MGB BERHAD

(*formerly known as ML Global Berhad)*

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

INTERIM FINANCIAL REPORT
30 SEPTEMBER 2018

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

	Note	Individual Quarter		Cumulative Period	
		Current Year Quarter Ended 30-Sep-18 (Unadited) RM'000	Preceding Year Quarter Ended 30-Sept-17 (Unaudited) RM'000	Current Year To Date Ended 30-Sep-18 (Unaudited) RM'000	Preceding Year To Date Ended 30-Sept-17 (Unaudited) RM'000
Revenue		204,493	185,255	573,821	505,601
Cost of sales		(179,434)	(162,500)	(493,181)	(445,875)
Gross profit		25,059	22,755	80,640	59,726
Interest income		33	72	101	127
Other income		435	35	619	2,338
Operating expenses		(11,586)	(10,720)	(36,481)	(23,391)
Finance costs		(1,542)	(867)	(4,024)	(2,421)
Share of profit / (loss) in an associate company		9	(31)	*	(26)
Profit before tax		12,408	11,244	40,855	36,353
Taxation	B5	(4,382)	(1,194)	(12,637)	(8,008)
Profit after tax for the financial period		8,026	10,050	28,218	28,345
Other comprehensive income for the financial period		-	-	-	-
Total comprehensive income for the financial period		**8,026**	**10,050**	**28,218**	**28,345**
Profit for the financial period attributable to:					
Owners of the parent		8,017	10,005	28,227	28,296
Non-controlling interests		9	45	(9)	49
		8,026	**10,050**	**28,218**	**28,345**
Total comprehensive income for the financial period attributable to:					
Owners of the parent		8,017	10,005	28,227	28,296
Non-controlling interests		9	45	(9)	49
		8,026	**10,050**	**28,218**	**28,345**
Earnings per share attributable to owners of the parent:					
Basic (Sen)	B10	1.61	2.59	5.69	7.62
Diluted (Sen)	B10	1.36	1.74	4.79	5.05

** Less than thousand , representing share of profit in an associate company of RM118*

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 SEPTEMBER 2018

	Note	30 September 2018 (Unaudited) RM'000	31 December 2017 (Audited) RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment ("PPE")	A9	79,645	49,451
Capital work-in-progress		1,300	1,300
Intangible asset		2,323	4,331
Investment properties		58,854	59,787
Investment in an associate company		15	-
Goodwill on consolidation		256,468	253,690
		398,605	**368,559**
Current Assets			
Inventories		60,404	54,138
Contract assets		127,742	56,201
Trade receivables		134,128	93,683
Other receivables		16,906	31,480
Amount due from related companies		231,018	186,948
Tax recoverable		3,399	1,805
Fixed deposits with licensed banks		3,392	4,333
Cash and bank balances		18,197	19,755
		595,186	**448,343**
TOTAL ASSETS		**993,791**	**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 SEPTEMBER 2018 *(cont'd)*

	Note	30 September 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		47,227	18,879
		438,425	**408,094**
Non-controlling interests		2,379	2,388
Total Equity		**440,804**	**410,482**
LIABILITIES			
Non-current Liabilities			
Trade payables		7,944	12,738
Bank borrowings	B7	64,833	79,426
Finance lease payables	B7	11,733	5,585
Deferred tax liabilities		1,923	2,265
		86,433	**100,014**
Current Liabilities			
Trade payables		262,287	211,790
Contract liabilities		18,365	38,844
Amount due to related companies		17,763	16,388
Other payables		44,515	14,490
Bank overdrafts	B7	13,844	13,562
Bank borrowings	B7	99,519	4,991
Finance lease payables	B7	4,934	2,852
Tax payable		5,327	3,489
		466,554	**306,406**
Total Liabilities		**552,987**	**406,420**
TOTAL EQUITY AND LIABILITIES		**993,791**	**816,902**
Net assets per share attributable to owners of the parent (RM)		0.88	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.

MGB BERHAD (*formerly known as ML Global Berhad)* (Company No. 589167-W)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
- FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 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	-	-	-	-	28,227	28,227	(9)	28,218
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 September 2018	**325,461**	**60,300**	**534**	**4,903**	**47,227**	**438,425**	**2,379**	**440,804**

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

	<------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	**259,052**	**-**	**120,600**	**1,756**	**5,059**	**12,165**	**398,632**	**269**	**398,901**

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 SEPTEMBER 2018

	As at 30-Sept-18 RM'000 (Unaudited)	As at 30-Sept-17 RM'000 (Unaudited)
Profit before tax	40,855	36,353
Adjustments for:		
Amortisation of intangible asset	2,008	2,795
Depreciation and amortisation of		
- PPE	5,207	3,152
- investment properties	933	548
Finance costs	4,024	2,421
Impairment losses on goodwill	-	3
PPE written off	159	19
Reversal of expected credit loss on receivables	(195)	-
Gain on disposal of PPE	(2)	(123)
Interest income	(101)	(127)
Share of (profit) / loss in an associate company	*	26
Operating profit before working capital changes	52,888	45,067
Changes in working capital:		
Inventories	13,577	(56,288)
Receivables	(25,636)	(38,804)
Payables	55,638	61,734
Contract assets and contract liabilities	(92,020)	(22,390)
Related companies	(42,695)	(29,400)
	(91,136)	(85,148)
Cash used in operations	(38,248)	(40,081)
Interest paid	(4,024)	(2,421)
Interest income	101	127
Income tax paid	(12,736)	(5,398)
	(16,659)	(7,692)
Net cash used in operating activities	(54,907)	(47,773)

** Less than thousand, representing share of profit in an associate company of RM118*

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

	Note	As at 30-Sept-18 RM'000 (Unaudited)	As at 30-Sept-17 RM'000 (Unaudited)
Cash flows from investing activities			
Net cash outflow from acquisition of subsidiary company	A11(a)	(2,771)	-
Purchase of PPE		(25,064)	(4,995)
Proceeds from disposal of PPE		2	178
Investment in associate company		(15)	-
Net cash used in investing activities		(27,848)	(4,817)
Cash flows from financing activities			
Drawdown of finance lease liabilities		126	-
Drawdown of term loans		89,629	24,400
Decrease /(increase) of fixed deposits pledged		941	(1,450)
Repayment of finance lease liabilities		(2,566)	(1,035)
Repayment of term loans		(9,694)	(4,249)
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
Proceeds from issuance of ordinary shares arising from private placement		-	30,240
Net cash generated from financing activities		80,915	52,726
Net (decrease) / increase in cash and cash equivalents		(1,840)	137
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		3,630	2,334
Cash and cash equivalents at the end of the financial period comprises:			
Cash and bank balances		18,062	7,331
Cash held under Housing Development Account		135	471
Fixed deposits with licensed banks		3,392	11,009
Bank overdrafts		(13,844)	(13,032)
		7,745	5,779
Less: Fixed deposits pledged with licensed banks		(3,392)	(2,722)
Cash and bank balances pledged with a licensed bank		(723)	(723)
		3,630	2,334

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 SEPTEMBER 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, new Interpretation 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 Standard 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, trading of construction materials and manufacturing of Industrialised Building System ("IBS") precast products (starting year 2018).

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

(iii) Others - Investment holding, hospitality and dormant.

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A4. Segmental Information (Cont'd)

30 September 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	510,669	61,443	1,709	573,821	-	573,821
Inter-segment revenue	75,354	-	8	75,362	(75,362)	-
Total revenue	586,023	61,443	1,717	649,183	(75,362)	573,821
Results						
Interest income	87	5	9	101	-	101
Finance costs	(2,956)	-	(1,068)	(4,024)	-	(4,024)
Depreciation and amortisation	(5,393)	(4)	(743)	(6,140)	-	(6,140)
Amortisation of intangible asset	-	-	(2,008)	(2,008)	-	(2,008)
Share of profit in an associate company	*	-	-	*	-	*
Segment profit/(loss) before tax	39,733	5,848	(4,726)	40,855	-	40,855
Taxation	(11,808)	(1,298)	469	(12,637)	-	(12,637)
Segment profit/(loss) after tax	27,925	4,550	(4,257)	28,218	-	28,218
Other non-cash items						
PPE written off	159	-	-	159	-	159
Gain on disposal of PPE	(2)	-	-	(2)	-	(2)
Reversal of expected credit loss	(195)	-	-	(195)	-	(195)
Assets						
Additions to PPE	34,474	175	1,086	35,736	-	35,736
Segment assets	576,869	127,164	289,758	993,791	-	993,791
Liabilities						
Segment liabilities	484,154	36,605	32,228	552,987	-	552,987

** Less than thousand , representing share of profit in an associate company of RM118*

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						
Revenue from external customers	468,770	36,831	-	505,601	-	505,601
Inter-segment revenue	19,272	-	-	19,272	(19,272)	-
Total revenue	488,042	36,831	-	524,873	(19,272)	505,601
Results						
Interest income	84	-	43	127	-	127
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 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
Goodwill written off	-	-	3	3	-	3
Gain on disposal of PPE	(123)	-	-	(123)	-	(123)
Assets						
Additions to PPE	4,841	1,262	185	6,287	-	6,287
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)

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

<u>Construction and Trading</u>

(i) Construction and Trading

The Group recorded external revenue of RM510.67 million in current financial period as compared to RM468.77 million in the preceding year corresponding quarter, representing an increase of approximately 8.94% or RM41.90 million. Higher revenue in current financial quarter also translated into higher profit after tax (PAT) of RM27.93 million as compared to RM24.17 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 due to cost efficiency upon physical completion and submission of final claim for several projects during current financial period. Furthermore, the construction progress for projects secured in late 2017 were at the satisfactory momentum.

Total outstanding orderbooks stood at RM1.83 billion as at 30 September 2018.

(ii) Manufacturing and trading 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 owned subsidiary company, MITC Engineering Sdn. Bhd. ("MITCE") is holding 51% shareholdings of MGB Sany.

The manufacturing and trading of precast products business is complementing to the construction activities of the Group as it is currently supplying to the construction project secured by the parent company, MITCE.

During current financial period, the segment has generated internal revenue of approximately RM11.33 million which billed against a construction project located at Alam Perdana, Selangor. The inter-segment revenue has been fully eliminated.

The business segment recorded a minimal PAT as at 30 September 2018 as the operational profit has been netted off against the labor cost, factory overheads, depreciation of plant and machineries and finance cost incurred during the period.

With the target completion of the two (2) manufacturing plants by December 2018, MGB Sany expects to have full swing of production starting 2019. The Group is confidence that the implementation of IBS precast products in the construction projects will reduce the reliance of labor and thereafter optimize the cost saving and increase efficiency in the long run. All cost saving will eventually enhance the profitability of the Group.

Should the manufacturing and trading of precast products business contribute external revenue and profit in the future, it shall be reported separately as an individual reportable segment.

A4. Segmental Information (Cont'd)

Segmental Performance (financial period ended 30 September 2018 against financial period ended 30 September 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 registered a revenue of RM61.44 million and PAT of RM 4.55 million in the current financial period under review as compare to preceding year corresponding financial period of RM36.83 million and RM7.61 million respectively. Despite the notable increase in revenue, the PAT for current financial period was lower by approximately 40.21% compared to PAT in preceding year corresponding financial period.

Service apartments being lower profit product were the focus of sales for current financial period as commercial shops (except for affordable shops which yet to launch) were fully sold in 2017. Coupled with the marketing cost, attractive sales incentive offered to purchasers and sales commission paid to agents to boost the take up rate of the unsold units, lead to the lower PAT in current financial period.

As at 30 September 2018, service apartments have achieved approximately 69% take up rate.

Others

Others refer to investment holding, hospitality and dormant companies. The segmental losses of approximately RM4.26 million mainly due to the amortisation of intangible asset, depreciation of PPE, finance cost and administrative expenses incurred by the Company and the hospitality business.

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 hospitality business recorded revenue of RM1.71 million. Nevertheless, the profit from the operational activities has been mitigated by the finance cost incurred on the loan secured to acquire the said buildings and the corresponding depreciation thereon totaling to approximately RM1.73 million, thus a net loss of RM0.96 million recorded. No revenue generated from this segment in preceding year corresponding financial period as the renovation was just completed.

