ML GLOBAL BERHAD

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

INTERIM FINANCIAL REPORT
30 SEPTEMBER 2017

ML GLOBAL BERHAD (Company No. 589167-W)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED) - FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017

		Individual Quarter		Cumulative Period	
	Note	Current Year Quarter Ended 30-Sept-17	Preceding Year Quarter Ended 30-Sept-16	Current Year To Date Ended 30-Sept-17	Preceding Year To Date Ended 30-Sept-16
		RM'000	RM'000	RM'000	RM'000
Revenue		185,255	9,545	505,601	31,871
Cost of sales		(162,500)	(7,260)	(445,875)	(25,929)
Gross profit		22,755	2,285	59,726	5,942
Interest Income		72	4	127	26
Other Income		35	5,533	2,338	5,858
Operating expenses		(10,720)	(5,236)	(23,391)	(7,647)
Finance costs		(867)	(186)	(2,421)	(728)
Share of loss in an associate company		(31)	-	(26)	-
Profit before tax		11,244	2,400	36,353	3,451
Taxation	B5	(1,194)	(463)	(8,008)	(463)
Profit after tax for the financial period		10,050	1,937	28,345	2,988
Other comprehensive income for the financial period		-	4,566	-	4,566
Total comprehensive income for the financial period		**10,050**	**6,503**	**28,345**	**7,554**
Net profit for the financial period attributable to:					
Owners of the parent		10,005	1,938	28,296	2,989
Non-controlling interests		45	(1)	49	(1)
		10,050	**1,937**	**28,345**	**2,988**
Total comprehensive income for the financial period attributable to:					
Owners of the parent		10,005	6,504	28,296	7,555
Non-controlling interests		45	(1)	49	(1)
		10,050	**6,503**	**28,345**	**7,554**
Earnings per share attributable to owners of the parent:					
Basic (Sen)	B12	2.59	2.16	7.62	3.34
Diluted (Sen)	B12	1.74	2.08	5.05	3.20

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 2016 and the accompanying explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
- AS AT 30 SEPTEMBER 2017

	Note	30 September 2017 (Unaudited) RM'000	31 December 2016 (Audited) RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment ("PPE")	A9	67,468	39,508
Capital work-in-progress		1,857	1,590
Intangible asset		5,263	-
Investment properties		34,778	60,437
Investment in an associate company		8	35
Goodwill on consolidation		253,690	260,090
		363,064	**361,660**
Current Assets			
Inventories		59,336	3,048
Contract assets		60,945	9,056
Trade receivables		66,695	70,090
Other receivables		29,281	18,570
Amount due from related companies		174,543	164,287
Tax recoverable		242	26
Fixed deposits with licensed banks		11,480	1,995
Cash and bank balances		7,331	7,475
		409,853	**274,547**
TOTAL ASSETS		**772,917**	**636,207**

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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 2016 and the accompanying explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
- AS AT 30 SEPTEMBER 2017 *(cont'd)*

	Note	30 September 2017 (Unaudited) RM'000	31 December 2016 (Audited) RM'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent:			
Share capital			
- Ordinary shares		259,971	178,698
- Irredeemable Convertible Preference Shares ("ICPS")		120,600	90,000
Share premium		-	45,519
ICPS premium		-	30,600
Warrant reserves		1,756	2,675
Assets revaluation reserve		5,059	5,059
Retained earnings / (Accumulated losses)		11,246	(16,788)
		398,632	**335,763**
Non-controlling interests		269	(2)
Total Equity		**398,901**	**335,761**
LIABILITIES			
Non-current Liabilities			
Bank borrowings	B8	48,094	28,247
Finance lease payables	B8	2,524	2,381
Deferred tax liabilities		1,962	838
		52,580	**31,466**
Current Liabilities			
Trade payables		217,027	163,456
Contract liabilities		41,496	43,379
Amount due to related companies		18,056	37,028
Other payables		24,900	16,867
Bank overdrafts	B8	13,032	5,278
Bank borrowings	B8	1,957	1,653
Finance lease payables	B8	1,277	1,248
Tax payable		3,691	71
		321,436	**268,980**
Total Liabilities		**374,016**	**300,446**
TOTAL EQUITY AND LIABILITIES		**772,917**	**636,207**
Net assets per share attributable to owners of the parent (RM)		1.01	0.94

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 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 2017

