MGB BERHAD

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

INTERIM FINANCIAL REPORT
31 MARCH 2019

MGB BERHAD (Company No. 589167-W)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
- FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

	Note	Individual Quarter		Cumulative Period	
		Current Year Quarter Ended 31-Mar-19 (Unadited) RM'000	Preceding Year Quarter Ended 31-Mar-18 (Unaudited) RM'000	Current Year To Date Ended 31-Mar-19 (Unaudited) RM'000	Preceding Year To Date Ended 31-Mar-18 (Unaudited) RM'000
Revenue		203,602	169,070	203,602	169,070
Cost of sales		(183,105)	(141,771)	(183,105)	(141,771)
Gross profit		20,497	27,299	20,497	27,299
Interest income		12	29	12	29
Other income		191	85	191	85
Operating expenses		(13,255)	(11,828)	(13,255)	(11,828)
Finance costs		(2,160)	(1,000)	(2,160)	(1,000)
Share of profit of an associate (net of tax)		7	-	7	-
Profit before tax		5,292	14,585	5,292	14,585
Taxation	B5	(3,214)	(4,399)	(3,214)	(4,399)
Profit after tax for the financial period		2,078	10,186	2,078	10,186
Other comprehensive income for the financial period		-	-	-	-
Total comprehensive income for the financial period		**2,078**	**10,186**	**2,078**	**10,186**
Profit/(Loss) for the financial period attributable to:					
Owners of the parent		3,106	10,187	3,106	10,187
Non-controlling interests		(1,028)	(1)	(1,028)	(1)
		2,078	**10,186**	**2,078**	**10,186**
Total comprehensive income/(loss) for the financial period attributable to:					
Owners of the parent		3,106	10,187	3,106	10,187
Non-controlling interests		(1,028)	(1)	(1,028)	(1)
		2,078	**10,186**	**2,078**	**10,186**
Earnings per share attributable to owners of the parent:					
Basic (Sen)	B10	0.63	2.06	0.63	2.06
Diluted (Sen)	B10	0.53	1.73	0.53	1.73

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 2018 and the accompanying explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - AS AT 31 MARCH 2019

	Note	31 March 2019 (Unaudited) RM'000	31 December 2018 (Audited) RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment ("PPE")	A9	109,934	107,477
Capital work-in-progress		2,601	1,300
Intangible assets		3,590	3,987
Investment properties		58,232	58,543
Investment in associates		103	96
Goodwill on consolidation		254,695	254,695
		429,155	**426,098**
Current Assets			
Inventories		48,805	57,618
Contract assets		144,309	120,443
Trade receivables		179,491	165,470
Other receivables		16,353	16,597
Amount due from related companies		197,767	234,858
Amount due from an associate		-	40
Tax recoverable		2,413	3,022
Fixed deposits with licensed banks		2,279	2,361
Cash held under Housing Development Accounts		1,801	683
Cash and bank balances		13,796	14,998
		607,014	**616,090**
TOTAL ASSETS		**1,036,169**	**1,042,188**

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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 2018 and the accompanying explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - AS AT 31 MARCH 2019 *(cont'd)*

	Note	31 March 2019 (Unaudited) RM'000	31 December 2018 (Audited) RM'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent:			
Share capital			
- Ordinary shares		325,517	325,503
- Irredeemable Convertible Preference Shares ("ICPS")		60,300	60,300
Warrant reserves		523	526
Asset revaluation reserve		4,747	4,747
Retained earnings		54,565	51,456
		445,652	**442,532**
Non-controlling interests		(419)	609
Total Equity		**445,233**	**443,141**
LIABILITIES			
Non-current Liabilities			
Bank borrowings	B7	62,104	61,966
Finance lease liabilities	B7	29,118	30,798
Deferred tax liabilities		3,457	3,626
		94,679	**96,390**
Current Liabilities			
Trade payables		272,932	280,242
Contract liabilities		24,134	24,458
Amount due to related companies		16,855	18,251
Other payables		27,109	38,786
Bank overdrafts	B7	13,541	13,781
Bank borrowings	B7	129,950	114,927
Finance lease liabilities	B7	10,408	10,166
Tax payable		1,328	2,046
		496,257	**502,657**
Total Liabilities		**590,936**	**599,047**
TOTAL EQUITY AND LIABILITIES		**1,036,169**	**1,042,188**
Net assets per share attributable to owners of the parent (RM)		0.90	0.89