Should the hospitality 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 depreciation and 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 September 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
Net cash outflow arising from the acquisition of subsidiary company	
Purchase consideration settled in cash	(2,800)
Cash and bank balances acquired	29
	(2,771)
Goodwill arising from business combination	
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-Sep-18 RM'000	As at 30-Sept-17 RM'000
Authorised and contracted for :		
Sale and Purchase Agreement for		
- Property, plant and equipment	11,704	11,856

A13. Subsequent Events

There were no subsequent events as at 15 November 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-Sep-18 RM'000	As at 30-Sept-17 RM'000
Bank guarantees issued for:		
- Construction Contracts	12,770	9,642
- Property Development	560	300
- Others	8	8
	13,338	9,950

(b) Contingent Assets

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

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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-Sep-18 RM'000	As at 30-Sept-17 RM'000
Income		
Contract revenue	425,000	387,569
Rental of premises	-	4
Rental of car	-	4
Expenses		
Contractor's fee	-	6,450
Purchase of materials	27,691	38,187
Interest on related company advance	-	108
Rental of premises	51	25

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

B1. Review of Group Performance

	Individual				Cumulative			
	Period Ended 30-Sep-18	Period Ended 30-Sept-17	Variance		Period Ended 30-Sep-18	Period Ended 30-Sept-17	Variance	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	204,493	185,255	19,238	10%	573,821	505,601	68,220	13%
Profit before tax ("PBT")	12,408	11,244	1,164	10%	40,855	36,353	4,502	12%
Profit after tax ("PAT")	8,026	10,050	-2,024	-20%	28,218	28,345	-127	0%

For the cumulative financial period ended 30 September 2018, the Group's revenue increased by approximately 13% or RM68.22 million to RM573.82 million as compared to RM505.60 million in the corresponding preceding financial period ended 30 September 2017. Despite higher revenue generated, PAT decreased marginally from RM28.35 million in corresponding preceding financial period to RM28.22 million as at current financial period under review.

The increase of revenue in both individual and cumulative financial period ended 30 September 2018 were partly derived from construction segment following the recognition of variation order and realisation of profit due to cost saving upon finalisation of several major projects coupled with the satisfactory progression of construction works for on-going projects. Furthermore, the strong take up rate in service apartments (Phase 2) since its launching in September 2017 has further contributed to the overall improvement of the revenue, which have been illustrated under segmental information.

Nevertheless, the overall softened of the Group's PBT and PAT mainly due to lower profit achieved by property development segment and increased of operating expenses. The increased of operating expenses correspondence to the business expansion and major movements during the financial period under review were as follows.

1) Administrative expenses increased by approximately RM11.92 million mainly due to new subsidiary companies formed, sales and marketing cost incurred, salaries and related expenses;

2) Finance costs increased by approximately RM1.60 million in conjunction with the increase of borrowings for working capital and capital expenditure purposes;

3) Depreciation and amortisation of plant and machineries increased by approximately RM1.16 million which in line with the addition of PPE amounted to approximately RM35.74 million over the period to support piling activities and precast product manufacturing.

Higher PAT recorded in the individual corresponding preceding quarter ended 30 September 2017 due to over-provision of income tax for prior years reversed in the period which amounted to approximately RM2.00 million.

In term of segmental assets and liabilities, construction and trading segment remains as the top contributor with total assets of approximately RM576.87 million or 58.05% and total liabilities of RM484.15 million or 87.55% respectively out of the total Group's assets of RM993.79 million and Group's liabilities of RM552.99 million as at 30 September 2018.

B2. Variation of Results Against Immediate Preceding Quarter

	Current Quarter Ended 30-Sep-18	Preceding Quarter Ended 30-Jun-18	Variance	
	RM'000	RM'000	RM'000	%
Revenue	204,493	200,258	4,235	2%
Profit before tax ("PBT")	12,408	13,862	(1,454)	-10%
Profit after tax ("PAT")	8,026	10,006	(1,980)	-20%

For the current quarter under review, the Group posted revenue of RM204.49 million, representing a slight increase of approximately 2% or RM4.24 million as compared to its immediate preceding quarter of RM200.26 million.

