



MGB BERHAD

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

INTERIM FINANCIAL REPORT 30 SEPTEMBER 2020

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
- FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020**

	Note	Individual Quarter		Cumulative Period	
		Current Year Quarter Ended 30-Sep-20 (Unaudited) RM'000	Preceding Year Quarter Ended 30-Sep-19 (Unaudited) RM'000	Current Year To Date Ended 30-Sep-20 (Unaudited) RM'000	Preceding Year To Date Ended 30-Sep-19 (Unaudited) RM'000
Revenue		165,219	168,038	381,700	569,957
Cost of sales		(143,715)	(146,407)	(329,618)	(508,500)
Gross profit		21,504	21,631	52,082	61,457
Interest income		45	22	283	118
Other income		736	77	4,070	2,212
Operating expenses		(13,084)	(15,412)	(36,580)	(41,110)
Finance costs		(1,572)	(2,702)	(5,703)	(7,164)
Share of profit of an associate (net of tax)		170	(44)	194	(35)
Profit before tax		7,799	3,572	14,346	15,478
Taxation	B5	(2,156)	(868)	(6,543)	(6,882)
Profit after tax for the financial period		5,643	2,704	7,803	8,596
Other comprehensive income for the financial period		-	-	-	-
Total comprehensive income for the financial period		5,643	2,704	7,803	8,596
Profit/(Loss) for the financial period attributable to:					
Owners of the parent		5,555	3,008	8,323	10,116
Non-controlling interests		88	(304)	(520)	(1,520)
		5,643	2,704	7,803	8,596
Total comprehensive income/(loss) for the financial year attributable to:					
Owners of the parent		5,555	3,008	8,323	10,116
Non-controlling interests		88	(304)	(520)	(1,520)
		5,643	2,704	7,803	8,596
Earnings per share attributable to owners of the parent:					
Basic (Sen)	B10	1.11	0.60	1.66	2.03
Diluted (Sen)	B10	0.94	0.51	1.41	1.72

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 30 SEPTEMBER 2020

	Note	30 September 2020 (Unaudited) RM'000	31 December 2019 (Audited) RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment ("PPE")	A9	20,626	24,226
Right-of-use assets ("ROU")		85,872	87,341
Intangible assets		832	1,828
Investment properties		40,092	57,298
Capital work-in-progress		-	3,901
Investment in associates		345	151
Goodwill on consolidation		254,695	254,695
		402,462	429,440
Current Assets			
Inventories		26,528	19,707
Contract assets		105,583	146,396
Trade receivables		42,631	67,259
Other receivables		18,594	19,417
Amount due from related companies		279,352	248,439
Amount due from an associate		75	12
Tax recoverable		2,510	1,809
Fixed deposits with licensed banks		3,072	3,000
Cash held under Housing Development Accounts		369	1,896
Cash and bank balances		19,518	28,204
		498,232	536,139
Asset held for sale		-	3,000
		498,232	539,139
TOTAL ASSETS		900,694	968,579

(THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK)

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 30 SEPTEMBER 2020 (cont'd)

	Note	30 September 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		4,248	4,592
Retained earnings		74,287	65,620
		465,037	456,714
Non-controlling interests		538	1,058
Total Equity		465,575	457,772
<u>LIABILITIES</u>			
Non-current Liabilities			
Loans and borrowings	B7	30,156	35,636
Lease liabilities	B7	22,191	23,563
Deferred tax liabilities		1,872	1,911
		54,219	61,110
Current Liabilities			
Trade payables		168,134	255,891
Contract liabilities		40,357	40,649
Amount due to related companies		10,354	10,353
Other payables		40,904	42,405
Amount due to an associate		7	7
Bank overdrafts	B7	12,544	12,282
Loans and borrowings	B7	94,815	75,990
Lease liabilities	B7	11,582	11,903
Tax payable		2,203	217
		380,900	449,697
Total Liabilities		435,119	510,807
TOTAL EQUITY AND LIABILITIES		900,694	968,579
Net assets per share attributable to owners of the parent (RM)		0.93	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 30 SEPTEMBER 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	-	-	-	-	8,323	8,323	(520)	7,803
Realisation of asset revaluation reserve	-	-	(344)	-	344	-	-	-
At 30 September 2020	327,886	60,300	4,248	(1,684)	74,287	465,037	538	465,575

(THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
- FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020 (cont'd)

Group	-----Attributable to owners of the parent----->				Retained Earnings RM'000	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				
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	-	-	-	-	10,116	10,116	(1,520)	8,596
Transactions with owners								
Issuance of ordinary shares pursuant to:								
- exercise of warrants	318	-	-	-	-	318	-	318
Realisation of warrants reserves	-	-	(64)	-	64	-	-	-
Total transactions with owners	318	-	(64)	-	64	318	-	318
At 30 September 2019	325,821	60,300	462	4,747	61,636	452,966	(911)	452,055

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 30 SEPTEMBER 2020**

	As at 30-Sep-20 RM'000 (Unaudited)	As at 30-Sep-19 RM'000 (Unaudited)
Profit before tax	14,346	15,478
Adjustments for:		
Amortisation of intangible assets	996	1,537
Depreciation and amortisation of		
- PPE	4,370	8,605
- investment properties	778	933
- ROU	5,578	-
Impairment losses on:		
- trade receivables	21	-
Finance costs	5,703	7,164
Reversal of impairment losses on:		
- trade receivables	(62)	(12)
- amount due from related companies	(16)	-
Gain on disposal of:		
- Investment properties	(2,660)	-
- PPE	(402)	(42)
- ROU	(258)	-
Interest income	(283)	(118)
Share of profit of an associate (net of tax)	(194)	35
Operating profit before working capital changes	27,917	33,580
Changes in working capital:		
Inventories	(6,821)	24,674
Receivables	25,492	86,871
Payables	(58,570)	(425)
Contract assets and contract liabilities	40,521	(2,373)
Related companies	(33,843)	(33,929)
Associate	(63)	-
	(33,284)	74,818
Cash (used in)/generated from operations	(5,367)	108,398
Interest paid	(5,703)	(7,164)
Interest income	283	118
Income tax paid	(5,298)	(9,400)
	(10,718)	(16,446)
Net cash (used in)/generated from operating activities	(16,085)	91,952

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
- FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020 (cont'd)

	As at 30-Sep-20 RM'000 (Unaudited)	As at 30-Sep-19 RM'000 (Unaudited)
Cash flows from investing activities		
Purchase of:		
-PPE	(2,709)	(9,328)
-ROU	(617)	-
Proceeds from disposal of PPE	773	156
Net cash used in investing activities	(2,553)	(9,172)
Cash flows from financing activities		
Drawdown of bank borrowings	151,742	126,821
Decrease of cash and bank balances pledged	790	-
(Increased) /Decreased of fixed deposits pledged	(72)	475
Proceeds from issuance of ordinary shares arising from conversion of warrants	-	318
Repayment of lease liabilities	(5,110)	-
Repayment of finance lease liabilities	-	(8,206)
Repayment of bank borrowings	(138,398)	(181,083)
Net cash generated from/(used in) financing activities	8,952	(61,675)
Net (decrease)/increase in cash and cash equivalents	(9,686)	21,105
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	7,343	22,283
Cash and cash equivalents at the end of the financial period comprise:		
Cash and bank balances	19,518	33,778
Cash held under Housing Development Accounts	369	2,536
Fixed deposits with licensed banks	3,072	1,886
Bank overdrafts	(12,544)	(13,308)
	10,415	24,892
Less: Fixed deposits pledged with licensed banks	(3,072)	(1,886)
Cash and bank balances pledged with a licensed bank	-	(723)
	7,343	22,283

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 30 SEPTEMBER 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 References to the Conceptual Framework in MFRS Standards

Amendments to MFRS 3

Amendments to MFRS 3

Amendments to MFRS 9, MFRS 139 and MFRS 7

Amendments to MFRS 101 and MFRS 108

Reference to the Conceptual Framework

Definition of a Business

Interest Rate Benchmark Reform

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.

(THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK)

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 Rent Concessions	1 June 2020
MFRS 4	Extension of the Temporary Exemption from Applying MFRS 9 (Amendments to MFRS 4 Insurance Contracts)	17 August 2020
MFRS 101	Classification of Liabilities as Current or Non-current – Deferral of Effective Date	17 August 2020
MFRS 4, MFRS 7, MFRS 9, MFRS 16 and MFRS 139	Interest Rate Benchmark Reform – Phase 2	1 January 2021
MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current	1 January 2023
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 2023
• Amendments to MFRS 1		
• Amendments to MFRS 9		
• Amendments to MFRS 16		
• Amendments to MFRS 17		
• 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.

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 and dormant.

(THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK)

A4. Segmental Information (Cont'd)

30 September 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	319,148	62,066	486	381,700	-	381,700
Inter-segment revenue	73,260	-	1	73,261	(73,261)	-
Total revenue	392,408	62,066	487	454,961	(73,261)	381,700
Results						
Interest income	236	45	2	283	-	283
Finance costs	(4,235)	(1)	(1,467)	(5,703)	-	(5,703)
Depreciation and amortisation	(10,194)	(63)	(469)	(10,726)	-	(10,726)
Amortisation of intangible assets	-	-	(996)	(996)	-	(996)
Share of profit of associates (net of tax)	194	-	-	194	-	194
Segment (loss)/profit before tax	5,989	9,418	(1,061)	14,346	-	14,346
Taxation						(6,543)
Profit after tax						7,803
Other non-cash items						
Gain on disposal of:						
- PPE	(402)	-	-	(402)	-	(402)
- Investment properties	-	-	(2,660)	(2,660)	-	(2,660)
- ROU	(258)	-	-	(258)	-	(258)
Reversal of impairment losses on receivables	(33)	(24)	-	(57)	-	(57)
Assets						
Additions to PPE	3,779	11	-	3,789	-	3,789
Additions to ROU	4,035	-	-	4,035	-	4,035
Segment assets	528,336	113,639	258,719	900,694	-	900,694
Liabilities						
Segment liabilities	370,217	50,673	14,229	435,119	-	435,119

A4. Segmental Information (Cont'd)

30 September 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	479,194	89,133	1,630	569,957	-	569,957
Inter-segment revenue	99,396	-	10	99,406	(99,406)	-
Total revenue	578,590	89,133	1,640	669,363	(99,406)	569,957
Results						
Interest income	62	54	2	118	-	118
Finance costs	(5,483)	-	(1,681)	(7,164)	-	(7,164)
Depreciation and amortisation	(8,709)	(5)	(824)	(9,538)	-	(9,538)
Amortisation of intangible assets	-	-	(1,537)	(1,537)	-	(1,537)
Share of losses of an associate (net of tax)	(35)	-	-	(35)	-	(35)
Segment profit/(loss) before tax	12,813	8,498	(5,833)	15,478	-	15,478
Taxation						(6,882)
Profit after tax						8,596
Other non-cash items						
Gain on disposal of PPE	(42)	-	-	(42)	-	(42)
(Reversal)/impairment losses on receivables	(79)	67	-	(12)	-	(12)
Assets						
Additions to PPE	14,296	-	26	14,322	-	14,322
Segment assets	568,626	124,716	289,332	982,674	-	982,674
Liabilities						
Segment liabilities	464,991	36,466	29,162	530,619	-	530,619

A4. Segmental Information (Cont'd)

Segmental Performance (financial period ended 30 September 2020 against financial period ended 30 September 2019)

Construction and Trading

(i) Construction

For current financial period ended 30 September 2020, the segment has registered a decrease of approximately RM160.04 million or 33.40% in revenue from RM479.19 million in the preceding year corresponding period to RM319.15 million.

The significant dip in revenue largely caused by the Movement Control Order ("MCO") and Conditional Movement Control Order ("CMCO") imposed by Malaysia Government as an immediate action to curb the outbreak of Coronavirus disease "COVID-19" pandemic. The MCO and CMCO started from 18 March 2020 to 9 June 2020, which exceeded 2 months period.

All construction sites are required to shut down during MCO period while 50% capacity allowed during CMCO. This unprecedented nature of disruption has resulted in substantially low construction progress achieved.

However, construction activities have been on full momentum as soon as moving into Recovery Movement Control Order ("RMCO") period to catch up the progression and the financial performance of the segment has recorded encouraging improvement by achieving approximately RM144.87 million in revenue and profit before tax of approximately RM6.00 million respectively in the individual quarter (July to September) itself.

(ii) Manufacturing and trading of precast products

During current financial period, the manufacturing business has generated internal revenue of approximately RM18.44 million compared to the preceding year corresponding period of RM27.57 million, representing a decrease of approximately RM9.13 million or 33.12%.

Lower revenue achieved in current financial period due to closure of factories and suspension of production activities in compliance with MCO as opposed to capacity from 2 plants located at Alam Perdana and Nilai respectively which operated in full swing in the preceding year corresponding period.

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.

(THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK)

A4. Segmental Information (Cont'd)

Segmental Performance (financial period ended 30 September 2020 against financial period ended 30 September 2019) (Cont'd)

Property Development

The revenue generated from the maiden project, Zenopy Residences, has decrease by approximately RM41.54 million following the delivery of vacant possession of Phase 1 in December 2019. However, the decrease was moderated by the increase in revenue captured in another development project, Laman Bayu, after all phases have been open for sales in 2020. Laman Bayu has generated revenue of RM35.58 million representing approximately RM14.48 million higher than financial period ended 2019 of RM21.10 million.

Notwithstanding the above, the construction progress for Zenopy Residences and Laman Bayu Phase 1 are now well-advanced in order to achieve target completion date by end of the year. With the advanced progression and saving in finance cost due to lower interest rate and rapid redemption, PBT of RM9.42 million realised in current financial period, representing a marginal 10.83% higher than previous corresponding period of RM8.50 million.

Others

The segment reported loss of approximately RM1.06 million in current financial period as compared to corresponding preceding period of RM5.83 million, representing a significant improvement of approximately RM4.77 million. The improvement recorded after the recognition of the gain from disposal of investment properties and PPE of approximately RM2.93 million under the hospitality business. Following the disposal of the properties, the group has ceased the hospitality business. Other expenses incurred under this segment including the amortisation of intangible assets, finance cost and administrative expenses incurred by the Company.

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.

(THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK)

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 30-Sep-20 RM'000	As at 30-Sep-19 RM'000
<u>Authorised and contracted for :</u>		
Sale and Purchase Agreement for		
- Property, plant and equipment	-	10,403
Joint Venture Agreement for		
- Settlement units to landowner	4,950	-
Purchase Order for		
- Interior design and renovation works	613	2,230
	613	2,230

A13. Subsequent Events

There were no subsequent events as at 17 November 2020, being the latest practicable date (“LPD”), which shall not be earlier than seven (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 30-Sep-20	As at 30-Sep-19
	RM'000	RM'000
Bank guarantees issued for:		
- Construction Contracts	3,632	3,561
- Property Development	2,515	2,145
- Others	8	8
	6,155	5,714

(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 30-Sep-20	As at 30-Sep-19
	RM'000	RM'000
Income		
Contract revenue	337,942	360,408
Expenses		
Contractor's fee	2,754	-
Purchase of materials	11,081	19,282
Purchase of PPE / renovation works	706	737
Purchase of properties	21,350	-
Rental of premises	-	37
	-	37

(THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK)

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	
	30-Sep-20	30-Sep-19	RM'000	%	30-Sep-20	30-Sep-19	RM'000	%
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	165,219	168,038	(2,819)	-1.68%	381,700	569,957	(188,257)	-33.03%
Profit before tax ("PBT")	7,799	3,572	4,227	118.34%	14,346	15,478	(1,132)	-7.31%
Profit after tax ("PAT")	5,643	2,704	2,939	108.69%	7,803	8,596	(793)	-9.23%

Individual Period

PBT for the individual period of RM7.80 million representing an improvement of approximately RM4.23 million compared to preceding corresponding individual quarter of RM3.57 million. The profit mainly derived from the segments as explained below.

(a) Construction

The construction segment recorded improvement in PBT of approximately RM3.43 million (3Q 2020: RM6.01 million, 3Q 2019: RM2.58 million). Since RMCO that commenced on 10 June 2020, all construction projects have increased the momentum in order to catch up back-log / delay caused by MCO and CMCO. Correspondingly, higher profit realized due to rapid progress. Low PBT in preceding corresponding individual quarter partly due to soft profit margin and delays in replenishment of orderbooks.

(b) Others – hospitality

The others segment which include hospitality business has narrowed the loss of approximately RM1.02 million (3Q 2020: RM1.02 million, 3Q 2019: RM2.46 million) following the disposal of investment properties and PPE. The depreciation of investment properties and PPE have reduced by approximately RM0.35 million after the ceased of the hospitality business. The amortization of intangible assets has also reduced by approximately RM0.54 million over the time.

Cumulative Period

For the cumulative period ended 30 September 2020, the Group has achieved approximately RM188.26 million lower revenue to RM381.70 million as compared to RM569.96 million as at 30 September 2019. The dip in revenue largely due to the temporary halted of operation during MCO and CMCO period imposed by Government pertaining to Covid-19 pandemic.

However, the impact of lower revenue was moderated by the gain from the disposal of investment properties and PPE amounted to approximately RM3.32 million and the cost rationalization from the continuing operational savings and staff efficiency. Coupled with all affords, the PBT and PAT were marginally lower by RM1.13 million and RM0.79 million respectively as compared to 30 September 2019.

In term of segmental assets and liabilities, construction and trading segment remains as the top contributor with total assets of approximately RM528.34 million or 58.66% and total liabilities of RM370.22 million or 85.08% respectively out of the total Group's assets of RM900.69 million and Group's liabilities of RM435.12 million as at 30 September 2020.

B2. Variation of Results Against Immediate Preceding Quarter

	Current Quarter Ended 30-Sep-20	Preceding Quarter Ended 30-Jun-20	Variance	
	RM'000	RM'000	RM'000	%
Revenue	165,219	64,480	100,739	156.23%
Profit before tax ("PBT")	7,799	1,607	6,192	385.31%
Profit after tax ("PAT")	5,643	56	5,587	9976.79%

The business activities in current quarter have fully resumed and picked up as compared to preceding quarter. This has resulted in much improved overall financial performance.

MCO and CMCO imposed in preceding quarter which covers substantially the reporting period has caused operations halted / slow down.

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 remains 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.

B3. Prospects for the Year (Cont'd)

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 30-Sep-20 RM'000	Current Year to Date 30-Sep-20 RM'000
Income Tax:		
- Current period	2,197	6,582
Deferred Tax:		
- Current period	(41)	(39)
Total Taxation	2,156	6,543

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 three (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.

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)

- (b) 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 ninety-nine (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.
- (c) 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-nine (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.
- (d) On 9 September 2020, the Company wholly-owned subsidiary, MGB Construction & Engineering Sdn Bhd (formerly known as MITC Engineering Sdn Bhd) has entered into eighteen (18) separate Sale and Purchase Agreements ("SPAs") with Utuh Sejagat Sdn Bhd ("USSB" or "the Vendor") for the acquisition of eighteen (18) units of serviced apartment in BSP 21 at Bandar Saujana Putra, Selangor Darul Ehsan ("the Properties") for total consideration amount of RM6,848,460.00 ("the Consideration") ("the Proposed Acquisition"). The conditions precedent set in this Proposed Acquisition have been fulfilled. Thus, the Proposed Acquisition has become unconditional.

(THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK)

B7. Borrowings and Debt Securities

Total borrowings of the Group comprised of the followings:

	As at 30-Sep-20 RM'000 (Unaudited)	As at 30-Sep-19 RM'000 (Unaudited)
Secured		
Term loans	89,957	88,557
Revolving credits	35,014	35,017
Bank overdrafts	12,544	13,308
Finance lease liabilities	-	36,811
Lease liabilities	33,773	-
Total	171,288	173,693
Current		
Term loans	59,801	37,399
Revolving credits	35,014	35,017
Bank overdrafts	12,544	13,308
Finance lease liabilities	-	11,436
Lease liabilities	11,582	-
Total	118,941	97,160
Non-current		
Term loans	30,156	51,158
Finance lease liabilities	-	25,375
Lease liabilities	22,191	-
Total	52,347	76,533

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.

(THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK)

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-Sep-20	30-Sep-19	30-Sep-20	30-Sep-19
Profit attributable to owners of the parent (RM'000)	5,555	3,008	8,323	10,116
Weighted average number of ordinary shares in issue ('000)	501,653	497,341	501,653	497,112
Basic EPS (Sen)	1.11	0.60	1.66	2.03

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	
	30-Sep-20	30-Sep-19	30-Sep-20	30-Sep-19
Profit attributable to owners of the parent (RM'000)	5,555	3,008	8,323	10,116
Weighted average number of ordinary shares in issue ('000)	501,653	497,341	501,653	497,112
Effect of conversion of warrants ('000)	-	1,387	-	1,387
Effect of conversion of ICPS ('000)	90,000	90,000	90,000	90,000
	591,653	588,728	591,653	588,499
Diluted EPS (Sen)	0.94	0.51	1.41	1.72

(THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK)

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

	Current Quarter Ended 30-Sep-20 RM'000	Current Year To Date Ended 30-Sep-20 RM'000
Interest income	(45)	(283)
Rental income	(1)	(12)
Reversal of impairment losses on receivables	(78)	(78)
Gain on disposal of:		
- Investment properties	-	(2,660)
- PPE	(135)	(402)
- ROU	(258)	(258)
Impairment losses on receivables	(30)	21
Amortisation of intangible assets	427	996
Amortisation of investment properties	197	778
Depreciation of PPE	1,384	4,370
Depreciation of ROU	1,872	5,578
Finance costs	1,572	5,703

B12. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors on 24 November 2020.

(THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK)