



MGB BERHAD

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

INTERIM FINANCIAL REPORT 31 MARCH 2020

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
- FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020**

	Individual Quarter		Cumulative Period		
	Current Year Quarter Ended 31-Mar-20 (Unaudited) RM'000	Preceding Year Quarter Ended 31-Mar-19 (Unaudited) RM'000	Current Year To Date Ended 31-Mar-20 (Unaudited) RM'000	Preceding Year To Date Ended 31-Mar-19 (Unaudited) RM'000	
Revenue	152,001	203,602	152,001	203,602	
Cost of sales	(133,099)	(183,105)	(133,099)	(183,105)	
Gross profit	18,902	20,497	18,902	20,497	
Interest income	110	12	110	12	
Other income	64	191	64	191	
Operating expenses	(12,055)	(13,255)	(12,055)	(13,255)	
Finance costs	(2,094)	(2,160)	(2,094)	(2,160)	
Share of profit of an associate (net of tax)	13	7	13	7	
Profit before tax	4,940	5,292	4,940	5,292	
Taxation	(2,836)	(3,214)	(2,836)	(3,214)	
Profit after tax for the financial year	2,104	2,078	2,104	2,078	
Other comprehensive income for the financial year	-	-	-	-	
Total comprehensive income for the financial year	2,104	2,078	2,104	2,078	
Profit/(Loss) for the financial year attributable to:					
Owners of the parent	2,391	3,106	2,391	3,106	
Non-controlling interests	(287)	(1,028)	(287)	(1,028)	
Total comprehensive income/(loss) for the financial year attributable to:	2,104	2,078	2,104	2,078	
Owners of the parent	2,391	3,106	2,391	3,106	
Non-controlling interests	(287)	(1,028)	(287)	(1,028)	
2,104	2,078	2,104	2,078		
Earnings per share attributable to owners of the parent:					
Basic (Sen)	B10	0.48	0.63	0.48	0.63
Diluted (Sen)	B10	0.40	0.53	0.40	0.53

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 2019 and the accompanying explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
- AS AT 31 MARCH 2020

	Note	31 March 2020 (Unaudited) RM'000	31 December 2019 (Audited) RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment ("PPE")	A9	24,276	24,226
Right-of-use assets ("ROU")		85,505	87,341
Intangible assets		1,446	1,828
Investment properties		56,987	57,298
Capital work-in-progress		3,901	3,901
Investment in associates		164	151
Goodwill on consolidation		254,695	254,695
		426,974	429,440
Current Assets			
Inventories		15,651	19,707
Contract assets		136,567	146,396
Trade receivables		59,059	67,259
Other receivables		21,321	19,417
Amount due from related companies		256,651	248,439
Amount due from an associate		12	12
Tax recoverable		1,554	1,809
Fixed deposits with licensed banks		3,020	3,000
Cash held under Housing Development Accounts		4,059	1,896
Cash and bank balances		40,188	28,204
		538,082	536,139
Asset held for sale		3,000	3,000
		541,082	539,139
TOTAL ASSETS		968,056	968,579

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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 2019 and the accompanying explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
- AS AT 31 MARCH 2020 (cont'd)

	Note	31 March 2020 (Unaudited) RM'000	31 December 2019 (Audited) RM'000
<u>EQUITY AND LIABILITIES</u>			
Equity attributable to owners of the parent:			
Share capital			
- Ordinary shares		327,886	327,886
- Irredeemable Convertible Preference Shares ("ICPS")		60,300	60,300
Other reserve		(1,684)	(1,684)
Asset revaluation reserve		4,592	4,592
Retained earnings		68,011	65,620
		459,105	456,714
Non-controlling interests		771	1,058
Total Equity		459,876	457,772
<u>LIABILITIES</u>			
Non-current Liabilities			
Loans and borrowings	B7	34,532	35,636
Lease liabilities	B7	23,872	23,563
Deferred tax liabilities		1,980	1,911
		60,384	61,110
Current Liabilities			
Trade payables		275,842	255,891
Contract liabilities		47,961	40,649
Amount due to related companies		9,452	10,353
Other payables		33,503	42,405
Amount due to an associate		7	7
Bank overdrafts	B7	2,322	12,282
Loans and borrowings	B7	65,874	75,990
Lease liabilities	B7	12,116	11,903
Tax payable		719	217
		447,796	449,697
Total Liabilities		508,180	510,807
TOTAL EQUITY AND LIABILITIES		968,056	968,579
Net assets per share attributable to owners of the parent (RM)		0.92	0.92