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
- FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

	<------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 2019	325,503	60,300	526	4,747	51,456	442,532	609	443,141
Profit for the financial period, representing total comprehensive income for the financial period	-	-	-	-	3,106	3,106	(1,028)	2,078
Transactions with owners								
Issuance of ordinary shares pursuant to:								
- exercise of warrants	14	-	-	-	-	14	-	14
Realisation of warrants reserves	-	-	(3)	-	3	-	-	-
Total transactions with owners	14	-	(3)	-	3	14	-	14
At 31 March 2019	**325,517**	**60,300**	**523**	**4,747**	**54,565**	**445,652**	**(419)**	**445,233**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) - FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019 *(cont'd)*

	<---Attributable to owners of the parent--->							
	<---Non-Distributable--->							
	Share Capital RM'000	ICPS RM'000	Warrant Reserves RM'000	Assets 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	322,982	60,300	1,030	4,903	18,879	408,094	2,388	410,482
Prior year adjustment								
- amortisation of intangible asset (net of tax)	-	-	-	-	(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	-	-	-	-	10,187	10,187	(1)	10,186
Transactions with owners								
Issuance of ordinary shares pursuant to:								
- exercise of warrants	1,802	-	-	-	-	1,802	-	1,802
Realisation of warrants reserves	-	-	(360)	-	360	-	-	-
Total transactions with owners	1,802	-	(360)	-	360	1,802	-	1,802
At 31 March 2018	**324,784**	**60,300**	**670**	**4,903**	**29,051**	**419,708**	**2,387**	**422,095**

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 2018 and the accompanying explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
- FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

	As at 31 March 2019 RM'000 (Unaudited)	As at 31 March 2018 RM'000 (Unaudited)
Profit before tax	5,292	14,585
Adjustments for:		
Amortisation of intangible assets	397	669
Depreciation and amortisation of		
- PPE	2,513	1,507
- investment properties	311	311
Finance costs	2,160	1,000
Reversal of impairment losses on receivables	(18)	(75)
Gain on disposal of PPE	-	(2)
Interest income	(12)	(29)
Share of profit of an associate (net of tax)	(7)	-
Operating profit before working capital changes	10,636	17,966
Changes in working capital:		
Inventories	8,813	(116)
Receivables	(13,762)	1,811
Payables	(18,987)	(44,654)
Contract assets and contract liabilities	(24,190)	(1,824)
Related companies	34,437	8,365
	(13,689)	(36,418)
Cash used in operations	(3,053)	(18,452)
Interest paid	(2,160)	(1,000)
Interest income	12	29
Income tax paid	(3,492)	(5,301)
	(5,640)	(6,272)
Net cash used in operating activities	(8,693)	(24,724)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS - FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019 (*cont'd)*

	As at 31 March 2019 RM'000 (Unaudited)	As at 31 March 2018 RM'000 (Unaudited)
Cash flows from investing activities		
Net cash outflows from acquisition of subsidiary companies	-	(2,771)
Purchase of PPE	(2,775)	(3,081)
Proceeds from disposal of PPE	-	2
Investment in an associate company	-	(15)
Net cash used in investing activities	(2,775)	(5,865)
Cash flows from financing activities		
Drawdown of term loans	32,825	30,211
Decreased of fixed deposits pledged	83	589
Proceeds from issuance of ordinary shares arising from conversion of warrants	14	1,802
Repayment of finance lease liabilities	(2,692)	(743)
Repayment of term loans	(18,607)	(2,509)
Net cash generated from financing activities	11,623	29,350
Net increase/ (decrease) in cash and cash equivalents	155	(1,239)
Cash and cash equivalents at the beginning of the financial period	1,178	5,470
Cash and cash equivalents at the end of the financial period	1,333	4,231
Cash and cash equivalents at the end of the financial period comprises:		
Cash and bank balances	13,796	12,360
Cash held under Housing Development Accounts	1,801	134
Fixed deposits with licensed banks	2,279	3,385
Bank overdrafts	(13,541)	(8,129)
	4,335	7,750
Less: Fixed deposits pledged with licensed banks	(2,279)	(3,385)
Cash and bank balances pledged with a licensed bank	(723)	(134)
	1,333	4,231

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial report.

A. EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR FINANCIAL PERIOD ENDED 31 MARCH 2019

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 2018. 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 2018.

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 2018 except for the adoption of the following:

MFRS 16	Leases
Amendments to MFRS 9	Financial Instruments – Prepayment Features with Negative Compensation
Amendments to MFRS 128	Investment in Associates and Joint Ventures -Long-interest in Associates and Joint Ventures
Amendments to MFRS 119	Plan Amendment, Curtailment of Settlement
IC Interpretation 23	Uncertainty over Income Tax Treatment
Annual Improvements to MFRS Standards 2015-2017 Cycle • Amendments to MFRS 3 • Amendments to MFRS 11 • Amendments to MFRS 112 • Amendments to MFRS 123	 Business Combinations Joint Agreements: - Previously Held Interest in a Joint Operation Income Taxes – Consequences of Payments on Financial Instruments Classified as Equity Borrowing Costs – Borrowing Costs Eligible for Capitalization

The initial application of the abovementioned new standards and amendments to standards did not have significant impacts on the financial statements of the Group and of the Company.

A2. Changes in Accounting Policies (Cont'd)

MFRS 16 - Lease

Under MFRS16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS16 eliminates the classification of leases by the lessee either finance leases (on statement of financial position) or operating lease (off statement of financial position).

The new requirements in MFRS 16 require a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases. The right-of use asset is depreciated in accordance with the principle in MFRS116 and the lease liability is accreted over time with finance cost recognised in profit or loss.

The adoption of MFRS 16 has no financial impact on the financial statements of the Group and of the Company.

Standards issued but not yet effective

The Group has not adopted the following new standards and amendments to standards 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 standards and amendments to standards when they become effective.

		Effective date for financial periods beginning on or after
Amendments to References to the Conceptual Framework in MFRS Standards		
• Amendments to MFRS 3	Business Combination – Definition of a Business	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 – Definition of Material	1 January 2020
• 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 abovementioned the new standards and amendments to standards when they become effective are not expected to have significant impact on the financial statements of the Group and of the Company.

A3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2018 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.

(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 March 2019 (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	174,668	28,509	425	203,602	-	203,602
Inter-segment revenue	32,150	-	2	32,152	(32,152)	-
Total revenue	206,818	28,509	427	235,754	(32,152)	203,602
Results						
Interest income	5	6	1	12	-	12
Finance costs	(1,589)	-	(571)	(2,160)	-	(2,160)
Depreciation and amortisation	(2,551)	(1)	(272)	(2,824)	-	(2,824)
Amortisation of intangible assets	-	-	(397)	(397)	-	(397)
Share of profit of an associate (net of tax)	7	-	-	7	-	7
Segment profit/(loss) before tax	4,399	2,770	(1,877)	5,292	-	5,292
Taxation	(2,873)	(291)	(50)	(3,214)	-	(3,214)
Segment profit/(loss) after tax	1,526	2,479	(1,927)	2,078	-	2,078
Other non-cash items						
Reversal of impairment losses on receivables	(38)	20	-	(18)	-	(18)
Assets						
Additions to PPE	22,963	-	-	22,963	-	22,963
Segment assets	624,492	124,123	287,554	1,036,169	-	1,036,169
Liabilities						
Segment liabilities	530,152	31,280	29,504	590,936	-	590,936

A4. Segmental Information (Cont'd)

