



MAH SING GROUP BERHAD

Company No.: 230149-P

(Incorporated in Malaysia)

Interim Financial Report

31 December 2018

MAH SING GROUP BERHAD

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(Incorporated in Malaysia)**

Interim Financial Report - 31 December 2018

	Page No.
Condensed Consolidated Statement Of Financial Position	1
Condensed Consolidated Statement Of Profit Or Loss	2
Condensed Consolidated Statement Of Profit Or Loss and Other Comprehensive Income	3
Condensed Consolidated Statement Of Changes In Equity	4 - 5
Condensed Consolidated Statement Of Cash Flows	6 - 7
Notes To The Interim Financial Report	8 - 19

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

(The figures have been audited)

	AS AT 31/12/2018 RM'000	AS AT 31/12/2017 RM'000
ASSETS		
Non-Current Assets		
<i>Property, plant and equipment</i>	227,352	155,872
<i>Prepaid lease payments</i>	4,820	5,583
<i>Investment properties</i>	195,880	195,880
<i>Land held for property development</i>	1,619,797	1,482,198
<i>Intangible assets</i>	5,506	5,776
<i>Trade and other receivables</i>	32,620	31,957
<i>Deferred tax assets</i>	168,588	142,967
	<u>2,254,563</u>	<u>2,020,233</u>
Current Assets		
<i>Property development costs</i>	1,749,195	2,139,524
<i>Inventories</i>	731,257	628,981
<i>Trade and other receivables</i>	946,009	1,121,662
<i>Current tax assets</i>	7,915	13,546
<i>Deposits, cash and bank balances and investment in short-term funds</i>	1,220,462	1,216,241
	<u>4,654,838</u>	<u>5,119,954</u>
TOTAL ASSETS	<u>6,909,401</u>	<u>7,140,187</u>
EQUITY AND LIABILITIES		
Equity Attributable to Ordinary Equity Holders of the Company		
<i>Share capital</i>	1,776,055	1,773,291
<i>Other reserves</i>	27,320	66,909
<i>Retained earnings</i>	1,685,597	1,615,768
	<u>3,488,972</u>	<u>3,455,968</u>
Perpetual Securities	789,388	645,212
Perpetual Sukuk	540,000	540,000
Non-Controlling Interests	5,318	6,429
Total Equity	<u>4,823,678</u>	<u>4,647,609</u>
Non-Current Liabilities		
<i>Term loans</i>	443,015	638,036
<i>Long term and deferred payables</i>	31,591	75,615
<i>Deferred tax liabilities</i>	71,537	73,525
	<u>546,143</u>	<u>787,176</u>
Current Liabilities		
<i>Trade and other payables</i>	1,395,825	1,524,257
<i>Term loans</i>	116,083	113,417
<i>Short term borrowings</i>	4,168	28,874
<i>Bank overdrafts</i>	1,066	1,105
<i>Current tax liabilities</i>	22,438	37,749
	<u>1,539,580</u>	<u>1,705,402</u>
Total Liabilities	<u>2,085,723</u>	<u>2,492,578</u>
TOTAL EQUITY AND LIABILITIES	<u>6,909,401</u>	<u>7,140,187</u>
Net assets per share attributable to ordinary equity holders of the Company (RM)	<u>1.44</u>	<u>1.42</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the financial year ended 31 December 2018

(The figures have been audited)

	3 months ended		Year ended		
	31/12/2018	31/12/2017	31/12/2018	31/12/2017	
	RM'000	RM'000	RM'000	RM'000	
Revenue	514,647	760,842	2,192,933	2,915,791	
Cost of sales	<u>(346,100)</u>	<u>(563,183)</u>	<u>(1,542,371)</u>	<u>(2,154,100)</u>	
Gross profit	168,547	197,659	650,562	761,691	
Other income	11,916	6,909	28,791	23,117	
Selling and marketing expenses	(39,472)	(34,784)	(123,800)	(116,676)	
Administrative and other expenses	<u>(53,596)</u>	<u>(52,852)</u>	<u>(197,855)</u>	<u>(191,587)</u>	
Results from operating activities	87,395	116,932	357,698	476,545	
Finance income	3,171	2,180	10,447	12,872	
Finance costs	<u>(6,486)</u>	<u>(6,002)</u>	<u>(20,535)</u>	<u>(17,134)</u>	
Net finance costs	(3,315)	(3,822)	(10,088)	(4,262)	
Profit before tax	84,080	113,110	347,610	472,283	
Income tax expense	(18,696)	(25,666)	(76,991)	(113,122)	
Profit for the year	<u>65,384</u>	<u>87,444</u>	<u>270,619</u>	<u>359,161</u>	
Profit attributable to:					
Equity holders of the Company	66,017	88,775	271,582	361,895	
Non-controlling interests	(633)	(1,331)	(963)	(2,734)	
	<u>65,384</u>	<u>87,444</u>	<u>270,619</u>	<u>359,161</u>	
Earnings per share attributable to ordinary equity holders of the Company:					
- Basic (sen)	Note B12(a)	<u>1.79</u>	<u>2.74</u>	<u>7.83</u>	<u>12.54</u>
- Diluted (sen)	Note B12(b)	<u>1.79</u>	<u>2.73</u>	<u>7.83</u>	<u>12.50</u>

The Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the financial year ended 31 December 2018

(The figures have been audited)

	3 months ended		Year ended	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	RM'000	RM'000	RM'000	RM'000
Profit for the year	65,384	87,444	270,619	359,161
Other comprehensive income/(loss)				
<i>Item that may be reclassified subsequently to profit or loss:</i>				
Foreign currency translation difference for foreign operations	679	(1,013)	(568)	(2,568)
<i>Item that will not be reclassified subsequently to profit or loss:</i>				
Remeasurements of defined benefit obligations	197	47	197	47
Other comprehensive income/(loss) for the year	876	(966)	(371)	(2,521)
Total comprehensive income for the year	66,260	86,478	270,248	356,640
Total comprehensive income attributable to:				
Equity holders of the Company	66,586	88,124	271,355	360,195
Non-controlling interests	(326)	(1,646)	(1,107)	(3,555)
	66,260	86,478	270,248	356,640

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 2017 and the accompanying explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the financial year ended 31 December 2018

(The figures have been audited)

	Attributable to ordinary equity holders of the Company								Total Equity RM'000
	Non-Distributable			Distributable		Perpetual Securities RM'000	Perpetual Sukuk RM'000	Non- controlling interests RM'000	
Year ended 31 December 2018	Share capital RM'000	Warrants reserve RM'000	Exchange fluctuation reserve RM'000	Retained earnings RM'000	Total RM'000				
Balance at 1/1/2018	1,773,291	60,499	6,410	1,615,768	3,455,968	645,212	540,000	6,429	4,647,609
Effect of MFRS 9 adoption (Note A1(b))	-	-	-	(1,462)	(1,462)	-	-	(4)	(1,466)
Balance at 1/1/2018 (restated)	1,773,291	60,499	6,410	1,614,306	3,454,506	645,212	540,000	6,425	4,646,143
Amount recognised directly in equity:									
Profit/(Loss) for the financial year	-	-	-	271,582	271,582	-	-	(963)	270,619
Other comprehensive (loss)/income	-	-	(355)	128	(227)	-	-	(144)	(371)
Total comprehensive (loss)/income for the year	-	-	(355)	271,710	271,355	-	-	(1,107)	270,248
Dividends for the financial year ended 31 December 2017	-	-	-	(157,800)	(157,800)	-	-	-	(157,800)
Issuance of ordinary shares pursuant to warrants exercised	2,764	(383)	-	-	2,381	-	-	-	2,381
Issuance of Perpetual Securities (net of transaction costs)	-	-	-	-	-	144,176	-	-	144,176
Warrants lapsed during the year	-	(38,851)	-	38,851	-	-	-	-	-
Distribution paid to holders of Perpetual Sukuk	-	-	-	(36,620)	(36,620)	-	-	-	(36,620)
Distribution paid to holders of Perpetual Securities	-	-	-	(44,850)	(44,850)	-	-	-	(44,850)
Balance at 31/12/2018	1,776,055	21,265	6,055	1,685,597	3,488,972	789,388	540,000	5,318	4,823,678

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the financial year ended 31 December 2017

(The figures have been audited)

	Attributable to ordinary equity holders of the Company						Perpetual Securities	Perpetual Sukuk	Non-controlling interests	Total Equity
	Non-Distributable			Distributable						
Year ended 31 December 2017	Share capital	Share premium	Warrants reserve	Exchange fluctuation reserve	Retained earnings	Total				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance at 1/1/2017	1,204,711	540,816	64,343	8,141	1,470,100	3,288,111	-	540,000	8,016	3,836,127
Amount recognised directly in equity:										
Profit/(Loss) for the financial year	-	-	-	-	361,895	361,895	-	-	(2,734)	359,161
Other comprehensive (loss)/income	-	-	-	(1,731)	31	(1,700)	-	-	(821)	(2,521)
Total comprehensive (loss)/income for the year	-	-	-	(1,731)	361,926	360,195	-	-	(3,555)	356,640
Issuance of ordinary shares pursuant to warrants exercised	27,764	-	(3,844)	-	-	23,920	-	-	-	23,920
Issuance of Perpetual Securities (net of transaction costs)	-	-	-	-	-	-	645,212	-	-	645,212
Dividends for the financial year ended 31 December 2016	-	-	-	-	(157,152)	(157,152)	-	-	-	(157,152)
Distribution paid to holders of Perpetual Sukuk	-	-	-	-	(36,620)	(36,620)	-	-	-	(36,620)
Distribution paid to holders of Perpetual Securities	-	-	-	-	(22,486)	(22,486)	-	-	-	(22,486)
Acquisition of a subsidiary company	-	-	-	-	-	-	-	-	639	639
Disposal of a subsidiary company	-	-	-	-	-	-	-	-	1,329	1,329
Effects of adoption of Companies Act 2016 *	540,816	(540,816)	-	-	-	-	-	-	-	-
Balance at 31/12/2017	1,773,291	-	60,499	6,410	1,615,768	3,455,968	645,212	540,000	6,429	4,647,609

* With the Companies Act 2016 coming into effect on 31 January 2017, the credit balance of the share premium becomes part of the share capital. Such credit balance may be utilised within 24 months after the commencement of the Act for purposes as set out in transitional provisions of the Act.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the financial year ended 31 December 2018

(The figures have been audited)

	12 months ended 31/12/2018 RM'000	12 months ended 31/12/2017 RM'000
Operating Activities		
Profit before tax	347,610	472,283
Adjustments for:		
Non-cash items	25,730	19,924
Non-operating items	26,670	29,365
Operating profit before changes in working capital	<u>400,010</u>	<u>521,572</u>
Net change in property development costs	62,852	(46,513)
Net change in inventories	162,707	87,922
Net change in receivables	19,072	(139,465)
Net change in accrued billings	141,572	(11,301)
Net change in payables	(80,363)	133,673
Net change in progress billings	48,485	(37,643)
Cash generated from operations	<u>754,335</u>	<u>508,245</u>
Interest received	32,134	34,258
Finance cost paid	(34,933)	(41,624)
Net tax paid	(114,294)	(135,046)
Net cash generated from operating activities	<u>637,242</u>	<u>365,833</u>
Investing Activities		
Additions to property, plant and equipment	(75,408)	(43,965)
Additions to land held for property development	(85,711)	(110,638)
Acquisition of land	(78,842)	(114,691)
Net cash outflow on acquisition of subsidiary companies	-	(61,458)
Payment of balance consideration on acquisition of subsidiary companies	(82,473)	-
Proceeds from disposal of property, plant and equipment	695	886
Proceeds from disposal of subsidiary	-	6,472
Net cash used in investing activities	<u>(321,739)</u>	<u>(323,394)</u>
Financing Activities		
Advances from non-controlling interests of a former subsidiary company	-	21,600
Repayment to non-controlling interests of subsidiary companies	-	(3,111)
Dividends paid to shareholders of the Company	(157,800)	(157,152)
Distribution paid to holders of Perpetual Sukuk	(36,620)	(36,620)
Distribution paid to holders of Perpetual Securities	(44,850)	(22,486)
Net proceed from issuance of Perpetual Securities	144,176	645,212
Net repayment of borrowings	(218,569)	(222,476)
Withdrawal/(Placement) of deposits with licensed banks pledged as collateral/Escrow Accounts	41,935	(30,334)
Placement of deposit in Trustees' Reimbursement Account	-	(30)
Proceeds from warrants exercised	2,381	23,920
Net cash (used in)/generated from financing activities	<u>(269,347)</u>	<u>218,523</u>
Net changes in cash and cash equivalents	46,156	260,962
Effect of exchange rate changes	39	41
Cash and cash equivalents at beginning of the financial year	<u>1,141,769</u>	<u>880,766</u>
Cash and cash equivalents at end of the financial year	<u>1,187,964</u>	<u>1,141,769</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the financial year ended 31 December 2018 (continued)*(The figures have been audited)*

Cash and cash equivalents at the end of the financial year comprise the followings:

	12 months ended 31/12/2018 RM'000	12 months ended 31/12/2017 RM'000
Deposits with licensed banks	29,532	123,505
Investment in short-term funds	605,213	476,746
Cash and bank balances	585,717	615,990
Bank overdrafts	(1,066)	(1,105)
	1,219,396	1,215,136
Less: Deposits in Escrow Accounts	(22,940)	(67,285)
Less: Deposits pledged as collateral	(8,432)	(6,022)
Less: Trustees' Reimbursement Account	(60)	(60)
	1,187,964	1,141,769

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial report.

A Explanatory notes

A1 Basis of preparation

The interim financial report has been prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134 *Interim Financial Reporting* and with International Accounting Standard 14 *Interim Financial Reporting* and applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The interim financial report should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2017. The explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2017.

The significant accounting policies and methods of computation adopted for the interim financial report are consistent with those adopted for the audited financial statements for the financial year ended 31 December 2017 save for the adoption of the following:

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
Amendments to MFRS 140	Transfers of Investment Property
IC Interpretation 22	Foreign Currency Transactions and Advance Considerations
Annual Improvements to MFRSs 2014 - 2016 Cycle	

The adoption of the above Amendments to MFRSs and annual improvements to MFRS does not have any material impact on the financial statements of the Group, except for MFRS 9. The impact of the adoption of MFRS 9 in the Group's financial statements is as follows:

MFRS 9 Financial Instruments ("MFRS 9")

The adoption of MFRS 9 resulted in changes in accounting policies and adjustments to the financial statements. The accounting policies that relate to the recognition, classification, measurement and derecognition of financial instruments and impairment of financial assets are amended to comply with MFRS 9. In accordance with the transition requirements under MFRS 9, comparatives are not restated and the financial impact on the adoption of this Standard is recognised in retained earnings as at 1 January 2018.

(a) Changes in accounting policies

Financial assets

The Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value through profit and loss; and
- Those to be measured at amortised cost.

The classification above depends on the Group's business model for managing the financial assets and the contractual terms of cash flows. The following summarises the key changes:

- Investment in short-term funds classified as at fair value through profit or loss. These are held within a business model whose objective is held to collect and sell but they do not meet MFRS 9 criteria for classification at fair value through other comprehensive income because their cash flows do not represent solely payments of principal and interest.
- All other financial assets will continue to be measured on the same basis as is currently adopted under MFRS 139 *Financial Instruments: Recognition and Measurement* ("MFRS 139").

A1 Basis of preparation (continued)

(a) Changes in accounting policies (continued)

Financial liabilities

There is no impact on the classification and measurement of the Group's financial liabilities.

Impairment of financial assets

MFRS 9 requires impairment assessments to be based on an Expected Credit Loss ("ECL") model, replacing the incurred loss model under MFRS 139. The Group applied the simplified approach prescribed by MFRS 9, which requires expected lifetime losses to be recognised on all receivables.

(b) Classification and measurement of financial instruments

The following table is a reconciliation of the carrying amount of the Group's statement of financial position from MFRS 139 to MFRS 9 as at 1 January 2018:

	MFRS 139 Carrying amount as at 31 December 2017	Remeasurement	MFRS 9 Carrying amount as at 1 January 2018
	RM'000	RM'000	RM'000
Trade receivables			
Opening balance	635,012	-	635,012
Increase in loss allowance*	-	(1,466)	(1,466)
Total trade receivables	635,012	(1,466)	633,546
Retained earnings			
Opening balance	1,615,768	-	1,615,768
Increase in loss allowance for trade receivables	-	(1,462)	(1,462)
Total retained earnings	1,615,768	(1,462)	1,614,306
Non-controlling interest			
Opening balance	6,429	-	6,429
Increase in loss allowance for trade receivables	-	(4)	(4)
Total non-controlling interest	6,429	(4)	6,425

* The Group applied the simplified approach in providing for ECL.

A2 Seasonal or cyclical factors

The operations of the Group were not significantly affected by any seasonal or cyclical factors during the financial year under review.

A3 Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group for the financial year under review.

A4 Changes in estimates

There were no material changes in estimates for the financial year under review.

A5 Debt and equity securities

Share capital

During the financial year ended 31 December 2018, the Company increased its issued and paid up share capital by way of issuance of 1,653,815 new ordinary shares pursuant to the exercise of Warrant B 2013/2018 at an issue price of RM1.44 per ordinary share.

Perpetual securities

On 15 November 2018, the Company has completed the second issuance of the unrated senior perpetual securities ("Perpetual Securities (Second Issuance)") amounting to RM145 million in nominal value pursuant to the Perpetual Securities Programme of up to RM1.0 billion in nominal value. The Perpetual Securities (Second Issuance) carries a coupon rate of 6.55% per annum from year 1 to year 3, payable semi-annually, and has no fixed maturity date but are callable 3 years from date of issuance.

Save for the above, there were no issuance and repayment of debt and equity securities, share buybacks, share cancellations, share held as treasury shares and resale of treasury shares during the financial year under review.

A6 Dividends paid

On 27 September 2018, the Company paid a first and final single-tier dividend of 6.5 sen per ordinary share amounted to RM157,799,649 in respect of the financial year ended 31 December 2017.

MAH SING GROUP BERHAD (230149-P)
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A7 Segment reporting

Year ended 31 December 2018

	Properties RM'000	Plastics RM'000	Investment Holding & Others RM'000	Elimination RM'000	Consolidated RM'000
REVENUE					
External revenue	1,830,479	303,852	58,602	-	2,192,933
Inter-segment	-	9	289,005	(289,014)	-
	<u>1,830,479</u>	<u>303,861</u>	<u>347,607</u>	<u>(289,014)</u>	<u>2,192,933</u>
RESULTS					
Operating profit	327,657	21,668	8,373	-	357,698
Interest income	9,904	205	338	-	10,447
Finance costs	(18,520)	(2,005)	(10)	-	(20,535)
Profit before tax	319,041	19,868	8,701	-	347,610
Income tax expense					(76,991)
Profit for the year					<u>270,619</u>

Year ended 31 December 2017

	Properties RM'000	Plastics RM'000	Investment Holding & Others RM'000	Elimination RM'000	Consolidated RM'000
REVENUE					
External revenue	2,554,426	296,205	65,160	-	2,915,791
Inter-segment	-	-	266,862	(266,862)	-
	<u>2,554,426</u>	<u>296,205</u>	<u>332,022</u>	<u>(266,862)</u>	<u>2,915,791</u>
RESULTS					
Operating profit	432,290	15,343	28,912	-	476,545
Interest income	12,613	187	72	-	12,872
Finance costs	(15,439)	(1,596)	(99)	-	(17,134)
Profit before tax	429,464	13,934	28,885	-	472,283
Income tax expense					(113,122)
Profit for the year					<u>359,161</u>

A8 Material subsequent events

Save as disclosed in B6, there were no material events subsequent to the reporting date up to 20 February 2019, being the latest practicable date which is not earlier than 7 days from the date of issuance of this Interim Financial Report.

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A9 Related party transactions

Transactions with Directors of the Company and subsidiary companies and companies in which they have interests:

	01/01/2018
	to
	31/12/2018
	RM'000
(i) Rental paid to a Company in which a Director of the Company has interest	1,538
(ii) Maintenance services rendered by a company in which the Directors are family members of a Director of the Company	180
(iii) Sales of a completed property to a Director of subsidiary company	599
(iv) Sales of completed properties to a former Director of subsidiary company	9,894
(v) Sales of development properties to a former Director of subsidiary company	3,435
(vi) Sales of a completed property to a family member of a former Director of subsidiary company	1,255
Transactions with non-controlling interests:	
(i) Interest payable to non-controlling interests of subsidiary company	21

A10 Changes in the composition of the Group

There were no changes in the composition of the Group during the current financial year, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructuring, and discontinuing operations.

A11 Changes in contingent liabilities or contingent assets

There were no contingent assets. Contingent liabilities of the Group are as follows:

	31/12/2018	31/12/2017
	RM'000	RM'000
Bank guarantees issued in favour of third parties	162,257	91,840
Litigations arising from business transactions **	19,362	3,811
	181,619	95,651

** The Group is engaged in various litigation matters arising from its business transactions with potential exposure amounting to approximately RM19.4 million (2017: RM3.8 million). The Group's solicitors are of the view that the litigations will not likely to have any exposure, and thus no provision have been made by the Group at this juncture.

On the other hand, the Group has also filed proceedings for indemnity amounting to approximately RM10.4 million (2017: RM Nil) arising from the above business transactions.

A12 Capital commitments

	31/12/2018
	RM'000
Commitment for acquisition of property, plant and equipment:	
- Approved and contracted for	2,410

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A13 Operating lease commitments

As Lessee - for the lease of commercial and residential buildings

The Group leased back commercial and residential properties sold by entering into Leaseback and Guarantee Rental Return Agreements with the property purchasers pursuant to Group's property development activities. The tenure of these leases ranges between 2 to 9 years. Whilst certain of these lease arrangements are based on yearly fixed payments, there are some lease arrangements which are not fixed and where the payment of these lease amounts, contingent upon operating profits being generated by the business, are based on a certain percentage of such profits.

The future lease payments contracted for pursuant to the rental of the said commercial and residential properties (net of lease rental receivables from sublease) as at the reporting date are as follows:-

	<u>Lease rental payables</u>		<u>Lease rental receivables</u>		<u>Net</u>		
	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Commercial properties:							
Less than one year	11,872	3,677	(23)	(487)	11,849	3,190	
One to five years	24,044	-	-	-	24,044	-	
More than five years	5,093	595	-	(428)	5,093	167	
	41,009	4,272	(23)	(915)	40,986	3,357	
Residential properties:							
Less than one year	-	3	-	-	-	3	
One to five years	-	-	-	-	-	-	
More than five years	-	-	-	-	-	-	
	-	3	-	-	-	3	
	41,009	4,275	(23)	(915)	40,986	3,360	
					Provision for future operating lease	(572)	(3,360)
						40,414	-

During the financial year, the Group has recognised in profit or loss leaseback rental and provision for future lease commitments amounting to a total of RM6.53 million (2017: RM1.69 million) and rental income from sublease amounting to RM0.5 million (2017: RM0.2 million).

As Lessee - for the lease of premises and motor vehicles

The Group leases premises and motor vehicles from various parties under non-cancellable operating leases. The tenure of these leases ranges between 2 to 3 years.

The future minimum lease commitment under non-cancellable operating leases as at reporting date are as follow:-

	<u>Lease rental payables</u>
	31/12/2018
	RM'000
Less than one year	2,658
One to three years	1,430
	4,088

As Lessor - for the lease of investment properties and commercial properties

The Group leases out its investment properties and commercial properties under non-cancellable operating leases. The tenure of these leases ranges between 1 to 3 years with option to renew upon expiry. Certain of the leases include contingent rental arrangements computed based on sales achieved by tenants.

The future minimum lease receivables under non-cancellable leases as at reporting date are as follow:-

	<u>Lease rental receivables</u>
	31/12/2018
	RM'000
Less than one year	2,309
One to three years	1,696
	4,005

B Explanatory notes pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities

B1 Review of Group performance

For the year ended 31 December 2018, the Group posted a net profit of approximately RM271.6 million on the back of revenue of approximately RM2.2 billion as compared to RM361.9 million net profit and RM2.9 billion revenue a year ago. On a quarterly basis, the Group recorded a net profit of approximately RM66.0 million and revenue of approximately RM514.6 million as compared to RM88.8 million net profit and RM760.8 million revenue in the same quarter last year.

As at 31 December 2018, the Group is in a net cash position.

Property development

For the year ended 31 December 2018, revenue from property development was approximately RM1.8 billion compared with RM2.6 billion a year ago while operating profit was approximately RM327.7 million versus RM432.3 million a year ago. This was mainly attributable to a higher proportion of new sales secured from the new projects and where contribution to revenue from these projects is expected to be more significant once the initial stages of construction has been surpassed.

The development projects which primarily contributed to the Group's results include **Southville City** in KL South, **Lakeville Residence** in Jalan Kuching, **D'sara Sentral** in Sungai Buloh, **M Residence** and **M Residence 2** in Rawang and **M City** in Jalan Ampang in Greater KL and Klang Valley, **Ferringhi Residence** in Penang, **The Meridin@Medini**, **Meridin East**, **Sierra Perdana** in Johor and **Sutera Avenue** in Sabah. Other contributions include the Group's new Klang Valley projects of **M Vertica** in Cheras, **M Centura** in Sentul and **M Aruna** in Rawang.

The Group achieved property sales of approximately RM1.50 billion for the year ended 31 December 2018.

Plastics

The plastics segment continued to contribute positively to Group performance. Revenue grew by 2.6% from approximately RM296.2 million to RM303.9 million and operating profit improved by 41.2% from approximately RM15.3 million to RM21.7 million pursuant to the sales of mould, the gain of which has been included in other income.

Investment holding & Others

Revenue for the segment comprise mainly interest income from the deposit of funds, trading of building materials and Ramada Meridin Hotel operations.

B2 Material change in quarterly results compared with the immediate preceding quarter

There was no major fluctuation in the Group's current quarter profit before tax of approximately RM84.1 million compared to the immediate preceding quarter of approximately RM81.3 million.

B3 Prospects for the next financial year

The Group achieved RM1.5 billion property sales in 2018, with 83% sales from affordable residential products below RM700,000. For 2019, we target to achieve minimum RM1.5 billion sales with focus remaining on affordable homes in strategic locations. Planned new launches of affordable projects include M Vertica Cheras Tower 3 & 4, Sentul Phase 2, Sensory Residence, Southville City @ KL South, Basil @ M Aruna, Rawang, M Cahaya, Sungai Buloh and Orchid and Hazel @ Meridin East, Johor. In addition, Onyx Icon City, a “wellness” enhanced corporate park in Petaling Jaya and Pykett Project, Georgetown as well as other projects in the Klang Valley, Johor and Penang will also be launched.

In conjunction with our Silver Jubilee which marks the Group’s 25th anniversary as a property developer, we will be launching campaigns throughout the year which offers rewards and other incentives to delight buyers, starting from the “Spin and Win” wheel of fortune campaign and the upcoming “RM100,000 In Your Bank” campaign. The Group also supports the Government’s national home ownership campaign and will offer attractive sales packages, on top of the Government’s stamp duties exemptions for houses priced up to RM1 million, for the participating projects at the property fair to be held from 1 to 3 March 2019.

Having grown from just 6 projects in 2005 to 47 projects currently, the Group has managed to maintain our financial strength over the years through prudent capital management. With our net cash position and cash and bank balances of RM1.22 billion as at 31 December 2018, the Group is in a good position to lock in any strategic landbank when opportunity arises and we are also open to good joint ventures and investment opportunities.

For the financial year ended 31 December 2018, the Board of Directors has proposed first and final dividend of 4.5 sen per ordinary share. This marks our 13th consecutive year of paying at least 40% of net profit as dividend and the Group is committed to continue rewarding our shareholders while balancing growth.

B4 Profit forecast

Not applicable as the Group has not issued profit forecast or profit guarantee in a public document.

B5 Income tax expense

	3 months ended		Year ended	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	RM'000	RM'000	RM'000	RM'000
Estimated income tax payable:				
Current financial year	3,060	43,972	115,961	139,944
Over provision of income tax in prior year	(805)	19	(11,361)	(1,124)
	<u>2,255</u>	<u>43,991</u>	<u>104,600</u>	<u>138,820</u>
Deferred tax	16,441	(18,325)	(27,609)	(25,698)
	<u>18,696</u>	<u>25,666</u>	<u>76,991</u>	<u>113,122</u>

The Group’s effective tax rate for the current quarter and current financial year were lower than the statutory tax rate mainly due to the utilisation of previously unrecognised deferred tax assets to offset taxable profits and also reduction in the income tax rate, affecting certain companies based on the percentage of increase in chargeable income as compared to the immediate preceding year of assessment.

B6 Status of corporate proposals

The following corporate proposals as announced by the Company have not been completed as at 20 February 2019 (being the latest practicable date which is not earlier than 7 days from the date of issuance of this Interim Financial Report):

- a) On 5 July 2010, the Company's wholly-owned subsidiary, Grand Prestige Development Sdn Bhd ("**Grand Prestige**") entered into a Joint Venture Agreement ("**JVA**") with Medan Damai Sdn Bhd ("**Medan Damai**") for the joint development of a piece of residential land in Mukim Petaling, Daerah Petaling, Negeri Selangor Darul Ehsan with a total gross area of approximately 13.2 acres (net aggregate area of 7.59 acres) ("**Kinrara Land**"). Under the terms of the JVA, Medan Damai shall grant Grand Prestige the exclusive rights to continue with the sales and development of the Kinrara Land in return for an entitlement sum of RM35,403,863.85.

The JVA is pending fulfilment by Medan Damai of certain obligations pertaining to the development components.

- b) On 26 March 2012, the Company's wholly-owned subsidiary, Capitol Avenue Development Sdn Bhd ("**Capitol Avenue**") entered into a Joint Development Agreement ("**JDA**") with Paduan Hebat Sdn Bhd ("**Paduan Hebat**") for the proposed joint development of a parcel of prime leasehold commercial land measuring approximately 4.26 acres in Kota Kinabalu, Negeri Sabah ("**KK Land**"). Under the terms of the JDA, Paduan Hebat agreed with Capitol Avenue to jointly develop the KK Land for an entitlement of RM39 million. RM25 million of the entitlement for the KK Land shall be satisfied by way of cash and the remaining balance shall be settled by way of conveyance of such number of unit(s) which shall be developed on the KK Land with total value equivalent to RM14 million or such other lesser sum as may be adjusted in accordance with the provisions of the JDA.

On 4 December 2012, all Paduan Hebat's obligations have been fully performed pursuant to the JDA. The development of KK Land has commenced in December 2013.

- c) On 3 July 2017, the Company's wholly-owned subsidiary, Nature Legend Development Sdn Bhd ("**NLD**") entered into a Share Sale Agreement ("**SSA**") with Hazreeq Putra Bin Hasman and Maslinda Binti Othman to acquire 500,000 ordinary shares ("**Sale Shares**") in M Vertica Sdn Bhd (formerly known as Cordova Land Sdn Bhd) ("**M Vertica**"), representing the entire equity interest in M Vertica for a purchase consideration of RM156,349,900.

On 30 August 2017 NLD entered into a Supplemental Agreement ("**Amended SSA**") to vary the terms of the SSA and on 27 April 2018 NLD entered into a Further Supplemental Agreement to vary the terms of the Amended SSA.

Completion of the SSA is pending the full settlement of the purchase consideration.

MAH SING GROUP BERHAD (230149-P)
(Incorporated in Malaysia)

B7 Group borrowings

Total group borrowings as at 31 December 2018 were as follows:

<i>(Denominated in)</i>	Secured RM'000 (RM)	Secured RM'000 (Indonesian Rupiah)	Secured RM'000 (USD)	Total RM'000
Term loans payable				
- within 12 months	113,304	2,779	-	116,083
- after 12 months	437,934	5,081	-	443,015
	551,238	7,860	-	559,098
Short term borrowings	1,000	3,168	-	4,168
Bank overdrafts	-	1,066	-	1,066
Finance lease and hire purchase				
- within 12 months	963	25	-	988
- after 12 months	2,857	49	-	2,906
	3,820	74	-	3,894
Total	556,058	12,168	-	568,226

B8 Material litigation

The Group was not engaged in any material litigation as at 20 February 2019, being the latest practicable date which is not earlier than 7 days from the date of issuance of this Interim Financial Report, save as disclosed in Note A11.

B9 Derivatives financial instrument

As at 31 December 2018, there were no outstanding foreign currency forward contracts.

B10 Additional disclosures pursuant to para 16, Part A, Appendix 9B of Bursa Malaysia Securities Berhad Listing Requirements

	3 months ended 31/12/2018 RM'000	Year ended 31/12/2018 RM'000
Depreciation and amortisation	(6,249)	(22,556)
Impairment of intangible assets	(196)	(270)
Gain on redemption of financial assets at fair value through profit or loss	42	197
Bad debts written off	(28)	(28)
Net foreign exchange gain	391	738
Allowance for impairment loss on financial assets	(151)	(856)
Reversal of allowance for impairment loss on financial assets	709	1,878
Reversal of allowance for impairment on inventories	23	64

Other than the items above which have been included in profit or loss, there were no impairment of assets or exceptional items which may have an effect on the results for the current financial year ended 31 December 2018.

B11 Dividend proposed

- i) The Board of Directors has proposed a first and final single-tier dividend of 4.5 sen per ordinary share (2017: 6.5 sen per ordinary share) in respect of the financial year ended 31 December 2018, which is subject to the approval of the shareholders of the Company at the forthcoming Annual General Meeting.
- ii) The proposed dividend shall be payable on a date to be determined later.
- iii) In respect of deposited securities, the entitlement to dividends shall be determined on the basis of the record of depositors at a date to be determined later.

MAH SING GROUP BERHAD (230149-P)
(Incorporated in Malaysia)

B12 Earnings per share ("EPS")

(a) Basic EPS

The basic earnings per share has been calculated by dividing the Group's net profit attributable to ordinary equity holders for the financial year by the weighted average number of ordinary shares in issue.

	3 months ended		Year ended	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Net profit for the year (RM'000)	66,017	88,775	271,582	361,895
Distribution paid to holders of				
- Perpetual Sukuk (RM'000)	-	-	(36,620)	(36,620)
- Perpetual Securities (RM'000)	(22,486)	(22,486)	(44,850)	(22,486)
Net profit for the year attributable to ordinary equity holders (RM'000)	43,531	66,289	190,112	302,789
Weighted average number of ordinary shares in issue ('000)	2,427,687	2,422,682	2,427,597	2,413,637
Basic EPS (sen)	1.79	2.74	7.83	12.54

(b) Diluted EPS

The diluted earnings per share has been calculated by dividing the Group's net profit attributable to ordinary equity holders for the financial year by the weighted average number of ordinary shares that would have been in issue assuming full exercise of the remaining warrants, adjusted for the number of such ordinary shares that would have been issued at fair value.

	3 months ended		Year ended	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Net profit for the year attributable to ordinary equity holders (RM'000)	43,531	66,289	190,112	302,789
Weighted average number of ordinary shares in issue ('000)	2,427,687	2,422,682	2,427,597	2,413,637
Weighted average number of ordinary shares deemed issued at no consideration ('000)				
- Warrants B	-	7,283	-	8,913
- Warrants C ⁽¹⁾	n/a	n/a	n/a	n/a
Adjusted weighted average number of ordinary shares ('000)	2,427,687	2,429,965	2,427,597	2,422,550
Diluted EPS (sen)	1.79	2.73	7.83	12.50

⁽¹⁾ The effects of potential ordinary shares arising from the exercise of Warrants C is anti-dilutive and accordingly is excluded from the Diluted EPS computation above.

B13 Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the financial year ended 31 December 2017 was not subject to any qualification.

B14 Comparative figures

Comparative figures, where applicable, have been modified to conform to the current year presentation.

BY ORDER OF THE BOARD

YANG BAO LING
KUAN HUI FANG

Kuala Lumpur
27 February 2019