



# **MGB BERHAD**

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

## **INTERIM FINANCIAL REPORT 30 JUNE 2019**

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME  
- FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019**

|  | Individual Quarter  |   | Cumulative Period  |  |      |
|--|---|---|--|--|------|
|  | Current<br>Year<br>Quarter<br>Ended<br>30-Jun-19<br>(Unaudited)<br>RM'000 | Preceding<br>Year<br>Quarter<br>Ended<br>30-Jun-18<br>(Unaudited)<br>RM'000 | Current Year<br>To Date<br>Ended<br>30-Jun-19<br>(Unaudited)<br>RM'000 | Preceding<br>Year To Date<br>Ended<br>30-Jun-18<br>(Unaudited)<br>RM'000 |      |
| Revenue  | 198,317   | 200,258   | 401,919  | 369,328  |      |
| Cost of sales  | (178,988)   | (171,976)   | (362,093)  | (313,747)  |      |
| Gross profit   | 19,329  | 28,282  | 39,826   | 55,581   |      |
| Interest income  | 84  | 39  | 96   | 68   |      |
| Other income   | 2,150   | 99  | 2,341  | 184  |      |
| Operating expenses   | (12,649)  | (13,067)  | (25,904)   | (24,895)   |      |
| Finance costs  | (2,302)   | (1,482)   | (4,462)  | (2,482)  |      |
| Share of profit / (loss) of an associate (net of tax)                              | 2   | (9)   | 9  | (9)  |      |
| Profit before tax  | 6,614   | 13,862  | 11,906   | 28,447   |      |
| Taxation   | (2,800)   | (3,856)   | (6,014)  | (8,255)  |      |
| Profit after tax for the financial period  | 3,814   | 10,006  | 5,892  | 20,192   |      |
| Other comprehensive income for the financial period                                | -   | -   | -  | -  |      |
| Total comprehensive income for the financial period                                | <b>3,814</b>  | <b>10,006</b>   | <b>5,892</b>   | <b>20,192</b>  |      |
| <b>Profit/(Loss) for the financial period attributable to:</b>                     |   |   |  |  |      |
| Owners of the parent   | 4,002   | 10,023  | 7,108  | 20,210   |      |
| Non-controlling interests  | (188)   | (17)  | (1,216)  | (18)   |      |
|  | <b>3,814</b>  | <b>10,006</b>   | <b>5,892</b>   | <b>20,192</b>  |      |
| <b>Total comprehensive income/(loss) for the financial period attributable to:</b> |   |   |  |  |      |
| Owners of the parent   | 4,002   | 10,023  | 7,108  | 20,210   |      |
| Non-controlling interests  | (188)   | (17)  | (1,216)  | (18)   |      |
|  | <b>3,814</b>  | <b>10,006</b>   | <b>5,892</b>   | <b>20,192</b>  |      |
| <b>Earnings per share attributable to owners of the parent:</b>                    |   |   |  |  |      |
| Basic (Sen)  | B10   | 0.81  | 2.02   | 1.43   | 4.08 |
| Diluted (Sen)  | B10   | 0.68  | 1.70   | 1.21   | 3.43 |

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 2018 and the accompanying explanatory notes attached to the interim financial report.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**- AS AT 30 JUNE 2019**

|  | Note | 30 June<br>2019<br>(Unaudited)<br>RM'000 | 31 December<br>2018<br>(Audited)<br>RM'000 |
|--|------|--|--|
| <b>ASSETS</b>                                |      |  |  |
| <b>Non-current Assets</b>                    |      |  |  |
| Property, plant and equipment ("PPE")        | A9   | 111,867                                  | 107,477                                    |
| Capital work-in-progress                     |      | 2,601                                    | 1,300                                      |
| Intangible assets                            |      | 3,088                                    | 3,987                                      |
| Investment properties                        |      | 57,921                                   | 58,543                                     |
| Investment in associates                     |      | 104                                      | 96   |
| Goodwill on consolidation                    |      | 254,695                                  | 254,695                                    |
|  |      | <b>430,276</b>                           | <b>426,098</b>                             |
| <b>Current Assets</b>                        |      |  |  |
| Inventories                                  |      | 42,128                                   | 57,618                                     |
| Contract assets                              |      | 133,315                                  | 120,443                                    |
| Trade receivables                            |      | 71,229                                   | 165,470                                    |
| Other receivables                            |      | 26,700                                   | 16,597                                     |
| Amount due from related companies            |      | 259,125                                  | 234,858                                    |
| Amount due from an associate                 |      | -  | 40   |
| Tax recoverable                              |      | 2,256                                    | 3,022                                      |
| Fixed deposits with licensed banks           |      | 2,437                                    | 2,361                                      |
| Cash held under Housing Development Accounts |      | 2,308                                    | 683  |
| Cash and bank balances                       |      | 42,003                                   | 14,998                                     |
|  |      | <b>581,501</b>                           | <b>616,090</b>                             |
| <b>TOTAL ASSETS</b>                          |      | <b>1,011,777</b>                         | <b>1,042,188</b>                           |