31 March 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	148,781	19,783	506	169,070	-	169,070
Inter-segment revenue	21,664	-	607	22,271	(22,271)	-
Total revenue	170,445	19,783	1,113	191,341	(22,271)	169,070
Results						
Interest income	25	-	4	29	-	29
Finance costs	(639)	-	(361)	(1,000)	-	(1,000)
Depreciation and amortisation	(1,570)	(1)	(247)	(1,818)	-	(1,818)
Amortisation of intangible asset	-	-	(669)	(669)	-	(669)
Segment profit/(loss) before tax	12,593	3,443	(1,451)	14,585	-	14,585
Taxation	(3,723)	(719)	43	(4,399)	-	(4,399)
Segment profit/(loss) after tax	8,870	2,724	(1,408)	10,186	-	10,186
Other non-cash items						
Reversal of impairment losses on receivables	(75)	-	-	(75)	-	(75)
Gain on disposal of PPE	(2)	-	-	(2)	-	(2)
Assets						
Additions to PPE	3,222	-	504	3,726	-	3,726
Segment assets	412,857	116,593	296,798	826,248	-	826,248
Liabilities						
Segment liabilities	328,076	41,247	34,830	404,153	-	404,153

A4. Segmental Information (Cont'd)

Segmental Performance (financial period ended 31 March 2019 against financial period ended 31 March 2018)

Construction and Trading

(i) Construction

The Group recorded revenue of RM174.67 million in current financial period as compared to RM148.78 million in the preceding year corresponding quarter, representing an increase of approximately 17.40% or RM25.89 million. The increase in revenue in the current financial quarter resulted from accelerated construction works for several projects including projects at Alam Perdana, project for Yayasan Pelajaran Johor and project for Tenaga National Berhad at Habu, Cameron Highlands to ensure completion on time and higher momentum of piling work carried out at projects located at Bukit Jalil.

Despite the higher revenue in current financial period, the Company achieved PAT of RM3.25 million as compared to previous year corresponding quarter of RM8.87 million. The lower PAT in current financial period was mainly due to soft profit margin from on-going construction projects, increased of depreciation cost derived from capital expenditure invested in the previous year and also due to the current low property market sentiment.

Nevertheless, the Group will continue to implement rigorous cost control measures to safeguard the profit margin. With the current outstanding of order book of RM 1.86 billion as at 31 March 2019, the Group focuses on project execution to ensure sustainable level of revenue and profit contribution without compromising our quality.

(ii) Manufacturing and trading of precast products

The manufacturing and trading of precast products business carried out by MGB SANY (M) IBS Sdn. Bhd. ("MGB SANY"), an indirect 51% owned subsidiary, 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 holding company, MITC Engineering Sdn. Bhd.

During current financial period, the segment has generated internal revenue of approximately RM1.41 million as compared to RM0.61 million in the preceding year corresponding quarter, representing a marginal increase of approximately RM0.8 million.

However, the business recorded a net loss of RM1.73 million as at 31 March 2019 after eliminated inter-companies' transactions. Losses derived after MGB SANY incurred higher operation cost, depreciation expenses and finance cost collectively at two (2) plants (Alam Perdana and Nilai) as opposed to only one (1) plant (Alam Perdana) in previous year corresponding quarter. The manufacturing plant located at Nilai has officially opened in March 2019.

A4. Segmental Information (Cont'd)

Segmental Performance (financial period ended 31 March 2019 against financial period ended 31 March 2018) (Cont'd)

<u>Construction and Trading (Cont'd)</u>

(ii) Manufacturing and trading of precast products (cont'd)

MGB SANY has completed its maiden project in November 2018 and the second project secured in December 2018 is still at its structural design and testing stage. Nevertheless, the Group is optimistic that the business will achieve breakeven or more to contribute positively when both manufacturing plants operate at their full swing and achieved economics of scale.

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.

<u>Property Development</u>

The property development segment registered revenue of RM28.51 million and PAT of RM2.48 million in current financial period under review as compared to of RM19.78 million and RM2.72 million respectively in preceding year corresponding quarter.

The notable growth in revenue of approximately 44.13% or RM8.73 million driven predominantly by the followings:

1) Fully sold of remaining units in Phase 1 of Zenopy Residences (except for affordable shops that yet to be launched); and

2) Newly launched project Laman Bayu (Phase 1) with total 134 units of double storey terraces by Multi Court Developers Sdn. Bhd. ("**MCDSB**"), which became the indirect owned subsidiary company of the Company in January 2018. Laman Bayu has contributed new sales of RM2.47 million in the current financial period. The Group has received overwhelming response for Laman Bayu development and a total take up rate of 48% recorded since January 2019.

