

MahSing

MAH SING GROUP BERHAD

Company No.: 230149-P
(Incorporated in Malaysia)

Interim Financial Report

31 December 2017

MAH SING GROUP BERHAD

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(Incorporated in Malaysia)**

Interim Financial Report - 31 December 2017

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

(The figures have been audited)

	AS AT 31/12/2017 RM'000	AS AT 31/12/2016 RM'000
ASSETS		
Non-Current Assets		
<i>Property, plant and equipment</i>	155,872	137,619
<i>Prepaid lease payments</i>	5,583	6,841
<i>Investment properties</i>	195,880	199,816
<i>Land held for property development</i>	1,482,198	1,111,766
<i>Intangible assets</i>	5,776	5,795
<i>Trade and other receivables</i>	31,957	-
<i>Deferred tax assets</i>	142,967	118,045
	<u>2,020,233</u>	<u>1,579,882</u>
Current Assets		
<i>Property development costs</i>	2,139,524	2,294,868
<i>Inventories</i>	628,981	359,989
<i>Trade and other receivables</i>	1,121,662	1,039,732
<i>Current tax assets</i>	13,546	21,915
<i>Deposits, cash and bank balances and investment in short-term funds</i>	1,216,241	923,769
	<u>5,119,954</u>	<u>4,640,273</u>
TOTAL ASSETS	<u><u>7,140,187</u></u>	<u><u>6,220,155</u></u>
EQUITY AND LIABILITIES		
Equity Attributable to Ordinary Equity Holders of the Company		
<i>Share capital</i>	1,773,291	1,204,711
<i>Share premium</i>	-	540,816
<i>Other reserves</i>	66,909	72,484
<i>Retained earnings</i>	1,615,768	1,470,100
	<u>3,455,968</u>	<u>3,288,111</u>
Perpetual Securities	645,212	-
Perpetual Sukuk	540,000	540,000
Non-Controlling Interests	6,429	8,016
Total Equity	<u>4,647,609</u>	<u>3,836,127</u>
Non-Current Liabilities		
<i>Term loans</i>	638,036	859,085
<i>Long term and deferred payables</i>	75,615	12,357
<i>Deferred tax liabilities</i>	73,525	16,220
	<u>787,176</u>	<u>887,662</u>
Current Liabilities		
<i>Trade and other payables</i>	1,524,257	1,311,706
<i>Term loans</i>	113,417	126,951
<i>Short term borrowings</i>	28,874	15,404
<i>Bank overdrafts</i>	1,105	-
<i>Current tax liabilities</i>	37,749	42,305
	<u>1,705,402</u>	<u>1,496,366</u>
Total Liabilities	<u>2,492,578</u>	<u>2,384,028</u>
TOTAL EQUITY AND LIABILITIES	<u><u>7,140,187</u></u>	<u><u>6,220,155</u></u>
Net assets per share attributable to ordinary equity holders of the Company (RM)	<u>1.42</u>	<u>1.36</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the financial year ended 31 December 2017

(The figures have been audited)

	3 months ended		Year ended		
	31/12/2017 RM'000	31/12/2016 RM'000	31/12/2017 RM'000	31/12/2016 RM'000	
Revenue	760,842	742,180	2,915,791	2,957,617	
Cost of sales	(563,183)	(562,045)	(2,154,100)	(2,212,152)	
Gross profit	197,659	180,135	761,691	745,465	
Other income	6,909	13,328	23,117	31,301	
Selling and marketing expenses	(34,784)	(35,073)	(116,676)	(121,475)	
Administrative and other expenses	(52,852)	(48,421)	(191,587)	(177,350)	
Results from operating activities	116,932	109,969	476,545	477,941	
Interest income	2,180	4,909	12,872	10,980	
Finance costs	(6,002)	(2,033)	(17,134)	(5,982)	
Net finance (costs)/income	(3,822)	2,876	(4,262)	4,998	
Profit before tax	113,110	112,845	472,283	482,939	
Income tax expense	(25,666)	(27,450)	(113,122)	(122,627)	
Profit for the year	87,444	85,395	359,161	360,312	
Profit attributable to:					
Equity holders of the Company	88,775	85,612	361,895	361,357	
Non-controlling interests	(1,331)	(217)	(2,734)	(1,045)	
	87,444	85,395	359,161	360,312	
Earnings per share attributable to ordinary equity holders of the Company:					
- Basic (sen)	Note B12(a)	2.74	3.55	12.54	13.47
- Diluted (sen)	Note B12(b)	2.73	3.55	12.50	13.46

The Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the financial year ended 31 December 2017*(The figures have been audited)*

