



MAH SING GROUP BERHAD
Company No.: 199101019838 (230149-P)
(Incorporated in Malaysia)

Interim Financial Report

31 December 2019

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Interim Financial Report - 31 December 2019

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

(The figures have been audited)

	AS AT 31/12/2019 RM'000	AS AT 31/12/2018 RM'000
ASSETS		
Non-Current Assets		
<i>Property, plant and equipment</i>	225,674	227,352
<i>Prepaid lease payments</i>	4,511	4,820
<i>Right-of-use assets</i>	18,561	-
<i>Investment properties</i>	195,880	195,880
<i>Land held for property development</i>	1,750,409	1,619,797
<i>Intangible assets</i>	5,174	5,506
<i>Trade and other receivables</i>	-	32,620
<i>Deferred tax assets</i>	145,606	168,588
	<u>2,345,815</u>	<u>2,254,563</u>
Current Assets		
<i>Property development costs</i>	1,531,647	1,704,219
<i>Inventories</i>	763,276	731,257
<i>Trade and other receivables</i>	559,953	667,078
<i>Contract assets</i>	403,492	323,907
<i>Current tax assets</i>	8,182	7,915
<i>Deposits, cash and bank balances and investment in short-term funds</i>	1,063,461	1,220,462
	<u>4,330,011</u>	<u>4,654,838</u>
TOTAL ASSETS	<u>6,675,826</u>	<u>6,909,401</u>
EQUITY AND LIABILITIES		
Equity Attributable to Ordinary Equity Holders of the Company		
<i>Share capital</i>	1,776,055	1,776,055
<i>Other reserves</i>	27,618	27,320
<i>Retained earnings</i>	1,685,326	1,685,597
	<u>3,488,999</u>	<u>3,488,972</u>
Perpetual Securities	789,388	789,388
Perpetual Sukuk	540,000	540,000
Non-Controlling Interests	7,980	5,318
Total Equity	<u>4,826,367</u>	<u>4,823,678</u>
Non-Current Liabilities		
<i>Term loans</i>	444,925	443,015
<i>Long term and deferred payables</i>	49,220	31,591
<i>Deferred tax liabilities</i>	69,074	71,537
	<u>563,219</u>	<u>546,143</u>
Current Liabilities		
<i>Trade and other payables</i>	1,063,946	1,237,220
<i>Contract liabilities</i>	85,505	158,605
<i>Term loans</i>	119,369	116,083
<i>Short term borrowings</i>	2,655	4,168
<i>Bank overdrafts</i>	-	1,066
<i>Current tax liabilities</i>	14,765	22,438
	<u>1,286,240</u>	<u>1,539,580</u>
Total Liabilities	<u>1,849,459</u>	<u>2,085,723</u>
TOTAL EQUITY AND LIABILITIES	<u>6,675,826</u>	<u>6,909,401</u>
Net assets per share attributable to ordinary equity holders of the Company (RM)	<u>1.44</u>	<u>1.44</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 2018 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 2019

(The figures have been audited)

	3 months ended		Year ended		
	31/12/2019 RM'000	31/12/2018 RM'000	31/12/2019 RM'000	31/12/2018 RM'000	
Revenue	442,640	514,647	1,789,693	2,192,933	
Cost of sales	(322,317)	(346,100)	(1,274,116)	(1,542,371)	
Gross profit	120,323	168,547	515,577	650,562	
Other income	5,670	11,916	24,983	28,791	
Selling and marketing expenses	(20,623)	(39,472)	(76,334)	(123,800)	
Administrative and other expenses	(46,421)	(53,596)	(192,812)	(197,855)	
Results from operating activities	58,949	87,395	271,414	357,698	
Finance income	3,590	3,171	14,764	10,447	
Finance costs	(4,247)	(6,486)	(15,959)	(20,535)	
Net finance costs	(657)	(3,315)	(1,195)	(10,088)	
Profit before tax	58,292	84,080	270,219	347,610	
Income tax expense	(12,021)	(18,696)	(67,626)	(76,991)	
Profit for the year	46,271	65,384	202,593	270,619	
Profit attributable to:					
Equity holders of the Company	44,987	66,017	200,334	271,582	
Non-controlling interests	1,284	(633)	2,259	(963)	
	46,271	65,384	202,593	270,619	
Earnings per share attributable to ordinary equity holders of the Company:					
- Basic (sen)	Note B12(a)	0.73	1.79	4.49	7.83
- Diluted (sen)	Note B12(b)	0.73	1.79	4.49	7.83

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 2018 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 2019

(The figures have been audited)

	3 months ended		Year ended	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
Profit for the year	46,271	65,384	202,593	270,619
Other comprehensive income/(loss)				
<i>Item that may be reclassified subsequently to profit or loss:</i>				
Foreign currency translation difference for foreign operations	(23)	679	463	(568)
<i>Item that will not be reclassified subsequently to profit or loss:</i>				
Remeasurements of defined benefit obligations	685	197	685	197
Other comprehensive income/(loss) for the year	<u>662</u>	<u>876</u>	<u>1,148</u>	<u>(371)</u>
Total comprehensive income for the year	<u>46,933</u>	<u>66,260</u>	<u>203,741</u>	<u>270,248</u>
Total comprehensive income attributable to:				
Equity holders of the Company	45,405	66,586	201,077	271,355
Non-controlling interests	1,528	(326)	2,664	(1,107)
	<u>46,933</u>	<u>66,260</u>	<u>203,741</u>	<u>270,248</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 2018 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 2019

(The figures have been audited)

	Attributable to ordinary equity holders of the Company								Total Equity RM'000
	Non-Distributable			Distributable					
Year ended 31 December 2019	Share capital RM'000	Warrants reserve RM'000	Exchange fluctuation reserve RM'000	Retained earnings RM'000	Total RM'000	Perpetual Securities RM'000	Perpetual Sukuk RM'000	Non- controlling interests RM'000	
Balance at 1/1/2019	1,776,055	21,265	6,055	1,685,597	3,488,972	789,388	540,000	5,318	4,823,678
Effect of MFRS 16 adoption (Note A1(b))	-	-	-	(535)	(535)	-	-	(2)	(537)
Balance at 1/1/2019 (restated)	1,776,055	21,265	6,055	1,685,062	3,488,437	789,388	540,000	5,316	4,823,141
Amount recognised directly in equity:									
Profit for the financial year	-	-	-	200,334	200,334	-	-	2,259	202,593
Other comprehensive income	-	-	298	445	743	-	-	405	1,148
Total comprehensive income for the year	-	-	298	200,779	201,077	-	-	2,664	203,741
Dividends for the financial year ended 31 December 2018	-	-	-	(109,246)	(109,246)	-	-	-	(109,246)
Distribution paid to holders of Perpetual Sukuk	-	-	-	(36,921)	(36,921)	-	-	-	(36,921)
Distribution paid to holders of Perpetual Securities	-	-	-	(54,348)	(54,348)	-	-	-	(54,348)
Balance at 31/12/2019	1,776,055	21,265	6,353	1,685,326	3,488,999	789,388	540,000	7,980	4,826,367

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the financial year ended 31 December 2018

(The figures have been audited)

	Attributable to ordinary equity holders of the Company								Total Equity RM'000
	Non-Distributable			Distributable		Perpetual Securities RM'000	Perpetual Sukuk RM'000	Non- controlling interests RM'000	
Year ended 31 December 2018	Share capital RM'000	Warrants reserve RM'000	Exchange fluctuation reserve RM'000	Retained earnings RM'000	Total RM'000				
Balance at 1/1/2018	1,773,291	60,499	6,410	1,615,768	3,455,968	645,212	540,000	6,429	4,647,609
Effect of MFRS 9 adoption	-	-	-	(1,462)	(1,462)	-	-	(4)	(1,466)
Balance at 1/1/2018 (restated)	1,773,291	60,499	6,410	1,614,306	3,454,506	645,212	540,000	6,425	4,646,143
Amount recognised directly in equity:									
Profit/(Loss) for the financial year	-	-	-	271,582	271,582	-	-	(963)	270,619
Other comprehensive (loss)/income	-	-	(355)	128	(227)	-	-	(144)	(371)
Total comprehensive (loss)/income for the year	-	-	(355)	271,710	271,355	-	-	(1,107)	270,248
Dividends for the financial year ended 31 December 2017	-	-	-	(157,800)	(157,800)	-	-	-	(157,800)
Issuance of ordinary shares pursuant to warrants exercised	2,764	(383)	-	-	2,381	-	-	-	2,381
Issuance of Perpetual Securities (net of transaction costs)	-	-	-	-	-	144,176	-	-	144,176
Warrants lapsed during the year	-	(38,851)	-	38,851	-	-	-	-	-
Distribution paid to holders of Perpetual Sukuk	-	-	-	(36,620)	(36,620)	-	-	-	(36,620)
Distribution paid to holders of Perpetual Securities	-	-	-	(44,850)	(44,850)	-	-	-	(44,850)
Balance at 31/12/2018	1,776,055	21,265	6,055	1,685,597	3,488,972	789,388	540,000	5,318	4,823,678

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the financial year ended 31 December 2019

(The figures have been audited)

	12 months ended 31/12/2019 RM'000	12 months ended 31/12/2018 RM'000
Operating Activities		
Profit before tax	270,219	347,610
Adjustments for:		
Non-cash items	81,547	25,730
Non-operating items	20,669	26,670
Operating profit before changes in working capital	372,435	400,010
Net change in property development costs	97,728	80,848
Net change in inventories	165,103	162,707
Net change in receivables	148,459	19,072
Net change in contract assets	(79,586)	123,576
Net change in payables	(163,366)	(80,363)
Net change in contract liabilities	(73,100)	48,485
Cash generated from operations	467,673	754,335
Interest received	33,638	32,134
Finance cost paid	(30,541)	(34,933)
Net tax paid	(55,025)	(114,294)
Net cash generated from operating activities	415,745	637,242
Investing Activities		
Additions to property, plant and equipment	(34,401)	(75,408)
Additions to land held for property development	(51,492)	(85,711)
Acquisition of land	(245,694)	(78,842)
Payment of balance consideration on acquisition of subsidiary companies	(29,184)	(82,473)
Proceeds from disposal of property, plant and equipment	409	695
Net cash used in investing activities	(360,362)	(321,739)
Financing Activities		
Dividends paid to shareholders of the Company	(109,246)	(157,800)
Distribution paid to holders of Perpetual Sukuk	(36,921)	(36,620)
Distribution paid to holders of Perpetual Securities	(54,348)	(44,850)
Net proceed from issuance of Perpetual Securities	-	144,176
Net proceeds from/(repayment of) borrowings	2,362	(218,569)
(Placement)/Withdrawal of deposits with licensed banks pledged as collateral/Escrow Accounts/Sinking Fund Account/ Trustees' Reimbursement Account/Project Account	(298,555)	41,935
Proceeds from warrants exercised	-	2,381
Repayment of lease liabilities	(13,178)	-
Net cash used in financing activities	(509,886)	(269,347)
Net changes in cash and cash equivalents	(454,503)	46,156
Effect of exchange rate changes	13	39
Cash and cash equivalents at beginning of the financial year	1,187,964	1,141,769
Cash and cash equivalents at end of the financial year	733,474	1,187,964

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the financial year ended 31 December 2019 (continued)

(The figures have been audited)

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

	12 months ended 31/12/2019 RM'000	12 months ended 31/12/2018 RM'000
Investment in short-term funds	626,092	605,213
Cash and bank balances	406,238	585,717
Deposits with licensed banks	31,131	29,532
Bank overdrafts	-	(1,066)
	1,063,461	1,219,396
Less: Deposits in Sinking Fund Account	(288,998)	-
Less: Deposits in Escrow Accounts	(22,876)	(22,940)
Less: Deposits in Project Account	(9,448)	-
Less: Deposits pledged as collateral	(8,604)	(8,432)
Less: Trustees' Reimbursement Account	(61)	(60)
	733,474	1,187,964

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

A1 Basis of preparation

The interim financial report has been prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134 *Interim Financial Reporting* and with International Accounting Standard 14 *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 2018. 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 2018.

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 2018 save for the adoption of the following:

MFRS 16	Leases
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement
IC Interpretation 23	Uncertainty over Income Tax Treatments
Annual Improvements to MFRSs 2015 - 2017 Cycle	

The adoption of the above MFRS, amendments to MFRSs, IC Interpretation and annual improvements to MFRS does not have any material impact on the financial statements of the Group, except for MFRS 16. The impact of the adoption of MFRS 16 in the Group's financial statements is as follows:

MFRS 16 Leases ("MFRS 16")

The adoption of MFRS 16 resulted in changes in accounting policies and adjustments to the financial statements. The accounting policies that relate to identification of lease arrangements and accounting treatments for both lessors and lessees are amended to comply with MFRS 16. In accordance with the transition requirements under MFRS 16, comparatives are not restated and the financial impact on the adoption of this Standard is recognised in retained earnings as at 1 January 2019.

(a) Changes in accounting policies

MFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance lease are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees except for short-term leases and leases of low value assets.

Right-of-use asset

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjustment for any remeasurement of the lease liability.

Classification of cashflow

The classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows; whereas under MFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

A1 Basis of preparation (continued)

(b) Classification and measurement of financial instruments

The following table is a reconciliation of the carrying amount of the Group's statement of financial position from MFRS 117 to MFRS 16 as at 1 January 2019:

	MFRS 117 Carrying amount as at 31 December 2018 RM'000	Remeasurement RM'000	MFRS 16 Carrying amount as at 1 January 2019 RM'000
Non-current asset			
Deferred tax assets			
Opening balance	168,588	-	168,588
Increase in deferred tax assets	-	19	19
Total deferred tax assets	168,588	19	168,607
Right-of-use assets			
Opening balance	-	-	-
Initial recognition	-	50,740	50,740
Increase in depreciation	-	(10,265)	(10,265)
Total right-of-use assets	-	40,475	40,475
Current liabilities			
Trade and other payables			
Opening balance	1,237,220	-	1,237,220
Lease liabilities transfer from long term and deferred payables	-	13,108	13,108
Reversal of accrued lease liabilities under MFRS 117	-	(3,443)	-
Total trade and other payables	1,237,220	9,665	1,246,885
Non-current liabilities			
Long term and deferred payables			
Opening balance	31,591	-	31,591
Initial recognition	-	50,740	50,740
Repayment of lease liabilities	-	(6,266)	(6,266)
Lease liabilities transfer to trade and other payables	-	(13,108)	(13,108)
Total long term and deferred payables	31,591	31,366	62,957
Retained earnings			
Opening balance	1,685,597	-	1,685,597
Increase in interest expenses	-	(1,562)	(1,562)
Decrease in rental expenses	-	11,202	11,202
Increase in depreciation	-	(10,193)	(10,193)
Decrease in deferred tax expenses	-	18	18
Total retained earnings	1,685,597	(535)	1,685,062
Non-controlling interest			
Opening balance	5,318	-	5,318
Increase in interest expenses	-	(8)	(8)
Decrease in rental expenses	-	77	77
Increase in depreciation	-	(72)	(72)
Decrease in deferred tax expenses	-	1	1
Total non-controlling interest	5,318	(2)	5,316

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.

A5 Debt and equity securities

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 25 September 2019, the Company paid a first and final single-tier dividend of 4.5 sen per ordinary share which amounted to RM109,245,908 in respect of the financial year ended 31 December 2018.

MAH SING GROUP BERHAD (199101019838 (230149-P))
(Incorporated in Malaysia)

A7 Segment reporting

Year ended 31 December 2019

	Properties RM'000	Plastics RM'000	Hotel RM'000	Investment Holding & Others RM'000	Elimination RM'000	Consolidated RM'000
REVENUE						
External revenue	1,410,105	327,051	11,413	41,124	-	1,789,693
Inter-segment	-	9	135	360,961	(361,105)	-
	<u>1,410,105</u>	<u>327,060</u>	<u>11,548</u>	<u>402,085</u>	<u>(361,105)</u>	<u>1,789,693</u>
RESULTS						
Operating profit/(loss)	254,646	20,339	(28,752)	25,181	-	271,414
Interest income	14,209	237	-	318	-	14,764
Finance costs	(11,792)	(2,510)	(1,644)	(13)	-	(15,959)
Profit/(Loss) before tax	257,063	18,066	(30,396)	25,486	-	270,219
Income tax expense						(67,626)
Profit for the year						<u>202,593</u>

Year ended 31 December 2018

	Properties RM'000	Plastics RM'000	Hotel RM'000	Investment Holding & Others RM'000	Elimination RM'000	Consolidated RM'000
REVENUE						
External revenue	1,830,479	303,852	3,902	54,700	-	2,192,933
Inter-segment	-	9	112	289,099	(289,220)	-
	<u>1,830,479</u>	<u>303,861</u>	<u>4,014</u>	<u>343,799</u>	<u>(289,220)</u>	<u>2,192,933</u>
RESULTS						
Operating profit/(loss)	327,657	21,668	(9,611)	17,984	-	357,698
Interest income	9,904	205	-	338	-	10,447
Finance costs	(18,520)	(2,005)	-	(10)	-	(20,535)
Profit/(Loss) before tax	319,041	19,868	(9,611)	18,312	-	347,610
Income tax expense						(76,991)
Profit for the year						<u>270,619</u>

A8 Material subsequent events

Save as disclosed in B6, there were no material events subsequent to the reporting date up to 21 February 2020, 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

	01/01/2019 to 31/12/2019 RM'000
Transactions with Directors of the Company and subsidiary companies and companies in which they have interests:	
(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	180
Transactions with non-controlling interests:	
(i) Interest payable to non-controlling interests of subsidiary company	23

A10 Changes in the composition of the Group

There were no changes in the composition of the Group during the current financial year, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructuring, and discontinuing operations.

A11 Changes in contingent liabilities or contingent assets

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

	31/12/2019 RM'000	31/12/2018 RM'000
Bank guarantees issued in favour of third parties	154,956	162,257

The Group has adopted the provisions of Paragraph 92 of MFRS 137 Provisions, Contingent Liabilities and Contingent Assets pursuant to the non-disclosure of the financial effect in relation to the litigation matters and these matters may include disputed liquidated ascertained damages and service charge rates.

The Group is relying on its solicitors view that the Group has good chance to succeed in the litigation proceedings and thus no provisions have been made by the Group at this juncture.

A12 Capital commitments

	31/12/2019 RM'000
Commitment for acquisition of property, plant and equipment:	
- Approved and contracted for	9,435

A13 Operating lease commitments

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

The Group leases out its investment properties and commercial properties under non-cancellable operating leases. The tenure of these leases ranges between 2 to 3 years with option to renew upon expiry. Certain of the leases include contingent rental arrangements computed based on sales achieved by tenants.

The future minimum lease receivables under non-cancellable leases as at reporting date are as follow:-

	<u>Lease rental receivables</u> 31/12/2019 RM'000
Less than one year	3,763
One to three years	3,495
	7,258

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

B1 Review of Group performance

For the year ended 31 December 2019, the Group posted profit before tax of RM270.2 million on the back of revenue of RM1.8 billion as compared to RM347.6 million profit before tax and RM2.2 billion revenue a year ago. On a quarterly basis, the Group recorded profit before tax of RM58.3 million and revenue of RM442.6 million as compared to RM84.1 million profit before tax and RM514.6 million revenue in the same quarter last year.

The Group's balance sheet remains healthy with cash and bank balances of approximately RM1 billion as at 31 December 2019.

Property development

For the year ended 31 December 2019, revenue from property development was RM1.4 billion compared to RM1.8 billion a year ago while operating profit was RM254.6 million as compared to RM327.7 million a year ago. This is mainly attributable to a higher proportion of new sales secured from new projects where contribution to revenue is expected to progressively increase upon completion of the initial stages of construction. Higher revenue and profit contribution are expected from these projects when construction momentum starts to increase.

The development projects which contributed mainly to the Group's results include *M Vertica* in Cheras, *M Centura* in Sentul, *Southville City* in KL South, *Lakeville Residence* in Jalan Kuching, *Meridin East* and *Sierra Perdana* in Johor. Other projects which also contributed include *D'sara Sentral* in Sungai Buloh, *M Aruna* in Rawang, *Ferringhi Residence* in Penang, *Meridin @ Medini* and *Mah Sing i-Parc* in Johor.

The Group achieved property sales of approximately RM1.5 billion for the year ended 31 December 2019.

Plastics

The plastics segment continued to contribute positively to Group performance. Revenue grew by 7.6% from RM303.9 million a year ago to RM327.1 million in the current year. However, operating profits declined from RM21.7 million a year ago to RM20.3 million in the current year mainly due to the inclusion of certain gains which arose from the sales of mould last year.

Hotel

For the year ended 31 December 2019, revenue from the hotel segment amounted to RM11.4 million as compared to RM3.9 million a year ago while operating loss was RM28.8 million as compared to RM9.6 million a year ago. Lower revenue recorded in previous financial year was due to the commencement of the hotel business from third quarter of 2018 onwards. The segment had recorded an operating loss of RM28.8 million during the financial year mainly due to an operating loss of approximately RM13.7 million and an impairment charge of RM15.1 million provided for its operating assets due to increasingly competitive operating environment and also certain committed guarantee rental return pursuant to the leasing of hotel rooms.

Investment holding & Others

Revenue for the segment comprise mainly interest income from the deposit of funds and trading of building materials.

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

The Group's current quarter profit before tax of RM58.3 million was lower as compared to the immediate preceding quarter of RM69.9 million mainly due to the following:

- i) provision of impairment loss for property, plant and equipment and right-of-use assets amounting to RM15.1 million for hotel segment (as explained under B1 above);
- ii) write down of certain completed properties to net realisable value amounting to RM24.1 million.

The reduction in profit before tax pursuant to item (i) and (ii) above was further mitigated by other cost savings from operation.

B3 Prospects for the next financial year

The Group achieved RM1.5 billion property sales in 2019 driven by its strategy in developing fit-for-purpose products that are affordably priced and located at strategic locations with good accessibility and connectivity. Riding on 2019's strong take up of affordable homes, the Group sets minimum RM1.6 billion sales target for 2020 with 84% of products priced below RM700,000.

Planned new launches for 2020 include M Arisa in Sentul (Phase 2), M Luna at Kepong Metropolitan Park, M Adora at Taman Melawati, M Vertica, Cheras Tower D, Cerrado Suites Phase 2 and Sensory Residences Tower B at Southville City @ KL South, Carya and Phase 3 of M Aruna, Rawang, M Panora in Rawang, Ferringhi Residence 2 Block A & C in Penang and Acacia, Jasmine 1 & 3 linkhomes in Meridin East, Johor Bahru. The Group has recently launched its 'Eazy to Own' sales campaign covering new and completed residential projects nationwide. The campaign offers easy entry with low upfront costs and affordability with great incentives and savings for homebuyers that are looking to own their ideal home now.

The newly introduced stimulus package is expected to stimulate economic growth and boost business sentiment. This in turn will spur improved consumer confidence that is a key factor in property purchase. In line with our growth strategy, we will continue to adopt our resilient strategy of quick turnaround business model to acquire prime lands at strategic locations, whilst being nimble and flexible to change.

With disciplined financial management and a healthy balance sheet as at 31 December 2019, the Group is in a good position to continue to pursue more landbanking activities whilst exploring any joint venture opportunities. As at 31 December 2019, the Group has remaining landbank of 2,049 acres with remaining gross development value and unbilled sales totalling RM25.14 billion of which the remaining performance obligation (unsatisfied or partially unsatisfied) was RM1.73 billion.

For the financial year ended 31 December 2019, the Board of Directors has proposed first and final dividend of 3.35 sen per ordinary share. This marks our 14th consecutive year of paying at least 40% of net profit as dividend and the Group is committed to continue rewarding our shareholders while balancing growth.

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	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
Estimated income tax payable:				
Current financial year	18,318	3,060	64,083	115,961
Over provision of income tax in prior years	(903)	(805)	(16,995)	(11,361)
	<u>17,415</u>	<u>2,255</u>	<u>47,088</u>	<u>104,600</u>
Deferred tax	(5,394)	16,441	20,538	(27,609)
	<u>12,021</u>	<u>18,696</u>	<u>67,626</u>	<u>76,991</u>

The Group's effective tax rate for the current quarter was lower than the statutory tax rate of 24% mainly due to utilisation and recognition of previously unrecognised deferred tax assets. However, the effective tax rate for current financial year was higher than the statutory tax rate mainly due to the non deductibility of certain expenses and non-recognition of deferred tax assets for certain temporary differences.

B6 Status of corporate proposals

The following corporate proposals as announced by the Company have not been completed as at 21 February 2020 (being the latest practicable date which is not earlier than 7 days from the date of issuance of this Interim Financial Report):

- a) 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.

- b) 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.

- c) On 3 July 2017, the Company's wholly-owned subsidiary, Nature Legend Development Sdn Bhd ("**NLD**") 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 M Vertica Sdn Bhd ("**M Vertica**"), representing the entire equity interest in M Vertica for a purchase consideration of RM156,349,900.

On 30 August 2017, NLD entered into a Supplemental Agreement ("**Amended SSA**") to vary the terms of the SSA and on 27 April 2018 NLD entered into a Further Supplemental Agreement to vary the terms of the Amended SSA.

Completion of the SSA is pending the full settlement of the purchase consideration.

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B7 Group borrowings

Total group borrowings as at 31 December 2019 were as follows:

<i>(Denominated in)</i>	Secured RM'000 (RM)	Secured RM'000 (Indonesian Rupiah)	Total RM'000
Term loans payable			
- within 12 months	116,188	3,181	119,369
- after 12 months	442,902	2,023	444,925
	559,090	5,204	564,294
Short term borrowings	-	2,655	2,655
Hire purchase			
- within 12 months	1,017	26	1,043
- after 12 months	2,385	24	2,409
	3,402	50	3,452
Total	562,492	7,909	570,401

B8 Material litigation

- (a) On 25 October 2019, the Company's wholly owned subsidiary, Elite Park Development Sdn Bhd ("**EPD**") had through its solicitors filed and served Statement of Claim against Zulhkiple Abu Bakar ("**ZAB**") following a general endorsed writ.

By way of a Consultancy Agreement dated 9 June 2015 ("**Consultancy Agreement**"), EPD appointed ZAB to provide amongst others, value engineering services to the original foundation and structural designs ("**Services**") for the buildings in the project erected on Lot 24673 (PT 2105), Bandar Kundang, Mukim Rawang, Daerah Gombak, Selangor.

EPD has appointed experts and found that ZAB's designs are not in accordance with established engineering practices and standards. EPD claims ZAB is in breach of the Consultancy Agreement and/or negligent in providing the Services to EPD. As such, EPD is claiming for damages against ZAB as follows:

- (i) A total sum of damages of RM40,670,557.81 and/or alternatively for damages to be assessed; and
- (ii) Interest at the rate of 5% or any other rate as the Court deems fit and proper on the judgement sum calculated from the date of judgement until the date of final settlement and costs.

The solicitors of EPD are of the view that EPD has good grounds in succeeding in its claims against ZAB. It is too preliminary at this stage to ascertain the potential recoverable amount.

Apart from the above claim amount, EPD's claim is not expected to have any other material financial and operational impact for the financial year ended 31 December 2019.

- (b) On 27 November 2019, ZAB has filed a statement of defence and counterclaim against EPD alleging amongst others:
- (i) Unlawful termination of the Consultancy Agreement;
 - (ii) EPD pay to ZAB a total sum of RM114,088.23 being ZAB's outstanding fee under the Consultancy Agreement; and
 - (iii) General damages to be assessed.

Save for the above and as disclosed in A11, the Group was not engaged in any material litigation as at 21 February 2020, 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 2019, 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 31/12/2019 RM'000	Year ended 31/12/2019 RM'000
Depreciation and amortisation	(10,138)	(40,405)
Impairment of intangible assets	(30)	(332)
Impairment of property, plant and equipment	(5,147)	(5,147)
Impairment of right-of-use assets	(9,922)	(9,922)
Gain on redemption of financial assets at fair value through profit or loss	1,519	4,693
Bad debts written off	-	(12)
Net foreign exchange gain	369	539
Allowance for impairment loss on financial assets	(49)	(682)
Reversal of allowance for impairment loss on financial assets	307	1,063
Allowance for impairment on inventories	(24,214)	(24,214)
Reversal of allowance for impairment on inventories	19	45

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 2019.

B11 Dividend proposed

- i) The Board of Directors has proposed a first and final single-tier dividend of 3.35 sen per ordinary share (2018: 4.5 sen per ordinary share) in respect of the financial year ended 31 December 2019, which is subject to the approval of the shareholders of the Company at the forthcoming Annual General Meeting.
- ii) The proposed dividend shall be payable on a date to be determined later.
- iii) In respect of deposited securities, the entitlement to dividends shall be determined on the basis of the record of depositors 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	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Net profit for the year (RM'000)	44,987	66,017	200,334	271,582
Distribution paid to holders of				
- Perpetual Sukuk (RM'000)	-	-	(36,921)	(36,620)
- Perpetual Securities (RM'000)	(27,275)	(22,486)	(54,348)	(44,850)
Net profit for the year attributable to ordinary equity holders (RM'000)	17,712	43,531	109,065	190,112
Weighted average number of ordinary shares in issue ('000)	2,427,687	2,427,687	2,427,687	2,427,597
Basic EPS (sen)	0.73	1.79	4.49	7.83

(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	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Net profit for the year attributable to ordinary equity holders (RM'000)	17,712	43,531	109,065	190,112
Weighted average number of ordinary shares in issue ('000)	2,427,687	2,427,687	2,427,687	2,427,597
Weighted average number of ordinary shares deemed issued at no consideration ('000)				
- Warrants C ⁽¹⁾	n/a	n/a	n/a	n/a
Adjusted weighted average number of ordinary shares ('000)	2,427,687	2,427,687	2,427,687	2,427,597
Diluted EPS (sen)	0.73	1.79	4.49	7.83

⁽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.

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B13 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.

B14 Comparative figures

In certain instances, the following amount previously reported in the 2018 financial statements has been reclassified to conform to the 2019 financial statement presentation. Such reclassification has no net effect on net assets.

Statement of Financial Position
As at 31 December 2018

	31/12/2018	Reclassification	Restated
	RM'000	RM'000	31/12/2018
			RM'000
Current Assets			
Property development costs	1,749,195	(44,976)	1,704,219
Trade and other receivables	946,009	(278,931)	667,078
Contract assets	-	323,907	323,907
Current Liabilities			
Trade and other payables	1,395,825	(158,605)	1,237,220
Contract liabilities	-	158,605	158,605

Statement of Cash Flows
For the financial year ended 31 December 2018

	31/12/2018	Reclassification	Restated
	RM'000	RM'000	31/12/2018
			RM'000
Net change in property development costs	62,852	17,996	80,848
Net change in accrued billings	141,572	(141,572)	-
Net change in progress billings	48,485	(48,485)	-
Net change in contract assets	-	123,576	123,576
Net change in contract liabilities	-	48,485	48,485

BY ORDER OF THE BOARD

YANG BAO LING
KUAN HUI FANG

Kuala Lumpur
28 February 2020