSs effective 1 January 2022:-

Amendments to MFRS 3 [#]	Business combinations: Reference to the conceptual framework
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
Annual improvements to MFRS standards 2018-2020 (MFRS 1*, 9 and 141*)	

MFRS, Amendments to MFRS effective 1 January 2023:-

MFRS 17*	Insurance contracts
Amendments to MFRS 17*	Insurance contracts
Amendments to MFRS 17*	Insurance contracts: Initial application of MFRS 17 and MFRS 9 - comparative information

MFRS, Amendments to MFRS effective 1 January 2023 :-

Amendments to MFRS 4*	Insurance contracts: Extension of the temporary exemption from applying MFRS 9
Amendments to MFRS 101	Presentation of financial statements: Classification of liabilities as current or non-current
Amendments to MFRS 101	Presentation of financial statements: 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



A. NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)

A2. Significant Accounting Policies (cont'd)

Amendments to MFRSs - effective date deferred indefinitely:-

Amendments to MFRS 10 and MFRS 128	Consolidated financial statements and investments in associate and joint ventures - Sale or Contribution of assets between an investor and its associate or joint venture
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* Not applicable to the Group's operations.

Not applicable to Company's operation.

The initial application of the above standards, amendments and interpretations are not expected to have any financial impact to the financial statements of the Group.

A3. Auditors' Report on Preceding Annual Financial Statements

There was no qualification on the audited financial statements of the Group for the financial year ended 31 December 2021.

A4. Seasonal or Cyclical Factors

The Group's performance have not been materially affected by any seasonal or cyclical factors during the current quarter and financial year-to-date.

A5. Items or Incidence of an Unusual Nature

Save as disclosed in Notes A11 and B9, there were no unusual items affecting the assets, liabilities, equity, net income and cash flows during the current quarter and financial year-to-date.

A6. Changes in Estimates

There were no material changes in estimates for the current quarter and financial year-to-date.

A7. Debt and Equity Securities

Save as disclosed in Note B6, there were no issuance and repayment of debt and equity securities, share buy-backs, share cancellation, share held as treasury shares and resale of treasury shares during the current quarter and financial year-to-date.

A8. Dividend Paid

No dividends were paid by the company in the current quarter and financial year-to-date.

A9. Segmental Reporting

The Group is principally involved in the provision of construction services for buildings, infrastructure, civil and structural works in Malaysia. The Group's segmental revenue for the current quarter and financial year-to-date is as follows:



A. NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)

A9. Segmental Reporting (cont'd)

**Financial quarter ended
30.09.2022**

	Construction Services	Investment Holding	Elimination	Total
	RM'000	RM'000	RM'000	RM'000
Revenue: -				
External revenue	69,452	-	-	69,452
Inter-Segment revenue	89	-	(89)	-
	<u>69,541</u>	<u>-</u>	<u>(89)</u>	<u>69,452</u>

Segment results⁽¹⁾

Amortisation of investment property				(72)
Depreciation of property, plant and equipment				(1,275)
Interest income				92
Interest expenses				(386)
Unallocated income				166
Unallocated expenses				(67,902)
Tax expense				-
Segment profit				<u>75</u>

**Financial year-to-date ended
30.09.2022**

	Construction Services	Investment Holding	Elimination	Total
	RM'000	RM'000	RM'000	RM'000
Revenue: -				
External revenue	176,779	-	-	176,779
Inter-Segment revenue	6,458	-	(6,458)	-
	<u>183,237</u>	<u>-</u>	<u>(6,458)</u>	<u>176,779</u>

Segment results⁽¹⁾

Amortisation of investment property				(127)
Depreciation of property, plant and equipment				(3,854)
Interest income				366
Interest expenses				(1,113)
Unallocated income				722
Unallocated expenses				(176,501)
Tax expense				-
Segment loss				<u>(3,728)</u>

A. NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)
A9. Segmental Reporting (cont'd)

Financial quarter ended 30.09.2021	Construction Services	Investment Holding	Elimination	Total
	RM'000	RM'000	RM'000	RM'000
Revenue: -				
External revenue	48,346	-	-	48,346
Inter-Segment revenue	1,029	3,800	(4,829)	-
	<u>49,375</u>	<u>3,800</u>	<u>(4,829)</u>	<u>48,346</u>

Segment results⁽¹⁾

Amortisation of investment property				(12)
Depreciation of property, plant and equipment				(1,490)
Interest income				131
Interest expenses				(186)
Unallocated income				88
Unallocated expenses				(44,043)
Tax expense				(724)
Segment profit				<u>2,110</u>

Financial year-to-date ended 30.09.2021	Construction Services	Investment Holding	Elimination	Total
	RM'000	RM'000	RM'000	RM'000
Revenue: -				
External revenue	149,199	-	-	149,199
Inter-Segment revenue	5,872	3,800	(9,672)	-
	<u>155,071</u>	<u>3,800</u>	<u>(9,672)</u>	<u>149,199</u>

Segment results⁽¹⁾

Amortisation of investment property				(34)
Depreciation of property, plant and equipment				(4,815)
Interest income				390
Interest expenses				(680)
Unallocated income				218
Unallocated expenses				(134,322)
Tax expense				(2,797)
Segment profit				<u>7,159</u>

Note:

(1) The breakdown of segment results between construction services is not available.



A. NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)

A10. Valuation of Property, Plant and Equipment

There was no valuation of the property, plant and equipment during the current quarter and financial year-to-date.

A11. Material Events Subsequent to the End of the Current Quarter

Save as disclosed in Note B9, there are no material event subsequent to the end of the current quarter and financial year to date that have not been reflected in this interim financial report.

A12. Changes in Composition of the Group

On 22 August 2022, in a non-related party transaction, the Company entered into a Share Sale Agreement with Shaari Bin Hashim and Asrul Affendy Bin Arshad to acquire 255,000 ordinary shares of Quest Energy Sdn. Bhd. [Registration No. 200201006297 (573960-U)] ("QESB"), representing 51% of the issued and paid-up share capital of QESB for a cash consideration of RM255,000.00.

The above acquisition was completed on 9 September 2022 and QESB became a 51%-owned subsidiary of the Company.

Save for the above, there are no other changes in the composition of the Group during the current quarter and financial year-to-date.

A13. Contingent Liabilities

Save as disclosed below, there were no other contingent liabilities as at the date of this interim financial report.

	Unaudited 30.09.2022 RM'000	Audited 31.12.2021 RM'000
Performance bonds and corporate guarantees for construction projects	64,764	60,174

A14. Capital Commitments

Save as disclosed below, there were no other material capital commitments incurred or known to be incurred.

	Unaudited 30.09.2022 RM'000	Audited 31.12.2021 RM'000
Authorised and contracted for:		
Purchase of construction equipment	15	2,285



A. NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)

A15. Related Party Transactions

	QUARTER ENDED		YEAR-TO-DATE ENDED	
	30.09.2022 RM'000	30.09.2021 RM'000	30.09.2022 RM'000	30.09.2021 RM'000
Rental expenses paid to the companies in which Directors have interests	59	59	176	192
Provision of construction work to a company in which Directors have interests	-	3,019	-	3,019

B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

B1. Review of Group Performance

a) Results for current quarter

For the current quarter under review, the Group delivered a revenue of RM69.45 million, which represented an increase of 43.7% year-on-year ("YoY") or RM21.11 million from RM48.35 million in the previous year. The double-digit improvement was predominantly a result from the following factors:

- Higher progress billing for our on-going projects - J. Satine, Vista Sentul, M Arisa and Tropicana Miyu; and
- Lower contribution from the previous year corresponding quarter owing to disruption in operations following various movement control orders put in place then.