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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 2018 and the accompanying explanatory notes attached to the interim financial report.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**- AS AT 30 JUNE 2019 (cont'd)**

| Note  | 30 June<br>2019<br>(Unaudited)<br>RM'000 | 31 December<br>2018<br>(Audited)<br>RM'000 |
|---|--|--|
| <b><u>EQUITY AND LIABILITIES</u></b>                                  |  |  |
| Equity attributable to owners of the parent:                          |  |  |
| Share capital   |  |  |
| - Ordinary shares   | 325,643                                  | 325,503                                    |
| - Irredeemable Convertible Preference Shares<br>("ICPS")              | 60,300                                   | 60,300                                     |
| Warrant reserves  | 498                                      | 526  |
| Asset revaluation reserve   | 4,747                                    | 4,747                                      |
| Retained earnings   | 58,592                                   | 51,456                                     |
|   | <b>449,780</b>                           | <b>442,532</b>                             |
| Non-controlling interests   | (607)                                    | 609  |
| <b>Total Equity</b>   | <b>449,173</b>                           | <b>443,141</b>                             |
| <b><u>LIABILITIES</u></b>   |  |  |
| <b>Non-current Liabilities</b>  |  |  |
| Bank borrowings   | B7 63,079                                | 61,966                                     |
| Finance lease liabilities   | B7 27,173                                | 30,798                                     |
| Deferred tax liabilities  | 3,352                                    | 3,626                                      |
|   | <b>93,604</b>                            | <b>96,390</b>                              |
| <b>Current Liabilities</b>  |  |  |
| Trade payables  | 301,195                                  | 280,242                                    |
| Contract liabilities  | 24,217                                   | 24,458                                     |
| Amount due to related companies                                       | 12,835                                   | 18,251                                     |
| Other payables  | 32,283                                   | 38,786                                     |
| Bank overdrafts   | B7 13,535                                | 13,781                                     |
| Bank borrowings   | B7 73,592                                | 114,927                                    |
| Finance lease liabilities   | B7 10,859                                | 10,166                                     |
| Tax payable   | 484                                      | 2,046                                      |
|   | <b>469,000</b>                           | <b>502,657</b>                             |
| <b>Total Liabilities</b>  | <b>562,604</b>                           | <b>599,047</b>                             |
| <b>TOTAL EQUITY AND LIABILITIES</b>                                   | <b>1,011,777</b>                         | <b>1,042,188</b>                           |
| <b>Net assets per share attributable to owners of the parent (RM)</b> | 0.91                                     | 0.89                                       |

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial report.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
**- FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019**

|   | ←-----Attributable to owners of the parent-----→ |               |                  |                           |                   | Total          | Non-Controlling Interests | Total Equity   |
|---|--|---------------|------------------|---------------------------|-------------------|----------------|---------------------------|----------------|
|   | Share Capital                                    | ICPS          | Warrant Reserves | Asset Revaluation Reserve | Retained Earnings |                |                           |                |
|   | RM'000   | RM'000        | RM'000           | RM'000                    | RM'000            | RM'000         | RM'000                    | RM'000         |
| <b>Group</b>  |  |               |                  |                           |                   |                |                           |                |
| At 1 January 2019   | 325,503  | 60,300        | 526              | 4,747                     | 51,456            | 442,532        | 609                       | 443,141        |
| Profit for the financial period,<br>representing total comprehensive income<br>for the financial period | -  | -             | -                | -                         | 7,108             | 7,108          | (1,216)                   | 5,892          |
| <b>Transactions with owners</b>   |  |               |                  |                           |                   |                |                           |                |
| Issuance of ordinary shares pursuant to:<br>- exercise of warrants                                      | 140  | -             | -                | -                         | -                 | 140            | -                         | 140            |
| Realisation of warrants reserves  | -  | -             | (28)             | -                         | 28                | -              | -                         | -              |
| Total transactions with owners  | 140  | -             | (28)             | -                         | 28                | 140            | -                         | 140            |
| At 30 June 2019   | <b>325,643</b>                                   | <b>60,300</b> | <b>498</b>       | <b>4,747</b>              | <b>58,592</b>     | <b>449,780</b> | <b>(607)</b>              | <b>449,173</b> |

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
**- FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019 (cont'd)**