The overall increase in revenue comparing current quarter and immediate preceding quarter mainly attributed to property development segment which recorded an increase of approximately RM28.78 million (Q3: RM35.22 million, Q2: RM6.44 million) on higher take up rate in service apartments (Phase 2) of Zenopy Residences. However, the increase has been mitigated by the reduction of revenue recorded in construction and trading segment of approximately RM24.77 million (Q3: RM168.56 million, Q2: RM193.33 million). Higher construction revenue in immediate preceding quarter principally due to completion of few main projects, namely Bandar Saujana Putra, Desiran Bayu and Genting Midhill.

PBT and PAT of the Group in current quarter under review have decreased marginally despite the overall increase in revenue. This was mainly due to the revision of sales incentive packages with greater discount offered in order to boost the property sales. Additionally, the profit arose from completion of major projects have been recognised in immediate preceding quarter.

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B3. Prospects for the Year

Following the abolishment of goods and services tax (”GST”) and the reintroduction of sales and services tax (“SST”) in September 2018, it is anticipated to be positive for the property sector as the result of the expected lower material costs and construction services. Furthermore, with the various incentives and schemes rolled out by the Government in the Budget 2019 recently to aid home buyers and the innovative measure in the financing mechanism such as crowdfunding, the property market is expected to recoup from its down-side progressively in the next few years.

Nevertheless, the construction business will remains as the core driver of the Group on the back of its outstanding order book of RM1.83 billion as at 30 September 2018. The Group remains competitive in construction segment by continue to undertake prudent project management strategies and tender for viable projects.

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 is confident that with the full-swing operation of the precast manufacturing joint venture company in 2019, the activities will further complementing the construction segment and eventually contribute positively to the overall result through cost saving.

The Board will strategize the Group’s prospect and plan by aligning to the Government’s mission and vision in order to drive the sustainability and expansion of the Group and to benefit maximumly from all the measures introduced. The Group will explore all business opportunities cautiously and be innovative in carrying out its core business in order to maximize the shareholders’ wealth.

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.

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	4,405	12,842
- Underprovision of prior year	158	158
	4,563	13,001
Deferred Tax:		
- Current year	(181)	(364)
	(181)	(364)
Total Taxation	4,382	12,637

B6. Status of Corporate Proposals Announced

There were no corporate proposals announced that are yet to be completed as at LPD.

B7. Borrowings and Debt Securities

Total borrowings of the Group comprised of the followings:

	As at 30-Sep-18 RM'000 (Unaudited)	As at 30-Sept-17 RM'000 (Unaudited)
Secured bank borrowings		
Term loans	164,352	50,051
Bank overdrafts	13,844	13,032
Finance lease payables	16,667	3,801
Total Bank Borrowings	**194,863**	**66,884**
Short Term Borrowings		
Term loans	99,519	1,957
Bank overdrafts	13,844	13,032
Finance lease payables	4,934	1,277
Total Short Term Borrowings	**118,297**	**16,266**
Long Term Borrowings		
Term loans	64,833	48,094
Finance lease payables	11,733	2,524
Total Long Term Borrowings	**76,566**	**50,618**

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-Sep-18	30-Sept-17	30-Sep-18	30-Sept-17
Profit attributable to owners of the parent (RM'000)	8,017	10,005	28,227	28,296
Weighted average number of ordinary shares in issue ('000)	496,804	386,370	495,778	371,200
Basic EPS (Sen)	1.61	2.59	5.69	7.62

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-Sep-18	30-Sept-17	30-Sep-18	30-Sept-17
Profit attributable to owners of the parent (RM'000)	8,017	10,005	28,227	28,296
Weighted average number of ordinary shares in issue ('000)	496,804	386,370	495,778	371,200
Effect of conversion of warrants ('000)	3,088	9,641	3,088	9,641
Effect of conversion of ICPS ('000)	90,000	180,000	90,000	180,000
	589,892	576,011	588,865	560,841
Diluted EPS (Sen)	1.36	1.74	4.79	5.05

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

	Current Quarter Ended 30-Sept-18 RM'000	Current Year To Date 30-Sept-18 RM'000
Rental income	(2)	(7)
Interest income	(33)	(101)
Reversal of expected credit losses on receivables	(135)	(195)
Gain on disposal of PPE	-	(2)
Amortisation of intangible asset	669	2,008
Amortisation of investment properties	311	933
Depreciation of PPE	2,033	5,207
Finance costs	1,542	4,024

B12. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors on 22 November 2018.

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