On the other hand, TCS posted a profit before tax of RM0.08 million for the current quarter under review versus RM2.83 million in the preceding year corresponding quarter. The top-line improvement was not reflected in the PBT due to:

- Elevated raw material costs arising from disruptions in the building materials supply chain brought upon by the COVID-19 pandemic; and
- Profit margin that has yet to reach optimal level as several ongoing projects have just progressed beyond the initial phase. Profit margin would usually pick up as construction works progress further.

b) Results for financial year to-date

For the cumulative 9-month period ended 30 September 2022, the Group's achieved a revenue of RM176.78 million as compared to RM149.20 million in the previous year corresponding period. This represented a rise of 18.5% YoY or RM27.58 million that was attributed to the aforementioned factors.

Meanwhile, the Group's reported a loss before tax ("LBT") of RM3.71 million as compared to a PBT of RM9.96 million a year ago. The overall performance was affected by higher costs incurred given the hike in raw materials costs, as well as profit margin for several projects that have yet to reach optimal level.



B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS (CONT'D)

B2. Comparison with the Immediate Preceding Quarter Result

On a sequential basis, the Group's revenue improved 27.1% or RM14.81 million to RM69.45 million in the current quarter under review versus RM54.65 million recorded in the immediate preceding quarter.

As a result of the top-line improvement, TCS returned to black with a PBT of RM0.08 million, against a LBT of RM3.90 million in the immediate preceding quarter.

B3. Commentary on Prospects

Looking ahead, the business environment is anticipated to remain challenging underpinned by various macroeconomic factors including inflationary pressures, rising interest rates, and fluctuations in commodity prices, to name a few. These difficulties are affecting the entire construction industry, which we have been proactively managing the situation by prioritizing on quality execution and timely delivery of our projects.

To recap, TCS had in August 2022, secured a RM108.38 million contract from IOI City Hotel Sdn. Bhd., an indirect wholly-owned subsidiary of IOI Properties Group Berhad, for the construction and completion of one block of 19-storey main building works from ground floor to roof of a hotel named the Moxy Putrajaya hotel. This boosted our order book and enhanced our earnings visibility.

Additionally, there are pockets of opportunities in the construction sector, which is being revived by the Government's continuation of mega projects such as the Mass Rapid Transit Line 3 ("MRT3") and Pan Borneo Highway. These mega projects act as a catalyst to attract residential and commercial attention and are expected to stimulate the property market. We shall concentrate on bidding for projects in residential and commercial buildings, infrastructure projects, as well as institutional buildings to leverage on the rising momentum of the construction sector. All in all, our core focus remains on the execution of projects in hand and continues to exercise caution and prudence as we maneuver through the demanding operating landscape ahead.

B4. Profit Forecast or Profit Guarantee

The Group did not issue any profit forecast or profit guarantee during the current quarter and financial year-to-date.



B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS (CONT'D)

B5. Tax Expense

	QUARTER ENDED		YEAR-TO-DATE ENDED	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
	RM'000	RM'000	RM'000	RM'000
In respect of current period:				
Income tax	-	724	-	2,797
Effective tax rate (%)	-	25.53	-	28.09
Statutory tax rate (%)	-	24.00	-	24.00

The effective tax rate for the current quarter and financial year-to-date ended 30 September 2022 is not applicable due to loss before taxation.

B6. Status of Corporate Proposals

There are no other corporate proposals announced by the Company that are not completed as at the date of this report, other than disclosed below:

On 9 July 2021, the Company announced to undertake a private placement of up to 20% of the total number of issued shares of TCS ("TCS Share(s)" or "Share(s)") (excluding treasury shares) to third party investor(s) to be identified later at an issue price to be determined later in accordance with the general mandate pursuant to Sections 75 and 76 of the Companies Act 2016 ("Private Placement").

As at the date of this report, the Company has completed two tranches of the Private Placement involving issuance of 30,000,000 new TCS Shares, at an issue price of RM0.41, raising total proceeds of RM12.30 million.

On 28 January 2022, the Company announced that it was granted an extension of time of 6 months from 16 January 2022 to 15 July 2022 to complete the Private Placement.