|   | ←-----Attributable to owners of the parent-----> |                |                               |  |                                |                 |  |                           |
|---|--|----------------|-------------------------------|--|--------------------------------|-----------------|--|---------------------------|
|   | ←-----Non-Distributable----->                    |                |                               |  |                                |                 |  |                           |
|   | Share<br>Capital<br>RM'000                       | ICPS<br>RM'000 | Warrant<br>Reserves<br>RM'000 | Assets<br>Revaluation<br>Reserve<br>RM'000 | Retained<br>Earnings<br>RM'000 | Total<br>RM'000 | Non-<br>Controlling<br>Interests<br>RM'000 | Total<br>Equity<br>RM'000 |
| <b>Group</b>  |  |                |                               |  |                                |                 |  |                           |
| At 1 January 2018   | 322,982  | 60,300         | 1,030                         | 4,903                                      | 18,879                         | 408,094         | 2,388                                      | 410,482                   |
| Prior year adjustment<br>- effect of adoption of MFRS 9   | -  | -              | -                             | -  | (375)                          | (375)           | -  | (375)                     |
| At 1 January 2018 (restated)  | 322,982  | 60,300         | 1,030                         | 4,903                                      | 18,504                         | 407,719         | 2,388                                      | 410,107                   |
| Profit for the financial period,<br>representing total comprehensive income<br>for the financial period | -  | -              | -                             | -  | 20,210                         | 20,210          | (18)                                       | 20,192                    |
| <b>Transactions with owners</b>   |  |                |                               |  |                                |                 |  |                           |
| Issuance of ordinary shares pursuant to:  |  |                |                               |  |                                |                 |  |                           |
| - exercise of warrants  | 2,479  | -              | -                             | -  | -                              | 2,479           | -  | 2,479                     |
| Realisation of warrants reserves  | -  | -              | (496)                         | -  | 496                            | -               | -  | -                         |
| Total transactions with owners  | 2,479  | -              | (496)                         | -  | 496                            | 2,479           | -  | 2,479                     |
| At 30 June 2018   | <b>325,461</b>                                   | <b>60,300</b>  | <b>534</b>                    | <b>4,903</b>                               | <b>39,210</b>                  | <b>430,408</b>  | <b>2,370</b>                               | <b>432,778</b>            |

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 2018 and the accompanying explanatory notes attached to the interim financial report.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**- FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019**

|  | As at<br>30-Jun-19<br>RM'000<br>(Unaudited) | As at<br>30-Jun-18<br>RM'000<br>(Unaudited) |
|--|---|---|
| Profit before tax  | 11,906                                      | 28,447                                      |
| <b>Adjustments for:</b>  |   |   |
| Amortisation of intangible assets                              | 899   | 1,339                                       |
| Depreciation and amortisation of                               |   |   |
| - PPE  | 5,523                                       | 3,174                                       |
| - investment properties  | 622   | 622   |
| Finance costs  | 4,462                                       | 2,482                                       |
| Reversal of impairment losses on receivables                   | (13)  | (60)  |
| Gain on disposal of PPE  | (40)  | (2)   |
| Interest income  | (96)  | (68)  |
| Share of profit of an associate (net of tax)                   | (9)   | 9   |
| Operating profit before working capital changes                | 23,254                                      | 35,943                                      |
| <b>Changes in working capital:</b>                             |   |   |
| Inventories  | 15,490                                      | (5,415)                                     |
| Receivables  | 84,201                                      | (35,021)                                    |
| Payables   | 14,450                                      | 23,667                                      |
| Contract assets and contract liabilities                       | (13,113)                                    | (50,572)                                    |
| Related companies  | (30,994)                                    | (5,606)                                     |
|  | 70,034                                      | (72,947)                                    |
| <b>Cash generated from / (used in) operations</b>              | 93,288                                      | (37,004)                                    |
| Interest paid  | (4,462)                                     | (2,482)                                     |
| Interest income  | 96  | 68  |
| Income tax paid  | (7,084)                                     | (8,613)                                     |
|  | (11,450)                                    | (11,027)                                    |
| <b>Net cash generated from/ (used in) operating activities</b> | 81,838                                      | (48,031)                                    |

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**- FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019 (cont'd)**

|  | As at<br>30-Jun-19<br>RM'000<br>(Unaudited) | As at<br>30-Jun-18<br>RM'000<br>(Unaudited) |
|--|---|---|
| <b>Cash flows from investing activities</b>                                    |   |   |
| Net cash outflows from acquisition of subsidiary companies                     | -   | (2,771)                                     |
| Purchase of PPE  | (1,741)                                     | (6,954)                                     |
| Proceeds from disposal of PPE  | 154   | 2   |
| Investment in an associate   | -   | (15)  |
| <b>Net cash used in investing activities</b>                                   | <b>(1,587)</b>                              | <b>(9,738)</b>                              |
| <b>Cash flows from financing activities</b>                                    |   |   |
| Drawdown of term loans   | 91,131                                      | 61,731                                      |
| Increased of fixed deposits pledged  | (76)  | -   |
| Proceeds from issuance of ordinary shares arising from conversion of warrants  | 140   | 2,479                                       |
| Repayment of finance lease liabilities   | (9,334)                                     | (1,870)                                     |
| Repayment of term loans  | (133,237)                                   | (6,104)                                     |
| <b>Net cash (used in) / generated from financing activities</b>                | <b>(51,376)</b>                             | <b>56,236</b>                               |
| <b>Net increase/ (decrease) in cash and cash equivalents</b>                   | <b>28,875</b>                               | <b>(1,533)</b>                              |
| <b>Cash and cash equivalents at the beginning of the financial period</b>      | <b>1,178</b>                                | <b>5,470</b>                                |
| <b>Cash and cash equivalents at the end of the financial period</b>            | <b>30,053</b>                               | <b>3,937</b>                                |
| <b>Cash and cash equivalents at the end of the financial period comprises:</b> |   |   |
| Cash and bank balances   | 42,003                                      | 17,777                                      |
| Cash held under Housing Development Accounts                                   | 2,308                                       | 134   |
| Fixed deposits with licensed banks   | 2,437                                       | 3,368                                       |
| Bank overdrafts  | (13,535)                                    | (13,251)                                    |
|  | <b>33,213</b>                               | <b>8,028</b>                                |
| Less: Fixed deposits pledged with licensed banks                               | (2,437)                                     | (3,368)                                     |
| Cash and bank balances pledged with a licensed bank                            | (723)                                       | (723)                                       |
|  | <b>30,053</b>                               | <b>3,937</b>                                |

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial report.