Despite the increase in revenue, PAT for current financial period was marginally lower by approximately 9% or RM0.25 million compared to PAT in preceding year corresponding quarter. The decrease was mainly due to promotion and rebate offered to the purchasers during promotional period for Zenopy Residences. This is also in line with Government's expectation that house price to reduce subsequent to the abolishment of Goods & Service Tax. Meanwhile, Laman Bayu currently at low percentage of construction work as it is still at piling stage.

A4. Segmental Information (Cont'd)

Segmental Performance (financial period ended 31 March 2019 against financial period ended 31 March 2018) (Cont'd)

Others

The segmental losses of approximately RM1.93 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.

The amortisation cost has increased by approximately 68.51% or RM0.27 million following the additional amortisation charges on intangible assets arising from acquisition of MCDSB.

The hospitality business recorded a comparable revenue of RM0.44 million and RM0.50 million respectively in the current financial period and in preceding year corresponding quarter. Nevertheless, the operation profit has been mitigated by the depreciation, labour cost and finance cost incurred totaling to approximately RM0.88 million, thus a net loss of RM0.44 million recorded.

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 and financial period.

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 period.

As at 31 March 2019, a total of 27,000 Warrants 2014/2019 were converted into ordinary shares at the exercise price of RM0.50 per warrant, which have resulted in 27,000 new ordinary shares being issued.

A11. Changes in Composition of the Group

There were no other changes in the composition of the Group during the financial period.

A12. Capital Commitments

Total capital commitments of the Group comprised of the followings:

	As at 31-Mar-19	As at 31-Mar-18
	RM'000	RM'000
Authorised and contracted for :		
Sale and Purchase Agreement for		
- Property, plant and equipment	10,403	11,704
Purchase Order for		
- Interior design and renovation works	1,345	430

A13. Subsequent Events

There were no subsequent events as at 17 May 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-Mar-19	As at 31-Mar-18
	RM'000	RM'000
Bank guarantees issued for:		
- Construction Contracts	9,363	12,775
- Property Development	909	360
- Others	48	8
	10,320	13,143

(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 31-Mar-19	As at 31-Mar-18
	RM'000	RM'000
Income		
Contract revenue	99,514	139,077
Expenses		
Purchase of materials	13,229	9,519
Rental of premises	12	11

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

B1. Review of Group Performance

	Individual				Cumulative			
	Period Ended 31-Mar-19	Period Ended 31-Mar-18	Variance		Period Ended 31-Mar-19	Period Ended 31-Mar-18	Variance	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	203,602	169,070	34,532	20.42%	203,602	169,070	34,532	20.42%
Profit before tax ("PBT")	5,292	14,585	(9,293)	-63.72%	5,292	14,585	(9,293)	-63.72%
Profit after tax ("PAT")	2,078	10,186	(8,108)	-79.60%	2,078	10,186	(8,108)	-79.60%

For the financial period ended 31 March 2019, the Group recorded higher revenue for both its construction and property development segments by approximately RM25.89 million and RM8.73 million respectively as compared to the preceding year corresponding quarter. The increases in revenue for both segments were as per explained under segmental reporting A4.

However, lower PBT and PAT were mainly attributable to narrowing of margins for the on-going construction projects and the net loss incurred by the subsidiary company, MGB SANY, of RM1.73 million after the full fledge of operation in current financial period whereas in preceding year corresponding quarter MGB SANY was just at its initial set up stage. Finance and depreciation costs also increase by approximately RM1.0 million respectively subsequent to the expansion of the business.

In term of segmental assets and liabilities, construction and trading segment remains as the top contributor with total assets of approximately RM624.49 million or 60.27% and total liabilities of RM530.15 million or 89.71% respectively out of the total Group's assets of RM1.04 billion and Group's liabilities of RM590.94 million as at 31 March 2019.