Subsequently, the timeframe to implement the Private Placement had lapsed on 15 July 2022, which marks the completion of the Private Placement.



B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS (CONT'D)

B7. Utilisation of Proceeds Raised

a) Initial Public Offering (“IPO”)

In conjunction with TCS’ listing on the ACE Market of Bursa Securities, the Company had undertaken an Initial Public Offering (“IPO”) of 108,000,000 ordinary shares (“Shares”) at an IPO price of RM0.23 per Share comprising public issue of 90,000,000 new Shares (“Public Issue”) and offer for sale of 18,000,000 existing Shares. The Company has completed the IPO and listing exercise on 23 July 2020.

The gross proceeds of approximately RM20.70 million from the Public Issue has been utilised in the following manner:

Utilisation of proceeds	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance Unutilised RM'000	Estimated timeframe for utilisation from the date of listing
Purchase of new construction machinery and equipment	13,000	(13,000)	-	Within 36 months
Working capital for Construction projects	4,200	(4,200)	-	Within 24 months
Estimated listing expenses	3,500	(3,500)	-	Within 3 months
Total	20,700	(20,700)	-	

The utilisation of proceeds as disclosed above should be read in conjunction with the Company’s prospectus in relation to the IPO (“Prospectus”).

b) Private Placement

The status of the utilisation arising from the total gross proceeds of RM12.30 million raised from the first and second tranches of the 20% Private Placement, were as below:

Utilisation of proceeds	Proposed Utilisation RM'000	Actual Utilisation RM'000	Deviation RM'000	Balance Unutilised RM'000	Estimated timeframe for utilisation from receipt of placement funds
Working capital for construction projects	12,230	(12,178)	(52)	-	Within 24 months
Estimated Listing expenses	70	(122)	52	-	Upon receipts of placement funds
Total	12,300	(12,300)	-	-	



B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS (CONT'D)

B8. Borrowings

The details of the Group's borrowings are as follows: -

	Unaudited 30.09.2022 RM'000	Audited 31.12.2021 RM'000
Non-current:		
Borrowings	9,792	10,273
Lease liabilities	6,053	8,105
	15,845	18,378
Current:		
Borrowings	6,090	627
Lease liabilities	5,593	6,678
	11,683	7,305
Total	27,528	25,683

All the borrowings are secured and denominated in Ringgit Malaysia.

B9. Material Litigation

Save as disclosed below, there are no other material litigation pending as at the date of this interim financial report.

Adjudication Proceeding

On 29 March 2021, TCS Construction Sdn Bhd ("TCSCSB") commenced statutory adjudication pursuant to the Construction Industry Payment and Adjudication Act 2012 ("CIPAA 2012") against MPM Project Management Sdn Bhd ("MPM") for, amongst others, the outstanding sum for work done of approximately RM 7.42 million. Due to the restrictions imposed by the MCO lock down, the adjudication notice was re-served on 17 June 2021. On 29 July 2021, TCSCSB had further filed a request to the Director of the Asian International Arbitration Centre ("AIAC") to appoint an adjudicator who would decide on the disputes between the Parties. The adjudicator has been appointed on 23 August 2021.

On 28 August 2021, TCSCSB received a notice from the solicitors of Eakonmech Sdn Bhd ("Eakonmech"), another sub-contractor in KTCC Mall Project, that Eakonmech has filed a Judicial Management application against MPM. As a result, no legal proceedings against MPM ought to continue pending the hearing of the Judicial Management application.

As legal proceedings would also include the adjudication proceedings, the adjudication was put in abeyance pending the disposal of the Judicial Management proceeding. On 17 January 2022, the said Judicial Management application by Eakonmech was dismissed by the High Court.

Subsequently, TCSCSB filed a request to the Director of the AIAC to appoint an adjudicator on 24 January 2022 and an adjudicator was appointed on 31 January 2022. TCSCSB filed its Adjudication Claim on 25 February 2022. However, as MPM has been wound up on 28 February 2022, TCSCSB had to apply for leave to proceed with the adjudication proceedings against MPM, which was subsequently granted on 24 May 2022 by the Court.



