



MGB BERHAD

Registration No. 200201021504 (589167-W)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT 30 JUNE 2020

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
- FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020**

| | Note | Individual Quarter | | Cumulative Period | |
|--|------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| | | Current Year Quarter Ended | Preceding Year Quarter Ended | Current Year To Date Ended | Preceding Year To Date Ended |
| | | 30-Jun-20 (Unaudited) RM'000 | 30-Jun-19 (Unaudited) RM'000 | 30-Jun-20 (Unaudited) RM'000 | 30-Jun-19 (Unaudited) RM'000 |
| Revenue | | 64,480 | 198,317 | 216,481 | 401,919 |
| Cost of sales | | (52,804) | (178,988) | (185,903) | (362,093) |
| Gross profit | | 11,676 | 19,329 | 30,578 | 39,826 |
| Interest income | | 128 | 84 | 238 | 96 |
| Other income | | 3,270 | 2,150 | 3,334 | 2,341 |
| Operating expenses | | (11,441) | (12,649) | (23,496) | (25,904) |
| Finance costs | | (2,037) | (2,302) | (4,131) | (4,462) |
| Share of profit of an associate (net of tax) | | 11 | 2 | 24 | 9 |
| Profit before tax | | 1,607 | 6,614 | 6,547 | 11,906 |
| Taxation | B5 | (1,551) | (2,800) | (4,387) | (6,014) |
| Profit after tax for the financial period | | 56 | 3,814 | 2,160 | 5,892 |
| Other comprehensive income for the financial period | | - | - | - | - |
| Total comprehensive income for the financial period | | 56 | 3,814 | 2,160 | 5,892 |
| Profit/(Loss) for the financial period attributable to: | | | | | |
| Owners of the parent | | 377 | 4,002 | 2,768 | 7,108 |
| Non-controlling interests | | (321) | (188) | (608) | (1,216) |
| | | 56 | 3,814 | 2,160 | 5,892 |
| Total comprehensive income/(loss) for the financial year attributable to: | | | | | |
| Owners of the parent | | 377 | 4,002 | 2,768 | 7,108 |
| Non-controlling interests | | (321) | (188) | (608) | (1,216) |
| | | 56 | 3,814 | 2,160 | 5,892 |
| Earnings per share attributable to owners of the parent: | | | | | |
| Basic (Sen) | B10 | 0.08 | 0.81 | 0.55 | 1.43 |
| Diluted (Sen) | B10 | 0.06 | 0.68 | 0.47 | 1.21 |

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 2019 and the accompanying explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
- AS AT 30 JUNE 2020

| | Note | 30 June 2020 (Unaudited) RM'000 | 31 December 2019 (Audited) RM'000 |
|--|------|--|--|
| ASSETS | | | |
| Non-current Assets | | | |
| Property, plant and equipment ("PPE") | A9 | 21,235 | 24,226 |
| Right-of-use assets ("ROU") | | 86,384 | 87,341 |
| Intangible assets | | 1,259 | 1,828 |
| Investment properties | | 33,441 | 57,298 |
| Capital work-in-progress | | 3,901 | 3,901 |
| Investment in associates | | 174 | 151 |
| Goodwill on consolidation | | 254,695 | 254,695 |
| | | 401,089 | 429,440 |
| Current Assets | | | |
| Inventories | | 15,880 | 19,707 |
| Contract assets | | 125,096 | 146,396 |
| Trade receivables | | 59,402 | 67,259 |
| Other receivables | | 18,573 | 19,417 |
| Amount due from related companies | | 256,431 | 248,439 |
| Amount due from an associate | | 79 | 12 |
| Tax recoverable | | 1,515 | 1,809 |
| Fixed deposits with licensed banks | | 2,972 | 3,000 |
| Cash held under Housing Development Accounts | | 4,037 | 1,896 |
| Cash and bank balances | | 9,433 | 28,204 |
| | | 493,418 | 536,139 |
| Asset held for sale | | 3,000 | 3,000 |
| | | 496,418 | 539,139 |
| TOTAL ASSETS | | 897,507 | 968,579 |