**A. EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR FINANCIAL PERIOD ENDED 30 JUNE 2019**

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**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 2018. 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 ("the Company") and all its subsidiary companies (collectively known as "the Group") since the financial year ended 31 December 2018.

**Basis of Accounting**

The financial information has been prepared on the historical cost convention and in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 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 2018 except for the adoption of the following:

|   |  |
|---|--|
| MFRS 16   | Leases   |
| Amendments to MFRS 9                                  | Financial Instruments – Prepayment Features with Negative Compensation   |
| Amendments to MFRS 128                                | Investment in Associates and Joint Ventures -Long-interest in Associates and Joint Ventures  |
| Amendments to MFRS 119                                | Plan Amendment, Curtailment of Settlement  |
| IC Interpretation 23                                  | Uncertainty over Income Tax Treatment  |
| Annual Improvements to MFRS Standards 2015-2017 Cycle | <ul style="list-style-type: none"> <li>• Business Combinations</li> <li>• Joint Agreements: - Previously Held Interest in a Joint Operation</li> <li>• Income Taxes – Consequences of Payments on Financial Instruments Classified as Equity</li> <li>• Borrowing Costs – Borrowing Costs Eligible for Capitalization</li> </ul> |
| • Amendments to MFRS 3                                |  |
| • Amendments to MFRS 11                               |  |
| • Amendments to MFRS 112                              |  |
| • Amendments to MFRS 123                              |  |

The initial application of the abovementioned new standards and amendments to standards did not have significant impacts on the financial statements of the Group and of the Company.

## A2. Changes in Accounting Policies (Cont'd)

### MFRS 16 - Lease

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee either finance leases (on statement of financial position) or operating lease (off statement of financial position).

The new requirements in MFRS 16 require a lessee to recognise a “right-of-use” of the underlying asset and a lease liability reflecting future lease payments for most leases. The right-of use asset is depreciated in accordance with the principle in MFRS 116 and the lease liability is accreted over time with finance cost recognised in profit or loss.

The adoption of MFRS 16 has no financial impact on the financial statements of the Group and of the Company.

### Standards issued but not yet effective

The Group has not adopted the following new standards and amendments to standards 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 new standards and amendments to standards when they become effective.

|  |  | <b><u>Effective date for financial periods beginning on or after</u></b> |
|--|--|--|
| Amendments to References to the Conceptual Framework in MFRS Standards |  | 1 January 2020   |
| Amendments to MFRS 3   | Business Combination – Definition of a Business  | 1 January 2020   |
| Amendments to MFRS 101   | Presentation of Financial Statements   | 1 January 2020   |
| Amendments to MFRS 108   | Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material | 1 January 2020   |
| 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  |

The adoption of the abovementioned new standards and amendments to standards when they become effective are not expected to have significant impact on the financial statements of the Group and of the Company.

**A3. Auditors' Report on Preceding Annual Financial Statements**

The auditors' report on the financial statements for the financial year ended 31 December 2018 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 summarised the operations in each of the Group's reportable segment:

- (i) Construction and trading – Design and build, civil engineering, general construction, piling activities, trading of construction materials and manufacturing of Industrialised Building System ("IBS") precast products.
- (ii) Property development – Development of residential and commercial properties.
- (iii) Others - Investment holding, hospitality and dormant.

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**A4. Segmental Information (Cont'd)**