B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS (CONT'D)

B9. Material Litigation (cont'd)

Adjudication Proceeding (Cont'd)

Pursuant to the Adjudicator's directions dated 20 June 2022, MPM was required to file its Adjudication Response by 7 July 2022. As no Adjudication Response was filed by 7 July 2022, the Adjudicator has notified the parties that the Adjudication Decision will be delivered within 45 working days from 7 July 2022.

On 15 September 2022, the Adjudicator, Ms Karen Ng Gek Suan has released the Adjudication Decision relating to Adjudication Proceeding bearing registration no. AIAC/D/ADJ-3778-2021 dated 13 September 2022 pursuant to Construction Industry Payment & Adjudication Act 2012 in favour of TCSCSB ("Adjudication Decision").

In the Adjudication Decision, MPM has been ordered to pay to TCSCSB in the sum of RM 6,141,557.77 ("Adjudicated Sum"), interests at the rate of 5% per annum on the Adjudicated Sum from 4 July 2020 until the date of full payment, (approximately RM 675,571.35 as at 15 September 2022) and all costs incurred in relation to the adjudication proceedings in the sum of RM 106,289.00.

MPM has been ordered to pay TCSCSB on the above sum within 14 days from the date of the Adjudication Decision dated 13.9.2022.

As MPM had been wound up, TCSCSB had on 13.10.2022 applied for leave of court to commence an action to enforce the adjudication decision against MPM, which was subsequently granted on 16.11. 2022 by the Court.

On 21 September 2022, TCSCSB served a notice for direct payment to KTCC Mall Sdn Bhd ("KTCCMSB") to pay the Adjudicated Sum with interest and related adjudication cost on behalf of MPM. The notice for direct payment was issued based on a letter of undertaking dated 19 September 2018 issued by KTCCMSB to TCSCSB that KTCCMSB undertake to settle all outstanding payment on behalf of MPM in the event that MPM defaults in settling the outstanding amount due to TCSCSB within 14 days from the date of receiving the payment request from TCSCSB. Alternatively, the notice for direct payment was also made in accordance with Section 30 of the Construction Industry Payment and Adjudication Act 2012 ("CIPAA 2012").

On 21 October 2022, KTCCMSB has filed an originating summons in Kuala Terengganu High Court ("Terengganu Suit") against TCSCSB applying for the following orders: -

- 1) A declaration that KTCCMSB has no obligations to make payment to TCSCSB on behalf of MPM pursuant to Section 30 CIPAA 2012 and / or the Letter of Undertaking dated 19 September 2018;
- 2) A declaration that TCSCSB's notice to KTCCMSB dated 21 September 2022 issued pursuant to Section 30 of the CIPAA 2012 is defective;
- 3) Costs to be borne by TCSCSB; and
- 4) Any further or other relief the Honourable Court deems fit and / or necessary.

On 28 October 2022, TCSCSB has filed an Originating Summons against KTCCMSB pursuant to Section 30 CIPAA 2012 for direct payment of the Adjudicated Sum pursuant to the Adjudication Decision.

On 1 November 2022, TCSCSB has filed a Notice of Application in the Terengganu Suit to transfer the proceedings to Shah Alam High Court.



B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS (CONT'D)

B9. Material Litigation (cont'd)

Legal Proceeding

Pursuant to the announcement made on 15 July 2021 and 21 July 2021, TCSCSB and MPM have filed a suit against each other. TCSCSB is claiming for the outstanding sums for the works performed, together with 1st moiety of retention monies amounting to RM7.42 million, and other damages and losses suffered as a result of, amongst others, MPM and KTCCMSB's breaches ("TCS's Suit"). MPM is withholding payments for these works done on the alleged ground that TCSCSB has not fully completed its works. This is contrary to the evidence that the Certificate of Completion and Compliance has already been issued for KTCC Mall on 23 January 2020 and KTCC Mall was opened for business on 24 January 2020.

