MGB BERHAD

(formerly known as ML Global Berhad)

(Company No. 589167-W)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT
31 DECEMBER 2017

MGB BERHAD (*formerly known as ML Global Berhad)* (Company No. 589167-W)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME - FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Individual Quarter		Cumulative Period	
		Current Year Quarter Ended 31-Dec17 (Unadited) RM'000	Preceding Year Quarter Ended 31-Dec-16 (Unaudited) RM'000	Current Year To Date Ended 31-Dec17 (Unaudited) RM'000	Preceding Year To Date Ended 31-Dec-16 (Audited) RM'000
			Restated		Restated
Revenue		186,894	60,661	692,495	92,533
Cost of sales		(160,307)	(54,009)	(606,182)	(81,958)
Gross profit		26,587	6,652	86,313	10,575
Interest Income		72	135	199	161
Other Income		92	410	2,430	6,355
Operating expenses		(12,054)	(8,292)	(35,445)	(14,007)
Finance costs		(981)	(218)	(3,402)	(946)
Share of profit in an associate company		26	18	-	16
Profit /(Loss) before tax		13,742	(1,295)	50,095	2,154
Taxation	B5	(7,628)	(1,368)	(15,636)	(1,831)
Profit/(Loss) after tax for the financial year		6,114	(2,663)	34,459	323
Other comprehensive income for the financial year		-	597	-	5,162
Total comprehensive income/ (expenses) for the financial year		**6,114**	**(2,066)**	**34,459**	**5,485**
Net profit for the financial year attributable to:					
Owners of the parent		5,955	(2,663)	34,251	325
Non-controlling interests		159	-	208	(2)
		6,114	**(2,663)**	**34,459**	**323**
Total comprehensive income / (expenses) for the financial year attributable to:					
Owners of the parent		5,955	(2,066)	34,251	5,487
Non-controlling interests		159	-	208	(2)
		6,114	**(2,066)**	**34,459**	**5,485**
Earnings per share attributable to owners of the parent:					
Basic (Sen)	B12	1.46	(1.65)	9.00	0.31
Diluted (Sen)	B12	1.18	(0.77)	7.19	0.11

The Condensed Consolidated Statement of profit or loss and other comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
- AS AT 31 DECEMBER 2017

	Note	31 December 2017 (Unaudited) RM'000	31 December 2016 (Audited) RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment ("PPE")	A9	73,935	39,508
Capital work-in-progress		1,300	1,590
Intangible asset		4,331	-
Investment properties		35,303	60,437
Investment in an associate company		-	35
Goodwill on consolidation		253,690	260,090
Deferred tax asset		273	-
		368,832	**361,660**
Current Assets			
Inventories		54,325	3,048
Contract assets		60,126	9,056
Trade receivables		91,606	70,090
Other receivables		32,496	18,570
Amount due from related companies		186,948	164,287
Tax recoverable		1,805	26
Fixed deposits with licensed banks		4,333	1,995
Cash and bank balances		17,832	7,475
		449,471	**274,547**
TOTAL ASSETS		**818,303**	**636,207**

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The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - AS AT 31 DECEMBER 2017 *(cont'd)*

	Note	31 December 2017 (Unaudited) RM'000	31 December 2016 (Audited) RM'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent:			
Share capital			
- Ordinary shares		324,627	178,698
- Irredeemable Convertible Preference Shares ("ICPS")		60,300	90,000
Share premium		-	45,519
ICPS premium		-	30,600
Warrant reserves		1,030	2,675
Assets revaluation reserve		5,059	5,059
Retained earnings / (Accumulated losses)		17,201	(16,789)
		408,217	**335,762**
Non-controlling interests		2,388	(2)
Total Equity		**410,605**	**335,760**
LIABILITIES			
Non-current Liabilities			
Bank borrowings	B8	80,514	28,247
Finance lease payables	B8	5,585	2,381
Deferred tax liabilities		2,546	838
		88,645	**31,466**
Current Liabilities			
Trade payables		223,115	163,456
Contract liabilities		42,917	43,379
Amount due to related companies		16,388	37,028
Other payables		14,981	16,868
Bank overdrafts	B8	13,562	5,278
Bank borrowings	B8	1,981	1,653
Finance lease payables	B8	2,852	1,248
Tax payable		3,257	71
		319,053	**268,981**
Total Liabilities		**407,698**	**300,447**
TOTAL EQUITY AND LIABILITIES		**818,303**	**636,207**
Net assets per share attributable to owners of the parent (RM)		0.83	0.94

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) - FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	<-------Attributable to owners of the parent						------->		
	<------Non-Distributable			------>					
	Share Capital RM'000	Share and ICPS Premium RM'000	ICPS RM'000	Warrant Reserves RM'000	Assets Revaluation Reserve RM'000	(Accumulated losses) / Retained earnings RM'000	Total RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
Group									
At 1 January 2017	178,698	76,119	90,000	2,675	5,059	(16,789)	335,762	(2)	335,760
Prior year adjustment - amortisation of intangible asset (net of tax)	-	-	-	-	-	(261)	(261)	-	(261)
At 1 January 2017 (restated)	178,698	76,119	90,000	2,675	5,059	(17,050)	335,501	(2)	335,499
Profit for the financial year, representing total comprehensive income for the financial year	-	-	-	-	-	34,251	34,251	208	34,459
Additonal subscription of shares by non-controlling interests	-	-	-	-	-	-	-	2,185	2,185
Issuance of ordinary shares pursuant to:									
- private placement	30,240	-	-	-	-	-	30,240	-	30,240
- exercise of warrants	8,225	-	-	-	-	-	8,225	-	8,225
Conversion of ICPS	45,000	-	(45,000)	-	-	-	-	-	-
Realisation of warrants reserves	1,645	-	-	(1,645)	-	-	-	-	-
Change in non-controlling interest arising from acquisition of subsidiary company	-	-	-	-	-	-	-	(3)	(3)
Reclassification pursuant to S618(2) of CA 2016*	60,819	(76,119)	15,300	-	-	-	-	-	-
At 31 December 2017	**324,627**	**-**	**60,300**	**1,030**	**5,059**	**17,201**	**408,217**	**2,388**	**410,605**