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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 2019 and the accompanying explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
- AS AT 30 JUNE 2020 (cont'd)

| | Note | 30 June 2020 (Unaudited) RM'000 | 31 December 2019 (Audited) RM'000 |
|---|------|--|--|
| <u>EQUITY AND LIABILITIES</u> | | | |
| Equity attributable to owners of the parent: | | | |
| Share capital | | | |
| - Ordinary shares | | 327,886 | 327,886 |
| - Irredeemable Convertible Preference Shares ("ICPS") | | 60,300 | 60,300 |
| Other reserve | | (1,684) | (1,684) |
| Asset revaluation reserve | | 4,592 | 4,592 |
| Retained earnings | | 68,388 | 65,620 |
| | | 459,482 | 456,714 |
| Non-controlling interests | | 450 | 1,058 |
| Total Equity | | 459,932 | 457,772 |
| <u>LIABILITIES</u> | | | |
| Non-current Liabilities | | | |
| Loans and borrowings | B7 | 34,299 | 35,636 |
| Lease liabilities | B7 | 25,535 | 23,563 |
| Deferred tax liabilities | | 1,914 | 1,911 |
| | | 61,748 | 61,110 |
| Current Liabilities | | | |
| Trade payables | | 177,759 | 255,891 |
| Contract liabilities | | 50,896 | 40,649 |
| Amount due to related companies | | 3,285 | 10,353 |
| Other payables | | 33,719 | 42,405 |
| Amount due to an associate | | 7 | 7 |
| Bank overdrafts | B7 | - | 12,282 |
| Loans and borrowings | B7 | 100,027 | 75,990 |
| Lease liabilities | B7 | 9,569 | 11,903 |
| Tax payable | | 565 | 217 |
| | | 375,827 | 449,697 |
| Total Liabilities | | 437,575 | 510,807 |
| TOTAL EQUITY AND LIABILITIES | | 897,507 | 968,579 |
| Net assets per share attributable to owners of the parent (RM) | | 0.92 | 0.92 |

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
- FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

| | <-----Attributable to owners of the parent-----> | | | | | Total RM'000 | Non- Controlling Interests RM'000 | Total Equity RM'000 |
|---|--|----------------|---|----------------------------|--------------------------------|-----------------|--|---------------------------|
| | Share Capital RM'000 | ICPS RM'000 | Asset Revaluation Reserve RM'000 | Other Reserve RM'000 | Retained Earnings RM'000 | | | |
| Group | | | | | | | | |
| At 1 January 2020 | 327,886 | 60,300 | 4,592 | (1,684) | 65,620 | 456,714 | 1,058 | 457,772 |
| Profit for the financial period, representing total comprehensive income for the financial period | - | - | - | - | 2,768 | 2,768 | (608) | 2,160 |
| At 30 June 2020 | 327,886 | 60,300 | 4,592 | (1,684) | 68,388 | 459,482 | 450 | 459,932 |

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (AUDITED)
- FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020 (cont'd)

| Group | -----Attributable to owners of the parent-----> | | | | | Total RM'000 | Non- Controlling Interests RM'000 | Total Equity RM'000 |
|---|---|----------------|------------------------------|---|--------------------------------|-----------------|--|---------------------------|
| | Share Capital RM'000 | ICPS RM'000 | Warrant Reserve RM'000 | Asset Revaluation Reserve RM'000 | Retained Earnings RM'000 | | | |
| 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 | - | - | - | - | 7,108 | 7,108 | (1,216) | 5,892 |
| Transactions with owners | | | | | | | | |
| Issuance of ordinary shares pursuant to: - exercise of warrants | 140 | - | - | - | - | 140 | - | 140 |
| Realisation of warrants reserves | - | - | (28) | - | 28 | - | - | - |
| Total transactions with owners | 140 | - | (28) | - | 28 | 140 | - | 140 |
| At 30 June 2019 | 325,643 | 60,300 | 498 | 4,747 | 58,592 | 449,780 | (607) | 449,173 |