After TCSCSB had commenced the CIPAA proceeding in March 2021 for the long outstanding payment for work done, MPM commenced a court proceeding against TCSCSB to claim for Liquidated Damages ("LD") of RM57.5 million for the purported delay on the part of TCSCSB in completing the KTCC Mall project ("MPM's Suit"). MPM claimed for LD despite the fact that the Certificate of Completion and Compliance has already been issued for KTCC Mall on 23 January 2020 and the KTCC Mall has already been opened for business since 24 January 2020.

As MPM has been wound up on 28 February 2022, TCSCSB has also filed the Proof of Debt for the outstanding payment of RM 10.01 million (inclusive of the 2nd half of retention monies which was due after the expiring of Defects Liability Period on 22 April 2022) with the Selangor Department of Insolvency in Shah Alam on 29 April 2022.

On 24 May 2022, TCSCSB has obtained the leave of court to continue with its suit against MPM and other defendants.

By way of Court Order dated 8 June 2022, Datuk Mohd Afrizan bin Dato Husain ("Liquidator") of Parker Randall Insol PLT has been appointed to replace the Official Receiver as the Liquidator of MPM.

With regards to the MPM's Suit, the Liquidator has on 25 July 2022 withdrawn the claim and all other related applications in the said Suit, with no order as to cost but with liberty to file afresh. TCSCSB has also likewise withdrawn its counterclaim and the related application with no order as to cost but with liberty to file afresh.

The TCS's Suit is currently ongoing at the Shah Alam High Court.

B10. Proposed Dividend

No dividend has been declared or recommend for payment by the Company during the current interim financial quarter.



B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS (CONT'D)

B11. Basic and Diluted Earnings Per Share

The basic/diluted earnings per share ("EPS") for the current quarter and financial year-to-date are computed as follows:

(a) Basic

	QUARTER ENDED		YEAR-TO-DATE ENDED	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
Profit/(loss) attributable to owners of the Company (RM'000)	85	2,117	(3,718)	7,166
Weighted average number of shares ('000)	390,000	378,000	390,000	378,000
Basic EPS (sen) ⁽¹⁾	0.02	0.56	(0.95)	1.90

(b) Diluted

	QUARTER ENDED		YEAR-TO-DATE ENDED	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
Profit/(loss) attributable to owners of the Company (RM'000)	85	2,117	(3,718)	7,166
Weighted average number of shares ('000)	390,000	407,028	390,000	426,377
Diluted EPS (sen) ⁽²⁾	0.02	0.52	(0.95)	1.68

Notes:

- (1) The basic earnings per share is computed based on profit attributable to the owners of the Company and a weighted average number of ordinary shares issued during the period under review.
- (2) The diluted earnings per share is computed based on profit attributable to the owners of the Company and a weighted average number of ordinary shares issued that have been adjusted for the dilutive effects of all potential ordinary shares.



B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS (CONT'D)

B12. Notes to the Condensed Consolidated Statement of Profit and Other Comprehensive Income

	QUARTER ENDED		YEAR-TO-DATE ENDED	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
	RM'000	RM'000	RM'000	RM'000
Interest income	(92)	(131)	(386)	(390)
Interest expense	386	186	1,113	680
Amortisation of investment property	72	12	127	34
Depreciation of property, plant and equipment	1,275	1,490	3,854	4,815

Save as disclosed above, the other disclosure items as required under paragraph 16 of Appendix 9B of the Listing Requirements are not applicable.

B13. Derivative Financial Instruments

The Group has not entered into any derivatives as at the date of this interim financial report.

B14. Authorisation for Issue

The interim financial report was authorised for issue by the Board of Directors of the Company in accordance with a resolution passed by the Board of Directors on 29 November 2022.

By order of the Board of Directors
Tan Tong Lang (MAICSA 7045482/ SSM PC No. 202208000250)
Thien Lee Mee (LS 0009760/ SSM PC No. 201908002254)
29 November 2022
Company Secretaries