**The new Companies Act 2016 ("New Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618 (2) of the New Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.*

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (AUDITED) - FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 *(cont'd)*

	<------Attributable to owners of the parent------>									
	<------Non-Distributable------>									
	Share Capital RM'000	Share & ICPS Premium RM'000	ICPS RM'000	Right of Allotment RM'000	Warrant Reserves RM'000	Assets Revaluation Reserve RM'000	Accumulated Losses RM'000	Total RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
Group										
At 1 January 2016	44,817	-	-	-	2,675	-	(17,217)	30,275	-	30,275
Profit for the financial year	-	-	-	-	-	-	325	325	(2)	323
Other comprehensive income for the financial year	-	-	-	-	-	5,162	-	5,162	-	5,162
Realisation of revaluation reserve	-	-	-	-	-	(103)	103	-	-	-
Total comprehensive income for the financial year	- -	- -	-	-	-	5,059	428	5,487	(2)	5,485
Acquisition of a subsidiary company	-	30,600	90,000	179,400	-	-	-	300,000	-	300,000
Exercise of right of allotment	133,881	45,519	-	(179,400)	-	-	-	-	-	
At 31 December 2016	**178,698 -**	**76,119 -**	**90,000**	**-**	**2,675**	**5,059**	**(16,789)**	**335,762**	**(2)**	**335,760**

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS - FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	As at 31-Dec17 RM'000 (Unaudited)	As at 31-Dec-16 RM'000 (Audited) Restated
Profit before tax		50,095	2,154
Adjustments for:			
Amortisation of intangible asset		3,726	-
Impairment losses on PPE		-	1,390
Impairment losses on Inventories		-	478
Bad debts written off		-	1,528
Depreciation and amortisation of			
- PPE		4,520	1,142
- investment properties		732	61
Fixed deposit written off		-	4
Finance costs		3,402	946
Impairment loss on goodwill	**A11(a)**	3	-
Impairment losses on trade receivables		-	880
PPE written off		22	-
Impairment loss on investment in an associate company		35	-
Bad debts recovered		-	(3)
Gain on disposal of PPE		(194)	(327)
Gain on disposal of assets held for sale		-	(4,964)
Interest income		(199)	(161)
Waiver of debts		-	(336)
Share of profit in an associate company		-	(16)
Operating profit before working capital changes		62,142	2,776
Changes in working capital:			
Inventories		(51,276)	728
Receivables		(35,548)	58,461
Payables		57,903	(5,730)
Contract assets and contract liabilities		(51,532)	1,593
Related companies		(43,625)	(67,078)
		(124,078)	(12,026)
Cash used in operations		(61,936)	(9,250)
Interest paid		(3,402)	(946)
Interest income		199	161
Income tax paid		(14,713)	(2,641)
		(17,916)	(3,426)
Net cash used in operating activities		(79,852)	(12,676)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
- FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (*cont'd)*

	Note	As at 31-Dec17 RM'000 (Unaudited)	As at 31-Dec-16 RM'000 (Audited) Restated
Cash flows from investing activities			
Net cash inflow from acquisition of subsidiary companies		-	1,744
Purchase of PPE		(7,495)	(131)
Proceeds from disposal of assets held for sale		-	17,050
Proceeds from disposal of PPE		272	890
Net cash (used in) / generated from investing activities		(7,223)	19,553
Cash flows from financing activities			
Drawdown of term loans		57,323	-
Increase of fixed deposits pledged		(2,338)	4
Repayment of finance lease liabilities		(1,759)	(64)
Repayment of term loans		(4,728)	(4,600)
Proceeds from subscription of shares by non-controlling interests		2,185	-
Proceeds from issuance of ordinary shares arising from conversion of warrants		8,225	-
Proceeds from issuance of ordinary shares arising from private placement		30,240	-
Net cash generated from / (used in) financing activities		89,148	(4,660)
Net increase in cash and cash equivalents		2,073	2,217
Cash and cash equivalents at the beginning of the financial year		2,197	(20)
Cash and cash equivalents at the end of the financial year		4,270	2,197
Cash and cash equivalents at the end of the financial year comprises:			
Cash and bank balances		17,832	7,475
Fixed deposits with licensed banks		4,333	1,995
Bank overdrafts		(13,562)	(5,278)
		8,603	4,192
Less: Fixed deposits pledged with licensed banks		(4,333)	(1,995)
		4,270	2,197

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial report.

A. EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR FINANCIAL YEAR ENDED 31 DECEMBER 2017

A1. Basis of Preparation

The condensed financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134: Interim Financial Reporting and paragraph 9.22, Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016. These explanatory notes attached to the condensed financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of MGB Berhad (formerly known as ML Global Berhad) ("the Company") and all its subsidiary companies (collectively known as "the Group") since the financial year ended 31 December 2016.

Basis of Accounting

The financial information has been prepared on the historical cost convention and in accordance with Malaysian Financial Reporting Standards ("MFRSs") and the requirements of the Companies Acts 2016 in Malaysia.

A2. Changes in Accounting Policies

The accounting policies and methods of computation adopted by the Group in these condensed financial statements are consistent with those adopted in the financial statements for the financial year ended 31 December 2016 except for the adoption of the following:

(a) <u>Amendments to MFRSs</u>

Annual Improvements to MFRSs 2014-2016 Cycle	Amendments to MFRS 12
Amendments to MFRS 107	Disclosure initiative
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses

The adoption of above amendments to MFRSs did not have any significant impact on the financial statements of the Group except for adoption of the Amendments to MFRS 107 has required additional disclosure of changes in liabilities arising from financing activities.

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A2. Changes in Accounting Policies (Cont'd)

(b) Companies Act 2016

The Companies Act 2016 ("New Act") was enacted to replace the Companies Act 1965 with the objectives to create a legal and regulatory structure that will facilitate business, and promote accountability as well as protection of corporate directors and shareholders, taking into consideration the interest of other stakeholders. The New Act was passed on 4 April 2016 by the Dewan Rakyat (House of Representative) and gazetted on 15 September 2016. On 26 January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism announced that the date on which the New Act comes into operation, except section 241 and Division 8 of Part III of the New Act, will be 31 January 2017.

Amongst the key changes introduced in the New Act which will affect the financial statements of the Group upon the commencement of the New Act on 31 January 2017 includes:

(a) removal of the authorised share capital;
(b) shares of the Group will cease to have par or nominal value; and
(c) the Group's share premium account will become part of the Group's share capital.

During the financial year, the Group had transferred a total of RM60.82 million and RM15.30 million from its premium account to the share capital and ICPS respectively pursuant to the adoption of the New Act.

The adoption of the New Act did not have any significant impact on the financial statements report upon their initial application.

(c) MFRS 15 Revenue from Contracts with Customer

MFRS 15 *Revenue from Contracts with Customers,* is originally become effective for the financial periods beginning on or after 1 January 2018. MFRS 15 supersedes the current revenue recognition standards including MFRS 118 *Revenue* and MFRS 111 *Construction Contracts* and other related interpretations.

The Group has opted to early adopt MFRS 15 in view of the new business which involved property development.

Upon adoption of this MFRS 15, the Group requires to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

With the adoption of MFRS 15, revenue is recognised by reference to each distinct performance obligation in the contract with customer. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or services promised in the contract. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

The early adoption of MFRS 15 is not expected to have any significant impact on the opening retained earnings of the Group.

A2. Changes in Accounting Policies (Cont'd)

Standards issued but not yet effective

The Group has not adopted the following new MFRSs, Interpretations and amendments to MFRSs that have been issued by the Malaysian Accounting Standard Board which are not yet effective for the Group. The Group intends to adopt the below mentioned MFRSs and Amendments to MFRSs when they become effective.

		Effective date for financial periods beginning on or after
Annual Improvements to MFRS Standard 2014-2016 Cycle	Amendments to MFRS 1	1 January 2018
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
MFRS 16	Leases	1 January 2019
Annual Improvements to MFRS Standards 2014-2016 Cycle	Amendments to MFRS 128	1 January 2018
Amendments to MFRS 140	Transfers of Investment Property	1 January 2018
MFRS 15	Clarification to MFRS 15	1 January 2018
IC Interpretation 23	Uncertainty Over Income Tax Treatments	1 January 2019
Amendments to MFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual Improvements to MFRS Standards 2015–2017 Cycle	Amendments to MFRS 3 Amendments to MFRS 11 Amendments to MFRS 112 Amendments to MFRS 123	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	Deferred until further notice

A2. Changes in Accounting Policies (Cont'd)

Standards issued but not yet effective (cont'd)

MFRS 9 - Financial Instruments (IFRS 9 issued by IASB in July 2014)

MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces earlier versions of MFRS 9 and introduces a package of improvements which includes a classification and measurement model, a single forward looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. MFRS 9 when effective will replace MFRS 139 Financial Instruments: Recognition and Measurement.

MFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets:

1. Amortised Cost ("AC")
2. Fair Value through Other Comprehensive Income ("FVOCI")
3. Fair Value through Profit or Loss ("FVTPL")

The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial assets. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income without subsequent recycling to profit or loss. The standard eliminates the existing MFRS 139 categories of Held-to-Maturity ("HTM"), Loan and Receivables ('L&R") and Available-for-Sale ("AFS").

There is a new expected credit losses model ("ECL") in MFRS 9 that replaces the incurred loss model ("IL") used in MFRS 139. An entity shall assess whether there is any objective evidence that a financial assets or group of financial assets measured at amortised cost is impaired. If any such evidence exits, the entity shall assess the amount of any impairment loss.

For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss.

MFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under MFRS 139.

The adoption of MFRS 9 will result in a change in accounting policy whereby require extensive new disclosures particular about credit risk and expected credit losses. The Group is currently assessing the impact of the adoption of MFRS 9 when it become effective. However, it is not practicable to provide a reasonable estimate at this juncture.

A2. Changes in Accounting Policies (Cont'd)

Standards issued but not yet effective (cont'd)

Amendments to MFRS 140 - Transfers of Investment Property

The amendments to MFRS 140 clarifies the existing provisions in the Standard on transfer to or from the investment property category. The adoption of this amendment is not expected to have any material financial impact on the financial statements of the Group except for disclosure.

MFRS 16 - Leases

MFRS 16, which upon the effective date will supersede MFRS117 Leases, introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying assets is of low value. Specifically, under MFRS 16, a lessee is required to recognize a right-of-use asset representing its rights of use the underlying leased asset and lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognize depreciation of the right-of-use asset and interest on the leased liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and present them in the statement of cashflows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also include payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, MFRS 117.

In respect of the lessor accounting, MFRS 16 substantially carries forward the lessor accounting requirements in MFRS 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The impact of the new MFRSs, amendments and improvements to published standard on the financial statements of the Group and of the Company are currently being assessed by management.

Amendments to MFRS 1 and MFRS 128 - Annual Improvements to MFRS Standards 2014-2016 Cycle

The amendments to MFRS 1 and MFRS 128 on the Annual Improvements for the 2014-2016 Cycles covers amendments to the Standards on:-

i) First-time Adoption: Certain provisions that have served their intended purposes and are no longer required are removed from the Standard; and
ii) Investment in Associates and Joint Ventures: Clarifies that an entity, which is a venture capital organization, or a mutual fund, unit trust or similar entities has an investment-by-investment choice to measure its investments in associates and joint ventures at fair value in accordance with the Standard.

The adoption of Annual Improvements to MFRS Standards 2014 - 2016 Cycle is not expected to have any material financial impact on the financial statements of the Group except for disclosure.

A3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2016 was not subject to any qualification.

A4. Segmental Information

The Group reporting segments as described below are the Group's strategic business units. Segment information is primarily presented in respect of the Group's business segment which is based on the Group's management and internal reporting structure.

The following summarized the operations in each of the Group's reportable segment:

(i) Manufacturing and trading – Manufacturing and trading of roof tiles (for year 2016 only).

(ii) Construction and trading – Design and build, civil engineering, general construction, piling activities and trading of construction materials.

(iii) Property development – Development of residential and commercial properties.

(iv) Others – Investment holding, providing of management services (for year 2016 only), hospitality and dormant.

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A4. Segmental Information (Cont'd)

31 December 2017 (Unaudited)

	Construction and trading RM'000	Property development RM'000	Others RM'000	Total segments RM'000	Adjustment and eliminations RM'000	Consolidated RM'000
Revenue						
External customers	632,780	59,384	331	692,495	-	692,495
Inter-segment	33,887	-	-	33,887	(33,887)	-
Total revenue	666,667	59,384	331	726,382	(33,887)	692,495
Results						
Interest income	123	-	76	199	-	199
Finance costs	(2,198)	-	(1,204)	(3,402)	-	(3,402)
Depreciation and amortisation	(4,580)	(2)	(670)	(5,252)	-	(5,252)
Amortisation of intangible asset	-	-	(3,726)	(3,726)	-	(3,726)
Impairment loss on investment in an associate company	35	-	-	35	-	35
Segment profit/(loss) before tax	39,802	15,520	(5,227)	50,095	-	50,095
Taxation	(11,633)	(4,035)	32	(15,636)	-	(15,636)
Segment profit/(loss) after tax	28,169	11,485	(5,195)	34,459	-	34,459
Other non-cash items						
PPE written off	22	-	-	22	-	22
Impairment loss on goodwill	-	-	3	3	-	3
Gain on disposal of PPE	(194)	-	-	(194)	-	(194)
Assets						
Segment assets	423,055	98,415	296,833	818,303	-	818,303
Liabilities						
Segment liabilities	346,126	44,802	16,770	407,698	-	407,698

A4. Segmental Information (Cont'd)

31 December 2016 (Audited)

	Manufacturing and trading RM'000	Construction RM'000	Others RM'000	Total segments RM'000	Adjustment and eliminations RM'000	Consolidated RM'000
Revenue						
External customers	4,647	87,886	-	92,533	-	92,533
Inter-segment	-	-	209	209	(209)	-
Total revenue	4,647	87,886	209	92,742	(209)	92,533
Results						
Interest income	-	-	161	161	-	161
Finance costs	(734)	(212)	-	(946)	-	(946)
Depreciation and amortisation	(841)	(262)	(100)	(1,203)	-	(1,203)
Share of profit in an associate company		-	16	16		16
Segment profit/(loss) before tax	291	10,374	(8,511)	2,154	-	2,154
Taxation	(1,275)	(556)	-	(1,831)	-	(1,831)
Segment (loss)/profit after tax	(984)	9,818	(8,511)	323	-	323
Other non-cash items						
Fixed deposit written off	-	-	4	4	-	4
Bad debts written off	268	-	1,260	1,528	-	1,528
Bad debts recovered	(3)	-	-	(3)	-	(3)
Impairment losses on PPE	1,390	-	-	1,390	-	1,390
Impairment losses on Inventories	478	-	-	478	-	478
Impairment losses on trade receivables	-		880	880	-	880
Gain on disposal of						
-PPE	(327)	-	-	(327)	-	(327)
- asset held for sale	(4,964)	-	-	(4,964)	-	(4,964)
Waiver of debts	(191)	-	(145)	(336)	-	(336)
Assets						
Segment assets	24,072	342,274	269,861	636,207	-	636,207
Liabilities						
Segment liabilities	2,370	294,962	3,115	300,447	-	300,447

A4. Segmental Information (Cont'd)

Segmental Performance (financial year ended 31 December 2017 against financial year ended 31 December 2016)

Manufacturing and Trading

The manufacturing and trading segment in 2016 referred to the manufacturing and trading of roof tiles. The Group has ceased the business operation in July 2016.

Construction and Trading

Following the completion of the acquisition of MITC Engineering Sdn Bhd ("**MITCE**") in November 2016, construction and trading segment become the key driver of our business operations and accounted for more than 90% of the Group's total revenue for the financial year ended 31 December 2017.

With the extensive orderbooks from MITCE, the revenue from the construction activities has leap significantly from RM87.89 million to approximately RM632.78 million, representing an increase of approximately 7 times as compared to previous financial year ended 31 December 2016.

During the current financial year, MITCE has completed 7 projects and obtained certificate of completion and compliance accordingly. Notwithstanding that, MITCE has successfully replenished its construction orderbooks in current financial year with total contract value of approximately RM1.5 billion.

Included in the construction segment also piling works carried out by the 70% owned subsidiary, MGB Geotech Sdn Bhd ("MGB Geotech"). During the current financial year, MGB Geotech has generated total revenue of approximately RM13.58 million from in-house and external projects. The piling projects are expected to enhance the profitability moving forward and diversify the revenue stream.

The Group is optimistic that its construction segment continues to be promising as with the available resources, advanced machineries and skilled workforce, the Group has sharpened its competitiveness and broaden its exposure to established developers to tender for more external construction projects including government projects.

Property Development

Property development was the new segment entered by the Group in April 2017. The Group's maiden development project, Zenopy Residences, was a joint-venture project undertaken by the wholly-owned subsidiary company, Delta Gallery Sdn Bhd ("DGSB"), to construct a mixed development with GDV of approximately RM270 million which comprises of:

1) 74 commercial units (Phase 1) and
2) 398 service apartments (Phase 2)

A4. Segmental Information (Cont'd)

Segmental Performance (financial year ended 31 December 2017 against financial year ended 31 December 2016)

Property Development (cont'd)

The development project has achieved encouraging take up rate for its Phase 1 with the sales reaching approximately 90% as at 31 December 2017. The construction progress also at its satisfactory level and in accordance to the project's estimated plan. This has enabled the property development segment to recognise revenue of approximately RM59.38 million and PAT of approximately RM11.49 million respectively for the current financial year.

Gauging from the positive responses received from Phase 1 of the project, DGSB is confidence on the sales for its Phase 2 which targeted to be officially launched in the first quarter of 2018.

Others

Others refer to investment holding, hospitality and dormant companies. Segmental loss before tax of RM5.23 million derived after the profit guarantee shortfall of RM2.04 million paid by the guarantors being mitigated by the depreciation and amortisation of PPE and intangible assets amounted to approximately RM4.40 million. Finance costs of approximately RM1.20 million and administrative expenses of approximately RM1.66 million have further added to the segmental loss.

Administrative expenses amongst others include professional fee, commission, additional listing fee, authority fee incurred for the private placement exercise and corporate proposals that completed during the year.

A5. Unusual items due to their nature, size or incidence

There were no items affecting assets, liabilities, equity, net income or cash flow that are unusual of their nature, size or incidence during the current quarter under review and financial year.

A6. Material Changes in Estimates

There were no material changes in estimates used for the preparation of the interim financial report.

A7. Seasonal or Cyclical Factors

The operations of the Group during the current quarter under review and financial year were not materially affected by any significant seasonal or cyclical factors.

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A8. Dividends Paid

There were no dividends paid during the current quarter under review.

A9. Valuation of Property, Plant and Equipment

There were no valuation of property, plant and equipment carried out during the current financial year. Included in the property, plant and equipment are leasehold lands and buildings that are stated at revalued amount less accumulated impairment loss.

A10. Debts and Equity Securities

Saved as disclosed below, there were no other issuances, cancellation, repurchases, resales and repayment of debts and equity securities during the current financial year.

i. The Company has issued and allotted 28,000,000 new ordinary shares at the issued price of RM1.08 per ordinary share under the private placement exercise.

ii. On 19 December 2017, a total of 90,000,000 ICPS were converted into 90,000,000 new ordinary shares at the conversation ratio of one (1) ICPS into one (1) ordinary share with no additional cash payment.

iii. A total of 16,450,179 Warrants 2014/2019 were converted into ordinary shares at the exercise price of RM0.50 per warrant, which have resulted in 16,450,179 new ordinary shares being issued.

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A11. Changes in Composition of the Group

Saved as disclosed below, there were no other changes in the composition of the Group during the current financial year.

(a) On 21 February 2017, the Company acquired fifty one (51) ordinary shares in Alunan Warta Sdn Bhd ("**AWSB**") for a cash consideration of Ringgit Malaysia Fifty One (RM51.00) only. Consequently, AWSB became a 51% owned subsidiary company of the Company.

The goodwill arising from the acquisition of AWSB has been impaired during the financial period.

(b) On 3 March 2017, MGB Land Sdn Bhd ("**MGB Land**") (formerly known as Vintage Tiles Industries (EM) Sdn Bhd), a wholly-owned subsidiary company of the Company, acquired two (2) ordinary shares in Delta Gallery Sdn Bhd ("**DGSB**") for a cash consideration of Ringgit Malaysia Two (RM2.00) only. Consequently, DGSB became an indirect wholly-owned subsidiary company of the Company.

On 22 March 2017, DGSB had increased its paid up share capital from 2 to 250,000 ordinary shares. MGB Land had subscribed for an additional of 249,998 ordinary shares in DGSB by way of cash.

(c) On 18 April 2017, MGB Land acquired one (1) ordinary share in Idaman Kukuh Sdn. Bhd. ("**IKSB**") for a cash consideration of Ringgit Malaysia One (RM1.00) only. Consequently, IKSB became an indirect wholly-owned subsidiary company of the Company.

(d) On 8 May 2017, MITCE, a wholly-owned subsidiary company of the Company, had subscribed seven hundred (700) ordinary shares in MGB Geotech Sdn. Bhd. ("**MGB Geotech**") for a cash consideration of Ringgit Malaysia Seven Hundred (RM700.00) only. Consequently, MGB Geotech became an indirect 70% owned subsidiary company of the Company.