	3 months ended		Year ended	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	RM'000	RM'000	RM'000	RM'000
Profit for the year	87,444	85,395	359,161	360,312
Other comprehensive (loss)/income				
<i>Item that may be reclassified subsequently to profit or loss:</i>				
Foreign currency translation difference for foreign operations	(1,013)	1,363	(2,568)	1,749
<i>Item that will not be reclassified subsequently to profit or loss:</i>				
Remeasurements of defined benefit obligations	47	-	47	-
Other comprehensive (loss)/income for the year	<u>(966)</u>	<u>1,363</u>	<u>(2,521)</u>	<u>1,749</u>
Total comprehensive income for the year	<u>86,478</u>	<u>86,758</u>	<u>356,640</u>	<u>362,061</u>
Total comprehensive income attributable to:				
Equity holders of the Company	88,124	86,545	360,195	362,518
Non-controlling interests	(1,646)	213	(3,555)	(457)
	<u>86,478</u>	<u>86,758</u>	<u>356,640</u>	<u>362,061</u>

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 2016 and the accompanying explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

(The figures have been audited)

	Attributable to ordinary equity holders of the Company						Perpetual Securities	Perpetual Sukuk	Non-controlling interests	Total Equity
	Non-Distributable			Distributable						
Year ended 31 December 2017	Share capital	Share premium	Warrants reserve	Exchange fluctuation reserve	Retained earnings	Total				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance at 1/1/2017	1,204,711	540,816	64,343	8,141	1,470,100	3,288,111	-	540,000	8,016	3,836,127
Amount recognised directly in equity:										
Profit/(Loss) for the financial year	-	-	-	-	361,895	361,895	-	-	(2,734)	359,161
Other comprehensive (loss)/income	-	-	-	(1,731)	31	(1,700)	-	-	(821)	(2,521)
Total comprehensive income for the year	-	-	-	(1,731)	361,926	360,195	-	-	(3,555)	356,640
Issuance of ordinary shares pursuant to warrants exercised	27,764	-	(3,844)	-	-	23,920	-	-	-	23,920
Issuance of Perpetual Securities (net of transaction costs)	-	-	-	-	-	-	645,212	-	-	645,212
Dividends for the financial year ended 31 December 2016	-	-	-	-	(157,152)	(157,152)	-	-	-	(157,152)
Distribution paid to holders of Perpetual Sukuk	-	-	-	-	(36,620)	(36,620)	-	-	-	(36,620)
Distribution paid to holders of Perpetual Securities	-	-	-	-	(22,486)	(22,486)	-	-	-	(22,486)
Acquisition of a subsidiary company	-	-	-	-	-	-	-	-	639	639
Disposal of a subsidiary company	-	-	-	-	-	-	-	-	1,329	1,329
Effects of adoption of Companies Act 2016 *	540,816	(540,816)	-	-	-	-	-	-	-	-
Balance at 31/12/2017	1,773,291	-	60,499	6,410	1,615,768	3,455,968	645,212	540,000	6,429	4,647,609

* With the Companies Act 2016 coming into effect on 31 January 2017, the credit balance of the share premium becomes part of the share capital. Such credit balance may be utilised within 24 months after the commencement of the Act for purposes as set out in transitional provisions of the Act.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the financial year ended 31 December 2016
(The figures have been audited)

	Attributable to ordinary equity holders of the Company									
	Non-Distributable					Distributable				
	Share capital	Share premium	Warrants reserve	Exchange fluctuation reserve	Other reserve	Retained earnings	Total	Perpetual Sukuk	Non-controlling interests	Total Equity
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Year ended 31 December 2016										
Balance at 1/1/2016	1,204,709	540,810	64,344	6,980	16,603	1,302,176	3,135,622	540,000	8,473	3,684,095
Amount recognised directly in equity:										
Profit/(Loss) for the financial year	-	-	-	-	-	361,357	361,357	-	(1,045)	360,312
Other comprehensive income	-	-	-	1,161	-	-	1,161	-	588	1,749
Total comprehensive income for the year	-	-	-	1,161	-	361,357	362,518	-	(457)	362,061
Dividends for the financial year ended										
31 December 2015	-	-	-	-	-	(156,612)	(156,612)	-	-	(156,612)
Issuance of ordinary shares pursuant to warrants exercised	2	6	(1)	-	-	-	7	-	-	7
Distribution paid to holders of Perpetual Sukuk	-	-	-	-	-	(36,821)	(36,821)	-	-	(36,821)
Repurchase of redeemable convertible bonds	-	-	-	-	(16,603)	-	(16,603)	-	-	(16,603)
Balance at 31/12/2016	1,204,711	540,816	64,343	8,141	-	1,470,100	3,288,111	540,000	8,016	3,836,127

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 2016 and the accompanying explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the financial year ended 31 December 2017
(The figures have been audited)