	<----Attributable to owners of the parent								
	<----Non-Distributable---->								
	Share Capital RM'000	Share and ICPS Premium RM'000	ICPS RM'000	Warrant Reserves RM'000	Assets Revaluation Reserve RM'000	(Accumulated losses) / Retained earnings RM'000	Total RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
Group									
At 1 January 2017	178,698	76,119	90,000	2,675	5,059	(16,788)	335,763	(2)	335,761
Prior year adjustment - amortisation of intangible asset (net of tax)	-	-	-	-	-	(262)	(262)	-	(262)
At 1 January 2017 (restated)	178,698	76,119	90,000	2,675	5,059	(17,050)	335,501	(2)	335,499
Profit for the financial period, representing total comprehensive income for the financial period	-	-	-	-	-	28,296	28,296	49	28,345
Additonal subscription of shares by non-controlling interests	-	-	-	-	-	-	-	225	225
Issuance pursuant to private placement - ordinary share	30,240	-	-	-	-	-	30,240	-	30,240
Exercise of warrants	4,595	-	-	-	-	-	4,595	-	4,595
Realisation of warrants reserves	919	-	-	(919)	-	-	-	-	-
Change in non-controlling interest arising from acquisition of subsidiary company	-	-	-	-	-	-	-	(3)	(3)
Reclassification pursuant to S618(2) of CA 2016*	45,519	(76,119)	30,600	-	-	-	-	-	-
At 30 September 2017	**259,971**	**-**	**120,600**	**1,756**	**5,059**	**11,246**	**398,632**	**269**	**398,901**

**The new Companies Act 2016 ("New Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618 (2) of the New Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.*

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) - FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017 *(cont'd)*

	<----------------Attributable to owners of the parent------------------>						
	<---------Non-Distributable----------->						
	Share Capital RM'000	**Warrant Reserves RM'000**	**Revaluation Reserves RM'000**	**Accumulated Losses RM'000**	**Total RM'000**	**Non-Controlling Interests RM'000**	**Total Equity RM'000**
Group							
At 1 January 2016	44,817	2,675	-	(17,217)	30,275	-	30,275
Profit for the financial period	-	-	-	2,989	2,989	(1)	2,988
Other comprehensive income for the financial period	-	-	4,566	-	4,566	-	4,566
Total comprehensive income for the financial period	-	-	4,566	2,989	7,555	(1)	7,554
At 30 September 2016	**44,817**	**2,675**	**4,566**	**(14,228)**	**37,830**	**(1)**	**37,829**

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 2016 and the accompanying explanatory notes attached to the interim financial report.

ML GLOBAL BERHAD (Company No. 589167-W)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS - FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017

	Note	As at 30-Sept-17 RM'000 (Unaudited)	As at 30-Sept-16 RM'000 (Unaudited)
Profit before tax		36,353	3,451
Adjustments for:			
Amortisation of intangible asset		2,795	-
Impairment loss on PPE		-	1,390
Inventories written down		-	478
Bad debts written off		-	1,440
Depreciation and amortisation of			
- PPE		3,152	637
- investment properties		548	-
Fixed deposit written off		-	4
Finance costs		2,421	728
Impairment loss on goodwill	**A11(a)**	3	-
PPE written off		19	-
Share of loss in an associate company		26	-
Bad debts recovered		-	(3)
Gain on disposal of PPE		(123)	(355)
Gain on disposal of assets held for sale		-	(4,978)
Interest income		(127)	(26)
Waiver of debts		-	(248)
Operating profit before working capital changes		45,067	2,518
Changes in working capital:			
Inventories		(56,288)	728
Receivables		(38,804)	(12)
Payables		61,734	(8,277)
Contract assets and liabilities		(22,390)	-
Related companies		(29,400)	-
		(85,148)	(7,561)
Cash used in operations		(40,081)	(5,043)
Interest paid		(2,421)	(728)
Interest income		127	26
Income tax paid		(5,398)	(463)
		(7,692)	(1,165)
Net cash used in operating activities		(47,773)	(6,208)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
- FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017 (*cont'd)*

	Note	As at 30-Sept-17 RM'000 (Unaudited)	As at 30-Sept-16 RM'000 (Unaudited)
Capital work-in-progress incurred		-	(287)
Purchase of PPE		(4,995)	(86)
Proceeds from disposal of assets held for sale		-	17,064
Proceeds from disposal of PPE		178	800
Net cash (used in) / generated from investing activities		(4,817)	17,491
Cash flows from financing activities			
Drawdown of term loans		24,400	-
Increase of fixed deposits pledged		(1,450)	-
Repayment of finance lease liabilities		(1,035)	-
Repayment of term loans		(4,249)	(12,526)
Proceeds from subscription of shares by non-controlling interests		225	-
Proceeds from issuance of ordinary shares arising from conversion of warrants		4,595	-
Proceeds from issuance of ordinary shares arising from private placement		30,240	-
Net cash generated from / (used in) financing activities		52,726	(12,526)
Net increase / (decrease) in cash and cash equivalents		137	(1,243)
Cash and cash equivalents at the beginning of the financial period		2,197	(20)
Cash and cash equivalents at the end of the financial period		2,334	(1,263)
Cash and cash equivalents at the end of the financial period comprises:			
Cash and bank balances		7,331	810
Fixed deposits with licensed banks		11,480	-
Bank overdrafts		(13,032)	(2,073)
		5,779	(1,263)
Less: Fixed deposits pledged with licensed banks		(3,445)	-
		2,334	(1,263)

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 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 2017

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 2016. 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 ML Global Berhad ("the Company") and all its subsidiary companies (collectively known as "the Group") since the financial year ended 31 December 2016.