**30 June 2019 (Unaudited)**

|   | <b>Construction<br/>and trading<br/>RM'000</b> | <b>Property<br/>development<br/>RM'000</b> | <b>Others<br/>RM'000</b> | <b>Total<br/>segments<br/>RM'000</b> | <b>Adjustment and<br/>eliminations<br/>RM'000</b> | <b>Consolidated<br/>RM'000</b> |
|---|--|--|--------------------------|--------------------------------------|---|--------------------------------|
| <b>Revenue</b>                                |  |  |                          |                                      |   |                                |
| Revenue from external customers               | 344,033  | 57,012                                     | 874                      | 401,919                              | -   | 401,919                        |
| Inter-segment revenue                         | 64,516   | -  | 6                        | 64,522                               | (64,522)  | -                              |
| <b>Total revenue</b>                          | <b>408,549</b>                                 | <b>57,012</b>                              | <b>880</b>               | <b>466,441</b>                       | <b>(64,522)</b>                                   | <b>401,919</b>                 |
| <b>Results</b>                                |  |  |                          |                                      |   |                                |
| Interest income                               | 36   | 58   | 2                        | 96                                   | -   | 96                             |
| Finance costs                                 | (3,336)  | -  | (1,126)                  | (4,462)                              | -   | (4,462)                        |
| Depreciation and amortisation                 | (5,590)  | (3)  | (552)                    | (6,145)                              | -   | (6,145)                        |
| Amortisation of intangible assets             | -  | -  | (899)                    | (899)                                | -   | (899)                          |
| Share of profit of an associate (net of tax)  | 9  | -  | -                        | 9                                    | -   | 9                              |
| <b>Segment profit/(loss) before tax</b>       | <b>10,230</b>                                  | <b>5,463</b>                               | <b>(3,787)</b>           | <b>11,906</b>                        | <b>-</b>  | <b>11,906</b>                  |
| Taxation                                      | (5,275)  | (660)                                      | (79)                     | (6,014)                              | -   | (6,014)                        |
| <b>Segment profit/(loss) after tax</b>        | <b>4,955</b>                                   | <b>4,803</b>                               | <b>(3,866)</b>           | <b>5,892</b>                         | <b>-</b>  | <b>5,892</b>                   |
| <b>Other non-cash items</b>                   |  |  |                          |                                      |   |                                |
| Gain on disposal of PPE                       | (40)   | -  | -                        | (40)                                 | -   | (40)                           |
| (Reversal) / impairment losses on receivables | (79)   | 66   | -                        | (13)                                 | -   | (13)                           |
| <b>Assets</b>                                 |  |  |                          |                                      |   |                                |
| Additions to PPE                              | 17,593   | -  | 7                        | 17,600                               | -   | 17,600                         |
| Segment assets                                | 596,789  | 125,682                                    | 289,306                  | 1,011,777                            | -   | 1,011,777                      |
| <b>Liabilities</b>                            |  |  |                          |                                      |   |                                |
| Segment liabilities                           | 499,892  | 33,509                                     | 29,203                   | 562,604                              | -   | 562,604                        |

**A4. Segmental Information (Cont'd)**

**30 June 2018 (Unaudited)**

|  | Construction<br>and trading<br>RM'000 | Property<br>development<br>RM'000 | Others<br>RM'000 | Total<br>segments<br>RM'000 | Adjustment and<br>eliminations<br>RM'000 | Consolidated<br>RM'000 |
|--|---------------------------------------|-----------------------------------|------------------|-----------------------------|--|------------------------|
| <b>Revenue</b>                               |                                       |                                   |                  |                             |  |                        |
| Revenue from external customers              | 342,048                               | 26,226                            | 1,054            | 369,328                     | -  | 369,328                |
| Inter-segment revenue                        | 37,143                                | -                                 | 3,168            | 40,311                      | (40,311)                                 | -                      |
| Total revenue                                | 379,191                               | 26,226                            | 4,222            | 409,639                     | (40,311)                                 | 369,328                |
| <b>Results</b>                               |                                       |                                   |                  |                             |  |                        |
| Interest income                              | 58                                    | 2                                 | 8                | 68                          | -  | 68                     |
| Finance costs                                | (1,351)                               | -                                 | (1,131)          | (2,482)                     | -  | (2,482)                |
| Depreciation and amortisation                | (3,278)                               | (10)                              | (508)            | (3,796)                     | -  | (3,796)                |
| Amortisation of intangible asset             | -                                     | -                                 | (1,339)          | (1,339)                     | -  | (1,339)                |
| Share of losses of an associate (net of tax) | (9)                                   | -                                 | -                | (9)                         | -  | (9)                    |
| <b>Segment profit/(loss) before tax</b>      | 27,274                                | 4,556                             | (3,383)          | 28,447                      | -  | 28,447                 |
| Taxation                                     | (7,715)                               | (1,111)                           | 571              | (8,255)                     | -  | (8,255)                |
| <b>Segment profit/(loss) after tax</b>       | 19,559                                | 3,445                             | (2,812)          | 20,192                      | -  | 20,192                 |
| <b>Other non-cash items</b>                  |                                       |                                   |                  |                             |  |                        |
| Gain on disposal of PPE                      | (2)                                   | -                                 | -                | (2)                         | -  | (2)                    |
| Reversal of impairment losses on receivables | (60)                                  | -                                 | -                | (60)                        | -  | (60)                   |
| <b>Assets</b>                                |                                       |                                   |                  |                             |  |                        |
| Additions to PPE                             | 6,500                                 | 175                               | 3,754            | 10,429                      | -  | 10,429                 |
| Segment assets                               | 495,011                               | 122,275                           | 304,519          | 921,805                     | -  | 921,805                |
| <b>Liabilities</b>                           |                                       |                                   |                  |                             |  |                        |
| Segment liabilities                          | 412,094                               | 34,859                            | 42,074           | 489,027                     | -  | 489,027                |

#### A4. Segmental Information (Cont'd)

*Segmental Performance (financial period ended 30 June 2019 against financial period ended 30 June 2018)*

##### **Construction and Trading**

###### (i) Construction

The Group recorded revenue of RM344.03 million in current financial quarter as compared to RM342.05 million in the preceding year corresponding quarter.

Despite the marginal increase in revenue, the segment achieved lower PAT of RM4.96 million as compared to previous year corresponding quarter of RM19.56 million. Low PAT in current financial period mainly attributable to soft profit margin from on-going construction projects and delayed in replenishment of orderbook due to low property market sentiment. With the similar amount of operating cost in the segment and coupled with the increased of depreciation cost derived from capital expenditure invested in the previous years, the PAT has further affected.

Nevertheless, the Group will continue to implement rigorous cost control measures to safeguard the profit margin and remain competitive at the same time. The Group will focus on project execution this year to ensure our quality maintained while vigilantly participate in tender exercises.

###### (ii) Manufacturing and trading of precast products

The manufacturing and trading of precast products business is carried out by MGB SANY (M) IBS Sdn. Bhd. ("MGB SANY") to supply to the construction projects secured by its holding company, MITC Engineering Sdn. Bhd.

In current financial period, the segment has generated internal revenue of approximately RM11.69 million compared to the preceding year corresponding quarter of RM4.67 million, representing a significant leap of approximately RM7.02 million or 150.03%. Higher revenue achieved in current financial period as MGB SANY is concurrently supplying to two (2) projects from its plants located at Alam Perdana and Nilai as opposed to one (1) plant and one (1) project on hand in previous year. The manufacturing plant in Nilai has started operation since March 2019.

However, MGB SANY recorded a net loss of approximately RM1.11 million as at 30 June 2019, after eliminated inter-companies' transactions such as rental and management fee. The net loss partly due to non-achievement of full economies of scale to support the operation cost of the two (2) manufacturing plants, depreciation expenses and finance cost incurred. The manufacturing plant was still at its set-up stage in previous year corresponding quarter hence the contribution was minimal. Nevertheless, the Group is optimistic that the business will achieve breakeven or contribute positively eventually.

Should the manufacturing and trading of precast products business contribute external revenue and profit in the future, it shall be reported separately as an individual reportable segment.

#### A4. Segmental Information (Cont'd)

*Segmental Performance (financial period ended 30 June 2019 against financial period ended 30 June 2018) (Cont'd)*

##### **Property Development**

The property development segment registered revenue of RM57.01 million and PAT of RM4.80 million in current financial quarter under review as compared to RM26.23 million and RM3.45 million respectively in preceding year corresponding quarter, representing growth of approximately 117% and 39% respectively.

The notable growth in revenue and PAT driven predominantly by the followings:

- 1) 100% sales achieved for Zenopy Residences Phase 1 (except for affordable shops that yet to be launched), with revenue contribution of approximately RM7.22 million;
- 2) Higher sales of 92% achieved in current financial quarter for Zenopy Residences Phase 2 as compared to previous year corresponding quarter of 33%, with revenue contribution of approximately RM41.02 million;
- 3) Newly launched development project, Laman Bayu (Phase 1) with total 134 units of double storey terraces, by Multi Court Developers Sdn. Bhd. ("MCDSB") contributed new sales of RM8.77 million in the current financial period. The Group has received encouraging response for Laman Bayu and take up rate of 87% recorded since January 2019.

##### **Others**

The segmental losses of approximately RM3.87 million mainly due to amortisation and depreciation of PPE and intangible assets, finance cost and administrative expenses incurred by the Company and the hospitality business.

The hospitality business recorded a comparable revenue of RM0.87 million and RM1.05 million respectively in the current financial quarter and in preceding year corresponding quarter. Nevertheless, the operation profit has been fully mitigated by the depreciation and finance cost incurred totaling to approximately RM1.16 million.

#### 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 period.

#### 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 period were not materially affected by any significant seasonal or cyclical factors.

**A8. Dividends Paid**

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

**A9. Valuation of Property, Plant and Equipment**

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

As at 30 June 2019, a total of 280,714 Warrants 2014/2019 were converted into ordinary shares at the exercise price of RM0.50 per warrant, which have resulted in 280,714 new ordinary shares being issued.

**A11. Changes in Composition of the Group**

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

- a) On 17 June 2019, the Company has undertaken internal restructuring whereby Vintage Roofing & Construction Sdn. Bhd. (“**VRC**”), a wholly-owned subsidiary company of the Company, disposed 2 ordinary shares, representing the entire equity interest in Sinaran Kencana Sdn. Bhd. (formerly known as VTI Consortium Sdn. Bhd.), an indirect wholly-owned subsidiary company of the Company, to MGB Land Sdn. Bhd. (“**MGB Land**”), a wholly-owned subsidiary company of the Company, for consideration of Ringgit Malaysia Two only (RM2).
- b) On 28 June 2019, MGB Land, subscribed one (1) ordinary share in Idaman Aktif Sdn. Bhd. (“**IASB**”) and Idaman Elegan Sdn. Bhd. (“**IESB**”) respectively, representing entire equity interest in IASB and IESB, for consideration of Ringgit Malaysia One only (RM1) respectively, resulting in IASB and IESB became indirect wholly-owned subsidiary companies of the Company.



## A12. Capital Commitments

Total capital commitments of the Group comprised of the followings:

|   | As at<br>30-Jun-19 | As at<br>30-Jun-18 |
|---|--------------------|--------------------|
|   | RM'000             | RM'000             |
| <b><u>Authorised and contracted for :</u></b> |                    |                    |
| Sale and Purchase Agreement for               |                    |                    |
| - Property, plant and equipment               | 10,403             | 11,704             |
| Purchase Order for                            |                    |                    |
| - Interior design and renovation works        | 878                | 256                |
|   | 878                | 256                |

## A13. Subsequent Events

There were no subsequent events as at 16 August 2019, being the latest practicable date ("LPD"), which shall not be earlier than 7 days from the date of issuance of this interim financial report.

