

MahSing

MAH SING GROUP BERHAD

Company No.: 230149-P

(Incorporated in Malaysia)

Interim Financial Report

30 September 2018

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(Incorporated in Malaysia)**

Interim Financial Report - 30 September 2018

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

(The figures have not been audited)

	AS AT 30/09/2018 RM'000	(AUDITED) AS AT 31/12/2017 RM'000
ASSETS		
Non-Current Assets		
<i>Property, plant and equipment</i>	206,223	155,872
<i>Prepaid lease payments</i>	4,753	5,583
<i>Investment properties</i>	195,880	195,880
<i>Land held for property development</i>	1,508,684	1,482,198
<i>Intangible assets</i>	5,701	5,776
<i>Trade and other receivables</i>	33,086	31,957
<i>Deferred tax assets</i>	187,005	142,967
	2,141,332	2,020,233
Current Assets		
<i>Property development costs</i>	2,120,546	2,139,524
<i>Inventories</i>	515,042	628,981
<i>Trade and other receivables</i>	1,091,016	1,121,662
<i>Current tax assets</i>	11,948	13,546
<i>Deposits, cash and bank balances and investment in short-term funds</i>	922,435	1,216,241
	4,660,987	5,119,954
TOTAL ASSETS	6,802,319	7,140,187
EQUITY AND LIABILITIES		
Equity Attributable to Ordinary Equity Holders of the Company		
<i>Share capital</i>	1,776,055	1,773,291
<i>Other reserves</i>	26,879	66,909
<i>Retained earnings</i>	1,641,938	1,615,768
	3,444,872	3,455,968
Perpetual Securities	645,212	645,212
Perpetual Sukuk	540,000	540,000
Non-Controlling Interests	5,644	6,429
Total Equity	4,635,728	4,647,609
Non-Current Liabilities		
<i>Term loans</i>	516,761	638,036
<i>Long term and deferred payables</i>	30,784	75,615
<i>Deferred tax liabilities</i>	73,513	73,525
	621,058	787,176
Current Liabilities		
<i>Trade and other payables</i>	1,387,271	1,524,257
<i>Term loans</i>	116,234	113,417
<i>Short term borrowings</i>	2,780	28,874
<i>Bank overdrafts</i>	982	1,105
<i>Current tax liabilities</i>	38,266	37,749
	1,545,533	1,705,402
Total Liabilities	2,166,591	2,492,578
TOTAL EQUITY AND LIABILITIES	6,802,319	7,140,187
Net assets per share attributable to ordinary equity holders of the Company (RM)	1.42	1.42

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the financial period ended 30 September 2018

(The figures have not been audited)

	3 months ended		Period ended		
	30/09/2018 RM'000	30/09/2017 RM'000	30/09/2018 RM'000	30/09/2017 RM'000	
Revenue	504,256	704,264	1,678,286	2,154,949	
Cost of sales	<u>(341,183)</u>	<u>(520,875)</u>	<u>(1,196,271)</u>	<u>(1,590,917)</u>	
Gross profit	163,073	183,389	482,015	564,032	
Other income	4,673	11,158	16,875	16,208	
Selling and marketing expenses	(31,874)	(25,432)	(84,328)	(81,892)	
Administrative and other expenses	<u>(53,701)</u>	<u>(49,050)</u>	<u>(144,259)</u>	<u>(138,735)</u>	
Results from operating activities	82,171	120,065	270,303	359,613	
Finance income	3,574	3,880	7,276	10,692	
Finance costs	<u>(4,445)</u>	<u>(5,313)</u>	<u>(14,049)</u>	<u>(11,132)</u>	
Net finance costs	(871)	(1,433)	(6,773)	(440)	
Profit before tax	81,300	118,632	263,530	359,173	
Income tax expense	(17,625)	(27,008)	(58,295)	(87,456)	
Profit for the period	<u>63,675</u>	<u>91,624</u>	<u>205,235</u>	<u>271,717</u>	
Profit attributable to:					
Equity holders of the Company	64,233	92,309	205,565	273,120	
Non-controlling interests	(558)	(685)	(330)	(1,403)	
	<u>63,675</u>	<u>91,624</u>	<u>205,235</u>	<u>271,717</u>	
Earnings per share attributable to ordinary equity holders of the Company:					
- Basic (sen)	Note B12(a)	<u>1.89</u>	<u>3.07</u>	<u>6.04</u>	<u>9.81</u>
- Diluted (sen)	Note B12(b)	<u>1.89</u>	<u>3.06</u>	<u>6.04</u>	<u>9.77</u>

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 2017 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 period ended 30 September 2018

(The figures have not been audited)

	3 months ended		Period ended	
	30/09/2018	30/09/2017	30/09/2018	30/09/2017
	RM'000	RM'000	RM'000	RM'000
Profit for the period	63,675	91,624	205,235	271,717
Other comprehensive loss				
<i>Item that may be reclassified subsequently to profit or loss:</i>				
Foreign currency translation difference for foreign operations	(224)	(655)	(1,247)	(1,555)
Other comprehensive loss for the period	<u>(224)</u>	<u>(655)</u>	<u>(1,247)</u>	<u>(1,555)</u>
Total comprehensive income for the period	<u>63,451</u>	<u>90,969</u>	<u>203,988</u>	<u>270,162</u>
 Total comprehensive income attributable to:				
Equity holders of the Company	64,100	91,873	204,769	272,071
Non-controlling interests	(649)	(904)	(781)	(1,909)
	<u>63,451</u>	<u>90,969</u>	<u>203,988</u>	<u>270,162</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 2017 and the accompanying explanatory notes attached to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the financial period ended 30 September 2018
(The figures have not been audited)

	Attributable to ordinary equity holders of the Company								Total Equity
	Non-Distributable			Distributable		Perpetual Securities	Perpetual Sukuk	Non- controlling interests	
	Share capital	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
9 months ended 30 September 2018									
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 (Note A1(b))	-	-	-	(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 period	-	-	-	205,565	205,565	-	-	(330)	205,235
Other comprehensive loss	-	-	(796)	-	(796)	-	-	(451)	(1,247)
Total comprehensive (loss)/income for the period	-	-	(796)	205,565	204,769	-	-	(781)	203,988
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
Warrants lapsed during the period	-	(38,851)	-	38,851	-	-	-	-	-
Distribution paid to holders of Perpetual Sukuk	-	-	-	(36,620)	(36,620)	-	-	-	(36,620)
Distribution paid to holders of Perpetual Securities	-	-	-	(22,364)	(22,364)	-	-	-	(22,364)
Balance at 30/9/2018	1,776,055	21,265	5,614	1,641,938	3,444,872	645,212	540,000	5,644	4,635,728

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the financial period ended 30 September 2017
(The figures have not been audited)

	Attributable to ordinary equity holders of the Company									
	Non-Distributable					Distributable				
	Share capital	Share premium	Warrants reserve	Exchange fluctuation reserve	Retained earnings	Total	Perpetual Securities	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
9 months ended 30 September 2017										
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 period	-	-	-	-	273,120	273,120	-	-	(1,403)	271,717
Other comprehensive loss	-	-	-	(1,049)	-	(1,049)	-	-	(506)	(1,555)
Total comprehensive (loss)/income for the period	-	-	-	(1,049)	273,120	272,071	-	-	(1,909)	270,162
Issuance of ordinary shares pursuant to warrants exercised	14,003	-	(1,939)	-	-	12,064	-	-	-	12,064
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)
Acquisition of subsidiary companies	-	-	-	-	-	-	-	-	639	639
Disposal of a subsidiary company	-	-	-	-	-	-	-	-	1,329	1,329
Effects of adoption of Companies Act 2016 *	540,816	(540,816)	-	-	-	-	-	-	-	-
Balance at 30/09/2017	1,759,530	-	62,404	7,092	1,549,448	3,378,474	645,212	540,000	8,075	4,571,761

* 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 CASH FLOWS
For the financial period ended 30 September 2018

(The figures have not been audited)

	9 months ended 30/09/2018 RM'000	9 months ended 30/09/2017 RM'000
Operating Activities		
Profit before tax	263,530	359,173
Adjustments for:		
Non-cash items	16,684	11,099
Non-operating items	24,410	23,078
Operating profit before changes in working capital	<u>304,624</u>	393,350
Net change in property development costs	30,333	(43,928)
Net change in inventories	105,591	61,251
Net change in receivables	(134,512)	(99,781)
Net change in accrued billings	155,559	29,514
Net change in payables	(99,496)	36,713
Net change in progress billings	55,516	(8,550)
Cash generated from operations	<u>417,615</u>	368,569
Interest received	22,570	26,040
Finance cost paid	(24,886)	(32,645)
Net tax paid	(100,252)	(79,236)
Net cash generated from operating activities	<u>315,047</u>	<u>282,728</u>
Investing Activities		
Additions to property, plant and equipment	(56,666)	(28,021)
Additions to land held for property development	(43,759)	(67,205)
Acquisition of land	(78,842)	(114,339)
Net cash outflow on acquisition of subsidiary companies	(70,160)	(37,058)
Proceeds from disposal of property, plant and equipment	403	715
Proceeds from disposal of subsidiary	-	6,472
Net cash used in investing activities	<u>(249,024)</u>	<u>(239,436)</u>
Financing Activities		
Advances from non-controlling interests of a former subsidiary company	-	21,600
Repayment to non-controlling interests of subsidiary companies	-	(3,122)
Dividends paid to shareholders of the Company	(157,800)	(157,152)
Distribution paid to holders of Perpetual Sukuk	(36,620)	(36,620)
Distribution paid to holders of Perpetual Securities	(22,364)	-
Net proceed from issuance of Perpetual Securities	-	645,212
Net repayment of borrowings	(145,386)	(187,447)
Net placement of deposits with licensed banks pledged as collateral/Escrow Accounts	(29,945)	(18,495)
Proceeds from warrants exercised	2,381	12,064
Net cash (used in)/generated from financing activities	<u>(389,734)</u>	<u>276,040</u>
Net changes in cash and cash equivalents	<u>(323,711)</u>	319,332
Effect of exchange rate changes	83	13
Cash and cash equivalents at beginning of the financial period	<u>1,141,769</u>	880,766
Cash and cash equivalents at end of the financial period	<u>818,141</u>	<u>1,200,111</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the financial period ended 30 September 2018 (continued)*(The figures have not been audited)*

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

	9 months ended 30/09/2018 RM'000	9 months ended 30/09/2017 RM'000
Deposits with licensed banks	116,357	188,286
Investment in short-term funds	288,060	310,280
Cash and bank balances	518,018	764,165
Bank overdrafts	(982)	(1,122)
	921,453	1,261,609
Less: Deposits in Escrow Accounts	(97,096)	(55,473)
Less: Deposits pledged as collateral	(6,156)	(5,965)
Less: Trustees' Reimbursement Account	(60)	(60)
	818,141	1,200,111

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial report.

A Explanatory notes

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 2017. 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 2017.

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 2017 save for the adoption of the following:

MFRS 9	Financial instruments
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
Amendments to MFRS 140	Transfers of Investment Property
Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards (<i>Annual Improvements to MFRSs 2014 - 2016 Cycle</i>)
Amendments to MFRS 128	Investments in Associates and Joint Ventures (<i>Annual Improvements to MFRSs 2014 - 2016 Cycle</i>)
IC Interpretation 22	Foreign Currency Transactions and Advance Considerations

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, except for MFRS 9. The impact of the adoption of MFRS 9 in the Group's financial statements is as follows:

MFRS 9 Financial Instruments ("MFRS 9")

The adoption of MFRS 9 resulted in changes in accounting policies and adjustments to the financial statements. The accounting policies that relate to the recognition, classification, measurement and derecognition of financial instruments and impairment of financial assets are amended to comply with MFRS 9. In accordance with the transition requirements under MFRS 9, comparatives are not restated and the financial impact on the adoption of this Standard is recognised in retained earnings as at 1 January 2018.

(a) Changes in accounting policies

Financial assets

The Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value through profit and loss; and
- Those to be measured at amortised cost.

The classification above depends on the Group's business model for managing the financial assets and the contractual terms of cash flows. The following summarises the key changes:

- Investment in short-term funds classified as at fair value through profit or loss. These are held within a business model whose objective is held to collect and sell that satisfy the solely payments of principal and interest test. Accordingly, these financial assets will be measured at fair value through profit or loss upon the application of MFRS 9.
- All other financial assets will continue to be measured on the same basis as is currently adopted under MFRS 139 *Financial Instruments: Recognition and Measurement* ("MFRS 139").

A1 Basis of preparation (continued)

(a) Changes in accounting policies (continued)

Financial liabilities

There is no impact on the classification and measurement of the Group's financial liabilities.

Impairment of financial assets

MFRS 9 requires impairment assessments to be based on an Expected Credit Loss ("ECL") model, replacing the incurred loss model under MFRS 139. The Group applied the simplified approach prescribed by MFRS 9, which requires expected lifetime losses to be recognised on all receivables.

(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 139 to MFRS 9 as at 1 January 2018:

	MFRS 139 Carrying amount as at 31 December 2017	Remeasurement	MFRS 9 Carrying amount as at 1 January 2018
	RM'000	RM'000	RM'000
Trade receivables			
Opening balance	635,012	-	635,012
Increase in loss allowance*	-	(1,466)	(1,466)
Total trade receivables	635,012	(1,466)	633,546
Retained earnings			
Opening balance	1,615,768	-	1,615,768
Increase in loss allowance for trade receivables	-	(1,462)	(1,462)
Total retained earnings	1,615,768	(1,462)	1,614,306
Non-controlling interest			
Opening balance	6,429	-	6,429
Increase in loss allowance for trade receivables	-	(4)	(4)
Total non-controlling interest	6,429	(4)	6,425

* The Group applied the simplified approach in providing for ECL.

A2 Seasonal or cyclical factors

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

A4 Changes in estimates

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

A5 Debt and equity securities

During the financial period ended 30 September 2018, the Company increased its issued and paid up share capital by way of issuance of 1,653,815 new ordinary shares pursuant to the exercise of Warrant B 2013/2018 at an issue price of RM1.44 per ordinary share.

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 period under review.

A6 Dividends paid

On 27 September 2018, the Company paid a first and final single-tier dividend of 6.5 sen per ordinary share amounted to RM157,799,649 in respect of the financial year ended 31 December 2017.

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

A7 Segment reporting

Period ended 30 September 2018

	Properties RM'000	Plastics RM'000	Investment Holding & Others RM'000	Elimination RM'000	Consolidated RM'000
REVENUE					
External revenue	1,417,037	218,645	42,604	-	1,678,286
Inter-segment	-	-	204,306	(204,306)	-
	<u>1,417,037</u>	<u>218,645</u>	<u>246,910</u>	<u>(204,306)</u>	<u>1,678,286</u>
RESULTS					
Operating profit	244,791	15,649	9,863	-	270,303
Interest income	6,909	124	243	-	7,276
Finance costs	(12,696)	(1,346)	(7)	-	(14,049)
Profit before tax	239,004	14,427	10,099	-	263,530
Income tax expense					(58,295)
Profit for the period					<u>205,235</u>

Period ended 30 September 2017

	Properties RM'000	Plastics RM'000	Investment Holding & Others RM'000	Elimination RM'000	Consolidated RM'000
REVENUE					
External revenue	1,880,601	221,403	52,945	-	2,154,949
Inter-segment	-	-	128,847	(128,847)	-
	<u>1,880,601</u>	<u>221,403</u>	<u>181,792</u>	<u>(128,847)</u>	<u>2,154,949</u>
RESULTS					
Operating profit	322,986	12,402	24,225	-	359,613
Interest income	10,520	141	31	-	10,692
Finance costs	(9,878)	(1,158)	(96)	-	(11,132)
Profit before tax	323,628	11,385	24,160	-	359,173
Income tax expense					(87,456)
Profit for the period					<u>271,717</u>

A8 Material subsequent events

Save as disclosed in B6, there were no material events subsequent to the reporting date up to 9 November 2018, being the latest practicable date which is not earlier than 7 days from the date of issuance of this Interim Financial Report.

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A9 Related party transactions

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

	01/01/2018 to 30/09/2018 RM'000
(i) Rental paid to a Company in which a Director of the Company has interest	1,153
(ii) Maintenance services rendered by a company in which the Directors are family members of a Director of the Company	135
(iii) Sales of completed properties to a former Director of subsidiary company	9,894
(iv) Sales of development properties to a former Director of subsidiary company	3,435
(v) Sales of a completed property to a family member of a former Director of subsidiary company	1,255
Transactions with non-controlling interests:	
(i) Interest payable to non-controlling interests of subsidiary company	<u>15</u>

A10 Changes in the composition of the Group

There were no changes in the composition of the Group during the current financial period, 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:

	30/09/2018 RM'000	31/12/2017 RM'000
Bank guarantees issued in favour of third parties	112,995	91,840
Litigations arising from business transactions **	22,659	3,811
	<u>135,654</u>	<u>95,651</u>

** The Group is engaged in various litigation matters arising from its business transactions with potential exposure amounting to approximately RM22.7 million (2017: RM3.8 million). The Group's solicitors are of the view that the litigations will not likely to have any exposure, and thus no provision have been made by the Group at this juncture.

On the other hand, the Group has also filed proceedings for indemnity amounting to approximately RM10.7 million (2017: RM Nil) arising from the above business transactions.

A12 Capital commitments

	30/09/2018 RM'000
Commitment for acquisition of property, plant and equipment:	
- Approved and contracted for	<u>12,955</u>

A13 Operating lease commitments

As Lessee - for the lease of commercial and residential buildings

The Group leased back commercial and residential properties sold by entering into Leaseback and Guarantee Rental Return Agreements with the property purchasers pursuant to Group's property development activities. The tenure of these leases ranges between 2 to 9 years. Whilst certain of these lease arrangements are based on yearly fixed payments, there are some lease arrangements which are not fixed and where the payment of these lease amounts, contingent upon operating profits being generated by the business, are based on a certain percentage of such profits.

The future lease payments contracted for pursuant to the rental of the said commercial and residential properties (net of lease rental receivables from sublease) as at the reporting date are as follows:-

	<u>Lease rental payables</u>		<u>Lease rental receivables</u>		<u>Net</u>	
	30/09/2018	31/12/2017	30/09/2018	31/12/2017	30/09/2018	31/12/2017
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Commercial properties:						
Less than one year	12,325	3,677	(858)	(487)	11,467	3,190
One to five years	24,853	-	-	-	24,853	-
More than five years	4,154	595	-	(428)	4,154	167
	41,332	4,272	(858)	(915)	40,474	3,357
Residential properties:						
Less than one year	-	3	-	-	-	3
One to five years	-	-	-	-	-	-
More than five years	-	-	-	-	-	-
	-	3	-	-	-	3
	41,332	4,275	(858)	(915)	40,474	3,360
					(230)	(3,360)
					40,244	-

During the financial period, the Group has recognised in profit or loss leaseback rental and provision for future lease commitments amounting to a total of RM2.87 million (2017: RM1.69 million) and rental income from sublease amounting to RM0.4 million (2017: RM0.2 million).

As Lessee - for the lease of premises and motor vehicles

The Group leases premises and motor vehicles from various parties under non-cancellable operating leases. The tenure of these leases ranges between 2 to 3 years.

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

	<u>Lease rental payables</u>
	30/09/2018
	RM'000
Less than one year	3,350
One to three years	1,764
	5,114

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 1 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>
	30/09/2018
	RM'000
Less than one year	1,795
One to three years	1,302
	3,097

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

B1 Review of Group performance

For the nine-month period ended 30 September 2018, the Group posted a net profit of approximately RM205.6 million on the back of revenue of approximately RM1.7 billion as compared to RM273.1 million net profit and RM2.2 billion revenue a year ago. On a quarterly basis, the Group recorded a net profit of approximately RM64.2 million and revenue of approximately RM504.3 million as compared to RM92.3 million net profit and RM704.3 million revenue in the same quarter last year.

As at 30 September 2018, the Group is in a net cash position.

Property development

For the nine-month period ended 30 September 2018, revenue from property development was approximately RM1.4 billion compared with RM1.9 billion a year ago while operating profit was approximately RM244.8 million versus RM323.0 million a year ago. This was mainly attributable to a higher proportion of new sales secured from the new projects and where contribution to revenue from these projects is expected to be more significant once the initial stages of construction has been surpassed.

The development projects which primarily contributed to the Group's results include **Southville City** in KL South, **Lakeville Residence** in Jalan Kuching, **D'sara Sentral** in Sungai Buloh, **M Residence** and **M Residence 2** in Rawang and **M City** in Jalan Ampang in Greater KL and Klang Valley, **Ferringhi Residence** in Penang, Johor's **The Meridin@Medini**, **Meridin East**, **Sierra Perdana** in Johor, **Sutera Avenue** in Sabah. Other contributions include the Group's new Klang Valley projects of **M Vertica** in Cheras, **M Centura** in Sentul and **M Aruna** in Rawang.

The Group achieved property sales of approximately RM1.22 billion for the nine-month period ended 30 September 2018.

Plastics

The plastics segment continued to contribute positively to Group performance. Operating profit grew by 26.2% from approximately RM12.4 million to RM15.6 million despite of a decline in revenue of 1.2% from RM221.4 million to RM218.6 million pursuant to the sales of mould, the gain of which has been included in other income.

Investment holding & Others

Revenue for the segment comprise mainly interest income from the deposit of funds, trading of building materials and Ramada Meridin Hotel operations.

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

The Group's current quarter profit before tax of approximately RM81.3 million was lower as compared to the immediate preceding quarter of approximately RM96.1 million. This was mainly due to higher selling and marketing and administrative expenses incurred towards sales and marketing activities related to property development, increased activity levels pursuant to the commencement of the Ramada Meridin Hotel operations and certain project related upkeep, maintenance and refurbishment costs.

B3 Prospects for the current financial year

With 74% of targeted residential sales for 2018 priced below RM500,000, the Group stands to benefit from various initiatives of Budget 2019 such as continuation of stamp duty exemption on Memorandum of Transfer ("MOT") and loan agreement for first residential property worth not more than RM500,000 as well as the National Home Ownership Campaign which exempts stamp duty on MOT for residential properties priced between RM300,001 and RM1 million starting from 1 January 2019.

The Group had recently extended the digital-centric campaign "Desire" for a selection of homes and commercial spaces nationwide for buyers looking for ready-to-move in homes as well as workspaces bundled into a hassle-free and attractive sales packages. The Refer and Reward scheme, where referral incentives will be given for sales closed, has also been rolled out to complement the Desire campaign. In addition, the Group has also launched its Home Ownership Campaign where home buyers can enjoy Budget 2019's stamp duty incentives immediately from 15 November 2018.

As testament to the Group's track record on delivery of urban affordable houses, the Group's Savanna Executive Suites @ Southville City was recently emerged as the sole winner of The Edge Malaysia Affordable Urban Housing Excellence Award 2018. In addition, the Group also received a Merit award in The Edge Malaysia PEPS Value Creation Excellence Award category for its Alpine project at M Residence 2, Rawang as a recognition of development that has provided outstanding rewards to purchasers in terms of capital appreciation.

With disciplined financial management and a healthy balance sheet as at 30 September 2018, the Group is in a good position to capitalise on opportunities that arose to acquire more prime landbank and to explore on joint ventures with focus on urban well-planned affordable housing projects.

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		Period ended	
	30/09/2018	30/09/2017	30/09/2018	30/09/2017
	RM'000	RM'000	RM'000	RM'000
Estimated income tax payable:				
Current financial period	28,311	40,698	112,901	95,972
Over provision of income tax in prior year	(10,556)	(1,143)	(10,556)	(1,143)
	17,755	39,555	102,345	94,829
Deferred tax	(130)	(12,547)	(44,050)	(7,373)
	17,625	27,008	58,295	87,456

The Group's effective tax rate for the current quarter and current financial period were lower than the statutory tax rate mainly due to the utilisation of previously unrecognised deferred tax assets to offset taxable profits and also reduction in the income tax rate, affecting certain companies based on the percentage of increase in chargeable income as compared to the corresponding period in the preceding year of assessment.

B6 Status of corporate proposals

The following corporate proposals as announced by the Company have not been completed as at 9 November 2018 (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 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.

- d) 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 (formerly known as Cordova Land 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 30 September 2018 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	113,335	2,899	-	116,234
- after 12 months	511,447	5,314	-	516,761
	624,782	8,213	-	632,995
Short term borrowings	-	2,780	-	2,780
Bank overdrafts	-	982	-	982
Finance lease and hire purchase				
- within 12 months	973	-	-	973
- after 12 months	2,840	-	-	2,840
	3,813	-	-	3,813
Total	628,595	11,975	-	640,570

B8 Material litigation

The Group was not engaged in any material litigation as at 9 November 2018, being the latest practicable date which is not earlier than 7 days from the date of issuance of this Interim Financial Report, save as disclosed in Note A11.

B9 Derivatives financial instrument

As at 30 September 2018, 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 30/09/2018 RM'000	Period ended 30/09/2018 RM'000
Depreciation and amortisation	(5,705)	(16,307)
Impairment of intangible assets	(18)	(74)
Gain on redemption of financial assets at fair value through profit or loss	112	155
Net foreign exchange gain	578	347
Allowance for impairment loss on financial assets	(90)	(705)
Reversal of allowance for impairment loss on financial assets	301	1,169
Impairment on inventories	(286)	(266)

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 period ended 30 September 2018.

B11 Dividend proposed

No dividend has been proposed for the nine-months ended 30 September 2018.

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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 period by the weighted average number of ordinary shares in issue.

	3 months ended		Period ended	
	30/09/2018	30/09/2017	30/09/2018	30/09/2017
Net profit for the period (RM'000)	64,233	92,309	205,565	273,120
Distribution paid to holders of				
- Perpetual Sukuk (RM'000)	(18,310)	(18,310)	(36,620)	(36,620)
- Perpetual Securities (RM'000)	-	-	(22,364)	-
Net profit for the period attributable to ordinary equity holders (RM'000)	45,923	73,999	146,581	236,500
Weighted average number of ordinary shares in issue ('000)	2,427,687	2,412,832	2,427,567	2,410,571
Basic EPS (sen)	1.89	3.07	6.04	9.81

(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 period 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		Period ended	
	30/09/2018	30/09/2017	30/09/2018	30/09/2017
Net profit for the period attributable to ordinary equity holders (RM'000)	45,923	73,999	146,581	236,500
Weighted average number of ordinary shares in issue ('000)	2,427,687	2,412,832	2,427,567	2,410,571
Weighted average number of ordinary shares deemed issued at no consideration ('000)				
- Warrants B	-	9,239	-	9,482
- Warrants C ⁽¹⁾	n/a	n/a	n/a	n/a
Adjusted weighted average number of ordinary shares ('000)	2,427,687	2,422,071	2,427,567	2,420,053
Diluted EPS (sen)	1.89	3.06	6.04	9.77

⁽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 2017 was not subject to any qualification.

B14 Comparative figures

Comparative figures, where applicable, have been modified to conform to the current year presentation.

BY ORDER OF THE BOARD

YANG BAO LING
KUAN HUI FANG

Kuala Lumpur
16 November 2018