MGB BERHAD

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

INTERIM FINANCIAL REPORT
31 DECEMBER 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
- FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Individual Quarter		Cumulative Period	
		Current Year Quarter Ended 31-Dec-18 (Unadited) RM'000	Preceding Year Quarter Ended 31-Dec-17 (Unaudited) RM'000	Current Year To Date Ended 31-Dec-18 (Unaudited) RM'000	Preceding Year To Date Ended 31-Dec-17 (Audited) RM'000
Revenue		177,450	186,894	751,271	692,643
Cost of sales		(161,445)	(160,307)	(654,626)	(606,316)
Gross profit		16,005	26,587	96,645	86,327
Interest income		24	72	125	199
Other income		1,536	92	2,155	2,412
Operating expenses		(10,737)	(12,054)	(47,218)	(35,573)
Finance costs		(1,787)	(981)	(5,811)	(3,402)
Share of profit in an associate company		81	26	81	-
Profit before tax		5,122	13,742	45,977	49,963
Taxation	B5	(3,079)	(7,628)	(15,716)	(15,628)
Profit after tax for the financial year		2,043	6,114	30,261	34,335
Other comprehensive income for the financial year		-	-	-	-
Total comprehensive income for the financial year		**2,043**	**6,114**	**30,261**	**34,335**
Profit/(Loss) for the financial year attributable to:					
Owners of the parent		3,488	5,955	31,715	34,127
Non-controlling interests		(1,445)	159	(1,454)	208
		2,043	**6,114**	**30,261**	**34,335**
Total comprehensive income/(loss) for the financial year attributable to:					
Owners of the parent		3,488	5,955	31,715	34,127
Non-controlling interests		(1,445)	159	(1,454)	208
		2,043	**6,114**	**30,261**	**34,335**
Earnings per share attributable to owners of the parent:					
Basic (Sen)	B10	0.70	1.46	6.39	8.97
Diluted (Sen)	B10	0.59	1.18	5.39	7.16

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 31 DECEMBER 2018

	Note	31 December 2018 (Unaudited) RM'000	31 December 2017 (Audited) RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment ("PPE")	A9	107,332	49,451
Capital work-in-progress		1,300	1,300
Intangible asset		3,987	4,331
Investment properties		58,543	59,787
Investment in an associate company		96	-
Goodwill on consolidation		254,695	253,690
		425,953	**368,559**
Current Assets			
Inventories		57,618	54,138
Contract assets		120,701	56,201
Trade receivables		158,737	93,683
Other receivables		17,935	31,480
Amount due from related companies		234,665	186,948
Tax recoverable		3,094	1,805
Fixed deposits with licensed banks		2,361	4,333
Cash and bank balances		14,695	19,755
		609,806	**448,343**
TOTAL ASSETS		**1,035,759**	**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 31 DECEMBER 2018 *(cont'd)*