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
- FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020

	<-----Attributable to owners of the parent----->					Total RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	ICPS RM'000	Asset Revaluation Reserve RM'000	Other Reserve RM'000	Retained Earnings RM'000			
Group								
At 1 January 2020	327,886	60,300	4,592	(1,684)	65,620	456,714	1,058	457,772
Profit for the financial period, representing total comprehensive income for the financial period	-	-	-	-	2,391	2,391	(287)	2,104
At 31 March 2020	327,886	60,300	4,592	(1,684)	68,011	459,105	771	459,876

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (AUDITED)
- FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020 (cont'd)

Group	<-----Attributable to owners of the parent----->					Total RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	ICPS RM'000	Warrant Reserve RM'000	Asset Revaluation Reserve RM'000	Retained Earnings RM'000			
At 1 January 2019	325,503	60,300	526	4,747	51,456	442,532	609	443,141
Profit for the financial period, representing total comprehensive income for the financial period	-	-	-	-	3,106	3,106	(1,028)	2,078
Transactions with owners								
Issuance of ordinary shares pursuant to:								
- exercise of warrants	14	-	-	-	-	14	-	14
Realisation of warrants reserves	-	-	(3)	-	3	-	-	-
Total transactions with owners	14	-	(3)	-	3	14	-	14
At 31 March 2019	325,517	60,300	523	4,747	54,565	445,652	(419)	445,233

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 2019 and the accompanying explanatory notes attached to the interim financial report.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
- FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020**

	As at 31-Mar-20 RM'000 (Unaudited)	As at 31-Mar-19 RM'000 (Unaudited)
Profit before tax	4,940	5,292
Adjustments for:		
Amortisation of intangible assets	382	397
Depreciation and amortisation of		
- PPE	1,508	2,513
- investment properties	311	311
- ROU	1,787	-
Impairment losses on:		
- trade receivables	7	-
- related companies	1	-
Finance costs	2,094	2,160
Reversal of impairment losses on:		
- trade receivables	(1)	(18)
Loss on disposal of PPE	16	-
Interest income	(110)	(12)
Share of profit of an associate (net of tax)	(13)	(7)
Operating profit before working capital changes	10,922	10,636
Changes in working capital:		
Inventories	4,056	8,813
Receivables	6,289	(13,762)
Payables	11,098	(18,987)
Contract assets and contract liabilities	17,141	(24,190)
Related companies	(9,112)	34,437
	29,472	(13,689)
Cash generated from/ (used in) operations	40,394	(3,053)
Interest paid	(2,094)	(2,160)
Interest income	110	12
Income tax paid	(2,011)	(3,492)
	(3,995)	(5,640)
Net cash generated from/ (used in) operating activities	36,399	(8,693)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
- FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020 (cont'd)