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 2019 and the accompanying explanatory notes attached to the interim financial report.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
- FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020**

| | As at 30-Jun-20 RM'000 (Unaudited) | As at 30-Jun-19 RM'000 (Unaudited) |
|---|---|---|
| Profit before tax | 6,547 | 11,906 |
| Adjustments for: | | |
| Amortisation of intangible assets | 569 | 899 |
| Depreciation and amortisation of | | |
| - PPE | 2,986 | 5,523 |
| - investment properties | 581 | 622 |
| - ROU | 3,706 | - |
| Impairment losses on: | | |
| - trade receivables | 15 | - |
| - related companies | 36 | - |
| Finance costs | 4,131 | 4,462 |
| Reversal of impairment losses on: | | |
| - trade receivables | (17) | (13) |
| Gain on disposal of: | | |
| - Investment properties | (2,660) | - |
| - PPE | (267) | (40) |
| Interest income | (238) | (96) |
| Share of profit of an associate (net of tax) | (24) | (9) |
| Operating profit before working capital changes | 15,365 | 23,254 |
| Changes in working capital: | | |
| Inventories | 3,827 | 15,490 |
| Receivables | 8,703 | 84,201 |
| Payables | (58,600) | 14,450 |
| Contract assets and contract liabilities | 31,547 | (13,113) |
| Related companies | (15,096) | (30,994) |
| Associate | (67) | - |
| | (29,686) | 70,034 |
| Cash (used in)/generated from operations | (14,321) | 93,288 |
| Interest paid | (4,131) | (4,462) |
| Interest income | 238 | 96 |
| Income tax paid | (3,741) | (7,084) |
| | (7,634) | (11,450) |
| Net cash (used in)/generated from operating activities | (21,955) | 81,838 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
- FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020 (cont'd)

| | As at 30-Jun-20 RM'000 (Unaudited) | As at 30-Jun-19 RM'000 (Unaudited) |
|--|---|---|
| Cash flows from investing activities | | |
| Purchase of: | | |
| -PPE | (1,487) | (1,741) |
| -ROU | (577) | - |
| Proceeds from disposal of PPE | 75 | 154 |
| Net cash used in investing activities | (1,989) | (1,587) |
| Cash flows from financing activities | | |
| Drawdown of bank borrowings | 71,377 | 91,131 |
| Decreased/(Increased) of fixed deposits pledged | 28 | (76) |
| Proceeds from issuance of ordinary shares arising from conversion of warrants | - | 140 |
| Repayment of lease liabilities | (3,132) | - |
| Repayment of finance lease liabilities | - | (9,334) |
| Repayment of bank borrowings | (48,678) | (133,237) |
| Net cash generated from/(used in) financing activities | 19,595 | (51,376) |
| Net (decrease)/increase in cash and cash equivalents | (4,349) | 28,875 |
| Cash and cash equivalents at the beginning of the financial period | 17,029 | 1,178 |
| Cash and cash equivalents at the end of the financial period | 12,680 | 30,053 |
| Cash and cash equivalents at the end of the financial period comprise: | | |
| Cash and bank balances | 9,433 | 42,003 |
| Cash held under Housing Development Accounts | 4,037 | 2,308 |
| Fixed deposits with licensed banks | 2,972 | 2,437 |
| Bank overdrafts | - | (13,535) |
| | 16,442 | 33,213 |
| Less: Fixed deposits pledged with licensed banks | (2,972) | (2,437) |
| Cash and bank balances pledged with a licensed bank | (790) | (723) |
| | 12,680 | 30,053 |

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial report.

A. EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR FINANCIAL PERIOD ENDED 30 JUNE 2020

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 2019. 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 2019.

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 2019 except for the adoption of the following:

| | |
|---|--------------------------------|
| Amendments to MFRS 3 | Definition of a Business |
| Amendments to MFRS 9, MFRS 139 and MFRS 7 | Interest Rate Benchmark Reform |
| Amendments to MFRS 101 and MFRS 108 | Definition of Material |

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.