On 13 June 2017, MGB Geotech had increased its paid-up share capital from 1,000 to 750,000 ordinary shares. MITCE had subscribed for an additional of 524,300 ordinary shares in MGB Geotech by way of cash.

(e) On 13 December 2017, MITCE, a wholly-owned subsidiary company of the Company, had subscribed two million and forty thousand (2,040,000) ordinary shares in MGB Sany (M) IBS Sdn Bhd ("**MGB-Sany**") for a total cash consideration of Ringgit Malaysia Two Million and Forty Thousand (RM2,040,000.00) only. Consequently, MGB-Sany became an indirect 51% owned subsidiary company of the Company.

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A12. Capital Commitments

Total capital commitments of the Group comprised of the followings:

	As at 31-Dec17 RM'000	As at 31-Dec-16 RM'000
Authorised and contracted for :		
Sale and Purchase Agreement for		
- Property, plant and equipment	11,704	-
Purchase Order for		
- Interior design and renovation works	430	-

A13. Subsequent Events

Saved as disclosed below, there were no subsequent events as at 20 February 2018, being the latest practicable date ("**LPD"**), which shall not be earlier than 7 days from the date of issuance of this interim financial report**.**

(a) On 3 January 2018, Bursa Securities announced that the Company's securities would be traded and quoted under the new name with effect from 9.00 a.m, 4 January 2018.

The new stock short name were as follows: -

Type of Securities	Old Name	New Name	Old Stock Short Name	New Stock Short Name
Ordinary Shares	ML GLOBAL BERHAD	MGB BERHAD	ML GLOBAL	MGB
Warrants	ML GLOBAL BHD – WARRANTS A 2014/2019	MGB BHD – WARRANTS A 2014/2019	MLGLOBAL-WA	MGB-WA

(b) On 5 January 2018, MGB Land, a wholly-owned subsidiary company of the Company, had entered into a Share Sales Agreement for the acquisition of three hundred thousand (300,000) ordinary shares in Multi Court Developers Sdn Bhd ("MCDSB") for a cash consideration of Ringgit Malaysia Two Million Eight Hundred Thousand (RM2,800,000.00) only, resulting in MCDSB becoming an indirect wholly-owned subsidiary company of the Company.

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A14. Changes in Contingent Liabilities and Contingent Assets

(a) Contingent Liabilities

	As at 31-Dec17 RM'000	As at 31-Dec-16 RM'000
Bank guarantees issued for:		
- Construction Contracts	15,450	6,644
- Property Development	300	-
- Others	8	-
	15,758	6,644

(b) Contingent Assets

There were no contingent assets as at the current financial year.

A15. Significant Related Party Transactions

The transactions with companies in which certain Directors are common directors and/or have interest or deemed interest for the current financial year were summarised as follows:

	As at 31-Dec17 RM'000	As at 31-Dec-16 RM'000
Income		
Contract revenue	519,583	72,619
Rental of premises	4	-
Rental of car	4	-
Project management fee	-	60
Expenses		
Purchase of materials	49,228	-
Interest on related company advance	108	-
Rental of premises	36	4

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B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA'S LISTING REQUIREMENTS

B1. Review of Group Performance

	Individual				Cumulative			
	Period Ended 31-Dec17	Period Ended 31-Dec-16	Variance		Period Ended 31-Dec17	Period Ended 31-Dec-16	Variance	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	186,894	60,661	126,233	208%	692,495	92,533	599,962	648%
Profit before tax ("PBT") / Loss before tax ("LBT")	13,742	(1,295)	15,037	-1161%	50,095	2,154	47,941	2226%
Profit after tax ("PAT") / Loss after tax ("LAT")	6,114	(2,663)	8,777	-330%	34,459	323	34,136	10568%

For the Individual Quarter

The Group recorded a revenue of RM186.89 million as compared to its corresponding preceding individual quarter of RM60.66 million, representing an increase of approximately RM126.23 million. Despite the major contribution from the construction segment after the acquisition of MITCE, property development and piling activities, which were two new revenue sources to the Group in 2017, have contributed approximately RM25.59 million of revenue during current individual quarter. The Group has successfully turned around from LAT RM2.66 million in corresponding preceding individual quarter to PAT of RM6.11 million.

For the financial year

The Group has delivered impressive result as compared to its previous financial year ended 31 December 2016. Revenue has soared by 648% to RM692.50 million and PAT of the Group has also significantly improved from RM0.32 million to RM34.46 million.

The significant leap in revenue and PAT were mainly attributed to the full year consolidation of MITCE's financial result as opposed to only one (1) month contribution in previous financial year as the acquisition was completed in November 2016. As at LPD, the Group's outstanding construction order book is approximately RM2.28 billion. In addition to the main building construction works, the Group has also ventured into piling activities and successfully secured approximately RM75.81 million of external project, amongst others, the sub-contract works for 'Piling Works – Bau, Lundu and KSR Section (Precast Reinforced Concrete Square Piles and Precast Prestressed Concrete Spun Piles) at Pan Borneo Sabah. The construction segment will continue to be the main driver to deliver strong result to the overall performance of the Group.

Notwithstanding that, new business, property development, has further boosts the Group's result as it has achieved encouraging take-up rate from the maiden project namely "Zenopy Residences". As at the current financial year, the development project has posted a sales revenue and PAT of approximately RM59.38 million and RM11.49 million respectively.

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B1. Review of Group Performance (Cont'd)

The bottom-line result has further enhanced by the profit guarantee shortfall paid by the guarantors amounted to approximately RM2.04 million of which it has been recorded as other income. Nevertheless, the other income has been mitigated by the increase of the following expenses compared to its previous corresponding financial year, as a result of the expansion of business and operation.