B2. Variation of Results Against Immediate Preceding Quarter

	Current Quarter Ended 31-Mar-19	Preceding Quarter Ended 31-Dec-18	Variance	
	RM'000	RM'000	RM'000	%
Revenue	203,602	177,450	26,152	14.74%
Profit before tax ("PBT")	5,292	5,122	170	3.32%
Profit after tax ("PAT")	2,078	2,043	35	1.71%

Compared to immediate preceding quarter, the construction and property development segments both recorded increase in revenue of RM13.59 million and RM12.72 million respectively.

However, the increase in revenue only translated into marginally increase in PBT and PAT mainly due to soft profit margin from on-going construction contracts. Property development segment also recorded a reduction in overall profit following the substantial promotional packages offered to purchasers to stimulate sales in current low sentiment market.

B3. Prospects for the Year

Despite the challenging global economy environment mainly arising from the US-China trade dispute and the uncertainty on Brexit, Malaysia expects to sustain an economic growth rate of 4.3% to 4.8% in the year of 2019, underpinned by continued expansion on private sector activity.

The Board believes that the key actions plans announced by the Government in the National Housing Policy 2018-2025 such as initiative of building one (1) million affordable houses in 10 years or 100,000 units per year would bring positive impact to property market. The concept of pre-fabrication (under precast concrete) for building affordable houses is strongly recommended and recognised by the Government as an effective method that will substantially reduce the reliance on labour and delivering high quality products in a timely and cost-effective manner.

The Group continued to implement all-round growth strategies combining organic growth and internal integration with emphasis on 'Innovation'. In line with its innovation-driven strategy, the timely transformation on the further adoption of Industrialised Building System (IBS) via setting up of precast concrete plants in Nilai and Alam Perdana is poised to sharpen the Group's competitive edge in tendering and securing construction projects, particularly in affordable homes projects. The Group hopes to work hand in hand with the Government and strike to become the preferred collaboration partner for long term business opportunities.

Construction will continue to be the core driver to the Group's performance on the back of its outstanding order book of RM1.86 billion as at 31 March 2019. The Group targets to replenish quality order book by undertaking prudent execution of project management strategies.

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-Mar-19 RM'000	Current Year to Date 31-Mar-19 RM'000
Income Tax:		
- Current year	3,383	3,383
Deferred Tax:		
- Current year	(169)	(169)
Total Taxation	3,214	3,214

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-Mar-19 RM'000 (Unaudited)	As at 31-Mar-18 RM'000 (Unaudited)
Secured Bank Borrowings		
Term loans	192,054	112,120
Bank overdrafts	13,541	8,129
Finance lease liabilities	39,526	8,338
Total Bank Borrowings	**245,121**	**128,587**
Short Term Borrowings		
Term loans	129,950	19,323
Bank overdrafts	13,541	8,129
Finance lease liabilities	10,408	2,873
Total Short Term Borrowings	**153,899**	**30,325**
Long Term Borrowings		
Term loans	62,104	92,797
Finance lease liabilities	29,118	5,465
Total Long Term Borrowings	**91,222**	**98,262**

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.

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-Mar-19	31-Mar-18	31-Mar-19	31-Mar-18
Profit attributable to owners of the parent (RM'000)	3,106	10,187	3,106	10,187
Weighted average number of ordinary shares in issue ('000)	496,894	493,890	496,894	493,890
Basic EPS (Sen)	0.63	2.06	0.63	2.06

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-Mar-19	31-Mar-18	31-Mar-19	31-Mar-18
Profit attributable to owners of the parent (RM'000)	3,106	10,187	3,106	10,187
Weighted average number of ordinary shares in issue ('000)	496,894	493,890	496,894	493,890
Effect of conversion of warrants ('000)	1,623	4,497	1,623	4,497
Effect of conversion of ICPS ('000)	90,000	90,000	90,000	90,000
	588,517	588,387	588,517	588,387
Diluted EPS (Sen)	0.53	1.73	0.53	1.73

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

	Current Quarter Ended 31 March 2019 RM'000	Current Year Ended 31 March 2019 RM'000
Interest income	(12)	(12)
Reversal of impairment losses on receivables	(18)	(18)
Rental income	(2)	(2)
Amortisation of intangible assets	397	397
Amortisation of investment properties	311	311
Depreciation of PPE	2,513	2,513
Finance costs	2,160	2,160

B12. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors on 24 May 2019.

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