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A2. Changes in Accounting Policies (Cont'd)

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 Standards 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.

| | | <u>Effective date for financial periods beginning on or after</u> |
|------------------------------------|---|--|
| Amendment to MFRS 16 | Covid-19-Related Concessions | Rent 1 June 2020 |
| MFRS 17 | Insurance Contracts | 1 January 2021 |
| Amendments to MFRS 101 | Classification of Liabilities as Current or Non-current | 1 January 2022 |
| Amendments to MFRS 3 | Reference to the Conceptual Framework | 1 January 2022 |
| Amendments to MFRS 116 | Property, Plant and Equipment- Proceeds before Intended Use | 1 January 2022 |
| Amendments to MFRS 137 | Onerous Contracts-Cost of Fulfilling a Contract | 1 January 2022 |
| Annual Improvement to MFRSs | Standards 2018-2020 | 1 January 2022 |
| • Amendments to MFRS 1 | | |
| • Amendments to MFRS 9 | | |
| • Amendments to MFRS 16 | | |
| • Amendments to MFRS 141 | | |
| Amendments to MFRS 10 and MFRS 128 | Sale or Contribution of Assets between an Investors and its Associates or Joint Venture | Deferred until further notice |

The adoption of the abovementioned 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 2019 was not subject to any qualification.

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A4. Segmental Information

The Group's 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)

30 June 2020 (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 | 174,279 | 41,711 | 491 | 216,481 | - | 216,481 |
| Inter-segment revenue | 36,456 | - | 1 | 36,457 | (36,457) | - |
| Total revenue | 210,735 | 41,711 | 492 | 252,938 | (36,457) | 216,481 |
| Results | | | | | | |
| Interest income | 194 | 42 | 2 | 238 | - | 238 |
| Finance costs | (3,125) | (1) | (1,005) | (4,131) | - | (4,131) |
| Depreciation and amortisation | (6,759) | (59) | (455) | (7,273) | - | (7,273) |
| Amortisation of intangible assets | - | - | (569) | (569) | - | (569) |
| Share of profit of associates (net of tax) | 24 | - | - | 24 | - | 24 |
| Segment (loss)/profit before tax | (17) | 6,601 | (37) | 6,547 | - | 6,547 |
| Taxation | | | | | | (4,387) |
| Profit after tax | | | | | | 2,160 |
| Other non-cash items | | | | | | |
| Gain on disposal of: | | | | | | |
| - PPE | (267) | - | - | (267) | - | (267) |
| - ROU | - | - | (2,660) | (2,660) | - | (2,660) |
| Impairment/(Reversal) losses on receivables | 42 | (8) | - | 34 | - | 34 |
| Assets | | | | | | |
| Additions to PPE | 2,556 | 11 | - | 2,567 | - | 2,567 |
| Additions to ROU | 3,348 | - | - | 3,348 | - | 3,348 |
| Segment assets | 538,226 | 99,626 | 259,655 | 897,507 | - | 897,507 |
| Liabilities | | | | | | |
| Segment liabilities | 372,680 | 35,907 | 28,988 | 437,575 | - | 437,575 |

A4. Segmental Information (Cont'd)

30 June 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 | 344,033 | 57,012 | 874 | 401,919 | - | 401,919 |
| Inter-segment revenue | 64,516 | - | 6 | 64,522 | (64,522) | - |
| Total revenue | 408,549 | 57,012 | 880 | 466,441 | (64,522) | 401,919 |
| Results | | | | | | |
| Interest income | 36 | 58 | 2 | 96 | - | 96 |
| Finance costs | (3,336) | - | (1,126) | (4,462) | - | (4,462) |
| Depreciation and amortisation | (5,590) | (3) | (552) | (6,145) | - | (6,145) |
| Amortisation of intangible assets | - | - | (899) | (899) | - | (899) |
| Share of losses of an associate (net of tax) | 9 | - | - | 9 | - | 9 |
| Segment profit/(loss) before tax | 11,031 | 4,662 | (3,787) | 11,906 | - | 11,906 |
| Taxation | | | | | | (6,014) |
| Profit after tax | | | | | | 5,892 |
| Other non-cash items | | | | | | |
| Gain on disposal of PPE | (40) | - | - | (40) | - | (40) |
| (Reversal)/impairment losses on receivables | (79) | 66 | - | (13) | - | (13) |
| Assets | | | | | | |
| Additions to PPE | 17,593 | - | 7 | 17,600 | - | 17,600 |
| Segment assets | 596,789 | 125,682 | 289,306 | 1,011,777 | - | 1,011,777 |
| Liabilities | | | | | | |
| Segment liabilities | 499,892 | 33,509 | 29,203 | 562,604 | - | 562,604 |

A4. Segmental Information (Cont'd)

Segmental Performance (financial period ended 30 June 2020 against financial period ended 30 June 2019)

Construction and Trading

(i) Construction

As an immediate action to curb the outbreak of Coronavirus disease "COVID-19" pandemic, Malaysia government has implemented Movement Control Order ("MCO"), Conditional Movement Control Order ("CMCO") and the Recovery Movement Control Order ("RMCO"). The period of MCO started from 18 March 2020, followed by CMCO from 12 May 2020 till 9 June 2020, which covers substantially the current reporting period.

All construction sites are required to shut down during MCO period while 50% capacity allowed during CMCO. This has resulted in substantially low construction progress achieved.

Consequently, the construction activities registered a significant decreased of approximately RM169.75 million or 49.34% in revenue from RM344.03 million in the preceding year corresponding period to RM174.28 million in current financial period.

As economies of scales was not achieve due to the disruption, the financial performance of construction segment in current financial period has been adversely affected thus recorded a marginal loss of approximately RM17,000.

(ii) Manufacturing and trading of precast products

During current financial period, the manufacturing business has generated internal revenue of approximately RM7.74 million compared to the preceding year corresponding period of RM11.69 million, representing a decrease of approximately RM3.95 million or 33.79%.

Lower revenue achieved in current financial period due to closure of factories and suspension of production activities in compliance with MCO as opposed to capacity from 2 plants located at Alam Perdana and Nilai respectively which operated in full swing in the preceding year corresponding period.

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.

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A4. Segmental Information (Cont'd)

Segmental Performance (financial period ended 30 June 2020 against financial period ended 30 June 2019) (Cont'd)

Property Development

The property development segment registered revenue of RM41.71 million and PBT of RM6.60 million in current financial period as compared to RM57.01 million and RM4.67 million respectively in preceding year corresponding period.

Overall, higher profit realised in current financial period as higher percentage of project progression achieved along with effective marketing strategies and attractive promotion package which have boosted the sales. As at 30 June 2020, 225 units (30 June 2019: 116 units) have been sold with sales value of RM75.49 million (30 June 2019: RM38.86 million).

The project progression for Zenopy Residences and Laman Bayu Phase 1 have been push to optimum level in order to achieve target completion date by second half of the year.

Others

The segment reported marginal loss of approximately RM37,000 after the recognition of the gain from disposal of investment properties and PPE of approximately RM2.93 million under the hospitality business. Following the disposal of the properties, the group will cease hospitality business. Other expenses incurred under this segment including the amortisation of intangible assets, finance cost and administrative expenses incurred by the Company.

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.

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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 PPE and ROU

There were no valuation of PPE and ROU carried out during the current quarter under review.

Included in the ROU are leasehold lands and buildings that are stated at revalued amount less accumulated depreciation and accumulated impairment losses.

A10. Debts and Equity Securities

There was no issue, repurchase and repayment of debt and equity securities during the financial period.

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 30-Jun-20 RM'000 | As at 30-Jun-19 RM'000 |
|---|---------------------------------------|---------------------------------------|
| <u>Authorised and contracted for :</u> | | |
| Sale and Purchase Agreement for | | |
| - Property, plant and equipment | 9,103 | 10,403 |
| Joint Venture Agreement for | | |
| - Settlement units to landowner | 5,500 | - |
| Purchase Order for | | |
| - Interior design and renovation works | 1,029 | 878 |
| | 1,029 | 878 |

A13. Subsequent Events

There were no subsequent events as at 18 August 2020, being the latest practicable date (“LPD”), which shall not be earlier than 7 days from the date of issuance of this interim financial report.

A14. Changes in Contingent Liabilities and Contingent Assets

(a) Contingent Liabilities

| | As at 30-Jun-20 | As at 30-Jun-19 |
|------------------------------------|----------------------------|----------------------------|
| | RM'000 | RM'000 |
| Bank guarantees issued for: | | |
| - Construction Contracts | 3,561 | 3,561 |
| - Property Development | 2,205 | 2,125 |
| - Others | 13 | 8 |
| | 5,779 | 5,694 |

(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 year were summarised as follows:

| | As at 30-Jun-20 | As at 30-Jun-19 |
|-----------------------|----------------------------|----------------------------|
| | RM'000 | RM'000 |
| Income | | |
| Contract revenue | 188,670 | 245,453 |
| Expenses | | |
| Purchase of materials | 6,114 | 14,486 |
| Rental of premises | - | 25 |
| | - | 25 |

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

B1. Review of Group Performance

| | Individual | | | | Cumulative | | | |
|---------------------------|--------------|--------------|-----------|---------|--------------|--------------|-----------|---------|
| | Period Ended | Period Ended | Variance | | Period Ended | Period Ended | Variance | |
| | 30-Jun-20 | 30-Jun-19 | RM'000 | % | 30-Jun-20 | 30-Jun-19 | RM'000 | % |
| Revenue | 64,480 | 198,317 | (133,837) | -67.49% | 216,481 | 401,919 | (185,438) | -46.14% |
| Profit before tax ("PBT") | 1,607 | 6,614 | (5,007) | -75.70% | 6,547 | 11,906 | (5,359) | -45.01% |
| Profit after tax ("PAT") | 56 | 3,814 | (3,758) | -98.53% | 2,160 | 5,892 | (3,732) | -63.34% |

Individual Period

MCO which started since 18 March 2020 and extended until 9 June 2020 has completely halted the operation of the Group for approximately 1.5 months in the individual reporting period. This has caused significant drop in the revenue from RM198.32 million in preceding corresponding individual quarter to RM64.48 million in current individual quarter, representing a decrease of approximately 67.49%.

In tandem with the low revenue generated but constant operation costs, the PAT has invariably affected.

Cumulative Period

For the cumulative period ended 30 June 2020, property development segment which achieved remarkable sales in both Zenopy Residences and Laman Bayu has outperformed construction segment in which the operations have been interrupted by the MCO and CMCO imposed. One-off gain from the disposal of investment properties and PPE amounted to approximately RM2.93 million has also been recognised during the period.

In term of segmental assets and liabilities, construction and trading segment remains as the top contributor with total assets of approximately RM538.23 million or 59.97% and total liabilities of RM372.68 million or 85.17% respectively out of the total Group's assets of RM897.51 million and Group's liabilities of RM437.58 million as at 30 June 2020.

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B2. Variation of Results Against Immediate Preceding Quarter

| | Current Quarter Ended 30-Jun-20 | Preceding Quarter Ended 31-Mar-20 | Variance | |
|---------------------------|--|--|----------|---------|
| | RM'000 | RM'000 | RM'000 | % |
| Revenue | 64,480 | 152,001 | (87,521) | -57.58% |
| Profit before tax ("PBT") | 1,607 | 4,940 | (3,333) | -67.47% |
| Profit after tax ("PAT") | 56 | 2,104 | (2,048) | -97.34% |

The financial performance of the Group in current quarter under review is affected by the MCO and CMCO enforced which covers substantially the current reporting period. Upon the enforcement of MCO and CMCO, business activities have temporary halted or remain low but fixed operating cost such as staff salaries related expenses, finance cost, upkeep and maintenance, security, depreciation and others were still running, therefore the Group recorded merely breakeven result.

B3. Prospects for the Year

The Malaysian economy's GDP dropped sharply to only register a growth rate of 0.7% in the first quarter of 2020 compared with 3.6% in the fourth quarter of 2019. The significant slowdown was largely caused by the COVID-19 pandemic and the implementation of the MCO started on 18 March 2020. Bank Negara has proactively reduced the Overnight Policy Rate (OPR) from 2.5% to 2.0% with the last reduction was on 5 May 2020, which should cushion the consequential financial impact on the economy.

To improve the economic risks, Government has been introducing stimulus packages from time to time during this critical period with the aim to alleviate the pandemic's immediate impact. Amongst others include wages subsidy, moratorium on loan repayment, extension of time for statutory contribution, tax revision, levies reduction and others.

Further, on 5 June 2020, Government unveiled the Short-Term Economic Recovery Plan (STERP) whereby 1 of the initiative was the exemption of the real property gain tax for disposal up to three (3) units of residential homes by an individual from 1 June 2020 to 31 December 2021. Not forgetting the Home Ownership Campaign (HOC), which ran throughout 2019, was designed to encourage the increase in home ownership among Malaysians is now extended till 2021.

Although the market environment remains challenging for the Group for the financial year ending 31 December 2020, but tapping on all the initiatives and stimulating measures from the Government, the Group is confident that the economy will recover at its optimum pace and subsequently boost consumer's sentiment and spending on property market.

B3. Prospects for the Year (Cont'd)

MGB Group is looking forward to play the role as core developer of affordable houses on the back of several joint venture / development right agreements entered recently with land-owners. The self-supply of precast concrete panels is expected to reduce the time and labour cost in the development project which eventually enhance the profitability.

The Board and Management maintain a stable with cautious outlook for the Group's businesses for financial year 2020 amid the local and global uncertainties. We will review all functions within the Group vigilantly and be self-conscious, era-conscious, social-conscious and leak-conscious to increase efficiency, align to public needs and prevent unnecessary profit leaking at all times.

Barring any unforeseen circumstances, the Board is cautiously optimistic that the Group will perform satisfactorily in year 2020.

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 30-Jun-20 RM'000 | Current Year to Date 30-Jun-20 RM'000 |
|-----------------------|--|--|
| Income Tax: | | |
| - Current period | 1,617 | 4,385 |
| Deferred Tax: | | |
| - Current period | (66) | 2 |
| Total Taxation | 1,551 | 4,387 |

B6. Status of Corporate Proposals Announced

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

(a) On 27 May 2019, the Company together with PNSB Construction Sdn. Bhd. (collectively referred to as "the Consortium"), has entered into a Development Rights Agreement ("DRA") with Must Ehsan Development Sdn. Bhd. for the development on 3 parcels of leasehold lands all situated in Seksyen 7, Bandar Shah Alam, Daerah Petaling, Negeri Selangor subject to and upon the terms and conditions of the DRA. This DRA has not been completed as the conditions precedent therein have not been complied.

B6. Status of Corporate Proposals Announced (Cont'd)

Saved as disclosed below, there were no corporate proposals announced that are yet to be completed as at LPD. (cont'd)

- (b) On 24 January 2020, the Consortium together with Idaman Living Sdn. Bhd., an indirect wholly-owned subsidiary of the Company had entered into a Development Rights Agreement with Solid Benefit Sdn. Bhd. and Eco Green City Sdn. Bhd. to develop all that piece of 99 years leasehold land expiring on 1 February 2104 held under PN 116631 Lot 120760 (previously held under H.S.(D) 43589, PT 54535) in Mukim Dengkil, Daerah Sepang, Negeri Selangor measuring approximately 4.882 hectares into affordable homes under Rumah Selangorku Idaman scheme ("Proposed DRA"). The Proposed DRA has not been completed as the conditions precedent therein have not been complied.
- (c) On 24 January 2020, the Consortium together with Idaman Aktif Sdn. Bhd., an indirect wholly owned subsidiary of the Company have entered into a Joint Venture Agreement with Abadi Man Nien Sdn Bhd to jointly develop all that two (2) pieces of leasehold lands of ninety (99) years, both expiring on 14 May 2091 held under H.S.(M) 22704, PT 49907, Mukim Dengkil, Daerah Sepang, Negeri Selangor measuring approximately 8,743 square meters and H.S.(M) 22705, PT 49908, Mukim Dengkil, Daerah Sepang, Negeri Selangor measuring approximately 15,769 square meters into affordable housing homes under Rumah Selangorku Idaman scheme ("Proposed JVA"). The Proposed JVA has not been completed as the conditions precedent therein have not been complied.
- (d) On 5 June 2020, an indirect wholly owned subsidiary of the Company, Prisma Kasturi Sdn Bhd, entered into sixty three (63) separate Sale and Purchase Agreement ("SPAs") with AZ Avenue Sdn Bhd for the disposal of sixty three (63) units of properties ("the Properties") for a total consideration of RM28,700,400 only ("Disposal Price") ("Proposed Disposal"). For the avoidance of doubt, the Disposal Price includes all renovation done on the said Properties including the fixtures and fittings and equipment suitable and relevant for hotel operation. The conditions precedent set in this Proposed Disposal have been fulfilled. Thus, the Proposed Disposal has become unconditional.
- (e) On 26 June 2020, the Company indirect wholly-owned subsidiary, Multi Court Developers Sdn Bhd has entered into a Joint Venture Agreement ("Proposed JVA") with LBS Bina Holdings Sdn Bhd to jointly develop all that piece of lands located at Mukim Linau, District Batu Pahat in the State of Johor into 118 units of Double Storey Terrace House in the development project known as "Laman Bayu". The conditions precedent set in this JVA have been fulfilled. Thus, the JVA has become unconditional.

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B7. Borrowings and Debt Securities

Total borrowings of the Group comprised of the followings:

| | As at 30-Jun-20 RM'000 (Unaudited) | As at 30-Jun-19 RM'000 (Unaudited) |
|---------------------------|---|---|
| Secured | | |
| Term loans | 99,312 | 101,657 |
| Revolving credits | 35,014 | 35,014 |
| Bank overdrafts | - | 13,535 |
| Finance lease liabilities | - | 38,032 |
| Lease liabilities | 35,104 | - |
| Total | 169,430 | 188,238 |
| Current | | |
| Term loans | 65,013 | 38,578 |
| Revolving credits | 35,014 | 35,014 |
| Bank overdrafts | - | 13,535 |
| Finance lease liabilities | - | 10,859 |
| Lease liabilities | 9,569 | - |
| Total | 109,596 | 97,986 |
| Non-current | | |
| Term loans | 34,299 | 63,079 |
| Finance lease liabilities | - | 27,173 |
| Lease liabilities | 25,535 | - |
| Total | 59,834 | 90,252 |

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 | |
|--|--------------------------|-----------|--------------------|-----------|
| | 30-Jun-20 | 30-Jun-19 | 30-Jun-20 | 30-Jun-19 |
| Profit attributable to owners of the parent (RM'000) | 377 | 4,002 | 2,768 | 7,108 |
| Weighted average number of ordinary shares in issue ('000) | 501,653 | 497,097 | 501,653 | 496,995 |
| Basic EPS (Sen) | 0.08 | 0.81 | 0.55 | 1.43 |

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 issued upon full exercise of the remaining option under warrants, adjusted for the number of such shares that would have been issued at fair value:

| | Individual Quarter Ended | | Year to Date Ended | |
|--|--------------------------|-----------|--------------------|-----------|
| | 30-Jun-20 | 30-Jun-19 | 30-Jun-20 | 30-Jun-19 |
| Profit attributable to owners of the parent (RM'000) | 377 | 4,002 | 2,768 | 7,108 |
| Weighted average number of ordinary shares in issue ('000) | 501,653 | 497,097 | 501,653 | 496,995 |
| Effect of conversion of warrants ('000) | - | 1,591 | - | 1,591 |
| Effect of conversion of ICPS ('000) | 90,000 | 90,000 | 90,000 | 90,000 |
| | 591,653 | 588,688 | 591,653 | 588,586 |
| Diluted EPS (Sen) | 0.06 | 0.68 | 0.47 | 1.21 |

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

| | Current Quarter Ended 30-Jun-20 RM'000 | Current Year To Date Ended 30-Jun-20 RM'000 |
|--|---|--|
| Interest income | (128) | (238) |
| Rental income | (7) | (12) |
| Reversal of impairment losses on receivables | (17) | (17) |
| Gain on disposal of: | | |
| - Investment properties | (2,660) | (2,660) |
| - PPE | (283) | (267) |
| Impairment losses on receivables | 43 | 51 |
| Amortisation of intangible assets | 187 | 569 |
| Amortisation of investment properties | 270 | 581 |
| Depreciation of PPE | 1,478 | 2,986 |
| Depreciation of ROU | 1,919 | 3,706 |
| Finance costs | 2,037 | 4,131 |
| | 2,037 | 4,131 |

B12. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors on 25 August 2020.

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