1) Operating expenses, which inclusive of staff salaries and related expenses, professional fee, utilities expenses and others has increased by approximately RM13.66 million;
2) Depreciation and amortisation of PPE, investment properties and intangible assets has increased by approximately RM7.78 million;
3) Finance costs has increased by approximately RM2.46 million;

In term of contribution by segment, construction and trading segment is the biggest segment and contributing approximately 51.70% of the group assets and 84.90% of the group liabilities as at 31 December 2017.

B2. Variation of Results Against Immediate Preceding Quarter

	Current Quarter Ended 31-Dec17	Preceding Quarter Ended 30-Sep-17	Variance	
	RM'000	RM'000	RM'000	%
Revenue	186,894	185,255	1,639	1%
Profit before tax	13,742	11,244	2,498	22%

For the current quarter under review, the Group posted a revenue of RM186.89 million, representing a marginal increase of approximately 1% as compared to its immediate preceding quarter of RM185.26 million.

The increase in both revenue and PBT in current financial quarter mainly due to higher momentum on certain construction projects as compared to the immediate preceding quarter.

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B3. Prospects for the Next Financial Year

By reviewing the performance of the Group in 2017, the Board is satisfied with the overall financial performance and achievement. The Group's asset base has enlarged by approximately 28.62% and the PAT and revenue were recorded at nearly 6 times and 7 times higher respectively as compared to previous financial year. The significant improvement in result mainly attributable to the full consolidation of MITCE which became the wholly-owned subsidiary company of the Company in December 2016.

Moving into year 2018, the Group is confident on its prospect and development. This is supported by the announcement of Budget 2018 whereby a total of RM280 billion has been proposed for allocation to focus on expanding an inclusive economy while looking forward to the 'Transformasi Nasional 2050 (TN50) goals for making Malaysia to become a top 20 nation in economic development, social advancement and innovation by 2050. The nation is expected to achieve the targeted national fiscal deficit of 2.8% of Gross Domestic Product ("GDP") in 2018.

It is noted that construction sector in rail, affordable housing, roads/ highways and water infrastructure projects are the major sectors that would benefit from the government's high impact projects initiative and spending in 2018. Amongst others, RM1.5 billion has been allocated for PR1MA over two years to build 210,000 housing unit priced under RM250,000 per unit.

Tapping on the government's major focus and initiative in 2018 and with the Group's existing track record and visibility in affordable houses project and piling work for infrastructure, the Group possess competitive advantages to continue tender for infrastructure and housing construction projects to replenish its existing orderbooks.

Further, in correspond to the government's goal in implementing Industrialized Building System (IBS) in all construction projects and aim for mandatory adoption of IBS in three (3) years' time, the Group had on 5 December 2017 entered into the shareholders' agreement with Sany Construction Industry Development (M) Sdn Bhd ("SANY (M)") to form a joint venture company to undertake the business of manufacturing of IBS precast products for building projects. It represents the long term plan to move the Group towards innovative and creative way of construction to deliver quality products at the most effective cost measures.

The Group will stay responsive and resilient in all business cycles to maximize the shareholders' wealth. Barring any unforeseen circumstances, the Board is cautiously optimistic that the Group will perform satisfactorily in the coming year.

B4. Profit Forecast or Profit Guarantee

There is no profit forecast or profit guarantee issued by the Group to the public.

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B5. Taxation

	Individual Quarter 31-Dec-17 RM'000	Current Year to Date 31-Dec-17 RM'000
Income Tax:		
- Current year	4,981	15,151
- Underprovision of prior year	2,336	968
	7,317	16,119
Deferred Tax:		
- Current year	311	(565)
- Underprovision of prior year	-	82
	311	(483)
Total Taxation	7,628	15,636

The effective tax rate was higher than the statutory tax rate of 24% as certain expenses were disallowed for tax deduction under income tax regulations.

B6. Status of Corporate Proposals Announced but Not Completed

Corporate proposals announced that are yet to be completed as at LPD are as follows: -

(a) On 18 April 2017, RHB Investment Bank Berhad (“RHBIB”) announced for and on behalf of the Company that Company proposed to diversify the Group's existing business to include property development and property investment ("New Businesses"). The New Businesses which is complementary to the existing construction business is expected to contribute positively to the revenue and earnings of the Group.

The proposed diversification of business has been duly approved by the Company’s shareholders at Extraordinary General Meeting held on 27 December 2017.

(b) On 16 June 2017, RHBIB announced for and on behalf of the Company that the Company proposed to undertake a private placement of up to 10% of the total number of issued shares of the Company to investors to be identified.

On 5 July 2017, RHBIB announced for and on behalf of the Company that Bursa Securities has approved the listing and quotation for up to 47,414,419 new ordinary shares (“Placement Shares”) pursuant to Sections 75 and 76 of the Companies Act, 2016 (“Private Placement”).

On 20 July 2017, RHBIB announced the price fixing for 28,000,000 Placement Shares under the first tranche of the Private Placement at RM1.08 per Placement Share, represents a discount of approximately 5.52% to the five (5)-day volume weighted average market price of the Company’s shares.

On 1 August 2017, RHBIB announced that the 28,000,000 Placement Shares were listed and quoted on the Main Market of Bursa Securities. This also marked the completion of first tranche of the Private Placement.

B6. Status of Corporate Proposals Announced but Not Completed (Cont'd)

On 27 December 2017, RHBIB announced that Bursa Securities had vide its letter dated 26 December 2017, resolved to grant the Company an extension of time from 3 January 2018 until 30 June 2018 to complete the implementation of the Private Placement.

