MGB BERHAD

(formerly known as ML Global Berhad)

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

INTERIM FINANCIAL REPORT
30 JUNE 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
- FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

	Note	Individual Quarter		Cumulative Period	
		Current Year Quarter Ended 30-Jun-18 (Unadited) RM'000	Preceding Year Quarter Ended 30-Jun-17 (Unaudited) RM'000	Current Year To Date Ended 30-Jun-18 (Unaudited) RM'000	Preceding Year To Date Ended 30-Jun-17 (Unaudited) RM'000
Revenue		200,258	170,285	369,328	320,346
Cost of sales		(171,976)	(151,248)	(313,747)	(283,375)
Gross profit		28,282	19,037	55,581	36,971
Interest income		39	55	68	55
Other income		99	2,068	184	2,303
Operating expenses		(13,067)	(6,765)	(24,895)	(12,671)
Finance costs		(1,482)	(816)	(2,482)	(1,554)
Share of (loss) /profit in an associate company		(9)	(9)	(9)	5
Profit before tax		13,862	13,570	28,447	25,109
Taxation	B5	(3,856)	(3,555)	(8,255)	(6,814)
Profit after tax for the financial period		10,006	10,015	20,192	18,295
Other comprehensive income for the financial period		-	-	-	-
Total comprehensive income for the financial period		**10,006**	**10,015**	**20,192**	**18,295**
Profit for the financial period attributable to:					
Owners of the parent		10,023	10,011	20,210	18,291
Non-controlling interests		(17)	4	(18)	4
		10,006	**10,015**	**20,192**	**18,295**
Total comprehensive income for the financial period attributable to:					
Owners of the parent		10,023	10,011	20,210	18,291
Non-controlling interests		(17)	4	(18)	4
		10,006	**10,015**	**20,192**	**18,295**
Earnings per share attributable to owners of the parent:					
Basic (Sen)	B10	2.02	2.73	4.08	5.03
Diluted (Sen)	B10	1.70	1.80	3.43	3.31

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 FINANCIAL POSITION - AS AT 30 JUNE 2018

	Note	30 June 2018 (Unaudited) RM'000	31 December 2017 (Audited) RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment ("PPE")	A9	56,706	49,451
Capital work-in-progress		1,300	1,300
Intangible asset		2,993	4,331
Investment properties		59,165	59,787
Investment in an associate company		6	-
Goodwill on consolidation		256,468	253,690
		376,638	**368,559**
Current Assets			
Inventories		79,220	54,138
Contract assets		85,110	56,201
Trade receivables		130,733	93,683
Other receivables		30,517	31,480
Amount due from related companies		194,783	186,948
Tax recoverable		3,525	1,805
Fixed deposits with licensed banks		3,368	4,333
Cash and bank balances		17,911	19,755
		545,167	**448,343**
TOTAL ASSETS		**921,805**	**816,902**

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - AS AT 30 JUNE 2018 *(cont'd)*

	Note	30 June 2018 (Unaudited) RM'000	31 December 2017 (Audited) RM'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent:			
Share capital			
- Ordinary shares		325,461	322,982
- Irredeemable Convertible Preference Shares ("ICPS")		60,300	60,300
Warrant reserves		534	1,030
Asset revaluation reserve		4,903	4,903
Retained earnings		39,210	18,879
		430,408	**408,094**
Non-controlling interests		2,370	2,388
Total Equity		**432,778**	**410,482**
LIABILITIES			
Non-current Liabilities			
Trade payables		11,946	12,738
Bank borrowings	B7	105,205	79,426
Finance lease payables	B7	6,857	5,585
Deferred tax liabilities		2,104	2,265
		126,112	**100,014**
Current Liabilities			
Trade payables		217,227	211,790
Contract liabilities		17,180	38,844
Amount due to related companies		18,617	16,388
Other payables		53,602	14,490
Bank overdrafts	B7	13,251	13,562
Bank borrowings	B7	34,840	4,991
Finance lease payables	B7	3,186	2,852
Tax payable		5,012	3,489
		362,915	**306,406**
Total Liabilities		**489,027**	**406,420**
TOTAL EQUITY AND LIABILITIES		**921,805**	**816,902**
Net assets per share attributable to owners of the parent (RM)		0.87	0.83

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 CHANGES IN EQUITY (UNAUDITED)
- FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

	<---Attributable to owners of the parent---							
	<---Non-Distributable--->							
	Share Capital RM'000	ICPS RM'000	Warrant Reserves RM'000	Asset Revaluation Reserve RM'000	Retained Earnings RM'000	Total RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
Group								
At 1 January 2018								
- as previously stated	322,982	60,300	1,030	4,903	18,879	408,094	2,388	410,482
- effect of adoption of MFRS 9	-	-	-	-	(375)	(375)	-	(375)
At 1 January 2018 (restated)	322,982	60,300	1,030	4,903	18,504	407,719	2,388	410,107
Profit for the financial period, representing total comprehensive income for the financial period	-	-	-	-	20,210	20,210	(18)	20,192
Transactions with owners								
Issuance of ordinary shares pursuant to:								
- exercise of warrants	2,479	-	-	-	-	2,479	-	2,479
Realisation of warrants reserves	-	-	(496)	-	496	-	-	-
Total transactions with owners	2,479	-	(496)	-	496	2,479	-	2,479
At 30 June 2018	**325,461**	**60,300**	**534**	**4,903**	**39,210**	**430,408**	**2,370**	**432,778**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) - FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018 *(cont'd)*

	<-------Attributable to owners of the parent						------>		
	<------Non-Distributable				------>				
Restated	**Share Capital RM'000**	**Share and ICPS Premium RM'000**	**ICPS RM'000**	**Warrant Reserves RM'000**	**Asset Revaluation Reserve RM'000**	**Accumulated Losses 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
Profit for the financial period, representing total comprehensive income for the financial period	-	-	-	-	-	18,291	18,291	4	18,295
Transactions with owners									
Issuance of ordinary shares pursuant to:									
- exercise of warrants	4,595	-	-	-	-	-	4,595	-	4,595
Realisation of warrants reserves	-	-	-	(919)	-	919	-	-	-
Issuance upon acquisition of a subsidiray									
- ordinary share	-	-	-	-	-	-	-	225	225
Change in non-controlling interests arising from acquisition of subsidiary companies	-	-	-	-	-	-	-	(3)	(3)
Reclassification pursuant to S618(2) of Companies Act, 2016 to no-par value regime*	45,519	(76,119)	30,600	-	-	-	-	-	-
Total transactions with owners	50,114	(76,119)	30,600	(919)	-	919	4,595	222	4,817
At 30 June 2017	**228,812**	**-**	**120,600**	**1,756**	**5,059**	**2,422**	**358,649**	**224**	**358,873**

The 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 number of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.*

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS - FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

	As at 30-Jun-18 RM'000 (Unaudited)	As at 30-Jun-17 RM'000 (Unaudited)
Profit before tax	28,447	25,109
Adjustments for:		
Amortisation of intangible asset	1,339	-
Depreciation and amortisation of		
- PPE	3,174	2,029
- investment properties	622	365
Finance costs	2,482	1,554
Goodwill written off	-	3
PPE written off	-	15
Reversal of expected credit loss on receivables	(60)	-
Gain on disposal of PPE	(2)	(121)
Gain on disposal of assets held for sale	-	-
Interest income	(68)	(55)
Share of loss /(profit) in an associate company	9	(5)
Operating profit before working capital changes	35,943	28,894
Changes in working capital:		
Inventories	(5,415)	(58,651)
Receivables	(35,021)	7,553
Payables	23,667	38,734
Contract assets and contract liabilities	(50,572)	(995)
Related companies	(5,606)	(27,045)
	(72,947)	(40,404)
Cash used in operations	(37,004)	(11,510)
Interest paid	(2,482)	(1,554)
Interest income	68	55
Income tax paid	(8,613)	(3,628)
	(11,027)	(5,127)
Net cash used in operating activities	(48,031)	(16,637)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
- FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018 (*cont'd)*

	Note	As at 30-Jun-18 RM'000 (Unaudited)	As at 30-Jun-17 RM'000 (Unaudited)
Cash flows from investing activities			
Net cash outflow from acquisition of subsidiary company	A11(a)	(2,771)	-
Purchase of PPE		(7,201)	(1,967)
Proceeds from disposal of PPE		2	121
Investment in associate company		(15)	-
Net cash used in investing activities		(9,985)	(1,846)
Cash flows from financing activities			
Drawdown of term loans		61,731	17,000
Increase of fixed deposits pledged		-	(37)
Repayment of finance lease liabilities		(1,870)	(632)
Repayment of term loans		(6,104)	(3,776)
Proceeds from subscription of shares by non-controlling interests		-	225
Proceeds from issuance of ordinary shares arising from conversion of warrants		2,479	4,595
Net cash from financing activities		56,483	17,375
Net decrease in cash and cash equivalents		(1,533)	(1,107)
Cash and cash equivalents at the beginning of the financial period		5,470	2,197
Cash and cash equivalents at the end of the financial period		3,937	1,090
Cash and cash equivalents at the end of the financial period comprises:			
Cash and bank balances		17,777	6,666
Cash held under Housing Development Account		134	-
Fixed deposits with licensed banks		3,368	2,086
Bank overdrafts		(13,251)	(5,576)
		8,028	3,176
Less: Fixed deposits pledged with licensed banks		(3,368)	(2,086)
Cash and bank balances pledged with a licensed bank		(723)	-
		3,937	1,090

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 TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR FINANCIAL PERIOD ENDED 30 JUNE 2018

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 2017. 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 2017.

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 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 2017 except 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 15	Clarifications to MFRS 15
Amendments to MFRS 140	Transfers of Investment Property
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration
Annual Improvements to MFRS Standards 2014-2016 Cycle	
• Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards
• Amendments to MFRS 128	Investments in Associates and Joint Ventures

The adoption of above new MFRSs and amendments to MFRSs did not have any significant impact on the financial statements of the Group except as stated below.

A2. Changes in Accounting Policies (Cont'd)

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:
(1) Amortised Cost ("AC")
(2) Fair Value through Other Comprehensive Income ("FVOCI")
(3) Fair Value through Profit or Loss ("FVTPL")

There is a new Expected Credit Losses ("ECL") model in MFRS 9 that replaces the incurred loss model used in MFRS 139. An entity shall assess whether there is any objective evidence that a financial assets or group of financial assets measured at amortised cost is impaired. If any such evidence exits, the entity shall assess the amount of any impairment loss.

The adoption of MFRS 9 will result in a change in accounting policy whereby require extensive new disclosures particular about credit risk and ECL. The Group applied the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparative for 2017 will not be restated.

Based on the assessments undertaken, the adoption of MFRS 9 does not affect the classification and measurements of the financial assets and financial liabilities. Effect arising from the application of ECL is as follows:

Group	**As previously stated (RM'000)**	**Prior year Adjustment (RM'000)**	**As restated (RM'000)**
Consolidated Statement of Financial Position			
- Retained Earnings	18,879	(375)	18,504

A2. Changes in Accounting Policies (Cont'd)

Standards issued but not yet effective

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

		Effective date for financial periods beginning on or after
MFRS 16	Leases	1 January 2019
IC Interpretation 23	Uncertainty Over Income Tax Treatments	1 January 2019
Amendments to MFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual Improvements to MFRS Standards 2015-2017 Cycle		
• Amendments to MFRS 3	Business Combination	1 January 2019
• Amendments to MFRS 11	Joint Arrangements	1 January 2019
• Amendments to MFRS 112	Income Taxes	1 January 2019
• Amendments to MFRS 123	Borrowing Costs	1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards		
• Amendments to MFRS 2	Share-Based Payment	1 January 2020
• Amendments to MFRS 3	Business Combination	1 January 2020
• Amendments to MFRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2020
• Amendments to MFRS 14	Regulatory Deferred Accounts	1 January 2020
• Amendments to MFRS 101	Presentation of Financial Statements	1 January 2020
• Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
• Amendments to MFRS 134	Interim Financial Reporting	1 January 2020

A2. Changes in Accounting Policies (Cont'd)

Standards issued but not yet effective (Cont'd)

		Effective date for financial periods beginning on or after
Amendments to References to the Conceptual Framework in MFRS Standards (Cont'd)		
• Amendments to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2020
• Amendments to MFRS 138	Intangible Assets	1 January 2020
• Amendments to IC Interpretation 12	Service Concession Arrangements	1 January 2020
• Amendments to IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	1 January 2020
• Amendments to IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2020
• Amendments to IC Interpretation 22	Foreign Currency Transactions and Advances Consideration	1 January 2020
• Amendments to IC Interpretation 123	Intangible Assets – Website Costs	1 January 2020
MFRS 17	Insurance Contracts	1 January 2021
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

The adoption of the new MFRSs, new Interpretations and amendments to MFRSs did not have any significant impact on the financial statements of the Group.

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A3. 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.

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 summarised the operations in each of the Group's reportable segment:

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

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

(iii) Others - Investment holding, manufacturing of Industrialised Building System ("IBS") precast products, hospitality and dormant.

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A4. Segmental Information (Cont'd)

30 June 2018 (Unaudited)

	Construction and trading RM'000	Property development RM'000	Others RM'000	Total segments RM'000	Adjustment and eliminations RM'000	Consolidated RM'000
Revenue						
Revenue from external customers	342,048	26,226	1,054	369,328	-	369,328
Inter-segment revenue	37,143	-	3,168	40,311	(40,311)	-
Total revenue	379,191	26,226	4,222	409,639	(40,311)	369,328
Results						
Interest income	58	2	8	68	-	68
Finance costs	(1,351)	-	(1,131)	(2,482)	-	(2,482)
Depreciation and amortisation	(3,278)	(10)	(508)	(3,796)	-	(3,796)
Amortisation of intangible asset	-	-	(1,339)	(1,339)	-	(1,339)
Share of loss in an associate company	(9)	-	-	(9)	-	(9)
Segment profit/(loss) before tax	27,274	4,556	(3,383)	28,447	-	28,447
Taxation	(7,715)	(1,111)	571	(8,255)	-	(8,255)
Segment profit/(loss) after tax	19,559	3,445	(2,812)	20,192	-	20,192
Other non-cash items						
Gain on disposal of PPE	(2)	-	-	(2)	-	(2)
Reversal of expected credit loss	(60)	-	-	(60)	-	(60)
Assets						
Additions to property, plant and equipments	6,500	175	3,754	10,430	-	10,430
Segment assets	495,011	122,275	304,519	921,805	-	921,805
Liabilities						
Segment liabilities	412,094	34,859	42,074	489,027	-	489,027

A4. Segmental Information (Cont'd)

30 June 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						
Revenue from external customers	309,836	10,510	-	320,346	-	320,346
Inter-segment revenue	9,826	-	-	9,826	(9,826)	-
Total revenue	319,662	10,510	-	330,172	(9,826)	320,346
Results						
Interest income	55	-		55	-	55
Finance costs	(1,072)	-	(482)	(1,554)	-	(1,554)
Depreciation and amortisation	(2,097)	-	(297)	(2,394)	-	(2,394)
Share of profit in an associate company	5	-	-	5		5
Segment profit before tax	21,268	3,527	314	25,109	-	25,109
Taxation	(5,632)	(841)	(341)	(6,814)	-	(6,814)
Segment profit/(loss) after tax	15,636	2,686	(27)	18,295	-	18,295
Other non-cash items						
PPE written off	15	-	-	15	-	15
Goodwill written off	-	-	3	3	-	3
Gain on disposal of PPE	(121)	-	-	(121)	-	(121)
Assets						
Additions to property, plant and equipments	2,895	2	154	3,051	-	3,051
Segment assets	339,486	70,469	288,835	698,790	-	698,790
Liabilities						
Segment liabilities	284,899	36,013	19,004	339,916	-	339,916

A4. Segmental Information (Cont'd)

Segmental Performance (financial period ended 30 June 2018 against financial period ended 30 June 2017)

Construction and Trading

The Group recorded external revenue of RM342.05 million in current financial period as compared to RM309.84 million in the preceding year corresponding quarter, representing an increase of approximately 10.40% or RM32.21 million. Higher revenue in current financial quarter also translated into higher profit after tax (PAT) of RM19.56 million as compared to RM15.64 million in preceding year corresponding quarter.

The overall increase in revenue and PAT were mainly attributed to the recognition of variation orders (VO) and realisation of additional profit upon final computation of progress claims for several projects during current financial period. Furthermore, the progression for projects secured in 4th quarter of 2017, namely Simforni Perdana and Rentak Perdana located at Alam Perdana, Ijok were at its satisfactory momentum.

Total outstanding orderbooks stood at RM2.0 billion as at 30 June 2018.

The Group expects the momentum of construction work to further accelerate in the second half of the year particularly on projects secured in 2017.

Property Development

Property development emerged as a new segment since the second quarter of 2017. The development project, Zenopy Residences, comprises of two phases, 74 units commercial shop (Phase 1) and 398 units service apartment (Phase 2).

The property development segment has posted a higher revenue of RM26.23 million with PAT of RM3.45 million in the current financial period under review as compared to preceding year corresponding financial period of RM10.51 million and RM2.69 million respectively.

The property development segment recorded higher revenue as at 30 June 2018 as compared to period ended 30 June 2017 mainly due to the contribution from the sales of service apartments following the launching of the service apartments (Phase 2) in the 3rd quarter of 2017. Despite the notable increase in revenue by more than 2 times, the PAT has rose by approximately 28% only as service apartments are generally lower profit product as compared to commercial shop (Phase 1) and profit has also been further affected by the marketing cost incurred and sales commission paid to agents for Phase 2.

The steady construction progress coupled with marketing and incentive strategies to further stimulate the sales, Phase 2 is expected to contribute more favourable towards the second half of the year.

Others

Others refer to investment holding, hospitality, manufacturing of precast products and dormant companies. The segmental losses of approximately RM2.81 million mainly due to the amortisation of intangible asset, finance cost and administrative expenses incurred by the Company and the hospitality business.

A4. Segmental Information (Cont'd)

Segmental Performance (financial period ended 30 June 2018 against financial period ended 30 June 2017)

<u>Others (cont'd)</u>

(i) Hospitality

Hospitality refer to the breakfast and bed accommodation service carried out by the indirect wholly-owned subsidiary company, Prisma Kasturi Sdn. Bhd. at Cameron Highland. The business is at its full-swing of operation followed the completion of the renovation in September 2017.

During current financial period, the business recorded revenue of RM1.05 million and a net loss after tax of RM0.64 million. The net loss mainly attributed to the finance cost incurred on the acquisition of the said buildings and the depreciation of the buildings thereon.

Should the hospitality segment contribute significantly in the future, it shall be reported separately as an individual reportable segment.

(ii) Manufacturing of precast products

This refers to the joint-venture entity, namely MGB Sany (M) IBS Sdn. Bhd. ("MGB Sany") whereby the Company through its direct subsidiary company, MITC Engineering Sdn. Bhd. is holding 51% shareholdings of MGB Sany.

During current financial period, the segment has generated revenue of approximately RM3.17 million billed against the construction segment for a project located at Alam Perdana, Selangor. The inter-segment revenue has been fully eliminated and the profit after tax ("PAT") thereon is minimal.

The segment is yet to have significant contribution as the manufacturing plant is still at its set-up stage. Nevertheless, manufacturing of IBS precast products for building projects is expected to be another new business segment of the Group in near future.

The Group is confidence that with the implementation of IBS precast products in the construction projects will reduce the reliance of labor and thereafter optimise the cost saving and increase efficiency in the long run. All cost saving will eventually enhance the profitability of the Group.

Should the manufacturing segment contribute significantly in the future, it shall be reported separately as an individual reportable segment.

A5. Unusual items due to their nature, size or incidence

There were no items affecting assets, liabilities, equity, net income or cash flow that are unusual of their nature, size or incidence during the current quarter under review and financial period.

A6. Material Changes in Estimates

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

A7. Seasonal or Cyclical Factors

The operations of the Group during the current quarter under review and financial period were not materially affected by any significant seasonal or cyclical factors.

A8. Dividends Paid

There were no dividends paid during the current quarter under review.

A9. Valuation of Property, Plant and Equipment

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

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 quarter under review and financial period.

As at 30 June 2018, a total of 4,958,679 Warrants 2014/2019 were converted into ordinary shares at the exercise price of RM0.50 per warrant, which have resulted in 4,958,679 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.

(a) On 5 January 2018, MGB Land Sdn. Bhd. ("**MGB Land**") (formerly known as Vintage Tiles Industries (EM) Sdn. Bhd.), a wholly-owned subsidiary company of the Company, acquired three hundred thousand (300,000) ordinary shares in Multi Court Developers Sdn. Bhd. ("**MCDSB**") for a cash consideration of Ringgit Malaysia Two Million Eight Hundred Thousand (RM2,800,000) only, resulting in MCDSB became an indirect wholly-owned subsidiary company of the Company.

The following summarises the major classes of consideration transferred and the recognised amount of assets and liabilities assumed for the acquisition of MCDSB.

	RM'000
Inventories- property development cost	19,667
Other receivables	416
Cash and bank balances	29
Other payables	(20,087)
Accruals	(2)
Net identifiable assets and liabilities	22
<u>Net cash outflow arising from the acquisition of subsidiary company</u>	
Purchase consideration settled in cash	(2,800)
Cash and bank balances acquired	29
	(2,771)
<u>Goodwill arising from business combination</u>	
Goodwill was recognised as a result of the acquisition as follows:	
Fair value of consideration transferred	2,800
Fair value of identifiable assets acquired and liabilities assumed	(22)
Goodwill attributable to owners of parent	2,778

The fair value of assets acquired and liabilities assumed and purchase consideration have been determined on a provisional basis pending completion of purchase price allocation exercise. The purchase price allocation exercise is expected to be completed not exceeding one year from the acquisition date. The goodwill on acquisition is provisional estimated to be RM2.78 million, it will be adjusted accordingly on a retrospective basis if any identified intangible assets is allocated when the purchase price allocation is finalised.

(b) On 29 March 2018, MITCE, a wholly-owned subsidiary company of the Company, subscribed fifteen thousand (15,000) ordinary shares in MGB JPC Consultancy Sdn. Bhd. ("**MGB-JPC**"), representing 30% of total equity interest in MGB-JPC, resulting in MGB-JPC became an associate company of the Group.

A12. Capital Commitments

Total capital commitments of the Group comprised of the followings:

	As at 30-Jun-18 RM'000	As at 30-Jun-17 RM'000
Authorised and contracted for :		
Sale and Purchase Agreement for		
- Property, plant and equipment	11,704	11,932
Purchase Order for		
- Interior design and renovation works	256	-

A13. Subsequent Events

There were no subsequent events as at 17 August 2018, 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-Jun-18 RM'000	As at 30-Jun-17 RM'000
Bank guarantees issued for:		
- Construction Contracts	12,775	6,764
- Property Development	560	-
- Others	8	-
	13,343	6,764

(b) Contingent Assets

There were no contingent assets as at the current financial period.

A15. Significant Related Party Transactions

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

	As at 30-Jun-18	As at 30-Jun-17
	RM'000	RM'000
Income		
Contract revenue	259,021	316,136
Rental of premises	-	4
Rental of car	-	4
Expenses		
Contractor's fee	-	4,808
Purchase of materials	18,582	27,063
Interest on related company advance	-	108
Rental of premises	34	16

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

B1. Review of Group Performance

	Individual				Cumulative			
	Period Ended 30-Jun-18	Period Ended 30-Jun-17	Variance		Period Ended 30-Jun-18	Period Ended 30-Jun-17	Variance	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	200,258	170,285	29,973	18%	369,328	320,346	48,982	15%
Profit before tax ("PBT")	13,862	13,570	292	2%	28,447	25,109	3,338	13%
Profit after tax ("PAT")	10,006	10,015	-9	0%	20,192	18,295	1,897	10%

For the financial period ended 30 June 2018, the Group's revenue increased by approximately 15% or RM48.98 million to RM369.33 million as compared to RM320.35 million in the corresponding preceding financial period ended 30 June 2017. Higher revenue translated into higher profit after tax (PAT) in current financial period of RM20.19 million as compared to RM18.29 million in the corresponding preceding financial period.

The increase in revenue in both individual and cumulative financial period ended 30 June 2018 were mainly boosted by construction segment following the recognition of additional variation order and profit upon finalisation of several major projects as explained under segmental information. The successful launching of service apartments (Phase 2) of the Group's development project since 3rd quarter of 2017 has further contributed to the overall improvement of the result.

Nevertheless, comparing to corresponding preceding financial period, the Group's PBT and PAT of current financial period softened due to the increased of operating expenses.

Major movements of operating expenses as a result of business expansion were as follows.

1) Administrative expenses increased by approximately RM8.39 million mainly due to new subsidiary companies formed, sales and marketing cost incurred and incentive package offered to purchasers, salaries and staff related expenses;

2) Finance costs increased by approximately RM0.93 million in conjunction with the increase of borrowings for working capital and capital investment purposes;

3) Depreciation and amortisation of plant and machineries increased by approximately RM1.4 million subsequent to the capital expenditures invested over the period to support piling activities and precast product manufacturing.

In term of segmental assets and liabilities, construction and trading segment remains as the top contributor with total assets of approximately RM495.01 million or 53.70% and total liabilities of RM412.09 million or 84.27% respectively out of the total Group's assets of RM921.81 million and Group's liabilities of RM489.03 million as at 30 June 2018.

B2. Variation of Results Against Immediate Preceding Quarter

	Current Quarter Ended 30-Jun-18	Preceding Quarter Ended 31-Mar-18	Variance	
	RM'000	RM'000	RM'000	%
Revenue	200,258	169,070	31,188	18%
Profit before tax ("PBT")	13,862	14,585	(723)	-5%
Profit after tax ("PAT")	10,006	10,186	(180)	-2%

For the current quarter under review, the Group posted revenue of RM200.26 million, representing an increase of approximately 18% or RM31.19 million as compared to its immediate preceding quarter of RM169.07 million.

The overall increase in revenue comparing current quarter and immediate preceding quarter mainly attributed to construction segment which recorded an increase of approximately RM44.49 million (Q1 RM148.78 million Q2: RM193.33 million). However, the increase has been mitigated by the reduction of revenue recorded in property development segment of approximately RM13.34 million (Q1 RM19.78 million Q2: RM6.44 million). Lower revenue in property development in current quarter mainly due to soft market responses affected by political uncertainty, “hold and observe” attitude and festive season.

Consequently, profit generated from the construction segment has been mitigated by the low performance from other segments. Manufacturing of IBS precast product is yet to contribute significantly to the overall performance for both quarters in comparison as the production is yet to reach its full-swing. The joint-venture entity is currently in the midst of establishing additional plant in Nilai to increase its capacity of production.

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B3. Prospects for the Year

According to Budget 2018 announced previously, total RM280 billion has been proposed for allocation to focus on expanding an inclusive economy by 2050.

It is noted that construction sector in rail, affordable housing, roads/ highways and water infrastructure projects are the major sectors that would benefit from the government's high impact projects initiative and spending in accordance to the Budget 2018. Amongst others, RM1.5 billion has been allocated over two years to build affordable houses.

Tapping on the Government's major focus and initiative in 2018 and with the Group's existing track record and visibility in affordable houses project and piling work for infrastructure, the Group possess competitive advantages to continue tender for infrastructure and housing construction projects to replenish its existing orderbooks.

Further, in correspond to the government's goal in implementing Industrialised Building System (IBS) in all construction projects and aim for mandatory adoption of IBS in three (3) years' time, the Group has formed a joint venture company to undertake the business of manufacturing of IBS precast products for building projects. It represents the long-term plan to move the Group towards innovative and creative way of construction to deliver quality products at the most effective cost measures.

The Group will stay responsive and resilient in all business cycles and embrace new changes and developments introduced by the Government from time to time in order to drive the Group's sustainable growth. The Group aim to maximize the shareholders' wealth by continue exploring business opportunities. Barring any unforeseen circumstances, the Board is cautiously optimistic that the Group will perform satisfactorily in this year.

B4. Profit Forecast or Profit Guarantee

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

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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 RM'000	Current Year to Date RM'000
Income Tax:		
- Current year	4,008	8,437
	4,008	8,437
Deferred Tax:		
- Current year	(151)	(182)
	(151)	(182)
Total Taxation	3,856	8,255

B6. Status of Corporate Proposals Announced

Saved as disclosed below, there were no other corporate proposals announced that are yet to be completed as at LPD.

(a) 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 with gross proceeds of RM30,240,000.

On 27 December 2017, RHBIB announced that Bursa Securities had vide its letter dated 26 December 2017, resolved to grant the Company an extension of time from 3 January 2018 until 30 June 2018 to complete the implementation of the Private Placement.

The Private Placement was deemed completed on 5 June 2018 following the shareholder's approval obtained for the general mandate to issues new shares not exceeding 10% of the total number of issued shares of the Company at the 16th Annual General Meeting.

B7. Borrowings and Debt Securities

Total borrowings of the Group comprised of the followings:

	As at 30-Jun-18 RM'000 (Unaudited)	As at 30-Jun-17 RM'000 (Unaudited)
Secured bank borrowings		
Term loans	140,045	43,125
Bank overdrafts	13,251	5,576
Finance lease payables	10,043	3,997
Total Bank Borrowings	**163,339**	**52,698**
Short Term Borrowings		
Term loans	34,840	1,933
Bank overdrafts	13,251	5,576
Finance lease payables	3,186	1,313
Total Short Term Borrowings	**51,277**	**8,822**
Long Term Borrowings		
Term loans	105,205	41,192
Finance lease payables	6,857	2,684
Total Long Term Borrowings	**112,062**	**43,876**

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 period.

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B10. Earnings Per Share ("EPS")

Basic EPS

The calculation of the basic earnings per share is based on the profit attributable to the owners of the parent and divided by the weighted average number of ordinary shares in issue: -

	Individual Quarter Ended		Year to Date Ended	
	30-Jun-18	30-Jun-17	30-Jun-18	30-Jun-17
Profit attributable to owners of the parent (RM'000)	10,023	10,011	20,210	18,291
Weighted average number of ordinary shares in issue ('000)	496,606	366,586	495,256	363,489
Basic EPS (Sen)	2.02	2.73	4.08	5.03

Diluted EPS

The calculation of the diluted earnings per share is based on the profit attributable to the owners of the parent and divided by the weighted average number of ordinary shares that would have been 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		Year to Date Ended	
	30-Jun-18	30-Jun-17	30-Jun-18	30-Jun-17
Profit attributable to owners of the parent (RM'000)	10,023	10,011	20,210	18,291
Weighted average number of ordinary shares in issue ('000)	496,606	366,586	495,256	363,489
Effect of conversion of warrants ('000)	3,283	9,076	3,283	9,076
Effect of conversion of ICPS ('000)	90,000	180,000	90,000	180,000
	589,889	555,662	588,539	552,565
Diluted EPS (Sen)	1.70	1.80	3.43	3.31

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

	Current Quarter Ended 30-Jun-18 RM'000	Current Year To Date 30-Jun-18 RM'000
Rental income	(3)	(5)
Interest income	(39)	(68)
Reversal of expected credit losses on receivables	15	(60)
Gain on disposal of PPE	-	(2)
Amortisation of intangible asset	670	1,339
Amortisation of investment properties	311	622
Depreciation of PPE	1,667	3,174
Finance costs	1,482	2,482

B12. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors on 23 August 2018.

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