	As at 31-Mar-20 RM'000 (Unaudited)	As at 31-Mar-19 RM'000 (Unaudited)
Cash flows from investing activities		
Purchase of PPE	(1,649)	(2,775)
Proceeds from disposal of PPE	75	-
Net cash used in investing activities	(1,574)	(2,775)
Cash flows from financing activities		
Drawdown of bank borrowings	19,671	32,825
(Increased)/Decreased of fixed deposits pledged	(20)	83
Proceeds from issuance of ordinary shares arising from conversion of warrants	-	14
Drawdown /(Repayment) of lease liabilities	522	(2,692)
Repayment of bank borrowings	(30,892)	(18,607)
Net cash (used in)/ generated from financing activities	(10,719)	11,623
Net increase in cash and cash equivalents	24,106	155
Cash and cash equivalents at the beginning of the financial period	17,029	1,178
Cash and cash equivalents at the end of the financial period	41,135	1,333
Cash and cash equivalents at the end of the financial year comprise:		
Cash and bank balances	40,188	13,796
Cash held under Housing Development Accounts	4,059	1,801
Fixed deposits with licensed banks	3,020	2,279
Bank overdrafts	(2,322)	(13,541)
	44,945	4,335
Less: Fixed deposits pledged with licensed banks	(3,020)	(2,279)
Cash and bank balances pledged with a licensed bank	(790)	(723)
	41,135	1,333

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial report.

A. EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR FINANCIAL PERIOD ENDED 31 MARCH 2020

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 2019. 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 2019.

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 2019 except for the adoption of the following:

Amendments to MFRS 3	Definition of a Business
Amendments to MFRS 9, MFRS 139 and MFRS 7	Interest Rate Benchmark Reform
Amendments to MFRS 101 and MFRS 108	Definition of Material

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.

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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>
Amendment to MFRS 16	Covid-19-Related Concessions	Rent 1 June 2020
MFRS 17	Insurance Contracts	1 January 2021
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current	1 January 2022
Amendments to MFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 116	Property, Plant and Equipment- Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137	Onerous Contracts-Cost of Fulfilling a Contract	1 January 2022
Annual Improvement to MFRSs	Standards 2018-2020	1 January 2022
	<ul style="list-style-type: none"> • Amendments to MFRS 1 • Amendments to MFRS 9 • Amendments to MFRS 16 • Amendments to MFRS 141 	
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investors and its Associates or Joint Venture	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 2019 was not subject to any qualification.

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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 March 2020 (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	120,301	31,219	481	152,001	-	152,001
Inter-segment revenue	23,594	-	1	23,595	(23,595)	-
Total revenue	143,895	31,219	482	175,596	(23,595)	152,001
Results						
Interest income	73	35	2	110	-	110
Finance costs	(1,571)	(1)	(522)	(2,094)	-	(2,094)
Depreciation and amortisation	(3,307)	(29)	(270)	(3,606)	-	(3,606)
Amortisation of intangible assets	-	-	(382)	(382)	-	(382)
Share of profit of associates (net of tax)	-	-	-	-	-	13
Segment profit/(loss) before tax	1,307	4,866	(1,233)	4,940	-	4,940
Taxation						(2,836)
Segment profit/(loss) after tax						2,104
Other non-cash items						
Impairment losses on receivables	3	5	-	8	-	8
Assets						
Additions to PPE	1,638	11	-	1,649	-	1,649
Segment assets	571,461	110,609	285,986	968,056	-	968,056
Liabilities						
Segment liabilities	453,441	26,857	27,882	508,180	-	508,180

A4. Segmental Information (Cont'd)

31 March 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	174,668	28,509	425	203,602	-	203,602
Inter-segment revenue	32,150	-	2	32,152	(32,152)	-
Total revenue	206,818	28,509	427	235,754	(32,152)	203,602
Results						
Interest income	5	6	1	12	-	12
Finance costs	(1,589)	-	(571)	(2,160)	-	(2,160)
Depreciation and amortisation	(2,551)	(1)	(272)	(2,824)	-	(2,824)
Amortisation of intangible assets	-	-	(397)	(397)	-	(397)
Share of losses of an associate (net of tax)	7	-	-	7	-	7
Segment profit/(loss) before tax	4,399	2,770	(1,877)	5,292	-	5,292
Taxation						(3,214)
Segment profit/(loss) after tax						2,078
Other non-cash items						
Reversal of impairment losses on receivables	(38)	20	-	(18)	-	(18)
Assets						
Additions to PPE	22,963	-	-	22,963	-	22,963
Segment assets	624,492	124,123	287,554	1,036,169	-	1,036,169
Liabilities						
Segment liabilities	530,152	31,280	29,504	590,936	-	590,936

A4. Segmental Information (Cont'd)

Segmental Performance (financial period ended 31 March 2020 against financial period ended 31 March 2019)

Construction and Trading

(i) Construction

The construction activities registered revenue of RM120.30 million in current financial period as compared to RM174.67 million in the preceding year corresponding period, representing a decreased of approximately RM54.37 million or 31.13%. Lower revenue also translated into lower profit before tax ("PBT") of RM1.31 million in current financial period.

The implementation of Movement Control Order ("MCO") in Malaysia since 18 March 2020 due to the Coronavirus disease "COVID-19" pandemic have caused disruptions to the construction progress as all construction sites are required to shut down. Soft profit margin coupled with low progress billings but fixed operating costs, the financial performance of construction segment in current financial quarter has been adversely affected.

(ii) Manufacturing and trading of precast products

During current financial period, the manufacturing business has generated internal revenue of approximately RM2.56 million compared to the preceding year corresponding period of RM1.40 million, representing an increase of approximately RM1.16 million or 82.86%. Higher revenue achieved in current financial quarter as more orderbooks secured with higher capacity from 2 plants located at Alam Perdana and Nilai respectively.

However, the business has recorded a loss of RM1.51 million as of 31 March 2020 with 2 factory operating at full swing as compared to a loss of RM1.73 million in the preceding corresponding quarter. The manufacturing plant in Nilai started in middle of March 2019. However, MGB SANY still 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.

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A4. Segmental Information (Cont'd)

Segmental Performance (financial period ended 31 March 2020 against financial period ended 31 March 2019) (Cont'd)

Property Development

The property development segment registered revenue of RM31.22 million and PBT of RM4.87 million in current financial period as compared to RM28.51 million and RM2.77 million respectively in preceding year corresponding quarter, representing growth of approximately 9.51% and 75.81% respectively.

Higher revenue and PBT derived from the development project Laman Bayu in current financial period as compared to previous year corresponding period. The effective marketing strategies and attractive promotion package have boosted the sales of Laman Bayu. As at 31 March 2020, 206 units (31 March 2019: 67 units) has been sold with sales value of RM74.30 million (31 March 2019: RM24.00 million).

Notwithstanding the above, the maiden project Zenopy Residences has also contributed PBT of approximately RM2.42million to the property development segment with 99% units sold and rapid progression to rush for vacant possession delivery by end of the year.

Others

The segmental losses of approximately RM1.23 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 RM0.48 million and RM0.43 million respectively in the current financial period and in preceding year corresponding quarter. Nevertheless, the operation profit has been fully mitigated by the depreciation and finance cost incurred during the period.

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.

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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 PPE and ROU

There were no valuation of PPE and ROU carried out during the current quarter under review.

Included in the ROU are leasehold lands and buildings that are stated at revalued amount less accumulated depreciation and accumulated impairment losses.

A10. Debts and Equity Securities

There was no issue, repurchase and repayment of debt and equity securities during the financial period.

A11. Changes in Composition of the Group

There were no other changes in the composition of the Group during the financial period.

A12. Capital Commitments

Total capital commitments of the Group comprised of the followings:

	As at 31-Mar-20 RM'000	As at 31-Mar-19 RM'000
<u>Authorised and contracted for :</u>		
Sale and Purchase Agreement for - Property, plant and equipment	9,103	10,403
Purchase Order for - Interior design and renovation works	1,029	1,345
	1,029	1,345

A13. Subsequent Events

Saved as disclosed below, there were no subsequent events as at 19 June 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.

- (a) On 5 June 2020, an indirect wholly owned subsidiary of the Company, Prisma Kasturi Sdn Bhd, entered into sixty three (63) separate Sale and Purchase Agreement (“SPAs”) with AZ Avenue Sdn Bhd for the disposal of sixty three (63) units of properties (“the Properties”) for a total consideration of RM28,700,400 only (“Disposal Price”) (“Proposed Disposal”). For the avoidance of doubt, the Disposal Price includes all renovation done on the said Properties including the fixtures and fittings and equipment suitable and relevant for hotel operation. This Proposed Disposal has not been completed as the conditions precedent therein have not been complied.

A14. Changes in Contingent Liabilities and Contingent Assets

(a) Contingent Liabilities

	As at 31-Mar-20	As at 31-Mar-19
	RM'000	RM'000
Bank guarantees issued for:		
- Construction Contracts	3,561	9,363
- Property Development	2,205	909
- Others	8	48
	5,773	10,320

(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 year were summarised as follows:

	As at 31-Mar-20	As at 31-Mar-19
	RM'000	RM'000
Income		
Contract revenue	132,245	99,514
Expenses		
Purchase of materials	4,529	13,229
Rental of premises	-	12

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

B1. Review of Group Performance

	Individual				Cumulative			
	Period Ended	Period Ended	Variance		Period Ended	Period Ended	Variance	
	31-Mar-20	31-Mar-19	RM'000	%	31-Mar-20	31-Mar-19	RM'000	%
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	152,001	203,602	(51,601)	-25.34%	152,001	203,602	(51,601)	-25.34%
Profit before tax ("PBT")	4,940	5,292	(352)	-6.65%	4,940	5,292	(352)	-6.65%
Profit after tax ("PAT")	2,104	2,078	26	1.25%	2,104	2,078	26	1.25%

For the financial period ended 31 March 2020, the Group's revenue were contributed by the following segments.

Segment	Individual Period Ended		Net Movement
	31-Mar-20 (RM'000)	31-Mar-19 (RM'000)	RM'000
Construction	120,301	174,668	(54,367)
Property Development	31,219	28,509	2,710
Others	481	425	56

Despite the significant dip in revenue and PBT of the construction segment due to soft profit and delayed construction progress since MCO implemented, the improved performance from property development, as explained under segmental information Note A4, has mitigated the negative effect and resulted a marginal increased in PAT

In term of segmental assets and liabilities, construction and trading segment remains as the top contributor with total assets of approximately RM571.46 million or 59.03% and total liabilities of RM453.44 million or 89.23% respectively out of the total Group's assets of RM968.05 million and Group's liabilities of RM508.18 million as at 31 March 2020.

B2. Variation of Results Against Immediate Preceding Quarter

	Current Quarter Ended	Preceding Quarter Ended	Variance	
	31-Mar-20	31-Dec-19	RM'000	%
	RM'000	RM'000	RM'000	%
Revenue	152,001	184,378	(32,377)	-17.56%
Profit before tax ("PBT")	4,940	5,406	(466)	-8.62%
Profit after tax ("PAT")	2,104	3,825	(1,721)	-44.99%

The financial performance of the Group is weaker in current quarter under review mainly due to overall slowdown of economy locally and globally consequently from oil price crisis, political instability and threads of COVID-19. Business operations also faced hiccup and suspension when MCO implemented to battle COVID-19 pandemic.

B3. Prospects for the Year

The Malaysian economy's GDP dropped sharply to only register a growth rate of 0.7% in the first quarter of 2020 compared with 3.6% in the fourth quarter of 2019. The significant slowdown was largely caused by the COVID-19 pandemic and the implementation of the MCO started on 18 March 2020. Bank Negara has proactively reduced the Overnight Policy Rate (OPR) from 2.5% to 2.0% with the last reduction was on 5 May 2020, which should cushion the consequential financial impact on the economy.

To improve the economic risks, Government has been introducing stimulus packages from time to time during this critical period with the aim to alleviate the pandemic's immediate impact. Amongst others include wages subsidy, moratorium on loan repayment, extension of time for statutory contribution, tax revision, levies reduction and others.

Further, on 5 June 2020, Government unveiled the Short-Term Economic Recovery Plan (STERP) whereby 1 of the initiative was the exemption of the real property gain tax for disposal up to three (3) units of residential homes by an individual from 1 June 2020 to 31 December 2021. Not forgetting the Home Ownership Campaign (HOC), which ran throughout 2019, was designed to encourage the increase in home ownership among Malaysians is now extended till 2021.

Although the market environment remain challenging for the Group for the financial year ending 31 December 2020, but tapping on all the initiatives and stimulating measures from the Government, the Group is confident that the economy will recover at its optimum pace and subsequently boost consumer's sentiment and spending on property market.

MGB Group is looking forward 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.

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-Mar-20 RM'000	Current Year to Date 31-Mar-20 RM'000
Income Tax:		
- Current period	2,768	2,768
Deferred Tax:		
- Current period	68	68
Total Taxation	2,836	2,836

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. (collectively referred to as "the Consortium"), has entered into a Development Rights Agreement ("DRA") with Must Ehsan Development Sdn. Bhd. 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. The conditions precedent set in this JVA have been fulfilled. Thus, the JVA has become unconditional.
- (c) On 24 January 2020, the Consortium together with Idaman Living Sdn. Bhd., an indirect wholly-owned subsidiary of the Company had entered into a Development Rights Agreement 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 ("Proposed DRA"). The Proposed DRA has not been completed as the conditions precedent therein have not been complied.

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

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

- (d) On 24 January 2020, the Consortium together with Idaman Aktif Sdn. Bhd., an indirect wholly owned subsidiary of the Company have entered into a Joint Venture Agreement 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 ("Proposed JVA"). The Proposed JVA has not been completed as the conditions precedent therein have not been complied.

B7. Borrowings and Debt Securities

Total borrowings of the Group comprised of the followings:

	As at 31-Mar-20 RM'000 (Unaudited)	As at 31-Mar-19 RM'000 (Unaudited)
Secured		
Term loans	100,406	192,054
Bank overdrafts	2,322	13,541
Finance lease liabilities	-	39,526
Lease liabilities	35,988	-
Total	138,716	245,121
Current		
Term loans	65,874	129,950
Bank overdrafts	2,322	13,541
Finance lease liabilities	-	10,408
Lease liabilities	12,116	-
Total	80,312	153,899
Non-current		
Term loans	34,532	62,104
Finance lease liabilities	-	29,118
Lease liabilities	23,872	-
Total	58,404	91,222

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.

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-Mar-20	31-Mar-19	31-Mar-20	31-Mar-19
Profit attributable to owners of the parent (RM'000)	2,391	3,106	2,391	3,106
Weighted average number of ordinary shares in issue ('000)	501,653	496,894	501,653	496,894
Basic EPS (Sen)	0.48	0.63	0.48	0.63

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-Mar-20	31-Mar-19	31-Mar-20	31-Mar-19
Profit attributable to owners of the parent (RM'000)	2,391	3,106	2,391	3,106
Weighted average number of ordinary shares in issue ('000)	501,653	496,894	501,653	496,894
Effect of conversion of warrants ('000)	-	1,623	-	1,623
Effect of conversion of ICPS ('000)	90,000	90,000	90,000	90,000
	591,653	588,517	591,653	588,517
Diluted EPS (Sen)	0.40	0.53	0.40	0.53

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

	Current Quarter Ended 31-Mar-20 RM'000	Current Year To Date Ended 31-Mar-20 RM'000
Interest income	(110)	(110)
Rental income	(5)	(5)
Reversal of impairment losses on receivables	(1)	(1)
Loss on disposal of PPE	16	16
Impairment losses on receivables	8	8
Amortisation of intangible assets	382	382
Amortisation of investment properties	311	311
Depreciation of PPE	1,508	1,508
Depreciation of ROU	1,787	1,787
Finance costs	2,094	2,094
	2,094	2,094

B12. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors on 26 June 2020.

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