GBG

GABUNGAN AQRS BERHAD

CRAFTING A

# MAGNIFICENT MASTERPIECE

One Jesselton Waterfront, Kota Kinabalu

ANNUAL REPORT

2019

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# COVER RATIONALE

The cover design is inspired by Gabungan AQRS Berhad’s futuristic approach to property development. The Group anticipates the lifestyles and needs of the future when planning its impressive projects.

On the cover, there is an artistic illustration of Gabungan AQRS Berhad’s flagship project, One Jesselton Waterfront in Kota Kinabalu, Sabah. The elegance of the architecture highlights the company’s artistry while the sophistication of the engineering emphasizes its state-of-the-art expertise.

1 The Peak, Johor Bahru City Centre
2 Mass Rapid Transit (MRT), Sungai Buloh
3 E'Island Lake Haven, Puchong
4 One Jesselton Waterfront, Kota Kinabalu

# WORLD CLASS INFRASTRUCTURE BUILDING EXPERTS

We are accelerating the construction of projects that are vital to national development. Our efforts will lay the foundation for the further transformation of our country into a fully-developed nation.

# OUR STORY

## VISION

Gabungan AQRS Berhad ("GBG") is now moving forward to be one of the leading construction companies with the expertise in building urban infrastructure and purpose-built buildings. We would continue to refine our expertise and grow, in line with the country's infrastructure development, which is continues to be enhanced as the country moves to be a fully-developed nation.

## MISSION

At GBG, we are committed to:

- Instilling a professional organisation culture with employees that are highly committed, rightly experienced and loyal, enabling us to deliver quality projects and in time
- Ensuring that we would be able to attract top industry talents, leading to a high quality client base, whilst creating value to our stakeholders and shareholders

# OUR VALUES

## INTEGRITY

- We aim to create a collaborative, respectful and nurturing work environment, actively contributing to nation building in the communities in which we operate
- We ensure the continued success and sustainability of our people, our clients and partners, with trust in both reputation and service quality

## COMMITMENT

- A committed team has ensured for projects to be executed in spite of the massive headwinds that we faced
- Commitments shown has built a strong sense business trust with clients, which would be an asset when undertaking future projects

## COMPETENCE DRIVING OPERATIONAL EXCELLENCE

- We strive to ensure that a professionally run organization would continuously move the Group to achieve better standards in quality and to deliver extraordinary products on time and within budget

## INNOVATIVENESS

- We will go beyond expectations in product design, product development, customer service and sales, to ensure a continuous stream of recurring customers and stakeholders

# CORPORATE **PROFILE**

In 2012, Gabungan AQRS Berhad ("**GBG**") was listed on the Main Board of Bursa Malaysia, using the listing code GBGAQRS. The Company has its roots in the amalgamation of four successful businesses – three construction and engineering companies: Gabungan Strategik Sdn Bhd ("**GSSB**"), Motibina Sdn Bhd ("**Motibina**") and Pembinaan Megah Ikhlas Sdn Bhd ("**PMISB**"), as well as AQRS The Building Company Sdn Bhd ("**AQRSTBC**"), a property developer. Each a good, strong Company with a reputable brand.

## A transformation which led to the rebirth of GBG

In 2016, GBG initiated a transformation plan which marks the start of a change to build an almost reborn-company. The transformation plan had to be initiated back then as the Group was facing tremendous headwinds, including a dwindling construction order book and a poor financial standing.

We repositioned ourselves to further enhance our value, given the headwinds we faced. Eventually, the success of the transformation plan was evident in 2017, proven by a healthy business growth rate, leading to profitability to the Group and value to its shareholders. Our financial standing has also tremendously improved in 2017, including a balance sheet that is leaner than what it was during its IPO days.

The repositioning of the Group also meant that we had to restructure our brand from 2016, especially against the rest of our competitors. Fast forward to end-2017, we have been successful, evidenced by our construction subsidiary, GSSB having a tall construction order book. In 2017 too, we received our first construction project worth more than a billion Ringgit, the Light Rail Transit 3 (LRT3) job – our largest job to-date.

Our property development division, AQRSTBC has also built a solid portfolio of property development assets that will eventually be high-yielding assets. This include our flagship property development, One Jesselton Waterfront in Kota Kinabalu which will be developed under our subsidiary, GBG Properties (Sabah) Sdn Bhd.

Our precast products manufacturing arm, SEDCO Precast Sdn Bhd is also poised to be of great significance to the Group. SEDCO Precast Sdn Bhd currently operates a precast and IBS product manufacturing facility in Tuaran, Sabah and could be the future supplier of precast products to the Pan Borneo Highway in Sabah.

## Values that drive growth are of priority

GBG has considerable talents and a wealth of experience across a broad range of infrastructure products. It is persistent about pursuing better standards in quality to deliver extraordinary products, on time and within budget.

Our capabilities have also been enhanced since the transformation plan was initiated. This is evidenced by our capabilities in securing new, high quality and prominent construction jobs. We have built our expertise in the construction or urban highways (the SUKE highway), urban railways (the LRT3) as well as purpose-built iconic buildings (PPSAS).

GBG is committed to providing exceptional value to its employees, business partners, customers and shareholders by always challenging the norm and going beyond expectations in design, product development, customer service and sales. It aims to nurture and grow empowered communities; by creating a collaborative, respectful and nurturing work environment, and being active, contributing citizens in the communities in which it operates. It strives to ensure the continued success and sustainability of its people, clients and partners, their businesses and brands. GBG is in for the long-term; their aim is to leave a legacy that future generations will benefit from.

# CORPORATE **INFORMATION**

## BOARD OF DIRECTORS

**Y.M. Tunku Alizan bin Raja Muhammad Alias**
*Independent, Non-Executive Director and Chairman*

**Datuk Kamarudin bin Md. Ali**
*Senior Independent, Non-Executive Director*

**Dato' Azizan bin Jaafar**
*Executive Director and Group Chief Executive Officer*

**Dato' Ow Chee Cheoon**
*Executive Director and Group Deputy Chief Executive Officer*

**Ow Yin Yee**
*Executive Director and Group Chief Financial Officer*

**Loo Choo Hong**
*Independent, Non-Executive Director*

**Muk Sai Tat**
*Independent, Non-Executive Director*

### AUDIT COMMITTEE

**Loo Choo Hong**
*Chairman*
**Datuk Kamarudin bin Md. Ali**
*Member*
**Muk Sai Tat**
*Member*

### NOMINATION COMMITTEE

**Muk Sai Tat**
*Chairman*
**Datuk Kamarudin bin Md. Ali**
*Member*
**Loo Choo Hong**
*Member*

### REMUNERATION COMMITTEE

**Datuk Kamarudin bin Md. Ali**
*Chairman*
**Loo Choo Hong**
*Member*
**Muk Sai Tat**
*Member*

### RISK MANAGEMENT COMMITTEE

**Muk Sai Tat**
*Chairman*
**Y.M. Tunku Alizan bin Raja Muhammad Alias**
*Member*
**Dato' Azizan bin Jaafar**
*Member*
**Dato' Ow Chee Cheoon**
*Member*
**Datuk Kamarudin bin Md. Ali**
*Member*
**Loo Choo Hong**
*Member*

### FORM OF LEGAL ENTITY

Incorporated in Malaysia on 20 August 2010 as a private limited company
Converted to a public limited company on 17 January 2011

### COMPANY NUMBER

201001028608 [912527-A]

### STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

| | | |
|---|---|---|
| Sector | : Construction | |
| Listing Date | : 31 July 2012 | |
| | Shares | Warrants |
| Stock Name | : GBGAQRS | GBGAQRS-WB |
| Stock Code | : 5226 | 5226WB |

### SECRETARY

Ooi Li Ann
(SSM PC No.: 201908003060)
(MAICSA 7065065)
Chua Siew Chuan
(SSM PC No.: 201908002648)
(MAICSA 0777689)
Tan Ley Theng
(SSM PC No.: 201908001685)
(MAICSA 7030358)

### SHARE REGISTRAR

Securities Services (Holdings) Sdn Bhd
Level 7, Menara Milenium
Jalan Damanlela,
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Telephone no. : 603-2084 9000
Facsimile no. : 603-2094 9940

### REGISTERED OFFICE

G-58-1, Blok G
Jalan Teknologi 3/9
Bistari 'De' Kota
Kota Damansara, PJU 5
47810 Petaling Jaya
Selangor Darul Ehsan
Telephone no. : 603-6141 8181
Facsimile no. : 603-6141 8872

### PRINCIPAL OFFICE

G-58-G, Blok G
Jalan Teknologi 3/9
Bistari 'De' Kota
Kota Damansara, PJU 5
47810 Petaling Jaya
Selangor Darul Ehsan
Telephone no. : 603-6141 8181
Facsimile no. : 603-6141 8871
e-mail address : enquiries@gbg.com.my
Website : www.gbg.com.my

### AUDITORS

BDO PLT (LLP0018825-LCA & AF0206)
Chartered Accountants
Level 8, BDO @ Menara CenTARa
360 Jalan Tuanku Abdul Rahman
50100 Kuala Lumpur
Telephone no. : 603-2616 2888
Facsimile no. : 603-2616 3190 / 3191

### PRINCIPAL BANKERS

Maybank Islamic Berhad
AmBank (M) Berhad
AFFIN Bank Berhad
United Overseas Bank (Malaysia) Bhd

# GROUP CORPORATE **STRUCTURE**

## CONSTRUCTION

**100%**
Gabungan Strategik Sdn Bhd

**100%**
Monolight IBS Building System Sdn Bhd

**100%**
Motibina Sdn Bhd

**100%**
Pembinaan Megah Khlas Sdn Bhd

**100%**
Sinajasa Sdn Bhd

**49%**
SEDCO Precast Sdn Bhd

## PROPERTY DEVELOPMENT

**100%**
AQRS The Building Company Sdn Bhd

**100%**
Bright Reach Sdn Bhd

**100%**
Crystal Aspect Sdn Bhd

**100%**
Grand Meridian Development Sdn Bhd

**100%**
GBG Properties (Sabah) Sdn Bhd

**100%**
Nusvista Development Sdn Bhd

**52%**
Prestige Field Development Sdn Bhd

## OTHERS

**100%**
Gabungan AQRS Capital Berhad

**100%**
Gabungan AQRS Management Sdn Bhd

**100%**
Gabungan AQRS Properties Sdn Bhd

**100%**
GBG Trading Sdn Bhd

**90%**
Trusvest Sdn Bhd

**30%**
Kreatif Sinar Gabungan Sdn Bhd

# FINANCIAL HIGHLIGHTS

| SUMMARISED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER (RM'000) | 2019 | 2018 |
|---|---|---|
| REVENUE | **413,987** | **585,330** |
| PROFIT BEFORE TAX | 50,785 | 86,962 |
| EBITDA | 61,189 | 99,970 |
| NET PROFIT/Attributable to Equity Holders | 36,295 | 61,210 |
| **STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER (RM'000)** | | |
| Total Non-Current Assets | 102,606 | 100,766 |
| Total Current Assets | 1,380,667 | 1,312,791 |
| **Total Assets** | **1,483,273** | **1,413,557** |
| Share Capital | 325,546 | 324,240 |
| Reserves | 183,497 | 147,589 |
| Shareholder's Equity | 509,043 | 471,829 |
| Non-controlling interests | 6,215 | 5,620 |
| Total Equity | 515,258 | 477,449 |
| Total Non-Current Liabilities | 23,216 | 29,147 |
| Total Current Liabilities | 944,799 | 906,961 |
| **Total Equity and Liabilities** | **1,483,273** | **1,413,557** |
| **SUMMARISED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER (RM'000)** | | |
| Operating Profit Before Working Capital Changes | 57,645 | 98,038 |
| Net Cash Flows Used in Operating Activities | (45,187) | (23,725) |
| Net Cash Flows Used in Investing Activities | (29,977) | (43,863) |
| Net Cash Flows From / (Used in) Financing Activities | 8,372 | (26,197) |
| Net Decrease in Cash and Cash Equivalents | (66,792) | (93,785) |
| Cash and Cash Equivalents at Beginning of Year | (112,448) | (18,663) |
| Cash and Cash Equivalents at End of Year | (179,240) | (112,448) |
| **FINANCIAL ANALYSIS** | | |
| EBITDA Margin | 14.78% | 17.08% |
| Profit Before Tax Margin | 12.27% | 14.86% |
| Net Profit Margin | 8.77% | 10.46% |
| Free Cash Flow (RM'000) | (47,205) | (29,669) |
| Returns on Average Shareholders Equity (ROE) | 7.4% | 13.9% |
| Returns on Average Total Assets (ROA) | 2.5% | 4.9% |
| Earnings Per Share (sen) | 7.41 | 13.05 |
| Net Dividends Per Share (sen) | 93.20 | 5.00 |
| Payout Ratio | 44.6% | 38.3% |
| Cash and Bank Balances (RM'000) | 139,424 | 128,572 |
| Total Borrowings Including Lease Liabilities (RM'000) | 259,216 | 205,707 |
| Net Gearing (x) | 0.23 | 0.16 |

# AWARDS AND **RECOGNITIONS**

1. Grade Registered G7 for year (2018 to 14.01.20) by - SME Corp Malaysia and CIDB Malaysia
2. Best Employer Brand Award 2018 by 13th Employer Branding Awards
3. Best Under Billion Awards 2018 - Best Turnaround Story by Focus Malaysia
4. Best CEO for Investor Relations 2018 (Small Cap) by Malaysia Investor Relations Association
5. 3rd Merit Award for Most Improved CG Disclosure (2018) by Minority Shareholders Watch Group
6. HR Asia Best Companies to Work for in Asia 2018 by HR Asia
7. Best CEO for Investor Relations 2019 (Small Cap) by Malaysia Investor Relations Association
8. Best Employer Brand Award 2019 by 14th Employer Branding Awards
9. Community Development Recognition 2019 by The Golden Globe Tigers
10. Appreciation of Best Practices on Construction Solid Waste Management (2019) by SWCorp Malaysia / KPKT

# Awards and Recognitions

(CONT'D)

1 E'Island Lake Haven, Puchong
2 One Jesselton Waterfront, Kota Kinabalu

1

# ESTABLISHING EXCELLENT INFRASTRUCTURE

By creating the infrastructure that is fundamental to development, we are spearheading Malaysia's advancement. The quality of our work has enabled us to be a trusted contributor to national development.

# MANAGEMENT DISCUSSION & ANALYSIS

**DEAR SHAREHOLDERS,**

**In FYE 2019, the main focus of the Group was to further enhance our business plan to ensure that our overall costs are more efficient, executed by the restructuring of the organisation, streamlining our operations and focus on reducing our operating expenses. Having said that, we have been successful given our total operating expenses have reduced by 14.2% in FY 2019 to RM44.1 million. In 4Q19, the management has taken steps to further reduce our total operating expenses in FYE 2020 by another RM17.7 million or 40% lower compared to FYE 2019.**

Today, we have created a stronger organisation that is resilient, versatile and vigilant, enabling us to quickly adapt to the changes in business climates. The Board of Directors and Management of GBG has successfully weathered through this challenging period and is positioned to encounter any future turbulence. We continuously improve the fundamentals of our business operations, to ensure that projects are well-managed, in particular, strong cashflow generation and efficient total operating expenses.

**DATO' AZIZAN BIN JAAFAR**
Group Chief Executive Officer

# Management Discussion & Analysis

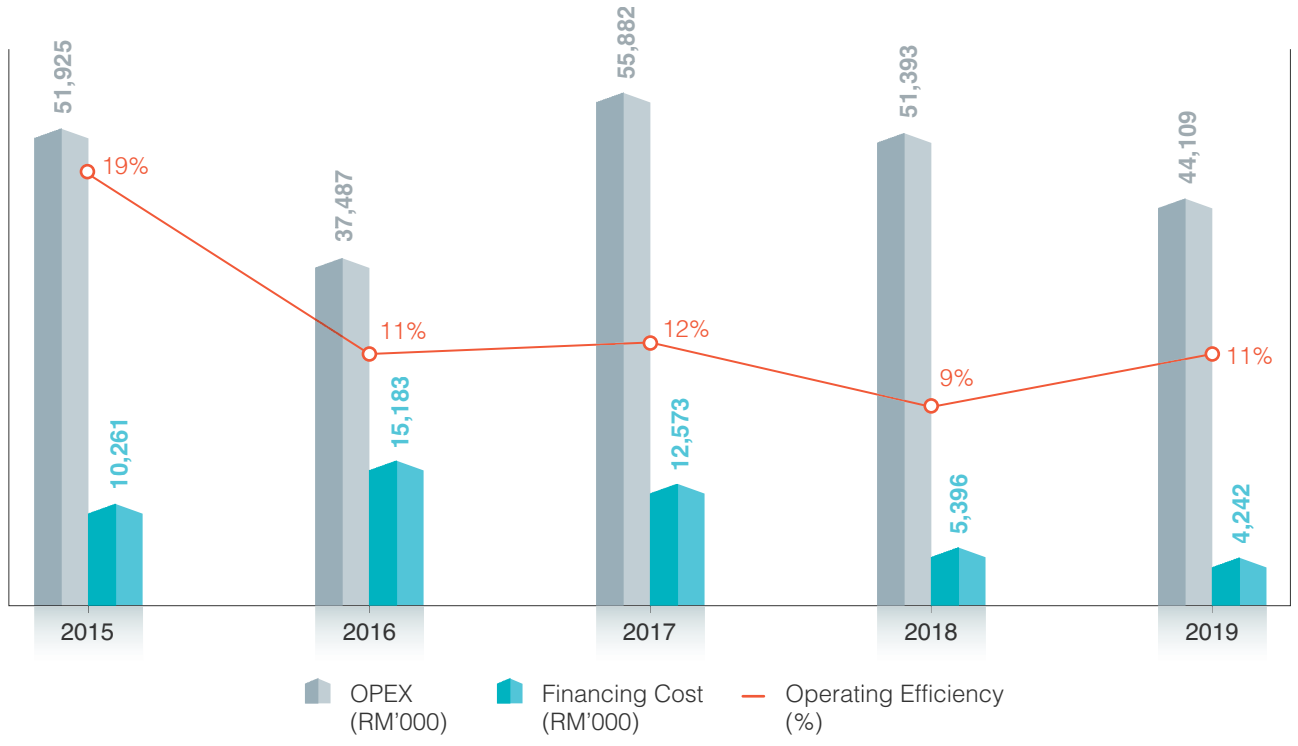
(CONT'D)

During the movement control order (MCO) by the government to control the outbreak of Covid-19, the government, via the Ministry of International Trade and Industry (MITI), had granted us approval for our offices and sites to operate. This is as a result of the Group being able to convince MITI that it is capable to handle the strict standard operating procedure (SOP) guidelines that the government has put in place. While the MCO has impacted our business performance, we remain confident that our business sustainability to remain sturdy, as we have already implemented a strategic and prudent management plan, which amongst others include an in-depth review of our financials and business operations by the Board of Directors and management.

In FYE 2019, we registered a total revenue of RM414.0 million, a decrease of 29.3% compared to the previous financial year, with our corresponding profit after tax declining by 43.3% to RM36.9 million. The softer performance in FYE 2019 is mainly attributable to the fact that the Group has yet to secure any jobs for the past 2-years as no new major infrastructure projects were announced as mega projects such as the KL-Singapore High Speed Rail (HSR) and Mass Rapid Transit 3 (MRT3) were deferred. However, with the new government in place, we foresee potentials for these projects to be revived again, and with our track record and capabilities, we could be a potential beneficiary.

The Group constantly strives to improve operational efficiency through a review of business strategies for each reporting division and has yielded favourable results. Our total operating costs declined by 14.2% or RM7.3 million to RM44.1 million in FYE 2019, compared to RM51.4 million recorded in FYE 2018. This was achieved as a result of streamlining our resources while boosting productivity as well as tightening our risk management policies. Another achievement in FYE 2019 is that our total financing cost was reduced by 21.4% to RM4.2 million, almost record low since listing, saving the Group about RM1.2 million in interest expense compared to FYE 2018.

## Operating Efficiency



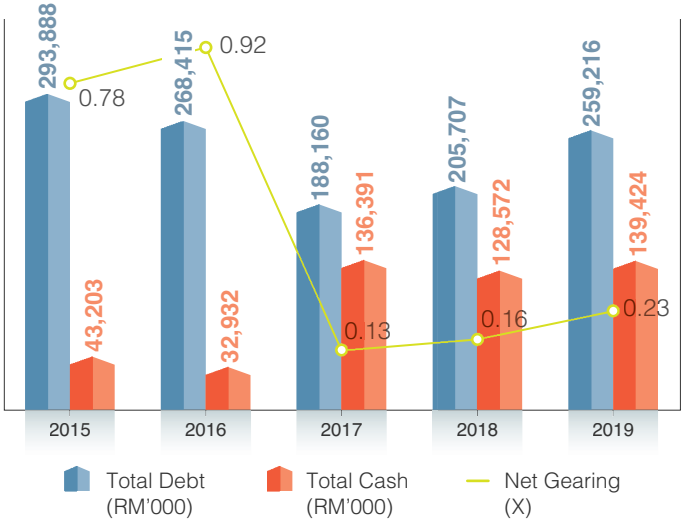
# Management Discussion & Analysis

(CONT'D)

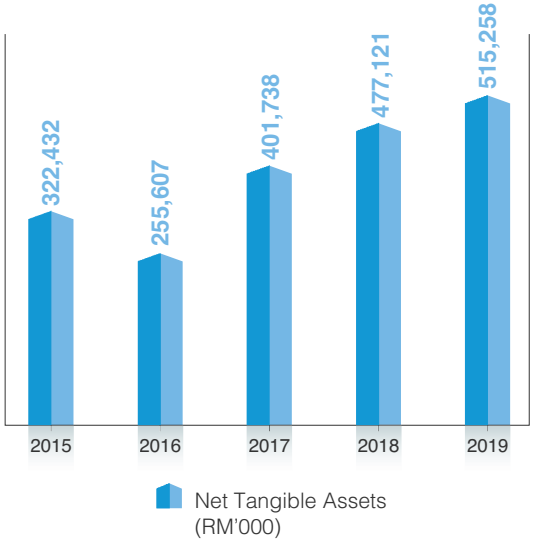
We practice prudency debt management, whereby any debt taken up would have to be backed by a strategic repayment plan. As at 31 December 2019, our total debts stood at RM259.2 million, backed by RM139.4 million in cash, representing a net gearing ratio of 0.23x. Dicing to the debts, 73.1% of it are related to construction financing, which will be fully paid once the respective construction projects are completed, while another 3.2% is related to our basecamp facility in Sipitang, which debt repayments are backed by a recurring income stream.

As at 31 December 2019, our net tangible assets stood at RM515.3 million. Since its listing in FYE 2012 up to FYE 2019, the management has created value for shareholders, with its net tangible assets growing by 1.37 times or RM297.7 million. When compared to net tangible assets grown since the transformation plan was initiated in FYE 2016, the Group registered a 101.6% growth or RM259.7 million to RM515.3 million in FYE 2019. In addition, during the period of FYE 2012 to FYE 2019, the Group had distributed a total of RM62.1 million in dividends.

**Total Debt and Gearing**




**Net Tangible Assets**




**"The Group constantly strives to improve operational efficiency through a review of business strategies for each reporting division and has yielded favourable results."**

# Management Discussion & Analysis

(CONT'D)

## CONSTRUCTION – THE BACKBONE OF GBG

The construction arm, with an unbilled construction orderbook of RM1.8 billion will be able to sustain earnings contribution up to FYE 2023 and would enable it to weather through a recessionary period. Moreover, a bulk of our clients and projects are government-related, eliminating the non-payment risk. While we are on the constant lookout for new construction jobs, we remain vigilant to ensure that future jobs that we are gunning for will have to meet strict operating and financial measure including being value creating for the Group with a healthy generation of cashflows.

In FYE 2019, we finalised and submitted our proposal to the turnkey contractor of our largest construction job, Light Rail Transit 3 (LRT3), which includes the finalisation of design and global variation. The global variation achieved include: a) the optimisation of costs via value engineering, b) omission of the acceleration costs that would further improve profits, and c) the removal of key milestone and completion risks, eliminating liquidated ascertained damage risk.

Our Pusat Pentadbiran Sultan Ahmad Shah involves the construction of the entire Pahang Government state complex in Kuantan, Pahang. The project commenced in December 2016 and was initially expected to complete by first half of 2020. Since a design review and additional scope of works need to be undertaken due to additional requirements by the client, the completion date has been extended by an additional 8 months. The job is now poised to complete by early-2021.

The Sungai Besi Ulu Klang (SUKE) contract that we secured is currently progressing well. However, in the early part of FYE 2019, the work progress was affected by the late possession of certain areas of works and the encountering of substantial uncharted utilities. Nevertheless, all these issues have been resolved and the project is currently progressing well. The project is on track to complete by end-2020.

*Light Rail Transit 3 (LRT3)*

*Pusat Pentadbiran Sultan Ahmad Shah (PPSAS)*

*Sungai Besi - Ulu Kelang Expressway (SUKE)*

# Management Discussion & Analysis

## PROPERTY DEVELOPMENT – OFFICIALLY RELAUNCHED APRIL 2019 – GDV RM1.1 BILLION

The property development division was revived on 26 April 2019, offering three developments worth RM1.1 billion – E'Island Lake Haven, an affordably priced development; The Peak, a freehold-commercial titled development in the Central Business District (CBD) of Johor Bahru; and Contours Melawati Heights, luxury villas in close to the KL CBD. Going against the norm, the division is uniquely structured, with total long-term borrowings of RM15.1 million, representing a long-term debt to GDV ratio of a mere 1.4%.

Since the relaunch of the property development division in April 2019 up to April 2020, the division has secured RM85.2 million in property sales to the Group.

In the future, together with our partner, Suria Capital Holdings Berhad, we would embark on kickstarting our flagship development, One Jesselton Waterfront, an iconic project in Kota Kinabablu City Centre. One Jesselton Waterfront is an integrated waterfront development that would comprise of a shopping mall, a 4-Star Hotel & Spa, serviced residences, luxury condominiums and corporate offices with a total combined GDV of RM1.8 billion.

Additionally, the recent reduction and expectations of further reduction in interest rates would bode well for the sector, particularly for affordable properties. Currently, a bulk of the developments that are currently being offered are within the affordable range, with prices of E'Island Lake Haven starting only from RM268,000 per unit while The Peak, a freehold and commercial titled development, starts from RM520,000 per unit.

*E'Island Lake Haven, Puchong*

*The Peak, Johor Bahru City Centre*

*One Jesselton Waterfront, Kota Kinabalu*

## IBS – POSITIONED FOR GROWTH

Our IBS Manufacturing business, SEDCO Precast Sdn Bhd ("SEDCO Precast"), which we co-own with the Sabah Economic Development Corporation (SEDCO), continues to be one of the leading precast concrete product manufacturers in Sabah. SEDCO Precast is an IBS-status manufacturer, engaged in the manufacturing and sales of concrete and pre-cast concrete products in Sabah. SEDCO Precast Sdn Bhd operates on an 18.67-acre industrial parcel of land in Tuaran, Sabah and is currently the largest precast concrete supplier in Sabah. We foresee this division to be able to capitalise on the Sabah Pan Borneo Highway mega project from 2H20 onwards.

*SEDCO Precast Batching Plant*

## INVESTMENTS – RECURRING INCOME FROM 2021-2026

The Petronas Basecamp in Sipitang, is part of the Group's strategy to expand its recurring income base. Currently, we have an agreement with Petronas to provide "base-camp" facilities in Sipitang, Sabah for a tenancy period of 5+5 years, with the first 5-years is set to expire in 1Q21. As at 31 December 2019, 79% of the borrowings of RM40 million that we undertook to build the facility has been paid, and is projected to be fully paid by October 2020. The Group has formally commenced negotiations with Petronas to extend the agreement for another 5-years until 2026. This investment is expected to contribute RM56.8 million in rental income for the Group over the next 5-years.

**"The Group has formally commenced negotiations with Petronas to extend the agreement for another 5-years until 2026."**

*Petronas Basecamp, Sipitang*

# Management Discussion & Analysis

(CONT'D)

## CONTINOUS SHAREHOLDERS DISTRIBUTIONS

The Group remains committed to distributing part of cash that is generated from its operations as returns to shareholders, with a minimum payout ratio of 20% based on our dividend policy. In FYE 2019, the Group rewarded its shareholders with a 1.5 sen cash dividend and a dividend in specie on the basis of 2 specie shares for every 100 existing shares owned, which were worth 1.25 sen during the distribution period. The treasury shares that were distributed were shares that were acquired from excess cashflows that were generated by the Group in the first-half of FYE 2018. Since the transformation was initiated in 2016, we have distributed RM48.9 million in dividends to shareholders, including RM8.8 million worth of treasury shares.

| Year | Dividend | (RMm) |
|---|---|---|
| FY 2013 | 1.91 sen | 6.8 |
| FY 2014 | Share dividend of 1 treasury share for every 100 ordinary shares | 4.8 |
| FY 2015 | n/a | n/a |
| FY 2016 | n/a | n/a |
| FY 2017 | 2.00 sen | 8.9 |
| FY 2018 | 5.00 sen | 23.5 |
| FY 2019 | Share dividend of 2 treasury shares for every 100 ordinary shares (Mar 19)<br>1.50 sen (Nov 19) | 8.8<br>7.4 |

## FINANCIAL REVIEW

### Revenue

In FYE 2019, GBG registered a total revenue of RM414.0 million, a decrease of 29.3% or RM171.3 million, compared to RM585.3 million in the previous financial year. The decrease in Group revenue is due to the recognition of liquidated ascertained damages (LAD) for The Peak in Johor Bahru amounting to RM6.7 million and the fact that the Group has yet to secure any jobs for the past 2-years as no new major infrastructure projects were announced as mega projects such as the KL-Singapore High Speed Rail (HSR) and Mass Rapid Transit 3 (MRT3) were deferred.

The construction division contributed to RM381.1 million or 92% of the Group's revenue in FYE 2019, a RM168.4 million decrease compared from the previous financial year. The decrease in revenue is largely due to lower work progress of LRT3 which was undergoing a review coupled with no new projects secured for the past 2-years . Nevertheless, we have finalized and submitted our proposal to MRCB-George Kent (MRCBGK) which includes global variation to arrive at a final contract value and a new work program for our LRT3 package. Currently, we are waiting for the official approval of our proposal.

The property development division contributed RM21.6 million or 5.2% of the Group's revenue in FYE 2019, a 11.8% or RM2.9 million decrease as a result of the recognition of a negative RM6.7 million revenue for liquidated ascertained damages for The Peak project. Excluding this, the division would have reported a revenue of RM28.3 million. In FYE 2019, revenue from the property development division were mainly contributed by inaugural recognition of revenue of E'Island Lake Haven and The Peak.

### Profitability

In FYE 2019, the Group reported a profit after tax of RM36.9 million compared to RM65.1 million reported in FYE 2018, a 43% decline as a result of lower work progress for our LRT3 project and the recognition of liquidated ascertained damages (LAD) The Peak amounting to RM6.7 million. In FYE 2019, profits were mainly driven by the construction division.

Gross profit stood at RM83.8 million in FYE 2019. In terms of divisional breakdown, the construction division contributed to a gross profit of RM72.5 million, with significant contributions for the construction division came from the progressive stages of construction for the Sungai Besi - Ulu Kelang (SUKE) Highway, Pusat Pentadbiran Sultan Ahmad Shah (PPSAS) and Light Rail Transit 3 (LRT3) projects. On the flipside, our property development arm recorded negative earnings contribution, mainly due to the abovementioned LAD charge.

### Financial Position and Liquidity

As at FYE 2019, our total borrowings stood at RM259.2 million, an 26.0% increase compared to FYE 2018 due to additional project financing that was drawn down for the construction division. In terms of net gearing, the Group's net gearing stood at a healthy 0.23x, an increase from 0.16x in FYE 2018 due to the abovementioned reason. On the other hand, our interest costs have been on a downtrend, whereby in FYE 2019, the Group recorded an interest expense of only RM4.2 million, a 21.4% drop compared to FYE 2018.

Our market capitalisation stood at RM583.6 million, based on a closing price of RM1.18 per share on 31 December 2019. Equity attributable to owners of the parent company was RM515.3 million as at 31 December 2019 with net assets per share of RM1.04.

## DIVISIONAL REVIEW

### A) CONSTRUCTION

As at 31 December 2019, the Group's outstanding construction order book stood at RM1.8 billion which would sustain our earnings momentum till FYE 2023. Looking ahead, the Group is focusing on ensuring that all ongoing projects are being executed at its most efficient pace, to ensure that cashflow generation and profitability is maximised to its full potential.

#### SUKE Highway

The estimated value of Package CA3 for the execution and completion of bridge structure works from CH4200 to CH7800 of the SUKE Highway is valued at a contract sum of RM648.5 million. The project commenced on 29 August 2016 and is scheduled to be completed in 2020. The project is currently at 92% stage of completion.

*Sungai Besi - Ulu Kelang Expressway (SUKE)*

# Management Discussion & Analysis

(CONT'D)

*Pusat Pentadbiran Sultan Ahmad Shah, Kuantan (PPSAS)*

**Light Rail Transit 3 (LRT3)**

In October 2017, we secured package GS04 of the Light Rail Transit 3 project worth RM1.13 billion, our largest contract to date. The project involves the construction of guideways, stations, park and ride facilities. On 22 February 2019, we announced that our wholly-owned subsidiary, Gabungan Strategik Sdn Bhd executed one (1) separate Novation Agreement with Prasarana and MRCB-George Kent Sdn Bhd (MRCBGK), in which all of the rights, interest, benefits, obligations, duties and liabilities of Prasarana under the LRT 3 Contracts shall be transferred and conveyed absolutely to MRCBGK subject to the terms and conditions as stipulated in the respective Novation Agreement.

In FYE 2019, we finalised and submitted our proposal to the turnkey contractor of our largest construction job, Light Rail Transit 3 (LRT3), which includes the finalisation of design and global variation. The global variation achieved include: a) the optimisation of costs via value engineering, b) omission of the acceleration costs that would further improve profits, and c) the removal of key milestone and completion risks, eliminating liquidated ascertained damage risk.

*Light Rail Transit 3 (LRT3)*

**Pusat Pentadbiran Sultan Ahmad Shah, Kuantan ("PPSAS")**

We secured the RM410.4 million job back in December 2016. The project involves the construction of the entire Pahang Government state complex in Kuantan, Pahang. Currently, the project is at 89% stage of completion and is expected to complete by early-21.

**PR1MA Gambang, Kuantan**

We were appointed as the turnkey contractor to undertake the construction of residential and retail units of properties under the PR1MA programme for a total contract sum of RM389.2 million. Currently, we have submitted the new development proposal for our PR1MA Gambang construction job that will be in line with the Ministry of Housing and Local Government's "Dasar Komuniti Negara" initiative that was launched in February 2019.

*PR1MA Gambang, Kuantan*

# Management Discussion & Analysis

(CONT'D)

## B) PROPERTY DEVELOPMENT

The property development division was relaunched on 26 April 2019, offering RM1.1 billion in GDV across 3-developments, comprising of E'Island Lake Haven in Puchong (GDV: RM501 million), The Peak in Johor Bahru City Centre (GDV: RM544 million) and Contours Melawati Heights (GDV: RM42 million). During the 8-month period up to 31 December 2019, the property development division has raked in RM80.4 million worth of new property sales.

### The Peak, Johor Bahru

The Peak is a high-rise property development in Johor Bahru that underwent a rebranding exercise in April 2019. During the year, we introduced our own rent-to-own scheme for The Peak called "Reside Before You Decide" - an ownership scheme whereby a buyer would be able to 'lock-in' their purchase price for 36 months and use the period to build-up their savings, and at the end of the 36-month period, total rentals that have been paid will go towards reducing the actual loan sum to be applied. Currently, The Peak has 486 units up for sale with a total value of RM478.5 million. We target to monetise this development over the period of year 2020 - 2023. Currently, the development is free of any encumbrances and the net cash proceeds received from the sale of the units will be utilized for dividend payments and business expansion.

*The Peak, Johor Bahru City Centre*

*E'Island Lake Haven, Puchong*

### E'Island Lake Haven, Puchong

The official launch of our RM501 million GDV E'Island Lake Haven development took place on 26 April 2019, which offers a total of 1,140 units of affordably priced and semi-furnished apartments with sizes starting from 881 square feet. Each apartment would be fitted with kitchen cabinets and wardrobes by Signature Kitchen, 4 air conditioners, and large electrical appliances at an affordable price starting from RM268,000 per unit, with 70% of units being below RM399,000 per unit. The apartments will sit across 4-towers on a 19-acre parcel of land.

We began signing sales and purchase agreements with buyers of E'Island Lake Haven in October 2019. As of 31 December 2019, we have secured 180 units of sales worth about RM75.1 million.

# Management Discussion & Analysis

(CONT'D)

### One Jesselton Waterfront, Kota Kinabalu

On 24 January 2020, we signed a supplemental agreement with Suria Capital Holdings Berhad to vary certain terms of our joint-venture agreement in relation to our flagship development, One Jesselton Waterfront in Kota Kinabalu. One Jesselton Waterfront is an integrated waterfront development within Jesselton Waterfront City master plan. It would comprise a 390,000 sq ft Net Lettable Area (NLA) shopping mall, a 4-star Hotel & Spa, a Grade A corporate office tower, 330-units of waterfront condominiums and 325-units of serviced residences. It is poised to become an iconic landscape as the city's new waterfront and premier tourism frontier which is marina focused, complete with its own ferry jetty and international cruise terminal. All these developments are paving the way for the regeneration of the old Jesselton port area.

On the approval process, the Central Planning Board (CPB) has received the feedback from all technical departments for the development and is currently listing the interim development plan (IDP) to be tabled in the next CPB meeting for final approval. Concurrently, we are also in the midst of enhancing the product layout plans for the hotel, waterfront condominiums and serviced residences to meet the international standards.

We have completed all site investigation (S.I.) works on 11 June 2019 which are crucial for the design of the foundation work for the development. The Group is working with world renowned architects, designers and professionals to ensure that One Jesselton Waterfront would be designed in compliance with international seismic requirements.

*Signing of the One Jesselton Waterfront Supplemental Agreement with Suria Capital Holdings Berhad*

*One Jesselton Waterfront, Kota Kinabalu*

### Contours, Melawati Heights

Contours comprises 40 units of freehold, gated and guarded twin courtyard villas in Melawati Heights, Kuala Lumpur. The project, featuring a private lift for each villa, was launched in July 2010 and completed in March 2014 with a GDV of RM157.4 million. As at 31 December 2019, we have sold 33 units, and target to monetise the remaining 7 units over the next 18-months.

*Contours, Melawati Heights*

# Management Discussion & Analysis

(CONT'D)

## C) IBS MANUFACTURING

### SEDCO Precast

The Group has, through its wholly-owned subsidiary Sinajasa Sdn Bhd, undertook a joint-venture with the Sabah Economic Development Corporation and holds 49% in SEDCO Precast. SEDCO Precast is an IBS-status manufacturer, engaged in the manufacturing and sales of concrete and pre-cast concrete products in Sabah. SEDCO Precast operates on an 18.67-acre parcel of industrial land in Tuaran, Sabah and is currently the largest precast concrete supplier in Sabah. The plant currently has an annual production capacity of 36,000 MT, which could be expanded to 150,000 MT per annum.

*Construction of affordable homes using SEDCO Precast's product*

## D) INVESTMENTS

### Petronas Basecamp in Sipitang

The Petronas Basecamp in Sipitang, is part of the Group's strategy to expand its recurring income base. Currently, we have an agreement with Petronas to provide "base-camp" facilities in Sipitang, Sabah. As at 31 December 2019, 79% of the borrowings of RM40 million that we undertook to build the facility has been paid, and will be fully paid by October 2020. Our first 5-years is set to expire in 1Q21 and we have commenced negotiations with Petronas to extend the agreement for another 5-years until 2026, generating RM56.8 million in rental income during the period.

*Petronas Basecamp in Sipitang*

*Petronas Basecamp in Sipitang*

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1 E'Island Lake Haven, Puchong
2 One Jesselton Waterfront, Kota Kinabalu
3 The Peak, Johor Bahru City Centre
4 E'Island Lake Haven, Puchong

# OUTSTANDING OPULENCE

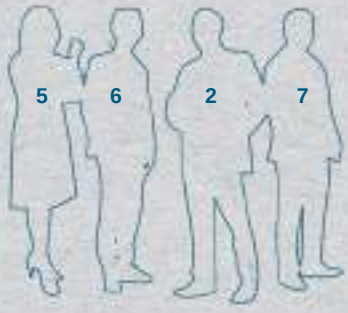
We go to great lengths to endow our prestigious developments with coveted luxury. Thus our customers can constantly enjoy the finer things in life.

# BOARD OF DIRECTORS

# Board of Directors

(CONT'D)

1 **Y.M. TUNKU ALIZAN BIN RAJA MUHAMMAD ALIAS** *Independent Non-Executive Director and Chairman*
2 **DATUK KAMARUDIN BIN MD. ALI** *Senior Independent Non-Executive Director*
3 **DATO' AZIZAN BIN JAAFAR** *Executive Director and Group Chief Executive Officer*
4 **DATO' OW CHEE CHEOON** *Executive Director and Group Deputy Chief Executive Officer*
5 **OW YIN YEE** *Executive Director and Group Chief Financial Officer*
6 **LOO CHOO HONG** *Independent Non-Executive Director*
7 **MUK SAI TAT** *Independent Non-Executive Director*



# BOARD OF **DIRECTORS' PROFILE**

## Y.M. TUNKU ALIZAN BIN RAJA MUHAMMAD ALIAS

**Independent Non-Executive Director and Chairman**

**Malaysian** **Male** **Age 53**

### Academic / Professional Qualifications:

- LLM from the University of Bristol (1993)
- LLB (Honours) from the University of Malaya (1991)

### Date of Appointment:

- 17 March 2017

### Membership of Board Committees:

- Member of Risk Management Committee

### Working Experience:

In 1991, Y.M. Tunku Alizan was admitted as an Advocate & Solicitor of the High Court of Malaya. He formed Messrs. Zul Rafique & Partners in 1999 together with Dato' Zulkifly Rafique and several other partners. He has been exposed to a wide range of legal experiences in his twenty-eight (28) years of post-qualification, specialising in the areas of Corporate and Construction Law.

### Directorships of other Public Companies:

Y.M. Tunku Alizan does not hold any directorship in other public companies and listed issuers.

His interest in the securities of the Company is as disclosed on pages 209 and 211 of this Annual Report.

### No. of Board of Meeting Attended for FYE2019:

Y.M. Tunku Alizan attended five (5) out of six (6) Board Meetings of the Company.

# Board of Directors' Profile

(CONT'D)

## DATUK KAMARUDIN BIN MD. ALI

**Senior Independent Non-Executive Director**

**Malaysian** **Male** **Age 69**

### Academic / Professional Qualifications:

- Diploma in Engineering from Technical College Kuala Lumpur (1973)
- Bachelor of Science Degree in Mechanical Engineering from The University of Strathclyde, Glasgow, United Kingdom (1976)
- Masters of Science in Engineering from the University of Birmingham, United Kingdom (1980)
- Attended a course on Finance and Budgeting at the University of Pittsburgh, United States of America (1990)
- Attended a Post Graduate Course at the prestigious Royal College of Defence Studies, United Kingdom (2001)

### Date of Appointment:

- 06 July 2011 - Chairman of the Board
- 17 March 2017 - Redesignated as Senior Independent Non-Executive Director

### Membership of Board Committees:

- Chairman of Remuneration Committee
- Member of Audit Committee
- Member of Nomination Committee
- Member of Risk Management Committee

### Working Experience:

He joined the Royal Malaysian Police (RMP) force as a probationary inspector in 1970. During his tenure with the RMP, he was appointed to several posts which included the Chief Police Officer of Kuala Lumpur and Johor Darul Takzim and Director of Management RMP. Being a professionally qualified and experienced police officer, he has extensive knowledge and skills in logistic management, manpower development, strategic planning, training and development, recruitment and selection, career development and crime prevention gained through a wide range of command posts and managerial capacities held during his tenure in the RMP.

### Directorships of other Public Companies:

Datuk Kamarudin also holds directorships in ECM Libra Group Berhad, Ann Joo Resources Berhad and various other private limited companies.

His interest in the securities of the Company is as disclosed on pages 209 and 211 of this Annual Report.

### No. of Board of Meeting Attended for FYE2019:

Datuk Kamarudin attended all six (6) Board Meetings of the Company.

# Board of Directors' Profile

(CONT'D)

## DATO' AZIZAN BIN JAAFAR

**Executive Director and Group Chief Executive Officer**

**Malaysian** **Male** **Age 52**

### Academic / Professional Qualifications:

- Bachelor of Science in Quantity Surveying from the University of Salford, United Kingdom (1992)

### Date of Appointment:

- 06 July 2011 - Independent Non-Executive Director
- 02 November 2012 - Redesignated as Executive Director
- 25 April 2016 - Appointed as Chief Executive Officer
- 01 January 2017 - Redesignated as Group Chief Executive Officer

### Membership of Board Committees:

- Member of Risk Management Committee

### Working Experience:

Dato' Azizan has more than 27 years of experience in the construction industry and 10 years in property industry. He began his career in 1990 with Warrington Martin as an Assistant Quantity Surveyor in Manchester, the United Kingdom. He then joined a London firm, Henry Riley & Sons in 1992 as a Quantity Surveyor and remained working in the United Kingdom until 1995. Upon returning to Malaysia, he became a Senior Quantity Surveyor at Taisei Corporation.

In 1996, he joined Ahmad Zaki Sdn Bhd as a Contracts General Manager, where he was subsequently appointed as a Senior Executive Director. During the period from 2005 to 2009, he was also responsible for the operations of Ahmad Zaki Sdn Bhd in India and Saudi Arabia.

In 2009, Dato' Azizan started his business in construction where he founded Dasa Sentosa Sdn Bhd. In April 2013, he then expanded into the property development business after acquiring a stake in Tanah Makmur Kotasas Sdn Bhd. Today, KotaSAS, Bandar Baru Kuantan is recognized as the largest township in Pahang.

### Directorships of other Public Companies:

At present, Dato' Azizan is a director of all of our subsidiaries and holds several other directorships in a number of private limited companies.

His interests in the securities of the Company are as disclosed on pages 209 and 211 of this Annual Report.

### No. of Board of Meeting Attended for FYE2019:

Dato' Azizan attended all six (6) Board Meetings of the Company.

# DATO' OW CHEE CHEOON

**Executive Director and Group Deputy Chief Executive Officer**

**Malaysian** **Male** **Age 59**

## Academic / Professional Qualifications:

- Bachelor of Engineering from Monash University, Australia (1986)

## Date of Appointment:

- 06 July 2011 - Executive Director
- 25 April 2016 - Appointed as Deputy Chief Executive Officer
- 01 January 2017 - Redesignated as Group Deputy Chief Executive Officer

## Membership of Board Committees:

- Member of Risk Management Committee

## Working Experience:

Dato' Ow has more than 28 years of experience in the construction and property development industries and is the co-founder of Motibina Sdn Bhd ("Motibina") and AQRS The Building Company Sdn Bhd ("AQRS"). He began his career in 1986 as a Site Engineer with Sungei Way Construction Sdn Bhd (now known as Sunway Construction Group Berhad), where he was involved in several property development as well as Civil Engineering projects. In 1989, he moved to Melbourne, Australia, where he took up a Municipal Engineer's position in the City of Mentone.

Subsequently, he joined an international builder, Baulderstone Hornibrook as a Project Engineer where he was actively involved in the construction of the Australian Commonwealth Offices, a high-rise building project in Melbourne. Dato' Ow then returned to Malaysia in 1991 and was appointed as an Executive Director of Dekon Sdn Bhd where he helmed and managed a staff force of over 80 employees until the year 1996. He was primarily responsible for the company's construction business operations.

With his diverse experience in the construction industry, Dato' Ow co-founded Motibina in 1996 and formed AQRS in 2003. In AQRS, he is responsible for managing its day-to-day operations, strategic planning and business development.

## Directorships of other Public Companies:

He is currently a director of all of our subsidiaries and holds several other directorships in a number of private limited companies.

He is also the brother of Ms Ow, a Group Chief Financial Officer of the Company. His interests in the securities of the Company are as disclosed on pages 209 and 211 of this Annual Report.

## No. of Board of Meeting Attended for FYE2019:

Dato' Ow attended all six (6) Board Meetings of the Company.

# Board of Directors' Profile

(CONT'D)

## OW YIN YEE

**Executive Director and Group Chief Financial Officer**

**Malaysian** **Female** **Age 52**

### Academic / Professional Qualifications:

- Bachelor Degree in Economics (Majoring in Accounting and Finance) from Monash University, Melbourne, Australia (1990)
- A Fellow Certified Practising Accountant with Certified Public Accountant (CPA) Australia and Chartered Accountant with MIA (since 2001)

### Date of Appointment:

- 12 October 2017 - Executive Director
- 28 December 2017 - Redesignated as Group Chief Financial Officer

### Working Experience:

Ms Ow has 29 years of working experience in the areas of accounting, commercial business, finance and taxation. She began her career in 1991 with Kassim Chan Tax Services Sdn Bhd as a Tax Executive. She then progressed in her profession as an Accountant for Sunway Building Technology Bhd in 1996.

Between the years 1999 to 2004, she had transitioned into a few commercial companies namely Pioneer Sun-Mix Concrete Sdn Bhd as Commercial cum Accounting Manager, Hanson Pioneer JV Co. as Business Process Manager and Hanson Quarry Products Sdn Bhd as Tax Manager before she re-joined Sunway Group in year 2004 as the Senior Manager of Finance with Sunway Shared Services Centre Sdn Bhd. She was later promoted to Assistant General Manager of Finance in Sunway Shared Services Centre Sdn Bhd in year 2010.

Towards late year 2011, Ms Ow joined the subsidiary of the Gabungan AQRS Berhad as Group Accountant and was subsequently promoted as General Manager Finance in year 2014. She was redesignated to Group Financial Controller of the Company in year 2016.

### Directorships of other Public Companies:

She is currently a director in some of our subsidiaries.

She is the sister of Dato' Ow Chee Cheoon, the Group Deputy Chief Executive Officer of the Company. Her interests in the securities of the Company are as disclosed on pages 209 and 211 of this Annual Report.

### No. of Board of Meeting Attended for FYE2019:

Ms Ow attended all six (6) Board Meetings of the Company.

# Board of Directors' Profile

(CONT'D)

## LOO CHOO HONG

**Independent Non-Executive Director**

**Malaysian** **Male** **Age 47**

### Academic / Professional Qualifications:

- Member of the ACCA (1998) and a fellow member of the accountancy body
- Member of the MIA (since 2001)
- Associate member of the Institute of Internal Audit (since 2005)

### Date of Appointment:

- 06 July 2011 - Chairman of the Board

### Membership of Board Committees:

- Chairman of the Audit Committee
- Member of Nomination Committee
- Member of Remuneration Committee
- Member of Risk Management Committee

### Working Experience:

Mr Loo commenced his career as an Audit Assistant in a local accounting firm in 1998 and subsequently left as an Audit Supervisor in 2001, before he joined K.H. Kwong & Company as an Audit and Tax Manager. In 2005, he founded Messrs C.H. Loo & Co. and Pro Cast Management Services which offer various professional corporate and management services. Pro Cast Group of Companies was merged with ASQ Group in January 2018, he is currently the tax director of ASQ Tax Services Sdn. Bhd. and the Principal of C.H. Loo & Co.

### Directorships of other Public Companies:

Mr Loo is also an Independent Non-Executive Director and the Chairman of the Audit Committee of Wang-Zheng Berhad and Timberwell Berhad. In addition, he holds several other directorships in a number of private limited companies.

His interest in the securities of the Company is as disclosed on page 209 of this Annual Report.

### No. of Board of Meeting Attended for FYE2019:

Mr Loo attended all six (6) Board Meetings of the Company.

# Board of Directors' Profile

(CONT'D)

## MUK SAI TAT

**Independent Non-Executive Director**

| Malaysian | Male | Age 56 |
|---|---|---|

### Academic / Professional Qualifications:

- Masters of Business Administration (General Management) from the University of Bath, United Kingdom (1996)
- A Certified Public Accountant (CPA) (1990)
- A Member of the MIA (since 1990)

### Date of Appointment:

- 02 November 2012

### Membership of Board Committees:

- Chairman of the Risk Management Committee
- Chairman of the Nomination Committee
- Member of Audit Committee
- Member of Remuneration Committee

### Working Experience:

He began his working career in 1983 with PriceWaterhouseCoopers as an Audit Assistant and progressed to Audit Senior upon qualification and acceptance into the Malaysian Institute of Certified Public Accountants (MICPA) in 1989. In September 1990, he joined Ogilvy & Mather (Malaysia) Sdn Bhd as Accountant and later joined Energizer Battery Company (M) Sdn Bhd in 1991 as Sales Accounting Manager and Financial Analyst. In 1996, he joined Emerson Electric (M) Sdn Bhd as a Financial Controller – Southeast Asia.

Subsequently, he joined Pernas Otis Elevator Co. Sdn Bhd and Otis Manufacturing Company Sdn Bhd in 1999 as a Financial Controller/Chief Financial Officer. In 2000, he was appointed as General Manager in Skyline Concepts Sdn Bhd and later joined Concino Sdn Bhd in 2001 as the Group Chief Executive Officer, where he oversaw a wide range of businesses from media, manufacturing, trading, and hospitality.

Mr. Muk was the Group Chief Executive Officer/Executive Director of Mangium Industries Berhad, a sustainable industrial tree plantation management company, from 2003 to 2007. He then joined WaKa Partner AG/Forestry Investment Trust (F.I.T.) and WaKa-Forest Investment Services AG (WaKa-FIS) in 2007 as a Representative for Asia and as a Director in Asia Pacific for WaKa-FIS in 2009.

In 2010, he was appointed as Executive Director of TT Resources Bhd. Subsequently he became a Partner/Consultant in Asian Business Solutions Sdn. Bhd.

### Directorships of other Public Companies:

NIL

### No. of Board of Meeting Attended for FYE2019:

Mr Muk attended all six (6) Board Meetings of the Company.

*Notes:-*

*Save as disclosed above, none of the Directors has:-*
*(a) directorship in other public companies;*
*(b) any family relationship with any Director and/or major shareholder of the Company;*
*(c) any conflict of interest with the Company;*
*(d) any conviction for offences (other than traffic offences) within the past five (5) years; and*
*(e) any sanction and/or penalty imposed by any regulatory bodies.*

# KEY SENIOR **MANAGEMENT**

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# KEY SENIOR MANAGEMENT'S PROFILE

## 1 IR. BAKRI BIN ISHAK

**Managing Director, Construction Division**

**Malaysian** | **Male** | **Age 59**

**Date of Appointment**

- 02 April 2012 – Operation Director
- 26 May 2016 – Redesignated as Chief Operating Officer of Construction Division
- 01 March 2018 – Promoted as Managing Director, Construction Division

**Academic / Professional Qualifications:**

- Bachelor Degree in Civil Engineering from University Malaya (1985)
- Postgraduate Master Degree in Civil and Environmental Engineering from Kumamoto University, Japan (1994)
- Registered Practising Professional Engineer with Board of Engineers Malaysia (1995)

**Working Experience:**

Upon graduation in 1985, **Ir. Bakri bin Ishak** started his career as a Design Engineer with Public Works Department of Malaysia (JKR) and later was promoted as a District Engineer. After ten years of serving, JKR sent him for a Master's Degree in Japan for two years and upon returning in 1994, he was seconded to KLIA Berhad to lead the construction of KL International Airport (KLIA) and was promoted to be Assistant General Manager, Construction. Subsequently, he joined Ahmad Zaki Sdn Bhd (AZRB) as a Project Manager. After eleven years of service in AZRB, he left as an Executive Director, Operation and joined Gabungan Strategik Sdn Bhd, as an Operation Director in Construction Division in 2012.

Having about 34 years working experience in the construction industry, Ir. Bakri Ishak has vast hands-on experience as a Project Manager and Project Director for various construction projects including low-medium rise buildings, high-rise buildings and infrastructures of both elevated highways, interchanges and rail tracks. Amongst the projects that he has been involved in include the first Mass Rapid Transit V1 (MRT-V1), Jalan Duta Highway, Persiaran Putrajaya and other developments as well as housing and shop-lot development, hospitals, stadiums, universities, mosques and other public amenities such as Masjid Tuanku Mizan (Putrajaya), Universiti Teknologi Petronas and several other well-known buildings.

With a great exposure in construction of variety of projects, the educational team of UTM and KLIA invited him to be a guest lecturer to specifically share his valuable experience and to give a lecture on Safety Engineering to Executive Master in Occupational Safety & Health (EMOSH) course students. Apart from that, he was also selected to be a member of various subcommittees as a Technical Advisor such CIDB, UTM and KLIA College.

# Key Senior Management's Profile

(CONT'D)

## 2 IR. TAI JIUNN HONG

**Managing Director, Property Division**

**Malaysian** | **Male** | **Age 42**

**Date of Appointment**

- March 2015 – Division Head
- 26 May 2016 – Redesignated as Chief Operating Officer of Property Division
- 01 March 2018 – Promoted as Managing Director, Property Division

**Academic / Professional Qualifications:**

- Bachelor Degree in Civil Engineering (Honours) majoring in Construction Management from University of Technology Malaysia (2001)
- Master of Business Administration (Honours) majoring in Finance and Strategic Management from University of Malaya (2005)
- Board of Engineer (BEM) Registered Professional Engineer with Practising Certificate (PEPC) (since 2006)
- Ordinary Corporate Member of International Real Estate Federation (FIABCI) Malaysian Chapter (since 2013)
- Member of REHDA Selangor Chapter, Malaysia (since 2015)

**Working Experience:**

**Ir. Tai Jiunn Hong** has more than 19 years of working experience in the industry of civil, structural, geotechnical engineering and property development. He began his career with Tonkin & Taylors Malaysia as a Structural and Geotechnical Engineer in 2001. He obtained his Masters of Business Administration with major in Finance and Strategic Management in 2005 and subsequently moved into property development. He joined CP Landmark Sdn Bhd in 2005 and was involved in the redevelopment of the mixed development of Queensbay, Penang.

In year 2008, he joined Bandar Raya Development Berhad ("BRDB"). He was with BRDB for more than 6 years as an Assistant General Manager and was involved in the redevelopment of boutique premium malls namely, Bangsar Shopping Center, BRDB Class A Office Tower, high-end condominium One Menerung, Serai at Bukit Bandaraya and many more high-end mixed and integrated developments locally and overseas.

## 3 ABD RAZAK BIN ABD MANAN

**Executive Director, Operations**

**Malaysian** | **Male** | **Age 51**

**Date of Appointment**

- October 2017 – Senior Project Director
- 01 March 2018 – Appointed as Executive Director, Operations

**Academic / Professional Qualifications:**

- Bachelor Degree of Science in Civil Engineering from the University of Colorado at Denver USA (December 1991)
- Master of Science in Structural Engineering from University of Manchester Institute of Technology United Kingdom (November 1993)

**Working Experience:**

**Abd Razak bin Abd Manan** is an enthusiastic and dedicated professional with over 26 years working experience derived from wide varieties of prestigious and landmark projects in different engineering and management capacity built upon strong technical knowledge and organisational skill.

He started his career with SIRIM as a Research Officer and served for 2 years before steadily chartering his professional advancement to assume significant roles in major infrastructure and building projects beginning with KLIA as Project Engineer with Taisei Consortium, prior to joining Ahmad Zaki Sdn Bhd as Senior Project Engineer in 1998 for Realignment B15 road at Putrajaya and Cyberjaya project. He was later promoted to Project Director of Construction Department and oversaw various projects such as the Subang Kelana Link, LPT highway Project and Jitra Kodiang Roadworks.

He further developed his professional progression in construction and engineering when he was with Dasa Sentosa Sdn Bhd as a Project Director for school projects and held similar position with Syarikat Muhibah Perniagaan dan Pembinaan Sdn Bhd for MRT Package V1 project.

# Key Senior Management's Profile

(CONT'D)

## 4 SI SO TIAN ANN

**Executive Director, Contracts**

**Malaysian** | **Male** | **Age 51**

**Date of Appointment**

- 02 January 2015 – Assistant General Manager for Post Contracts Department
- 26 May 2016 – Re-designated as Head of Pre & Post Contracts Departments
- 01 March 2018 – Promoted as Executive Director, Contacts

**Academic / Professional Qualifications:**

- Bachelor of Applied Science in Construction Management and Economics from Curtin University of Technology, Australia (2000)
- Registered Provisional QS, Board of Quantity Surveyors Malaysia

**Working Experience:**

**Si So Tian Ann** has about 28 years of experience in the construction industry and involved in various construction and development contracts. During his tenure with the company, he spearheaded the team in the procurement and contracts management for the projects undertaken by the company.

## 5 IR. SUDIRMAN BIN KAMAL

**Vice President, Technical**

**Malaysian** | **Male** | **Age 61**

**Date of Appointment**

- 02 January 2013 – Operation Manager
- 01 March 2018 – Promoted as Vice President, Technical

**Academic / Professional Qualifications:**

- Bachelor Degree of Science in Civil and Structural Engineering from University of Aston, Birmingham (1981)
- Member of the Board of Engineers (BEM) (since 2010)
- Member of Institute of Engineers (IEM) (since 2010)
- Member of the Associate Asean Engineer (AAE) (since 2012)
- Member of the Professional Engineer with Practicing Certificate (PEPC) (since 2017)

**Working Experience:**

**Ir. Sudirman bin Kamal** had accumulated a total of 38 years of experience in the industry, from the aspects of planning, designing, tendering, managing and supervision covering the construction and maintenance of roads, bridges, buildings, infrastructure works including public amenities, elevated roadways, MRT viaducts and stations.

He began his career with Jabatan Kerja Raya, with responsibilities include designing, managing and supervising a myriad of projects that are both State and Federal funded. He served in the public service for 16 years, out of which, 5 years was with the Implementation Coordination Unit, Prime Minister's Department involving the appointment of associated consultants for all Government Ministries and meetings with all State Governments on the distribution of funds from JICA, World Bank and Asian Development Bank. He also served 3 years with the design section of JKR Terengganu where he was responsible for project implementation of Government projects and spent 3-years as JKR Marang District Engineer.

Upon leaving the public service, he was appointed as a Project Director with Contrail Sdn Bhd, involving himself with the construction of Package CA01, KLIA 1 and the underpass of the KTM rail line near Bank Negara for a period of 5 years before joining Khairi Consult in the capacity of Chief Resident Engineer undertaking the demolition of Pudu Jail for the construction of the Bukit Bintang Underpass Tunnel in early 2009. Subsequently, he joined Syarikat Muhibbah Perniagaan dan Pembinaan as the Interfacing Manager handling MRT Line 1, Package V1 project on 01 September, 2012.

# Key Senior Management's Profile

(CONT'D)

## 6 SR. MUSTAFA BIN MOHD SAID

**Vice President, Contracts**

**Malaysian** | **Male** | **Age 41**

**Date of Appointment**

- 02 June 2015 – Contract Services Manager
- 01 March 2018 – Promoted as Vice President, Contracts

**Academic / Professional Qualifications:**

- Bachelor Degree of Quantity Surveying from Universiti Teknologi Mara (UiTM) (2002)
- Registered Quantity Surveyor of Board of Quantity Surveyors, Malaysia (since 2017)
- Member of The Royal Institution of Surveyors Malaysia (since 2017)

**Working Experience:**

**Sr. Mustafa Bin Mohd Said** has more than 17 years' experience in various contracts especially in construction and property development. He began his career in 2002 with Ahmad Zaki Sdn Bhd as an Assistant Quantity Surveyor. He was subsequently transferred to Ahmad Zaki Saudi Arabia Ltd in year 2005 until 2009 where he responsible for handling contracts and procurements for all Saudi projects. He was involved in overseeing the project construction of Alfaisal University Project (Riyadh), King Abdullah University (Jeddah) and Jabal Omar (Mecca).

Upon returning to Malaysia, he became the Contracts Manager for Dasa Sentosa Sdn Bhd, handling government school projects around the Klang Valley. In 2012, he joined Syarikat Muhibbah Perniagaan dan Pembinaan Sdn Bhd as a Contracts Manager, where he was handling contracts and procurements for MRT Package V1 – Kota Damansara – Sungai Buloh.

## 7 THUM PENG YONG

**Vice President, Operations**

**Malaysian** | **Male** | **Age 57**

**Date of Appointment**

- 15 November 2008 – Operations Manager
- 01 June 2013 – Promoted as Assistant General Manager, Operations
- 01 June 2014 – Promoted as General Manager, Operations
- 26 May 2016 – Redesignated to Deputy Chief Operation Officer, Operations
- 01 March 2018 – Appointed as Vice President, Operations

**Academic / Professional Qualifications:**

- Bachelor Degree of Science in Civil and Structural Engineering from the University of Manchester Institute of Science and Technology (UMIST) United Kingdom (1984)

**Working Experience:**

**Thum Peng Yong** has more than 34 years' experience in the construction industry. With his professional qualification and vast experience, the projects undertaken and successfully completed covers a wide range of projects which comprises of residential and commercial developments, high rise condominiums and apartments, public buildings and infrastructure works including the MRT SBK Line - Package V1.

# Key Senior Management's Profile

(CONT'D)

## 8 CHEW WEI SHIN

**Vice President, Development**

**Malaysian** | **Male** | **Age 41**

**Date of Appointment**

- 15 July 2015 – Project Manager, Development
- 26 May 2016 – Senior Development Manager, Development
- 01 March 2018 – Vice President, Development

**Academic / Professional Qualifications:**

- Bachelor Degree (Hons) in Civil Engineering from University of Technology, Malaysia (year 2002)

**Working Experience:**

**Chew Wei Shin** has more than 17 years' experience in the construction and property development industries, including construction of institutions, high end residential and commercial developments.

Upon his graduation from university, he joined a local contractor firm as a Project Engineer and was involved in various infrastructure projects for the private sectors and construction projects for government institutions.

In 2010, he took up a new challenge in the development industry as Assistant Manager in Sunway City Berhad and was responsible for the expansion of Monash University, Sunway University as well as Sunway Medical Center. He further strengthened his experience in high end residential developments in year 2013 by joining Perdana Park City, the developer for award winning-township Desa ParkCity, Kuala Lumpur. The high end mix development - The Breezeway was one of the prestigious projects that he was involved in.

## 9 MUHAMMAD RIDHWAN BIN EFFENDY

**Vice President, Strategic Planning & Investment (CEO's Office)**

**Malaysian** | **Male** | **Age 30**

**Date of Appointment**

- 02 April 2018 – Vice President of Strategic Planning & Investment under the CEO's Office

**Academic / Professional Qualifications:**

- Bachelor of Commerce, majoring in Banking and Finance from Monash University (2012)

**Working Experience:**

**Muhammad Ridhwan bin Effendy** started his career in UOB Kay Hian Securities as an Equity Research Associate in 2012. He assisted in covering the Malaysian construction, property, REIT and oil & gas sectors. In 2014, he managed the coverage of the Malaysian construction and property sectors as an Investment Analyst. In 2016, he went on to assume the position of Senior Analyst within the same sectors. In 2017, he was awarded two of The Edge's Best Call Awards.

*Notes:-*

*Save as disclosed above, none of the key personnel has:-*

*(a) directorship in other public companies;*
*(b) any family relationship with any Director and/or major shareholder of the Company;*
*(c) any conflict of interest with the Company;*
*(d) any conviction for offences (other than traffic offences) within the past five (5) years; and*
*(e) any sanction and/or penalty imposed by any regulatory bodies.*

# SUSTAINABILITY STATEMENT

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# ABOUT THIS **SUSTAINABILITY STATEMENT**

**Gabungan AQRS Berhad outlines our Group's overall sustainability efforts and initiatives towards risks management and sourcing opportunities by integrating economic, environmental and social ("EES") aspects.**

> **"Any forward-looking statements found in this report is based on information, plans, prospects, management policies and strategies available at the time of publication."**

### Reporting Period

This report covers the twelve-month period from 1 January 2019 to 31 December 2019; and where applicable, historical data from preceding years has been included for comparison. Any forward-looking statements found in this report is based on information, plans, prospects, management policies and strategies available at the time of publication.

### Reporting Procedure & Assurance

This report has been prepared in accordance with "Global Reporting Initiative ("GRI") Standards: Core Option and Bursa Malaysia's Main Market Listing Requirements.

This report is made in accordance with a resolution of the Board of Directors dated 21 May 2020.

### Scope & Boundary

This report covers only the active and significant operating business units with focus on key risks and challenges based on the materiality assessment exercise. Unless otherwise stated, the information presented in this Report discloses only business activities in Malaysia.

### Reporting Guidelines

Sustainable Development Goals, EES Principles and Bursa Malaysia's Sustainability Reporting Guide, Global Reporting Initiative.

"From Good to Better, Now going to be Great ("GBG")"

# MESSAGE FROM THE GROUP CEO

**Dear Stakeholders,**

At Gabungan AQRS Berhad, we continuously reinforce and improve on our business practices with good corporate governance standards to protect the Group's long-term business activities and ensure that it is being executed in a sustainable manner.

We are constantly improving on our sustainability activities for our current business operations, as well as innovating fresh initiatives which our Group will be undertaking and will benefit from in the coming years.

We continue to be guided by the global recognised trends like the United Nations Sustainable Development Goals ("UN SDGs"), Bursa Malaysia Sustainability Development Guide and Global Reporting Initiative.

Great emphasis is placed on developing the well-being of the local communities where our Group operates. We firmly stand against exploitation of human lives and any forms of discrimination, forced or bonded labour, child labour and human trafficking.

Over the years since our inception, progressive steps have been taken to continuously inculcate good corporate governance practices aimed towards safeguarding the Group's long-term sustainability.

We are confident that with the support and commitment from all stakeholders, the Company is ready and steadfast to reach greater heights as we forge ahead into the next chapter of our successful growth journey.

**Dato' Azizan bin Jaafar**
Group Chief Executive Officer
21 May 2020

# Sustainability Statement

(CONT'D)

## 2019 SUSTAINABILITY HIGHLIGHTS

### ECONOMIC

**RM36.9**
million
**Profit After Tax**

**RM470.4**
million
**Total Market Capitalization**

**RM30.1**
million
**Tax Payment**

**RM414.0**
million
**Revenue**

**RM44.1**
million
**Operating Cost**

**RM36.6**
million
**Employee wages and benefits**

**RM20.4**
million
**Payment to Capital Providers**

**Economic growth by**
**1 basis point**
**for nation building project**

# Sustainability Statement

(CONT'D)

## ENVIRONMENTAL

**21%**
**Green Area Initiative**
**E'Island Lake Haven, Puchong**

**Best Practices on**
**Construction Solid Waste Management**

**Carbon emission reduced by**
**18%**

## SOCIAL

**Over**
**300**
**strong workforces**

**Best Employer Brand Award**

**Reduce**
**30%**
**highway congestion**

**45**
**training programmes for employees**

**over**
**130**
**women workforce (30%)**

**0.6%**
**of Profit After Tax for charity works**

# Sustainability Statement

(CONT'D)

## SOCIAL

**Value of**
**Pahang Patriotism**

**ISO45001:2018**
**certified**

**Employees**
**38%**
**youth workforce**

**Zero fatalities and permanent disabilities**
**occurred at work reported for the year**

**12**
**Long Service Award Recipients**
**from 2017 to 2019**

**100%**
**Local manpower workforce**

# SUSTAINABILITY GOVERNANCE

## Sustainability Principles and Values

We assess and determine our sustainable business practices based on material issues that are relevant to the Group's business operations and by evaluating the risks and opportunities in these selected areas. Accordingly, we have been able to set our sustainability priorities in a holistic approach to strengthen our business growth momentum in a sustainable and balanced manner adhering to three key impact factors:-

| Sustainability Areas | Impact Factors |
|---|---|
| **Economic** | Expanding our business value chain segments to areas that can contribute towards long-term sustainable growth and bring about positive economic impact to the local communities. |
| **Environment** | Supporting green initiatives and eco-friendly practices to protect the overall environment and safeguard the climate change effect. |
| **Social** | Empowering our people and developing our talents to scale greater heights besides reaching out to communities in which we operate by giving back to society, especially those in need through regular active engagements. |

The sustainability governance structure of Gabungan AQRS Berhad is led by a Management Sustainability Committee which reports to the Risk Management Committee. The Board of Directors is regularly updated and informed of the company's initiatives and its development progress.

*GBG is committed to fulfill the United Nation's Sustainable Development Goals*

# Sustainability Statement

(CONT'D)

## In Our Sustainability Governance Structure

The sustainability governance structure of Gabungan AQRS Berhad sets out the roles and responsibilities in addressing, managing and monitoring material issues and integrating our sustainability initiatives agenda into our daily business operations.

| Board of Directors | Board Sustainability Committee | Management Sustainability Committee |
|---|---|---|
| • Setting the tone and approve the sustainability budget<br>• Assume the overall ownership of the Group's sustainability agenda | • Assessing and determining the strategy and policy guidelines<br>• Review and approve the Group's sustainability policy guidelines in line with the Board's sustainability direction | • Day-to-day recording and monitoring of source data for compliance of practices<br>• Implement and monitor the Group's sustainability initiatives progress and recommend sustainability targets |

In our endeavor to further improve and enhance on our sustainability applications, GBG promotes the Sustainability Governance Structure framework with the formation of a Management Sustainability Committee. This further increases the level of oversight and commitment by the Board of Directors and allows better communication and coordination of our sustainability agenda across the organization.

The committee consists of key decision-making executives, with functions to review the performance of our sustainability initiatives.

Dato' Azizan bin Jaafar, Group Chief Executive Officer, heads the Management Sustainability Committee and oversees the execution of GBG's sustainable strategies.

> **"GBG promotes the Sustainability Governance Structure framework with the formation of a Management Sustainability Committee."**

# INDUSTRY AWARDS AND MARKET RECOGNITIONS

### 2019 Achievements and Milestones

GBG won the Best Employer Brand Award 2019. The award is given to those sharing the best practices in Employer Branding and outstanding professionals in Malaysia who are contributing to "Talent Management, Talent Development and Talent Innovation".

| Participating Company | Type | Awarder |
|---|---|---|
| Gabungan Strategik Sdn Bhd | Grade Registered G7 for year (2018 to 14.01.20) | SME Corp Malaysia and CIDB Malaysia |
| Gabungan AQRS Berhad | Best Employer Brand Award 2018 | 13th Employer Branding Awards |
| Gabungan AQRS Berhad | Best Under Billion Awards 2018 - Best Turnaround Story | Focus Malaysia |
| Gabungan AQRS Berhad | Best CEO for Investor Relations 2018 (Small Cap) | Malaysia Investor Relations Association |
| Gabungan AQRS Berhad | 3rd Merit Award for Most Improved CG Disclosure (2018) | Minority Shareholders Watch Group |
| Gabungan Strategik Sdn Bhd | HR Asia Best Companies to Work for in Asia 2018 | HR Asia |
| Gabungan AQRS Berhad | Best CEO for Investor Relations 2019 (Small Cap) | Malaysia Investor Relations Association |
| Gabungan AQRS Berhad | Best Employer Brand Award 2019 | 14th Employer Branding Awards |
| Gabungan AQRS Berhad | Community Development Recognition 2019 | The Golden Globe Tigers |
| Gabungan Strategik Sdn Bhd | Appreciation of Best Practices on Construction Solid Waste Management (2019) | SWCorp Malaysia / KPKT |

Our property division known as "GBG Property" was nominated by Ministry of Housing and Local Government (Kementerian Perumahan dan Kerajaan Tempatan, KPKT) as part of the team under the special programme of KPKT private developers' initiative to provide affordable housing.

Under the programme, KPKT targets to provide one million affordable homes over the next 10 years and the private housing developers are estimated to deliver 217,764 units out of the one million affordable homes over the 10 years duration. The pre-launching of the project was held at The Everly Hotel, Putrajaya on 8th November 2019 and was officiated by the Minister of Housing and Local Government (Kementerian Perumahan dan Kerajaan Tempatan, KPKT), Yang Berhormat Puan Hajah Zuraida Binti Kamaruddin.

*Gabungan AQRS Berhad won the hat trick of Best Employer Brand Award from 2017 - 2019*

# Sustainability Statement

(CONT'D)

KPKT was impressed with the design of E'Island Lake Haven, Puchong which is in line with National Affordable Housing Policy in terms of minimum unit built-up, utilization of technology to save cost and time, wide range of facilities that provide sustainability community living, last but not least at an affordable selling price. Upon evaluation, E'Island Lake Haven, Puchong has been accredited as part of the KPKT programme to provide one million affordable housing over the next 10 years. GBG Property is one of the twelve developers in Malaysia to receive the certification under this programme.

*GBG Property's Managing Director Ir. Tai Jiunn Hong receiving the award certificate from the Minister of Housing and Local Government, Yang Berhormat Puan Hajah Zuraida Binti Kamaruddin during the Pre-Launch Ceremony of Private Affordable Housing Projects at The Everly Hotel Putrajaya on 8 November 2019.*

## E'Island Lake Haven

GBG Property officially launched E'Island Lake Haven, Puchong on 26 April 2019. The development comprises 1,140 units with a total of 14 practically designed unit types, catering for the needs of various market segments. The concise development offers a wide array of facilities, including a 500-meter lakeside jogging and cycling track, multipurpose hall, lake-view gymnasium, lake-view children's pool, multiple playgrounds, childcare centre, surau, convenience shops and a multi-storey car park. The development also participated in REHDA 2019 Home Ownership Campaign (HOC 2019) which ended on December 31, 2019.

*GBG Property's Managing Director Ir. Tai Jiunn Hong explaining the E'Island Lake Haven, Puchong development concept to Minister of Housing and Local Government, Yang Berhormat Puan Hajah Zuraida binti Kamaruddin during the Private Affordable Housing Projects event at The Everly Hotel Putrajaya.*

# STAKEHOLDER ENGAGEMENT

Our stakeholders are important components to the Company's long-term success. Our constant interaction with many of our stakeholders has facilitated effective and continuous improvements in all areas of our operations. By understanding their expectations and responding to their concerns, we aim to strengthen our stakeholder's confidence in us. We seek to address our stakeholders' concerns through multiple forms of engagement as outlined below: -

| Stakeholder Group | Topics of Concern and Interest | Engagement Methods |
|---|---|---|
| Employees | • Health, safety and well-being<br>• Talent development, performance and rewards<br>• Fair and equal opportunity<br>• Company's benefits<br>• Training and education<br>• Diversity and inclusion | • New employee induction programme<br>• Annual Performance appraisal<br>• Career development<br>• Quality, Safety, Health briefings and trainings<br>• Technical and non-technical training programmes<br>• Regular department meetings<br>• Employee engagement activities |
| Clients / Customers | • Trust and Safety<br>• Connectivity<br>• Family-friendly facilities<br>• Delivery<br>• Defect rectifications<br>• Service Quality<br>• Customer Service and experience | • Project meetings<br>• Client engagement surveys and feedback forms<br>• Quality Assurance monitored by Quality Unit Department |
| Subcontractors and Suppliers | • Legal Compliance<br>• Payment schedule<br>• Equal Opportunity of bidding<br>• Completion deadline | • Periodic meeting and dialogue sessions<br>• Liaison with subcontractors / suppliers<br>• Engage with contract managers<br>• Contracts negotiation and bidding opportunities |
| Shareholders & Analysts | • Acquisition and expansion<br>• Risk Management<br>• Corporate Governance<br>• Reporting standards | • General meetings, quarterly results and annual report<br>• Walk-in visits and inquiries<br>• Investors' or Analysts briefing and engagements<br>• Corporate announcements |
| Community | • Work opportunities<br>• Environmental safety and protection | • Volunteering to help the underprivileged<br>• Control of waste and gas emission |
| Government | • Compliance with government policies<br>• Adhere to the law and regulation | • Support government initiatives in complying with the latest statutory development |
| Non-Governmental Organisation | • Consumerism<br>• Employee's human rights<br>• Environmental pollution and climate change | • Address consumers' complaints professionally<br>• Comply with the statutory labour law<br>• Address the NGO's concern professionally |

# Sustainability Statement

(CONT'D)

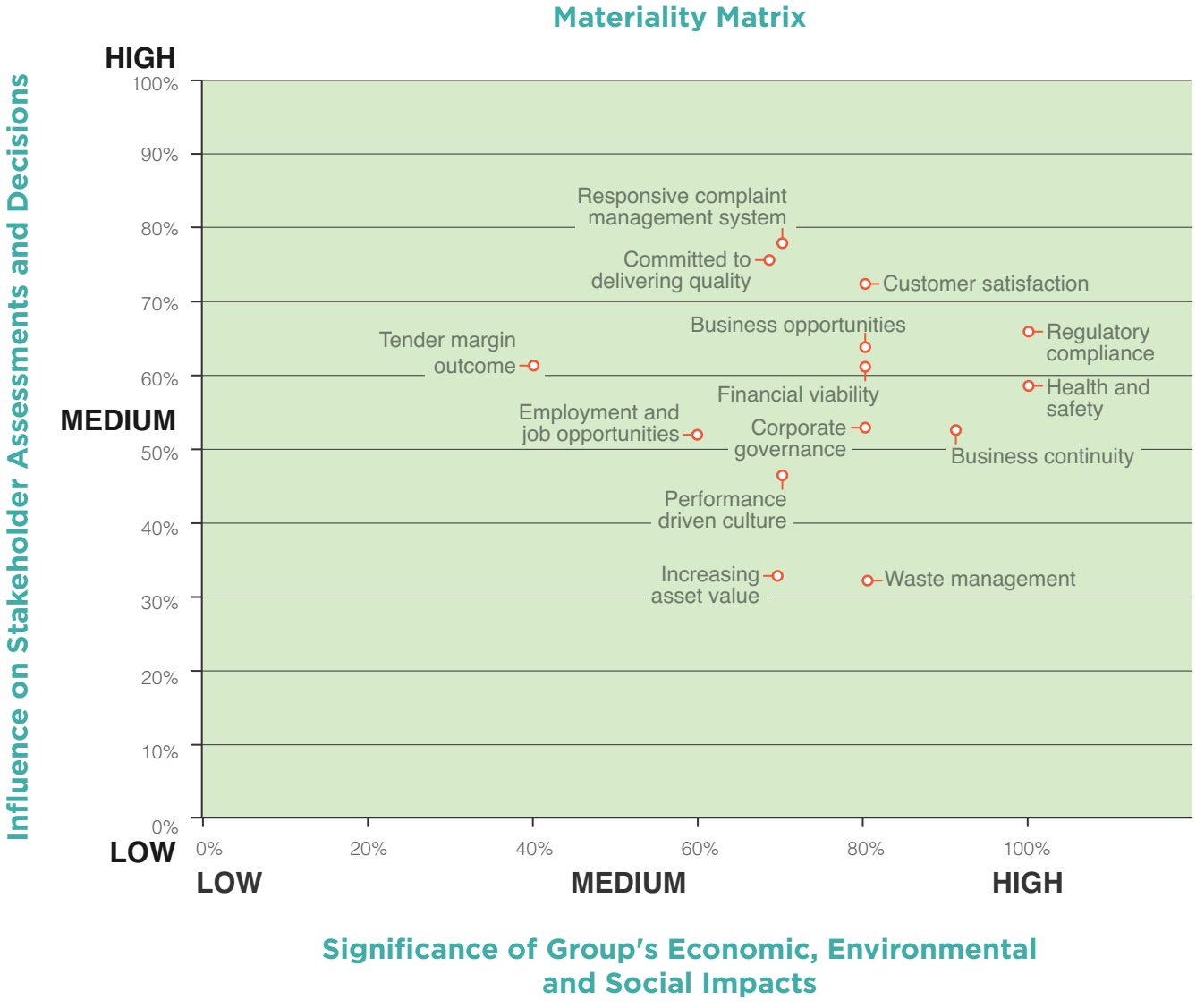
## ANALYSIS OF MATERIALITY

GBG has gathered the essential information on potential risk areas to determine and identify the material sustainability matters that may affect our business in relation to the economic, environment and social in which our business operates.

