



MGB BERHAD

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

INTERIM FINANCIAL REPORT 31 DECEMBER 2021

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
- FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

	Note	Individual Quarter		Cumulative Period	
		Current Year Quarter Ended	Preceding Year Quarter Ended	Current Year To Date Ended	Preceding Year To Date Ended
		31-Dec-21 (Unaudited) RM'000	31-Dec-20 (Restated) RM'000	31-Dec-21 (Unaudited) RM'000	31-Dec-20 (Restated) RM'000
Revenue		188,551	181,574	593,759	563,274
Cost of sales		(158,251)	(157,143)	(496,781)	(485,583)
Gross profit		30,300	24,431	96,978	77,691
Interest income		75	198	334	481
Other income		658	312	1,676	4,382
Operating expenses		(14,549)	(14,704)	(53,664)	(51,284)
Finance costs		(1,408)	(1,769)	(5,536)	(8,085)
Share of profit/(loss) of associates (net of tax)		140	(6)	247	187
Profit before tax		15,216	8,462	40,035	23,372
Taxation	B5	(4,872)	(2,691)	(13,514)	(9,369)
Profit after tax for the financial year		10,344	5,771	26,521	14,003
Other comprehensive income for the financial year		-	-	-	-
Total comprehensive income for the financial year		10,344	5,771	26,521	14,003
Profit/(Loss) for the financial year attributable to:					
Owners of the parent		10,535	5,617	27,027	14,369
Non-controlling interests		(191)	154	(506)	(366)
		10,344	5,771	26,521	14,003
Total comprehensive income/(loss) for the financial year attributable to:					
Owners of the parent		10,535	5,617	27,027	14,369
Non-controlling interests		(191)	154	(506)	(366)
		10,344	5,771	26,521	14,003
Earnings per share attributable to owners of the parent:					
Basic (Sen)	B10	1.79	1.12	5.16	2.86
Diluted (Sen)	B10	1.79	0.95	5.16	2.43

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020 and the accompanying explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
- AS AT 31 DECEMBER 2021

	Note	31 December 2021 (Unaudited) RM'000	31 December 2020 (Restated) RM'000	1 January 2020 (Restated) RM'000
ASSETS				
Non-current Assets				
Property, plant and equipment ("PPE")	A9	23,982	25,180	24,226
Right-of-use assets ("ROU")		85,598	87,319	87,341
Intangible assets		-	347	1,828
Investment properties		38,990	39,872	57,298
Capital work-in-progress		-	-	3,901
Investment in associates		435	338	151
Goodwill on consolidation		254,695	254,695	254,695
Deferred tax assets		666.00	-	-
		404,366	407,751	429,440
Current Assets				
Inventories		67,432	10,829	19,096
Contract assets		80,743	62,937	146,396
Trade receivables		42,041	46,570	67,259
Other receivables		16,853	17,380	19,417
Amounts due from related companies		280,382	345,939	248,439
Amount due from an associate		7	7	12
Tax recoverable		3,088	2,003	1,809
Fixed deposits with licensed banks		5,670	3,637	3,000
Cash held under Housing Development Accounts		23,775	34,619	1,896
Cash and bank balances		13,653	31,811	28,204
		533,644	555,732	535,528
Asset held for sale		-	-	3,000
		533,644	555,732	538,528
TOTAL ASSETS		938,010	963,483	967,968

(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 2020 and the accompanying explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
- AS AT 31 DECEMBER 2021 (cont'd)