	Note	31 December 2018 (Unaudited) RM'000	31 December 2017 (Audited) RM'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent:			
Share capital			
- Ordinary shares		325,502	322,982
- Irredeemable Convertible Preference Shares ("ICPS")		60,300	60,300
Warrant reserves		526	1,030
Asset revaluation reserve		4,747	4,903
Retained earnings		50,991	18,879
		442,066	**408,094**
Non-controlling interests		934	2,388
Total Equity		**443,000**	**410,482**
LIABILITIES			
Non-current Liabilities			
Trade payables		2,781	12,738
Bank borrowings	B7	61,966	79,426
Finance lease payables	B7	30,759	5,585
Deferred tax liabilities		2,924	2,265
		98,430	**100,014**
Current Liabilities			
Trade payables		279,052	211,790
Contract liabilities		24,716	38,844
Amount due to related companies		18,058	16,388
Other payables		30,494	14,490
Bank overdrafts	B7	13,781	13,562
Bank borrowings	B7	114,928	4,991
Finance lease payables	B7	10,205	2,852
Tax payable		3,095	3,489
		494,329	**306,406**
Total Liabilities		**592,759**	**406,420**
TOTAL EQUITY AND LIABILITIES		**1,035,759**	**816,902**
Net assets per share attributable to owners of the parent (RM)		0.89	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 YEAR ENDED 31 DECEMBER 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	-	-	-	-	(263)	(263)	-	(263)
At 1 January 2018 (restated)	322,982	60,300	1,030	4,903	18,616	407,831	2,388	410,219
Profit for the financial year, representing total comprehensive income for the financial year	-	-	-	-	31,715	31,715	(1,454)	30,261
Realisation of asset revaluation reserve	-	-	-	(156)	156	-	-	-
Transactions with owners								
Issuance of ordinary shares pursuant to:								
- exercise of warrants	2,520	-	-	-	-	2,520	-	2,520
Realisation of warrants reserves	-	-	(504)	-	504	-	-	-
Total transactions with owners	2,520	-	(504)	-	504	2,520	-	2,520
At 31 December 2018	**325,502**	**60,300**	**526**	**4,747**	**50,991**	**442,066**	**934**	**443,000**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (AUDITED) - FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 *(cont'd)*

	<------Attributable to owners of the parent------>								
	<------Non-Distributable------>								
	Share Capital RM'000	Share 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)	-	-	-	-	-	(261)	(261)	-	(261)
At 1 January 2017 (restated)	178,698	76,119	90,000	2,675	5,059	(17,049)	335,502	(2)	335,500
Profit for the financial year, representing total comprehensive income for the financial year	-	-	-	-	-	34,127	34,127	208	34,335
Changes in non-controlling interests arising from acquisition of subsidiary companies	-	-	-	-	-	-	-	2,182	2,182
Realisation of asset revaluation reserve	-	-	-	-	(156)	156	-	-	-
Transactions with owners									
Issuance of ordinary shares pursuant to:									
- private placment	30,240	-	-	-	-	-	30,240	-	30,240
- exercise of warrants	8,225	-	-	-	-	-	8,225	-	8,225
Conversion of ICPS	60,300	-	(60,300)	-	-	-	-	-	-
Realisation of warrants reserves	-	-	-	(1,645)	-	1,645	-	-	-
Reclassification pursuant to S618(2) of CA 2016* to no-par value regime	45,519	(76,119)	30,600	-	-	-	-	-	-
Total transactions with owners	144,284	(76,119)	(29,700)	(1,645)	-	1,645	38,465	-	38,465
At 31 December 2017	**322,982**	**-**	**60,300**	**1,030**	**4,903**	**18,879**	**408,094**	**2,388**	**410,482**

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 YEAR ENDED 31 DECEMBER 2018

	Note	As at 31 December 2018 RM'000 (Unaudited)	As at 31 December 2017 RM'000 (Audited)
Profit before tax		45,977	49,963
Adjustments for:			
Amortisation of intangible asset		2,677	3,726
Depreciation and amortisation of			
- PPE		7,653	4,020
- investment properties		1,244	1,231
Finance costs		5,811	3,402
Goodwill written off		-	3
Inventories written off		-	48
Impairment losses on receivables		-	97
PPE written off		400	22
Impairment loss on investment in an associate company		-	35
Expected credit loss on receivables		176	-
Gain on deconsolidation of a subsidiary company	A11(c)	(1,521)	-
Gain on disposal of PPE		(23)	(194)
Interest income		(125)	(199)
Share of profit in an associate company		(81)	-
Operating profit before working capital changes		62,188	62,154
Changes in working capital:			
Inventories		16,362	(51,138)
Receivables		(51,392)	(36,600)
Payables		54,740	58,689
Contract assets and contract liabilities		(78,628)	(51,680)
Related companies		(46,187)	(43,593)
		(105,105)	(124,322)
Cash used in operations		(42,917)	(62,168)
Interest paid		(5,811)	(3,402)
Interest income		125	199
Income tax paid		(17,298)	(14,480)
		(22,984)	(17,683)
Net cash used in operating activities		(65,901)	(79,851)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS - FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (*cont'd)*

	Note	As at 31 December 2018 RM'000 (Unaudited)	As at 31 December 2017 RM'000 (Audited)
Cash flows from investing activities			
Investment in an associate company		(15)	-
Net cash (outflow)/inflow from acquisition of subsidiary companies	A11(a)	(2,771)	2,185
Purchase of PPE		(32,482)	(7,495)
Proceeds from disposal of PPE		3,155	272
Net cash used in investing activities		(32,113)	(5,038)
Cash flows from financing activities			
Drawdown of term loans		111,147	59,245
Decreased /(Increased) of fixed deposits pledged		1,971	(2,338)
Increased of cash and bank balances pledged		-	(723)
Proceeds from issuance of ordinary shares arising from conversion of warrants		2,520	8,225
Proceeds from issuance of ordinary shares arising from private placement		-	30,240
Repayment of finance lease liabilities		(4,232)	(1,759)
Repayment of term loans		(18,671)	(4,728)
Net cash generated from financing activities		92,735	88,162
Net (decrease) / increase in cash and cash equivalents		(5,279)	3,273
Cash and cash equivalents at the beginning of the financial year		5,470	2,197
Cash and cash equivalents at the end of the financial year		191	5,470
Cash and cash equivalents at the end of the financial year comprises:			
Cash and bank balances		14,081	19,693
Cash held under Housing Development Account		614	62
Fixed deposits with licensed banks		2,361	4,333
Bank overdrafts		(13,781)	(13,562)
		3,275	10,526
Less: Fixed deposits pledged with licensed banks		(2,361)	(4,333)
Cash and bank balances pledged with a licensed bank		(723)	(723)
		191	5,470

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 YEAR ENDED 31 DECEMBER 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 Act 2016 in Malaysia.

A2. Changes in Accounting Policies

The accounting policies and methods of computation adopted by the Group in these condensed financial statements are consistent with those adopted in the financial statements for the financial year ended 31 December 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 • Amendments to MFRS 128	 First-time Adoption of Malaysian Financial Reporting Standards 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	(263)	18,616

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)

31 December 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	671,752	77,232	2,287	751,271	-	751,271
Inter-segment revenue	99,805	-	14	99,819	(99,819)	-
Total revenue	771,557	77,232	2,301	851,090	(99,819)	751,271
Results						
Interest income	107	7	11	125	-	125
Finance costs	(3,528)	-	(2,283)	(5,811)	-	(5,811)
Depreciation and amortisation	(7,873)	(6)	(1,018)	(8,897)	-	(8,897)
Amortisation of intangible asset	-	-	(2,677)	(2,677)	-	(2,677)
Share of profit in an associate company	81	-	-	81	-	81
Segment profit/(loss) before tax	42,869	8,116	(5,008)	45,977	-	45,977
Taxation	(14,227)	(1,630)	141	(15,716)	-	(15,716)
Segment profit/(loss) after tax	28,642	6,486	(4,867)	30,261	-	30,261
Other non-cash items						
PPE written off	400	-	-	400	-	400
Gain on deconsolidation of a subsidiary company	-	-	(1,521)	(1,521)	-	(1,521)
Gain on disposal of PPE	(23)	-	-	(23)	-	(23)
Expected credit losses on receivables	176	-	-	176	-	176
Assets						
Additions to PPE	67,922	175	1,144	69,241	-	69,241
Segment assets	623,217	123,671	288,871	1,035,759	-	1,035,759
Liabilities						
Segment liabilities	532,041	30,523	30,195	592,759	-	592,759

A4. Segmental Information (Cont'd)

31 December 2017 (Audited)

	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	632,780	59,532	331	692,643	-	692,643
Inter-segment revenue	33,887	-	-	33,887	(33,887)	-
Total revenue	666,667	59,532	331	726,530	(33,887)	692,643
Results						
Interest income	123	-	76	199	-	199
Finance costs	(2,198)	-	(1,204)	(3,402)	-	(3,402)
Depreciation and amortisation	(4,580)	(2)	(669)	(5,251)	-	(5,251)
Amortisation of intangible asset	-	-	(3,726)	(3,726)	-	(3,726)
Impairment loss on investment in an associate company	35	-	-	35	-	35
Segment profit/(loss) before tax	39,664	15,530	(5,231)	49,963	-	49,963
Taxation	(11,625)	(4,035)	32	(15,628)	-	(15,628)
Segment profit/(loss) after tax	28,039	11,495	(5,199)	34,335	-	34,335
Other non-cash items						
PPE written off	22	-	-	22	-	22
Goodwill written off	-	-	3	3	-	3
Impairment losses on receivables	92	-	5	97	-	97
Inventories written off	48	-	-	48	-	48
Gain on disposal of PPE	(194)	-	-	(194)	-	(194)
Assets						
Additions to PPE	11,345	27	2,690	14,062	-	14,062
Segment assets	421,442	98,623	296,837	816,902	-	816,902
Liabilities						
Segment liabilities	344,848	44,802	16,770	406,420	-	406,420

A4. Segmental Information (Cont'd)

Segmental Performance (financial year ended 31 December 2018 against financial year ended 31 December 2017)

Construction and Trading

(i) Construction and Trading

The Group recorded external revenue of RM671.75 million in current financial year as compared to RM632.78 million in the previous financial year, representing an increase of approximately 6.16% or RM38.97 million. Higher revenue in current financial year also translated into higher profit after tax (PAT) of RM30.95 million as compared to RM28.04 million in previous financial year.

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 year.

Total outstanding orderbooks stood at RM1.92 billion as at 31 December 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 the predominant aim of MGB Sany is to supply to the construction projects secured by the parent company, MITCE.

During current financial year, the segment has generated internal revenue of approximately RM14.07 million from its first project located at Alam Perdana, Selangor. The inter-segment revenue has been fully eliminated.

The business segment recorded a net loss of RM2.31 million as at 31 December 2018, after elimination of inter-companies transactions and upon the completion of the first project in October 2018 while new project is at initial planning and design stage. Losses incurred mainly due to fixed factory overhead costs such as depreciation, rental and labor costs.

With the target completion of the permanent manufacturing and batching plant in Nilai, Selangor by the first quarter of 2019, MGB Sany expects to have full swing of production in 2019 and it will strike to secure more contracts of supply to achieve economies of scale. 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 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 year ended 31 December 2018 against financial year ended 31 December 2017) (Cont'd)

Property Development

The maiden 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 RM77.23 million and PAT of RM6.49 million in the current financial year under review as compare to previous financial year of RM59.53 million and RM11.50 million respectively. Despite the notable increase in revenue, PAT for current financial year was lower by approximately 43.57% or RM5.01 million compared to PAT in previous financial year.

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

As at 31 December 2018, service apartments have achieved approximately 75% take up rate.

Others

Others refer to investment holding, hospitality and dormant companies. The segmental losses of approximately RM4.87 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 business refer to the breakfast and bed accommodation service carry 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.

The hospitality business recorded revenue of RM2.29 million in the current financial year as compared to RM331 thousand in financial year 2017. Nevertheless, the profit from the operational activities has been mitigated by the depreciation and finance cost incurred totaling to approximately RM3.52 million, thus a net loss of RM1.23 million recorded.

The finance cost has also significantly increased by approximately 89.61% or RM1.08 million following the new revolving credit facility secured by the Company in current financial year to support the working capital needs of the Group.

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

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

A6. Material Changes in Estimates

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

A7. Seasonal or Cyclical Factors

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

A8. Dividends Paid

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

A9. Valuation of Property, Plant and Equipment

There were no valuation of property, plant and equipment carried out during the current financial year. 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 financial year.

As at 31 December 2018, a total of 5,040,779 Warrants 2014/2019 were converted into ordinary shares at the exercise price of RM0.50 per warrant, which have resulted in 5,040,779 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 year.

(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

During current financial year under review, the Group has completed the purchase price allocation("PPA") exercise to determine the fair values of the net assets of MCDSB, within the stipulated time period, ie twelve (12) months from the acquisition date of 5 January 2018, in accordance with MFRS 3, Business Combinations. Based on the PPA exercise carried out, the goodwill has been reduced from RM2.78 million to RM1.00 million inclusive of deferred tax impact. The Consolidated Statement of Financial Position of the Group has been adjusted accordingly.

(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.

A11. Changes in Composition of the Group (Cont'd)

Saved as disclosed below, there were no other changes in the composition of the Group during the financial year. (Cont'd)

(c) On 26 December 2018, Vintage Roofing & Construction Sdn. Bhd. ("**VRCSB**"), a wholly-owned subsidiary company of the Company, disposed two (2) ordinary shares in Tirai Impresif Sdn. Bhd. ("**TISB**"), representing entire equity interest in TISB to Mr. Toh Chau Keong and Ms. Go Siok Hong for cash consideration of Ringgit Malaysia Two (RM2.00) only, resulting in TISB ceased to be an indirect subsidiary company of the Company.

The effect of the disposal of TISB on the financial position of the Group as at the date of disposal was as follows:

	RM
Other payables	(1,517,760)
Accruals	(3,208)
Net liabilities	(1,520,968)
Gain on disposal	1,520,970
Proceeds from disposal	2
Less: Cash and bank balances disposed	-
Net cash inflow from disposal	2

A12. Capital Commitments

Total capital commitments of the Group comprised of the followings:

	As at 31-Dec-18 RM'000	**As at 31-Dec-17 RM'000**
<u>Authorised and contracted for :</u>		
Sale and Purchase Agreement for		
- Property, plant and equipment	11,704	11,704
Purchase Order for		
- Interior design and renovation works	1,459	430

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A13. Subsequent Events

There were no subsequent events as at 15 February 2019, 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 31-Dec-18 RM'000	As at 31-Dec-17 RM'000
Bank guarantees issued for:		
- Construction Contracts	9,403	15,450
- Property Development	560	300
- Others	8	8
	9,971	15,758

(b) Contingent Assets

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

A15. Significant Related Party Transactions

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

	As at 31-Dec-18 RM'000	As at 31-Dec-17 RM'000
Income		
Contract revenue	480,922	519,583
Rental of premises	-	4
Rental of car	-	4
Expenses		
Purchase of materials	37,521	49,228
Interest on related company advance	-	108
Rental of premises	65	36

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

B1. Review of Group Performance

	Individual				Cumulative			
	Period Ended 31-Dec-18	Period Ended 31-Dec-17	Variance		Period Ended 31-Dec-18	Period Ended 31-Dec-17	Variance	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	177,450	186,894	(9,444)	-5.05%	751,271	692,643	58,628	8.46%
Profit before tax ("PBT")	5,122	13,742	(8,620)	-62.73%	45,977	49,963	(3,986)	-7.98%
Profit after tax ("PAT")	2,043	6,114	(4,071)	-66.58%	30,261	34,335	(4,074)	-11.87%

Individual Quarter

For current individual quarter, the Group recorded a decreased in revenue for both its construction and property development segments by approximately RM2.93 million and RM6.91 million respectively as compared to the preceding year corresponding individual quarter.

The decrease in revenue of construction segment is in tandem with the completion of several major projects during middle of the financial year. As for on-going projects, the construction progresses were satisfactory but yet to reach their peak according to the work programme.

Meanwhile, low revenue in property development segment during current individual financial quarter mainly due to tight borrowing policy imposed by end financier subsequent to the downturn of the overall economy. Furthermore, house buyers tend to defer the purchase of house to year 2019 in response to the new implication of stamp duty exemption which effective in year 2019 as per announced by the Government in Budget 2019.

The reduction in revenue has translated into lower PBT and PAT consequently. The profitability of current individual quarter also impacted by the net loss incurred by the joint-venture manufacturing subsidiary of RM2.31 million as explained under segmental information, Note A4.

Year to Date ("YTD")

For current financial YTD, the Group reported a higher revenue of RM751.27 million as compared to RM692.64 million in the previous financial year, representing an increase of RM58.63 million or 8.46%. Improvement in revenue mainly due to the followings.

1) Higher contribution from the construction segment of RM38.97 million as explained in segmental information, Note A4 (2018: RM671.75 million, 2017: RM632.78 million);

2) Full-year revenue generated by hospitality segment in 2018 following the completion of the renovation in September 2017 (2018: RM2.29 million, 2017: RM0.33 million);

3) Higher recognition of development value from 398 units service apartments (Phase 2) of Zenopy Residences which launched in third quarter 2017 as compared to the development value from 74 units shop lots (Phase 1) that sold in 2017. The revenue recognised has increased from RM59.53 million to RM77.23 million.

B1. Review of Group Performance (cont'd)

Year to Date ("YTD")

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. Major movements of expenses during the current financial year were as follows.

1) Administrative expenses increased by approximately RM9.83 million mainly due to new subsidiary company formed, sales and marketing cost incurred, salaries and staff related expenses;

2) Finance costs increased by approximately RM2.41 million in conjunction with the increase of borrowings for working capital and capital expenditure purposes;

3) Depreciation and amortisation of PPE increased by approximately RM3.63 million which in line with the substantial purchase of PPE amounted to approximately RM69.24 million to support piling activities and precast products manufacturing.

In term of segmental assets and liabilities, construction and trading segment remains as the top contributor with total assets of approximately RM623.22 million or 60.17% and total liabilities of RM532.04 million or 89.76% respectively out of the total Group's assets of RM1.04 billion and Group's liabilities of RM592.76 million as at 31 December 2018.

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B2. Variation of Results Against Immediate Preceding Quarter

	Current Quarter Ended 31-Dec-18	Preceding Quarter Ended 30-Sep-18	Variance	
	RM'000	RM'000	RM'000	%
Revenue	177,450	204,493	(27,043)	-13.22%
Profit before tax ("PBT")	5,122	12,408	(7,286)	-58.72%
Profit after tax ("PAT")	2,043	8,026	(5,983)	-74.55%

For the current quarter under review, the Group posted revenue of RM177.45 million, representing a decrease of approximately RM27.04 million or 13.22% as compared to its immediate preceding quarter of RM204.49 million.

As explained in Note B1 above, construction and property development segments have both slowed down in current quarter under review as per the reasons stated above.

PBT and PAT for current quarter under review also partially affected by net loss posted by the joint-venture company after the completion of the first project secured by the end of October 2018 while new project is at initial planning stage. Additionally, higher income tax and deferred tax posted in current quarter after detail assessment on nature of expenses not allowable and re-computation of interest restriction and capital allowances derived from qualify capital expenditures.

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B3. Prospects for the Year

Despite the challenging global economy environment in 2018, the overall performance of the Group is on track. The Group has successfully embarked into manufacturing sector through its subsidiary company, MGB Sany, which joint-venture with Sany Construction Industry Development (M) Sdn Bhd that possess track record in manufacturing of precast concrete products. The Group's asset base has enlarged by approximately 26.79% partly due to the full setup of one (1) temporary manufacturing plant at Alam Perdana, Selangor and one (1) permanent plant at Nilai, Selangor which is partially completed as at 2018. Overall, 2018 was the year where the Group equipped itself with relevant capex and resources in order to further enhance its visibility and competitiveness in various sectors.

Moving into 2019, the Group is optimistic that with the two (2) manufacturing plants, MGB Sany is able to achieve economies of scales and produce at maximum capacity. This will substantially sharpen the competitive edge of MGB Sany to participate in Government's initiative of building one (1) million affordable houses in 10 years or 100,000 units per year. The concept of pre-fabrication (under precast concrete) for building affordable houses is strongly recommended and recognized by the Government as it will substantially reduce the reliance on labor and subsequently reduce the cost. The Group hopes to work hand in hand with the Government through MGB Sany and strike to become the preferred supplier of precast concretes products for long term business opportunities.

As for property development segment, the Group has soft-launched its second development project, namely Laman Bayu in November 2018. Laman Bayu comprises of 365 units of double storey terrace houses, divided into two (2) phases with total gross development value of approximately RM131 million. The Group will continue to roll out attractive sales package and marketing campaigns to stimulate sales for both Zenopy Residences and Laman Bayu. With the abolishment of goods and services tax, exemption of stamp duty and various schemes introduced by Government to aid home buyers, it is anticipated to be positive for property market in the next few years.

Notwithstanding to all the above, construction will continue to be the core driver to the Group's performance on the back of its outstanding order book of RM1.92 billion as at 31 December 2018. The Group target to replenish quality order book by undertake prudent project management strategies and thorough risk assessment.

The Board and Management will constantly review all functions within the Group vigilantly and to consolidate effectively in order to increase efficiency which drive cost saving that will improve profitability.

Barring any unforeseen circumstances, the Board is cautiously optimistic that the Group will perform satisfactorily in the coming 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 31-Dec-18 RM'000	Current Year to Date 31-Dec-18 RM'000
Income Tax:		
- Current year	2,617	15,459
- Underprovision of prior year	-	158
	2,617	15,617
Deferred Tax:		
- Current year	357	(6)
- Underprovision of prior year	105	105
	462	99
Total Taxation	3,079	15,716

B6. Status of Corporate Proposals Announced

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

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B7. Borrowings and Debt Securities

Total borrowings of the Group comprised of the followings:

	As at 31-Dec-18 RM'000 (Unaudited)	As at 31-Dec-17 RM'000 (Audited)
Secured Bank Borrowings		
Term loans	176,894	84,417
Bank overdrafts	13,781	13,562
Finance lease payables	40,964	8,437
Total Bank Borrowings	**231,639**	**106,416**
Short Term Borrowings		
Term loans	114,928	4,991
Bank overdrafts	13,781	13,562
Finance lease payables	10,205	2,852
Total Short Term Borrowings	**138,914**	**21,405**
Long Term Borrowings		
Term loans	61,966	79,426
Finance lease payables	30,759	5,585
Total Long Term Borrowings	**92,725**	**85,011**

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

B8. Changes in Material Litigation

There was no material litigation as at LPD, which shall not be earlier than 7 days from the date of issuance of this interim financial report.

B9. Dividends Declared

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

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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	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
Profit attributable to owners of the parent (RM'000)	3,488	5,955	31,715	34,127
Weighted average number of ordinary shares in issue ('000)	496,854	408,132	496,049	380,509
Basic EPS (Sen)	0.70	1.46	6.39	8.97

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	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
Profit attributable to owners of the parent (RM'000)	3,488	5,955	31,715	34,127
Weighted average number of ordinary shares in issue ('000)	496,854	408,132	496,049	380,509
Effect of conversion of warrants ('000)	2,805	6,163	2,805	6,163
Effect of conversion of ICPS ('000)	90,000	90,000	90,000	90,000
	589,659	504,295	588,854	476,672
Diluted EPS (Sen)	0.59	1.18	5.39	7.16

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

	Current Quarter Ended 31 December 2018 RM'000	Current Year To Date 31 December 2018 RM'000
Interest income	(24)	(125)
Gain on disposal of PPE	(21)	(23)
Gain on deconsolidation of a subsidiary company	(1,521)	(1,521)
Rental income	(3)	(10)
Amortisation of intangible asset	669	2,677
Amortisation of investment properties	311	1,244
Depreciation of PPE	2,446	7,653
Expected credit losses on receivables	371	176
Finance costs	1,787	5,811
PPE written off	400	400

B12. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors on 22 February 2019.

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