Basis of Accounting

The financial information has been prepared on the historical cost convention and in accordance with Malaysian Financial Reporting Standards ("MFRSs") and the requirements of the Companies Acts 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 2016 except for the adoption of the following:

(a) Amendments to MFRSs

Amendments to MFRS 12	Annual Improvements to MFRSs 2014-2016 Cycle
Amendments to MFRS 107	Disclosure initiative
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses

The adoption of above amendments to MFRSs did not have any significant impact on the financial statements of the Group.

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A2. Changes in Accounting Policies (Cont'd)

(b) Companies Act 2016

The Companies Act 2016 ("New Act") was enacted to replace the Companies Act 1965 with the objectives to create a legal and regulatory structure that will facilitate business, and promote accountability as well as protection of corporate directors and shareholders, taking into consideration the interest of other stakeholders. The New Act was passed on 4 April 2016 by the Dewan Rakyat (House of Representative) and gazetted on 15 September 2016. On 26 January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism announced that the date on which the New Act comes into operation, except section 241 and Division 8 of Part III of the New Act, will be 31 January 2017.

Amongst the key changes introduced in the New Act which will affect the financial statements of the Group upon the commencement of the New Act on 31 January 2017 includes:

(a) removal of the authorised share capital;
(b) shares of the Group will cease to have par or nominal value; and
(c) the Group's share premium account will become part of the Group's share capital.

During the financial period, the Group had transferred a total of RM45,519,403 and RM30,600,000 from its premium account to the share capital and ICPS respectively pursuant to the adoption of the New Act.

The adoption of the New Act did not have any significant impact on the interim financial report upon their initial application.

(c) MFRS 15 Revenue from Contracts with Customer

MFRS 15 *Revenue from Contracts with Customers,* is originally become effective for the financial periods beginning on or after 1 January 2018. MFRS 15 supersedes the current revenue recognition standards including MFRS 118 *Revenue* and MFRS 111 *Construction Contracts* and other related interpretations.

The Group has opted to early adopt MFRS 15 in view of the upcoming new business which involved property development.

Upon adoption of this MFRS 15, the Group requires to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group recognises revenue from property development over time if it has an enforceable right to payment for performance completed to date.

The early adoption of MFRS 15 on the Groups' recognition of revenue and cost of sales will affect its upcoming property development activities whereby the Group needs to review the measurement and timing of when revenue is recognised.

The early adoption of MFRS 15 is not expected to have any significant impact on the opening of financial statements of the Group.

A2. Changes in Accounting Policies (Cont'd)

Standards issued but not yet effective

The Group has not adopted the following new MFRSs, IC Interpretation and amendments to MFRSs that have been issued by the MASB which are not yet effective for the Group. The Group intends to adopt the below mentioned MFRSs and Amendments to MFRSs when they become effective.

		Effective date for financial periods beginning on or after
Amendments to MFRS 1	Annual Improvements to MFRS Standard 2014-2016 Cycle	1 January 2018
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
MFRS 16	Leases	1 January 2019
Amendments to MFRS 128	Annual Improvements to MFRS Standards 2014-2016 Cycle	1 January 2018
Amendments to MFRS 140	Transfers of Investment Property	1 January 2018
MFRS 15	Clarification to MFRS 15	1 January 2018
IC Interpretation 23	Uncertainty Over Income Tax Treatments	1 January 2019
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	Deferred until further notice

MFRS 9 - Financial Instruments (IFRS 9 issued by IASB in July 2014)

MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces earlier versions of MFRS 9 and introduces a package of improvements which includes a classification and measurement model, a single forward looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. MFRS 9 when effective will replace MFRS 139 Financial Instruments: Recognition and Measurement.

MFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial assets. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income without subsequent recycling to profit or loss. There is now a new expected credit losses model that replaces the incurred loss impairment model used in MFRS 139.

A2. Changes in Accounting Policies (Cont'd)

Standards issued but not yet effective (cont'd)

MFRS 9 - Financial Instruments (IFRS 9 issued by IASB in July 2014) (cont'd)

For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. MFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under MFRS 139.

The adoption of FRS 9 will result in a change in accounting policy. The Group is currently examining the financial impact of adopting MFRS 9.

Amendments to MFRS 140 - Transfers of Investment Property

The amendments to MFRS 140 clarifies the existing provisions in the Standard on transfer to or from the investment property category. The adoption of this amendment is not expected to have any material financial impact on the financial statements of the Group except for disclosure.

MFRS 16 - Leases

MFRS 16, which upon the effective date will supersede MFRS117 Leases, introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying assets is of low value. Specifically, under MFRS 16, a lessee is required to recognize a right-of-use asset representing its rights of use the underlying leased asset and lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognize depreciation of the right-of-use asset and interest on the leased liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and present them in the statement of cashflows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also include payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, MFRS 117.

In respect of the lessor accounting, MFRS 16 substantially carries forward the lessor accounting requirements in MFRS 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The impact of the new MFRSs, amendments and improvements to published standard on the financial statements of the Group and of the Company are currently being assessed by management.

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A2. Changes in Accounting Policies (Cont'd)

Standards issued but not yet effective (cont'd)

Amendments to MFRS 1 and MFRS 128 - Annual Improvements to MFRS Standards 2014-2016 Cycle

The amendments to MFRS 1 and MFRS 128 on the Annual Improvements for the 2014-2016 Cycles covers amendments to the Standards on:-

i) First-time Adoption: Certain provisions that have served their intended purposes and are no longer required are removed from the Standard; and
ii) Investment in Associates and Joint Ventures: Clarifies that an entity, which is a venture capital organization, or a mutual fund, unit trust or similar entities has an investment-by-investment choice to measure its investments in associates and joint ventures at fair value in accordance with the Standard.

The adoption of Annual Improvements to MFRS Standards 2014 - 2016 Cycle is not expected to have any material financial impact on the financial statements of the Group except for disclosure.

A3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2016 was not subject to any qualification.

A4. Segmental Information

The Group reporting segments as described below are the Group's strategic business units. Segment information is primarily presented in respect of the Group's business segment which is based on the Group's management and internal reporting structure.

The following summarized the operations in each of the Group's reportable segment:

(i) Manufacturing and trading – Manufacturing and trading of roof tiles (for year 2016 only).

(ii) Construction and trading – Design and build, civil engineering, general construction, piling activities and trading of construction materials.

(iii) Property development – Development of residential and commercial properties.

(iv) Others – Investment holding, properties investment and dormant.

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A4. Segmental Information (Cont'd)

30 September 2017 (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						
External customers	468,770	36,831	-	505,601	-	505,601
Inter-segment	19,272	-	-	19,272	(19,272)	-
Total revenue	488,042	36,831	-	524,873	(19,272)	505,601
Results						
Finance costs	(1,578)	-	(843)	(2,421)	-	(2,421)
Depreciation and amortisation	(3,243)	(7)	(450)	(3,700)	-	(3,700)
Amortisation of intangible asset	-	-	(2,795)	(2,795)	-	(2,795)
Share of loss in an associate company	-	-	(26)	(26)	-	(26)
Segment profit/(loss) before tax	30,101	10,005	(3,753)	36,353	-	36,353
Taxation	(5,931)	(2,395)	318	(8,008)	-	(8,008)
Segment profit/(loss) after tax	24,170	7,610	(3,435)	28,345	-	28,345
Other non-cash items						
PPE written off	19	-	-	19	-	19
Impairment loss on goodwill	-	-	3	3	-	3
Gain on disposal of PPE	(123)	-	-	(123)	-	(123)
Assets						
Segment assets	377,722	98,154	297,041	772,917	-	772,917
Liabilities						
Segment liabilities	307,401	46,526	20,089	374,016	-	374,016

A4. Segmental Information (Cont'd)

30 September 2016 (Unaudited)

	Manufacturing and trading RM'000	Construction RM'000	Others RM'000	Total segments RM'000	Adjustment and eliminations RM'000	Consolidated RM'000
Revenue						
External customers	4,639	27,232	-	31,871	-	31,871
Inter-segment	-	-	-	-	-	-
Total revenue	4,639	27,232	-	31,871	-	31,871
Results						
Finance costs	(714)	(14)	-	(728)	-	(728)
Depreciation and amortisation	(559)	-	(78)	(637)	-	(637)
Segment profit/(loss) before tax	1,881	5,986	(4,416)	3,451	-	3,451
Taxation	(463)	-	-	(463)	-	(463)
Segment profit/(loss) after tax	1,418	5,986	(4,416)	2,988	-	2,988
Other non-cash items						
Fixed deposit written off	-	-	4	4	-	4
Bad debts written off	268	-	1,172	1,440	-	1,440
Bad debts recovered	(3)	-	-	(3)	-	(3)
Impairment loss on PPE	1,390	-	-	1,390	-	1,390
Inventories written down	478	-	-	478	-	478
Gain on disposal of						
-PPE	(355)	-	-	(355)	-	(355)
- assets held for sale	(4,978)	-	-	(4,978)	-	(4,978)
Waiver of debts	(248)	-	-	(248)	-	(248)
Assets						
Segment assets	24,621	24,411	3,610	52,642	-	52,642
Liabilities						
Segment liabilities	5,524	8,664	625	14,813	-	14,813

A4. Segmental Information (Cont'd)

Segmental Performance (financial period to-date ended 30 September 2017 against financial period to-date ended 30 September 2016)

Manufacturing and Trading

The manufacturing and trading segment in 2016 referred to the manufacturing and trading of roof tiles. The Group has ceased the business operation in July 2016.

Construction and Trading

Following the completion of the acquisition of MITC Engineering Sdn Bhd ("**MITCE**") in November 2016, construction and trading segment become the key driver of our business operations and accounted for more than 90% of the Group's total revenue for the financial period ended 30 September 2017.

For current financial period ended 30 September 2017, the construction and trading segment posted a revenue of approximately RM468.77 million, representing an increase of approximately 16 times as compared to the construction revenue of RM27.23 million in previous financial period ended 30 September 2016.

Trading of construction materials is complementary to the construction activities.

With the enlarged orderbooks, combined resources, advanced machineries and skilled workforce, it provides better access to larger scale of business opportunities and provide the Group with the ability and platform to tender for larger scale of external construction works. This in turn is anticipated to continue replenish the Group's order book and generate earnings.

Others

Others refer to investment holding, properties investment and dormant companies. Segmental loss before tax of RM3.75 million derived after the profit guarantee shortfall of RM2.04 million paid by the guarantors being mitigated by the depreciation and amortisation of PPE and intangible assets amounted to approximately RM3.25 million. Finance costs of approximately RM0.84 million and administrative expenses of approximately RM1.89 million have further added to the segmental loss.

Administrative expenses amongst others include professional fee, commission, additional listing fee, authority fee incurred for the private placement exercise and other corporate proposals that yet to be completed.

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.

A6. Material Changes in Estimates

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

A7. Seasonal or Cyclical Factors

The operations of the Group during the current quarter under review 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.

A9. Valuation of Property, Plant and Equipment

There were no valuation of property, plant and equipment carried out during the financial quarter. Included in the property, plant and equipment are leasehold lands and buildings that are stated at revalued amount less impairment loss if any.

A10. Debts and Equity Securities

Saved as disclosed below, there were no other issuances, cancellation, repurchases, resales and repayment of debts and equity securities during the current financial period to date.

i. The Company has issued and allotted 28,000,000 new ordinary shares at the issued price of RM1.08 per ordinary share under the private placement exercise.

ii. A total of 9,191,300 Warrants 2014/2019 were converted into ordinary shares at the exercise price of RM0.50 per warrant, which have resulted in 9,191,300 new ordinary shares being issued.

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A11. Changes in Composition of the Group

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

(a) On 21 February 2017, the Company acquired fifty one (51) ordinary shares in Alunan Warta Sdn Bhd ("**AWSB**") for a cash consideration of Ringgit Malaysia Fifty One (RM51.00) only. Consequently, AWSB became a 51% owned subsidiary company of the Company.

The goodwill arising from the acquisition of AWSB has been impaired during the financial period.

(b) On 3 March 2017, MGB Land Sdn Bhd ("**MGB Land**") (formerly known as Vintage Tiles Industries (EM) Sdn Bhd), a wholly-owned subsidiary company of the Company, acquired two (2) ordinary shares in Delta Gallery Sdn Bhd ("**DGSB**") for a cash consideration of Ringgit Malaysia Two (RM2.00) only. Consequently, DGSB became an indirect wholly-owned subsidiary company of the Company.

On 22 March 2017, DGSB had increased its paid up share capital from 2 to 250,000 ordinary shares. MGB Land had subscribed for an additional of 249,998 ordinary shares in DGSB by way of cash.

(c) On 18 April 2017, MGB Land acquired one (1) ordinary share in Idaman Kukuh Sdn. Bhd. ("**IKSB**") for a cash consideration of Ringgit Malaysia One (RM1.00) only. Consequently, IKSB became an indirect wholly-owned subsidiary company of the Company.

(d) On 8 May 2017, MITCE, a wholly-owned subsidiary company of the Company, had subscribed seven hundred (700) ordinary shares in MGB Geotech Sdn. Bhd. ("**MGB Geotech**") for a cash consideration of Ringgit Malaysia Seven Hundred (RM700.00) only. Consequently, MGB Geotech became an indirect 70% owned subsidiary company of the Company.

On 13 June 2017, MGB Geotech had increased its paid up share capital from 1,000 to 750,000 ordinary shares. MITCE had subscribed for an additional of 524,300 ordinary shares in MGB Geotech by way of cash.

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A12. Capital Commitments

Total capital commitments of the Group comprised of the followings:

	As at 30-Sept-17	As at 30-Sept-16
	RM'000	RM'000
Authorised and contracted for :		
Sale and Purchase Agreement for		
- Property, plant and equipment	11,856	-

A13. Subsequent Events

There were no subsequent events as at 16 November 2017, being the latest practicable date ("**LPD"**), which shall not be earlier than 7 days from the date of issuance of this interim financial report**.**

A14. Changes in Contingent Liabilities and Contingent Assets

(a) Contingent Liabilities

	As at 30-Sept-17	As at 30-Sept-16
	RM'000	RM'000
Bank guarantees issued for:		
- Construction Contracts	9,642	1,000
- Property Development	300	-
- Others	8	-
	9,950	1,000

(b) Contingent Assets

There were no contingent assets as at the financial period under review.

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A15. Significant Related Party Transactions

The transactions with companies in which certain Directors are common directors and/or have interest or deemed interest for the current financial period were summarised as follows:

	As at 30-Sept-17 RM'000	As at 30-Sept-16 RM'000
Income		
Contract revenue	387,569	26,422
Rental of premises	4	-
Rental of car	4	-
Project management fee	-	60
Expenses		
Contractor's fee	6,450	-
Purchase of materials	38,187	-
Interest on related company advance	108	-
Rental of premises	25	21

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

B1. Review of Group Performance

	Individual				Cumulative			
	Period Ended 30-Sept-17	Period Ended 30-Sept-16	Variance		Period Ended 30-Sept-17	Period Ended 30-Sept-16	Variance	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	185,255	9,545	175,710	1841%	505,601	31,871	473,730	1486%
Profit before tax ("PBT")	11,244	2,400	8,844	369%	36,353	3,451	32,902	953%
Profit after tax ("PAT")	10,050	1,937	8,113	419%	28,345	2,988	25,357	849%

For the Individual Quarter

The Group recorded a revenue of RM185.26 million as compared to its corresponding preceding individual quarter of RM9.55 million, representing an increase of approximately RM175.71 million. Property development segment, being the new segment to the Group since early of June 2017, has contributed 21% to the rise of the revenue. During the individual quarter, the 70% owned subsidiary company namely MGB Geotech, who concentrate on piling works has started to contribute revenue of approximately RM3.51 million. The piling activities is expected to complement the construction segment and enhance the profitability moving forward. Corresponding to the increase in revenue, PAT has improved from RM1.94 million to RM10.05 million.

For the Cumulative Period

The Group has delivered impressive result as compared to its previous financial period ended 30 September 2016. Revenue has soared by 1486% to RM505.60 million and PAT of the Group has also significantly improved from RM2.99 million to RM28.35 million.

The significant leap in revenue and PAT were mainly attributed to the consolidation of the result of MITCE, who became the wholly-owned subsidiary of the Company since December 2016. MITCE, a construction focus company, has significantly enlarged the orderbook of the Group. As at LPD, the Group's outstanding construction order book is approximately RM2.36 billion. The construction segment will be the main driver to deliver strong result to the overall performance of the Group.

Notwithstanding that, the property development segment has further boosts the Group result as it has achieved encouraging take-up rate from the Group's maiden project namely "Zenopy Residences". As at the reporting period, the project has posted a sales revenue of approximately RM36.83 million and PAT of RM7.61 million respectively.

The bottom-line result has further enhanced by the profit guarantee shortfall paid by the guarantors amounted to approximately RM2.04 million of which it has been recorded as other income. Nevertheless, operating expenses, which inclusive of staff salaries and related expenses, professional fee, utilities expenses and others as well as finance costs of the Group have increased by approximately RM15.75 million and RM1.69 million respectively compared to its previous corresponding financial period.

In term of contribution by segment, construction and trading segment has contributed approximately 48.90% of the group's assets and 82.19% of the group's liabilities as at 30 September 2017.

B2. Variation of Results Against Immediate Preceding Quarter

	Current Quarter Ended 30-Sept-17	Preceding Quarter Ended 30-Jun-17	Variance	
	RM'000	RM'000	RM'000	%
Revenue	185,255	170,285	14,970	9%
Profit before tax	11,244	13,570	(2,326)	-17%

For the current quarter under review, the Group posted a revenue of RM185.26 million, representing an increase of approximately 9% as compared to its immediate preceding quarter of RM170.29 million.

The increase in revenue was mainly driven by the property development segment as the project "Zenopy Residences" has recorded an encouraging take-up rate with additional sales and purchase agreements executed as compared to the immediate preceding quarter.

However, PBT arising from the increase of sales mentioned above has been mitigated by the increase in administrative and depreciation expenses of approximately RM3.21 million in current quarter under review.

The increase in administrative, depreciation and amortisation expenses mainly due to:

(a) Amortisation of intangible assets of approximately RM2.79 million recorded in current quarter under review;

(b) Payment of private placement exercise expenses amounted to approximately RM0.42 million.

Higher PBT recorded in immediate preceding quarter partly due to profit guarantee shortfall paid by the guarantors amounted to approximately RM2.04 million that being recorded as other income.

B3. Prospects for the Year

While Bank Negara Malaysia foreseen that the external environment might continue to remain challenging in 2017, the Malaysian economy will experience sustained growth with GDP expecting to range from 4% to 5%. The GDP growth will be primarily supported by domestic demand, especially from private consumption and investment. Revival in private investment and infrastructure projects, amongst others, Pan Borneo Highway, RAPID, MRT Line 2 and new East Coast Railway Line (ECRL) are expected to lead to healthy growth in construction of approximately 8% in 2017 compared to 8.3% in 2016.

B3. Prospects for the Year (Cont'd)

Following the completion of the previously announced acquisition of MITCE and its subsidiary companies on 28 November 2016, the enlarged group is now equipped with more advanced machineries and skilled manpower. As an enlarged group, our competitive edges will be further sharpened. Under the stewardship of the passionate and dynamic management team, the Group is expected to continue excel in construction segment being its core business. The Group is continuing its afford in the tendering of large scale projects.

We will exercise vigilance and prudence in achieving our objectives and continue to strengthen our portfolio and proposition in the affordable houses development and strike to be the preferred contractor of the segment. This is tandem with the Malaysia Government's on-going afford in improving the citizen's wellbeing.

The Group will stay responsive and resilient in all business cycles while diversifying our business into any other area which will complement to our existing core business after risk assessment review being conducted. By diversifying into other business segments, it will definitely broaden the Group's revenue stream and profitability moving forward.

Barring any unforeseen circumstances, with continuous assessment of internal and external risks and disciplined financial management, the Group is optimistic about current year performance and its long-term prospect.

B4. Profit Forecast or Profit Guarantee

There is no profit forecast or profit guarantee issued by the Group to the public.

B5. Taxation

	Individual Quarter RM'000	Cumulative Period RM'000
Income Tax:		
- Current year	3,085	10,170
- Overprovision of prior year	(1,368)	(1,368)
	1,717	8,802
Deferred Tax:		
- Current year	(650)	(876)
- Underprovision of prior year	127	82
	(523)	(794)
Total Taxation	1,194	8,008

The effective tax rate was higher than the statutory tax rate of 24% as certain expenses were disallowed for tax deduction under tax regulations.

B6. Status of Corporate Proposals Announced but Not Completed

Corporate proposals announced that are yet to be completed as at LPD are as follows: -

(a) On 18 April 2017, RHB Investment Bank ("**RHBIB**") announced for and on behalf of the Company that Company proposed to diversify the Group's existing business to include property development and property investment ("**New Businesses**"). The New Businesses which is complementary to the existing construction business is expected to contribute positively to the revenue and earnings of the Group. The proposed diversification of business is subject to shareholders' approval at a general meeting to be convened at a date to be announced later.

(b) On 16 June 2017, RHBIB announced for and on behalf of the Company that the Company proposed to undertake a private placement of up to 10% of the total number of issued shares of the Company to investors to be identified.

On 5 July 2017, RHBIB announced for and on behalf of the Company that Bursa Securities has approved the listing and quotation for up to 47,414,419 new ordinary shares ("**Placement Shares**") pursuant to Sections 75 and 76 of the Companies Act, 2016 ("**Private Placement**").

On 20 July 2017, RHBIB announced the price fixing for 28,000,000 Placement Shares under the first tranche of the Private Placement at RM1.08 per Placement Share, represents a discount of approximately 5.52% to the five (5)-day volume weighted average market price of the Company's shares.

On 1 August 2017, RHBIB announced that the 28,000,000 Placement Shares were listed and quoted on the Main Market of Bursa Securities. This also marked the completion of first tranche of the Private Placement.

As at LPD, no additional Placement Shares being issued subsequent to the completion of first tranche of the Private Placement

(c) On 5 July 2017, the Board of Directors of the Company ("**the Board**") announced that the Company is proposing to change its name from ML Global Berhad to MGB Berhad ("**Proposed Change of Name**").

The Proposed Change of Name to "MGB Berhad", which stands for "Malaysian Generations Builder", is to better reflect the corporate identity and branding of the Company and to align with the Company's focus and aspiration to be a regional construction company.

The Proposed Change of Name is subject to shareholders' approval at a general meeting to be convened at a date to be announced later.

The Proposed Change of Name, if approved by the shareholders, will take effect from the date of issuance of the Notice of Registration of New Name by the Commission of Companies Malaysia to the Company.

B6. Status of Corporate Proposals Announced but Not Completed (cont'd)

(d) On 17 July 2017, the Board announced that the Company had signed a Memorandum of Understanding ("**MOU**") with Sany Construction Industry Development (M) Sdn Bhd ("**SANY (M)**") in relation to the setting up of a joint venture entity ("**Newco**") for business of manufacturing of Industrialised Building System (IBS) precast products for building projects. MGB and SANY (M) hereinafter collectively be referred to as the ("**Parties**").

The Parties have to come to an understanding to form a joint venture entity in Malaysia to collaborate with each other to set up a precast concrete panel manufacturing facility and/or plant to design, produce, market, sell and to install the precast concrete products in housing and commercial development principally in Malaysia and such other relevant arrangement or business activities to be mutually agreed between the Parties from time to time.

The Parties agreed that the initial paid up capital for the Newco shall be RM4,000,000.00 and the Parties shall contribute to the paid up capital in accordance with their respective proportion of shareholdings as follows: -

i) MGB – 51%
ii) SANY (M) – 49%

Unless mutually agreed in writing between the Parties for further extension, the MOU shall be valid for a period of six (6) months from the date of the MOU.

As at LPD, both parties are in the midst of finalising the Newco's shareholders agreement.

B7. Utilisation of Proceeds Raised from Corporate Proposal

On 1 August 2017, RHBIB announced the completion of the first tranche of the Private Placement following the listing of and quotation for 28,000,000 Placement Shares on the Main Market of Bursa Securities on the even date. The issue price per Placement Share was fixed at RM1.08 and total gross proceeds raised was approximately RM30.24 million.

As at LPD, the status of utilisation of proceeds raised pursuant to the Private Placement as follows:

Details of Utilisation	Proposed Utilisation (RM'000)	Actual Utilisation (RM'000)	Balance Unutilise (RM'000)	Intended Timeframe for Utilisation
Working Capital	29,816	15,816	14,000	Within 12 months from the date of completion of the private placement.
Defray the estimated expenses*	424	424	-	Within 1 months from the date of completion of the private placement.
	30,240	**16,240**	**14,000**	

**The estimated expenses comprising professional fees, fees payable to relevant authorities and other related expenses. Any excess/shortfall in funds for estimated expenses will be adjusted to/from funds allocated for working capital.*

B8. Borrowings and Debt Securities

Total borrowings of the Group comprised of the followings:

	As at 30-Sept-17 RM'000 (Unaudited)	As at 30-Sept-16 RM'000 (Unaudited)
Secured bank borrowings		
Term loans	50,051	1,450
Bank overdrafts	13,032	2,073
Finance lease payables	3,801	539
Total Bank Borrowings	**66,884**	**4,062**
Short Term Borrowings		
Term loans	1,957	-
Bank overdrafts	13,032	2,073
Finance lease payables	1,277	113
Total Short Term Borrowings	**16,266**	**2,186**
Long Term Borrowings		
Term loans	48,094	1,450
Finance lease payables	2,524	426
Total Long Term Borrowings	**50,618**	**1,876**

All borrowings were dominated in Ringgit Malaysia ("**RM**").

B9. 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.

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B10. Realised and Unrealised Profits/Losses Disclosure

The following analysis of realised and unrealised retained earnings/ (accumulated losses) of the Group and of the Company as at the reporting date is presented in accordance with the directive issued by Bursa Securities and prepared in accordance with the Guidance on Special Matter No.1 Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Securities Listing Requirements, as issued by the Malaysian Institute of Accountants.

	As at 30-Sept-17 RM'000 (Unaudited)	As at 31-Dec-16 RM'000 (Audited)
Total retained earnings/ (accumulated losses) of the Company and its subsidiary companies		
- realised	4,430	(25,855)
- unrealised	(1,962)	(838)
	2,468	(26,693)
Total (losses)/profit of an associate company		
- realised	(26)	16
Less: consolidation adjustments	8,804	9,890
Total retained earnings /(accumulated losses)	11,246	(16,788)

The disclosure of realised and unrealised profits/losses above is solely for compliance with the disclosure requirements stipulated in the directive of Bursa Securities and should not be applied for any other purposes.

B11. Dividends Declared

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

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B12. 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		Cumulative Quarter Ended	
	30-Sept-17	30-Sept-16	30-Sept-17	30-Sept-16
Net profit attributable to owners of the parent (RM'000)	10,005	1,938	28,296	2,989
Weighted average number of ordinary shares in issue ('000)	386,370	89,634	371,200	89,634
Basic EPS (Sen)	2.59	2.16	7.62	3.34

Diluted EPS

The calculation of the diluted earnings per share is based on the profit attributable to the owners of the parent and divided by the weighted average number of ordinary shares that would have been in issued upon full exercise of the remaining option under warrants, adjusted for the number of such shares that would have been issued at fair value: -

	Individual Quarter Ended		Cumulative Quarter Ended	
	30-Sept-17	30-Sept-16	30-Sept-17	30-Sept-16
Net profit attributable to owners of the parent (RM'000)	10,005	1,938	28,296	2,989
Weighted average number of ordinary shares in issue ('000)	386,370	89,634	371,200	89,634
Effect of conversion of warrants ('000)	9,641	3,690	9,641	3,690
Effect of conversion of ICPS ('000)	180,000	N/A	180,000	N/A
	576,010	93,324	560,840	93,324
Diluted EPS (Sen)	1.74	2.08	5.05	3.20

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B13. Notes to the condensed consolidated Statement of Profit or Loss and Other Comprehensive Income

	Current Quarter Ended 30-Sept-17 RM'000	Period to Date Ended 30-Sept-17 RM'000
Rental income	-	(105)
Interest income	(72)	(127)
Gain on disposal of PPE	(2)	(123)
Amortisation of intangible asset	2,795	2,795
Amortisation of investment properties	183	548
Depreciation of PPE	1,123	3,152
Finance costs	867	2,421
Impairment loss on goodwill	-	3
PPE written off	4	19

B14. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors on 23 November 2017.

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