	Note	31 December 2021 (Unaudited) RM'000	31 December 2020 (Restated) RM'000	1 January 2020 (Restated) RM'000
<u>EQUITY AND LIABILITIES</u>				
Equity attributable to owners of the parent:				
Share capital				
- Ordinary shares		388,186	327,886	327,886
- Irredeemable Convertible Preference Shares ("ICPS")		-	60,300	60,300
Other reserve		(1,684)	(1,684)	(1,684)
Asset revaluation reserve		4,165	4,316	4,592
Retained earnings		106,979	79,801	65,156
		497,646	470,619	456,250
Non-controlling interests		186	692	1,058
Total Equity		497,832	471,311	457,308
<u>LIABILITIES</u>				
Non-current Liabilities				
Loans and borrowings	B7	17,273	19,651	35,636
Lease liabilities	B7	16,578	21,092	23,563
Deferred tax liabilities		2,709	2,295	1,765
		36,560	43,038	60,964
Current Liabilities				
Trade payables		260,206	210,668	255,891
Contract liabilities		40,471	52,617	40,649
Amounts due to related companies		5,226	13,104	10,353
Other payables		41,815	37,842	42,405
Amount due to an associate		66	69	7
Bank overdrafts	B7	4,982	3,720	12,282
Loans and borrowings	B7	35,473	119,507	75,990
Lease liabilities	B7	12,277	11,426	11,903
Tax payable		3,102	181	216
		403,618	449,134	449,696
Total Liabilities		440,178	492,172	510,660
TOTAL EQUITY AND LIABILITIES		938,010	963,483	967,968
Net assets per share attributable to owners of the parent (RM)		0.84	0.94	0.91

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020 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 2021

	<-----Attributable to owners of the parent----->					Total	Non-Controlling Interests	Total Equity
	<-----Non-Distributable----->			Distributable				
	Share Capital	ICPS	Asset Revaluation Reserve	Other Reserve	Retained Earnings	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 2021								
- as previously reported	327,886	60,300	4,316	(1,684)	79,846	470,664	692	471,356
- effect of adoption of IFRIC Agenda Decision	-	-	-	-	(45)	(45)	-	(45)
At 1 January 2021 (restated)	327,886	60,300	4,316	(1,684)	79,801	470,619	692	471,311
Profit for the financial year, representing total comprehensive income for the financial year	-	-	-	-	27,027	27,027	(506)	26,521
Realisation of asset revaluation reserve	-	-	(151)	-	151	-	-	-
Transactions with owners								
Issuance of ordinary shares pursuant to: - conversion of ICPS	60,300	(60,300)	-	-	-	-	-	-
At 31 December 2021	388,186	-	4,165	(1,684)	106,979	497,646	186	497,832

(THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
- FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (cont'd)

Group	<-----Attributable to owners of the parent----->							
	<-----Non-Distributable----->				Distributable			
	Share Capital RM'000	ICPS 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
At 1 January 2020								
- as previously reported	327,886	60,300	4,592	(1,684)	65,620	456,714	1,058	457,772
- effect of adoption of IFRIC Agenda Decision	-	-	-	-	(464)	(464)	-	(464)
At 1 January 2020 (restated)	327,886	60,300	4,592	(1,684)	65,156	456,250	1,058	457,308
Profit for the financial year, representing total comprehensive income for the financial year	-	-	-	-	14,369	14,369	(366)	14,003
Realisation of asset revaluation reserve	-	-	(276)	-	276	-	-	-
At 31 December 2020 (restated)	327,886	60,300	4,316	(1,684)	79,801	470,619	692	471,311

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 2020 and the accompanying explanatory notes attached to the interim financial report.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
- FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

	As at 31-Dec-21 RM'000 (Unaudited)	As at 31-Dec-20 RM'000 (Restated)
Profit before tax	40,035	23,372
Adjustments for:		
Amortisation of intangible assets	347	1,481
Depreciation and amortisation of		
- PPE	6,680	5,814
- Investment properties	882	999
- ROU	7,670	7,596
Finance costs	5,536	8,085
Deposit written off	3	-
Impairment losses on:		
- trade receivables	9	99
- related companies	3	63
ROU written off	-	9
Waiver of debts	(59)	-
Reversal of impairment losses on:		
- trade receivables	(176)	(48)
- amounts due from related companies	(55)	-
Loss/(Gain) on disposal of:		
- Investment properties	-	(2,660)
- PPE	36	(365)
- ROU	-	(258)
Interest income	(334)	(481)
Share of profit of associates (net of tax)	(247)	(187)
Operating profit before working capital changes	60,330	43,519
Changes in working capital:		
Inventories	(56,603)	8,268
Receivables	5,220	22,675
Payables	56,484	(19,877)
Contract assets and contract liabilities	(29,903)	95,591
Related companies	57,731	(97,758)
Associate	(3)	67
	32,926	8,966
Cash generated from operations	93,256	52,485
Interest paid	(5,668)	(8,085)
Interest income	334	481
Income tax refund	-	43
Income tax paid	(11,932)	(9,112)
	(17,266)	(16,673)
Net cash generated from operating activities	75,990	35,812

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
- FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (cont'd)

	As at 31-Dec-21 RM'000 (Unaudited)	As at 31-Dec-20 RM'000 (Restated)
Cash flows from investing activities		
Purchase of:		
-PPE	(3,937)	(6,670)
-ROU	(1,166)	(3,585)
Proceeds from disposal of PPE	66	773
Dividends received from an associate	150	-
Net cash used in investing activities	(4,887)	(9,482)
Cash flows from financing activities		
Drawdown of bank borrowings	137,386	267,465
Decrease of cash and bank balances pledged	-	790
Increase of fixed deposits pledged	(2,033)	(637)
Repayment of lease liabilities	(13,054)	(8,332)
Repayment of bank borrowings	(223,666)	(239,935)
Net cash (used in)/generated from financing activities	(101,367)	19,351
Net (decrease)/increase in cash and cash equivalents	(30,264)	45,681
Cash and cash equivalents at the beginning of the financial year	62,710	17,029
Cash and cash equivalents at the end of the financial year	32,446	62,710
Cash and cash equivalents at the end of the financial year comprise:		
Cash and bank balances	13,653	31,811
Cash held under Housing Development Accounts	23,775	34,619
Fixed deposits with licensed banks	5,670	3,637
Bank overdrafts	(4,982)	(3,720)
	38,116	66,347
Less: Fixed deposits pledged with licensed banks	(5,670)	(3,637)
	32,446	62,710

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020 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 2021

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 2020. 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 2020.

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 2020 except for the adoption of the following:

Amendments to MFRS 9, MFRS 139, MFRS 7 MFRS 4 and MFRS 16	Interest Rate Benchmark Reform – Phase 2
--	---

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, except for:

IFRIC Agenda Decision on MFRS 123 Borrowing Costs

In March 2019, the IFRS Interpretations Committee ('IFRIC') published an Agenda Decision on borrowing costs confirming, receivables, contract assets and inventories for which revenue is recognised over time are non-qualifying assets. On 20 March 2019, the Malaysian Accounting Standard Board announced that an entity shall apply the change in accounting policy as a result of this Agenda Decision to financial statements of annual periods beginning on or after 1 July 2020.

A2. Changes in Accounting Policies (Cont'd)

IFRIC Agenda Decision on MFRS 123 Borrowing Costs (Cont'd)

As a result, the following comparatives in the interim financial report have been restated.

- i. Impact on condensed consolidated statement of financial position as at 1 January 2020:

	As previously reported 1-Jan-2020	Effect on adoption of IFRIC Agenda Decision	Restated 1-Jan-2020
	RM'000	RM'000	RM'000
Assets			
Inventories	19,706	(610)	19,096
- Property development cost	16,970	(553)	16,417
- Completed properties	1,498	(57)	1,441
Liabilities			
Deferred tax liabilities	1,911	(146)	1,765
Equity			
Retained earnings	65,620	(464)	65,156

- ii. Impact on condensed consolidated statement of financial position as at 31 December 2020:

	As previously reported 31-Dec-2020	Effect on adoption of IFRIC Agenda Decision	Restated 31-Dec-2020
	RM'000	RM'000	RM'000
Assets			
Inventories	10,761	68	10,829
- Property development cost	5,226	132	5,358
- Completed properties	2,807	(64)	2,743
Liabilities			
Deferred tax liabilities	2,182	113	2,295
Equity			
Retained earnings	79,846	(45)	79,801

A2. Changes in Accounting Policies (Cont'd)

IFRIC Agenda Decision on MFRS 123 Borrowing Costs (Cont'd)

iii. Impact on condensed consolidated income statement for the year ended 31 December 2020:

	As previously reported 31-Dec-2020	Effect on adoption of IFRIC Agenda Decision	Restated as at 31-Dec-2020
	RM'000	RM'000	RM'000
Cost of sales	487,010	(1,427)	485,583
Finance costs	7,336	749	8,085
Taxation	9,110	259	9,369
Profit/(Loss) for the financial year attributable to: - Owners of the parent	13,584	419	14,003
Total comprehensive income/(loss) for the financial year attributable to: - Owners of the parent	13,950	419	14,369

(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>
Amendments to MFRS 16	Covid-19-Related Concessions	Rent 1 April 2021
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
• Amendments to MFRS 1		
• Amendments to MFRS 9		
• Amendments to MFRS 16		
• Amendments to MFRS 141		
MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108	Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
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 2020 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)

31 December 2021 (Unaudited)

	Construction and trading RM'000	Property development RM'000	Others RM'000	Total segments RM'000
Revenue				
Total revenue	621,304	16,807	-	638,112
Less: Inter-segment revenue	(44,353)	-	-	(44,353)
Revenue from external customers	576,952	16,807	-	593,759
Results				
Interest income	159	174	1	334
Finance costs	(4,718)	(389)	(429)	(5,536)
Depreciation	(15,121)	(57)	(54)	(15,232)
Amortisation of intangible assets	-	-	(347)	(347)
Share of profit of associates (net of tax)	247	-	-	247
Segment profit/(loss) before tax	36,862	5,201	(2,028)	40,035
Taxation				(13,514)
Profit after tax				26,521
Other non-cash items				
Loss on disposal of PPE	36	-	-	36
Reversal of impairment losses on receivables (net)	(48)	(171)	-	(219)
Assets				
Additions to PPE	5,358	21	-	5,379
Additions to ROU	6,258	238	-	6,496
Segment assets	565,284	117,285	255,441	938,010
Liabilities				
Segment liabilities	390,212	36,431	13,535	440,178

A4. Segmental Information (Cont'd)

31 December 2020 (Restated)

	Construction and trading RM'000	Property development RM'000	Others RM'000	Total segments RM'000
Revenue				
Total revenue	575,073	83,652	487	454,961
Less: Inter-segment revenue	(95,937)	-	(1)	73,261
Revenue from external customers	479,136	83,652	486	563,274
Results				
Interest income	274	204	3	481
Finance costs	(5,699)	(750)	(1,636)	(8,085)
Depreciation	(13,858)	(69)	(482)	(14,409)
Amortisation of intangible assets	-	-	(1,481)	(1,481)
Share of profit of associates (net of tax)	187	-	-	187
Segment profit/(loss) before tax	10,270	15,306	(2,204)	23,372
Taxation				(9,369)
Segment profit/(loss) after tax				14,003
Other non-cash items				
Gain on disposal of:				
- PPE	(82)	-	(283)	(365)
- Investment properties	-	-	(2,660)	(2,660)
- ROU	(258)	-	-	(258)
Impairment losses on receivables (net)	17	99	(2)	114
Assets				
Additions to PPE	9,325	75	-	9,400
Additions to ROU	7,915	-	-	7,915
Segment assets	605,273	93,336	264,874	963,483
Liabilities				
Segment liabilities	449,668	28,477	14,027	492,172

A4. Segmental Information (Cont'd)

Segmental Performance (financial year ended 31 December 2021 against financial year ended 31 December 2020)

Construction and Trading

Overall, the revenue and PBT from construction segment have remarkably improved. The revenue has increase from RM479.14 million in previous financial year to RM576.95 million in current financial year whereas PBT has improved from RM10.27 million to RM36.86 million.

The performance of the Group and the segment were adversely affected in 2020 due to various stages of control order imposed to curtail the outbreak of Coronavirus 19 ("COVID-19") which just attacked Malaysian. Certain period of time business activities have been completely suspended.

Learning from past experience, the Government has imposed more relax and yet effective control orders in 2021 by introducing the National Recovery Plan ("NRP"). Different phases of NRP have determined the re-open of different sector. The capacity allowed to work also depending on the completion of vaccination in the company. This has well cushioned the negative impact on the economic and social activities.

During current financial year, the Group has substantially completed several projects such as Kita Harmoni, Kita Bayu, Kita Impian and Skylake together with high momentum achieved in Residensi Bintang, Mercu Jalil, Alam Perdana Ritma and Alam Perdana Melodi. Rapid construction progress thereby enabling higher recognition of profit. Additional profit also realized from past completed projects when finalization of account done with major sub-contractors.

Construction and trading segment also included the manufacturing arm (precast products) which supply internally. Internal revenue of approximately RM30.04 million generated in current financial year.

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.

Property Development

The property development segment posted lower revenue of RM16.81 million and PBT of RM5.2 million in current financial year as compared to revenue of RM83.65 million and PBT of RM15.31 million in the preceding year.

Softer result recorded in the segment in current financial year mainly due to the delivery of vacant possession of all previous launched projects (Zenopy Residences and Laman Bayu Phase 1 and Phase 2). Newly launched project in the 4th quarter of 2021, Laman Bayu Phase 3 and Phase 4, are yet to have any contribution. The newly launched phases have recorded encouraging bookings which nearing 100%. These phases are expected to contribute to the segment's result in 2022.

A4. Segmental Information (Cont'd)

Segmental Performance (financial year ended 31 December 2021 against financial year ended 31 December 2020)

Others

The segment reported losses of approximately RM2.03 million in current financial year against RM2.20 million of losses in the preceding year.

In the preceding year, one-off gain of approximately RM2.94 million derived from the disposal of investment properties and hotel equipment 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 year.

A6. Material Changes in Estimates

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

A7. Seasonal or Cyclical Factors

The operations of the Group during the current financial 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 PPE and ROU

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

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

On 5 October 2021, a total of 90,000,000 Irredeemable Convertible Preference Shares (“ICPS”) were converted into 90,000,000 new ordinary shares at the conversion ratio of one (1) ICPS into one (1) ordinary share with no additional cash payment.

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

A11. Changes in Composition of the Group

On 6 December 2021, the Company had subscribed seventy (70) ordinary shares in MGB Water Solution Sdn Bhd (“MWS”) for a total cash consideration of Ringgit Malaysia Seventy (RM70) only. Consequently, MWS became a 70% owned subsidiary company of the Company.

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

A12. Capital Commitments

Total capital commitments of the Group comprised of the followings:

	As at 31-Dec-21 RM'000	As at 31-Dec-20 RM'000
<u>Authorised and contracted for :</u>		
Joint Venture Agreement for		
- Settlement units to landowner	-	4,950
Purchase Order for		
- Interior design and renovation works	43	320
	43	320

A13. Subsequent Events

Saved as disclosed below, there were no subsequent events as at 15 February 2022, being the latest practicable date (“LPD”), which shall not be earlier than 7 days from the date of issuance of this interim financial report.

- (a) On 3 January 2022, MGB Construction & Engineering Sdn Bhd (“MGBCE”), being the wholly-owned subsidiary of the Company, has entered into Share Sales Agreement with a third party for the disposal of all the equity interest in Prisma Craft Sdn Bhd (“PCSB”), for a cash consideration of Ringgit Malaysia Seven Hundred and Fifty Thousand (RM750,000.00) only. Consequently, PCSB has ceased to be wholly-owned subsidiary of MGBCE.

A14. Changes in Contingent Liabilities and Contingent Assets

(a) Contingent Liabilities

	As at 31-Dec-21	As at 31-Dec-20
	RM'000	RM'000
Bank guarantees issued for:		
- Construction Contracts	72	3,633
- Property Development	2,703	2,415
- Others	-	8
	2,775	6,056

(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-21	As at 31-Dec-20
	RM'000	RM'000
Income		
Contract revenue	494,328	507,288
Expenses		
Contractor's fee	-	3,044
Purchase of materials	4,608	17,898
Renovation works	-	706
Purchase of properties	-	8,897
Joint venture entitlement payable	-	5,500
Reimbursement of land consideration pursuant to deed of novation cum assignment	23,076	-
Deposit paid/payable	3,000	35
Rental expenses paid/payable	196	28
Interest expenses paid/payable	1	133
	1	133

(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		Variance		Cumulative		Variance	
	Period Ended	Period Ended			Year Ended	Year Ended		
	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20	RM'000	RM'000	RM'000	%
Revenue	188,551	181,574	6,977	3.84%	593,759	563,274	30,485	5.41%
Profit before tax ("PBT")	15,216	8,462	6,754	79.82%	40,035	23,372	16,663	71.29%
Profit after tax ("PAT")	10,344	5,771	4,573	79.25%	26,521	14,003	12,518	89.40%

Individual Period

The Group recorded revenue and PBT of approximately RM188.55 million and RM15.22 million respectively in the current individual period, representing an increase of approximately RM6.98 million and RM6.75 million respectively as compared to preceding year corresponding individual quarter.

The movement in results can generally explained as per below.

(a) Construction

The construction segment recorded an increase in revenue and PBT by RM26.88 million and RM8.33 million respectively as compared to preceding year corresponding individual quarter.

Without the interruption from movement control order in the last quarter of 2021, the Group's construction activities have been operating in full capacity and extra resources have been put in place to boost up the momentum.

In tandem to the increase in revenue, the PBT also improved accordingly. The improvement in PBT also attributed to the better gross profit margin derived from completed and on-going projects via strict cost control measures, negotiation strategy and implementation of industrialised building solutions to reduce the reliance on labor in this shortage of skilled worker period.

(b) Property Development

Lower revenue and PBT recorded in property development segment by approximately RM19.91 million and RM2.07 million respectively in current individual period subsequent to the delivery of vacant possession for Laman Bayu Phase 2 in November 2021. In preceding year corresponding individual quarter, the construction for Laman Bayu Phase 1 and Phase 2 were at the peak to rush for delivery on time.

B1. Review of Group Performance (Cont'd)

Year to Date

The revenue and PBT of the Group have improved by RM30.49 million and RM16.66 million comparing current financial year against preceding financial year.

As explained under Note A4, construction segment remains as the key contributor to the overall revenue and PBT. The revenue and PBT of construction segment have increased by RM97.82 million and RM26.59 million respectively but they have been mitigated by the decrease recorded in property development segment with revenue and PBT reduced by RM66.85 million and RM10.10 million.

The improvement in result of the Group mainly due to on-going projects have accelerated their momentum with several sizeable projects have been substantially completed in current financial year.

The Group has also closed and finalised accounts with major sub-contractors for several projects that have been completed previously. Project cost saving arising from sharing of costs have translated into profit directly in the segment after the final agreement reached with sub-contractors.

The Group's total assets and total liabilities stood at RM938.01 million and RM440.18 million respectively as at 31 December 2021. Assets of approximately RM565.28 million or 60.26% and liabilities of RM390.21 million or 88.65% were from the construction and trading segment.

(THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK)

B2. Variation of Results Against Immediate Preceding Quarter

	Current Quarter Ended 31-Dec-21	Preceding Quarter Ended 30-Sep-21	Variance	
	RM'000	RM'000	RM'000	%
Revenue	188,551	111,116	77,435	69.69%
Profit before tax ("PBT")	15,216	4,341	10,875	250.52%
Profit after tax ("PAT")	10,344	2,014	8,330	413.60%

Following the EMCO imposed in Selangor state ended in middle of July, all economic sectors are allowed to re-opened at full capacity. The Group's construction segment has also boosted its momentum in its on-going projects such as Residensi Bintang and Mercu Jalil at Bukit Jalil and Melodi Perdana at Alam Perdana which are target to complete by 2022. Projects secured in preceding year are also at their smooth construction stages as opposed to planning stage in early of the year. Coupled with the above, the revenue and PBT have recorded notable improvement in current quarter against preceding immediate quarter.

B3. Prospects for the Year

2021 was another bumpy and challenging year to Malaysia with the third wave of mutated COVID-19 variant, Delta, attacked the nation. However, the third wave of infections required renewed strict but targeted restrictions. The science and data underscoring the National Recovery Plan (NRP) have helped yield encouraging results, enabling various states to gradually transition into phases that allow more economic and social activities. This has been a much welcome development and less disastrous to the economy as compared to the previous total nationwide lockdown.

With focused and committed attitude, the Group has managed to complete few key projects during the year while at the same time manage the obstacles faced during different phases of NRP. The Board is satisfied with the overall result delivered in financial year ended 2021.

According to the Economic Outlook 2022 published by Ministry of Finance, Malaysia economic is anticipated to regain its growth and momentum with GDP expected to grow between 5.5% to 6.5%. Fiscal policy will remain expansionary to stimulate the economy, with Budget 2022's initiatives focused on speeding up recovery, strengthening economic resilience and catalysing reforms.

In 2022, the Group will continue its core objective in constructing and developing affordable housing under Ruman Selangorku Idaman scheme. This is line with the announced Budget 2022 housing agenda that encourages young people to own houses. The allocation of RM1.5 billion and a guarantee of RM2 billion under the Housing Credit Guarantee Scheme further amplifies the housing agenda for the low-income group and boost the property market.

Notwithstanding the above, the Group is undergoing transformation to beyond typical building infrastructure capabilities, by offering a unique value proposition to clients centered on its inherent technological capabilities.

B3. Prospects for the Year (Cont'd)

Through MGB's Value Driven Technology ("VaDTech") approach, the Group will strike to develops innovative approaches for clients focusing to be cost-effective and faster to market. We offer a full suite of solutions, includes providing turnkey solutions, operating as an engineering, procurement and construction partner serving from start to end.

Underpinned by existing outstanding orderbook of approximately RM1.90 billion and the continuous innovation and transformation, this would contribute positively to the earnings. Barring any unforeseen circumstances, the Board is cautiously optimistic that the Group will perform satisfactorily in year 2022.

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-21 RM'000	Current Year to Date 31-Dec-21 RM'000
Income Tax:		
- Current year	4,807	14,279
- Prior year	(512)	(512)
	4,295	13,767
Deferred Tax:		
- Current year	906	76
- Prior year	(329)	(329)
Total Taxation	4,872	13,514

(THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK)

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. The conditions precedent set in this DRA have been fulfilled. Thus, the DRA has become unconditional.
- (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.

(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 31-Dec-21 RM'000 (Unaudited)	As at 31-Dec-20 RM'000 (Audited)
Secured		
Term loans	19,649	32,197
Revolving credits	20,530	35,017
Bank Overdrafts	4,982	3,720
Trade Services	12,567	71,944
Lease liabilities	28,855	32,518
Total	86,583	175,396
Current		
Term loans	2,376	12,546
Revolving credits	20,530	35,017
Trade Services	12,567	71,944
Bank Overdrafts	4,982	3,720
Lease liabilities	12,277	11,426
Total	52,732	134,653
Non-current		
Term loans	17,273	19,651
Lease liabilities	16,578	21,092
Total	33,851	40,743

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	
	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20
Profit attributable to owners of the parent (RM'000)	10,535	5,617	27,027	14,369
Weighted average number of ordinary shares in issue ('000)	587,740	501,653	523,351	501,653
Basic EPS (Sen)	1.79	1.12	5.16	2.86

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-21	31-Dec-20	31-Dec-21	31-Dec-20
Profit attributable to owners of the parent (RM'000)	10,535	5,617	27,027	14,369
Weighted average number of ordinary shares in issue ('000)	587,740	501,653	523,351	501,653
Effect of conversion of ICPS ('000)	-	90,000	-	90,000
	587,740	591,653	523,351	591,653
Diluted EPS (Sen)	1.79	0.95	5.16	2.43

(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 31-Dec-21 RM'000	Current Year To Date Ended 31-Dec-21 RM'000
Interest income	(75)	(334)
Rental income	(52)	(176)
Reversal of impairment losses on receivables	(78)	(231)
Waiver of debts	(59)	(59)
Deposit written off	3	3
Loss on disposal of PPE	-	36
Impairment losses on receivables	4	12
Amortisation of intangible assets	30	347
Amortisation of investment properties	221	882
Depreciation of PPE	1,743	6,680
Depreciation of ROU	1,971	7,670
Finance costs	1,408	5,536

B12. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors on 22 February 2022.

(THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK)