



MGB BERHAD

Company No. 200201021504 (589167-W)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT 31 DECEMBER 2019

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
- FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

	Individual Quarter		Cumulative Period		
	Current Year Quarter Ended 31-Dec-19 (Unaudited) RM'000	Preceding Year Quarter Ended 31-Dec-18 (Unaudited) RM'000	Current Year To Date Ended 31-Dec-19 (Unaudited) RM'000	Preceding Year To Date Ended 31-Dec-18 (Audited) RM'000	
Revenue	184,378	177,450	754,335	751,271	
Cost of sales	(162,454)	(161,445)	(670,954)	(654,645)	
Gross profit	21,924	16,005	83,381	96,626	
Interest income	38	24	156	125	
Other income	271	1,536	2,483	2,176	
Operating expenses	(14,332)	(10,737)	(55,442)	(47,349)	
Finance costs	(2,606)	(1,787)	(9,770)	(5,811)	
Share of profit of an associate (net of tax)	111	81	76	81	
Profit before tax	5,406	5,122	20,884	45,848	
Taxation	(1,581)	(3,079)	(8,463)	(15,439)	
Profit after tax for the financial year	3,825	2,043	12,421	30,409	
Other comprehensive income for the financial year	-	-	-	-	
Total comprehensive income for the financial year	3,825	2,043	12,421	30,409	
Profit/(Loss) for the financial year attributable to:					
Owners of the parent	3,303	3,488	13,419	32,188	
Non-controlling interests	522	(1,445)	(998)	(1,779)	
	3,825	2,043	12,421	30,409	
Total comprehensive income/(loss) for the financial year attributable to:					
Owners of the parent	3,303	3,488	13,419	32,188	
Non-controlling interests	522	(1,445)	(998)	(1,779)	
	3,825	2,043	12,421	30,409	
Earnings per share attributable to owners of the parent:					
Basic (Sen)	B10	0.66	0.70	2.69	6.49
Diluted (Sen)	B10	0.56	0.59	2.28	5.47

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 31 DECEMBER 2019

	Note	31 December 2019 (Unaudited) RM'000	31 December 2018 (Audited) RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment ("PPE")	A9	111,311	107,477
Capital work-in-progress		3,901	1,300
Deferred tax asset		663	-
Intangible assets		1,828	3,987
Investment properties		57,298	58,543
Investment in associates		171	96
Right-of-use assets		1,927	-
Goodwill on consolidation		254,695	254,695
		431,794	426,098
Current Assets			
Asset held for sale		3,000	-
Inventories		19,865	57,618
Contract assets		144,921	120,443
Trade receivables		67,494	165,470
Other receivables		16,557	16,597
Amount due from related companies		248,243	234,858
Amount due from an associate		-	40
Tax recoverable		1,769	3,022
Fixed deposits with licensed banks		3,000	2,361
Cash held under Housing Development Accounts		1,896	683
Cash and bank balances		28,204	14,998
		534,949	616,090
TOTAL ASSETS		966,743	1,042,188

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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 31 DECEMBER 2019 (cont'd)

	Note	31 December 2019 (Unaudited) RM'000	31 December 2018 (Audited) RM'000
<u>EQUITY AND LIABILITIES</u>			
Equity attributable to owners of the parent:			
Share capital			
- Ordinary shares		327,886	325,503
- Irredeemable Convertible Preference Shares ("ICPS")		60,300	60,300
Other reserve		(826)	-
Warrant reserve		-	526
Asset revaluation reserve		4,591	4,747
Retained earnings		65,536	51,456
		457,487	442,532
Non-controlling interests		212	609
Total Equity		457,699	443,141
<u>LIABILITIES</u>			
Non-current Liabilities			
Bank borrowings	B7	46,202	61,966
Finance lease liabilities	B7	23,552	30,798
Deferred tax liabilities		2,572	3,626
		72,326	96,390
Current Liabilities			
Trade payables		255,077	280,242
Contract liabilities		40,945	24,458
Amount due to related companies		10,352	18,251
Other payables		40,795	38,786
Bank overdrafts	B7	12,282	13,781
Bank borrowings	B7	63,239	114,927
Finance lease liabilities	B7	13,814	10,166
Tax payable		214	2,046
		436,718	502,657
Total Liabilities		509,044	599,047
TOTAL EQUITY AND LIABILITIES		966,743	1,042,188
Net assets per share attributable to owners of the parent (RM)		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 YEAR ENDED 31 DECEMBER 2019**

	←-----Attributable to owners of the parent----->								
	←-----Non-Distributable----->								
	Share Capital RM'000	ICPS RM'000	Warrant Reserve RM'000	Asset Revaluation Reserve RM'000	Other Reserve RM'000	Retained Earnings RM'000	Total RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
Group									
At 1 January 2019									
- as previously reported	325,503	60,300	526	4,747	-	51,456	442,532	609	443,141
- effect of adoption of MFRS 16	-	-	-	-	-	(21)	(21)	-	(21)
At 1 January 2019 (restated)	325,503	60,300	526	4,747	-	51,435	442,511	609	443,120
Profit for the financial year, representing total comprehensive income for the financial year	-	-	-	-	-	13,419	13,419	(998)	12,421
Changes of stakes in a subsidiary company	-	-	-	-	(826)	-	(826)	601	(225)
Realisation of asset revaluation reserve	-	-	-	(156)	-	156	-	-	-
Transactions with owners									
Issuance of ordinary shares pursuant to:									
- exercise of warrants	2,383	-	-	-	-	-	2,383	-	2,383
Realisation of warrants reserves	-	-	(526)	-	-	526	-	-	-
Total transactions with owners	2,383	-	(526)	-	-	526	2,383	-	2,383
At 31 December 2019	327,886	60,300	-	4,591	(826)	65,536	457,487	212	457,699

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (AUDITED)
- FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

	<-----Attributable to owners of the parent----->								
	<-----Non-Distributable----->			Assets	Retained	Total	Non-Controlling		
	Share	ICPS	Warrant	Revaluation				Earnings	Total
	Capital	RM'000	Reserve	Reserve	RM'000	RM'000	RM'000	RM'000	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Group									
At 1 January 2018									
- as previously reported	322,982	60,300	1,030	4,903	18,879	408,094	2,388	410,482	
- effect of adoption of MFRS 9	-	-	-	-	(271)	(271)	-	(271)	
At 1 January 2018 (restated)	322,982	60,300	1,030	4,903	18,608	407,823	2,388	410,211	
Profit for the financial year, representing total comprehensive income for the financial year	-	-	-	-	32,188	32,188	(1,779)	30,409	
Realisation of asset revaluation reserve	-	-	-	(156)	156	-	-	-	
Transactions with owners									
Issuance of ordinary shares pursuant to:									
- exercise of warrants	2,521	-	-	-	-	2,521	-	2,521	
Realisation of warrants reserves	-	-	(504)	-	504	-	-	-	
Total transactions with owners	2,521	-	(504)	-	504	2,521	-	2,521	
At 31 December 2018	325,503	60,300	526	4,747	51,456	442,532	609	443,141	

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 YEAR ENDED 31 DECEMBER 2019**

	As at 31-Dec-19 RM'000 (Unaudited)	As at 31-Dec-18 RM'000 (Audited)
Profit before tax	20,884	45,848
Adjustments for:		
Amortisation of intangible assets	2,159	2,677
Depreciation and amortisation of		
- PPE	12,122	7,587
- investment properties	1,244	1,244
- right-of-use assets	67	-
Finance costs	9,770	5,811
PPE written off	53	380
Impairment losses on:		
- trade receivables	116	102
- other receivables	-	164
- amount due from related companies	7	67
Gain on disposal of subsidiary company	-	(1,520)
Gain on unrealised foreign exchange	-	(129)
Gain on disposal of PPE	(207)	(23)
Interest income	(156)	(125)
Share of profit of an associate (net of tax)	(76)	(81)
Operating profit before working capital changes	45,983	62,002
Changes in working capital:		
Asset held for sale	(3,000)	-
Inventories	37,753	16,187
Receivables	97,940	(53,819)
Payables	(23,156)	60,311
Contract assets and contract liabilities	(7,991)	(78,627)
Related companies	(23,892)	(46,187)
Associate company	-	(40)
	77,654	(102,175)
Cash generated from/ (used in) operations	123,637	(40,173)
Interest paid	(9,770)	(5,811)
Interest income	156	125
Income tax paid	(10,756)	(17,299)
	(20,370)	(22,985)
Net cash generated from/ (used in) operating activities	103,267	(63,158)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
- FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

	As at 31-Dec-19 RM'000 (Unaudited)	As at 31-Dec-18 RM'000 (Audited)
Cash flows from investing activities		
Net cash outflows from acquisition of subsidiary companies	-	(2,771)
Net cash outflows from acquisition of non-controlling interest	(225)	-
Purchase of PPE	(9,437)	(30,705)
Proceeds from disposal of PPE	485	23
Investment in an associate	-	(15)
Net cash used in investing activities	(9,177)	(33,468)
Cash flows from financing activities		
Drawdown of term loans	156,593	111,147
(Increased)/Decreased of fixed deposits pledged	(638)	1,971
Proceeds from issuance of ordinary shares arising from conversion of warrants	2,383	2,520
Repayment of finance lease liabilities	(11,522)	(4,634)
Repayment of term loans	(224,988)	(18,671)
Net cash (used in)/ generated from financing activities	(78,172)	92,333
Net increase/ (decrease) in cash and cash equivalents	15,918	(4,293)
Cash and cash equivalents at the beginning of the financial year	1,177	5,470
Cash and cash equivalents at the end of the financial year	17,095	1,177
Cash and cash equivalents at the end of the financial year comprise:		
Cash and bank balances	28,204	14,998
Cash held under Housing Development Accounts	1,896	683
Fixed deposits with licensed banks	3,000	2,361
Bank overdrafts	(12,282)	(13,781)
	20,818	4,261
Less: Fixed deposits pledged with licensed banks	(3,000)	(2,361)
Cash and bank balances pledged with a licensed bank	(723)	(723)
	17,095	1,177

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 YEAR ENDED 31 DECEMBER 2019

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	Business Combinations Joint Agreements: - Previously Held Interest in a Joint Operation Income Taxes – Consequences of Payments on Financial Instruments Classified as Equity Borrowing Costs – Borrowing Costs Eligible for Capitalisation
• 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 Property, Plant and Equipment and the lease liability is accreted over time with finance cost recognised in profit or loss.

The Group adopted MFRS 16 using the modified retrospective method of adoption with the date of application of 1 January 2019. Under this method, comparative figures are not restated and the cumulative effect of initially applying the standard is recognized as an adjustment to the opening balance of retained earnings of the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (“short-term leases”) and lease contracts for which the underlying asset is of low value (“low value assets”).

The effect of the adoption of MFRS 16 is as follows:

Statement of Financial Position

Group	As previously reported	MFRS 16 adjustments	As restated
As at 1 January 2019	(RM'000)	(RM'000)	(RM'000)
Non-current Assets			
Right-of-use assets (a)	-	4,403	4,403
Current Liabilities			
Finance lease liabilities (b)	-	4,403	4,403
Equity			
Retained earnings	51,456	(21)	51,435

(a) The right-of-use assets representing the rights to use the underlying assets during the lease term. The right-of-use assets were initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation.

(b) The lease liabilities were initially measured at present value of the lease payments that were not paid at that date. Subsequently, the lease liabilities were adjusted for interest and lease payments, as well as the impact of lease modifications.

A2. Changes in Accounting Policies (Cont'd)

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 Standards 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.

		<u>Effective date for financial periods beginning on or after</u>
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 9, MFRS 139 and MFRS 7	Interest Rate Benchmark Reform	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's 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)

31 December 2019 (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						
Revenue from external customers	631,842	119,972	2,521	754,335	-	754,335
Inter-segment revenue	134,638	-	10	134,648	(134,648)	-
Total revenue	766,480	119,972	2,531	888,983	(134,648)	754,335
Results						
Interest income	84	68	4	156	-	156
Finance costs	(7,537)	(8)	(2,225)	(9,770)	-	(9,770)
Depreciation and amortisation	(12,327)	(9)	(1,097)	(13,433)	-	(13,433)
Amortisation of intangible assets	-	-	(2,159)	(2,159)	-	(2,159)
Share of loss of an associate (net of tax)	76	-	-	76	-	76
Segment profit/(loss) before tax	14,883	11,465	(5,464)	20,884	-	20,884
Taxation	(7,456)	(790)	(217)	(8,463)	-	(8,463)
Segment profit/(loss) after tax	7,427	10,675	(5,681)	12,421	-	12,421
Other non-cash items						
Gain on disposal of PPE	(207)	-	-	(207)	-	(207)
PPE written off	53	-	-	53	-	53
Impairment losses on receivables	124	(1)	-	123	-	123
Assets						
Additions to PPE	16,203	-	82	16,285	-	16,285
Segment assets	564,615	114,238	287,890	966,743	-	966,743
Liabilities						
Segment liabilities	450,517	30,019	28,508	509,044	-	509,044

A4. Segmental Information (Cont'd)

31 December 2018 (Audited)

	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						
Revenue from external customers	671,758	77,232	2,281	751,271	-	751,271
Inter-segment revenue	100,011	-	14	100,025	(100,025)	-
Total revenue	771,769	77,232	2,295	851,296	(100,025)	751,271
Results						
Interest income	107	7	11	125	-	125
Finance costs	(3,528)	-	(2,283)	(5,811)	-	(5,811)
Depreciation and amortisation	(7,807)	(5)	(1,019)	(8,831)	-	(8,831)
Amortisation of intangible assets	-	-	(2,677)	(2,677)	-	(2,677)
Share of losses of an associate (net of tax)	81	-	-	81	-	81
Segment profit/(loss) before tax	42,553	8,123	(4,828)	45,848	-	45,848
Taxation	(13,950)	(1,630)	141	(15,439)	-	(15,439)
Segment profit/(loss) after tax	28,603	6,493	(4,687)	30,409	-	30,409
Other non-cash items						
PPE written off	320	-	60	380	-	380
Gain on disposal of PPE	(23)	-	-	(23)	-	(23)
Impairment losses on receivables	254	79	-	333	-	333
Assets						
Additions to PPE	68,001	-	1,144	69,145	-	69,145
Segment assets	623,288	130,025	288,875	1,042,188	-	1,042,188
Liabilities						
Segment liabilities	531,972	36,877	30,198	599,047	-	599,047

A4. Segmental Information (Cont'd)

Segmental Performance (financial year ended 31 December 2019 against financial year ended 31 December 2018)

Construction and Trading

(i) Construction

The Group registered a lower revenue of RM631.84 million in current financial year as compared to RM671.76 million revenue in the preceding year.

A lower PAT of RM7.43 million as compared to previous year of RM28.60 million is consistent with the dip in revenue in the segment. Low PAT in current financial year mainly attributable to soft profit margin from on-going construction projects and delay in replenishment of orderbooks due to low property market sentiment. Excluding manufacturing activities which will be discussed separately below, net finance costs rose from RM3.47 million in the preceding year to RM5.83 million in current financial year following a new trade facility secured during the year which has also impacted the PAT.

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 is maintained while vigilantly participating 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, MGB Construction & Engineering Sdn. Bhd. ("MGBCE") (formerly known as MITC Engineering Sdn. Bhd.).

In current financial year, the business has generated internal revenue of approximately RM41.64 million compared to the preceding year of RM14.07 million, representing a substantial hike of approximately RM27.57 million or 195.95%. Higher revenue achieved in current financial year 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 supplying to one (1) project in previous year. The manufacturing plant in Nilai has started operation since March 2019.

Against this backdrop, MGB SANY managed to eke out a profit of RM0.12 million as at 31 December 2019. The Group is confident that the self-supply of precast panels will enhance the earnings of the construction project in the long run through saving on preliminary expenses and labor cost as the speed of completion has proven to be significantly improved. Notwithstanding that, MGB SANY will strive to achieve economies of scale to improve the result.

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 year ended 31 December 2019 against financial year ended 31 December 2018) (Cont'd)

Property Development

The property development segment registered revenue of RM119.97 million and PAT of RM10.68 million in current financial year as compared to RM77.23 million and RM6.49 million respectively in preceding year, representing growth of approximately 55.34% and 64.56% respectively.

The notable growth in revenue was driven predominantly by Laman Bayu (Phase 1 and Phase 2) with total 231 units of double storey terraces, developed by Multi Court Developers Sdn. Bhd. which contributed combined new sales of approximately RM33.04 million in the current financial year.

Others

The segmental losses of approximately RM5.68 million mainly due to depreciation and amortisation 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 RM2.53 million and RM2.29 million respectively in the current financial year and in financial year 2018. Nevertheless, the operation profit has been fully mitigated by the depreciation and finance cost incurred amounting to approximately RM3.20 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 year.

A6. Material Changes in Estimates

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

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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.