## A14. Changes in Contingent Liabilities and Contingent Assets

### (a) Contingent Liabilities

|                                    | As at<br>30-Jun-19 | As at<br>30-Jun-18 |
|------------------------------------|--------------------|--------------------|
|                                    | RM'000             | RM'000             |
| <b>Bank guarantees issued for:</b> |                    |                    |
| - Construction Contracts           | 3,561              | 12,775             |
| - Property Development             | 2,125              | 560                |
| - Others                           | 8                  | 8                  |
|                                    | 5,694              | 13,343             |

### (b) Contingent Assets

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

**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 period were summarised as follows:

|                       | <b>As at<br/>30-Jun-19</b> | <b>As at<br/>30-Jun-18</b> |
|-----------------------|----------------------------|----------------------------|
|                       | <b>RM'000</b>              | <b>RM'000</b>              |
| <b>Income</b>         |                            |                            |
| Contract revenue      | 245,453                    | 259,021                    |
| <b>Expenses</b>       |                            |                            |
| Purchase of materials | 14,486                     | 18,582                     |
| Rental of premises    | 25                         | 34                         |
|                       | <hr/>                      | <hr/>                      |

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

### B1. Review of Group Performance

|                           | Individual   |              |          |         | Cumulative   |              |          |         |
|---------------------------|--------------|--------------|----------|---------|--------------|--------------|----------|---------|
|                           | Period Ended | Period Ended |          |         | Period Ended | Period Ended |          |         |
|                           | 30-Jun-19    | 30-Jun-18    | Variance |         | 30-Jun-19    | 30-Jun-18    | Variance |         |
|                           | RM'000       | RM'000       | RM'000   | %       | RM'000       | RM'000       | RM'000   | %       |
| Revenue                   | 198,317      | 200,258      | (1,941)  | -0.97%  | 401,919      | 369,328      | 32,591   | 8.82%   |
| Profit before tax ("PBT") | 6,614        | 13,862       | (7,248)  | -52.29% | 11,906       | 28,447       | (16,541) | -58.15% |
| Profit after tax ("PAT")  | 3,814        | 10,006       | (6,192)  | -61.88% | 5,892        | 20,192       | (14,300) | -70.82% |

#### **Individual Period**

Higher revenue and PAT recorded in the individual financial period ended 30 June 2018 mainly due to the recognition of additional variation order and profit upon finalisation of several major projects. Furthermore, finance cost and depreciation expenses were comparatively lower in 2018 as the manufacturing and trading of precast business was still at its set-up stage.

#### **Cumulative Period**

For the cumulative financial period ended 30 June 2019, the Group recorded higher revenue in construction and property development segments by approximately RM1.98 million and RM30.79 million respectively as compared to the preceding year corresponding quarter. Nevertheless, Group's overall PAT was adversely impacted by the low profit contribution from construction segment whereby the segmental PAT has decreased by approximately RM14.60 million. The main reasons of lower PAT generated by construction segment were explained under Note A4 *Construction and Trading and Manufacturing and Trading of Precast Products* respectively.

In term of segmental assets and liabilities, construction and trading segment remains as the top contributor with total assets of approximately RM596.79 million or 58.98% and total liabilities of RM499.89 million or 88.85% respectively out of the total Group's assets of RM1.01 billion and Group's liabilities of RM562.60 million as at 30 June 2019.

**B2. Variation of Results Against Immediate Preceding Quarter**

|                           | Current<br>Quarter<br>Ended<br>30-Jun-19 | Preceding<br>Quarter<br>Ended<br>31-Mar-19 | Variance |        |
|---------------------------|--|--|----------|--------|
|                           | RM'000                                   | RM'000                                     | RM'000   | %      |
| Revenue                   | 198,317                                  | 203,602                                    | (5,285)  | -2.60% |
| Profit before tax ("PBT") | 6,614                                    | 5,292                                      | 1,322    | 24.98% |
| Profit after tax ("PAT")  | 3,814                                    | 2,078                                      | 1,736    | 83.54% |

Compared to immediate preceding quarter, the decrease in revenue was mainly attributable to low contribution from construction segment (31 March 2019: RM174.69 million, 30 June 2019: RM169.35 million).

Despite lower revenue recorded in current quarter, the Group's PAT improved marginally as a result of cost control efficiency and higher other income arising from reimbursement of certain agreed cost from developers.

**B3. Prospects for the Year**

Despite the challenging global economy environment mainly arising from the US-China trade dispute and the uncertainty on Brexit, Malaysia expects to sustain an economic growth rate of 4.3% to 4.8% in the year of 2019, underpinned by continued expansion on private sector activity.

The Board believes that the key actions plans announced by the Government in the National Housing Policy 2018-2025 such as initiative of building one (1) million affordable houses in 10 years or 100,000 units per year would bring positive impact to property market. The concept of pre-fabrication (under precast concrete) for building affordable houses is strongly recommended and recognised by the Government as an effective method that will substantially reduce the reliance on labour and delivering high quality products in a timely and cost-effective manner.