As at LPD, no additional Placement Shares being issued subsequent to the completion of first tranche of the Private Placement.

(c) On 5 July 2017, the Board of Directors of the Company ("the Board") announced that the Company is proposing to change its name from ML Global Berhad to MGB Berhad ("Change of Name").

The Change of Name has been duly approved by the Company's shareholders at Extraordinary General Meeting held on 27 December 2017.

On 28 December 2017, the Board announced that the Company had received the Notice of Registration of New Name dated 28 December 2017 issued by the Companies Commission of Malaysia.

Accordingly, the Company's name has been changed from "ML Global Berhad" to "MGB Berhad" with effect from 28 December 2017.

(d) On 17 July 2017, the Board announced that the Company had signed a Memorandum of Understanding ("MOU") with SANY (M) in relation to the setting up of a joint venture entity ("Newco") for business of manufacturing of Industrialised Building System (IBS) precast products for building projects.

On 5 December 2017, both parties have finalised its agreement and a shareholders' agreement was executed between MITCE and SANY (M) to form a joint venture company ("JVCo") provisionally known as MGB Sany (M) IBS Sdn Bhd to undertake the business of manufacturing of IBS precast products for building projects and to regulate the relationship and respective rights of both parties.

Subsequent thereto, the JVCo was incorporated on 13 December 2017 with shareholdings structure as follows: -

Parties	**No. of Ordinary Shares**	**% of Shareholdings**
MITCE	2,040,000	51%
SANY (M)	1,960,000	49%
Total	**4,000,000**	**100%**

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B7. Utilisation of Proceeds Raised from Corporate Proposal

On 1 August 2017, RHBIB announced the completion of the first tranche of the Private Placement following the listing of and quotation for 28,000,000 Placement Shares on the Main Market of Bursa Securities on the even date. The issue price per Placement Share was fixed at RM1.08 and total gross proceeds raised was approximately RM30.24 million.

As at LPD, the proceeds raised pursuant to the Private Placement has been fully utilised according to the tabulation below:

Details of Utilisation	Proposed Utilisation (RM'000)	Actual Utilisation (RM'000)	Balance Unutilise (RM'000)	Intended Timeframe for Utilisation
Working Capital	29,816	29,816	-	Within 12 months from the date of completion of the private placement.
Defray the estimated expenses*	424	424	-	Within 1 months from the date of completion of the private placement.
	30,240	**30,240**	**-**	

**The estimated expenses comprising professional fees, fees payable to relevant authorities and other related expenses. Any excess/shortfall in funds for estimated expenses will be adjusted to/from funds allocated for working capital.*

B8. Borrowings and Debt Securities

Total borrowings of the Group comprised of the followings:

	As at 31-Dec17 RM'000 (Unaudited)	As at 31-Dec-16 RM'000 (Unaudited)
Secured bank borrowings		
Term loans	82,495	29,900
Bank overdrafts	13,562	5,278
Finance lease payables	8,437	3,629
Total Bank Borrowings	**104,494**	**38,807**
Short Term Borrowings		
Term loans	1,981	1,653
Bank overdrafts	13,562	5,278
Finance lease payables	2,852	1,248
Total Short Term Borrowings	**18,395**	**8,179**
Long Term Borrowings		
Term loans	80,514	28,247
Finance lease payables	5,585	2,381
Total Long Term Borrowings	**86,099**	**30,628**

All borrowings were dominated in Ringgit Malaysia ("**RM**").

B9. Changes in Material Litigation

There was no material litigation as at LPD, which shall not be earlier than 7 days from the date of issuance of this interim financial report.

B10. Dividends Declared

No dividend has been declared for the current quarter under review and the financial year.

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B11. Earnings Per Share ("EPS")

Basic EPS

The calculation of the basic earnings per share is based on the profit attributable to the owners of the parent and divided by the weighted average number of ordinary shares in issue: -

	Individual Quarter Ended		Year to Date Ended	
	31-Dec17	31-Dec-16	31-Dec17	31-Dec-16
Net profit attributable to owners of the parent (RM'000)	5,955	(2,663)	34,251	325
Weighted average number of ordinary shares in issue ('000)	408,132	161,613	380,509	107,924
Basic EPS (Sen)	1.46	(1.65)	9.00	0.31

Diluted EPS

The calculation of the diluted earnings per share is based on the profit attributable to the owners of the parent and divided by the weighted average number of ordinary shares that would have been in issued upon full exercise of the remaining option under warrants, adjusted for the number of such shares that would have been issued at fair value: -

	Individual Quarter Ended		Year to Date Ended	
	31-Dec17	31-Dec-16	31-Dec17	31-Dec-16
Net profit attributable to owners of the parent (RM'000)	5,955	(2,663)	34,251	325
Weighted average number of ordinary shares in issue ('000)	408,132	161,613	380,509	107,924
Effect of conversion of warrants ('000)	6,163	5,906	6,163	5,906
Effect of conversion of ICPS ('000)	90,000	180,000	90,000	180,000
	504,295	347,519	476,671	293,830
Diluted EPS (Sen)	1.18	(0.77)	7.19	0.11

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B12. Notes to the condensed consolidated Statement of Profit or Loss and Other Comprehensive Income

	Current Quarter Ended 31-Dec17 RM'000	Current Year To Date 31-Dec17 RM'000
Rental income	(8)	(113)
Interest income	(72)	(199)
Gain on disposal of PPE	(71)	(194)
Amortisation of intangible asset	931	3,726
Amortisation of investment properties	184	732
Depreciation of PPE	1,368	4,520
Finance costs	981	3,402
Impairment loss on goodwill	-	3
PPE written off	3	22

B13. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors on 27 February 2018.

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