A8. Dividends Paid

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

A9. Valuation of Property, Plant and Equipment

Included in the property, plant and equipment are leasehold lands and buildings that are stated at revalued amount less accumulated depreciation and accumulated impairment losses.

A10. Debts and Equity Securities

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

As at 31 December 2019, a total of 4,766,053 Warrants 2014/2019 were converted into ordinary shares at the exercise price of RM0.50 per warrant, which have resulted in 4,766,053 new ordinary shares being issued. The Warrants 2014/2019 has expired in October 2019.

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 year.

(a) On 17 June 2019, the Company has undertaken internal restructuring whereby Vintage Roofing & Construction Sdn. Bhd., a wholly-owned subsidiary company of the Company, disposed 2 ordinary shares, representing the entire equity interest in Sinaran Kencana Sdn. Bhd. ("SKSB") (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 cash 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 cash consideration of Ringgit Malaysia One only (RM1) respectively, resulting in IASB and IESB became indirect wholly-owned subsidiary companies of the Company.

(c) On 28 August 2019, MGB Land, subscribed one (1) ordinary share in Idaman Living Sdn. Bhd. ("ILSB"), representing entire equity interest in ILSB, for cash consideration of Ringgit Malaysia One only (RM1), resulting in ILSB became indirect wholly-owned subsidiary company of the Company.

A11. Changes in Composition of the Group (Cont'd)

(d) On 7 November 2019, MGBCE acquired 225,000 ordinary shares, representing 30% of equity interest in MGB Geotech Sdn Bhd ("MGB Geotech") for cash consideration of Ringgit Malaysia Two Hundred Twenty Five Thousand only (RM225,000) from non-controlling interest. Consequently, MGB Geotech became a wholly-owned subsidiary company of MGBCE.

(e) On 23 December 2019, MGB SANY, a direct-owned subsidiary company of MGBCE, had increased its paid-up share capital from 4,000,000 to 10,120,000 ordinary shares. MGBCE has subscribed for an additional 6,120,000 ordinary shares for cash consideration of Ringgit Malaysia Six Million One Hundred Twenty Thousand only (RM6,120,000). Consequently, MGBCE's equity interest increased from 51% to 81% and MGB SANY became a 81% owned subsidiary company of MGBCE.

A12. Capital Commitments

Total capital commitments of the Group comprised of the followings:

	As at 31-Dec-19	As at 31-Dec-18
	RM'000	RM'000
<u>Authorised and contracted for :</u>		
Sale and Purchase Agreement for		
- Property, plant and equipment	9,103	11,704
Purchase Order for		
- Interior design and renovation works	1,029	1,459
	1,029	1,459

A13. Subsequent Events

There were no subsequent events as at 14 February 2020, 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 31-Dec-19	As at 31-Dec-18
	RM'000	RM'000
Bank guarantees issued for:		
- Construction Contracts	3,561	9,403
- Property Development	2,145	560
- Others	8	8
	5,713	9,971

(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-Dec-19	As at 31-Dec-18
	RM'000	RM'000
Income		
Contract revenue	511,570	480,922
Expenses		
Purchase of materials	23,434	37,521
Purchase of PPE	-	737
Rental of premises	45	65
	45	65

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

B1. Review of Group Performance

	Individual		Variance		Cumulative		Variance	
	Period Ended	Period Ended			Period Ended	Period Ended		
	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18	RM'000	RM'000	RM'000	%
Revenue	184,378	177,450	6,928	3.90%	754,335	751,271	3,064	0.41%
Profit before tax ("PBT")	5,406	5,122	284	5.54%	20,884	45,848	(24,964)	-54.45%
Profit after tax ("PAT")	3,825	2,043	1,782	87.22%	12,421	30,409	(17,988)	-59.15%

Individual Period

The decrease in revenue of approximately RM6.93 million comparing current individual quarter to preceding year corresponding individual quarter, mainly attributable to construction and property development segments whereby the movement is tabulated as follows.

Segment	Individual Period Ended		Net Movement
	31-Dec-19 (RM'000)	31-Dec-18 (RM'000)	RM'000
Construction	152,648	161,083	(8,435)
Property Development	30,839	15,789	15,050

Higher revenue in property development driven by development project, Laman Bayu, which launched in current financial year as explained under segmental information Note A4.

The marginal improvement in PAT also partly due to the breakeven achieved by MGB SANY in current individual quarter under reviewed as opposed to net loss of approximately RM2.31 million in preceding year corresponding individual quarter.

Year to Date ("YTD")

For current YTD ended 31 December 2019, the Group recorded revenue of approximately RM754.34 million, representing a growth of approximately RM3.06 million compared to the previous financial year.

The movement of the revenue mainly attributable to the increase recorded in property development segment of approximately RM42.74 million but mitigated by the decrease recorded in construction segment of approximately RM39.92 million.

The Group's overall PAT was adversely impacted by the soft profit margin from on-going construction projects and the increase in operation cost, finance cost and depreciation as a result of previous year business expansion. The development profit from newly launched project, Laman Bayu, also relatively lower compared to maiden project due to different product type launched.

In terms of segmental assets and liabilities, construction and trading segment remains as the top contributor with total assets of approximately RM564.62 million or 58.40% and total liabilities of RM450.52 million or 88.50% respectively out of the total Group's assets of RM966.74 million and Group's liabilities of RM509.04 million as at 31 December 2019.

B2. Variation of Results Against Immediate Preceding Quarter

	Current Quarter Ended 31-Dec-19	Preceding Quarter Ended 30-Sep-19	Variance	
	RM'000	RM'000	RM'000	%
Revenue	184,378	168,038	16,340	9.72%
Profit before tax ("PBT")	5,406	3,572	1,834	51.34%
Profit after tax ("PAT")	3,825	2,704	1,121	41.46%

Construction segment has contributed to the overall increase in revenue by comparing current financial quarter to immediate preceding quarter. Higher revenue couple with lower operating expenses in current financial quarter has translated into higher profit consequently.

Profit in immediate preceding quarter has partly impacted by recognition of one-off expenses such as under-provision of previous year income tax, levy and sourcing fee for foreign labours, branding and website upgrading fee and others.

B3. Prospects for the Year

Moving into year 2020, the prospect of the Malaysian economy remains optimistic amid increasing uncertainties in the external environment. The real GDP is expected to be 4.8% in 2020. (*sourced: economic outlook 2020 by Ministry of Finance*).

In October 2019, the Government has launched new mantra Shared Prosperity Vision 2030 ("SPV 2030") with the main aim to provide a decent living standard to all Malaysians by addressing wealth inequality and narrowing the urban-rural development gap.

Not forgetting the key actions plans announced in the National Housing Policy 2018-2025, the Budget 2020 has introduced various aiding measures, amongst others, Rent-to-Own financing scheme to enhance the accessibility to affordable houses. Government also encourage financial institutions to provide more flexible and innovative financing scheme to first time home buyers.

With the initiatives from the Government in promoting affordable housing scheme, MGB Group is confident to play the role as core developer of affordable houses on the back of several joint venture / development right agreements entered recently with land-owners. The self-supply of precast concrete panels is expected to reduce the time and labour cost in the development project which eventually enhance the profitability.

Construction will continue to be the core driver to the Group's performance on the back of its outstanding order book of RM1.38 billion as at 31 December 2019. The Group targets to replenish quality order books and continue doing the best in delivery of final products.

The Board and Management maintain a stable with cautious outlook for the Group's businesses for financial year 2020 amid the local and global uncertainties. We will review all functions within the Group vigilantly and be self-conscious, era-conscious, social-conscious and leak-conscious to increase efficiency, align to public needs and prevent unnecessary profit leaking at all times.

Barring any unforeseen circumstances, the Board is cautiously optimistic that the Group will perform satisfactorily in year 2020.

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 Quarter 31-Dec-19 RM'000	Current Year to Date 31-Dec-19 RM'000
Income Tax:		
- Current period	2,257	9,528
- Prior year	-	652
	2,257	10,180
 Deferred Tax:		
- Current period	(676)	(924)
- Prior year	-	(793)
Total Taxation	1,581	8,463

B6. Status of Corporate Proposals Announced

Saved as disclosed below, there were no corporate proposals announced that are yet to be completed as at LPD.

- (a) On 27 May 2019, the Company together with PNSB Construction Sdn Bhd (“PCSB”) (collectively referred to as the “Consortium”), has entered into a Development Rights Agreement (“DRA”) with Must Ehsan Development Sdn Bhd (“MEDSB”) for the development on 3 parcels of leasehold lands all situated in Seksyen 7, Bandar Shah Alam, Daerah Petaling, Negeri Selangor subject to and upon the terms and conditions of the DRA. This DRA has not been completed as the conditions precedent therein have not been complied.

- (b) On 5 August 2019, the Company indirect wholly-owned subsidiary, SKSB has entered into a Joint Venture Agreement (“JVA”) with Aset AZG Sdn Bhd to jointly develop all that piece and parcel of 99 years leasehold land expiring on 10 April 2104 held under PN 21282, Lot 15303, Mukim Tanah Rata, Daerah Cameron Highlands, Negeri Pahang measuring approximately 7,626 square meters / 1.884 acres into a block of serviced apartment. This JVA has not been completed as the conditions precedent therein have not been complied.

B6. Status of Corporate Proposals Announced (Cont'd)

- (c) On 24 January 2020, the consortium of PNSB Construction Sdn Bhd and MGB Berhad together with Idaman Living Sdn Bhd, an indirect wholly owned subsidiary of the Company had entered into a Development Rights Agreement (“Proposed DRA”) with Solid Benefit Sdn Bhd and Eco Green City Sdn Bhd to develop all that piece of 99 years leasehold land expiring on 1 February 2104 held under PN 116631 Lot 120760 (previously held under H.S.(D) 43589, PT 54535) in Mukim Dengkil, Daerah Sepang, Negeri Selangor measuring approximately 4.882 hectares into affordable homes under Rumah Selangorku Idaman scheme. The Proposed DRA has not been completed as the conditions precedent therein have not been complied.
- (d) On 24 January 2020, the consortium of PNSB Construction Sdn Bhd and MGB Berhad together with Idaman Aktif Sdn Bhd, an indirect wholly owned subsidiary of the Company has on entered into a Joint Venture Agreement (“Proposed JVA”) with Abadi Man Nien Sdn Bhd to jointly develop all that two (2) pieces of leasehold lands of ninety (99) years, both expiring on 14 May 2091 held under H.S.(M) 22704, PT 49907, Mukim Dengkil, Daerah Sepang, Negeri Selangor measuring approximately 8,743 square meters and H.S.(M) 22705, PT 49908, Mukim Dengkil, Daerah Sepang, Negeri Selangor measuring approximately 15,769 square meters into affordable housing homes under Rumah Selangorku Idaman scheme. The Proposed JVA has not been completed as the conditions precedent therein have not been complied.

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B7. Borrowings and Debt Securities

Total borrowings of the Group comprised of the followings:

	As at 31-Dec-19 RM'000 (Unaudited)	As at 31-Dec-18 RM'000 (Audited)
Secured Bank Borrowings		
Term loans	109,441	176,893
Bank overdrafts	12,282	13,781
Finance lease liabilities	37,366	40,964
Total Bank Borrowings	159,089	231,638
Short Term Borrowings		
Term loans	63,239	114,927
Bank overdrafts	12,282	13,781
Finance lease liabilities	13,814	10,166
Total Short Term Borrowings	89,335	138,874
Long Term Borrowings		
Term loans	46,202	61,966
Finance lease liabilities	23,552	30,798
Total Long Term Borrowings	69,754	92,764

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 year.

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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	
	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
Profit attributable to owners of the parent (RM'000)	3,303	3,488	13,419	32,188
Weighted average number of ordinary shares in issue ('000)	500,794	496,804	498,040	495,778
Basic EPS (Sen)	0.66	0.70	2.69	6.49

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 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-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
Profit attributable to owners of the parent (RM'000)	3,303	3,488	13,419	32,188
Weighted average number of ordinary shares in issue ('000)	500,794	496,854	498,040	496,049
Effect of conversion of warrants ('000)	-	2,805	-	2,805
Effect of conversion of ICPS ('000)	90,000	90,000	90,000	90,000
	590,794	589,659	588,040	588,854
Diluted EPS (Sen)	0.56	0.59	2.28	5.47

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

	Current Quarter Ended 31-Dec-19 RM'000	Current Year To Date Ended 31-Dec-19 RM'000
Interest income	(38)	(156)
Gain on disposal of PPE	(165)	(207)
Impairment losses on receivables	135	123
Rental income	-	(119)
Amortisation of intangible assets	622	2,159
Amortisation of investment properties	311	1,244
Depreciation of PPE	3,517	12,122
Finance costs	2,606	9,770
	2,606	9,770

B12. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors on 21 February 2020.

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