The Group continued to implement all-round growth strategies combining organic growth and internal integration with emphasis on 'Innovation'. In line with its innovation-driven strategy, the timely transformation on the further adoption of Industrialised Building System (IBS) via setting up of precast concrete plants in Nilai and Alam Perdana is poised to sharpen the Group's competitive edge in tendering and securing construction projects, particularly in affordable homes projects. The Group hopes to work hand in hand with the Government and strike to become the preferred collaboration partner for long term business opportunities.

### B3. Prospects for the Year (Cont'd)

Construction will continue to be the core driver to the Group's performance on the back of its outstanding order book of RM1.63 billion as at 30 June 2019. The Group targets to replenish quality order book by undertaking prudent execution of project management strategies.

The Board and Management will constantly review all functions within the Group vigilantly and to consolidate effectively in order to increase efficiency which drive cost saving that will improve profitability.

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.

### B5. Taxation

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.

|                                | Individual<br>Quarter<br>30-Jun-19<br>RM'000 | Current Year<br>to Date<br>30-Jun-19<br>RM'000 |
|--------------------------------|--|--|
| <b>Income Tax:</b>             |  |  |
| - Current year                 | 2,761  | 6,144  |
| - Underprovision of prior year | 144  | 144  |
|                                | 2,905  | 6,288  |
| <b>Deferred Tax:</b>           |  |  |
| - Current year                 | (105)  | (274)  |
| <b>Total Taxation</b>          | 2,800  | 6,014  |

### B6. Status of Corporate Proposals Announced

There were no corporate proposals announced that are yet to be completed as at LPD.

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**B7. Borrowings and Debt Securities**

Total borrowings of the Group comprised of the followings:

|                                    | <b>As at<br/>30-Jun-19<br/>RM'000<br/>(Unaudited)</b> | <b>As at<br/>30-Jun-18<br/>RM'000<br/>(Unaudited)</b> |
|------------------------------------|---|---|
| <b>Secured Bank Borrowings</b>     |   |   |
| Term loans                         | 136,671   | 140,045   |
| Bank overdrafts                    | 13,535  | 13,251  |
| Finance lease liabilities          | 38,032  | 10,043  |
| <b>Total Bank Borrowings</b>       | <b>188,238</b>  | <b>163,339</b>  |
| <b>Short Term Borrowings</b>       |   |   |
| Term loans                         | 73,592  | 34,840  |
| Bank overdrafts                    | 13,535  | 13,251  |
| Finance lease liabilities          | 10,859  | 3,186   |
| <b>Total Short Term Borrowings</b> | <b>97,986</b>   | <b>51,277</b>   |
| <b>Long Term Borrowings</b>        |   |   |
| Term loans                         | 63,079  | 105,205   |
| Finance lease liabilities          | 27,173  | 6,857   |
| <b>Total Long Term Borrowings</b>  | <b>90,252</b>   | <b>112,062</b>  |

All borrowings were dominated in Ringgit Malaysia (“RM”).

**B8. 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.

**B9. Dividends Declared**

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

## B10. 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 |           |
|--|--------------------------|-----------|--------------------|-----------|
|  | 30-Jun-19                | 30-Jun-18 | 30-Jun-19          | 30-Jun-18 |
| Profit attributable to owners of the parent (RM'000)       | 4,002                    | 10,023    | 7,108              | 20,210    |
| Weighted average number of ordinary shares in issue ('000) | 497,097                  | 496,606   | 496,995            | 495,256   |
| Basic EPS (Sen)  | 0.81                     | 2.02      | 1.43               | 4.08      |

### 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 |           |
|--|--------------------------|-----------|--------------------|-----------|
|  | 30-Jun-19                | 30-Jun-18 | 30-Jun-19          | 30-Jun-18 |
| Profit attributable to owners of the parent (RM'000)       | 4,002                    | 10,023    | 7,108              | 20,210    |
| Weighted average number of ordinary shares in issue ('000) | 497,097                  | 496,606   | 496,995            | 495,256   |
| Effect of conversion of warrants ('000)                    | 1,591                    | 3,283     | 1,591              | 3,283     |
| Effect of conversion of ICPS ('000)                        | 90,000                   | 90,000    | 90,000             | 90,000    |
|  | 588,689                  | 589,889   | 588,586            | 588,539   |
| Diluted EPS (Sen)  | 0.68                     | 1.70      | 1.21               | 3.43      |

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**B11. Notes to the condensed consolidated Statement of Profit or Loss and Other Comprehensive Income**

|  | Current<br>Quarter<br>Ended<br>30-Jun-19<br>RM'000 | Current Year<br>To Date<br>30-Jun-19<br>RM'000 |
|--|--|--|
| Interest income                              | (84)   | (96)   |
| Gain on disposal of PPE                      | (40)   | (40)   |
| Reversal of impairment losses on receivables | 5  | (13)   |
| Rental income                                | (3)  | (5)  |
| Amortisation of intangible assets            | 502  | 899  |
| Amortisation of investment properties        | 311  | 622  |
| Depreciation of PPE                          | 3,010  | 5,523  |
| Finance costs                                | 2,302  | 4,462  |
|  |  |  |

**B12. Authorisation for Issue**

The interim financial statements were authorised for issue by the Board of Directors on 23 August 2019.

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