	12 months ended 31/12/2017 RM'000	12 months ended 31/12/2016 RM'000
Operating Activities		
Profit before tax	472,283	482,939
Adjustments for:		
Non-cash items	19,924	34,777
Non-operating items	29,365	43,430
Operating profit before changes in working capital	<u>521,572</u>	561,146
Net change in property development costs	(46,513)	30,251
Net change in inventories	87,922	56,504
Net change in receivables	(139,465)	(33,629)
Net change in accrued billings	(11,301)	60,904
Net change in payables	133,673	23,978
Net change in progress billings	<u>(37,643)</u>	<u>(77,130)</u>
Cash generated from operations	508,245	622,024
Interest received	34,258	26,786
Finance cost paid	(41,624)	(56,417)
Net tax paid	<u>(135,046)</u>	<u>(139,030)</u>
Net cash generated from operating activities	<u>365,833</u>	<u>453,363</u>
Investing Activities		
Additions to property, plant and equipment	(43,965)	(34,929)
Additions to land held for property development	(110,638)	(119,837)
Acquisition of land	(114,691)	-
Net cash outflow on acquisition of subsidiaries	(61,458)	-
Proceeds from disposal of property, plant and equipment	886	487
Proceeds from disposal of a subsidiary	6,472	-
Net cash used in investing activities	<u>(323,394)</u>	<u>(154,279)</u>
Financing Activities		
Advances from non-controlling interests of a former subsidiary company	21,600	-
Repayment to non-controlling interests of subsidiary companies	(3,111)	-
Dividends paid to shareholders of the Company	(157,152)	(156,612)
Distribution paid to holders of Perpetual Sukuk	(36,620)	(36,821)
Distribution paid to holders of Perpetual Securities	(22,486)	-
Net proceed from issuance of Perpetual Securities	645,212	-
Net repayment of borrowings	(222,476)	(203,236)
Net (placement)/withdrawal of deposits with licensed banks pledged as collateral/Escrow Accounts	(30,334)	35,378
Placement of deposit in Trustees' Reimbursement Account	(30)	-
Proceeds from warrants exercised	23,920	7
Repurchase of redeemable convertible secured bonds	-	(337,100)
Net cash generate from/(used in) financing activities	<u>218,523</u>	<u>(698,384)</u>
Net changes in cash and cash equivalents	260,962	(399,300)
Effect of exchange rate changes	41	46
Cash and cash equivalents at beginning of the financial year	880,766	1,280,020
Cash and cash equivalents at end of the financial year	<u>1,141,769</u>	<u>880,766</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the financial year ended 31 December 2017 (continued)

(The figures have been audited)

Cash and cash equivalents at the end of the financial year comprise the followings:

	12 months ended 31/12/2017 RM'000	12 months ended 31/12/2016 RM'000
Deposits with licensed banks	123,505	227,451
Investment in short-term funds	476,746	133,039
Cash and bank balances	615,990	563,279
Bank overdrafts	(1,105)	-
	1,215,136	923,769
Less: Deposits in Escrow Accounts	(67,285)	(37,126)
Less: Deposits pledged as collateral	(6,022)	(5,847)
Less: Trustees' Reimbursement Account	(60)	(30)
	1,141,769	880,766

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial report.

A Explanatory notes

A1 Basis of preparation

The interim financial report has been prepared in accordance with Malaysian Financial Reporting Standards No. 134 : Interim Financial Reporting and with IAS14 Interim Financial Reporting and applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The interim financial report should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2016. The explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2016.

The significant accounting policies and methods of computation adopted for the interim financial report are consistent with those adopted for the audited financial statements for the financial year ended 31 December 2016 save for the adoption of the following:

Amendments to MFRS 107	Statement of Cash Flows - <i>Disclosure initiative</i>
Amendments to MFRS 112	Income Tax - <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Amendments to MFRS 12	Disclosure of Interests in Other Entities (<i>Annual Improvements to MFRSs 2014 - 2016 Cycle</i>)

The adoption of the above Amendments to MFRSs and annual improvements to MFRS does not have any material impact on the financial statements of the Group.

A2 Seasonal or cyclical factors

The operations of the Group were not significantly affected by any seasonal or cyclical factors during the financial year under review.

A3 Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group for the financial year under review.

A4 Changes in estimates

There were no material changes in estimates for the financial year under review.

MAH SING GROUP BERHAD (230149-P)
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A5 Debt and equity securities

Share capital

During the financial year ended 31 December 2017, the Company increased its issued and paid up share capital by way of issuance of 16,611,346 new ordinary shares pursuant to the exercise of Warrant B 2013/2018 at an issue price of RM1.44 per ordinary share.

Perpetual securities

On 3 April 2017, the Company has completed the first issuance of RM650.0 million in nominal value of unrated senior perpetual securities ("Perpetual Securities") under the Perpetual Securities Programme of up to RM1.0 billion in nominal value. The Perpetual Securities carry a coupon rate of 6.9% per annum from year 1 to year 5, payable semi-annually, and have no fixed maturity date but are callable 5 years from date of issuance.

Save for the above, there were no issuance and repayment of debt and equity securities, share buybacks, share cancellations, share held as treasury shares and resale of treasury shares during the financial year under review.

A6 Dividends paid

On 14 September 2017, the Company paid a first and final single-tier dividend of 6.5 sen per ordinary share amounted to RM157,152,420 in respect of the financial year ended 31 December 2016.

A7 Segment reporting

Year ended 31 December 2017

	Properties RM'000	Plastics RM'000	Investment Holding & Others RM'000	Elimination RM'000	Consolidated RM'000
REVENUE					
External revenue	2,554,426	296,205	65,160	-	2,915,791
Inter-segment	-	-	266,862	(266,862)	-
	<u>2,554,426</u>	<u>296,205</u>	<u>332,022</u>	<u>(266,862)</u>	<u>2,915,791</u>
RESULTS					
Operating profit	432,290	15,343	28,912	-	476,545
Interest income	12,613	187	72	-	12,872
Finance costs	(15,439)	(1,596)	(99)	-	(17,134)
Profit before tax	429,464	13,934	28,885	-	472,283
Income tax expense					(113,122)
Profit for the year					<u>359,161</u>
OTHER INFORMATION					
Capital expenditure	19,785	20,372	183	-	40,340
Depreciation and amortisation	5,135	15,096	268	-	20,499
ASSETS AND LIABILITIES					
Segment assets	6,173,496	242,053	568,125	-	6,983,674
Current and deferred tax assets					156,513
Total assets					<u>7,140,187</u>
Segment liabilities	2,284,925	87,187	9,192	-	2,381,304
Current and deferred tax liabilities					111,274
Total liabilities					<u>2,492,578</u>

MAH SING GROUP BERHAD (230149-P)
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A7 Segment reporting (continued)

Year ended 31 December 2016

	Properties RM'000	Plastics RM'000	Investment Holding & Others RM'000	Elimination RM'000	Consolidated RM'000
REVENUE					
External revenue	2,626,784	259,397	71,436	-	2,957,617
Inter-segment	-	4	492,710	(492,714)	-
	<u>2,626,784</u>	<u>259,401</u>	<u>564,146</u>	<u>(492,714)</u>	<u>2,957,617</u>
RESULTS					
Operating profit/(loss)	470,305	15,916	(8,280)	-	477,941
Interest income	10,772	208	-	-	10,980
Finance costs	(4,274)	(1,450)	(258)	-	(5,982)
Profit/(loss) before tax	476,803	14,674	(8,538)	-	482,939
Income tax expense					(122,627)
Profit for the year					<u>360,312</u>
OTHER INFORMATION					
Capital expenditure	8,503	34,032	1,078	-	43,613
Depreciation and amortisation	4,672	13,075	219	-	17,966
ASSETS AND LIABILITIES					
Segment assets	5,531,494	232,472	316,229	-	6,080,195
Current and deferred tax assets					139,960
Total assets					<u>6,220,155</u>
Segment liabilities	2,226,255	86,251	12,997	-	2,325,503
Current and deferred tax liabilities					58,525
Total liabilities					<u>2,384,028</u>

A8 Material subsequent events

Save for as disclosed in B6, there were no material events subsequent to the reporting date up to 21 February 2018, being the latest practicable date which is not earlier than 7 days from the date of issuance of this Interim Financial Report.

A9 Related party transactions

Transactions with Directors of the Company and subsidiary companies and companies in which they have interests:

	01/01/2017 to 31/12/2017 RM'000
(i) Rental paid to a Company in which a Director of the Company has interest	1,538
(ii) Maintenance services rendered by a company in which the Directors are family members of a Director of the Company	178
(iii) Professional fees paid to a firm in which a Director of the former subsidiary company has interest	638
(iv) Professional fees paid to a firm in which a former Director of the subsidiary company has interest	3
(v) Sales of plastic products to a company limited by guarantee in which a Director of the Company is a trustee	24
(vi) Sale of a completed property to a family member of a Director of the Company	3,977

Transactions with non-controlling interests:

(i) Interest payable to non-controlling interests of subsidiary companies	57
(ii) Interest paid to non-controlling interests of a former subsidiary	450

A10 Changes in the composition of the Group

There were no changes in the composition of the Group for the financial year except for the following:

Deregistration of subsidiaries

- a) With effect from 1 May 2017, Mah Sing Vietnam Ltd ("**MS Vietnam**") and Mah Sing Vina Ltd ("**MS Vina**"), both indirect wholly-owned subsidiaries of the Company which have been dormant for many years, are no longer registered with the BVI Government Register, in accordance with the provisions of the BVI Business Companies Act, 2004. MS Vietnam and MS Vina have no intention to carry on business or operations in the future.

Acquisition of subsidiaries

- b) On 26 May 2017, the Company's wholly-owned subsidiary, Nova Legend Development Sdn Bhd entered into a Share Sale Agreement with LTS Properties (M) Sdn Bhd, T.S. Law Corporation Sdn Bhd and Law Wai Cheong for the proposed acquisition of 78% of the equity interest in Cosmoworld Housing Development Sdn Bhd ("**CHDSB**") amounting to 1,560,000 ordinary shares in CHDSB ("**Sale Shares**") for a total purchase consideration of RM54,960,000.
- c) On 3 July 2017, the Company's wholly-owned subsidiary, Nature Legend Development Sdn Bhd entered into a Share Sale Agreement with Hazreeq Putra Bin Hasman and Maslinda Binti Othman for the proposed acquisition of 100% of the equity interest in Cordova Land Sdn Bhd ("**CLSB**") amounting to 500,000 ordinary shares in CLSB ("**Sale Shares**") for a total purchase consideration of RM156,349,900. Subsequent to the execution of the Sales and Purchase Agreement between CLSB and Datuk Bandar Kuala Lumpur on 30 August 2017 and pursuant to the adjustment clauses of the Sale Shares, the Purchase Consideration has been adjusted to RM143,599,628.

The details of the acquisition of the subsidiaries are as follows:

	Note	RM'000
Net assets acquired		186,072
Non-controlling interest		(639)
Fair value of consideration transferred		185,433
Add: Fair value adjustment on deferred consideration		13,127
Total purchase consideration		198,560
Less: Balance purchase consideration		(137,100)
Less: Cash and cash equivalents		(2)
Net cash outflow on acquisition of subsidiaries		61,458

A10 Changes in the composition of the Group (continued)

Disposal of a subsidiary

- d) On 3 July 2017, the Company entered into a Share Sale Agreement with Diverse Capital Sdn Bhd for the disposal of 51% of the equity interest in Convention City Development Sdn Bhd ("**CCDSB**") amounting to 1,632,000 ordinary shares in CCDSB ("**Sale Shares**") for a total cash consideration of RM6,557,000. The transaction ended on the same date.

The details of the disposal of the subsidiary are as follows:

	RM'000
Net assets disposed	(2,712)
Non-controlling interest	1,329
	<u>(1,383)</u>
Add: Gain on disposal	7,940
Total proceed from disposal	6,557
Less: Cash and cash equivalents	(85)
Net cash inflow from disposal of subsidiary	<u><u>6,472</u></u>

New incorporation of subsidiaries

- e) On 11 December 2017, the Company had incorporated a wholly owned subsidiary, Mah Sing International Limited ("**Mah Sing International**") in Cayman Islands under the Companies Law of Cayman Islands as an exempted company limited by shares. Mah Sing International's current authorised share capital is HKD380,000 divided into 38,000,000 ordinary shares of HKD0.01 each, of which 100 ordinary shares of HKD0.01 each have been issued and fully paid-up on 11 December 2017.
- f) On 13 November 2017, the Company had incorporated a wholly owned subsidiary, Mah Sing Holdings Limited ("**Mah Sing Holdings**") in Territory of the British Virgin Islands under BVI Business Companies Act 2004 as a private company limited by shares. Mah Sing Holdings' current authorised share capital is USD50,000 divided into 50,000 ordinary shares of USD1.00 each, of which 10 ordinary shares of USD1.00 each have been issued and fully paid-up on 12 December 2017.

A11 Changes in contingent liabilities or contingent assets

There were no contingent assets. Contingent liabilities of the Group are as follows:

	31/12/2017	31/12/2016
	RM'000	RM'000
Bank guarantees issued in favour of third parties	91,840	77,952
Claims arising from contract with third parties	3,811	-
	<u><u>95,651</u></u>	<u><u>77,952</u></u>

A12 Capital commitments

	31/12/2017
	RM'000
Commitment for acquisition of property, plant and equipment:	
- Approved and contracted for	<u><u>36,642</u></u>

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A13 Operating lease commitments

As Lessee - for the lease of commercial and residential buildings

The future operating lease commitments for rental of commercial and residential buildings (net of lease rental receivables from sublease) contracted for as at reporting date are as follows:

	<u>Lease rental payables</u>		<u>Lease rental receivables</u>		<u>Net</u>	
	31/12/2017 RM'000	31/12/2016 RM'000	31/12/2017 RM'000	31/12/2016 RM'000	31/12/2017 RM'000	31/12/2016 RM'000
Commercial properties:						
Less than one year	3,677	7,164	(487)	(1,002)	3,190	6,162
One to two years	595	3,135	(428)	(1,313)	167	1,822
	4,272	10,299	(915)	(2,315)	3,357	7,984
Residential properties:						
Less than one year	3	2,801	-	(310)	3	2,491
One to two years	-	3	-	-	-	3
	3	2,804	-	(310)	3	2,494
	4,275	13,103	(915)	(2,625)	3,360	10,478
					(3,360)	(10,478)
					-	-

During the financial year, the Group has recognised in profit or loss leaseback rental and provision for future lease commitments amounting to a total of RM1.69 million (2016: RM1.17 million) and rental income from sublease amounting to RM0.2 million (2016: RM0.2 million).

As Lessee - for the lease of premises and motor vehicles

The future minimum lease commitment for rental of premises and motor vehicles under non-cancellable operating leases as at reporting date are as follow:-

	<u>Lease rental payables</u> 31/12/2017 RM'000
Less than one year	2,477
One year to less than 3 years	1,087
	3,564

As Lessor - for the lease of investment properties and commercial properties

The Group leases out its investment properties and commercial properties. The future minimum lease receivables under non-cancellable leases is as follow:-

	<u>Lease rental receivables</u> 31/12/2017 RM'000
Less than one year	4,485
One year to less than 3 years	1,887
	6,372

B Explanatory notes pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad

B1 Review of Group performance

The Group posted net profit of approximately RM361.9 million on the back of revenue of approximately RM2.9 billion for the year ended 31 December 2017. This represented a slight increase in net profit despite a 1.4% decline in revenue compared to the previous financial year. On a quarterly basis, the Group recorded net profit of approximately RM88.8 million and revenue of approximately RM760.8 million. This represents a 3.7% and 2.5% improvement in net profit and revenue respectively as compared to the same quarter in previous financial year.

As at 31 December 2017, the Group is in net cash position.

Property development

For the year ended 31 December 2017, revenue from property development was approximately RM2.6 billion and operating profit was approximately RM432.3 million. The operating profit decreased by 8.1% mainly due to higher administrative and other expenses during the current financial year. The revenue decreased by 2.8% as certain development phases within the Southville City project were at tail end.

The development projects which contributed to the Group's results in Greater KL and Klang Valley included **Southville City** in KL South, **Lakeville Residence** in Jalan Kuching, **D'sara Sentral** in Sungai Buloh, **M Residence** and **M Residence 2** in Rawang, **M City** in Jalan Ampang, **Icon City** in Petaling Jaya, **Garden Residence**, **Clover@Garden Residence** and **Garden Plaza** in Cyberjaya, **Kinrara Residence** in Puchong, **Icon Residence** in Mont' Kiara and **Star Avenue** in Sungai Buloh. Projects in Penang Island i.e. **Southbay City**, **Legenda@Southbay** and **Ferringhi Residence**, and projects in Iskandar, Johor Bahru i.e. **The Meridin@Medini**, **Meridin East**, **Sierra Perdana**, **Mah Sing i-Parc@Tanjung Pelepas** and **Austin Perdana** as well as **Sutera Avenue** in Kota Kinabalu, Sabah also contributed.

Plastics

The plastics segment continued to contribute positively to Group performance. Revenue grew by 14.2% from approximately RM259.4 million to RM296.2 million however operating profits decreased by 3.6% from RM15.9 million to RM15.3 million as a result of higher administrative expenses and selling and marketing expenses.

Investment holding & Others

Revenue for the segment comprise mainly interest income from the deposit of funds and the trading of building materials. The gain of RM7.9 million from the disposal of a subsidiary has been included in the operating profit.

B2 Material change in quarterly results compared with the immediate preceding quarter

There was no major fluctuation in the Group's current quarter profit before tax of approximately RM113.1 million compared to the immediate preceding quarter of approximately RM118.6 million.

B3 Prospects for the next financial year

To further echo the government's effort to increase home ownership and as part of the Group's business plan, the Group has recently pioneered a campaign aptly named "Reinvent Affordability" that aims to reinvent what it means to be affordable by providing affordable homes which comes with good product specifications and in strategic locations that are near to public transport infrastructure and at a price point that many can afford. Notable preview/launches of these affordable homes include M Vertica in Cheras (from RM450,800) and M Centura in Sentul (from RM328,000), both Kuala Lumpur projects, Penang island's M Vista (from RM345,800) and phase 2 of Fern link homes in Meridin East, Johor (from RM410,550). Spurred by strong take up of these affordable homes, 74% of 2018 minimum RM1.8 billion sales target are on products priced below RM500,000.

With disciplined financial management and a healthy balance sheet, the Group is in a good position to lock in more land and /or to explore on joint ventures with focus on affordable housing projects within the Klang Valley.

Supported by young demographics, growing population and low unemployment rates, the mid and near term prospects for basic housing demand are expected to be healthy whilst the longer term prospects are expected to be positive in line with improving economic fundamentals of the Malaysian economy pursuant to positive government policies and measures to promote growth and stability.

B4 Profit forecast

Not applicable as the Group has not issued profit forecast or profit guarantee in a public document.

B5 Income tax expense

	3 months ended		Year ended	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	RM'000	RM'000	RM'000	RM'000
Estimated income tax payable:				
Current financial year	43,972	36,775	139,944	143,735
Under/(Over) provision of income tax in prior year	19	4	(1,124)	(6,093)
	<u>43,991</u>	<u>36,779</u>	<u>138,820</u>	<u>137,642</u>
Deferred tax	<u>(18,325)</u>	<u>(9,329)</u>	<u>(25,698)</u>	<u>(15,015)</u>
	<u>25,666</u>	<u>27,450</u>	<u>113,122</u>	<u>122,627</u>

The Group's overall effective tax rate for the current financial year was closely in line with the statutory tax rate of 24%. However, the effective tax rate for current quarter was lower than the statutory tax rate mainly due to a reduction in the income tax rate, affecting certain companies based on the percentage of increase in chargeable income as compared to the corresponding quarter in the preceding year of assesment.

B6 Status of corporate proposals

The following corporate proposals as announced by the Company have not been completed as at 21 February 2018 (being the latest practicable date which is not earlier than 7 days from the date of issuance of this Interim Financial Report):

- 1) On 5 July 2010, the Company's wholly-owned subsidiary, Grand Prestige Development Sdn Bhd ("**Grand Prestige**") entered into a Joint Venture Agreement ("**JVA**") with Medan Damai Sdn Bhd ("**Medan Damai**") for the joint development of a piece of residential land in Mukim Petaling, Daerah Petaling, Negeri Selangor Darul Ehsan with a total gross area of approximately 13.2 acres (net aggregate area of 7.59 acres) ("**Kinrara Land**"). Under the terms of the JVA, Medan Damai shall grant Grand Prestige the exclusive rights to continue with the sales and development of the Kinrara Land in return for an entitlement sum of RM35,403,863.85.

The JVA is pending fulfilment by Medan Damai of certain obligations pertaining to the development components.

- 2) On 26 March 2012, the Company's wholly-owned subsidiary, Capitol Avenue Development Sdn Bhd ("**Capitol Avenue**") entered into a Joint Development Agreement ("**JDA**") with Paduan Hebat Sdn Bhd ("**Paduan Hebat**") for the proposed joint development of a parcel of prime leasehold commercial land measuring approximately 4.26 acres in Kota Kinabalu, Negeri Sabah ("**KK Land**"). Under the terms of the JDA, Paduan Hebat agreed with Capitol Avenue to jointly develop the KK Land for an entitlement of RM39 million. RM25 million of the entitlement for the KK Land shall be satisfied by way of cash and the remaining balance shall be settled by way of conveyance of such number of unit(s) which shall be developed on the KK Land with total value equivalent to RM14 million or such other lesser sum as may be adjusted in accordance with the provisions of the JDA.

On 4 December 2012, all Paduan Hebat's obligations have been fully performed pursuant to the JDA. The development of KK Land has commenced in December 2013.

- 3) On 18 December 2015, the Company's wholly-owned subsidiary, Mont Meridian Development Sdn Bhd entered into a Sale Shares Agreement with several parties to acquire the entire issued and paid-up share capital of VIP Sanctuary Sdn Bhd ("**VIP**"), for a cash consideration of RM60,000. The proposed acquisition of VIP is an innovative way for the Company to raise more funds for the Mah Sing Foundation.

The acquisition is currently pending fulfillment of the conditions precedent in the Sale Shares Agreement.

- 4) On 3 July 2017, the Company's wholly-owned subsidiary, Nature Legend Development Sdn Bhd entered into a Share Sale Agreement ("**SSA**") with Hazreeq Putra Bin Hasman and Maslinda Binti Othman to acquire 500,000 ordinary shares ("**Sale Shares**") in Cordova Land Sdn Bhd ("**Cordova**"), representing the entire equity interest in Cordova for a purchase consideration of RM156,349,900. By a letter dated 22 June 2017 from Datuk Bandar Kuala Lumpur ("**Datuk Bandar**") to Cordova, Datuk Bandar had accepted the offer by Cordova to purchase approximately 11.233 acres of prime land in Cheras ("**Cheras Land**"), for a purchase consideration of RM82,127,356 ("**Land Consideration**") and subject to the terms and conditions of the letter.

Following from this, on 30 August 2017, Cordova signed a Sale and Purchase Agreement ("**SPA**") with Datuk Bandar to purchase the Cheras Land at the Land Consideration ("**Proposed Land Acquisition**"). On the same day, Nature Legend Development Sdn Bhd had also entered into a Supplemental Agreement in relation to the acquisition of the Sale Shares in Cordova to add on, amend and vary certain terms and conditions of the SSA.

On 14 February 2018, the Proposed Land Acquisition has been completed.

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B7 Group borrowings

Total group borrowings as at 31 December 2017 were as follows:

<i>(Denominated in)</i>	Secured RM'000 (RM)	Secured RM'000 (Indonesian Rupiah)	Secured RM'000 (USD)	Total RM'000
Term loans payable				
- within 12 months	111,190	2,227	-	113,417
- after 12 months	633,582	4,454	-	638,036
	744,772	6,681	-	751,453
Short term borrowings	25,000	3,874	-	28,874
Bank overdrafts	-	1,105	-	1,105
Finance lease and hire purchase				
- within 12 months	925	705	-	1,630
- after 12 months	1,416	-	-	1,416
	2,341	705	-	3,046
Total	772,113	12,365	-	784,478

B8 Material litigation

The Group is not engaged in any material litigation as at 21 February 2018, being the latest practicable date which is not earlier than 7 days from the date of issuance of this Interim Financial Report.

B9 Derivatives financial instrument

As at 31 December 2017, there were no outstanding foreign currency forward contracts.

B10 Additional disclosures pursuant to para 16, Part A, Appendix 9B of Bursa Malaysia Securities Berhad Listing Requirements

	3 months ended 31/12/2017 RM'000	Year ended 31/12/2017 RM'000
Depreciation and amortisation	(5,786)	(20,499)
Impairment of intangible assets	161	(20)
Gain/(Loss) on redemption of investment in short term funds	22	(176)
Net foreign exchange loss	(583)	(821)
Reversal of allowance for doubtful debts - trade receivables	86	265
Impairment/Write down of inventories	(1,616)	(1,576)
Gain on disposal of a subsidiary	-	7,940

Other than the items above which have been included in profit or loss, there were no impairment of assets or exceptional items which may have an effect on the results for the current financial year ended 31 December 2017.

B11 Dividend proposed

- i) The Board of Directors has proposed first and final single-tier dividend of 6.5 sen per ordinary share (2016: 6.5 sen per ordinary share) in respect of the financial year ended 31 December 2017, which is subject to the approval of the shareholders of the Company at the forthcoming Annual General Meeting.
- ii) The date payable of the dividend will be determined at a later date.
- iii) In respect of deposited securities, entitlement to dividends will be determined on the basis of the record of depositors as at a date to be determined later.

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B12 Earnings per share ("EPS")

(a) Basic EPS

The basic earnings per share has been calculated by dividing the Group's net profit attributable to ordinary equity holders for the financial year by the weighted average number of ordinary shares in issue.

	3 months ended		Year ended	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Net profit for the year (RM'000)	88,775	85,612	361,895	361,357
Distribution paid to holders of				
- Perpetual Sukuk (RM'000)	-	-	(36,620)	(36,821)
- Perpetual Securities (RM'000)	(22,486)	-	(22,486)	-
Net profit for the year attributable to ordinary equity holders (RM'000)	66,289	85,612	302,789	324,536
Weighted average number of ordinary shares in issue ('000)	2,422,682	2,409,422	2,413,637	2,409,419
Basic EPS (sen)	2.74	3.55	12.54	13.47

(b) Diluted EPS

The diluted earnings per share has been calculated by dividing the Group's net profit attributable to ordinary equity holders for the financial year by the weighted average number of ordinary shares that would have been in issue assuming full exercise of the remaining warrants, adjusted for the number of such ordinary shares that would have been issued at fair value.

	3 months ended		Year ended	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Net profit for the year attributable to ordinary equity holders (RM'000)	66,289	85,612	302,789	324,536
Weighted average number of ordinary shares in issue ('000)	2,422,682	2,409,422	2,413,637	2,409,419
Weighted average number of ordinary shares deemed issued at no consideration ('000)				
- Warrants B	7,283	-	8,913	2,341
- Warrants C ⁽¹⁾	n/a	n/a	n/a	n/a
Adjusted weighted average number of ordinary shares ('000)	2,429,965	2,409,422	2,422,550	2,411,760
Diluted EPS (sen)	2.73	3.55	12.50	13.46

⁽¹⁾ The effects of potential ordinary shares arising from the exercise of Warrants C is anti-dilutive and accordingly is excluded from the Diluted EPS computation above.

B13 Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the financial year ended 31 December 2016 was not subject to any qualification.

B14 Comparative figures

In certain instances, the following amount previously reported in the 2016 financial statements has been reclassified to conform to the 2017 financial statement presentation. Such reclassification has no net effect on net assets.

3 months ended

	31/12/2016	Reclassification	Restated
	RM'000	RM'000	31/12/2016
			RM'000
Administrative and other expenses	(48,266)	(155)	(48,421)
Interest income	3,651	1,258	4,909
Finance costs	(930)	(1,103)	(2,033)

Year ended

	31/12/2016	Reclassification	Restated
	RM'000	RM'000	31/12/2016
			RM'000
Administrative and other expenses	(177,715)	365	(177,350)
Interest income	9,696	1,284	10,980
Finance costs	(4,333)	(1,649)	(5,982)

BY ORDER OF THE BOARD

YANG BAO LING
KUAN HUI FANG

Kuala Lumpur
28 February 2018