Key material areas were identified based on continuous feedbacks and views which were inputs communicated from both external and internal stakeholders.

The internal assessment was based on a 4-step approach as follows:

1) Issues identified from Key Risk Areas
2) Prioritization risk matrix employed
3) Review and feedback communicated by the stakeholders
4) Materiality assessment



# #GBGforeconomy

**GBG believes in value creation proposition and enhancement for our shareholders, employees and the communities in the areas where we operate in. Achievement of the financial targets remains our primary focus without compromising our code of ethics, the expectations of our stakeholders and our commitments towards sustainability. We have during the year incorporated the Anti-Bribery and Anti-Corruption Policy and strengthening the Whistle-Blowing mechanism.**

The breakdown of the direct economic value is as follows:-

| Economic Value Generated | 2017 RM'000 | 2018 RM'000 | 2019 RM'000 |
|---|---|---|---|
| Revenue | 462,305 | 585,330 | 413,987 |
| Economic Value Distributed | | | |
| Operating Costs | 55,882 | 51,393 | 44,109 |
| Employee Wages and Benefits | 21,540 | 33,750 | 36,551 |
| Payments to Providers of Capital | 21,448 | 28,863 | 20,446 |
| Statutory payment to Government | 20,135 | 45,198 | 34,753 |

**Our construction division known as "GBG Construction" continues to drive growth**

GBG Construction has won the following major nation building projects:-

- Light Rail Transit ("LRT3")
- Sungai Besi – Ulu Klang Elevated Expressway ("SUKE")
- Pusat Pentadbiran Sultan Ahmad Shah ("PPSAS")

# Sustainability Statement

(CONT'D)

The LRT3 project, which is under construction in the western corridor of Kuala Lumpur and the Klang Valley, will stimulate economic activities along the 37km stretch and will offer opportunities to business entrepreneurs along the areas.

Development of the project is also expected to stimulate economic growth in the region and create employment for approximately 2,000 personnel during the construction phase.

Bank Negara indicated that the continuation of large-scale infrastructure projects will provide additional lift to the economic growth by 1 (percentage point) amid the challenging economic conditions.

**Property**

GBG Property is actively involved in the development of residential, commercial, and integrated-development projects.

## One Jesselton Waterfront, Kota Kinabalu

One Jesselton Waterfront is the flagship mixed development project with integration of Tourism Oriented Development (TOD) that comprises One Jesselton Shopping Mall, Grade A Corporate Office Tower, 4-star Hotel & Spa, Serviced Residences and Waterfront Condominiums.

### One Jesselton Shopping Mall

- One Jesselton Waterfront Shopping Mall is strategically located between the Jesselton Point Ferry Terminal and the International Cruise Terminal.
- The 4-storey mall has total net lettable area of 390,000 square feet with 2 basements that offers 1,180 carpark bays.
- The mall would house luxury brands and premium outlets targeted to international tourists and local upmarket. It also provides exclusive waterfront dining experience with Signature F&B outlets which are connected to the 30 meter width boardwalk that overlooks the seafront. On the top floor, the mall also would have a special designed playland catered for children and families.
- GBG is currently working closely with international retail planners and leasing professionals to efficiently design the internal layout of the shopping mall. This will ensure that an optimal tenant mix is achieved to cater to both the premium local market and international tourists in Kota Kinabalu.

### Grade A Corporate Office Tower

- The Grade A Corporate Office Tower would span across 4 floors below the 4-star Hotel & Spa with an NLA of 52,000 square feet. The Grade A Corporate Office Tower has been sold to Suria Capital Berhad for RM52 million and will be Suria Capital's new corporate office upon completion.

### 4-Star Hotel & Spa

- Due to the high tourist arrivals in Kota Kinabalu, which recorded 3.9 million tourists in 2018 and 3.8 million tourist arrivals (Jan to Nov 2019), hotels are in high demand for tourists as well as business travellers.
- The 4-star Hotel & Spa will offer total 407 guest rooms and suites consist of 219 hill view deluxe rooms, 82 seaview deluxe rooms and 106 seaview suites.

### Serviced Residences

- There is a high demand for commercial serviced suites properties in Kota Kinabalu in recent years. The 321-unit fully-furnished serviced residences will be complemented with a privileged access to unrivalled experiences, innovative amenities and bespoke services such as a dedicated concierge service, daily housekeeping, childcare service, in-residence dining options, and other added services that are offered by the 4-star Hotel & Spa next door. The Serviced Residences will be an appealing product for both local and international investors.

# Sustainability Statement

(CONT'D)

*One Jesselton Waterfront, Kota Kinabalu*

**Waterfront Condominiums**

- The waterfront condominiums would offer 327 units of impeccably designed dwellings. It would be positioned as *The Address* of Kota Kinabalu Waterfront Lifestyle Homes. Each waterfront condominium will be furnished with refined kitchen cabinets complete with appliances, wardrobes and luxury sanitary ware and fittings. The sea view master bathrooms will be furnished with elegant bathtubs overlooking the mesmerizing sea view.

## E'Island Lake Haven, Puchong

- The development of E'Island Lake Haven Residence in Puchong is targeted to first-time home buyers around Puchong South, Putrajaya and Cyberjaya.
- The development, which has an affordable pricing range, will not only help young families owning their first property, but will also assist to stimulate the construction industry, creating job opportunities and boosting the State's economy.
- Upon completion of the development, which will eventually house 1,140 units or an estimated population of 4,560 people, it will help generate additional consumer demand and encourage other related economic activities in the neighborhood of Putra Perdana Puchong.

## Permas Centro, Johor Bahru

The development of 99 units of three and four stories was completed and handed over to buyers in July 2017.

As of May 2020, the development has an occupancy rate of 70% with businesses ranging from cafés, restaurants, galleries, retail, entertainment arcade, education institutions and services providers.

*E'Island Lake Haven, Puchong*

# Sustainability Statement

(CONT'D)

# #GBGfor**environment**

**Global warming and extreme climate changes have caused droughts leading to water shortages, forest fires and massive floods that can cause casualties to affected communities each year. In line with the global agenda towards a greener and sustainable country, GBG is committed towards promoting environmental sustainability, focusing on delivering sustainable developments, enhancing a sustainable society and cultivating a green and safe corporate culture. We continue to take proactive measures in minimising environmental impact through efficient management of our operations in the areas of energy efficiency, responsible waste management and green environment commitment towards promoting environmental sustainability.**

Why it matters:

- Our commitment to support the climate change global agenda towards a greener and sustainable country
- Increasing the level of awareness amongst stakeholders and general public to protect the Environment
- For our future investments and sustainable developments
- For our future generation

GBG's Key Focus:

## Waste Management

GBG's main business activity is the construction of infrastructures and buildings, and we are aware of its impact on the environment, including waste generation, which results in increased operating expenses to appropriately dispose-off the waste generated. In addition, we practice recycling of materials and re-use them before its eventual disposal as part our routine operations. However, we note that this approach is not applicable to Hazardous / Scheduled Waste management which has a storage limitation period prior to disposal.

Our key focus as a Group is to responsibly manage our waste generation and disposal practices which can lead to cost savings. An activity held during the year to promote and educate employees on the importance of recycling and responsible waste disposal is shown in the photo below. All of these are part of our commitment and contribution towards the environment for the benefit of our future generation.

# Sustainability Statement

(CONT'D)

*Waste bins to recycle were placed at project sites*

*Recycling and waste segregation area at site office*

*Waste Segregation area at PPSAS*

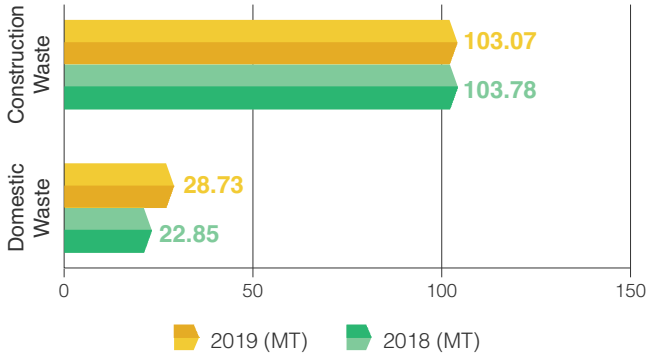
In 2019, we participated in Solid Waste Corporation's event and was successfully recognized as a strategic partner to the organisation. It is pertaining to the promotion of waste segregation at construction sites. Full commitment and teamwork enabled the event to be successfully implemented.

> **Our key focus as a Group is to responsibly manage our waste generation and disposal practices to ensure a cleaner environment**

## GBG Waste Generation

| Type of waste | 2018 (MT) | 2019 (MT) |
|---|---|---|
| Domestic Waste | 22.85 | 28.73 |
| Construction Waste | 103.78 | 103.07 |

## Waste Generation




*Waste data has been kept at the optimum stage where we aim not to exceed 120MT per year*

# Sustainability Statement

(CONT'D)

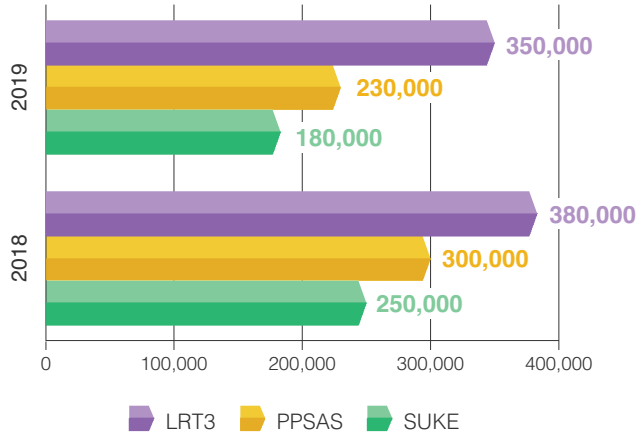
## Energy Management

GBG is implementing energy saving initiatives aimed at reducing energy usage across our business operations. As a start, we monitor and track our energy usage in our office by installing energy saving equipment and devices beside to cultivate the "save energy" culture amongst our staff. When it comes to energy saving initiative, a minor change can have a substantial impact to the environment. By turning off the lights in vacant rooms or turning off the air conditioning units during lunch hours can help us reduce our non-renewable energy which in turn reduce the carbon footprint.

We believe that by cultivating this culture amongst our staff, they will practice energy saving habits in their daily lives, including at home. Such behaviors can have a ripple effect to the bigger goal of conserving energy.

We note that optimizing energy consumption across our projects will not just result in cost savings in the long run but will also be as part of our commitment to minimizing carbon footprint.

**Electricity usage:kWh**




*Our carbon emission was reduced by 18% in 2019 following the energy saving practice in each of our projects*

*Green initiative at the Pusat Pentadbiran Sultan Ahmad Shah ("PPSAS")*

## Biodiversity

We acknowledge the critical need to conserve our environment for our current and future generations. Therefore, we continue to increase our efforts in maintaining and conserving our ecosystem and biodiversity through landscaping, conservation of native species, habitat protection and tree planting. For our new development or projects, we continue to maintain and conserve our ecosystem and biodiversity through landscaping and tree planting to leave a positive impact in the locations we operate. For our new development or projects, we continue to maintain and conserve our ecosystem and biodiversity through landscaping and tree planting to leave a positive impact in the development areas that we operate.

# Sustainability Statement

(CONT'D)

*GBG received an award as a strategic partner in Waste Management with Solid Waste Corporation (SWCorp)*

## Initiatives & Performance

### Property

GBG Property is committed to conserve the environment. Every new development is given emphasis on the following aspects:

#### Water Pollution

- Implementing the full Environment Management Plan (EMP) and Erosion and Sedimentation Control Plan (ESCP)
- Surface wastewater control; control of the perimeter drainage shall be provided at the project site before any earthworks are carried out. In addition, any surface runoff emission from the project site of groundwork is not allowed to be discharged directly into any watercourse unless it has undergone sedimentation or flushed into the sediment pond first
- Any domestic sewage from the site offices or workers' accommodation quarters shall comply with Standard {A / B}, Second Schedule, Environmental Quality (Sewage) Regulations 2009 before being released to any watercourse
- Protect water habitat and minimize biodiversity loss
- Prevention of subsequent pollution into water catchment areas

*Overall site development of E-Island Lake Haven, Puchong*

- *Site clearing and earth works been carried out without compromising the natural beauty of the surrounding lakes with strict implementation of Environment Management Plan (EMP) and Erosion and Sedimentation Control Plan (ESCP)*

# Sustainability Statement

(CONT'D)

*Setting up of site offices which comply to safety & health regulations*

## Noise Pollution

- Actions taken in controlling noise risks and noise exposure should include consideration of the choice of appropriate work equipment emitting the least possible noise. Equipment used at our work site come with various models which are designed to control excessive noise exposure
- Site working hours always adhere and comply to local council requirements to minimize disturbance to surrounding residents
- Minimize health hazards (for example occasional headache, stress and anxiety etc) due to long term exposure to noise pollution

> **"Equipment used at our work site come with various models which are designed to control excessive noise exposure."**

*Drip plates below pile rig to prevent ground pollution.*

## Ground & Soil Pollution

- Machineries are frequently checked for oil leaks to prevent soil and water pollution
- Machineries with high leaking occurrence will be timely repaired and promptly replaced accordingly
- Drip plates are placed below machineries to minimize spills to the ground
- A proper bund wall with concrete cement is provided for diesel skid tank

## Erosion Sedimentation Control

On-going practices implemented at our worksite include:

- Building a temporary earth drain to prevent water and silt seeping into the building basement
- Cleaning the drainage system periodically
- Silt trap being used during construction period
- Covering the slope with plastic sheets during construction period
- Adopt green concept on permanent retention wall
- Avoid contamination to surrounding water courses
- Prevent slope erosion to avoid mishaps and rectification works

# Sustainability Statement

(CONT'D)

## Responsible Consumption & Production

The company adopts the following operating processes and practices: -

For corporate office:

- Basic environmental waste elimination control (REDUCE, REUSE & RECYCLE) has been implemented at the offices. The above 3Rs posters has been put up on the notice boards as well as the critical common office areas i.e. photocopier, light & air-cond switches, dustbin etc to promote 3Rs awareness amongst the staff
- Reduce paper usage by storing through digital files to save paper and office space
- Cost savings on administration costs
- Minimise the amount of waste disposal
- Easier retrieval, enhanced security and improve regulatory compliance

For development / project sites:

- Compact Sub-Stations from permanent power supply being used for site operation and site office. The usage of conventional Gen Set has been reduced thus greatly reduce the CO2 emission and noise pollution
- Using recyclable aluminium moulds instead of conventional plywood and timber for concrete casting work
- Adopt the Green Technology in the development projects i.e. Rain Water Harvesting system, Home Automation system, Security Access system via Bluetooth, retaining wall system filled with greenery
- Reduce greenhouse gas emissions that contribute to global climate change
- Minimise the amount of waste disposal
- Convenience and low maintenance cost to the users / residents
- Reduces greenhouse gas emissions that contribute to global climate change

*Home Automation System - Security Access via Bluetooth*

*Retaining wall system filled with greenery*

The above features have been adopted for The Peak and E'Island Lake Haven projects in 2018 and 2019.

# Sustainability Statement

(CONT'D)

# #GBGfor**society**

## Light Rail Transit 3

Light Rail Transit 3 project, which is part of the Land Public Transport Masterplan of the Land Public Transport Commission will provide connectivity to the western part of Greater Kuala Lumpur / Klang Valley.

### Connectivity of cities

This project is expected to benefit 74,000 passengers and 500,000 residents across the alignment by improving connectivity and reducing traffic congestion. It is also expected to strengthen communities in Petaling Jaya, Shah Alam and Klang by promoting mixed-use real estate development around its stations.

### Less traffic congestions

Ten of the stations on the line will be equipped with parking areas accommodating approximately 6,000 cars. The trains will move at a maximum speed of 80km/h and be capable of transporting up to 36,720 passengers an hour.

The LRT3 will have 26 stations, 5 of which will be integrated stations to provide an enhanced transport link to commuters.

## Pusat Pentadbiran Sultan Ahmad Shah, Kuantan (PPSAS)

PPSAS is envisioned to be the new landmark for Pahang and the architecture references the state's identity. The building's key idea is to heighten the sense of patriotism and pride for its people reflected by the most befitting source of inspiration i.e. the Pahang's Coat of Arms.

*Pusat Pentadbiran Sultan Ahmad Shah, Kuantan (PPSAS)*

## Sungai Besi - Ulu Kelang Expressway (SUKE)

Malaysia has an annual population growth of 1.4%. As a growing country with exponential growth in the volume of people to the volume of traffic congestion with inevitably 6% to 8% traffic growth projected annually in the city, there is an estimated 200,000 vehicles daily causing the traffic gridlocks on MRR2. Through the SUKE Highway, travelling time is cut down by 50 minutes and lessen fuel consumption by RM7 per day. It is designed to give a smooth journey of speed up to 80 kilometers per hour. SUKE aims to be a more viable alternative to MRR2 by minimizing traffic congestion in Cheras, Pandan Indah and Ampang. SUKE is expected to reduce 30% traffic congestion at MRR2 during peak hour. Users will literally rise above the infamous Cheras's traffic gridlock at the Cheras Kajang Interchange which will provide traffic relief to those who have been enduring this congestion for years.

SUKE's presence in the heart of the city will be a great benefit to the communities within its surrounding areas. It will provide greater convenience by being a bridge that bring people closer socially.

*Sungai Besi - Ulu Kelang Expressway (SUKE)*

*Light Rail Transit 3 (LRT3)*

# Sustainability Statement

(CONT'D)

## Corporate Social Responsibility

### Giving back to the Society

Since the start of the year, many are living in the state of economic uncertainty and with another year of profiting from our projects, we have donated 0.6% of our profit after tax for the donation to the good and worthy cause.

| Programme | RM'000 |
|---|---|
| Charity concert "Yannick Bovy celebrates 100 years of Nat King Cole" | 100 |
| Donation for Intense Autism Awareness and Fundraising Campaign | 60 |
| Gifts for safety day and jersey | 34 |
| Contribution for Pertubuhan Seni Anak Sabah and Pertubuhan Kebajikan Sukan | 18 |
| Blood donation campaign and social programme | 22 |
| **Total** | **234** |

During the year, a donation of RM60,000 has been made to National Autism Society of Malaysia for Intense Autism Awareness and Fundraising Campaign in year 2019.

National Autism Society provides a range of support services to assist people living with autism which refers to conditions characterized by challenges with social skills, repetitive behavior, speech and nonverbal communication, especially children and family members so that they can reach their full potential, participate in their communities, and lead a meaningful life with dignity.

National Autism Society of Malaysia, Kuantan was set up in 2005 under the umbrella of the National Autism Society of Malaysia. It was the first autism centre in the East Coast. It has 2 centres, namely Early Intervention and Pre-Vocational/Vocational Programme serving 60 children who come daily for intervention and 70 children come from Pahang, Johor and Terengganu on a weekly or fortnightly basis for intensive occupational therapy and behavior modification. It also consists of fourteen teacher and two fully qualified occupational therapist. Among the programmes taught are living, reading, writing, mathematic, self help and social skills.

On 5 October 2019, donation has been made to Yayasan MRCB of RM100,000 for the "Yannick Bovy Celebrates 100 Years of Nat King Cole" charity concert held at the Istana Budaya, Kuala Lumpur which was attended by more than 700 guests.

The proceeds were used to help the underprivileged students and needy communities such as refurbishment of schools' facilities, providing educational assistance in the form of tuition classes, UPSR workshops, back to school programme and providing one-year free meals to underprivileged students.

*Appreciation from Yayasan MRCB*

*National Autism Society of Malaysia (NASOM), Kuantan*

*Sports day for the NASOM centre*

# Sustainability Statement

(CONT'D)

*Ir. Bakri receiving the token of appreciation from Yayasan MRCB*

*TEAM GBG organized Program Jelajah Sains bersama Rumah Amal Budi Bistari in November 2019*

## GBG Relief Fund

On 8 May 2020, the Group Chief Executive Officer initiated the setting up a GBG Relief Fund to help the poor and needy to overcome the impact of the economic crisis brought about by the Covid-19 pandemic. Accordingly, countless wage earners undergo a pay-cut or worse still lose their jobs due to retrenchment.

The fundraising exercise for the relief fund is to be collected from the Group's employees, with a desired target contribution amount of approximately RM50,000 to support around 300 families through the provision of ample food supplies and basic necessities to last for about 14 days per family.

This relief fund initiative will not be the last and more opportunities in the future for employees to contribute meaningfully when the occasion arises for us to manifest our compassionate spirit towards the less fortunate.

## Going back to school

Going back to school is an exciting time for many children. Unfortunately, there are some family who cannot afford basic schooling items which is a necessity for families with school going children.

GBG has taken these opportunities to demonstrate its love and care to them by contributing uniforms, shoes, socks and stationeries items to bring joy to them.

CSR is a programme to reach out and fulfill the needs and wants of the community.

The programme is to provide exposure and introduction of science to stimulate the interest of children in science and understanding of science concepts.

# Sustainability Statement

(CONT'D)

*2 November 2019 - Donation to Rumah Amal Budi Bistari at Shah Alam*

*16 December 2019 - Program Kembali ke Sekolah dan Gotong Royong bersama Pusat Jagaan Cahaya Kasih Bistari @ Kg Melayu Subang, Shah Alam, Selangor*

*5 December 2019 - Blood Donation at GBG Head Office, Kota Damansara*

# Sustainability Statement

(CONT'D)

# #GBGfor**employee**

**GBG scored a major hallmark by winning at the Malaysian Best Employer Brand Awards for 3 continuous years from 2017, 2018 to 2019.**

**Women at work**

**I believe that our young talent is our competitive advantage. They are our assets and key drivers of positive growth to our organization. The dynamic and diversified talent pool has been instrumental to our successful transformation journey so far. Our talent pool is groomed to be resilient, to withstand any economic headwinds and are able to adapt to the challenges and emerge stronger. Our Team GBG is given equal opportunities and are fairly treated, to sustain the momentum to reach greater heights in our business growth.**

**DATO' AZIZAN BIN JAAFAR**
**GROUP CHIEF EXECUTIVE OFFICER**

## RECRUITMENT

**Equal opportunities to all candidates regardless of gender**

## TRAINING

**All employees are given the opportunities to assess the yearly training needs**

## CAREER DEVELOPMENT

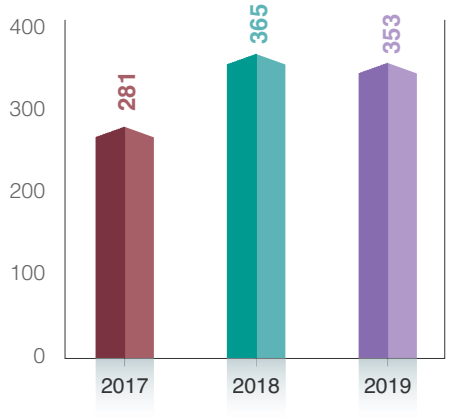
**41% of our middle management comprises women**

GBG has no discrimination towards the hiring of women at work and maintained at least 30% of women workforce for the past 3 years. The percentage of women in management and top management levels continues to show increasing trends.

# Sustainability Statement

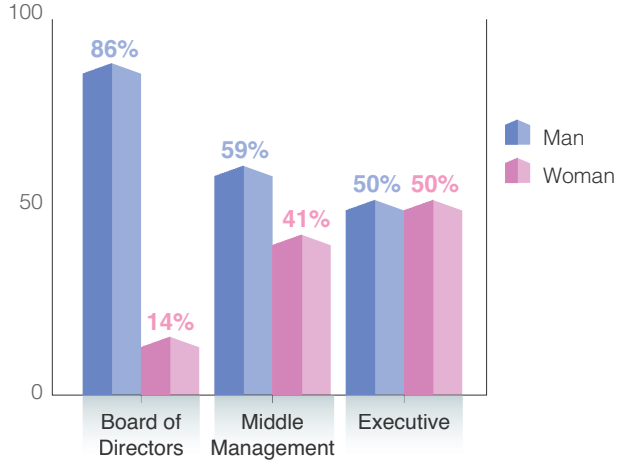
(CONT'D)

## Work Force Growth



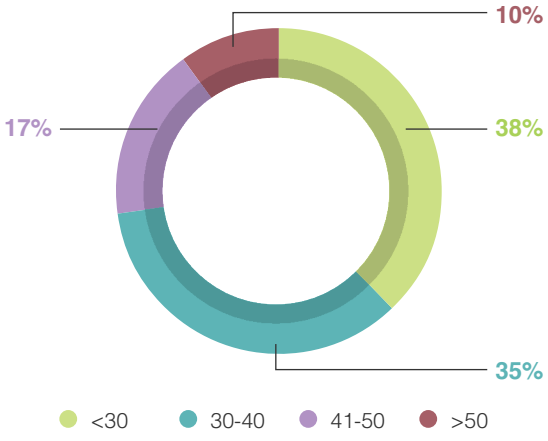

*The Group has a workforce growth of 20 - 23% since 2017 due to business expansion*

## Gender



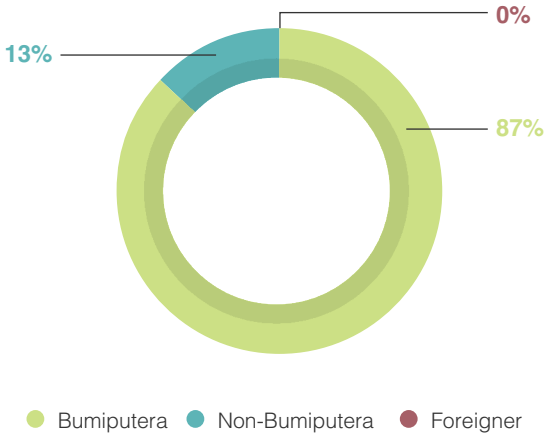

*Our middle level management and the executive level employees comprises more than 30% women workforce*

## Age Group




*The Group has a relatively young work force with 38% of the employees below the age of 30 years old. We have been the choice employer for the graduates and aspiring talents for the last 3 years in a row*

## Workforce Breakdown by Ethnicity




*100% of our employee workforce are locals. Workforce diversity is an essential element of our competitive advantage effort in growing our talent in-house for effective succession planning and in the grooming long service employees. We, at GBG do not discriminate on gender, age and ethnicity. GBG continues to focus on initiatives that promote equal opportunities for men and women of all ages*

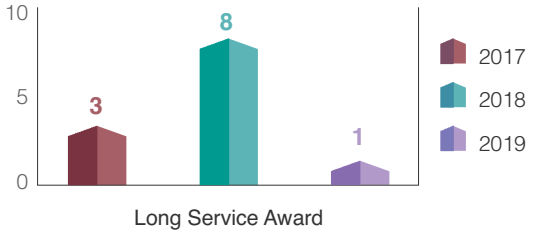
| | |
|---|---|
| Paternity leave | GBG recognises that male employees appreciate the time spent with their newborn babies. Two days of paternity leave are offered to new fathers to support their spouse and bonding with their newborn |
| Extended maternity leave | GBG has allowed the employees an option to enjoy an additional 30 days of unpaid maternity leave |
| Care for working personnel | GBG offer designated car parks and escort assistance by the security office especially if there are staff leaving the office late |

# Sustainability Statement

(CONT'D)

## Long Service Awards (2017 – 2019)

Our company has established 12 long service awards for the employees with 10 or 20 continuous years of service from year 2017 to 2019. It encourages our staff retention rate and also boost the employees' morale.




Long Service Award

In GBG's policy, we have training needs analysis annually and allocate the training sessions based on the depth of the training required and how the course would enhance the job performance of our employee in order to stay relevant and competitive.

| Training Subject (External Training) | No of Participants | Male | Female |
|---|---|---|---|
| QLASSIC Assessor Course | 6 | 2 | 4 |
| Company Secretaries Training Programme Significant 2.0 | 1 | 0 | 1 |
| Certified Inspector Sediment and Erosion Control | 1 | 0 | 1 |
| Empowering Site Safety Managing Skills (ESSMS) | 1 | 1 | 0 |
| Mastering Extension of Time Claims | 3 | 3 | 0 |
| Good Housekeeping for Construction Sites (GHCS) | 2 | 2 | 0 |
| Safe Operation & Work in Construction Industry (SOWCI) | 2 | 2 | 0 |
| EIA Seminar (CPD) - Our Environmental, Our Future Seminar | 3 | 2 | 1 |
| Crane Lifting Safety Management (CLSM) | 1 | 1 | 0 |
| Employment Act 1955 & Regulations | 1 | 0 | 1 |
| EIA Seminar - Hand on Design of Erosion & Sediment Control Plan (CPD) | 2 | 0 | 2 |
| Scaffold Erector Level 1 | 1 | 1 | 0 |
| The Inaugural Women In Rail Malaysia Leadership Conference 2019 | 2 | 0 | 2 |
| Construction Progress Monitoring, Variation & Change Management | 2 | 0 | 2 |
| Instructions, Variations & Claims I | 2 | 0 | 2 |
| Project Delays & Extension of Time (EOT) I | 1 | 0 | 1 |
| Construction Safety & Health Officer (CSHO) | 2 | 2 | 0 |
| Integrated Management on Ergonomics, Manual Handling & Back Pain Issues (IMEMHBP) | 2 | 2 | 0 |
| Taklimat Keselamatan Sistem Pengagihan Gas | 2 | 2 | 0 |
| Raising Defenses: Section 17A, MACC Act | 1 | 0 | 1 |
| MIA Conference 2019 | 2 | 1 | 1 |
| Basic Rigging, Slinging And Lifting | 1 | 1 | 0 |
| Better Communication & Business Writing Skills That Works | 2 | 1 | 1 |
| Ms Project | 3 | 2 | 1 |
| Seminar Transformasi Pengurusan Strata Siri 1 | 1 | 0 | 1 |
| Safety Awareness | 1 | 1 | 0 |
| Malaysia Property Taxes: Practical Issues and Insights | 1 | 1 | 0 |
| Auto CAD Intermediate | 1 | 0 | 1 |

# Sustainability Statement

(CONT'D)

| Training Subject (In-house Training) | No of Participants | Male | Female |
|---|---|---|---|
| Personal Effectiveness for Performance at Work | 30 | 19 | 11 |
| Creative Problem Solving and Decision Making | 30 | 19 | 11 |
| Corporate Grooming & Social Etiquette | 30 | 19 | 11 |
| Adaptability to Organization | 30 | 19 | 11 |
| Fire Risk Awareness Briefing | 30 | 18 | 12 |
| ISO 9001 Awareness - Implementing ISO 9001:2015 and QMS in Construction | 30 | 19 | 11 |
| Internal Quality Auditor - Auditing the ISO9001:2015 QMS in Construction | 30 | 20 | 10 |
| ISO 45001 Awareness Training | 25 | 13 | 12 |
| ISO 45001 Auditor Training | 28 | 18 | 10 |
| The Understanding of LRT3 Conditions of Contracts | 37 | 23 | 14 |
| Winning Attitude for Breakthrough Performance | 16 | 14 | 2 |
| Solid & Scheduled Waste Management | 18 | 11 | 7 |
| ERP Training (Basic Fire Fighting) | 30 | 20 | 10 |
| Working at Height Awareness | 15 | 15 | 0 |
| Scaffolding Awareness | 20 | 19 | 1 |
| Safety In Confined Space | 18 | 18 | 0 |
| Lifting Supervisor & Basic Rigging, Slinging and Signalman | 13 | 13 | 0 |

## Respecting Human Rights

### Whistleblowing policy

GBG upholds human rights across our Group's operations and commits to no exploitation of workers and communities, no forced labor, no child labor, no slavery, no human trafficking, no sexual exploitation, provision of equal opportunities, with any potential irregularities duly reported via the whistleblowing channels.

The mandatory requirements of our policies and practices on human rights are extended to our entire workforce including our security personnel and contractors operating within our operating units through proper training awareness programmes.

GBG encourages employees to report any possible violation of the human rights which will then be investigated internally, referred to police, auditor, or independent inquiry team.

### Working hours

Working hours for our workforce are compliant to national laws and industry standards. Overtime is voluntary and shall not exceed the limitations provided in the employment law. The Company also practices health and safety safeguard when overtime is performed by the employees.

# Sustainability Statement

(CONT'D)

### TEAM GBG for Employees

GBG truly understands the employees' both physical and psychological needs like the saying goes "All Work and No Play Makes Jack a Dull Boy". Therefore, GBG organizes regular sports and recreational programmes to recharge the employees through fun and joyous activities that stimulate positive energy.

*6 December 2019 - Football Game @ Little League Soccer, Solaris Mont Kiara, Kuala Lumpur*

*9 January 2020 - Biodegradable Fun Run 2020 @ Dataran DBKL, Kuala Lumpur*

*28 February 2020 - Bowling Night @ Wangsabowl, One Utama, Bandar Utama*

# #GBGfor**operation**

## Contributing to a Better Society – Safety, Health and Wellness

Health and Safety performance and overall well-being of our employee and society is important and is one of material sustainability for GBG. Our employees are the most valuable asset and we continuously protect their wellbeing at the workplace and nurture their career development.

## Promoting Healthy & Safe Workplace

EYE PROTECTOR

RESPIRATOR

EAR PROTECTOR

SAFETY GLOVES

HARD HELMET

HIGH VISIBILITY JACKET

SAFETY BOOT

ID CARD

# Sustainability Statement

(CONT'D)

## COMPANY STATEMENT TOWARDS OSH

**GBG promises a safe and healthy workplace to all employees. An aligned Occupational Safety & Health Management System (OSHMS) procedures, standards and guidelines are enforced to ensure a safe & healthy working environment to avoid zero fatalities and zero permanent disabilities across all GBG sites.**

**Safety, Health & Environment (SHE) performance review is carried out to avoid occurrence or re-occurrence of incidents. Our commitment to safety is shared across all levels and project sites.**

GBG strives to achieve our OSH objective at all project sites: -

I. To achieve an average score of 70% on monthly safety and health inspection per year per project
II. To ensure 100% attendance of staff for a CIDB Green Card Induction per year per project
III. To achieve zero (0) fatalities and zero (0) permanent disabilities per year per project

### TOP MANAGEMENT COMMITMENT TOWARDS OSH

Responsibilities and authorities are assigned and communicated to: -

a) Ensure OSHMS conforms to ISO 45001 requirements
b) Ensure SHE best practices are being implemented, maintained and monitored
c) Collecting, analysing and maintaining statistical analysis of occupational injuries or diseases
d) Report OSHMS performance

### EMPLOYEES COMMITMENT TO SHE REQUIREMENTS

a) Comply to ISO 45001 requirements
b) Follow employer's instructions and cooperate with employer
c) Aware & report safety and health hazards
d) Wear Personal Protective Equipment (PPE)

# Sustainability Statement

(CONT'D)

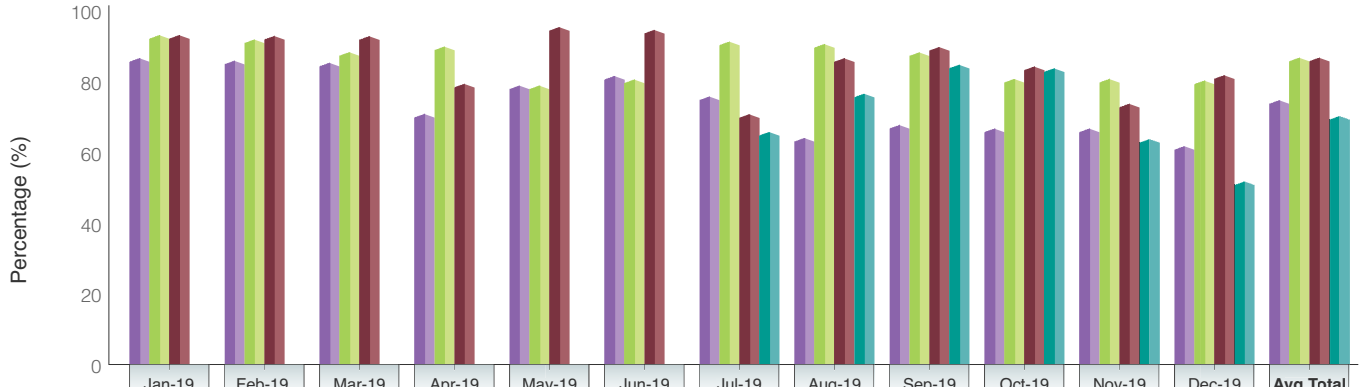
**We are committed to create a healthy, safe and conducive working environment for our employees. We want to provide our employees with more than just a job but an opportunity to thrive and develop their skills in building positively their career.**

We are COMMITTED to the establishment of OSH POLICY: -

- Provide safe & healthy working conditions
- Fulfill legal and other requirements
- To eliminate hazards and reduce risks
- Continuous improvements
- The consultation and participation of workers
- Provides framework for setting OSH objectives

## PERCENTAGE (%) OF WORKPLACE INSPECTION FOR ALL PROJECT SITE FOR YEAR 2019

**Monthly Workplace Inspection**




| | Jan-19 | Feb-19 | Mar-19 | Apr-19 | May-19 | Jun-19 | Jul-19 | Aug-19 | Sep-19 | Oct-19 | Nov-19 | Dec-19 | Avg Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| THE PEAK | 85% | 85% | 85% | 70% | 78% | 81% | 75% | 64% | 67% | 66% | 66% | 61% | 74% |
| PPSAS | 92% | 91% | 88% | 89% | 78% | 80% | 91% | 90% | 88% | 80% | 80% | 80% | 86% |
| LRT (GS04) | 92% | 92% | 92% | 79% | 95% | 94% | 70% | 86% | 89% | 84% | 73% | 81% | 86% |
| SUKE(CA3) | 0% | 0% | 0% | 0% | 0% | 0% | 65% | 76% | 84% | 83% | 63% | 51% | 70% |

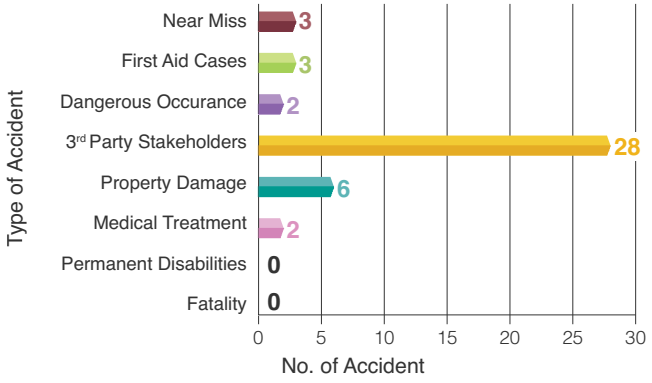
*Table above shows that all projects achieved **above 70% score for workplace inspection in 2019**. Apart from this, we can ensure that our worksite have fully implemented the OSH through the monthly inspection endorsed by competent Safety and Health Officer ("SHO"). GBG provides a safe workplace condition and thoroughly investigate any hazards identified at workplace to protect the employees and prevent any near miss or accident.*

# Sustainability Statement

(CONT'D)

## STATISTICS OF ACCIDENT/ INCIDENT REPORT FOR YEAR 2019

**Accident / Incident Cases At All Project FY 2019**




- *From the statistical data above, GBG recorded **zero (0) fatality and zero (0) permanent disabilities** for all projects site in 2019 which in turn achieved our OSH objective. However, if there was any report of near miss at the workplace, these near miss reports were analysed and the root cause ascertained. Following on, the prevention of unsafe act and unsafe condition at our workplace were disseminated to all levels and staffs for implementation and continuous improvement.*

  *Based on the bar chart above, 3rd Party Stakeholder (property damage & public) is the highest incident which occurred at our project site SUKE CA3. However, this is due to the project location site being in the middle of an extremely busy road. However, immediate action and corrective action plan was implemented and monitored to reduce the incident cases such as incident investigation by all parties to rectify the problem and avoid future unwanted event.*

## What we do to achieve: -

- Conduct OSH awareness, training & competency for staff
- Promoting OSH Campaign such as You-See-You-Act (UCUA) Campaign, Blood Donation Campaign & etc
- Engagement and involvement with authorities as a witness of OSH activities carried out such as BOMBA, DOSH & MOH

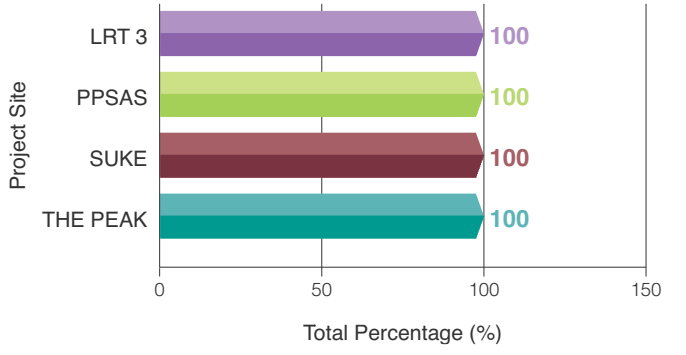
## TOTAL MANHOURS AND TARGET AT ALL PROJECT SITE UP TO YEAR 2019

| PROJECT | TOTAL MANHOURS | TARGET |
|---|---|---|
| THE PEAK | 4,446,834 | 4,000,000 |
| SUKE CA3 | 1,461,230 | 1,000,000 |
| SUKE TP1 | 287,270 | 1,000,000 |
| PPSAS | 1,530,850 | 1,500,000 |
| LRT 3 (GS04) | 1,932,920 | 1,500,000 |

- *The table above indicates **all project sites are in progress to achieve the target of zero Lost Time Injury (LTI).** The target was carried forward in year 2019 to achieve OSH objective by each site project.*

## PERCENTAGE OF STAFF WITH A VALID CIDB GREEN CARD AT ALL PROJECT SITE FOR YEAR 2019

**Percentage Of Staff With A Valid Cidb Green Card (%)**




- *From the chart above, it is shown that all project sites achieved **100% staffs who attended the green card class and earned a valid CIDB membership.** All staffs at project site shall require a valid CIDB card to enter the site. By that way, all staffs are in compliance with GBG OSH requirements and thus achieved our OSH Objective for year 2019*

Action taken by SHE Department to reduce risks at workplace:

1. Eliminate any hazard identified at our workplace and this is taken as a priority in a hierarchy of control
2. Identify the people at risk and monitor the work activities whether high, medium or low risk in order to carry out the risk assessment
3. Evaluate, remove and reduce risks at workplace by providing protection in terms of a safe condition and ensure safety measures taken so that all employees, visitor or any person at workplace are shielded from harm
4. Record all activities, plan the SHE programmes and train all employees, visitor or any person workplace to increase their awareness and knowledge on OSH management system and OSH implementation
5. Review the OSH management system periodically to ensure the system is updated and maintained including the legal and other requirements

## OSH TRAININGS & PROGRAMMES FOR YEAR 2019 HEADQUARTERS (HQ)

| No. | List of Trainings (In House) | Training Provider | Date |
|---|---|---|---|
| 1. | Fire Risk Awareness Briefing | FPC Fire Prevention Centre | 24.01.2019 |
| 2. | ISO 45001:2018 Awareness | KBH Management S/B | 14.02.2019 |
| 3. | ISO 45001:2018 Internal Audit | Sysnovate Solution S/B | 26.02.2019 |
| 4. | Fire Fighting & ERP Training | Cert Academy S/B | 14.10.2019 |

| No. | List of Trainings (In House by Competence Person) | Date |
|---|---|---|
| 1. | Working Safely at Height (WAH) Awareness | 24.01.2019 |
| 2. | Scaffolding Awareness | 29 - 30.11.2019 |
| 3. | Safety in Confined Space | 06.12.2019 |
| 4. | Lifting Supervisor | 23.12.2019 |
| 5. | Basic Ringging, Slinging and Signalman | 24.12.2019 |

| No. | List of Programmes | Date |
|---|---|---|
| 1. | Safety and Health Day 2019 | 16.04.2019 |
| 2. | Road Safety Campaign 2019 | 16.04.2019 |
| 3. | Blood Donation Campaign 2019 | 05.12.2019 |
| 4. | 5S Implementation | Monthly Basis |
| 5. | You-See-You-Act Campaign | Quarterly Basis |
| 6. | Internal Audit ISO 45001:2018 | 18.03.2019 - 12.04.2019 |
| 7. | External Audit ISO 45001:2018 by CI International S/B | 25 - 27.06.2019 |
| 8. | 1st Stage External Audit ISO 45001:2018 by SIRIM | 14 - 15.11.2019 |

# Sustainability Statement

(CONT'D)

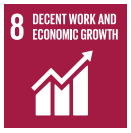
**Award Certification**
CERTIFICATION ISO 45001:2018 BY CI INTERNATIONAL SDN BHD

**CERTIFICATION SHASSIC ACHIEVEMENT 5 STARS BY CIDB**

**CERTIFICATION SHASSIC ACHIEVEMENT 4 STARS BY CIDB**

**CERTIFICATION BEST PRACTICE SOLID WASTE MANAGEMENT BY SWCORP**

# UN SUSTAINABLE DEVELOPMENT GOALS INDEX

| Project | Project Description | UNSDGs |
|---|---|---|
| E'Island Lake Haven | E'Island Lake Haven undertakes various measures to make sure the lake's water habitation is protected and clean water flows nearby its surrounding projects.<br><br>Use of technology to improve the cost and time and therefore improve the well-being of the residents. | |
| Corporate Social Responsibility and GBG's policy | GBG undertakes various CSR programmes during the year to give back to society.<br><br>GBG has maintained a 30% women at work over the last 3 years. | |
| SUKE highway / LRT3 | Large infrastructure projects have improved the connectivity of the cities and communities | |
| Construction waste / Energy saving | Waste management at the construction sites has helped to reduce the impact to the climate action.<br><br>Carbon emission reduced by 18% in the year 2019 | |
| Profitability | GBG has achieved yet another year of profit which will be part of the macroeconomic growth and provide the employment opportunities to the market. |  |
| Pusat Pentadbiran Sultan Ahmad Shah ("PPSAS") | PPSAS is an iconic infrastructure which references the state's identity which will instill the patriotism to the state government. | |
| One Jesselton Waterfront | Gabungan AQRS Berhad entered into a joint venture agreement with Suria Capital Holdings Berhad, to develop the 6.28-acre One Jesselton Waterfront into a mixed used development comprising a shopping mall, 4-star hotel and spa, serviced residences, luxury condominiums and an office tower. | |
| Donation | Donation has been made to underprivileged and needy community for providing food and education such as Nasom Kuantan and Rumah Amal Budi Bistari at Shah Alam. | |
| Anti-Corruption Policy | GBG implemented the Anti-Corruption Policy during the year which is effective from 1 June 2020 to comply with the requirement of the Section 17A of the Malaysian Anti-Corruption Commission Act. | |

# Sustainability Statement

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# GRI CONTENT INDEX

## General Disclosure

| GRI Standards Disclosure | | Page | Reference / Response |
|---|---|---|---|
| **Organisation Profile** | | | |
| 102-1 | Name of the organisation | 06 | Gabungan AQRS Berhad |
| 102-2 | Activities, brands, products and services | 06 | About Gabungan AQRS Berhad |
| 102-3 | Location of headquarters | 07 | www.gbg.com.my |
| 102-4 | Location of operations | 07 | Our businesses & locations |
| 102-5 | Ownership and legal form | 07 | A public limited liability company, incorporated and domiciled in Malaysia, Company No. 201001028608 (912527-A) |
| 102-6 | Markets served | 06 | About Gabungan AQRS Berhad, construction and property |
| 102-7 | Scale of the organisation | 46 - 48 | Our sustainability highlights |
| 102-8 | Information on employees and other workers | 69 | Workplace – Our workforce |
| 102-9 | Supply chain | 06, 53 | Responsible Supply Chain |
| 102-10 | Significant changes to the organisation and its supply chain | 06, 53 | |
| 102-11 | Precautionary Principle or approach | 105 - 107 | Annual Report 2019: Statement on Risk Management and Internal Control |
| 102-12 | External initiatives | 78 | Construction certification |
| 102-13 | Membership of association | 78 | CIDB / ISO / Solid Waste Organisation |
| **Strategy** | | | |
| 102-14 | Statement from senior decision-maker | 45 | Message from Group Chief Executive Officer |
| **Ethics and Integrity** | | | |
| 102-16 | Values, principles, standards, and norms of behaviour | 50 | About Gabungan AQRS Berhad; Our path to sustainability; Ethical Business Conduct |
| 102-17 | Mechanisms for advice and concerns about ethics | 71, 86 - 87 | Grievances & Whistleblowing; Policy available at www.gbg.com.my |
| **Governance** | | | |
| 102-18 | Governance structure | 08, 50 | Our Sustainability Governance & Annual Report 2019 |

| GRI Standards Disclosure | | Page | Reference / Response |
|---|---|---|---|
| **Stakeholder Engagement** | | | |
| 102-40 | List of stakeholder groups | 53 | Our Stakeholders |
| 102-41 | Collective bargaining agreements | 71, 78 | Freedom of Association and Collective Bargaining |
| 102-42 | Identifying and selecting stakeholders | 53 | Our Stakeholders |
| 102-43 | Approach to stakeholder engagement | 53 | Our Stakeholders |
| 102-44 | Key topics and concerns raised | 54 | Our Stakeholders |
| **Reporting Practice** | | | |
| 102-45 | Entities included in the consolidated FS | 55, 124 - 132 | About this Sustainability Statement; Economic Performance; Annual Report 2019 |
| 102-46 | Defining report content and topic Boundaries | 44 | About this Sustainability Statement |
| 102-47 | List of material topics | 46 - 48 | Our material topics |
| 102-48 | Reinstatements of information | 55, 59, 60, 69 | Our data |
| 102-49 | Changes in reporting | 46 - 48 | About this Sustainability Statement Our Material Topics |
| 102-50 | Reporting period | 44 | About this Sustainability Statement |
| 102-51 | Date of most recent report | 44 | About this Sustainability Statement |
| 102-52 | Reporting Cycle | 44 | About this Sustainability Statement |
| 102-53 | Contact point for questions regarding the report | 07 | Corporate Information |
| 102-54 | Claims of reporting in accordance with the GRI Standards | 44 | About this Sustainability Statement |
| 102-55 | GRI content index | 80 - 85 | GRI Standards 2016 Content Index |
| 102-56 | External assurance | | To be applied in the future |

## Economic Performance

| GRI Standards Disclosure | | Page | Reference / Response |
|---|---|---|---|
| *103-1, 103-2, 103-3* | *Management Approach Disclosure for 'Economic Performance', 'Market Presence', 'Indirect Economic Impacts' and 'Anti-corruption' Topics* | | *Marketplace – Economic Performance; Remuneration and Benefits, Social Welfare, Ethical Business Conduct; Annual Report 2019* |
| **Economic Performance** | | | |
| 201-1 | Direct economic value generated and distributed | 55 | Economic Performance |
| 201-3 | Defined benefit plan obligations and other retirement plans | 46, 96 - 97 | Remuneration and Benefits; Annual Report 2019 |
| 201-4 | Financial assistance received from goverment | 15 | Annual Report 2019 |

# Sustainability Statement

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| GRI Standards Disclosure | | Page | Reference / Response |
|---|---|---|---|
| **Market Presence** | | | |
| 202-2 | Proportion of senior management hired from local community | 69 | All senior management are Malaysian national; Annual Report 2019 |
| **Indirect Economic Impacts** | | | |
| 203-1 | Infrastructure investments and services supported | 55 - 57, 65 | Community Development |
| 203-2 | Significant indirect economic impacts | 55 - 57, 65 | Community Development |
| **Anti-Corruption** | | | |
| 205-1 | Operations assessed for risks related to corruption | 55, 79, 87 | Our Group adopts the anti-corruption measures at all operating levels which would be reviewed quarterly by the Management; Annual Report 2019 – Statement on Risk Management and Internal Control |

## Environmental Topics

| GRI Standards Disclosure | | Page | Reference / Response |
|---|---|---|---|
| **Materials** | | | |
| *103-1, 103-2, 103-3* | *Management Approach Disclosure for "Materials" Topic* | | *Responsible Supply Chain; Product Stewardship; Resource Management – Effluent Management & Waste Management* |
| 301-1 | Materials used by weight or volume | 53 | Responsible Supply Chain |
| 301-2 | Recycled input materials used | 58 - 59 | Effluent Management Waste Management |
| **Environmental Performance** | | | |
| *103-1, 103-2, 103-3* | *Management Approach Disclosure for 'Energy' Topic* | | *Resource Management – Energy Balance* |
| 302-1 | Energy consumption within the organisation | 60 | Resource Management – Energy Balance |
| 302-2 | Energy consumption outside the organisation | 60, 63 | Resource Management – Energy Balance |
| 302-3 | Energy intensity | 60 | Resource Management - Energy |
| **Water** | | | |
| *103-1, 103-2, 103-3* | *Management Approach Disclosure for 'Water' Topic* | | *Resource Management – Water* |

# Sustainability Statement

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| GRI Standards Disclosure | | Page | Reference / Response |
|---|---|---|---|
| 302-1 | Interaction with water as a shared resource | 62 | Resource Management – Water |
| 303-2 | Management of water discharge-related impacts | 62 | Resource Management – Water – Effluent Management |
| 302-3 | Water withdrawal | 62, 63 | Resource Management – Water |
| **Biodiversity** | | | |
| *103-1, 103-2, 103-3* | *Management Approach Disclosure for 'Biodiversity' Topic* | | *Environment; Flora, Fauna & Conservation; Fire Prevention Control & Monitoring* |
| 304-1 | Operational sites owned, leased, managed in or adjacent to, protected areas and areas of high biodiversity value outside protected areas | 47 | Flora, Fauna & Conversation; Fire Prevention Control & Monitoring |
| 304-2 | Significant impacts of activities, products and services on biodiversity | 61 | Flora, Fauna & Conversation; Fire Prevention Control & Monitoring |
| 304-3 | Habitats protected or restored | 61 | Flora, Fauna & Conservation |
| **Emissions** | | | |
| *103-1, 103-2, 103-3* | *Management Approach Disclosure for 'Emissions' Topic* | | *Greenhouse Gas Emissions* |
| 305-1 | Direct (Scope 1) GHG emissions | 60 | Greenhouse Gas Emissions |
| 305-2 | Energy indirect (Scope 2) GHG emissions | 60 | Greenhouse Gas Emissions |
| 305-3 | Other indirect (Scope 3) GHG emissions | 60 | Greenhouse Gas Emissions |
| 305-4 | GHG emissions intensity | 60 | Greenhouse Gas Emissions |
| **Effluents and waste** | | | |
| *103-1, 103-2, 103-3* | *Management Approach Disclosure for 'Effluents and Waste' Topic* | | *Effluent Management & Waste Management* |
| 306-1 | Water discharge by quality and destination | 61 | Resource Management – Water – Effluent Management |
| 306-2 | Waste by type and disposal method | 61 | Waste Management |
| 306-3 | Significant spills | 61 | No significant spills were reported |
| 306-4 | Transport of hazardous waste | 61, 63 | Waste Management |
| **Employment** | | | |
| *103-1, 103-2, 103-3* | *Management Approach Disclosure for 'Employment' Topic* | | *Workplace* |
| 401-1 | New employee hires and employee turnover | 69 | Our workforce |
| 401-2 | Benefits provided to full-time employees that are not provided to temporary or part-time employees | 69 | Remunerations & Benefits |
| 401-3 | Parental leave | 69 | Remunerations & Benefits |

# Sustainability Statement

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## Social Topics

| GRI Standards Disclosure | | Page | Reference / Response |
|---|---|---|---|
| **Occupational Health and Safety** | | | |
| *103-1, 103-2, 103-3* | *Management Approach Disclosure for 'Occupational Safety & Health" Topic* | | *Occupational Safety & Health* |
| 403-1 | Workers representation | 47, 73 | Occupational Safety and Health |
| 403-2 | Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities | 75 - 76 | Occupational Safety and Health |
| 403-3 | Workers with high incidence of high risk of diseases related to their occupation | 75 - 76 | Occupational Safety and Health |
| **Training and Education** | | | |
| *103-1, 103-2, 103-3* | *Management Approach Disclosure for 'Training and Education' Topic* | | *Training and Education* |
| 404-2 | Programs for upgrading employee skills and tradition assistance programs | 70, 96 - 97 | Remuneration and Benefits |
| 404-3 | Percentage of employees receiving regular performance and career development reviews | 70, 96 - 97 | Remuneration and Benefits; All our employees are subjected to annual performance appraisal. |
| **Diversity and Equal Opportunity** | | | |
| *103-1, 103-2, 103-3* | *Management Approach Disclosure 'Diversity and Equal Opportunity', 'Non-discrimination', 'Freedom of Association and Collective Bargaining', 'Child Labor', 'Forced and Compulsory Labor' and 'Security Practices' Topics.* | | *Our Workforce* |
| 405-1 | Diversity of governance bodies and employees | 69 | Our workforce; Annual Report 2019 |
| **Non-Discrimination** | | | |
| 406-1 | Incidents of discrimination and corrective actions taken | | No incidents were reported |

# Sustainability Statement

(CONT'D)

| GRI Standards Disclosure | | Page | Reference / Response |
|---|---|---|---|
| **Freedom of Association and Collective Bargaining** | | | |
| 407-1 | Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk | 71 | Our Employee Handbook;<br>Freedom of Association & Collective Bargaining;<br>No violations of right to freedom of association and collective bargaining in any of our operating units for this reporting period. |
| **Child Labor** | | | |
| 408-1 | Operations and suppliers at significant risk for incidents of child labor | 71 | Our Employee Handbook;<br>Diversity & Inclusivity; None of our operating units condones use of child labour. |
| **Forced or compulsory labor** | | | |
| 409-1 | Operations and suppliers at significant risk for incidents of child labor | 71 | Our Employee Handbook;<br>Diversity & Inclusivity; None of our operating units condones use of child labor. |
| **Security Practices** | | | |
| 410-1 | Security personnel trained in human rights policies or procedures | 71, 74 | Most of our security personnel are Auxiliary Police which are trained with GBG's policies and procedures. |
| *103-1, 103-2, 103-3* | *Management Approach Disclosure for 'Human Rights Assessment' and 'Local Communities' Topics Human Rights Assessment* | | *Community* |
| 412-2 | Employee training on human rights policies or procedures | 71 | All our employees are made aware of our Employee Handbook |
| **Local Communities** | | | |
| 413-1 | Operations with local community engagement, impact assessments and development programs | 65 - 67 | Community |
| 413-2 | Operations with significant actual and potential negative impacts on local | 64 | Community; None of our operations have significant negative impacts on the local communities where we operate. |

# CORPORATE GOVERNANCE
# **OVERVIEW STATEMENT**

The Board of Directors ("**the Board**") of Gabungan AQRS Berhad ("**the Company**") recognises the importance of good corporate governance practices within the Company and its subsidiary companies ("**Group**") as a fundamental part of discharging its responsibilities to safeguard shareholders' investments and to protect the interests of all stakeholders.

The Board is aspired and committed to ensure that the applicable principles and recommendations as set out in the Malaysian Code on Corporate Governance ("**MCCG**") and the Main Market Listing Requirements ("**MMLR**") of Bursa Malaysia Securities Berhad ("**Bursa Securities**") respectively are applied throughout the Group so as to enhance the value to our shareholders and other stakeholders as well as to generate long term sustainability and growth.

The Board is pleased to present an overview of the Corporate Governance Overview Statement ("**CG Statement**"), which provides key highlights on how the Company complies with the three (3) principles of the MCCG during the financial year ended 31 December 2019, which are as follows:-

(a) Principle A : Board Leadership and Effectiveness;
(b) Principle B : Effective Audit and Risk Management; and
(c) Principle C : Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders.

This CG Statement is augmented with a Corporate Governance Report 2019, based on the application of the Group's corporate governance practices during the financial year ended 31 December 2019. The Corporate Governance Report is available on the website of Bursa Securities together with Company's Annual Report 2019 and is also posted on the Company's website (http://www.gbg.com.my/).

This CG Statement should also be read in tandem with other statements in this Annual Report (i.e. Statement on Risk Management and Internal Control, Audit Committee Report, Directors' Responsibility Statement and Sustainability Report) for an all-encompassing understanding of the Group's corporate governance framework and practices.

## PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS

### I. BOARD'S RESPONSIBILITIES

The Board is entrusted for the oversight of overall management of the business affairs of the Group. The Board is responsible for determining all major policies, reviewing the system of internal control, ensuring that effective strategies and management are in place, for assessing the performance of the Group and its Management team. The respective roles and responsibilities of the Board and Management are clearly set out and understood to ensure accountability and ownership by both parties.

In line with its overall responsibility for the proper conduct of the Group's business, the Board is also responsible for establishing the Group's business goals and strategic directions, setting operating goals and performance targets for Management and monitoring the achievement of those operating goals and performance targets. The Board also oversees the process of evaluating the adequacy and effectiveness of the system of internal controls and risk management processes.

The Board also mindful of the importance of the establishment of clear roles and responsibilities in discharging its fiduciary and leadership functions including those reserved for the Board's approval and those which the Board may delegate to the Board Committees and the Management and committed to ethical values and standards. On this note, the Board has defined its Board Charter setting out the roles, duties and responsibilities of the Board, the principles and practices of corporate governance to be followed as well as the key matters reserved for the Board's approval. The Board has also established Code of Conduct and Ethics and Whistleblowing Policy.

**Separation of Positions of the Chairman and Group CEO**

The roles of the Chairman and Group CEO are separate and clearly defined, and are held individually by two (2) persons. The Group practises the division of responsibility between the Chairman and Group CEO and there is a balance of power and authority such that no one individual has unfettered powers over decision-making.

The Chairman who is an Independent Non-Executive Director, is responsible for the leadership and governance of the Board, ensuring its effectiveness. He leads the Board effectively and encourages active participation and contribution from all members. He engages directly with the Group CEO to monitor performance and oversees the implementation of strategies.

The Group CEO is responsible for the day-to-day management of the Group's operations and businesses as well as implementation of the Board's policies and decisions.

**Qualified and Competent Company Secretary**

The Company Secretaries of the Company are competent and suitably qualified to act as Company Secretaries under Section 235 of the Companies Act 2016. Every Director has ready and unrestricted access to the advice and the services of the Company Secretaries in ensuring the effective functioning of the Board. The Company Secretaries ensure that Board policies and procedures are both followed and reviewed regularly and they have the responsibility to ensure that each Director is made aware of and provided with guidance as to their duties, responsibilities and powers. The Company Secretaries also notify the Board of any corporate announcements released to Bursa Securities and the impending restriction on dealing with the securities of the Company prior to the announcement of the quarterly results.

The Company Secretaries play an important advisory role to the Board in relation to the Company's constitution and advise the Board on any updates relating to new statutory and relevant regulatory requirements pertaining to the duties and responsibilities of Directors as and when necessary.

The Board is satisfied with the performance and support rendered by the Company Secretaries to the Board in the discharge of their function.

**Whistleblowing Policy**

The Company has implemented Whistleblowing policy which provides an avenue and mechanism to all employees and stakeholders of the Group to report concerns about any suspected wrongdoing, inappropriate behaviour or misconduct relating to fraud corrupt practices, and/or abuse, for investigation and Management's action.

The designated persons to liaise with will be Datuk Kamarudin bin Md Ali ("Datuk Kamarudin") and Mr Loo Choo Hong. Datuk Kamarudin assume the role of Senior Independent Non-Executive Director will also act as the designated contact to whom stakeholders' concern or queries may be raised, as an alternative to the formal channel of communication with stakeholders.

Their contact details are in the Whistleblowing Policy which has been published and made available on the Company's website at http://www.gbg.com.my/.

**Anti-Corruption Policy and Framework**

Effective 1 June 2020, the Company has implemented an anti-corruption framework in line with the goverment's commitment to tackling corruption, improving integrity and implementing good corporate governance pursuant to Section 17A of the Malaysian Anti-Corruption Commission Act which will strengthen the Whistleblowing mechanism.

# Corporate Governance Overview Statement

(CONT'D)

**Board Committees**

In order to ensure effective discharge of its functions and responsibilities, the Board has delegated certain responsibilities of the Board to the Board Committees and the Chairman to assist in carrying out its responsibilities and functions. Although specific powers are delegated to the Board Committees, the Board keeps itself abreast of the key issue and decisions made by each Board Committee through the reports by the Chairmen of the Board Committees and the tabling of the minutes of the Board Committee meetings at Board meetings. The ultimate responsibility for decision-making, however, lies with the Board.

**Board Responsible for providing stewardship and oversight of the Group's business affairs**

| Audit Committee (AC) | Nomination Committee (NC) | Remuneration Committee (RC) | Risk Management Committee (RMC) |
|---|---|---|---|
| Review process and practices of financial reporting, system of internal controls, related party transactions, conflicts of interest, and internal audit as well as external audit process. | Review candidatures for Board appointment and re-appointment as well as annual assessment of the Board, Board Committees and Directors. | Review and assists the Board in determining the policy and structure for the remuneration of Directors and Senior Management of the Group. | Review and oversee to ensure the effective implementation of the any risk management policies and strategies may deemed fit including the setting of risk appetite and risk tolerance. |

All Directors are entitled, whether via the Board or in their individual capacity, to take independent professional advice at the Company's expense where necessary in the furtherance of their duties. A Director may also consult the Chairman or other Board members prior to seeking any independent professional advice.

Accordingly, the composition of the Board Committees and the attendances of members of Board Committees meetings held in year 2019 are as follows:-

**a) Audit Committee**

The details of attendance are disclosed under the Audit Committee Report.

**b) Nomination Committee**

| Name of Committee Members | Designation | No. of Meetings Attended/ No. of Meetings Held During Tenure of Office |
|---|---|---|
| Muk Sai Tat | Chairman | 1/1 |
| Datuk Kamarudin bin Md Ali | Member | 1/1 |
| Loo Choo Hong | Member | 1/1 |

**c) Remuneration Committee**

| Name of Committee Members | Designation | No. of Meetings Attended/ No. of Meetings Held During Tenure of Office |
|---|---|---|
| Datuk Kamarudin bin Md Ali | Chairman | 1/1 |
| Muk Sai Tat | Member | 1/1 |
| Loo Choo Hong | Member | 1/1 |

**d) Risk Management Committee**

| Name of Committee Members | Designation | No. of Meetings Attended/ No. of Meetings Held During Tenure of Office |
|---|---|---|
| Muk Sai Tat | Chairman | 4/4 |
| Y.M. Tunku Alizan bin Raja Muhammad Alias | Member | 4/4 |
| Datuk Kamarudin bin Md Ali | Member | 4/4 |
| Dato' Azizan bin Jaafar | Member | 4/4 |
| Dato' Ow Chee Cheoon | Member | 4/4 |
| Loo Choo Hong | Member | 4/4 |

## II. BOARD COMPOSITION

The Board consist of seven (7) Directors, comprising three (3) Executive Directors and four (4) Independent Non-Executive Directors. The Board composition is in compliance with Paragraph 15.02 of the MMLR of Bursa Securities which states that at least two (2) Directors or 1/3 of the Board, whichever is higher, are independent directors. This is also in line with Practice 4.1 of the MCCG where it requires the Board members comprises of at least of the majority independent directors. The profile of the Directors are as set out in the Directors' Profile in this Annual Report.

In order to drive the Board's leadership and effectiveness, the Board ensures that it has the right board composition in enhancing the Board decision making process. The Executive Directors have direct responsibilities on the day-to-day business operations and frequently attend management meetings wherein operational details and other issues were discussed and considered. Whereas the presence of the independent directors provide guidance, independent views, advice and judgement in ensuring that the strategies proposed are discussed and examined. Together, the Directors bring diverse characteristics which allow a mix of qualifications, skills and experience which are necessary for the successful direction of the Group.

# Corporate Governance Overview Statement

(CONT'D)

**Independence**

The concept of independence adopted by the Board is in tandem with the definition of an Independent Director in the MMLR. The MMLR's definition of independence includes a series of objective tests such as Independent Director is not an employee of the Company and is not engaged in any type of business dealings with the Company.

The Board assesses the independence of the Independent Non-Executive Directors on an annual basis by taking into account the individual Director's ability to exercise independent judgment at all times and based on the criteria as set out in the MMLR of Bursa Securities. In addition, during the assessment conducted, the Board studied the results of the evaluation and is generally satisfied with its current size, composition as well as the mix of skill sets and the independence of its Independent Non-Executive Directors. None of the Independent Directors has engaged in the day-to-day management of the Company, participated in any business dealings or was involved in any other relationship with the Company (other than in situations permitted by the applicable regulations).

**Tenure of Independent Directors**

The Board had then reviewed and include the provision of Tenure of Independent Directors in the Board Charter by taking into account the recommendation of the Nomination Committee specifies that an independent director who has reached the threshold of 9 year's tenure will be re-designated as Non-Independent Non-Executive Director, unless he has obtained shareholders' approval to be retained in the Board as Independent Non-Executive Director. If the Board continues to retain the independent Director after twelfth year, annual shareholders' approval must be sought through a two-tier voting process. This is to facilitate the Board renewal and hence, enhancing the effectiveness of the Board.

As at the date of this Overview Statement, none of the Independent Directors has served more than nine (9) years on the Board.

**Board Diversity**

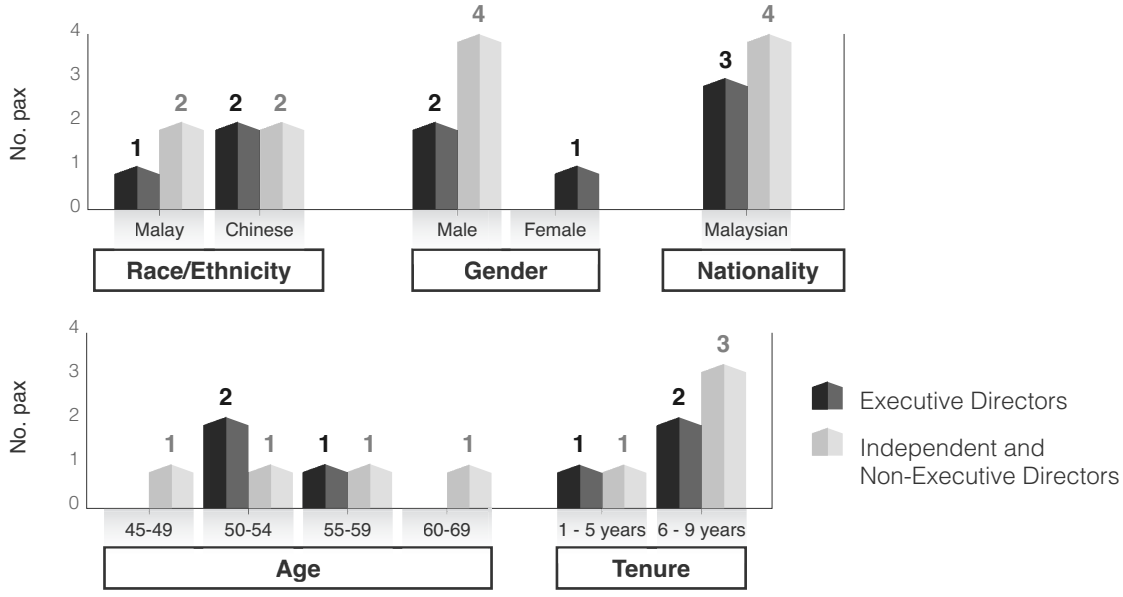
The Board recognises diversity in the boardroom as an essential component of a good corporate governance. The Board's aim is to have a broad range of approaches, backgrounds, skills and experience represented on the Board and to make appointments on merit, and against objective criteria, with due regard given to the benefits of diversity on the Board, including gender, age and ethnicity. The Board currently has one female director out of 7 directors which makes up to 14.29% of the Board members.

The Board acknowledges the recommendation of the MCCG on gender diversity but believes that the overriding factors in selection of Director must be based on skill, experience, competency and wealth of knowledge, while taking into consideration diversity of the Board. The Group has established a Gender Diversity Policy to formalise its diversity approach as above. Hence, the Company will increase female representation on the Board if appropriate candidates are available when Board vacancies arise.

# Corporate Governance Overview Statement

(CONT'D)

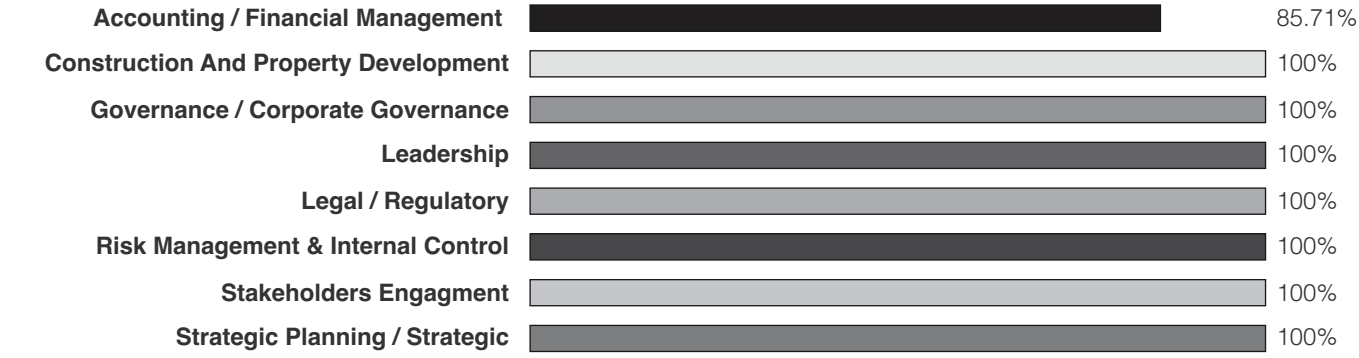
The composition of the Board which comprises seven (7) members can be dissected as below:




The Board believes that valuable contribution can be obtained from Directors who have, over a period of time, developed valuable insight of the Company and its business. Their experiences enable them to discharge their duties and responsibilities independently and effectively in the decision-making processes of the Board notwithstanding their tenure on the Board.

The Board also believes that the Directors have a diverse and relevant range of skills, backgrounds, knowledge and experience to ensure effective governance of the business. Hence, the members of the board contribute across industry knowledge, international experience perspective and specific subject matter expertise which the tabled below sets out the composition of skills and experience of the Board:-

**Experience & Skills**



# Corporate Governance Overview Statement

(CONT'D)

**Nomination Committee**

The Nomination Committee comprises entirely Independent Non-Executive Directors ("**INED**"). An Independent Director is appointed as Chairman of the Nomination Committee. The Nomination Committee shall meets at least once a year or as and when deemed fit and necessary.

The key responsibilities of the Nomination Committee are to assist the Board among others, to assess the performance of Directors, as well as to evaluate and recommend suitable candidates for the Board and Senior Management, if necessary.

The Terms of Reference of the Nomination Committee is published on the corporate website of the Company for shareholders' reference at www.gbg.com.my.

**Appointments to the Board**

The Nomination Committee is responsible for assessing and making recommendations on any new appointments to the Board. Selection of new candidates to be considered for new appointment as director is facilitated through recommendations from the Board members, the Management and/or through independent sources.

In evaluating the suitability of candidates, the Nomination Committee considers, *inter-alia* their character, background, knowledge, integrity, competency, experience, commitment (including time commitment) and potential contribution to the Group, and additionally, in the case of candidates proposed for appointment as INEDs, the candidates' independency must be established. The final decision as to who shall be appointed as Director remains the responsibility of the full Board, after considering the recommendation of the Nomination Committee.

This is consistent with the Group's practice of being an equal opportunity employer where all appointments and employments are based strictly on merit and are not driven by any racial or gender bias. The Company Secretaries have the responsibility of ensuring that relevant procedures relating to the appointment of new Directors are properly executed.

**Annual Assessment**

The performance evaluations of the Board, Board Committee and individual Directors are conducted by way of self-assessment. The Directors are given a set of questionnaire covering assessments of the Board, Board Committees, individual Director and independence assessments for Independent Directors to provide their feedback, views, commentary and suggestions for improvements.

The results of these self-assessment questionnaires are then compiled by the Company Secretary and tabled to the Nomination Committee for review and recommendation to the Board for notation. A summarised version of the results is provided to the Board of Directors for their information. The criteria that are used in the assessment of the Board include the adequacy of the Board structure, the efficiency and integrity of the Board's operations and the effectiveness of the Board in the discharge of its duties and responsibilities.

# Corporate Governance Overview Statement

(CONT'D)

During the financial year ended 31 December 2019, the Nomination Committee held one (1) meeting with full attendance of all its members, to deliberate the following matters:-

- Reviewed the size and composition of the Board and Board Committee;
- Nominated for the re-election of Board members at the forthcoming Annual General Meeting ("**AGM**") and recommended to the Board that a resolution for their re-election be tabled at the forthcoming AGM;
- Reviewed annual assessment of the effectiveness and performance of the Board;
- Reviewed and assessed the independence of the Independent Directors based on the criteria set out in the MMLR of Bursa Securities; and
- Reviewed annual assessment of the contribution and performance of each Director, Board Committees as well as the contribution of the INEDs.

The NC upon its assessment of the above, is satisfied that the Board has met the policy on its composition.

**Time Commitment**

The Board is satisfied with the level of time committed by the Board in discharging their respective duties and roles as Directors of the Company. All the Directors of the Company have complied with the MMLR of Bursa Securities on the maximum number of directorships held in public listed companies.

To facilitate the Directors' time planning, an annual meeting calendar which provides the schedule dates for meetings of the Board and Board Committees as well as the AGM is prepared and circulated to them before the beginning of every financial year. Additional meetings are convened when urgent and important decisions need to be made between scheduled meetings. This is to ensure the Directors that they allocate sufficient time to discharge their duties effectively.

The Directors remain fully committed in carrying out their duties and responsibilities effectively, as reflected by their attendance at the 6 Board meetings held during the financial year ended 31 December 2019 as follows:-

| Name of Director | No. of Meetings Attended/ No. of Meetings Held During Tenure of Office |
|---|---|
| Y.M. Tunku Alizan bin Raja Muhammad Alias | 5/6 |
| Datuk Kamarudin bin Md. Ali | 6/6 |
| Dato' Azizan bin Jaafar | 6/6 |
| Dato' Ow Chee Cheoon | 6/6 |
| Ow Yin Yee | 6/6 |
| Loo Choo Hong | 6/6 |
| Muk Sai Tat | 6/6 |

All the Directors complied with the minimum 50% attendance in respect of Board Meetings held during the FYE 2019 as stipulated under Paragraph 15.05 of the MMLR of Bursa Securities.

Additionally, in between Board Meetings, the Directors also approved various matters requiring the sanction of the Board by way of circular resolutions.

# Corporate Governance Overview Statement

(CONT'D)

**Board's Development and Training**

The Company has arranged for training programs to update the Board in relation to new developments pertaining to the laws and regulations which may affect the Board and/or the Company.

During the year under review, the Directors attended and participated in programmes, conferences and seminars that covered the areas of corporate governance, finance, legal, sustainability and relevant industry updates which they considered as useful for the effective discharge of their duties. The details of seminars and training programmes attended by the Directors during the financial year ended 31 December 2019 are set out below:-

| Director | Date of Training/ Programme | Training/Seminars/Conferences |
|---|---|---|
| Y.M. Tunku Alizan bin Raja Muhammad Alias | 14.03.2019 | Ring the Bell for Gender Equality |
| | 20.11.2019 | Board Dynamics – What are the Key Requirements |
| Datuk Kamarudin bin Md. Ali | 03.04.2019 | ESG Seminar for FTSE4Good Bursa Malaysia Index |
| | 03.05.2019 | CG Watch: How does Malaysia Rank? |
| | 28.05.2019 | Integrated Reporting |
| | 06.08.2019 | KPMG ACI Breakfast Roundtable 2019 |
| | 20.11.2019 | Board Dynamics - What are the key Requirements |
| | 27.11.2019 | Budget 2020 Tax Update |
| | 27.11.2019 | Corporate Liability |
| Dato' Azizan bin Jaafar | 20.11.2019 | Board Dynamics - What are the key Requirements |
| Dato' Ow Chee Cheoon | 20.11.2019 | Board Dynamics - What are the key Requirements |
| Ow Yin Yee | 17.10.2019 | Raising Defences: Section 17A, MACC Act |
| | 22.10.2019 to 23.10.2019 | MIA Conference 2019: Trust and Sustainability in a Digital Economy |
| | 31.10.2019 | Executive Talk on Integrity and Governance |
| | 31.10.2019 | Session on Corporate Governance & Anti-Corruption |
| | 20.11.2019 | Board Dynamics: What are the Key Requirements |

# Corporate Governance Overview Statement

(CONT'D)

| Director | Date of Training/ Programme | Training/Seminars/Conferences |
|---|---|---|
| Loo Choo Hong | 23.04.2019 | Global Business Insight Series-LEAP: How to Thrive in a World where Everything can be copied |
| | 29.04.2019 | APAC Regional Meeting |
| | 03.05.2019 | CG Watch: How Does Malaysia Rank? |
| | 27.06.2019 | Independent Directors' Programme "The Essence of Independence" |
| | 05.08.2019 to 06.08.2019 | National Tax Conference 2019 |
| | 13.08.2019 | Board of Directors' Training – Guiding Principles on Business Continuity |
| | 11.09.2019 | Financing The SDGS: Malaysian Private Sector Role in Bridging the Gap from Goals to Actions |
| | 8.11.2019 | Invitation to the Securities Commission Malaysia's Audit Oversight Board Conversation with Audit Committees |
| | 20.11.2019 | Board Dynamics – What are the Key Requirements |
| Muk Sai Tat | 03.05.2019 | CG Watch: How Does Malaysia Rank? |
| | 27.06.2019 | Independent Directors' Programme "The Essence of Independence" |
| | 01.10.2019 to 02.10.2019 | The Cooler Earth Summit |
| | 22.10.2019 to 23.10.2019 | MIA International Accountants Conference 2019 |
| | 20.11.2019 | Board Dynamics – What are the Key Requirements |

The Directors will continue to undergo relevant training programmes and seminars from time to time and as and when necessary to update themselves with the relevant knowledge and skills to discharge their duties effectively.

# Corporate Governance Overview Statement

(CONT'D)

## III. REMUNERATION

### Directors & Senior Management's Remuneration

The Remuneration Policy of the Board provides that all Executive Directors and Senior Management are remunerated based on the Group's individual's performances, market conditions and their responsibilities whilst the remuneration of the Non-Executive Directors is determined in accordance with their experience, level of responsibilities assumed in the Board Committees, their attendance and/or special skills and expertise they bring to the Board. The Remuneration Policy of Directors and Senior Management is available for reference at the Company's website at www.gbg.com.my.

The remuneration of the Executive Directors is reviewed and recommended by the Remuneration Committee to the Board for approval. The Independent Non-Executive Directors are remunerated with Directors' fees are subject to shareholders' approval at the AGM annually in accordance with the Company's Constitution and Section 230(1) of the Companies Act, 2016. In view thereof, in terms of recommending the proposed Directors' fees, the Remuneration Committee takes into consideration the qualification, duty and responsibility, and contribution required from a Director in view of the Group's complexity, and also the market rate among the industry. The Board then collectively determines the remuneration for the Independent Non-Executive Directors based on the RC's recommendation. All Directors shall abstain from discussion and decisions on their own remuneration.

The Company also provides Directors' and Officers' Liability Insurance which may provide an indemnity to the fullest extent permitted by the Company Act 2016 and against any liability incurred by them in the discharge of their duties while holding office as Directors and Officers.

In compliance with the Listing Requirements and MCCG practice, the details of the remuneration paid to Directors for the FYE 2019 are as follows:-

| | Fees * | Salaries and other emoluments | Bonuses | Benefit-in-kind | EPF, SOCSO & EIS | Others | Total |
|---|---|---|---|---|---|---|---|
| **EDs** *(on Group level)* | **(RM)** | **(RM)** | **(RM)** | **(RM)** | **(RM)** | | **(RM)** |
| Dato' Azizan bin Jaafar | - | 1,440,000 | 800,000 | 52,250 | 269,723.40 | - | 2,561,973.40 |
| Dato' Ow Chee Cheoon | - | 1,200,000 | 800,000 | - | 256,619.40 | 130,800[1] | 2,387,419.40 |
| Ow Yin Yee | - | 420,000 | 280,000 | 23,950 | 84,923.40 | - | 808,873.40 |
| **NEDs** *(on company level)* | | | | | | | |
| Y.M. Tunku Alizan bin Raja Muhammad Alias | 180,000 | - | - | - | 923.40 | 3,000[2] | 183,923.40 |
| Datuk Kamarudin bin Md. Ali | 96,000 | - | - | - | 592.80 | 4,000[2] | 100,592.80 |
| Loo Choo Hong | 96,000 | - | - | - | 923.40 | 4,000[2] | 100,923.40 |
| Muk Sai Tat | 96,000 | - | - | - | 923.40 | 4,000[2] | 100,923.40 |

[1] *Car Allowance*

[2] *Meeting Allowance*

In regards to the remuneration of the Senior Management's remuneration, the Company notes that such disclosure may give rise to recruitment and talent retention challenges. Hence, the Company firm believes that disclosing the senior management's remunerations in bands is sufficient enough for the shareholder's information.

Therefore, the top key senior management as identified in the Key Senior Management's Profile in this Annual Report whose remunerations bands falls within the following successive bands of RM50,000 for the FYE 2019 is as follows:-

| Name | Range of Remuneration (RM, in Gross) |
|---|---|
| Ir. Bakri bin Ishak | 800,000-850,000 |
| Ir. Tai Jiunn Hong | 700,000-750,000 |
| Encik Abd Razak bin Abd Manan | 500,000-550,000 |
| Mr Si So Tian Ann | 450,000-500,000 |
| Ir. Sudirman bin Kamal | 350,000-400,000 |
| Sr. Mustafa bin Mohd Said | 300,000-350,000 |
| Thum Peng Yong | 500,000-550,000 |
| Mr Chew Wei Shin | 300,000-350,000 |
| Encik Muhammad Ridhwan bin Effendy | 350,000-400,000 |

## PRINCIPLE B : EFFECIVE AUDIT AND RISK MANAGEMENT

### I. AUDIT COMMITTEE

The Audit Committee comprises 3 members whom are Independent Non-Executive Directors. All members of the Audit Committee are relatively financially literate, while the Chairman of the Audit Committee is a member of the Malaysian Institute of Accountants. The Board is assisted by the Audit Committee in governing the Group's financial reporting processes and the quality of its financial reporting. The quarterly results and audited financial statements are reviewed by the Audit Committee and the external auditors (for audited financial statements) and approved by the Board before being released to Bursa Securities.

The Audit Committee has full access to both the Internal and External Auditors who in turn, have access at all times to the Chairman of the Audit Committee. The role of the Audit Committee and the numbers of meetings held during the financial year as well as the attendance record of each member are set out in the Audit Committee Report in this Annual Report.

The ToR of the Audit Committee are available for viewing in the Company's corporate website, http://www.gbg.com.my/

**Relationship with External Auditors**

The Audit Committee meets with the External Auditors to discuss their audit plan, audit findings and the Company's financial statements. At least twice a year and whenever necessary, the Audit Committee shall meet with the External Auditors without the presence of Executive Board members or management personnel to allow the Audit Committee and the External Auditors to exchange independent views on matters which need to be brought to the Audit Committee's attention. In addition, the external auditors are also invited to attend the AGM of the Company and are available to answer shareholders' questions on the conduct of the statutory audit and the preparation and content of their audit report.

The Audit Committee considered the non-audit services provided by the External Auditors during the FYE 2019 and concluded that the provision of these services did not compromise the External Auditors' independence and objectivity. The amount of fees paid for these services was not significant when compared to the total fees paid to the External Auditors.

# Corporate Governance Overview Statement

(CONT'D)

The External Auditors have confirmed to the Audit Committee that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the independence rules of the MIA.

A summary of activities of the Audit Committee during the financial year under review is set out in the Audit Committee Report of this Annual Report.

## II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Risk Management Committee is responsible for establishing and maintaining a sound risk management and internal control system approved by the Board to ensure that the shareholders' investments, other stakeholders' interests and assets of the Group are safeguarded. Risk Management Committee evaluates the adequacy and effectiveness of the internal control system by reviewing the actions taken on lapses, recommendations of internal auditors and Management responses.

The Risk Management Committee is also responsible for implementing risk management policies and strategies approved by the Board. It monitors and manages the principal risk exposure by ensuring that the Management has taken the necessary steps to mitigate such risks and recommends action where necessary. The Risk Management Committee is charged with monitoring the effectiveness of risk management systems and is required to report to the Board on any significant risk exposure.

The Statement on Risk Management and Internal Control as set out in this Annual Report provides an overview of the management of risks and state of internal control within the Group.

### Internal Audit Function

The Directors acknowledge their responsibility to formulate a system of internal control and risk management. The Board seeks regular assurance on the continuity and effectiveness of the internal control and risks management system through independent review by the Internal Auditors.

The Internal Audit function is carried out by IA Essential Sdn. Bhd. ("IA Essential") an internal audit consulting firm. The Internal Audit function is headed by a Director who is assisted by an audit team comprising Manager and Executives. The Director in Charge is a qualified Accountant while other team members are accounting graduates from local universities. Save for the internal audit service, there is no other engagement between the Group and IA Essential which may create conflict of interest or impair their objectivity and independence.

The outsourced Internal Auditors have conducted their work in consideration of the broad principles of the International Professional Practice Framework of IIA covering the conduct of the audit planning, execution, documentations, communication of findings and consultation with key stakeholders.

The outsourced Internal Auditors report independently and directly to the Audit Committee in respect of the Internal Audit function. The Audit Committee together with the Internal Auditors agreed on the scope and planned Internal Audit activities annually and all audit findings arising therefrom are reported to the Audit Committee.

Further details of the activities of the risk management and internal audit function are set out in the Statement on Risk Management and Internal Control in this Annual Report.

## PRINCIPLE C : INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

### I. COMMUNICATION WITH STAKEHOLDERS

The Board recognises that information is the lifeblood of capital market and effective communication between the Group and its stakeholders is imperative for informed decision-making. The Group also places strong emphasis on the importance of timely and equitable dissemination of information to shareholders and other stakeholders. Whilst the Group endeavours to provide as much information as possible to its stakeholders, it is mindful of the legal and regulatory framework governing the release of material and price-sensitive information.

The communication channels used in the Company's engagement with its stakeholders include:

a) The Company's website;
b) Announcements via Bursa Link;
c) Annual Reports;
d) General Meetings; and
e) Investors, analyst and media briefings.

The practice of disclosure of information is not established just to comply with the requirement of the MMLR of Bursa Securities, but also to adopt the best practices recommended in the MCCG with regard to strengthening engagement and communication with shareholders.

The Directors have general responsibility for taking such steps to safeguard the assets of the Group and of the Company and to prevent and detect fraud and other irregularities.

### II. CONDUCT OF GENERAL MEETINGS

The AGM serves as an invaluable platform for shareholders to engage the Board and Senior Management in productive dialogue and provide constructive feedback that contributes to the overall betterment of the Group. During the previous AGM held on year 2019, all Directors were present to provide clear and meaningful response to shareholders' question. The Engagement Partner of the external audit firm was also present at AGM to answer questions from shareholders relating to the external audit process and the attendant outcome. It is customary for Directors to be present early at AGM venue to socialise with shareholders and gather first-hand views which otherwise would not be raised through formalised engagement fora.

The Board has adopted the recommendation of MCCG for the notice of AGM to be given shareholders at least 28 days prior to the meeting. Explanation for each proposed resolution is set out in the Notice of AGM to assist shareholders in making their decisions and exercising their voting rights. In line with Paragraph 8.29(1) of the MMLR, all resolutions set out in the Notice of AGM will be put to vote by poll. The Company will also appoint an independent scrutineer to validate the vote cast in the AGM. The outcome of the AGM will then be announced to Bursa Securities on the same meeting day while the summary of key matters, if any, discussed during the AGM will be posted on the Company's website.

Shareholders who are unable to attend the AGM are advised that they can appoint proxies to attend and vote on their behalf.

### COMPLIANCE STATEMENT

This Statement on the Company's CG practices is made in compliance with Paragraph 15.25 of the MMLR and approved by the Board on 21 May 2020.

# AUDIT COMMITTEE REPORT

## COMPOSITION OF THE AUDIT COMMITTEE

The AC consists of the following members, all of whom are Independent Non-Executive Directors:-

***Chairman***

| | |
|---|---|
| Mr. Loo Choo Hong | Independent Non-Executive Director |

***Members***

| | |
|---|---|
| Datuk Kamarudin bin Md. Ali | Senior Independent Non-Executive Director |
| Mr. Muk Sai Tat | Independent Non-Executive Director |

The composition of Audit Committee is in compliance with Paragraphs 15.09 and 15.10 of the MMLR of Bursa Malaysia Securities Berhad and the Malaysian Code on Corporate Governance where by all three (3) Audit Committee members are independent Non-Executive Directors. None of the Independent Directors has appointed alternate directors.

None of the members of the Audit Committee were also a former key audit partners and notwithstanding that in order to uphold the upmost independence, the Board has no intention to appoint any former key audit partner as a member of the Audit Committee.

## TERMS OF REFERENCE

The AC is to assist the Board of Directors in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the holding company and each of its subsidiaries. The ToR of the Audit Committee are available for viewing on the Company's website at www.gbg.com.my

## MEETINGS AND ATTENDANCE

The Audit Committee meets at least four (4) times in each financial year and the quorum shall consist of majority and shall not be less than two (2). The Company Secretary shall be the Secretary of Audit Committee.

A total of five (5) meetings were held during the financial year ended 31 December 2019. The attendance record of each member is as follows:-

| Name of Committee Members | Designation | No. of Meetings Attended/ No. of Meetings Held During Tenure of Office |
|---|---|---|
| Loo Choo Hong | Chairman | 5/5 |
| Datuk Kamarudin bin Md Ali | Member | 5/5 |
| Muk Sai Tat | Member | 5/5 |

The Group Chief Financial Officer was invited to all Audit Committee meetings to facilitate direct communications and to provide clarification on financial reports. Other Board members and designated members of Senior Management may also attend these meetings on the invitation of the Audit Committee. The internal auditors and external auditors are also invited to attend the Audit Committee meetings to present their audit plan and audit findings respectively, and for the external auditors to assist the Audit Committee in its review of the unaudited quarterly financial reports and year-end financial statements.

# Audit Committee Report

(CONT'D)

Mr. Loo Choo Hong, the Chairman of the Audit Committee briefed the Board on matters of significant concern discussed during Audit Committee Meeting held prior to the Board Meeting. The applicable recommendations of the Audit Committee were presented by the Audit Committee's Chairman at subsequent Board Meeting for the Board's approval. Minutes of each meeting were recorded and tabled for confirmation at the next Audit Committee meeting and subsequently presented to the Board for notation.

## SUMMARY OF THE WORK OF THE AUDIT COMMITTEE

The work undertaken by the Audit Committee in the discharge of its functions and duties during the financial FYE 2019 is summarised as follows:-

### A. FINANCIAL REPORTING

(i) FYE 31 December 2018

a. On 28 February 2019, the Audit Committee reviewed and recommended the unaudited fourth quarterly financial results for the period ended 31 December 2018 at its meeting, prior to deliberation and approval by the Board.

b. The Audit Committee at its meeting held on 18 April 2019, reviewed the Audit Financial Statements of the Group for FYE 31 December 2018, and recommended the same for the Board's approval.

(ii) FYE 31 December 2019

a. The Audit Committee reviewed the unaudited first, second and third quarterly financial results for the respective periods ended 31 March 2019, 30 June 2019, 30 September 2019 at the meetings held on 17 May 2019, 22 August 2019 and 29 November 2019 respectively.

In respect to the above, the matters were discussed with Management and the external auditors and make the necessary recommendations to the Board prior to release to the relevant authorities and public included:-

- compliance with existing and new accounting standards, policies and practices affecting the construction and property development industry;
- any significant adjustments or unusual events; and
- compliance with the applicable Malaysian Financial Reporting Standards, International Financial Reporting Standards, the requirements of the Companies Act 2016 in Malaysia, Main Market Listing Requirements of Bursa Malaysia Securities Berhad, policies and practices affecting the construction and property development industry and other regulatory requirements.

### B. ANNUAL REPORT REQUIREMENTS

(i) Reviewed and approved the Audit Committee Report for inclusion in the 2018 Annual Report, at its meeting held on 18 April 2019.

(ii) The Statement on Risk Management and Internal Control was also reviewed and recommended to the Board for approval, the for inclusion in the 2018 Annual Report, at its meeting held on 18 April 2019.

# Audit Committee Report

(CONT'D)

## C. EXTERNAL AUDIT

(i) On 28 February 2019, the Audit Committee deliberated on the Audit Completion for the financial year ended 31 December 2018 ("**Audit Completion Report**") with External Auditors, Messrs BDO PLT ("**BDO**") at its meeting with regards to the significant accounting and audit issues (i.e. findings on areas of significant to auditor's attention, key audit matters and summary of misstatement) arising from the statutory audit of the Group and the Company for FYE 2018.

In the course of the presentation of the Audit Completion Report, the Audit Committee was also briefed that the Company and the Group were impacted and adopted the Malaysian Financial Reporting Standards ("MFRS") framework in the preparation of financial statements as follows:-

- MFRS 9 – Financial Instruments; and
- MFRS 15 – Revenue from Contracts with Customers.

The Audit Committee was also updated by BDO in regards to the IFRS Interpretation Committee Tentative Agenda Decision on over time transfer of constructed good.

(ii) On 28 February 2019, BDO had also confirmed that they are not aware of any matter that impairs their professional independence and will continuously comply with the relevant ethical requirements regarding independence with respect to the audit of the financial statements of the Company and Group for FYE 31 December 2018 in accordance with the Malaysian Institute of Accountants By-Laws (on Professional Conduct and Ethics) and International Ethics Standards Board for Accountant's Code of Ethics for Professional Accountants.

(iii) During the review of the Audited Financial Statements of the Group and Company for FYE 31 December 2018 at its meeting on 18 April 2019, the Audit Committee considered the summary of audit adjustments identified during the course of audit and agreed by the Management which presented by BDO to be adjusted in the financial statements for FYE 31 December 2019. The Audit Committee was also briefed on the analysis of uncorrected audit misstatements which did not have material impact to the financial statements for FYE 31 December 2019.

(iv) On 29 November 2019, the Audit Committee reviewed the Audit Planning for the FYE 31 December 2019 prepared by BDO, outlining engagement and reporting responsibilities, BDO audit approach, materiality and performance materiality, areas of significant auditor attention, and engagement team and reporting deliverables.

(v) The Audit Committee had met with the external auditors without the presence of the Management staff and the Executive Board members twice (2) on 28 February 2019 and 29 November 2019 respectively, in order to provide the external auditors with an avenue to candidly express any concerns they may have, including those relating to their ability to perform their work without restraint or interference

The Audit Committee also evaluated the performance of the external auditors, their independence and objectivity, their ability to serve the Group in terms of technical competencies and manpower resource sufficiency, as well as the audit fees of the external auditors. After carrying out an evaluation of the performance of the external auditors, the Audit Committee recommended to the Board to propose to shareholders the re-appointment of the external auditors at the forthcoming Tenth Annual General Meeting of the Company.

# Audit Committee Report

(CONT'D)

## D. INTERNAL AUDIT

(i) Reviewed the internal audit's scope of work, functions, competency and resources and that it has the necessary authority to carry out its work.

(ii) Reviewed the internal audit plan to ensure the scope and coverage of the internal audit on the operations of the Group is adequate and comprehensive and that all the risk areas are audited annually.

(iii) Reviewed the internal audit reports prepared by the outsourced internal auditors and appraised the adequacy and effectiveness of Management's response in resolving the audit issues reported.

(iv) Reviewed the follow-up internal audit reports prepared by the outsourced internal auditors and monitored the outcome of follow-up audits to ascertain the extent to which agreed action plans have been implemented by Management.

During the financial year under review, the Internal Auditors had conducted the audit activities as per the approved audit plan and presented their Internal Audit reports on 28 February 2019, 17 May 2019, 22 August 2019 and 29 November 2019 respectively to the Audit Committee.

The Audit Committee had two (2) private sessions with the Internal Auditors without the presence of the Management staff and the Executive Board members on 17 May 2019 and 29 November 2019 respectively. Internal Auditors did not highlight any significant internal audit issue to be brought to the Audit Committee's attention.

## E. RELATED PARTY TRANSACTIONS

The Audit Committee reviewed the quarterly and make enquiry if there are any recurrent related party transactions ("RRPTs") and to ensure the RRPTs, if any, are on ordinary commercial terms and are not favourable to the related party than is generally available to the public, and that the transactions are not detrimental to the minority party. This is also to ensure in compliance with both in-house procedures and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

## INTERNAL AUDIT FUNCTION

The Internal Audit Function is outsourced to an independent professional services firm, IA Essential Sdn. Bhd., which reports directly to the Audit Committee and has direct access to the Audit Committee Chairman on all internal control and audit issues. The Audit Committee assesses the adequacy of the scope, functions, competency and resources of the Internal Auditors.

The principal role of the Internal Auditors is to undertake independent and regular reviews on the Group's internal controls system so as to provide reasonable assurance on the adequacy, integrity and effectiveness of the Group's system of internal controls, risk management and governance.

The Internal Auditors perform their work in accordance with the principles of the international internal auditing standards covering the conduct of the audit planning, execution, documentations, communication of findings and consultation with key stakeholders on the audit concerns. In order to ensure that the audit focus is on relevant and appropriate risk areas, the internal audit plan was developed in consultation with management taking into consideration the Group's risk profile. The proposed internal audit plan will then be presented to the AC for deliberation and approval before internal audit reviews are carried out. Any significant changes to the internal audit plan will be referred to the Audit Committee for approval prior to the commencement of the internal audit.

The total cost incurred in relation to the conduct of the outsourced internal audit function of the Group for the FYE 2019 amounted to RM107,900 against RM100,000 in FYE 2018.

# Audit Committee Report

(CONT'D)

## SUMMARY OF WORK OF INTERNAL AUDIT FUNCTION FOR THE FINANCIAL YEAR

The Internal Auditors adopts a risk based auditing approach, guided by the International Professional Practices Framework (IPPF) issued by the Institute of Internal Auditors, prioritising audit assignments based on the Group's business activity, risk management and past audit findings. They evaluated the adequacy and effectiveness of key controls in responding to risks within the organisation's governance, operations and information systems, in terms of:

- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations;
- Safeguarding of assets; and
- Compliance with relevant laws, regulations and contractual obligations.

During the financial year under review, internal audit function had completed and reported the following reviews covering the on-going projects in the Group to the AC:-

- Internal Audit Report on Cash Flow Management;
- Internal Audit Report on Budget Planning and Monitoring;
- Internal Audit Report on Site Manpower Planning and Monitoring;
- Internal Audit Report on Maintenance of Site Assets and Machinery; and
- Follow-up Audit Reports;

The findings of the Internal Auditors were highlighted to the relevant management representatives for corrective actions. The Management is responsible for ensuring that corrective actions are taken within the agreed timeframe.

This AC Report has been reviewed by the Audit Committee and approved by the Board on 21 May 2020.

# STATEMENT ON RISK MANAGEMENT **AND INTERNAL CONTROL**

The Board of Directors ("Board") is pleased to present the Statement on Risk Management and Internal Control for the financial year ended 31 December 2019, issued in compliance with paragraph 15.26(b) of the Main Market Listing Requirements ("MMLR"), Principle B of the Malaysian Code on Corporate Governance, with guidance from the Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers.

## A. BOARD'S RESPONSIBILITIES

In accordance with the Malaysian Code of Corporate Governance, the Board being responsible for the Group's risk management and internal control systems, formulated policies on risk management and internal control and sought assurance that the systems are functioning effectively.

The Board continues to derive its comfort through the following processes in obtaining the relevant and key information on the state of internal control and risk management of the Group:

- Periodic review of financial information covering financial performance and quarterly financial results;
- Risk Management Committee ("RMC")'s oversight of risk management framework, changes in risk magnitudes and status of management implementation of risk mitigation plan;
- Review the integrity of the financial results and audited financial statements and in consultation with the Audit Committee, management and External Auditors;
- The Audit Committee assessment of the adequacy and effectiveness of internal control based on the internal audit findings presented by the Internal Auditors;
- Group CEO and Group CFO briefings on business, financial and operational performances and updates during the board meetings; and
- Management's assurance to the Board that the Group's risk management and internal control systems have been operated adequately and effectively, in all material respects.

## B. RISK MANAGEMENT

The Risk Management Committee ("RMC") to assists the Board to oversee the risk management framework and ensure the implementation of appropriate systems by the management to manage material risk exposure in the Group.

The RMC comprises the following members which are same as last year with the majority of Independent Non-Executive Directors:

**Chairman**

| | |
|---|---|
| Mr Muk Sai Tat | *(Independent Non-Executive Director)* |

**Members:**

| | |
|---|---|
| Y.M. Tunku Alizan bin Raja Muhammad Alias | *(Independent Non-Executive Director and Chairman)* |
| Dato' Azizan bin Jaafar | *(Executive Director and Group Chief Executive Officer)* |
| Dato' Ow Chee Cheoon | *(Executive Director and Group Deputy Chief Executive Officer)* |
| Datuk Kamarudin bin Md Ali | *(Senior Independent Non-Executive Director)* |
| Mr. Loo Choo Hong | *(Independent Non-Executive Director)* |

# Statement on Risk Management and Internal Control

(CONT'D)

The risk management framework adopted by the Group is consistent with the general principles of the international risk management framework. This risk management framework consists of risk identification, impact assessment, risk profiling and assessment of management action plans.

Structurally, the risk management functions of the Group are organised in two (2) main divisions, namely the Construction and Property Divisions which are headed by the respective Managing Directors of the Construction and Property Divisions.

Similar with previous year, the Group's risk management continued to focus on managing the progress of the construction and property development projects which are critical for ensuring timeliness of delivery of these projects, their cost and cash flows. During the financial year, RMC conducted 4 meetings with both the Construction and Property Divisions to review the overall progress, status of mitigation plans and their effectiveness in managing risks.

Most of the risk management measures and mitigation plans of the Construction Division are embedded in the internal controls of the on-going operating procedures. The details of these internal control procedures are outlined in the next section on **INTERNAL CONTROLS**.

In respect of the Property Division, management has taken mitigation plans to address the risk of decline in demand in property sector. These include collaborating with international realty firms in securing overseas sales; enhancing promotional and marketing activities through advertising in digital and social media tools, newspapers, signages and bunting; on-going participation in property exhibition; and continuously providing staff training on property market information and infrastructure development.

On the other hand, the Group Treasury Function acting as the financial gatekeeper manages the liquidity risk of the Group. In this context, the actual cash flows are constantly benchmarked with the forecast to ensure the adequacy and availability of cash flows to support, fund and sustain the cash flow needs for the Group's current and future projects.

## C. INTERNAL CONTROLS

In order to support the risk management framework, following essential systems of internal control are maintained in the Group. These internal controls are operating under and form part of the on-going management systems of ISO 9001:2015 on Quality Management System and ISO 45001:2018 on Occupational Health and Safety Management System.

i. Management organisation structure defining the management responsibilities and hierarchical structure for planning, executing, controlling and monitoring the business operations;

ii. Limit of authority and approval facilitating delegation of authority;

iii. Close monitoring of construction work progress against the work schedule program as well as the contractors' and sub-contractors' performance, productivity and quality of work;

iv. Tracking of construction costs against the project budgets;

v. Periodic Safety and Health Committee meetings to enforce safety awareness at site;

vi. Selection of sub-contractors, suppliers and consultants are evaluated against the price, resources availability, track record and finance capability criteria;

vii. Performance evaluation of suppliers' and sub-contractors' performance for future reference and selection;

viii. Review of divisional operating performance by the respective heads of the key management team;

ix. Legal review to ensure contractual risks are addressed and managed before entering into material contracts or agreements; and

x. Job descriptions providing understanding to employees of the actions needed in discharging their responsibilities.

## D. MANAGEMENT RESPONSIBILITIES AND ASSURANCE

The Management is responsible to identify risks; implementing and maintaining sound systems of risk management and internal control; and monitoring and reporting to the Board of significant control deficiencies and changes in risks that could significantly affect the Group achievement of its objectives and performance.

The Board has received assurance from the Group CEO and Group CFO that, to the best of their knowledge that the Group's risk management and internal control systems are operating adequately and effectively, in all material aspects.

### Board Assurance and Limitation

The Board is satisfied that there is ongoing process for identifying, evaluating and managing material risks faced by the Group and the existing level of systems of internal control and risk management is effective to enable the Group to achieve its business objectives. During the current financial year, there were no material losses resulted from significant control weaknesses that would require separate disclosure in this Annual Report.

Despite the above, it should be noted that all risk management and internal control systems could only manage rather than eliminate risks of failure to achieve business objectives. Therefore, the systems of risk management and internal control in the Group can only provide reasonable but not absolute assurance against material misstatements, frauds and losses.

### Review of Statement on Risk Management and Internal Control by External Auditors

Pursuant to Paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the External Auditors have reviewed this Statement on Risk Management and Internal Control in accordance with the Audit and Assurance Practice Guide 3 ("AAPG3"): Guidance for Auditors on Engagements to Report on the Statements on Risk Management in and Internal Control included in the Annual Report.

The External Auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in this Annual Report and have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process adopted by the Board and management in reviewing the adequacy and integrity of the risk management and effectiveness of the systems of risk management and internal control systems of the Group.

This Statement is made in accordance with the resolution of the Board of Directors dated 21 May 2020.

# DIRECTORS' **RESPONSIBILITY STATEMENT**

FOR THE AUDITED FINANCIAL STATEMENTS

The Directors are responsible for ensuring that the annual financial statements of the Group and of the Company are drawn up in accordance with the applicable Malaysian Financial Reporting Standards (MFRS). International Financial Reporting Standards (IFRS), the provision of the Companies Act 2016 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The annual financial statements are prepared with reasonable accuracy from the accounting records of the Group and Company so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2019, and of the financial performance and cash flows for the financial year then ended.

In preparing the financial statements, the Directors have ensured that:-

- appropriate accounting policies and practices have been adopted and applied consistently;
- the statements are supported by reasonable and prudent judgements and estimates;
- all applicable accounting standards have been followed, subject to any material departure and explained in the financial statements; and
- a going-concern basis has been adopted unless it is inappropriate to presume that the Group will continue its business.

The Directors are also responsible for:-

- Ensuring that the Group and the Company keep proper accounting and other records to enable the explanation of transactions and preparation of financial statements; and
- Taking the necessary steps as are reasonably open to them to ensure appropriate systems are in place to safeguard the assets of the Group and of the Company, and to detect and prevent fraud and other irregularities

The Directors confirmed that they have complied with the above requirements for the annual financial statements for the financial year ended 31 December 2019.

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# FINANCIAL STATEMENTS

# DIRECTORS' **REPORT**

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and details of the subsidiaries are set out in Note 17 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

## RESULTS

| | Group RM | Company RM |
|---|---|---|
| Profit for the financial year | 36,887,899 | 9,804,699 |
| Attributable to: | | |
| Owners of the parent | 36,294,970 | 9,804,699 |
| Non-controlling interests | 592,929 | - |
| | 36,887,899 | 9,804,699 |

## DIVIDENDS

Dividends paid, declared or proposed since the end of the previous financial year were as follows:

| | RM |
|---|---|
| In respect of financial year ended 31 December 2019: | |
| First interim dividend of two (2) treasury shares for every hundred (100) existing ordinary shares, totalling 9,598,458 shares purchased for RM8,802,190 (determined based on first-in, first-out cost of treasury shares and equivalent to 92 sen per ordinary shares) distributed on 15 March 2019 | 8,802,190 |
| Second interim dividend of 1.50 sen per ordinary share, paid on 7 January 2020 | 7,401,552 |
| | 16,203,742 |

The Directors do not recommend the payment of any final dividend in respect of the financial year ended 31 December 2019.

## RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the Note 29 to the financial statements.

## ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company increased its issued and paid-up ordinary share capital from 494,594,005 to 494,594,267 by way of issuance of 262 ordinary shares pursuant to the exercise of Warrant B 2018/2023 at RM1.12 each by cash.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company. There were no other issues of shares during the financial year.

## OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued ordinary shares of the Company during the financial year.

## WARRANT B 2018/2023

A total of 119,394,669 free Warrants were issued on 27 September 2018 pursuant to the Deed Poll dated 5 September 2018 ("Deed Poll B") to all the shareholders of the Company on the basis of one (1) warrant for every four (4) existing ordinary shares held on 25 September 2018. These warrants were listed on Bursa Malaysia Securities Berhad on 4 October 2018. The Company had fixed the exercise price for the free Warrants at RM1.12 each. The details of the Warrants are disclosed in Note 28 to the financial statements.

During the financial year, 262 new ordinary shares were issued pursuant to the exercise of warrants for the equivalent numbers by the registered shareholders.

## REPURCHASE OF OWN SHARES

The shareholders of the Company, by an ordinary resolution passed at the 9th Annual General Meeting held on 13 June 2019, renewed the mandate to the Company to repurchase up to 10% of its existing issued share capital ("Share Buy Back").

The Directors of the Company are committed in enhancing the value of the Company to its shareholders and believe that the Share Buy Back can be applied in the best interests of the Company and its shareholders. The Company has the rights to retain, cancel, resell and/or distribute these shares as dividends at a later date. As treasury shares, the rights attached to them as to voting, dividends and participation in any other distributions or otherwise are suspended. Of the total 494,594,267 (2018: 494,594,005) issued ordinary shares as at the end of each reporting period, 1,165,744 (2018: 17,014,702) ordinary shares purchased for RM1,427,468 (2018: RM17,241,864) are held as treasury shares by the Company. The number of outstanding ordinary shares in issue after deducting the treasury shares is 493,428,523 (2018: 477,579,303).

# Directors' Report

(CONT'D)

## DIRECTORS

The Directors who have held office during the financial year and up to the date of this report are as follows:

Gabungan AQRS Berhad

Dato' Azizan bin Jaafar
Dato' Ow Chee Cheoon
Datuk Kamarudin bin Md. Ali
Y.M. Tunku Alizan bin Raja Muhammad Alias
Loo Choo Hong
Muk Sai Tat
Ow Yin Yee

Subsidiaries of Gabungan AQRS Berhad

Pursuant to Section 253 of Companies Act 2016 in Malaysia, the list of Directors of the subsidiaries during the financial year and up to the date of this report is as follows:

Dato' Azizan bin Jaafar
Dato' Ow Chee Cheoon
Ir. Bakri bin Ishak
Ow Yin Yee
Choo Choon Seng
Azhar Khan bin Badil Zaman
Norahmad bin Yussuff
Ir. Tai Jiunn Hong
Si So Tian Ann
Abd Razak bin Abd Manan
Tan Ban Eu

In accordance with Clause 119 of the Company's Constitution, Dato' Azizan bin Jaafar and Y.M. Tunku Alizan bin Raja Muhammad Alias retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

**DIRECTORS' INTERESTS**

The Directors holding office at the end of the financial year and their beneficial interests in ordinary shares and warrants in the Company and of its related corporations during the financial year ended 31 December 2019 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia, were as follows:

| | Number of ordinary shares | | | |
|---|---|---|---|---|
| **Shares in the Company** | **Balance as at 1.1.2019** | **Bought** | **Disposal** | **Balance as at 31.12.2019** |
| Direct interests | | | | |
| Y.M. Tunku Alizan bin Raja Muhammad Alias | 294,600 | 605,892 | - | 900,492 |
| Dato' Azizan bin Jaafar | 1,842,300 | 36,846 | - | 1,879,146 |
| Dato' Ow Chee Cheoon | 33,300,760 | 666,014 | - | 33,966,774 |
| Ow Yin Yee | 160,600 | 3,212 | - | 163,812 |
| Loo Choo Hong | 70,000 | 1,400 | (51,200) | 20,200 |
| Datuk Kamarudin bin Md. Ali | 200,000 | 4,000 | - | 204,000 |
| Indirect interest | | | | |
| Dato' Azizan bin Jaafar | 52,551,900 | 1,051,038 | - | 53,602,938 |

| | Number of warrants | | | |
|---|---|---|---|---|
| **Warrants B 2018/2023** | **Balance as at 1.1.2019** | **Bought** | **Disposal** | **Balance as at 31.12.2019** |
| Direct interests | | | | |
| Y.M. Tunku Alizan bin Raja Muhammad Alias | 73,650 | 100,000 | - | 173,650 |
| Dato' Azizan bin Jaafar | 460,575 | - | - | 460,575 |
| Dato' Ow Chee Cheoon | 8,325,190 | - | - | 8,325,190 |
| Ow Yin Yee | 40,150 | - | - | 40,150 |
| Loo Choo Hong | 17,500 | - | (17,500) | - |
| Datuk Kamarudin bin Md. Ali | 100,000 | 102,800 | (100,000) | 102,800 |
| Indirect interest | | | | |
| Dato' Azizan bin Jaafar | 13,137,975 | - | (6,317,475) | 6,820,500 |

The other Director, Muk Sai Tat did not hold any interest in ordinary shares and warrants in the Company or ordinary shares, warrants and debentures of its related corporations during the financial year.

# Directors' Report

(CONT'D)

## DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than those benefits included in the aggregate amount of remuneration received or due and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than the followings:

(a) any benefit which may be deemed to have arisen by virtue of those transactions entered into in the ordinary course of business as disclosed in Note 35 to the financial statements; and

(b) certain Directors who received remuneration from the subsidiaries as Directors of the subsidiaries as disclosed in Note 9 to the financial statements.

There were no arrangements during and at the end of the financial year, to which the Company is a party, which had the object of enabling the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate except for the warrants issued to the Directors as disclosed in Note 28 to the financial statements.

## DIRECTORS' REMUNERATION

The details of Directors' remuneration are disclosed in Note 9 to the financial statements.

## INDEMNITY AND INSURANCE FOR OFFICERS AND AUDITORS

The Group and the Company effected Directors' liability insurance during the financial year to protect the Directors of the Group and of the Company against potential costs and liabilities arising from claims brought against the Directors.

During the financial year, the total amount of insurance premium paid for the Directors and the officers of the Group and of the Company is RM19,000.

There were no indemnity given to or insurance effected for the auditors of the Group and of the Company during the financial year.

## OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

### (I) AS AT THE END OF THE FINANCIAL YEAR

(a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and have satisfied themselves that all known bad debts has been written off and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values.

(b) In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

**OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (continued)**

**(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT**

(c) The Directors are not aware of any circumstances:

(i) which would render the amounts written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any material extent;

(ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and

(iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) In the opinion of the Directors:

(i) there has not arisen any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made; and

(ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year, which would or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

**(III) AS AT THE DATE OF THIS REPORT**

(e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.

(f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.

(g) The Directors are not aware of any circumstances not otherwise dealt with in the report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

**SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD**

Significant event subsequent to the end of the reporting period is disclosed in Note 37 to the financial statements.

# Directors' Report

(CONT'D)

## AUDITORS

The auditors, BDO PLT (LLP0018825-LCA & AF 0206), have expressed their willingness to continue in office.

Auditors' remuneration of the Group and of the Company for the financial year ended 31 December 2019 amounted to RM297,300 and RM77,000 respectively.

Signed on behalf of the Board in accordance with a resolution of the Directors.

.....
**Dato' Azizan bin Jaafar**
Director

.....
**Dato' Ow Chee Cheoon**
Director

Kuala Lumpur
21 May 2020

# STATEMENT BY **DIRECTORS**

In the opinion of the Directors, the financial statements set out on pages 124 to 205 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the provisions of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board,

.....
**Dato' Azizan bin Jaafar**
Director

.....
**Dato' Ow Chee Cheoon**
Director

Kuala Lumpur
21 May 2020

# STATUTORY **DECLARATION**

I, Ow Yin Yee (CA 10002), being the Director primarily responsible for the financial management of Gabungan AQRS Berhad, do solemnly and sincerely declare that the financial statements set out on pages 124 to 205 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly )
declared by the abovenamed at )
Kuala Lumpur this )
21 May 2020 )

**Ow Yin Yee**

Before me:

**Commissioner for Oaths**
**Baloo A/L T. Pichai**
**W663**

# INDEPENDENT **AUDITORS' REPORT**

TO THE MEMBERS OF GABUNGAN AQRS BERHAD (INCORPORATED IN MALAYSIA)

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Gabungan AQRS Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 124 to 205.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.

### Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

***(a) Revenue recognition for construction contracts and property development***

Revenue from construction contracts and property development is set out in Note 6 to the financial statements.

We determined this to be a key audit matter because it requires management to exercise significant judgements in determining the satisfaction of performance obligations as stated in the contracts with customers, transaction price allocations and costs in applying the input method to recognise revenue over time, which is based on stage of completion method. The determination of stage of completion requires management to exercise significant judgement in estimating the total costs to complete.

In estimating the budgeted contract costs and budgeted development costs, the Group considered the completeness and accuracy of its cost estimation, including its obligations to contract variations, claims and cost contingencies.

**Key Audit Matters (continued)**

***(a) Revenue recognition for construction contracts and property development (continued)***

***Audit response***

Our audit procedures included the following:

(i) Reviewed the terms and conditions of the sales transactions to determine that revenue recognised conforms with the Group policies and the requirements of MFRS 15 *Revenue from Contracts with Customers*;

(ii) Compared management's estimates of budgeted contract costs and budgeted development costs to relevant supporting documents and recomputed the progress towards complete satisfaction of performance obligations determined by management for revenue recognition based on actual costs incurred up to the end of the reporting period;

(iii) Inspected documentation to support cost estimates made including contract variations and cost contingencies;

(iv) Visited project sites and inquired with in-house quantity surveyors and project managers to corroborate the status of the works and the stage of completion; and

(v) Inspected documentation from technical experts and sub-contractors in relation to variations and claims to corroborate key judgements applied by management.

***(b) Recoverability of trade and other receivables***

The carrying amount of trade and other receivables are set out in Note 23 to the financial statements.

We determined this to be a key audit matter because it requires management to exercise significant judgement in determining the probability of default by trade and other receivables, appropriate forward looking information and significant increase in credit risk. We focused on the audit risk that the impairment losses on trade and other receivables may be understated and hence, further impairment losses may be required.

***Audit response***

Our audit procedures included the following:

(i) Assessed the expected credit loss ("ECL") for portfolios of trade receivables and other receivables based on customer segments, historical information on payment trend and forward-looking information;

(ii) Recomputed the probability of default using historical data and forward-looking information adjustment applied by the Group;

(iii) Inquired of management to assess the rationale underlying the relationship between the forward-looking information and expected credit losses;

(iv) Evaluated the basis set by management for determining cash flows recoverable in credit impaired scenarios; and

(v) Assessed the appropriateness of the indicators of significant increase in credit risk applied by management and the resultant basis for classification of exposure into respective stages.

# Independent Auditors' Report

TO THE MEMBERS OF GABUNGAN AQRS BERHAD (INCORPORATED IN MALAYSIA) (CONT'D)

**Key Audit Matters (continued)**

***(c) Impairment assessment of the carrying amount of intangible assets***

Included in intangible assets is customer contract with a carrying amount of RM28,564,072, which arose from the acquisition of a subsidiary as disclosed in Note 21 to the financial statements.

We determined this to be a key audit matter because it requires management to exercise significant judgement and estimates about the future results and key assumptions applied to cash flow projections of the subsidiary in determining the recoverable amount. These key assumptions include forecast growth in future revenues and operating profit margins, as well as determining an appropriate pre-tax discount rate and growth rates.

***Audit response***

Our audit procedures included the following:

(i) Reviewed cash flow projections and assessed the reasonableness of the key assumptions in the projections;

(ii) Evaluated the reasonableness of pre-tax discount rate by comparing to the weighted average cost of capital of the Company and relevant risk factors; and

(iii) Performed sensitivity analysis of our own to stress test the key assumptions in the impairment model.

***(d) Impairment assessment of the carrying amount of investments in subsidiaries at Company level***

As at 31 December 2019, investments in subsidiaries of the Company were RM322,542,482 net of impairment of RM28,623,124 as disclosed in Note 17 to the financial statements.

We determined this to be a key audit matter because it requires management to exercise significant judgement and estimates about the future results and key assumptions applied to cash flow projections of the subsidiaries. In this instance, their recoverable amounts are based on their value-in-use method. These key assumptions include budgeted operating profit margins and growth rates as well as determining an appropriate pre-tax discount rate.

***Audit response***

Our audit procedures included the following:

(i) Compared cash flow projections against recent performance and historical accuracy of cash flow projections prepared by management and assessed the reasonableness of key assumptions used in the projections;

(ii) Evaluated the reasonableness of pre-tax discount rate by comparing to the weighted average cost of capital of the Company and relevant risk factors; and

(iii) Performed sensitivity analysis of our own to stress test the key assumptions in the impairment model.

# Independent Auditors' Report

TO THE MEMBERS OF GABUNGAN AQRS BERHAD (INCORPORATED IN MALAYSIA) (CONT'D)

**Information Other than the Financial Statements and Auditors' Report Thereon**

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Directors for the Financial Statements**

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with MFRSs, IFRSs, and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

**Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.

# Independent Auditors' Report

TO THE MEMBERS OF GABUNGAN AQRS BERHAD (INCORPORATED IN MALAYSIA) (CONT'D)

**Auditors' Responsibilities for the Audit of the Financial Statements (continued)**

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also: (continued)

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

# Independent Auditors' Report

TO THE MEMBERS OF GABUNGAN AQRS BERHAD (INCORPORATED IN MALAYSIA) (CONT'D)

**Other Matters**

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**BDO PLT**
LLP0018825-LCA & AF 0206
Chartered Accountants

**Francis Cyril A/L S.R Singam**
03056/04/2021 J
Chartered Accountant

Kuala Lumpur
21 May 2020

# STATEMENTS OF PROFIT OR LOSS **AND OTHER COMPREHENSIVE INCOME**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Revenue | 6 | 413,986,626 | 585,329,884 | 5,000,000 | 61,490,000 |
| Cost of sales | 7 | (330,215,804) | (462,074,129) | - | - |
| Gross profit | | 83,770,822 | 123,255,755 | 5,000,000 | 61,490,000 |
| Other income | | 14,637,932 | 19,613,902 | 8,681,068 | 9,292,932 |
| Operating costs | | (44,108,963) | (51,393,275) | (3,353,593) | (65,457,576) |
| Finance costs | 8 | (4,242,136) | (5,395,739) | (1,018,715) | (179,227) |
| Share of profit/(loss) of an associate, net of tax | | 124,814 | (79,880) | - | - |
| Share of profit of a joint venture, net of tax | | 602,383 | 961,146 | - | - |
| Profit before tax | | 50,784,852 | 86,961,909 | 9,308,760 | 5,146,129 |
| Taxation | 11 | (13,896,953) | (21,850,970) | 495,939 | (215,545) |
| Profit for the financial year | | 36,887,899 | 65,110,939 | 9,804,699 | 4,930,584 |
| Other comprehensive income, net of tax | | - | - | - | - |
| Total comprehensive income, net of tax | | 36,887,899 | 65,110,939 | 9,804,699 | 4,930,584 |
| Attributable to: | | | | | |
| Owners of the parent | | 36,294,970 | 61,209,887 | 9,804,699 | 4,930,584 |
| Non-controlling interests | 17(d) | 592,929 | 3,901,052 | - | - |
| | | 36,887,899 | 65,110,939 | 9,804,699 | 4,930,584 |
| Earnings per ordinary share attributable to equity holders of the Company: | | | | | |
| Basic earnings per ordinary share (sen) | 12 | 7.41 | 13.05 | | |
| Diluted earnings per ordinary share (sen) | 12 | 5.96 | 10.40 | | |

*The accompanying notes form an integral part of the financial statements.*

# STATEMENTS OF **FINANCIAL POSITION**

AS AT 31 DECEMBER 2019

| | Note | Group 2019 RM | Group 2018 RM | Company 2019 RM | Company 2018 RM |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 14 | 29,561,689 | 30,921,974 | 369,561 | - |
| Lease receivables | 15 | - | - | 443,038 | - |
| Investment properties | 16 | 33,437,738 | 33,006,684 | - | - |
| Investments in subsidiaries | 17 | - | - | 322,542,482 | 322,542,482 |
| Investment in an associate | 18 | 3,431,960 | 3,307,146 | - | - |
| Investment in a joint venture | 19 | 1,341,639 | 739,256 | 255,000 | 255,000 |
| Deferred tax assets | 20 | 6,121,832 | 3,007,864 | - | - |
| Intangible assets | 21 | 28,711,182 | 29,783,152 | - | - |
| | | 102,606,040 | 100,766,076 | 323,610,081 | 322,797,482 |
| **Current assets** | | | | | |
| Inventories | 22 | 417,765,933 | 378,990,294 | - | - |
| Lease receivables | 15 | - | - | 98,688 | - |
| Trade and other receivables | 23 | 188,989,208 | 239,588,597 | 26,926,522 | 64,185,125 |
| Contract assets | 24 | 631,656,419 | 562,968,746 | - | - |
| Other investment | 25 | 225,302 | 1,328,068 | - | - |
| Current tax assets | | 2,605,502 | 1,343,765 | - | - |
| Short term funds | 26 | 1,922,412 | 36,725,170 | 1,605,386 | 35,365,153 |
| Cash and bank balances | 27 | 137,501,854 | 91,846,550 | 7,147,876 | 1,365,656 |
| | | 1,380,666,630 | 1,312,791,190 | 35,778,472 | 100,915,934 |
| **TOTAL ASSETS** | | 1,483,272,670 | 1,413,557,266 | 359,388,553 | 423,713,416 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity attributable to owners of the parent** | | | | | |
| Share capital | 28 | 325,545,730 | 324,240,605 | 325,545,730 | 324,240,605 |
| Reserves | 29 | 183,496,781 | 147,588,816 | 8,646,061 | (769,292) |
| | | 509,042,511 | 471,829,421 | 334,191,791 | 323,471,313 |
| Non-controlling interests | 17(d) | 6,215,098 | 5,620,010 | - | - |
| **TOTAL EQUITY** | | 515,257,609 | 477,449,431 | 334,191,791 | 323,471,313 |

# Statements of Financial Position

AS AT 31 DECEMBER 2019 (CONT'D)

| | Note | Group 2019 RM | Group 2018 RM | Company 2019 RM | Company 2018 RM |
|---|---|---|---|---|---|
| **LIABILITIES** | | | | | |
| **Non-current liabilities** | | | | | |
| Borrowings | 30 | 16,388,868 | 28,919,928 | - | - |
| Lease liabilities | 15 | 6,521,664 | - | 720,343 | - |
| Deferred tax liabilities | 20 | 305,313 | 226,872 | - | - |
| | | 23,215,845 | 29,146,800 | 720,343 | - |
| **Current liabilities** | | | | | |
| Trade and other payables | 32 | 666,729,228 | 674,167,014 | 9,962,310 | 99,678,620 |
| Contract liabilities | 24 | 27,240,437 | 34,710,420 | - | - |
| Borrowings | 30 | 237,793,311 | 176,787,067 | 14,310,122 | - |
| Lease liabilities | 15 | 3,570,008 | - | 195,297 | - |
| Current tax liabilities | | 9,466,232 | 21,296,534 | 8,690 | 563,483 |
| | | 944,799,216 | 906,961,035 | 24,476,419 | 100,242,103 |
| **TOTAL LIABILITIES** | | 968,015,061 | 936,107,835 | 25,196,762 | 100,242,103 |
| **TOTAL EQUITY AND LIABILITIES** | | 1,483,272,670 | 1,413,557,266 | 359,388,553 | 423,713,416 |

*The accompanying notes form an integral part of the financial statements.*

# CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

| | | ← Non-distributable → | | Distributable | Total attributable to owners of the parent | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|
| **Group** | **Note** | **Share capital RM** | **Treasury shares RM** | **Retained earnings RM** | **RM** | **RM** | **RM** |
| Balance as at 1 January 2018 | | 267,080,518 | (509,881) | 127,088,173 | 393,658,810 | 8,078,958 | 401,737,768 |
| Profit for the financial year | | - | - | 61,209,887 | 61,209,887 | 3,901,052 | 65,110,939 |
| Other comprehensive income, net of tax | | - | - | - | - | - | - |
| Total comprehensive income, net of tax | | - | - | 61,209,887 | 61,209,887 | 3,901,052 | 65,110,939 |
| **Transaction with owners** | | | | | | | |
| Dividend paid | 13 | - | - | (23,467,380) | (23,467,380) | (6,360,000) | (29,827,380) |
| Ordinary shares issued pursuant to exercise of warrants | 28 | 56,052,724 | - | - | 56,052,724 | - | 56,052,724 |
| Ordinary shares repurchased | | - | (20,682,405) | - | (20,682,405) | - | (20,682,405) |
| Ordinary shares resold in open market | 28 | 1,107,363 | 3,950,422 | - | 5,057,785 | - | 5,057,785 |
| Total transaction with owners | | 57,160,087 | (16,731,983) | (23,467,380) | 16,960,724 | (6,360,000) | 10,600,724 |
| Balance as at 31 December 2018 | | 324,240,605 | (17,241,864) | 164,830,680 | 471,829,421 | 5,620,010 | 477,449,431 |

# Consolidated Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

| | | ← Non-distributable → | | Distributable | | | |
|---|---|---|---|---|---|---|---|
| **Group** | **Note** | **Share capital RM** | **Treasury shares RM** | **Retained earnings RM** | **Total attributable to owners of the parent RM** | **Non-controlling interests RM** | **Total equity RM** |
| Balance as at 1 January 2019 | | 324,240,605 | (17,241,864) | 164,830,680 | 471,829,421 | 5,620,010 | 477,449,431 |
| Profit for the financial year | | - | - | 36,294,970 | 36,294,970 | 592,929 | 36,887,899 |
| Other comprehensive income, net of tax | | - | - | - | - | - | - |
| Total comprehensive income, net of tax | | - | - | 36,294,970 | 36,294,970 | 592,929 | 36,887,899 |
| **Transaction with owners** | | | | | | | |
| Dividend payable | 13 | - | - | (7,401,552) | (7,401,552) | - | (7,401,552) |
| Share dividend paid | 13 | - | 8,802,190 | (8,802,190) | - | - | - |
| Strike off of an indirect subsidiary | | - | - | 2,341 | 2,341 | 2,159 | 4,500 |
| Ordinary shares issued pursuant to exercise of warrants | 28 | 294 | - | - | 294 | - | 294 |
| Ordinary shares resold in open market | 28 | 1,304,831 | 7,012,206 | - | 8,317,037 | - | 8,317,037 |
| Total transaction with owners | | 1,305,125 | 15,814,396 | (16,201,401) | 918,120 | 2,159 | 920,279 |
| Balance as at 31 December 2019 | | 325,545,730 | (1,427,468) | 184,924,249 | 509,042,511 | 6,215,098 | 515,257,609 |

*The accompanying notes form an integral part of the financial statements.*

# STATEMENT OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

| | | Non-distributable | | Distributable | |
|---|---|---|---|---|---|
| **Company** | **Note** | **Share capital RM** | **Treasury shares RM** | **Retained earnings RM** | **Total equity RM** |
| Balance as at 1 January 2018 | | 267,080,518 | (509,881) | 35,009,368 | 301,580,005 |
| Profit for the financial year | | - | - | 4,930,584 | 4,930,584 |
| Other comprehensive income, net of tax | | - | - | - | - |
| Total comprehensive income, net of tax | | - | - | 4,930,584 | 4,930,584 |
| **Transaction with owners** | | | | | |
| Dividend paid | 13 | - | - | (23,467,380) | (23,467,380) |
| Ordinary shares issued pursuant to warrants exercised | 28 | 56,052,724 | - | - | 56,052,724 |
| Ordinary shares repurchased | | - | (20,682,405) | - | (20,682,405) |
| Ordinary shares resold in open market | 28 | 1,107,363 | 3,950,422 | - | 5,057,785 |
| Total transaction with owners | | 57,160,087 | (16,731,983) | (23,467,380) | 16,960,724 |
| Balance as at 31 December 2018 | | 324,240,605 | (17,241,864) | 16,472,572 | 323,471,313 |
| Balance as at 1 January 2019 | | 324,240,605 | (17,241,864) | 16,472,572 | 323,471,313 |
| Profit for the financial year | | - | - | 9,804,699 | 9,804,699 |
| Other comprehensive income, net of tax | | - | - | - | - |
| Total comprehensive income, net of tax | | - | - | 9,804,699 | 9,804,699 |
| **Transaction with owners** | | | | | |
| Dividend payable | 13 | - | - | (7,401,552) | (7,401,552) |
| Share dividend paid | 13 | - | 8,802,190 | (8,802,190) | - |
| Ordinary shares issued pursuant to warrants exercised | 28 | 294 | - | - | 294 |
| Ordinary shares resold in open market | 28 | 1,304,831 | 7,012,206 | - | 8,317,037 |
| Total transaction with owners | | 1,305,125 | 15,814,396 | (16,203,742) | 915,779 |
| Balance as at 31 December 2019 | | 325,545,730 | (1,427,468) | 10,073,529 | 334,191,791 |

*The accompanying notes form an integral part of the financial statements.*

# STATEMENTS OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

| | Note | Group 2019 RM | Group 2018 RM | Company 2019 RM | Company 2018 RM |
|---|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | |
| Profit before tax | | 50,784,852 | 86,961,909 | 9,308,760 | 5,146,129 |
| Adjustments for: | | | | | |
| Bad debts written-off: | | | | | |
| - third parties | | - | 355,304 | - | - |
| - subsidiaries | | - | - | - | 36,138,600 |
| Depreciation of: | | | | | |
| - property, plant and equipment | 14 | 9,877,925 | 11,941,500 | 105,589 | - |
| - investment properties | 16 | 791,729 | 698,572 | - | - |
| Dividend income | 6 | - | - | (5,000,000) | (61,490,000) |
| Fair value (gain)/loss on: | | | | | |
| - other investment | | (4,933,569) | 6,794,747 | - | - |
| - short term fund | | (15,268) | - | - | - |
| Gain on disposal of property, plant and equipment | | (839,988) | (412,095) | - | - |
| Gain on lease modification | | (13,990) | - | (3,602) | - |
| Impairment losses on: | | | | | |
| - trade receivables | 23(i) | 85,001 | 3,000,077 | - | - |
| - other receivables | 23(k) | 611,202 | 2,348 | - | - |
| - contract assets | 24(f) | 2,913,360 | 372,591 | - | - |
| - investments in subsidiaries | | - | - | - | 25,997,755 |
| - intangible assets | 21 | 1,071,970 | - | - | - |
| Interest expense | | 4,516,544 | 5,395,739 | 1,018,715 | 179,227 |
| Interest income | | (4,507,499) | (5,027,718) | (449,339) | (5,940,660) |
| Property, plant and equipment written off | 14 | 27,400 | 247,797 | - | - |
| Reversal of impairment losses on: | | | | | |
| - trade receivables | 23(i) | (1,832,662) | (8,166,249) | - | - |
| - other receivables | 23(k) | (113,920) | (3,224,873) | - | - |
| - contract assets | 24(f) | (51,057) | (20,881) | - | - |
| - amounts owing by subsidiaries | 23(k) | - | - | - | (747,578) |
| Reversal of waiver of amount owing from a subsidiary | | - | - | (8,228,127) | - |
| Share of (profit)/loss of an associate, net of tax | 18 | (124,814) | 79,880 | - | - |
| Share of profit of a joint venture, net of tax | 19 | (602,383) | (961,146) | - | - |
| Waiver of debts on amounts owing by subsidiaries | | - | - | - | (2,604,694) |
| Operating profit/(loss) before working capital changes | | 57,644,833 | 98,037,502 | (3,248,004) | (3,321,221) |
| Changes in working capital: | | | | | |
| Inventories | | (32,739,304) | (85,649,495) | - | - |
| Lease receivables | | - | - | 108,250 | - |
| Trade and other receivables | | 51,849,768 | (39,925,194) | (24,681) | 1,116,657 |
| Contract assets | | (71,549,976) | (208,266,649) | - | - |
| Trade and other payables | | (14,834,838) | 261,358,816 | 205,836 | (121,859) |
| Contract liabilities | | (7,469,983) | (17,357,499) | - | - |
| Cash (used in)/generated from operations | | (17,099,500) | 8,197,481 | (2,958,599) | (2,326,423) |

# Statements of Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

| | Note | Group 2019 RM | Group 2018 RM | Company 2019 RM | Company 2018 RM |
|---|---|---|---|---|---|
| Interest paid | | (2,586,184) | (3,003,308) | - | (179,227) |
| Interest received | | 4,522,767 | 5,027,718 | 214,888 | 1,923,058 |
| Tax paid | | (30,136,295) | (34,747,787) | (58,854) | (112,980) |
| Tax refunded | | 111,776 | 800,615 | - | - |
| Net cash used in operating activities | | (45,187,436) | (23,725,281) | (2,802,565) | (695,572) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | |
| Advances to subsidiaries | | - | - | (51,616,347) | (128,070,879) |
| Dividend received from | | | | | |
| - a joint venture | 19 | - | 600,000 | - | 600,000 |
| - subsidiaries | 6 | - | - | 5,000,000 | 60,890,000 |
| Proceeds from disposals of property, plant and equipment | | 1,029,315 | 446,246 | - | - |
| Purchases of: | | | | | |
| - property, plant and equipment | 14(d) | (1,143,972) | (5,944,919) | - | - |
| - investment properties | 16 | (759,273) | (3,998) | - | - |
| (Placements)/Withdrawals of fixed deposits pledged | | (29,102,593) | (38,960,777) | (4,529,804) | (27,143) |
| Net cash used in investing activities | | (29,976,523) | (43,863,448) | (51,146,151) | (66,608,022) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | |
| Interest paid | | - | (2,392,431) | (961,918) | - |
| Shares repurchased | | - | (20,682,405) | - | (20,682,405) |
| Proceeds from resale of shares in open market | | 8,317,037 | 5,057,653 | 8,317,037 | 5,057,653 |
| Proceeds from issuance of ordinary shares pursuant to exercise of warrants | 28 | 294 | 56,052,724 | 294 | 56,052,724 |
| Dividend paid | 13 | - | (23,467,380) | - | (23,467,380) |
| Dividend paid to non-controlling interests | | - | (6,360,000) | - | - |
| Drawdowns of term loans | | 15,443,351 | 14,556,649 | - | - |
| Repayment of lease liabilities | | (3,748,418) | - | (224,170) | - |
| Repayments of revolving credits | | (114,812) | (2,000,000) | - | - |
| Repayments of term loans | | (11,525,336) | (45,757,069) | - | - |
| Repayments of hire-purchase creditors | | - | (1,204,583) | - | - |
| Net cash from/(used in) financing activities | | 8,372,116 | (26,196,842) | 7,131,243 | 16,960,592 |
| Net decrease in cash and cash equivalents | | (66,791,843) | (93,785,571) | (46,817,473) | (50,343,002) |
| Cash and cash equivalents at beginning of financial year | | (112,448,610) | (18,663,039) | 35,639,996 | 85,982,998 |
| Cash and cash equivalents at end of financial year | 27(f) | (179,240,453) | (112,448,610) | (11,177,477) | 35,639,996 |

***RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES***

| | Lease liabilities (Note 15) | | Term loans (Note 30) | | Revolving credits (Note 30) | | Hire purchase creditors (Note 31) | |
|---|---|---|---|---|---|---|---|---|
| | Group RM | Company RM | Group RM | Company RM | Group RM | Company RM | Group RM | Company RM |
| At 1 January 2018 | - | - | 66,744,942 | - | 4,000,000 | - | 1,475,096 | - |
| Cash flows | - | - | (31,200,420) | - | (2,000,000) | - | (1,427,639) | - |
| Non-cash flows : | | | | | | | | |
| - Unwinding of interest | - | - | - | - | - | - | 223,056 | - |
| - Acquisition of property, plant and equipment | - | - | - | - | - | - | 4,947,400 | - |
| At 31 December 2018/ 1 January 2019 | - | - | 35,544,522 | - | 2,000,000 | - | 5,217,913 | - |
| Effects of adoption of MFRS 16 (Note 36.1) | 11,238,373 | 740,815 | - | - | - | - | (5,217,913) | - |
| As at 1 January 2019, restated | 11,238,373 | 740,815 | 35,544,522 | - | 2,000,000 | - | - | - |
| Cash flows | (3,748,418) | (224,170) | 3,918,015 | - | (114,812) | - | - | - |
| Non-cash flows : | | | | | | | | |
| - Unwinding of interest | 582,262 | 56,797 | 1,233,286 | - | 114,812 | - | - | - |
| - Additions during the year | 2,019,455 | 342,198 | - | - | - | - | - | - |
| At 31 December 2019 | 10,091,672 | 915,640 | 40,695,823 | - | 2,000,000 | - | - | - |

*The accompanying notes form an integral part of the financial statements.*

## 1. CORPORATE INFORMATION

Gabungan AQRS Berhad ("the Company") is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at G-58-1, Block G, Jalan Teknologi 3/9, Bistari 'De' Kota, Kota Damansara, PJU 5, 47810 Petaling Jaya, Selangor Darul Ehsan.

The principal place of business of the Company is located at Lot 58-G, Block G, Jalan Teknologi 3/9, Bistari 'De' Kota, Kota Damansara, PJU 5, 47810 Petaling Jaya, Selangor Darul Ehsan.

The consolidated financial statements for the financial year ended 31 December 2019 comprise the Company and its subsidiaries and the interests of the Group in an associate and a joint venture. These financial statements are presented in Ringgit Malaysia ("RM"), which is also the functional currency of the Company.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 21 May 2020.

## 2. PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and details of the subsidiaries are set out in Note 17(c) to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

## 3. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the provisions of the Companies Act 2016 in Malaysia.

The accounting policies adopted are consistent with those of the previous financial year except for the effects of adoption of new MFRS during the financial year. The new MFRSs and Amendments to MFRSs adopted during the financial year are disclosed in Note 36.1 to the financial statements.

The Group and the Company applied MFRS 16 *Leases* for the first time during the current financial year, using the cumulative effect method as at 1 January 2019. Consequently, the comparative information were not restated and are not comparable to the financial information of the current financial year.

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

# Notes to the Financial Statements

31 DECEMBER 2019 (CONT'D)

## 4. OPERATING SEGMENTS

Gabungan AQRS Berhad and its subsidiaries are principally engaged in construction, property development, property investment, provision of management services and investment holding.

Gabungan AQRS Berhad has arrived at two (2) reportable segments that are organised and managed separately according to the nature of products and services, specific expertise and technologies requirements, which require different business and marketing strategies. The reportable segments are summarised as follows:

(i) Construction

Securing and carrying out construction contracts.

(ii) Property development

Development of residential and commercial properties.

Other operating segments comprise property investment, provision of management services and investment holding.

The Group evaluates performance on the basis of profit or loss from operations before tax not including non-recurring losses, such as restructuring costs and goodwill impairment, if any.

Inter-segment revenue is priced along the same lines as sales to external customers and is eliminated in the consolidated financial statements. These policies have been applied consistently throughout the current and previous financial years.

| 2019 | Construction RM | Property development RM | Other operating segments RM | Total RM |
|---|---|---|---|---|
| **Segment revenue** | | | | |
| Total revenue | 430,094,704 | 22,422,011 | 26,305,025 | 478,821,740 |
| Inter segment revenue | (49,014,168) | (869,937) | (14,951,009) | (64,835,114) |
| Revenue from external customers | 381,080,536 | 21,552,074 | 11,354,016 | 413,986,626 |
| Interest income | 4,270,633 | 21,977 | 214,889 | 4,507,499 |
| Finance costs | (2,631,468) | (9,594) | (1,601,074) | (4,242,136) |
| Net finance income/(expenses) | 1,639,165 | 12,383 | (1,386,185) | 265,363 |
| **Segment profit/(loss) before tax** | **106,045,230** | **(11,115,905)** | **17,602,375** | **112,531,700** |

## 4. OPERATING SEGMENTS (continued)

| 2019 | Construction RM | Property development RM | Other operating segments RM | Total RM |
|---|---|---|---|---|
| Share of profit of an associate, net of tax | 124,814 | - | - | 124,814 |
| Share of profit of a joint venture, net of tax | - | - | 602,383 | 602,383 |
| Taxation | (13,382,940) | 993,902 | (1,507,915) | (13,896,953) |
| Other material non-cash item: | | | | |
| - Depreciation of: | | | | |
| - Property, plant and equipment | (9,088,790) | (158,587) | (630,548) | (9,877,925) |
| - Investment properties | (104,280) | - | (687,449) | (791,729) |
| - Impairment loss on intangible assets | (1,071,970) | - | - | (1,071,970) |
| Investment in an associate | 3,431,960 | - | - | 3,431,960 |
| Investment in a joint venture | - | - | 1,341,639 | 1,341,639 |
| Additions to non-current assets other than financial instruments and deferred tax assets | 2,673,035 | 452,033 | 811,622 | 3,936,690 |
| **Segment assets** | **1,087,677,762** | **542,470,429** | **438,917,450** | **2,069,065,641** |
| **Segment liabilities** | **821,447,999** | **414,266,162** | **45,886,865** | **1,281,601,026** |

# Notes to the Financial Statements

31 DECEMBER 2019 (CONT'D)

## 4. OPERATING SEGMENTS (continued)

| 2018 | Construction RM | Property development RM | Other operating segments RM | Total RM |
|---|---|---|---|---|
| **Segment revenue** | | | | |
| Total revenue | 621,541,046 | 24,506,724 | 83,955,800 | 730,003,570 |
| Inter segment revenue | (72,071,902) | - | (72,601,784) | (144,673,686) |
| Revenue from external customers | 549,469,144 | 24,506,724 | 11,354,016 | 585,329,884 |
| Interest income | 1,164,799 | 1,939,712 | 1,923,207 | 5,027,718 |
| Finance costs | (2,716,180) | (596,422) | (2,083,137) | (5,395,739) |
| Net finance income/(expenses) | (1,551,381) | 1,343,290 | (159,930) | (368,021) |
| **Segment profit before tax** | **60,024,072** | **53,686,089** | **38,617,256** | **152,327,417** |
| Share of loss of an associate, net of tax | (79,880) | - | - | (79,880) |
| Share of profit of a joint venture, net of tax | - | - | 961,146 | 961,146 |
| Taxation | (17,953,357) | 365,993 | (4,263,606) | (21,850,970) |
| Other material non-cash item: | | | | |
| - Depreciation of: | | | | |
| - Property, plant and equipment | (11,116,009) | (198,779) | (626,712) | (11,941,500) |
| - Investment properties | (5,675) | - | (692,897) | (698,572) |
| Investment in an associate | 3,307,146 | - | - | 3,307,146 |
| Investment in a joint venture | - | - | 739,256 | 739,256 |
| Additions to non-current assets other than financial instruments and deferred tax assets | 9,318,044 | 155,709 | 1,574,826 | 11,048,579 |
| **Segment assets** | **947,750,635** | **498,958,597** | **508,090,872** | **1,954,800,104** |
| **Segment liabilities** | **745,015,229** | **288,602,419** | **131,989,204** | **1,165,606,852** |

## 4. OPERATING SEGMENTS (continued)

(a) Reconciliations

Reconciliations of reportable segment profit or loss to the corresponding amounts of the Group are as follows:

| | Group | |
|---|---|---|
| | **2019** | **2018** |
| | **RM** | **RM** |
| **Profit for the financial year** | | |
| Total profit or loss for reportable segments | 112,531,700 | 152,327,417 |
| Elimination of inter-segment profit | (61,402,075) | (66,246,774) |
| Impairment loss on intangible assets | (1,071,970) | - |
| Share of profit/(loss) of an associate, net of tax | 124,814 | (79,880) |
| Share of profit of a joint venture, net of tax | 602,383 | 961,146 |
| Profit before tax | 50,784,852 | 86,961,909 |
| Tax expense | (13,896,953) | (21,850,970) |
| Profit for the financial year of the Group per consolidated statement of profit or loss and other comprehensive income | 36,887,899 | 65,110,939 |
| **Assets** | | |
| Total assets for reportable segments | 2,069,065,641 | 1,954,800,104 |
| Elimination of investments in subsidiaries and consolidation adjustments | (279,873,657) | (325,414,616) |
| Elimination of inter-segment balances | (305,919,314) | (215,828,222) |
| Assets of the Group per consolidated statement of financial position | 1,483,272,670 | 1,413,557,266 |
| **Liabilities** | | |
| Total liabilities for reportable segments | 1,281,601,026 | 1,165,606,852 |
| Elimination of consolidation adjustments | (7,666,651) | (13,670,795) |
| Elimination of inter-segment balances | (305,919,314) | (215,828,222) |
| Liabilities of the Group per consolidated statement of financial position | 968,015,061 | 936,107,835 |

(b) Geographical information

As the operations of the Group are mainly predominated in Malaysia, no segment information is presented on geographical segments.

# Notes to the Financial Statements

31 DECEMBER 2019 (CONT'D)

## 4. OPERATING SEGMENTS (continued)

(c) Major customers

The following are major customers with revenue equal to or more than ten per centum (10%) of Group revenue for current and prior year:

| | Group | |
|---|---|---|
| | **2019** | **2018** |
| | **RM** | **RM** |
| Customer A | 216,493,697 | 293,078,271 |
| Customer B | 79,363,343 | 122,019,853 |
| Customer C | 74,330,216 | 123,407,370 |
| Customer D | *- | 69,933,353 |
| | 370,187,256 | 608,438,847 |

* *Revenue is less than 10% in 2019*

The above customers are related to the construction segment.

## 5. CAPITAL AND FINANCIAL RISK MANAGEMENT

(a) Capital management

The primary objective of the capital management of the Group is to ensure that entities of the Group would be able to continue as going concern whilst maximising return to shareholders through the optimisation of the debt and equity ratios. The overall strategy of the Group remains unchanged from that in the previous financial year.

The Group manages its capital structure and makes adjustments to it in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2019 and 31 December 2018.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The strategy of the Group is to maintain the balance between debt and equity and to ensure sufficient operating cash flows to repay its liabilities as and when they fall due. The Group includes within net debt, loans and borrowings and lease liabilities, less cash and bank balances (including fixed deposits with licensed banks) and short term funds. Capital represents total equity.

## 5. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

(a) Capital management (continued)

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Borrowings | 254,182,179 | 205,706,995 | 14,310,122 | - |
| Lease liabilities : | | | | |
| - Financial institutions | 1,691,287 | - | - | - |
| - Non-financial institutions | 3,343,018 | - | - | - |
| | 259,216,484 | 205,706,995 | 14,310,122 | - |
| Less: | | | | |
| Short term funds | (1,922,412) | (36,725,170) | (1,605,386) | (35,365,153) |
| Cash and bank balances | (137,501,854) | (91,846,550) | (7,147,876) | (1,365,656) |
| Net debt/(Net cash) | 119,792,218 | 77,135,275 | 5,556,860 | (36,730,809) |
| Total capital | 515,257,609 | 477,449,431 | 334,191,791 | 323,471,313 |
| Net debt/(Net cash) | 119,792,218 | 77,135,275 | 5,556,860 | (36,730,809) |
| Total | 635,049,827 | 554,584,706 | 339,748,651 | 286,740,504 |
| Gearing ratio | 19% | 14% | 2% | * |

* Gearing ratio is not presented as the Company is in net cash position as at the end of the reporting period.

Pursuant to the requirements of Practice Note No. 17/2005 of Bursa Malaysia Securities Berhad, the Group is required to maintain a consolidated shareholders' equity of not less than or equals to twenty-five percent (25%) of the issued share capital (excluding any treasury shares) and such shareholders' equity is not less than RM40,000,000. The Company has complied with this requirement for the financial year ended 31 December 2019.

The Group is not subject to any other externally imposed capital requirements.

(b) Financial risk management objectives and policies

The financial risk management objective of the Group is to optimise value creation for shareholders whilst minimising the potential adverse impact arising from fluctuations in interest rates and the unpredictability of the financial markets.

The exposure to these risks arises in the normal course of the business of the Group. The overall business strategies of the Group outlines its tolerance to risk and its general risk management philosophy and is determined by the management in accordance with prevailing economic and operating conditions.

The Group is exposed mainly to liquidity and cash flow risk, interest rate risk, credit risk and market price risk. Information on the management of the related exposures is detailed below.

# Notes to the Financial Statements

31 DECEMBER 2019 (CONT'D)

## 5. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

(b) Financial risk management objectives and policies (continued)

(i) Liquidity and cash flow risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all operating, investing and financing needs are met. In executing its liquidity risk management strategy, the Group measures and forecasts its cash commitments and maintains a level of cash and cash equivalents deemed adequate to finance the activities of the Group.

The analysis of financial instruments by remaining contractual maturities has been disclosed in Notes 15, 30 and 32 to the financial statements respectively.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments of the Group and of the Company would fluctuate because of changes in market interest rates.

The exposure of the Group and of the Company to interest rate risk arises primarily from its amounts owing from subsidiaries, fixed deposits with licensed banks, loans and borrowings and other payables. The Group borrows at both floating and fixed rates of interest to generate the desired interest profile and to manage the exposure of the Group to interest rate fluctuations.

The interest rate profile and sensitivity analysis of interest rate risk have been disclosed in Notes 23, 26, 27, 30 and 32 to the financial statements respectively.

(iii) Credit risk

Cash deposits and trade receivables could give rise to credit risk which requires the loss to be recognised if a counter party fails to perform as contracted. The counter parties are reputable institutions and organisations. It is the policy of the Group to monitor the financial standing of these counter parties on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

The primary exposure of the Group to credit risk arises through its trade receivables. The trading terms of the Group with its customers are mainly on credit, except for new customers, where deposits in advance are normally required. The credit period is generally for a period of one (1) month, extending up to two (2) months for major customers. Each customer has a maximum credit limit and the Group seeks to maintain strict control over its outstanding receivables via a credit control section to minimise credit risk. Overdue balances are reviewed regularly by senior management.

At the end of each reporting period, the maximum exposure of the Group and of the Company to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

The credit risk concentration profiles have been disclosed in Note 23 to the financial statements.

## 5. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

(b) Financial risk management objectives and policies (continued)

(iv) Market price risk

Market price risk is the risk that the fair value or future cash flows of the financial instruments of the Group would fluctuate because of changes in market prices (other than interest or exchange rates).

The Group and the Company are exposed to market price risk arising from other investment and short term funds, which are quoted. These instruments are classified as financial assets designated at fair value through profit or loss.

The sensitivity analysis of market price risk has been disclosed in Notes 25 and 26 to the financial statements respectively.

(v) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument would fluctuate because of changes in foreign exchange rates.

The Company is exposed to foreign currency risk arising from other investment, where the currency denomination differs from the functional currency, RM. Exposure to foreign currency risk is monitored on an ongoing basis by the Company to ensure the net exposure is at an acceptable level.

The sensitivity analysis of foreign currency risk has been disclosed in Note 25 to the financial statements.

## 6. REVENUE

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| **Revenue from contracts with customers:** | | | | |
| Construction contracts | 381,080,536 | 549,469,144 | - | - |
| Property development revenue | 12,058,474 | 17,223,124 | - | - |
| Sales of completed properties | 9,493,600 | 7,283,600 | - | - |
| **Other revenue:** | | | | |
| Rental income | 11,354,016 | 11,354,016 | - | - |
| Dividend income from a subsidiary | - | - | 5,000,000 | 61,490,000 |
| | 413,986,626 | 585,329,884 | 5,000,000 | 61,490,000 |

Disaggregation of revenue from contracts with customers has been presented in the operating segments, Note 4 to the financial statements.

# Notes to the Financial Statements

31 DECEMBER 2019 (CONT'D)

## 6. REVENUE (continued)

(a) Construction contracts

Revenue from contract works are recognised over the period of the contracts by reference to the progress towards complete satisfaction of that performance obligations. Progress is determined on the proportion of construction contract costs incurred for work performed to date against total estimated construction contract costs where the outcome of the project can be estimated reliably.

Significant judgements are required in determining the stage of completion, the extent of the construction costs incurred, the estimated total construction revenue and costs. In making the judgements, the Group evaluates based on past experience and by relying on the work of specialists.

(b) Property development

The Group recognises revenue from property development over time if it creates an asset with no alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation (e.g. by reference to the property development costs incurred to date as a percentage of the estimated total cost of development of the contract).

Significant judgements are required in determining the stage of completion, the extent of the property development costs incurred, the estimated total property development revenue and costs. In making the judgements, the Group evaluates based on past experience and by relying on the work of specialists.

(c) Sale on completed properties

The Group recognises sales at a point in time for the sale of completed properties, when the control of the properties has been transferred to the purchasers, being when the properties have been completed and delivered to the customers and it is probable that the Group will collect the considerations to which it would be entitled to in exchange for the assets sold.

There is no significant financing component in the revenue arising from sale of completed properties as the sales are made on the normal credit terms not exceeding twelve months.

(d) Rental income

Rental income is accounted for on a straight line basis over the lease term of an ongoing lease. The aggregate cost of incentives provided to the lessee is recognised as reduction of rental income over the lease term on a straight line basis.

(e) Dividend income

Dividend income is recognised when the right to receive payment is established.

## 7. COST OF SALES

| | Group | |
|---|---|---|
| | **2019 RM** | **2018 RM** |
| Completed properties sold | 8,253,504 | 4,660,374 |
| Property development costs | 13,396,845 | 22,032,643 |
| Construction contract costs | 308,565,455 | 435,381,112 |
| | 330,215,804 | 462,074,129 |

## 8. FINANCE COSTS

| | Group | | Company | |
|---|---|---|---|---|
| | **2019 RM** | **2018 RM** | **2019 RM** | **2018 RM** |
| Interest expense on: | | | | |
| - bank overdrafts | 2,479,565 | 2,053,989 | 385,743 | - |
| - hire-purchase creditors | - | 223,056 | - | - |
| - revolving credits | 114,812 | 213,159 | - | - |
| - term loans | 1,233,286 | 2,169,375 | - | - |
| - lease liabilities | 307,854 | - | 56,797 | - |
| - advances from subsidiaries | - | - | 576,175 | 179,227 |
| - others | 106,619 | 736,160 | - | - |
| | 4,242,136 | 5,395,739 | 1,018,715 | 179,227 |

## 9. DIRECTORS' REMUNERATION

| | Group | | Company | |
|---|---|---|---|---|
| | **2019 RM** | **2018 RM** | **2019 RM** | **2018 RM** |
| Directors' remuneration: | | | | |
| - Directors of the Company: | | | | |
| - fees: | | | | |
| - payable by the Company | 468,000 | 466,000 | 468,000 | 466,000 |
| - emoluments other than fees: | | | | |
| - payable by Company | 18,362 | 24,000 | 18,362 | 24,000 |
| - payable by the subsidiaries | 5,682,067 | 6,443,183 | - | 2,803 |
| | 6,168,429 | 6,933,183 | 486,362 | 492,803 |
| Directors of subsidiaries: | | | | |
| - emoluments other than fees | 1,781,025 | 2,116,965 | - | - |
| | 7,949,454 | 9,050,148 | 486,362 | 492,803 |

The estimated monetary value of benefits-in-kind received by the Directors other than in cash from the Group amounted to RM152,100 (2018: RM152,786).

# Notes to the Financial Statements

31 DECEMBER 2019 (CONT'D)

## 10. EMPLOYEE BENEFITS

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Wages, salaries and bonuses | 32,210,947 | 29,926,525 | 248,326 | 223,865 |
| EPF and Socso contributions | 3,574,947 | 3,374,106 | 33,708 | 29,438 |
| Other employee benefits | 764,812 | 449,404 | 30,759 | 21,789 |
| | 36,550,706 | 33,750,035 | 312,793 | 275,092 |

Included in the employee benefits of the Group are Directors' remuneration amounting to RM7,481,454 (2018: RM8,584,148).

## 11. TAXATION

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Current year tax expense based on profit for the financial year | 17,309,624 | 25,080,781 | 34,760 | 563,483 |
| Over provision in prior years | (377,144) | (3,261,324) | (530,699) | (347,938) |
| | 16,932,480 | 21,819,457 | (495,939) | 215,545 |
| Deferred tax (Note 20): | | | | |
| - Relating to origination and reversal of temporary differences | (397,602) | 25,155 | - | - |
| - (Over)/Under provision in prior years | (2,637,925) | 6,358 | - | - |
| | (3,035,527) | 31,513 | - | - |
| | 13,896,953 | 21,850,970 | (495,939) | 215,545 |

(a) The Malaysian income tax is calculated at the statutory tax rate of 24% (2018: 24%) of the estimated taxable profits for the fiscal year.

## 11. TAXATION (continued)

(b) The numerical reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rates of the Group and of the Company are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2019 RM** | **2018 RM** | **2019 RM** | **2018 RM** |
| Profit before tax | 50,784,852 | 86,961,909 | 9,308,760 | 5,146,129 |
| Tax at Malaysian statutory tax rate of 24% (2018: 24%) | 12,188,364 | 20,870,858 | 2,234,102 | 1,235,071 |
| Tax effects in respect of: | | | | |
| Non-allowable expenses | 19,189,416 | 81,989,256 | 1,032,541 | 15,324,765 |
| Non-taxable income | (3,288,661) | (77,386,336) | (3,231,883) | (15,818,762) |
| Deferred tax assets not recognised | 4,143,277 | - | - | - |
| Utilisation of previously unrecognised tax assets | (15,320,374) | (367,842) | - | (177,591) |
| | 16,912,022 | 25,105,936 | 34,760 | 563,483 |
| (Over)/Under provision in prior years | | | | |
| - current tax expense | (377,144) | (3,261,324) | (530,699) | (347,938) |
| - deferred tax expense | (2,637,925) | 6,358 | - | - |
| | 13,896,953 | 21,850,970 | (495,939) | 215,545 |

## 12. EARNINGS PER ORDINARY SHARE

(a) Basic

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year after deducting treasury shares.

# Notes to the Financial Statements

31 DECEMBER 2019 (CONT'D)

## 12. EARNINGS PER ORDINARY SHARE (continued)

(a) Basic (continued)

| | Group | |
|---|---|---|
| | **2019** | **2018** |
| Profit for the financial year attributable to equity holders of the parent (RM) | 36,294,970 | 61,209,887 |
| Weighted average number of ordinary shares in issue (unit) | 477,579,303 | 450,941,023 |
| - shares repurchased | - | (11,957,008) |
| - shares resale | 4,768,867 | 1,570,313 |
| - payment of dividend via treasury shares | 7,678,766 | - |
| - conversion of warrants into ordinary shares | 167 | 28,351,518 |
| Adjusted weighted average number of ordinary shares applicable to basic earnings per ordinary share | 490,027,103 | 468,905,846 |
| Basic earnings per ordinary share (sen) | 7.41 | 13.05 |

(b) Diluted

Diluted earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares.

| | Group | |
|---|---|---|
| | **2019** | **2018** |
| Profit for the financial year attributable to equity holders of the parent (RM) | 36,294,970 | 61,209,887 |
| Adjusted weighted average number of ordinary shares applicable to basic earnings per share | 490,027,103 | 468,905,846 |
| Effect of outstanding warrants convertible into ordinary shares | 119,394,407 | 119,394,669 |
| Adjusted weighted average number of ordinary shares applicable to diluted earnings per share | 609,421,510 | 588,300,515 |
| Diluted earnings per ordinary share (sen) | 5.96 | 10.40 |

## 13. DIVIDENDS

| | Group and Company | | | |
|---|---|---|---|---|
| | 2019 | | 2018 | |
| | Dividend per share Sen | Amount of dividend RM | Dividend per share Sen | Amount of dividend RM |
| In respect of the financial year ended 31 December 2019 | | | | |
| First interim share dividend paid | 91.70 | 8,802,190 | - | - |
| Second interim dividend of 1.50 sen per ordinary share, paid on 7 January 2020 | 1.50 | 7,401,552 | - | - |
| In respect of the financial year ended 31 December 2018 | | | | |
| First interim single tier dividend of 2.0 sen per ordinary share, paid on 12 June 2018 | - | - | 2.0 | 9,277,196 |
| Special single tier dividend of 1.0 sen per ordinary share, paid on 12 June 2018 | - | - | 1.0 | 4,638,598 |
| Second interim single tier dividend of 2.0 sen per ordinary share, paid on 10 January 2019 | - | - | 2.0 | 9,551,586 |
| | 93.20 | 16,203,742 | 5.0 | 23,467,380 |

The Directors do not recommend the payment of any final dividend in respect of the current financial year.

## 14. PROPERTY, PLANT AND EQUIPMENT

| Group | Balance as at 1.1.2019 RM | Effects of adoption of MFRS 16 (Note 36.1) RM | Additions RM | Disposals RM | Written off RM | Depreciation charge for the financial year RM | Reclassification RM | Reclassification from right-of-use RM | Balance as at 31.12.2019 RM |
|---|---|---|---|---|---|---|---|---|---|
| **Carrying amount** | | | | | | | | | |
| Leasehold land and buildings * | 16,071,872 | - | 44,581 | - | - | (558,665) | - | - | 15,557,788 |
| Information technology equipment | 25,670 | - | 7,189 | - | - | (16,872) | - | - | 15,987 |
| Furniture and fittings | 1,135,436 | - | 136,637 | - | - | (258,120) | (12,126) | - | 1,001,827 |
| Motor vehicles | 5,378,794 | (4,880,936) | - | (28,669) | - | (140,869) | - | 1 | 328,321 |
| Office and computer equipment | 2,477,530 | - | 112,128 | (658) | (27,400) | (659,190) | 12,126 | - | 1,914,536 |
| Operation and construction equipment | 3,142,651 | - | 161,374 | - | - | (2,946,730) | - | - | 357,295 |
| Plant, machinery and cabins | 2,690,021 | (306,521) | 661,256 | (160,000) | - | (2,129,580) | - | - | 755,176 |
| Right-of-use assets: | | | | | | | | | |
| - Land | - | 213,386 | - | - | - | (2,398) | - | - | 210,988 |
| - Buildings | - | 5,343,564 | 514,259 | - | - | (1,666,835) | - | - | 4,190,988 |
| - Machineries | - | 306,521 | - | - | - | (66,702) | - | - | 239,819 |
| - Motor vehicles | - | 4,880,936 | 1,539,993 | - | - | (1,431,964) | - | (1) | 4,988,964 |
| | 30,921,974 | 5,556,950 | 3,177,417 | (189,327) | (27,400) | (9,877,925) | - | - | 29,561,689 |

## 14. PROPERTY, PLANT AND EQUIPMENT (continued)

| | At 31.12.2019 | | |
|---|---|---|---|
| **Group** | **Cost RM** | **Accumulated depreciation RM** | **Carrying amount RM** |
| Leasehold land and buildings * | 18,444,126 | (2,886,338) | 15,557,788 |
| Information technology equipment | 1,469,464 | (1,453,477) | 15,987 |
| Furniture and fittings | 3,350,217 | (2,348,390) | 1,001,827 |
| Motor vehicles | 3,038,826 | (2,710,505) | 328,321 |
| Office and computer equipment | 6,030,236 | (4,115,700) | 1,914,536 |
| Operation and construction equipment | 29,825,483 | (29,468,188) | 357,295 |
| Plant, machinery and cabins | 13,814,351 | (13,059,175) | 755,176 |
| Right-of-use assets: | | | |
| Land | 213,386 | (2,398) | 210,988 |
| Buildings | 5,857,823 | (1,666,835) | 4,190,988 |
| Machineries | 333,511 | (93,692) | 239,819 |
| Motor vehicles | 8,162,216 | (3,173,252) | 4,988,964 |
| | 90,539,639 | (60,977,950) | 29,561,689 |

* *Leasehold land are in respect of right-of-use assets for which the Group has land titles.*

| **Company** | **Balance as at 1.1.2019 RM** | **Effects of adoption of MFRS 16 (Note 36.1) RM** | **Reclassification RM** | **Additions RM** | **Depreciation RM** | **Balance as at 31.12.2019 RM** |
|---|---|---|---|---|---|---|
| **Carrying amount** | | | | | | |
| Right-of-use assets: | | | | | | |
| - Land | - | 463,510 | (463,510) | - | - | - |
| - Buildings | - | 277,305 | - | 197,845 | (105,589) | 369,561 |
| | - | 740,815 | (463,510) | 197,845 | (105,589) | 369,561 |

| | At 31.12.2019 | | |
|---|---|---|---|
| **Company** | **Cost RM** | **Accumulated depreciation RM** | **Carrying amount RM** |
| Right-of-use assets: | | | |
| Buildings | 475,150 | (105,589) | 369,561 |

# Notes to the Financial Statements

31 DECEMBER 2019 (CONT'D)

## 14. PROPERTY, PLANT AND EQUIPMENT (continued)

| Group | Balance as at 1.1.2018 RM | Additions RM | Disposals RM | Written off RM | Depreciation charge for the financial year RM | Balance as at 31.12.2018 RM |
|---|---|---|---|---|---|---|
| **Carrying amount** | | | | | | |
| Leasehold land and buildings | 13,692,684 | 3,081,291 | - | - | (702,103) | 16,071,872 |
| Information technology equipment | 75,914 | 3,447 | (3) | (10,207) | (43,481) | 25,670 |
| Furniture and fittings | 1,571,552 | 4,559 | - | (235,734) | (204,941) | 1,135,436 |
| Motor vehicles | 1,608,208 | 5,189,788 | (33,744) | (1,649) | (1,383,809) | 5,378,794 |
| Office and computer equipment | 1,037,476 | 2,161,268 | (404) | (207) | (720,603) | 2,477,530 |
| Operation and construction equipment | 8,293,648 | 118,455 | - | - | (5,269,452) | 3,142,651 |
| Plant, machinery and cabins | 5,973,621 | 333,511 | - | - | (3,617,111) | 2,690,021 |
| | 32,253,103 | 10,892,319 | (34,151) | (247,797) | (11,941,500) | 30,921,974 |

| | At 31.12.2018 | | |
|---|---|---|---|
| | Cost RM | Accumulated depreciation RM | Carrying amount RM |
| Leasehold land and buildings | 16,833,734 | (761,862) | 16,071,872 |
| Information technology equipment | 1,216,311 | (1,190,641) | 25,670 |
| Furniture and fittings | 3,213,573 | (2,078,137) | 1,135,436 |
| Motor vehicles | 10,237,418 | (4,858,624) | 5,378,794 |
| Office and computer equipment | 6,192,585 | (3,715,055) | 2,477,530 |
| Operation and construction equipment | 29,620,856 | (26,478,205) | 3,142,651 |
| Plant, machinery and cabins | 18,329,866 | (15,639,845) | 2,690,021 |
| | 85,644,343 | (54,722,369) | 30,921,974 |

**14. PROPERTY, PLANT AND EQUIPMENT (continued)**

(a) All items of property, plant and equipment (excluding right-of-use assets) are initially recorded at cost. After initial recognition, property, plant and equipment (excluding right-of-use assets) are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write off the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The principal annual depreciation rates are as follows:

| | |
|---|---|
| Leasehold land and buildings | 2% |
| Information technology equipment | 20% |
| Furniture and fittings | 8% to 10% |
| Motor vehicles | 20% |
| Office and computer equipment | 10% to 40% |
| Operation and construction equipment | 10% to 20% |
| Plant, machinery and cabins | 10% to 20% |

(b) The right-of-use assets are initially measured at cost, which comprise the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date of the leases.

After initial recognition, right-of-use assets are stated at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for any re-measurement of the lease liabilities.

The right-of-use assets are depreciated on the straight-line basis over the earlier of the estimated useful lives of the right-of-use assets or the end of the lease term. The lease terms of right-of-use assets are as follows:

| | |
|---|---|
| Land | Up to 89 years |
| Buildings | Up to 4 years |
| Machineries | Up to 5 years |
| Motor vehicles | Up to 5 years |

Leasehold land and buildings for which the Group has titles are depreciated on straight line basis over 50 years.

(c) Included in right-of-use assets of the Group, all machineries and motor vehicles with total carrying amount of RM5,228,783 are subject to fixed charges created to secure certain lease liabilities of the Group.

# Notes to the Financial Statements

31 DECEMBER 2019 (CONT'D)

## 14. PROPERTY, PLANT AND EQUIPMENT (continued)

(d) During the financial year, the Group made the following cash payments to purchase property, plant and equipment:

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Additions of property, plant and equipment | 3,177,417 | 10,892,319 | 197,845 | - |
| Financed by hire-purchase arrangements and lease liabilities | (2,019,455) | (4,947,400) | (194,243) | - |
| Gain on lease modifications | (13,990) | - | (3,602) | - |
| Cash payments on purchase of property, plant and equipment | 1,143,972 | 5,944,919 | - | - |

(e) The carrying amount of the property, plant and equipment of the Group under hire purchase arrangements at the end of each reporting period are as follows:

| | Group | |
|---|---|---|
| | 2019 RM | 2018 RM |
| Motor vehicles | - | 4,062,775 |
| Plant, machinery and cabins | - | 306,520 |
| | - | 4,369,295 |

(f) As at the end of the reporting period, leasehold land and buildings with a carrying amount of RM15,438,242 (2018: RM15,948,591) were charged to financial institutions for banking facilities granted to the Group as disclosed in Note 30 to the financial statements.

## 15. LEASES

| **Lease receivables** | Company | |
|---|---|---|
| | 2019 | 2018 |
| **Carrying amount** | RM | RM |
| Land | 541,726 | - |
| Represented by: | | |
| Current assets | 98,688 | - |
| Non-current assets | 443,038 | - |
| | 541,726 | - |

## 15. LEASES (continued)

(a) The table below summarises the maturity profile of the lease payment receivable of the Company at the end of the reporting period based on contractual undiscounted lease payments and reconciliation of the undiscounted lease payments to lease receivable as follows:

| | Company | |
|---|---|---|
| | **2019** | **2018** |
| | **RM** | **RM** |
| Not later than one (1) year | 138,000 | - |
| One (1) to two (2) years | 138,000 | - |
| Two (2) to three (3) years | 138,000 | - |
| Three (3) to four (4) years | 138,000 | - |
| Four (4) to five (5) years | 97,750 | - |
| Undiscounted lease payments | 649,750 | - |
| Unearned finance income | (108,024) | - |
| | 541,726 | - |
| Representing finance lease receivables: | | |
| Not later than one (1) year | 98,688 | - |
| One (1) to two (2) years | 106,880 | - |
| Two (2) to three (3) years | 115,750 | - |
| Three (3) to four (4) years | 125,358 | - |
| Four (4) to five (5) years | 95,050 | - |
| | 541,726 | - |

(b) The reconciliation of movements in the carrying amounts of finance lease receivables are as follows:

| | Company | |
|---|---|---|
| | **2019** | **2018** |
| | **RM** | **RM** |
| At beginning of financial year | - | - |
| Reclassification | 463,510 | - |
| Addition | 147,955 | - |
| Lease receipts | (108,250) | - |
| Interest income | 38,511 | - |
| At end of financial year | 541,726 | - |

# Notes to the Financial Statements

31 DECEMBER 2019 (CONT'D)

## 15. LEASES (continued)

| Lease liabilities<br>Group | Balance as at 1.1.2019 RM | Effects of adoption of MFRS 16 (Note 36.1) RM | Additions RM | Lease payments RM | Interest expense RM | Balance as at 31.12.2019 RM |
|---|---|---|---|---|---|---|
| **Carrying amount** | | | | | | |
| Land | - | 676,896 | 147,955 | (125,339) | 55,582 | 755,094 |
| Buildings | - | 5,343,564 | 510,500 | (1,839,360) | 287,569 | 4,302,273 |
| Machineries | - | 278,196 | - | (115,549) | 13,216 | 175,863 |
| Motor vehicles | - | 4,939,717 | 1,361,000 | (1,668,170) | 225,895 | 4,858,442 |
| | - | 11,238,373 | 2,019,455 | (3,748,418) | 582,262 | 10,091,672 |

| Lease liabilities<br>Company | Balance as at 1.1.2019 RM | Effects of adoption of MFRS 16 (Note 36.1) RM | Additions RM | Lease payments RM | Interest expense RM | Balance as at 31.12.2019 RM |
|---|---|---|---|---|---|---|
| **Carrying amount** | | | | | | |
| Land | - | 463,510 | 147,955 | (108,250) | 38,511 | 541,726 |
| Buildings | - | 277,305 | 194,243 | (115,920) | 18,286 | 373,914 |
| | - | 740,815 | 342,198 | (224,170) | 56,797 | 915,640 |

| | Group RM | Company RM |
|---|---|---|
| Represented by: | | |
| Current liabilities | 3,570,008 | 195,297 |
| Non-current liabilities | 6,521,664 | 720,343 |
| | 10,091,672 | 915,640 |
| Lease liabilities owing to financial institutions | 1,691,287 | - |
| Lease liabilities owing to non-financial institutions | 8,400,385 | 915,640 |
| | 10,091,672 | 915,640 |

The Group has certain leases of machineries with lease term of 12 months or less, and low value leases of office equipment of RM20,000 and below. The Group applies the "short-term lease" and "lease of low-value assets" exemptions for these leases.

**15. LEASES (continued)**

(c) The following are the amounts recognised in profit or loss:

| | Group 2019 RM | Company 2019 RM |
|---|---|---|
| Depreciation charge of right-of-use assets (included in cost of sales) | 1,563,934 | - |
| Depreciation charge of right-of-use assets (included in administrative expenses) | 1,696,307 | 105,589 |
| Interest expense on lease liabilities (included in cost of sales) | 274,408 | - |
| Interest expense on lease liabilities (included in finance costs) | 307,854 | 56,797 |
| Interest income on sublease of right-of-use assets (included in other income) | - | (38,511) |
| Expense relating to short-term leases (included in cost of sales) | 3,088,044 | - |
| Expense relating to leases of low-value assets (included in administrative expenses) | 81,566 | - |
| | 7,012,113 | 123,875 |

(d) At the end of the financial year, the Group and the Company had total cash outflow for leases of RM3,748,418 and RM224,170 respectively.

(e) The following table sets out the carrying amounts, the weighted average incremental borrowing rates and the remaining maturities of the lease liabilities of the Group and of the Company:

| Group | Weighted average incremental borrowing rate per annum % | Within 1 year RM | 1 - 2 years RM | 2 - 5 years RM | More than 5 years RM | Total RM |
|---|---|---|---|---|---|---|
| **31 December 2019** | | | | | | |
| **Lease liabilities** | | | | | | |
| Fixed rates | 3.52% - 8.00% | 3,570,008 | 3,971,781 | 1,577,852 | 972,031 | 10,091,672 |

| Company | Weighted average incremental borrowing rate per annum % | Within 1 year RM | 1 - 2 years RM | 2 - 5 years RM | More than 5 years RM | Total RM |
|---|---|---|---|---|---|---|
| **31 December 2019** | | | | | | |
| **Lease liabilities** | | | | | | |
| Fixed rate | 5.85% - 8.00% | 195,297 | 209,295 | 511,048 | - | 915,640 |

# Notes to the Financial Statements

31 DECEMBER 2019 (CONT'D)

## 15. LEASES (continued)

(f) The table below summarises the maturity profile of the lease liabilities of the Group at the end of the reporting period based on contractual undiscounted repayment obligations as follows:

| Group | On demand or within one year RM | One to five years RM | Over five years RM | Total RM |
|---|---|---|---|---|
| **31 December 2019** | | | | |
| Lease liabilities | 4,021,053 | 6,702,728 | 1,500,113 | 12,223,894 |

| Company | On demand or within one year RM | One to five years RM | Over five years RM | Total RM |
|---|---|---|---|---|
| **31 December 2019** | | | | |
| Lease liabilities | 253,920 | 811,210 | - | 1,065,130 |

## 16. INVESTMENT PROPERTIES

| | Group | |
|---|---|---|
| | 2019 RM | 2019 RM |
| Investment properties | 33,437,738 | 33,006,684 |

(a) The details of the investment properties are as follows:

| Group | Balance as at 1.1.2019 RM | Effects of adoption of MFRS 16 (Note 36.1) RM | Additions RM | Depreciation charge for the financial year RM | Balance as at 31.12.2019 RM |
|---|---|---|---|---|---|
| **Carrying amount** | | | | | |
| Buildings | 33,002,786 | - | 594,570 | (698,472) | 32,898,884 |
| Furniture and fittings | 3,898 | - | 6,520 | (915) | 9,503 |
| Right-of-use asset: | | | | | |
| - Land | - | 463,510 | 158,183 | (92,342) | 529,351 |
| | 33,006,684 | 463,510 | 759,273 | (791,729) | 33,437,738 |

## 16. INVESTMENT PROPERTIES (continued)

(a) The details of the investment properties are as follows: (continued)

| | At 31.12.2019 | | |
|---|---|---|---|
| | Cost RM | Accumulated depreciation RM | Carrying amount RM |
| Buildings | 41,402,104 | (8,503,220) | 32,898,884 |
| Furniture and fittings | 10,518 | (1,015) | 9,503 |
| Right-of-use asset: | | | |
| - Land | 621,693 | (92,342) | 529,351 |
| | 42,034,315 | (8,596,577) | 33,437,738 |

| Group | Balance as at 1.1.2018 RM | Additions RM | Depreciation charge for the financial year RM | Balance as at 31.12.2018 RM |
|---|---|---|---|---|
| **Carrying amount** | | | | |
| Buildings | 33,701,258 | - | (698,472) | 33,002,786 |
| Furniture and fittings | - | 3,998 | (100) | 3,898 |
| | 33,701,258 | 3,998 | (698,572) | 33,006,684 |

| | At 31.12.2018 | | |
|---|---|---|---|
| | Cost RM | Accumulated depreciation RM | Carrying amount RM |
| Buildings | 40,807,534 | (7,804,748) | 33,002,786 |
| Furniture and fittings | 3,998 | (100) | 3,898 |
| | 40,811,532 | (7,804,848) | 33,006,684 |

**16. INVESTMENT PROPERTIES (continued)**

(b) Investment properties (excluding right-of-use asset) are initially measured at cost, which includes transaction costs. After initial recognition, investment properties (excluding right-of-use asset) are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write off the cost of the investment properties to their residual values on a straight line basis over their estimated useful lives. The principal depreciation period for the investment properties are as follows:

| | |
|---|---|
| Buildings | 2% |
| Furniture and fittings | 10% |

(c) The right-of-use asset are initially measured at cost, which comprise the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date of the leases.

After initial recognition, right-of-use asset are stated at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for any re-measurement of the lease liabilities.

The right-of-use asset are depreciated on the straight-line basis over the earlier of the estimated useful lives of the right-of-use asset or the end of the lease term. The lease terms of right-of-use asset are as follows:

| | |
|---|---|
| Land | 5 years |

(d) Investment properties are in respect of the provision of accommodation on base-camp concept that are leased to a third party.

(e) The Level 3 fair value of investment properties is RM58,998,286 (2018: RM65,994,950). The fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the asset's life.

The duration of the cash flow and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related lease up periods. The appropriate duration is typically driven by market behaviour that is a characteristic of the class of real property. In the case of investment properties, periodic cash flow is typically estimated as gross income less any other operating and management expenses.

(f) The followings are recognised in the statements of profit or loss and other comprehensive income in respect of investment properties:

| | Group | |
|---|---|---|
| | **2019** | **2019** |
| | **RM** | **RM** |
| Rental income | 11,354,016 | 11,354,016 |
| Direct operating expenses incurred on: | | |
| - income generating investment property | 1,921,634 | 359,221 |

## 17. INVESTMENTS IN SUBSIDIARIES

| | Company | |
|---|---|---|
| | 2019 RM | 2019 RM |
| Unquoted equity shares in Malaysia, at cost | 117,822,116 | 117,822,116 |
| Less: Impairment loss | (28,623,124) | (28,623,124) |
| | 89,198,992 | 89,198,992 |
| Equity loans to subsidiaries | 233,343,490 | 233,343,490 |
| Balance at 31 December | 322,542,482 | 322,542,482 |

(a) Investments in subsidiaries are stated in the separate financial statements at cost less any impairment losses.

All components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by MFRSs. The choice of measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

(b) Equity loans to subsidiaries are unsecured, interest-free and have no fixed terms of repayment, and are considered to be part of the net investments of the Company in the subsidiaries.

(c) The details of subsidiaries, which are all incorporated in Malaysia, are as follows:

| Name of Company | Interest in equity held by Company 2019 | Company 2018 | Subsidiaries 2019 | Subsidiaries 2018 | Principal activities |
|---|---|---|---|---|---|
| Gabungan Strategik Sdn. Bhd. | 100% | 100% | - | - | Contractor for civil and building construction works |
| Pembinaan Megah Ikhlas Sdn. Bhd. | 100% | 100% | - | - | Contractor for civil and building construction works |
| Motibina Sdn. Bhd. | 100% | 100% | - | - | Contractor for civil and building construction works |
| Prestige Field Development Sdn. Bhd. | 52% | 52% | - | - | Property development |
| AQRS The Building Company Sdn. Bhd. | 100% | 100% | - | - | Property development |
| GBG Trading Sdn. Bhd. | 100% | 100% | - | - | Dormant |
| Sinajasa Sdn. Bhd. | 100% | 100% | - | - | Dormant |

# Notes to the Financial Statements

31 DECEMBER 2019 (CONT'D)

## 17. INVESTMENTS IN SUBSIDIARIES (continued)

(c) The details of subsidiaries, which are all incorporated in Malaysia, are as follows (continued):

| Name of Company | Interest in equity held by Company 2019 | Company 2018 | Subsidiaries 2019 | Subsidiaries 2018 | Principal activities |
|---|---|---|---|---|---|
| Gabungan AQRS Properties Sdn. Bhd. | 100% | 100% | - | - | Property investment |
| Gabungan AQRS Management Sdn. Bhd. | 100% | 100% | - | - | Provision of management services |
| Gabungan AQRS Capital Berhad | 100% | 100% | - | - | Dormant |
| GBG Properties (Sabah) Sdn. Bhd. | 100% | 100% | - | - | Property development |
| Trusvest Sdn. Bhd. | 90% | 90% | - | - | Property investment |
| Monolight IBS Building System Sdn. Bhd. | 100% | 100% | - | - | Contractors for all building |
| ***Subsidiaries of AQRS The Building Company Sdn. Bhd.*** | | | | | |
| Nusvista Development Sdn. Bhd. | - | - | 100% | 100% | Property development |
| Grand Meridian Development Sdn. Bhd. | - | - | 100% | 100% | Dormant |
| Bright Reach Sdn. Bhd. | - | - | 100% | 100% | Investment holding |
| ***Subsidiary of Prestige Field Development Sdn. Bhd.*** | | | | | |
| Estet Etos Sdn. Bhd.* | - | - | - | 100% | Dormant |
| ***Subsidiary of Bright Reach Sdn. Bhd.*** | | | | | |
| Crystal Aspect Sdn. Bhd. | - | - | 100% | 100% | Property development |

* *The indirect subsidiary was struck off in the current financial year.*

## 17. INVESTMENTS IN SUBSIDIARIES (continued)

(d) The subsidiaries that have non-controlling interests ("NCI") are as follows:

| 2019 | Prestige Field Development Sdn. Bhd. | Estet Etos Sdn. Bhd. | Trusvest Sdn. Bhd. | Total |
|---|---|---|---|---|
| NCI percentage of ownership interest and voting interests | 48% | - | 10% | |
| Carrying amount of NCI (RM) | 5,170,590 | - | 1,044,508 | 6,215,098 |
| Profit/Total comprehensive income allocated to NCI (RM) | 99,354 | - | 493,575 | 592,929 |

| 2018 | Prestige Field Development Sdn. Bhd. | Estet Etos Sdn. Bhd. | Trusvest Sdn. Bhd. | Total |
|---|---|---|---|---|
| NCI percentage of ownership interest and voting interests | 48% | 48% | 10% | |
| Carrying amount of NCI (RM) | 5,071,236 | (2,159) | 550,933 | 5,620,010 |
| Profit/Total comprehensive income allocated to NCI (RM) | 2,534,186 | 8,645 | 1,358,221 | 3,901,052 |

(e) The summarised financial information before intra-group elimination of the subsidiaries that have NCI as at the end of each reporting period are as follows:

| 2019 | Prestige Field Development Sdn. Bhd. RM | Estet Etos Sdn. Bhd. RM | Trusvest Sdn. Bhd. RM |
|---|---|---|---|
| **Assets and liabilities** | | | |
| Non-current assets | - | - | 45,213,539 |
| Current assets | 10,984,418 | - | 6,906,671 |
| Non-current liabilities | - | - | (748,351) |
| Current liabilities | (212,355) | - | (10,862,749) |
| Net assets | 10,772,063 | - | 40,509,110 |

# Notes to the Financial Statements

31 DECEMBER 2019 (CONT'D)

## 17. INVESTMENTS IN SUBSIDIARIES (continued)

(e) The summarised financial information before intra-group elimination of the subsidiaries that have NCI as at the end of each reporting period are as follows: (continued)

| 2019 | Prestige Field Development Sdn. Bhd. RM | Estet Etos Sdn. Bhd. RM | Trusvest Sdn. Bhd. RM |
|---|---|---|---|
| **Results** | | | |
| Revenue | - | - | 11,354,016 |
| Profit for the financial year | 29,122 | - | 4,935,754 |
| Total comprehensive income | 29,122 | - | 4,935,754 |
| Cash flows (used in)/from operating activities | (1,434,530) | - | 12,090,278 |
| Cash flows used in investing activities | - | - | (5,516,486) |
| Cash flows used in financing activities | - | - | (10,496,656) |
| Net decrease in cash and cash equivalents | (1,434,530) | - | (3,922,864) |

| 2018 | Prestige Field Development Sdn. Bhd. RM | Estet Etos Sdn. Bhd. RM | Trusvest Sdn. Bhd. RM |
|---|---|---|---|
| **Assets and liabilities** | | | |
| Non-current assets | 2 | - | 45,636,428 |
| Current assets | 12,830,318 | 2 | 15,123,470 |
| Non-current liabilities | - | - | (8,452,058) |
| Current liabilities | (2,265,244) | (4,500) | (16,734,484) |
| Net assets/(liabilities) | 10,565,076 | (4,498) | 35,573,356 |
| **Results** | | | |
| Revenue | - | - | 11,354,016 |
| Profit for the financial year | 4,330,100 | 18,010 | 6,421,390 |
| Total comprehensive income | 4,330,100 | 18,010 | 6,421,390 |
| Cash flows from/(used in) operating activities | 41,650,237 | (74) | 8,826,424 |
| Cash flows (used in)/from investing activities | (29,620,274) | (1,766) | 5,508,746 |
| Cash flows used in financing activities | (10,381,290) | - | (10,388,400) |
| Net increase/(decrease) in cash and cash equivalents | 1,648,673 | (1,840) | 3,946,770 |

## 17. INVESTMENTS IN SUBSIDIARIES (continued)

(f) Management has made estimates about the future results and key assumptions applied to cash flow projection of a subsidiary in determining their recoverable amounts using the value-in-use model. These key assumptions include forecast growth in future revenues and budgeted gross margins as well as determining an appropriate pre-tax discount rate and growth rates.

| | Group | |
|---|---|---|
| | **2019** | **2018** |
| | **%** | **%** |
| Growth rate | 32.00 | 32.00 |
| Discount rate | 12.10 | 12.10 |

(g) Sensitivity to changes in assumptions

With regard to the assessment of value-in-use, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying amount of the CGU to materially exceed their recoverable amounts.

## 18. INVESTMENT IN AN ASSOCIATE

| | Group | |
|---|---|---|
| | **2019** | **2018** |
| | **RM** | **RM** |
| Unquoted equity shares, at cost | 3,322,200 | 3,322,200 |
| Share of post-acquisition reserves/(loss), net of tax | 109,760 | (15,054) |
| | 3,431,960 | 3,307,146 |

(a) The Group recognises its interest in an associate as an investment and accounts for that investment using the equity method.

(b) The financial year end of the associate is coterminous with those of the Group. Audited financial statements of the associate for the financial years ended 31 December 2018 and 31 December 2019 have been used for the purpose of applying the equity method of accounting.

(c) The details of the associate are as follows:

| **Name of company** | **Country of incorporation** | **Interest in equity held by subsidiary** | | **Principal activity** |
|---|---|---|---|---|
| | | **2019** | **2018** | |
| | | **%** | **%** | |
| ***Associate of Sinajasa Sdn. Bhd.*** | | | | |
| SEDCO Precast Sdn. Bhd. | Malaysia | 49% | 49% | Manufacturing and supplying of pre-cast concrete products |

# Notes to the Financial Statements

31 DECEMBER 2019 (CONT'D)

## 18. INVESTMENT IN AN ASSOCIATE (continued)

(d) The summarised financial information of the associate are as follows:

| 2019 | SEDCO Precast Sdn. Bhd. RM |
|---|---|
| **Assets and liabilities** | |
| Non-current assets | 4,741,257 |
| Current assets | 5,546,754 |
| Non-current liabilities | (539,128) |
| Current liabilities | (3,148,326) |
| Net assets | 6,600,557 |
| **Results** | |
| Revenue | 12,263,283 |
| Profit for the financial year | 254,723 |
| Total comprehensive income | 254,723 |
| Cash flows from operating activities | 465,538 |
| Cash flows used in investing activities | (121,124) |
| Cash flows used in financing activities | (792,000) |
| Net decrease in cash and cash equivalents | (447,586) |
| **2018** | |
| **Assets and liabilities** | |
| Non-current assets | 4,822,507 |
| Current assets | 5,693,007 |
| Non-current liabilities | (1,261,224) |
| Current liabilities | (2,908,456) |
| Net assets | 6,345,834 |

## 18. INVESTMENT IN AN ASSOCIATE (continued)

(d) The summarised financial information of the associate are as follows: (continued)

| 2018 | SEDCO Precast Sdn. Bhd. RM |
|---|---|
| **Results** | |
| Revenue | 12,982,799 |
| Loss for the financial year | (163,019) |
| Total comprehensive loss | (163,019) |
| Cash flows used in operating activities | (1,689,789) |
| Cash flows from investing activities | 1,286,207 |
| Cash flows used in financing activities | (792,000) |
| Net decrease in cash and cash equivalents | (1,195,582) |

(e) The reconciliation of net assets of the associate to the carrying amount of the investment in an associate is as follows:

| | SEDCO Precast Sdn. Bhd. RM |
|---|---|
| **As at 31 December 2019** | |
| Share of net assets of the Group | 3,234,272 |
| Goodwill | 197,688 |
| Carrying amount in the consolidated statement of financial position | 3,431,960 |
| **Share of results of the Group for the financial year ended 31 December 2019** | |
| Share of profit/other comprehensive income of the Group, net of tax | 124,814 |

# Notes to the Financial Statements

31 DECEMBER 2019 (CONT'D)

## 18. INVESTMENT IN AN ASSOCIATE (continued)

(e) The reconciliation of net assets of the associate to the carrying amount of the investment in an associate is as follows: (continued)

| | SEDCO Precast Sdn. Bhd. RM |
|---|---|
| **As at 31 December 2018** | |
| Share of net assets of the Group | 3,109,458 |
| Goodwill | 197,688 |
| Carrying amount in the consolidated statement of financial position | 3,307,146 |
| **Share of results of the Group for the financial year ended 31 December 2018** | |
| Share of loss/other comprehensive loss of the Group, net of tax | (79,880) |

## 19. INVESTMENT IN A JOINT VENTURE

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Unquoted equity shares, at cost | 255,000 | 255,000 | 255,000 | 255,000 |
| Share of post-acquisition reserves, net of tax | 1,086,639 | 484,256 | - | - |
| | 1,341,639 | 739,256 | 255,000 | 255,000 |
| Dividend received | - | 600,000 | - | 600,000 |

(a) Investment in a joint venture is stated at cost in the separate financial statements of the Company. The Group recognises its interest in a joint venture as an investment and accounts for that investment using the equity method.

(b) The details of the joint venture are as follows:

| Name of company | Country of incorporation | Interest in equity held by Company 2019 % | 2018 % | Principal activity |
|---|---|---|---|---|
| Kreatif Sinar Gabungan Sdn. Bhd. ("KSGSB") | Malaysia | 30% | 30% | Construction |

## 19. INVESTMENT IN A JOINT VENTURE (continued)

(c) KSGSB, the only joint venture in which the Company participates, is an unlisted separate structured entity whose quoted market price is not available. The contractual arrangement provides the Company with only the rights to the net assets of the joint arrangement, with the rights to the assets and obligation for liabilities of the joint arrangement resting primarily with KSGSB. This joint arrangement has been classified as a joint venture.

(d) The financial year end of the joint venture is coterminous with those of the Group. Management accounts of the joint venture for the financial years ended 31 December 2018 and 31 December 2019 have been used for the purpose of applying the equity method of accounting.

(e) The summarised financial information of the joint venture is as follows:

| 2019 | Kreatif Sinar Gabungan Sdn. Bhd. RM |
|---|---|
| **Assets and liabilities** | |
| Current assets | 19,287,183 |
| Current liabilities | (14,815,052) |
| Net assets | 4,472,131 |
| **Results** | |
| Revenue | 53,272,734 |
| Profit for the financial year | 1,906,451 |
| Total comprehensive income | 1,906,451 |
| Cash flows from operating activities | 1,774,891 |
| Cash flows from investing activities | - |
| Cash flows from financing activities | - |
| Net increase in cash and cash equivalents | 1,774,891 |

# Notes to the Financial Statements

31 DECEMBER 2019 (CONT'D)

## 19. INVESTMENT IN A JOINT VENTURE (continued)

(e) The summarised financial information of the joint venture is as follows: (continued)

| 2018 | Kreatif Sinar Gabungan Sdn. Bhd. RM |
|---|---|
| **Assets and liabilities** | |
| Current assets | 18,405,337 |
| Current liabilities | (15,941,151) |
| Net assets | 2,464,186 |
| **Results** | |
| Revenue | 46,919,230 |
| Profit for the financial year | 1,606,043 |
| Total comprehensive income | 1,606,043 |
| Cash flows from operating activities | 1,597,985 |
| Cash flows from investing activities | - |
| Cash flows used in financing activities | (2,000,000) |
| Net decrease in cash and cash equivalents | (402,015) |

(f) The reconciliation of net assets of the joint venture to the carrying amount of the investment in a joint venture is as follows:

| | Kreatif Sinar Gabungan Sdn. Bhd. RM |
|---|---|
| **As at 31 December 2019** | |
| Share of net assets of the Group/Carrying amount in the consolidated statement of financial position | 1,341,639 |
| **Share of results of the Group for the financial year ended 31 December 2019** | |
| Share of profit/other comprehensive income of the Group, net of tax | 602,383 |

## 19. INVESTMENT IN A JOINT VENTURE (continued)

(f) The reconciliation of net assets of the joint venture to the carrying amount of the investment in a joint venture is as follows: (continued)

| | Kreatif Sinar Gabungan Sdn. Bhd. RM |
|---|---|
| **As at 31 December 2018** | |
| Share of net assets of the Group/Carrying amount in the consolidated statement of financial position | 739,256 |
| **Share of results of the Group for the financial year ended 31 December 2018** | |
| Share of profit/other comprehensive income of the Group, net of tax | 961,146 |

## 20. DEFERRED TAX

(a) The deferred tax assets and liabilities are made up of the following:

| | Group | |
|---|---|---|
| | 2019 RM | 2018 RM |
| Balance as at 1 January | 2,780,992 | 2,812,505 |
| Recognised in profit or loss (Note 11) | 3,035,527 | (31,513) |
| Balance as at 31 December | 5,816,519 | 2,780,992 |
| Represented by: | | |
| Deferred tax assets, net | 6,121,832 | 3,007,864 |
| Deferred tax liabilities, net | (305,313) | (226,872) |
| | 5,816,519 | 2,780,992 |

# Notes to the Financial Statements

31 DECEMBER 2019 (CONT'D)

## 20. DEFERRED TAX (continued)

(b) The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows: (continued)

Deferred tax assets of the Group

| | Property development costs RM | Unused tax losses and unabsorbed capital allowances RM | Impairment loss RM | Other deductible temporary differences RM | Set-off tax RM | Total RM |
|---|---|---|---|---|---|---|
| At 1 January 2018 | 2,938,048 | 42,469 | 440,673 | 7,159,471 | (7,642,613) | 2,938,048 |
| Recognised in profit or loss | 69,816 | (42,469) | 435,425 | (1,544,581) | 1,151,625 | 69,816 |
| At 31 December 2018/1 January 2019 | 3,007,864 | - | 876,098 | 5,614,890 | (6,490,988) | 3,007,864 |
| Recognised in profit or loss | (33,305) | 1,097,200 | 1,693,068 | (3,162,545) | 3,519,550 | 3,113,968 |
| At 31 December 2019 | 2,974,559 | 1,097,200 | 2,569,166 | 2,452,345 | (2,971,438) | 6,121,832 |

Deferred tax liabilities of the Group

| | Land held for property development RM | Property, plant and equipment RM | Others RM | Set-off tax RM | Total RM |
|---|---|---|---|---|---|
| At 1 January 2018 | 268,510 | 147,079 | 7,352,567 | (7,642,613) | 125,543 |
| Recognised in profit or loss | 118,370 | 25,578 | (1,194,244) | 1,151,625 | 101,329 |
| At 31 December 2018/ 1 January 2019 | 386,880 | 172,657 | 6,158,323 | (6,490,988) | 226,872 |
| Recognised in profit or loss | (386,880) | 418,089 | (3,472,318) | 3,519,550 | 78,441 |
| At 31 December 2019 | - | 590,746 | 2,686,005 | (2,971,438) | 305,313 |

## 20. DEFERRED TAX (continued)

(c) The amounts of temporary differences for which no deferred tax assets have been recognised in the statements of financial position are as follows:

| | Group | |
|---|---|---|
| | **2019** | **2018** |
| | **RM** | **RM** |
| Unabsorbed tax losses, gross | | |
| - Expired by 31 December 2025 | 30,264,116 | 31,171,408 |
| - Expired by 31 December 2026 | 1,773,863 | - |
| Unabsorbed capital allowances, gross | 93,373 | 5,424 |
| Other deductible temporary differences, gross | 73,426,209 | 120,951,965 |
| | 105,557,561 | 152,128,797 |

Deferred tax assets of certain subsidiaries have not been recognised in respect of these items as it is not probable that future taxable profits of the subsidiaries would be available against which the deductible temporary differences could be utilised.

## 21. INTANGIBLE ASSETS

**Group**

| **Carrying amount** | **Balance as at 1.1.2019 RM** | **Impairment loss RM** | **Balance as at 31.12.2019 RM** |
|---|---|---|---|
| Customer contract | 28,564,072 | - | 28,564,072 |
| Goodwill | 1,219,080 | (1,071,970) | 147,110 |
| | 29,783,152 | (1,071,970) | 28,711,182 |

**Group**

| **Carrying amount** | **Balance as at 1.1.2018 RM** | **Impairment loss RM** | **Balance as at 31.12.2018 RM** |
|---|---|---|---|
| Customer contract | 28,564,072 | - | 28,564,072 |
| Goodwill | 1,219,080 | - | 1,219,080 |
| | 29,783,152 | - | 29,783,152 |

# Notes to the Financial Statements

31 DECEMBER 2019 (CONT'D)

## 21. INTANGIBLE ASSETS (continued)

(a) Intangible assets are initially measured at cost. After initial recognition, intangible assets are carried at cost less accumulated amortisation and/or any accumulated impairment losses.

(b) Customer contract relates to a construction project awarded to a subsidiary, which would be amortised based on the unit of production of the construction project.

(c) Goodwill recognised in a business combination is an asset at the acquisition date and is initially measured at cost. After initial recognition, goodwill is measured at cost less accumulated impairment losses.

(d) Goodwill has been allocated to the cash-generating units ("CGU") of the Group, according to business segment as follows:

| | Group | |
|---|---|---|
| | 2019 RM | 2018 RM |
| Construction | 147,110 | 1,219,080 |

(e) For the purpose of impairment testing, intangible assets are allocated to the operating divisions of the Group which represent the lowest level within the Group at which the intangible assets are monitored for internal management purposes.

(f) Key assumptions used in value-in-use calculation

The Group determines whether intangible assets are impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units ("CGU") to which intangible assets are allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The recoverable amount of a CGU is determined based on value-in-use calculation using cash flow projection based on financial budget approved by management covering a three-year period. The key assumptions used for value-in-use calculation for the business segment are:

| | Construction | |
|---|---|---|
| | 2019 % | 2018 % |
| Growth rate | 32.00 | 32.00 |
| Discount rate | 12.10 | 12.10 |

## 21. INTANGIBLE ASSETS (continued)

(f) Key assumptions used in value-in-use calculation (continued)

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of intangible assets:

(i) Growth rate

The growth rate used is determined using a simple average of the annual profit before tax and interest (PBIT) growth rate obtained from projected cash flow approved by management in respect of a construction project. The projected cash flow cover a period of three (3) years and the budgeted inflow is recognised over the period basing on the projected percentage of completion of the construction project. The effect of changes to the parameters is not material to the growth rate used.

(ii) Pre-tax discount rate

The discount rate reflects specific risks relating to the relevant segment.

(g) Sensitivity to changes in assumptions

With regard to the assessment of value-in-use, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying amount of the CGU to materially exceed their recoverable amounts.

(h) During the financial year, an impairment loss of RM1,071,970 has been recognised as the recoverable amount was lower than the carrying amount of intangible assets.

## 22. INVENTORIES

| | | Group | |
|---|---|---|---|
| | Note | 2019 RM | 2018 RM |
| **Current** | | | |
| At cost: | | | |
| Completed properties | | 37,946,616 | 40,875,602 |
| Land held for property development | | - | 1,161,860 |
| Property development costs | (a) | 379,819,317 | 336,952,832 |
| | | 417,765,933 | 378,990,294 |

During the financial year, the Group has transferred land held for property development amounting to RM1,161,860 (2018: RM36,921,605) to property development costs.

# Notes to the Financial Statements

31 DECEMBER 2019 (CONT'D)

## 22. INVENTORIES (continued)

(a) Property development costs

| Group | Freehold land RM | Leasehold land RM | Development costs RM | Cumulative costs recognised in profit or loss RM | Total RM |
|---|---|---|---|---|---|
| Balance as at 1 January 2019 | 95,750,000 | 87,656,678 | 343,355,087 | (189,808,933) | 336,952,832 |
| Costs incurred during the year | 20,562,500 | (72,077) | 22,274,051 | - | 42,764,474 |
| Net transfer from land held for property development | - | - | 1,161,860 | - | 1,161,860 |
| Recognised during the year | - | - | - | (1,059,849) | (1,059,849) |
| Balance as at 31 December 2019 | 116,312,500 | 87,584,601 | 366,790,998 | (190,868,782) | 379,819,317 |
| Balance as at 1 January 2018 | 74,750,000 | 52,356,610 | 252,200,553 | (169,505,277) | 209,801,886 |
| Costs incurred during the year | 21,000,000 | (1,406,905) | 90,939,902 | - | 110,532,997 |
| Net transfer from land held for property development | - | 36,706,973 | 214,632 | - | 36,921,605 |
| Recognised during the year | - | - | - | (20,303,656) | (20,303,656) |
| Balance as at 31 December 2018 | 95,750,000 | 87,656,678 | 343,355,087 | (189,808,933) | 336,952,832 |

(b) Land held for property development is stated at cost less impairment losses, if any. Such land is classified as non-current asset when no significant development work has been carried out or where development activities are not expected to be completed within the normal operating cycle.

(c) Property development costs not recognised as an expense are recognised as an asset measured at lower of cost and net realisable value. The asset is subsequently credited over to profit or loss and recognised as an expense when the control of the asset is transferred to the customer.

(d) Leasehold land of the Group represent costs incurred as a consequence of having used the right-of-use assets to produce inventories during the financial year in accordance with MFRS 102 *Inventories*.

(e) The Group recognises in profit or loss the property development revenue and costs by reference to the progress towards complete satisfaction of that performance obligation at the reporting period. It is measured based on direct measurements of the value transferred by the Group to the customers and the Group's efforts or inputs to the satisfaction of the performance obligation. Significant judgement is required in determining the completeness and accuracy of the budgets and the extent of the costs incurred.

(f) As at the end of the reporting period, property development costs of the Group with carrying amounts of RM59,872,836 (2018: RM48,356,809) were charged to financial institutions for banking facilities granted to the Group as disclosed in Note 30 to the financial statements.

## 22. INVENTORIES (continued)

(g) As at the end of the reporting period, completed properties of the Group with carrying amounts of RM19,757,362 (2018: Nil) were charged to financial institutions for banking facilities granted to the Group as disclosed in Note 30 to the financial statements.

(h) Freehold land under development of RM116,312,500 (2018: RM95,750,000) is provided by Pro-Meridian Sdn. Bhd. ("Pro-Meridian"), pursuant to an agreement entered into by a subsidiary, AQRS The Building Company Sdn. Bhd. ("AQRS") with Pro-Meridian on 30 September 2011. In accordance with the agreement, AQRS was granted vacant possession to develop the freehold land.

(i) Additions to aggregate costs incurred during the financial year include interest expense of RM1,298,367 (2018: RM162,301). Interest is capitalised at rate of 5.78% (2018: 8.53%) per annum.

(j) Inventories of the Group recognised as cost of sales amounted to RM21,055,779 (2018: RM26,693,017).

## 23. TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| **Trade receivables** | | | | |
| Third parties | 105,403,827 | 157,234,935 | - | - |
| Related parties | 1,962,678 | 10,048,389 | - | - |
| Retention sums | 77,096,337 | 66,875,412 | - | - |
| | 184,462,842 | 234,158,736 | - | - |
| Less: Impairment losses | | | | |
| - Third parties | (14,414,444) | (14,826,287) | - | - |
| - Related parties | (811,290) | (995,541) | - | - |
| - Retention sums | (440,439) | (1,592,006) | - | - |
| | (15,666,173) | (17,413,834) | - | - |
| | 168,796,669 | 216,744,902 | - | - |
| **Other receivables** | | | | |
| Third parties | 22,921,675 | 25,631,567 | - | - |
| Related parties | 5,000 | - | - | - |
| Amounts owing from subsidiaries | - | - | 26,716,716 | 64,000,000 |
| Deposits | 3,663,290 | 3,545,316 | 196,620 | 166,620 |
| | 26,589,965 | 29,176,883 | 26,913,336 | 64,166,620 |
| Less: Impairment losses | | | | |
| - Other receivables | (16,916,193) | (17,000,368) | - | - |
| | 9,673,772 | 12,176,515 | 26,913,336 | 64,166,620 |

# Notes to the Financial Statements

31 DECEMBER 2019 (CONT'D)

## 23. TRADE AND OTHER RECEIVABLES (continued)

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| **Total trade and other receivables** | 178,470,441 | 228,921,417 | 26,913,336 | 64,166,620 |
| Prepayments | 10,518,767 | 10,667,180 | 13,186 | 18,505 |
| | 188,989,208 | 239,588,597 | 26,926,522 | 64,185,125 |

(a) Total receivables are classified as financial assets measured at amortised cost.

(b) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group range from 30 to 60 days (2018: 30 to 60 days). Other credit terms are assessed and approved on a case by case basis. They are recognised at their original invoice amounts, which represent their fair values on initial recognition.

(c) Amounts owing from related parties arose from the following:

| | Group | |
|---|---|---|
| | 2019 RM | 2018 RM |
| Rental of investment properties | 1,703,190 | 10,048,389 |
| Sales of properties under development | 259,488 | - |
| | 1,962,678 | 10,048,389 |

(d) The retention sums are unsecured, interest-free and are expected to be collected as follows:

| | Group | |
|---|---|---|
| | 2019 RM | 2018 RM |
| Within one (1) year | 34,662,137 | 50,933,307 |
| Within two (2) years | 42,434,200 | 15,942,105 |
| | 77,096,337 | 66,875,412 |

(e) Amounts owing from subsidiaries represent advances, payments made on behalf and dividend receivable, which are unsecured, bear interests at 3% (2018: 3%) per annum and receivable within the next twelve (12) months in cash and cash equivalents.

Sensitivity analysis for amounts owing from subsidiaries as at the end of the reporting period is not presented as fixed rate instruments are not affected by change in interest rates.

No expected credit loss is recognised arising from amounts owing from subsidiaries as it is negligible.

## 23. TRADE AND OTHER RECEIVABLES (continued)

(f) Trade and other receivables are denominated in Ringgit Malaysia.

(g) Impairment for trade receivables and contract assets that do not contain a significant financing component are recognised based on the simplified approach using the lifetime expected credit losses.

During this process, the probability of non-payment by the trade receivables is adjusted by forward looking information (unemployment rates and inflation rates) and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised within administrative expenses in the consolidated statement of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectable, the gross carrying value of the asset would be written off against the associated impairment.

It requires management to exercise significant judgement in determining the probability of default by trade receivables and appropriate forward looking information.

(h) Lifetime expected loss provision for trade receivables are as follows:

| **2019**<br>**Construction** | **Gross carrying amount**<br>**RM** | **Lifetime expected loss**<br>**RM** | **Net carrying amount**<br>**RM** |
|---|---|---|---|
| Collective assessment | | | |
| Not past due | 86,977,796 | (548,691) | 86,429,105 |
| Past due | | | |
| 1-30 days | 31,790,491 | (2,406,565) | 29,383,926 |
| 31-120 days | 19,606,813 | (1,484,251) | 18,122,562 |
| 121-365 days | - | - | - |
| Over 365 days | 38,769 | (38,769) | - |
| | 138,413,869 | (4,478,276) | 133,935,593 |
| Individual assessment | 17,603,799 | (1,988,872) | 15,614,927 |
| | 156,017,668 | (6,467,148) | 149,550,520 |

# Notes to the Financial Statements

31 DECEMBER 2019 (CONT'D)

## 23. TRADE AND OTHER RECEIVABLES (continued)

(h) Lifetime expected loss provision for trade receivables are as follows: (continued)

| **2019**<br>**Property development** | **Gross carrying amount RM** | **Lifetime expected loss RM** | **Net carrying amount RM** |
|---|---|---|---|
| Collective assessment | | | |
| Not past due | 11,314,905 | (53,333) | 11,261,572 |
| Past due | | | |
| 1-30 days | 42,230 | (796) | 41,434 |
| 31-120 days | 838,781 | (15,814) | 822,967 |
| 121-365 days | 2,799,220 | (52,775) | 2,746,445 |
| Over 365 days | 8,265,017 | (8,265,017) | - |
| | 23,260,153 | (8,387,735) | 14,872,418 |
| Individual assessment | 3,481,831 | - | 3,481,831 |
| | 26,741,984 | (8,387,735) | 18,354,249 |

| **Others** | **Gross carrying amount RM** | **Lifetime expected loss RM** | **Net carrying amount RM** |
|---|---|---|---|
| Collective assessment | | | |
| Not past due | - | - | - |
| Past due | | | |
| 1-30 days | 170,311 | (3,079) | 167,232 |
| 31-120 days | - | - | - |
| 121-365 days | 738,013 | (13,345) | 724,668 |
| Over 365 days | 794,866 | (794,866) | - |
| | 1,703,190 | (811,290) | 891,900 |
| Individual assessment | - | - | - |
| | 1,703,190 | (811,290) | 891,900 |

## 23. TRADE AND OTHER RECEIVABLES (continued)

(h) Lifetime expected loss provision for trade receivables are as follows: (continued)

| **2018 Construction** | **Gross carrying amount RM** | **Lifetime expected loss RM** | **Net carrying amount RM** |
|---|---|---|---|
| Collective assessment | | | |
| Not past due | 22,093,448 | (28,809) | 22,064,639 |
| Past due | | | |
| 1-30 days | 483,748 | (7,569) | 476,179 |
| 31-120 days | 21,065,075 | (329,617) | 20,735,458 |
| 121-365 days | 20,609,205 | (322,484) | 20,286,721 |
| Over 365 days | 1,107,418 | (1,107,418) | - |
| | 65,358,894 | (1,795,897) | 63,562,997 |
| Individual assessment | 140,487,877 | (5,495,527) | 134,992,350 |
| | 205,846,771 | (7,291,424) | 198,555,347 |

| **Property development** | **Gross carrying amount RM** | **Lifetime expected loss RM** | **Net carrying amount RM** |
|---|---|---|---|
| Collective assessment | | | |
| Not past due | 2,512,598 | (11,542) | 2,501,056 |
| Past due | | | |
| 1-30 days | 524,197 | (10,114) | 514,083 |
| 31-120 days | 1,007,465 | (19,438) | 988,027 |
| 121-365 days | 1,365,385 | (26,432) | 1,338,953 |
| Over 365 days | 8,894,609 | (8,894,609) | - |
| | 14,304,254 | (8,962,135) | 5,342,119 |
| Individual assessment | 3,959,323 | (164,734) | 3,794,589 |
| | 18,263,577 | (9,126,869) | 9,136,708 |

## 23. TRADE AND OTHER RECEIVABLES (continued)

(h) Lifetime expected loss provision for trade receivables are as follows: (continued)

| **2018 Others** | **Gross carrying amount RM** | **Lifetime expected loss RM** | **Net carrying amount RM** |
|---|---|---|---|
| Collective assessment | | | |
| Not past due | - | - | - |
| Past due | | | |
| 1-30 days | 227,081 | (3,553) | 223,528 |
| 31-120 days | - | - | - |
| 121-365 days | 8,969,673 | (140,354) | 8,829,319 |
| Over 365 days | - | - | - |
| | 9,196,754 | (143,907) | 9,052,847 |
| Individual assessment | 851,634 | (851,634) | - |
| | 10,048,388 | (995,541) | 9,052,847 |

| **2019 Group** | **Gross carrying amount RM** | **Lifetime expected loss RM** | **Net carrying amount RM** |
|---|---|---|---|
| Collective assessment | | | |
| Not past due | 98,292,701 | (602,024) | 97,690,677 |
| Past due | | | |
| 1-30 days | 32,003,032 | (2,410,440) | 29,592,592 |
| 31-120 days | 20,445,594 | (1,500,065) | 18,945,529 |
| 121-365 days | 3,537,233 | (66,120) | 3,471,113 |
| Over 365 days | 9,098,652 | (9,098,652) | - |
| | 163,377,212 | (13,677,301) | 149,699,911 |
| Individual assessment | 21,085,630 | (1,988,872) | 19,096,758 |
| | 184,462,842 | (15,666,173) | 168,796,669 |

## 23. TRADE AND OTHER RECEIVABLES (continued)

(h) Lifetime expected loss provision for trade receivables are as follows: (continued)

| 2018<br>Group | Gross carrying amount<br>RM | Lifetime expected loss<br>RM | Net carrying amount<br>RM |
|---|---|---|---|
| Collective assessment | | | |
| Not past due | 24,606,046 | (40,351) | 24,565,695 |
| Past due | | | |
| 1-30 days | 1,235,026 | (21,236) | 1,213,790 |
| 31-120 days | 22,072,540 | (349,055) | 21,723,485 |
| 121-365 days | 30,944,263 | (489,270) | 30,454,993 |
| Over 365 days | 10,002,027 | (10,002,027) | - |
| | 88,859,902 | (10,901,939) | 77,957,963 |
| Individual assessment | 145,298,834 | (6,511,895) | 138,786,939 |
| | 234,158,736 | (17,413,834) | 216,744,902 |

During the financial year, the Group did not renegotiate the terms of any trade receivables.

Management assesses the expected credit losses for portfolios of trade receivables collectively based on customer segments, historical information on payment patterns, terms of payment, concentration maturity, and information about the general economic situation in the country where customer operates.

The individual assessment of impairment of trade receivables are separately assessed when it is probable that cash due will not be received in full.

(i) The movements in the impairment allowance for trade receivables are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2019<br>RM | 2018<br>RM | 2019<br>RM | 2018<br>RM |
| **Trade receivables** | | | | |
| At 1 January | 17,413,834 | 22,580,006 | - | - |
| Reversal of impairment losses | (1,832,662) | (8,166,249) | - | - |
| Charge for the financial year | 85,001 | 3,000,077 | - | - |
| | | | - | - |
| At 31 December | 15,666,173 | 17,413,834 | - | - |

# Notes to the Financial Statements

31 DECEMBER 2019 (CONT'D)

## 23. TRADE AND OTHER RECEIVABLES (continued)

(j) Impairment for other receivables included amounts due from related parties, subsidiaries and equity loan, are recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. The Group defined significant increase in credit risk as more than 30 days past due. As at the end of the reporting period, the Group and the Company assess whether there has been a significant increase in credit risk for financial assets by comparing the risk for default occurring over the expected life with the risk of default since initial recognition. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The probability of non-payment other receivables are adjusted by forward looking information (unemployment rates and inflation rates) and multiplied by the amount of the expected loss arising from default to determine the twelve month or lifetime expected credit loss for the other receivables.

It requires management to exercise significant judgement in determining the probability of default by other receivables appropriate forward looking information and significant increase in credit risk.

(k) The movements in the impairment allowance for other receivables are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| **Other receivables** | | | | |
| Lifetime ECL allowance - not credit-impaired: | | | | |
| At 1 January | 17,000,368 | 20,222,894 | - | 747,578 |
| Reversal of impairment losses | (113,920) | (3,224,873) | - | (747,578) |
| Charge for the financial year | 611,202 | 2,348 | - | - |
| Written off | (581,457) | - | - | - |
| At 31 December | 16,916,193 | 17,000,368 | - | - |

## 23. TRADE AND OTHER RECEIVABLES (continued)

(I) The Group determines concentration of credit risk by monitoring the industry sector profiles of its trade receivables on an ongoing basis. The credit risk concentration profile of the trade receivables of the Group (net of accrued billings) at the end of each reporting period are as follows:

| | Group | | | |
|---|---|---|---|---|
| | 2019 | | 2018 | |
| | RM | % of total | RM | % of total |
| **By industry sectors** | | | | |
| Construction | 149,550,520 | 88% | 198,555,344 | 88% |
| Property development | 18,354,249 | 11% | 9,136,710 | 8% |
| Others | 891,900 | 1% | 9,052,848 | 4% |
| | 168,796,669 | 100% | 216,744,902 | 100% |

## 24. CONTRACT ASSETS/(LIABILITIES)

| | Group | |
|---|---|---|
| | 2019 | 2018 |
| | RM | RM |
| **Contract assets** | | |
| Construction contracts | 560,995,478 | 486,931,706 |
| Property development contracts | 70,064,547 | 76,037,040 |
| Costs to obtain contract | 596,394 | - |
| | 631,656,419 | 562,968,746 |
| **Contract liabilities** | | |
| Construction contracts | (14,043,289) | (12,499,046) |
| Property development contracts | (13,197,148) | (22,211,374) |
| | (27,240,437) | (34,710,420) |
| | 604,415,982 | 528,258,326 |

(a) Construction contracts and property development contracts

Construction contracts and property development contracts represent the timing differences in revenue recognition and the milestone billings. The milestone billings are structured and/or negotiated with customers to reflect physical completion of the contracts.

Contract assets are transferred to receivables when the rights to economic benefits become unconditional. This usually occurs when the Group issues billing to the customer. Contract liabilities are recognised as revenue when performance obligations are satisfied.

# Notes to the Financial Statements

31 DECEMBER 2019 (CONT'D)

## 24. CONTRACT ASSETS/(LIABILITIES) (continued)

(b) Contract assets and contract liabilities from construction contracts

| | Group | |
|---|---|---|
| | **2019 RM** | **2018 RM** |
| Contract assets | 560,995,478 | 486,931,706 |
| Contract liabilities | (14,043,289) | (12,499,046) |
| | 546,952,189 | 474,432,660 |
| At 1 January | 474,432,660 | 283,479,392 |
| Impairment of contract assets | (2,899,976) | (241,879) |
| Revenue recognised during the year | 424,806,014 | 610,563,992 |
| Progress billings | (349,386,509) | (419,368,845) |
| | 546,952,189 | 474,432,660 |

Revenue expected to be recognised in the future relating to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period, are as follows:

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | **2019 RM** | **2020 RM** | **2021 RM** | **2022 RM** | **2023 RM** | **Total RM** |
| **31 December 2019** | - | 414,195,010 | 375,110,288 | 226,369,211 | 80,310,336 | 1,095,984,845 |

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | **2019 RM** | **2020 RM** | **2021 RM** | **2022 RM** | **2023 RM** | **Total RM** |
| **31 December 2018** | 375,525,175 | 414,195,010 | 375,110,288 | 226,369,211 | 80,310,336 | 1,471,510,020 |

Additions to aggregate costs incurred during the financial year include:

| | Group | |
|---|---|---|
| | **2019 RM** | **2018 RM** |
| Hire of plant and machinery and motor vehicles | 4,940,516 | 11,420,961 |

## 24. CONTRACT ASSETS/(LIABILITIES) (continued)

(c) Contract assets and contract liabilities from property development contracts

| | Group | |
|---|---|---|
| | **2019 RM** | **2018 RM** |
| Contract assets | 70,064,547 | 76,037,040 |
| Contract liabilities | (13,197,148) | (22,211,374) |
| | 56,867,399 | 53,825,666 |
| At 1 January | 53,825,666 | 19,506,496 |
| Impairment of contract assets | (13,384) | (130,712) |
| Reversal of impairment of contract assets | 51,057 | 20,881 |
| Revenue recognised during the year | 21,454,764 | 24,506,724 |
| Progress billings | (18,450,704) | 9,922,277 |
| | 56,867,399 | 53,825,666 |

Revenue expected to be recognised in the future relating to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period, are as follows:

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | **2019 RM** | **2020 RM** | **2021 RM** | **2022 RM** | **2023 RM** | **Total RM** |
| **31 December 2019** | - | 21,889,118 | 16,653,579 | 22,748,577 | 7,383,117 | 68,674,391 |

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | **2019 RM** | **2020 RM** | **2021 RM** | **2022 RM** | **2023 RM** | **Total RM** |
| **31 December 2018** | 16,162,812 | 21,889,118 | 16,653,579 | 22,748,577 | 7,383,117 | 84,837,203 |

(d) The followings are the amounts of revenue recognised from:

| | Group | |
|---|---|---|
| | **2019 RM** | **2018 RM** |
| Amounts included in contract liabilities at the beginning of the financial year | 4,744,294 | 16,107,528 |

(e) Impairment for contract assets that do not contain a significant financing component are recognised based on the simplified approach using the lifetime expected credit losses as disclosed in Note 23(g) to the financial statements.

# Notes to the Financial Statements

31 DECEMBER 2019 (CONT'D)

## 24. CONTRACT ASSETS/(LIABILITIES) (continued)

(f) Lifetime expected loss provision for contract assets are as follows:

| Group<br>2019 | Gross carrying amount<br>RM | Lifetime ECLs<br>RM | Net carrying amount<br>RM |
|---|---|---|---|
| Collective assessment | | | |
| Not past due | 635,549,669 | (3,893,250) | 631,656,419 |

| Group<br>2018 | Gross carrying amount<br>RM | Lifetime ECLs<br>RM | Net carrying amount<br>RM |
|---|---|---|---|
| Collective assessment | | | |
| Not past due | 563,999,693 | (1,030,947) | 562,968,746 |

| | Group | |
|---|---|---|
| | 2019<br>RM | 2018<br>RM |
| At 1 January | 1,030,947 | 679,237 |
| Reversal of impairment losses | (51,057) | (20,881) |
| Charge for the financial year | 2,913,360 | 372,591 |
| At 31 December | 3,893,250 | 1,030,947 |

## 25. OTHER INVESTMENT

| | Group | |
|---|---|---|
| | 2019<br>RM | 2018<br>RM |
| Financial asset at fair value through profit or loss | | |
| - Quoted shares outside Malaysia | 225,302 | 1,328,068 |

(a) All regular way purchases and sales of financial assets (including trade and other receivables) are recognised or derecognised on the trade date i.e., the date that the Group commit to purchase or sell the asset.

(b) Fair value of quoted ordinary shares is determined by reference to the exchange quoted market prices at the close of the business on the reporting date. There is no change in fair value of quoted ordinary shares as at the end of the reporting date.

(c) The fair value of quoted ordinary shares of the Group is categorised as Level 1 in the fair value hierarchy.

## 25. OTHER INVESTMENT (continued)

(d) The following table demonstrates the sensitivity of the profit after tax of the Group to a reasonably possible change in the foreign exchange rate against the functional currency of the Group, with all other variables held constant.

| | Group | |
|---|---|---|
| | **2019** | **2018** |
| | **RM** | **RM** |
| USD/RM | | |
| - Strengthen by 1% | 1,712 | 10,093 |
| - Weaken by 1% | (1,712) | (10,093) |

(e) The Group is exposed to the equity price risks arising from quoted outside Malaysia. It is listed on the NYSE American (formerly known as "American Stock Exchange") held for trading purpose. As the Group neither has the intention, nor the historical trend of active trading in the financial instrument, the Directors are of the opinion that the Group is not subject to significant exposure to price risk and accordingly, no sensitivity analysis is being presented at the end of each reporting period.

## 26. SHORT TERM FUNDS

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | **RM** | **RM** | **RM** | **RM** |
| Financial assets at fair value through profit or loss | | | | |
| - Fixed income trust funds in Malaysia | 1,922,412 | 36,725,170 | 1,605,386 | 35,365,153 |

(a) Short term funds are mainly designated to manage free cash flows and optimise working capital so as to provide a steady stream of income returns. It is an integral part of the overall cash management.

(b) Short term funds of the Group and of the Company represent investments in highly liquid money market, which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

(c) Short term funds are denominated in Ringgit Malaysia.

(d) The interest rate profile of the short term funds as at the end of each reporting period are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | **RM** | **RM** | **RM** | **RM** |
| Floating rate | 1,922,412 | 36,725,170 | 1,605,386 | 35,365,153 |

# Notes to the Financial Statements

31 DECEMBER 2019 (CONT'D)

## 26. SHORT TERM FUNDS (continued)

(e) Sensitivity analysis of interest rates for the short term funds at the end of the reporting period, assuming all other variables remain constant is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Effects of 100 basis points changes to profit after tax | | | | |
| - Increase by 1% (2018: 1%) | 14,610 | 279,111 | 12,201 | 268,775 |
| - Decrease by 1% (2018: 1%) | (14,610) | (279,111) | (12,201) | (268,775) |

(f) The weighted average effective interest rates of the short term funds as at the end of each reporting period are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 % | 2018 % | 2019 % | 2018 % |
| Short term funds | 2.99 | 2.73 | 2.99 | 2.73 |

(g) Short term funds are classified as at fair value through profit or loss, and subsequently remeasured to fair value with changes in fair value being recognised in profit or loss. The fair value are determined by reference to the counter parties' quotes at the close of the business at the end of the reporting period and are categorised as Level 1 in fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.

(h) Short term funds of the Group and of the Company are exposed to changes in market quoted prices. However, the volatility of short term funds prices is considered low, the Directors are of the opinion that the Group is not subject to significant exposure to price risk and accordingly, no sensitivity analysis is being presented at the end of each reporting period.

## 27. CASH AND BANK BALANCES

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Cash and bank balances | 30,323,491 | 13,770,780 | 1,527,259 | 274,843 |
| Fixed deposits with licensed banks | 107,178,363 | 78,075,770 | 5,620,617 | 1,090,813 |
| | 137,501,854 | 91,846,550 | 7,147,876 | 1,365,656 |

(a) The weighted average effective interest rate of fixed deposits with both licensed banks of the Group and of the Company are 2.60 % (2018: 2.91%) and 2.65% (2018: 2.73%) per annum respectively.

Sensitivity analysis for fixed rate deposits at the end of the reporting period is not presented as fixed rate instruments are not affected by changes in interest rate.

## 27. CASH AND BANK BALANCES (continued)

(b) Fixed deposits with licensed banks of the Group and of the Company were pledged as securities for banking facilities granted to the Group and to the Company as disclosed in Note 30 to the financial statements.

(c) Fixed deposits with licensed banks have maturity period ranging from one (1) month to one (1) year (2018: one (1) month to one (1) year).

(d) Included in cash and bank balances of the Group is a balance of RM512,310 (2018: RM1,535,239) held under Housing Development Account pursuant to Section 7A of Housing Development (Control and Licensing) Act, 1966, as amended by the Housing Developers (Housing Development Account) (Amendment) Regulations, 2015, which is not available for general use by the Group.

(e) Cash and bank balances are denominated in Ringgit Malaysia.

(f) For the purpose of the statements of cash flows, cash and cash equivalents comprise the following as at the end of each reporting period:

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2019 | 2018 | 2019 | 2018 |
| | Note | RM | RM | RM | RM |
| Cash and bank balances | | 30,323,491 | 13,770,780 | 1,527,259 | 274,843 |
| Fixed deposits with licensed banks | | 107,178,363 | 78,075,770 | 5,620,617 | 1,090,813 |
| Short term funds | 26 | 1,922,412 | 36,725,170 | 1,605,386 | 35,365,153 |
| | | 139,424,266 | 128,571,720 | 8,753,262 | 36,730,809 |
| Less: | | | | | |
| Bank overdrafts included in borrowings | 30 | (211,486,356) | (162,944,560) | (14,310,122) | - |
| Fixed deposits pledged | | (107,178,363) | (78,075,770) | (5,620,617) | (1,090,813) |
| | | (179,240,453) | (112,448,610) | (11,177,477) | 35,639,996 |

## 28. SHARE CAPITAL

| | Group and Company | | | |
|---|---|---|---|---|
| | 2019 | | 2018 | |
| | Number of shares | RM | Number of shares | RM |
| **Issued and fully paid** | | | | |
| Balance as at 1 January | 494,594,005 | 324,240,605 | 451,476,525 | 267,080,518 |
| Issuance of ordinary shares pursuant to warrants exercised | 262 | 294 | 43,117,480 | 56,052,724 |
| Ordinary shares resold in open market | - | 1,304,831 | - | 1,107,363 |
| Balance as at 31 December | 494,594,267 | 325,545,730 | 494,594,005 | 324,240,605 |

# Notes to the Financial Statements

31 DECEMBER 2019 (CONT'D)

## 28. SHARE CAPITAL (continued)

(a) The owners of the parent are entitled to receive dividends as and when declared by the Company and are entitled to one (1) vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regard to the residual assets of the Company.

(b) Warrants B 2018/2023

On 27 September 2018, a total of 119,394,669 free Warrants were issued pursuant to the Deed Poll dated 5 September 2018 ("Deed Poll B") to all the shareholders of the Company on the basis of one (1) warrants for every four (4) existing ordinary shares held on 25 September 2018. The main features of the Warrants are as follows:

(i) Each Warrant will entitle its registered holder during the exercise period to subscribe for one (1) new ordinary share at the exercise price, subject to the provisions in the Deed Poll.

(ii) The exercise price of each Warrant has been fixed at RM1.12.

(iii) The expiry date of Warrants shall be the date immediately preceding the fifth (5th) anniversary date of first issue of the Warrants, and if such date is not a Market Day, then on the immediate preceding Market Day, whereupon any warrant, which has not been exercised, will lapse and cease thereafter to be valid for any purpose.

(iv) The ordinary shares each to be issued pursuant to the exercise of the Warrants will rank pari passu in all respect with the existing issued ordinary shares of the Company.

Movement in the Warrants since the listing and quotation thereof is as follows:

| | Number of Warrants |
|---|---|
| As of 27 September 2018 | 119,394,669 |
| Exercised in financial year 2019 | (262) |
| As of 31 December 2019 | 119,394,407 |

## 29. RESERVES

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| **Non-distributable** | | | | |
| Treasury shares | (1,427,468) | (17,241,864) | (1,427,468) | (17,241,864) |
| **Distributable** | | | | |
| Retained earnings | 184,924,249 | 164,830,680 | 10,073,529 | 16,472,572 |
| | 183,496,781 | 147,588,816 | 8,646,061 | (769,292) |

## 29. RESERVES (continued)

Treasury shares

The shareholders of the Company, by an ordinary resolution passed at the 9th Annual General Meeting held on 13 June 2019, granted mandate to the Company to repurchase up to 10% of its existing issued share capital ("Share Buy Back"). The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that repurchase plan can be applied in the best interests of the Company and its shareholders.

In the current financial year, the Company resold 6,250,500 of its ordinary shares for a total consideration of RM8,317,037 at an average price of RM1.331 per ordinary share in open market.

In the previous financial year, the Company repurchased 20,049,200 of its ordinary shares from the open market for a total consideration of RM20,682,405 at an average price of RM1.032 per ordinary share and resold 3,570,000 of its ordinary shares for a total consideration of RM5,057,785 at an average price of RM1.417 per ordinary share. The repurchase transactions were financed by internally generated funds. The repurchased shares were held as treasury shares in accordance with the requirement of Section 127 of the Companies Act, 2016 in Malaysia.

The Company has the rights to retain, cancel, resell and/or distribute these shares as dividends. As treasury shares, the rights attached to them as to voting, dividends and participation in any other distributions or otherwise are suspended. Of the total 494,594,267 (2018: 494,594,005) issued ordinary shares as at the end of each reporting period, 1,165,744 (2018: 17,014,702) ordinary shares purchased for RM1,427,468 (2018: RM17,241,864) are held as treasury shares by the Company. The number of outstanding ordinary shares in issue after deducting the treasury shares is 493,428,523 (2018: 477,579,303).

## 30. BORROWINGS

| | Note | Group 2019 RM | Group 2018 RM | Company 2019 RM | Company 2018 RM |
|---|---|---|---|---|---|
| **Non-current liabilities** | | | | | |
| Term loans | | 16,388,868 | 25,184,339 | - | - |
| Hire-purchase creditors | 31 | - | 3,735,589 | - | - |
| | | 16,388,868 | 28,919,928 | - | - |
| **Current liabilities** | | | | | |
| Term loans | | 24,306,955 | 10,360,183 | - | - |
| Revolving credits | | 2,000,000 | 2,000,000 | - | - |
| Hire-purchase creditors | 31 | - | 1,482,324 | - | - |
| Bank overdrafts | | 211,486,356 | 162,944,560 | 14,310,122 | - |
| | | 237,793,311 | 176,787,067 | 14,310,122 | - |
| | | 254,182,179 | 205,706,995 | 14,310,122 | - |

# Notes to the Financial Statements

31 DECEMBER 2019 (CONT'D)

## 30. BORROWINGS (continued)

| | Note | Group 2019 RM | Group 2018 RM | Company 2019 RM | Company 2018 RM |
|---|---|---|---|---|---|
| **Total borrowings** | | | | | |
| Term loans | | 40,695,823 | 35,544,522 | - | - |
| Revolving credits | | 2,000,000 | 2,000,000 | - | - |
| Hire-purchase creditors | 31 | - | 5,217,913 | - | - |
| Bank overdrafts | | 211,486,356 | 162,944,560 | 14,310,122 | - |
| | | 254,182,179 | 205,706,995 | 14,310,122 | - |

(a) Borrowings are classified as financial liabilities measured at amortised cost.

(b) Movements of borrowings upon adoption of MFRS 16 are as follows:

| Group | Note | Term loans RM | Revolving credits RM | Hire purchase creditors RM | Bank overdrafts RM | Total RM |
|---|---|---|---|---|---|---|
| At 1 January 2019, as previously reported | | 35,544,522 | 2,000,000 | 5,217,913 | 162,944,560 | 205,706,995 |
| Effects of adoption of MFRS 16 | 36.1 | - | - | (5,217,913) | - | (5,217,913) |
| At 1 January 2019, as restated | | 35,544,522 | 2,000,000 | - | 162,944,560 | 200,489,082 |

(c) Bank overdrafts of the Group are secured by the following:

(i) Leasehold land and buildings under property, plant and equipment of the Group as disclosed in Note 14 to the financial statements and assignment of a subsidiary's contract proceeds;

(ii) Fixed deposits as disclosed in Note 27 to the financial statements;

(iii) Completed properties of the Group as disclosed in Note 22 to the financial statements.

The bank overdrafts are also jointly and severally guaranteed by a Director and a shareholder of the Company.

**30. BORROWINGS (continued)**

(d) Term loans of the Group and of the Company are secured by the following:

(i) Leasehold land and buildings under property, plant and equipment of the Group, as disclosed in Note 14 to the financial statements, and assignment of a subsidiary's contract proceeds;

(ii) Property development costs of the Group as disclosed in Note 22 to the financial statements;

(iii) Fixed deposits as disclosed in Note 27 to the financial statements;

(iv) Assignment of future rental income that is derived from investment properties of the Group.

The term loans are also jointly and severally guaranteed by a Director and a shareholder of the Company.

(e) Revolving credits of the Group are secured by fixed deposits as disclosed in Note 27 to the financial statements.

(f) The repayment terms for the term loans are as follows:

| | Group | |
|---|---|---|
| | **2019** | **2018** |
| | **RM** | **RM** |
| Term loan I is repayable based on redemption structure set by a financial institution | 30,000,000 | 14,556,649 |
| Term loan II is repayable by fifty-five (55) equal monthly instalments of RM865,700 each commencing April 2016 | 8,372,341 | 17,709,452 |
| Term loan III is repayable by sixty (60) equal monthly instalments of RM77,238 each commencing October 2016 | 1,529,814 | 2,343,781 |
| Term loan IV is repayable by seventy two (72) equal monthly instalments of RM17,632 each commencing June 2018 and RM17,537 each commencing July 2019 | 793,668 | 934,640 |
| | 40,695,823 | 35,544,522 |
| Repayable as follows: | | |
| - within one (1) year | 24,306,955 | 10,360,183 |
| - later than one (1) year and not later than five (5) years | 16,388,868 | 25,089,147 |
| - later than five (5) years | - | 95,192 |
| | 40,695,823 | 35,544,522 |

**30. BORROWINGS (continued)**

(g) The interest rate profile of the borrowings as at the end of each reporting period are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Fixed rate | - | 5,217,913 | - | - |
| Floating rate | 254,182,179 | 200,489,082 | 14,310,122 | - |
| | 254,182,179 | 205,706,995 | 14,310,122 | - |

Sensitivity analysis for fixed rate borrowings as at the end of the reporting period is not presented as fixed rate instruments are not affected by change in interest rates. Sensitivity analysis of interest rates for the floating rate instruments at the end of the reporting period, assuming all other variables remain constant is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Effects of 100 basis points changes to profit after tax | | | | |
| - Increase by 1% (2018: 1%) | (1,931,785) | (1,523,717) | (108,757) | - |
| - Decrease by 1% (2018: 1%) | 1,931,785 | 1,523,717 | 108,757 | - |

(h) The weighted average effective interest rates of the borrowings as at the end of each reporting period are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 % | 2018 % | 2019 % | 2018 % |
| Term loans | 6.24 | 6.87 | - | - |
| Revolving credits | 6.50 | 6.77 | - | - |
| Hire-purchase creditors | - | 5.73 | - | - |
| Bank overdrafts | 7.88 | 8.05 | 10.90 | - |

**30. BORROWINGS (continued)**

(i) Financial instruments that are not carried at fair values and whose carrying amounts are reasonable approximation of fair values, are as follows:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| **Group** | **Carrying amount RM** | **Fair value RM** | **Carrying amount RM** | **Fair value RM** |
| Term loans | 40,695,823 | 40,695,823 | 35,544,522 | 35,544,523 |
| Revolving credits | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 |
| Hire-purchase creditors | - | - | 5,217,913 | 5,076,855 |
| Bank overdrafts | 211,486,356 | 211,486,356 | 162,944,560 | 162,944,560 |
| | 254,182,179 | 254,182,179 | 205,706,995 | 205,565,938 |

| | 2019 | | 2018 | |
|---|---|---|---|---|
| **Company** | **Carrying amount RM** | **Fair value RM** | **Carrying amount RM** | **Fair value RM** |
| Bank overdrafts | 14,310,122 | 14,310,122 | - | - |

The carrying amounts of terms loans, revolving credits and bank overdrafts are reasonable approximations of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of each reporting period.

The fair value of borrowings is categorised as Level 2 in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.

(j) Borrowings are denominated in Ringgit Malaysia.

(k) The table below summarises the maturity profile of the borrowings as at the end of each reporting period based on contractual undiscounted repayment obligations:

| **Group 2019** | **On demand or within one year RM** | **One to five years RM** | **Over five years RM** | **Total RM** |
|---|---|---|---|---|
| Term loans | 26,179,600 | 16,912,690 | - | 43,092,290 |
| Revolving credits | 2,000,000 | - | - | 2,000,000 |
| Bank overdrafts | 211,486,356 | - | - | 211,486,356 |
| Total undiscounted financial liabilities | 239,665,956 | 16,912,690 | - | 256,578,646 |

# Notes to the Financial Statements

31 DECEMBER 2019 (CONT'D)

## 30. BORROWINGS (continued)

(k) The table below summarises the maturity profile of the borrowings as at the end of each reporting period based on contractual undiscounted repayment obligations: (continued)

| Group<br>2018 | On demand or within one year<br>RM | One to five years<br>RM | Over five years<br>RM | Total<br>RM |
|---|---|---|---|---|
| Term loans | 11,526,840 | 25,554,333 | 96,673 | 37,177,846 |
| Revolving credits | 2,000,000 | - | - | 2,000,000 |
| Hire-purchase creditors | 1,709,480 | 3,858,233 | 147,322 | 5,715,035 |
| Bank overdrafts | 162,944,560 | - | - | 162,944,560 |
| Total undiscounted financial liabilities | 178,180,880 | 29,412,566 | 243,995 | 207,837,441 |

| Company<br>2019 | On demand or within one year<br>RM | One to five years<br>RM | Over five years<br>RM | Total<br>RM |
|---|---|---|---|---|
| Bank overdrafts | 14,310,122 | - | - | 14,310,122 |

## 31. HIRE-PURCHASE CREDITORS

| | Group | |
|---|---|---|
| | 2019<br>RM | 2018<br>RM |
| Minimum hire-purchase payments: | | |
| - not later than one (1) year | - | 1,709,480 |
| - later than one (1) year and not later than five (5) years | - | 3,858,233 |
| - later than five (5) years | - | 147,322 |
| Total minimum hire-purchase payments | | 5,715,035 |
| Less: Future interest charges | - | (497,122) |
| Present value of hire-purchase payments | - | 5,217,913 |

## 31. HIRE-PURCHASE CREDITORS (continued)

| | Group | |
|---|---|---|
| | 2019 RM | 2018 RM |
| Repayable as follows: | | |
| **Current liabilities** | | |
| - not later than one (1) year | - | 1,482,324 |
| **Non-current liabilities** | | |
| - later than one (1) year and not later than five (5) years | - | 3,595,894 |
| - later than five (5) years | - | 139,695 |
| | - | 3,735,589 |
| | - | 5,217,913 |

## 32. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| **Trade payables** | | | | |
| Third parties | 94,185,783 | 53,159,743 | - | - |
| Retention sums | 68,488,609 | 52,075,020 | - | - |
| | 162,674,392 | 105,234,763 | - | - |
| **Other payables** | | | | |
| Other payables | 46,018,225 | 15,236,334 | 527,006 | 292,130 |
| Amounts owing to related parties | 5,100,216 | 5,100,216 | - | - |
| Accruals | 445,200,918 | 548,239,226 | 89,548 | 118,588 |
| Deposits | 333,925 | 356,475 | - | - |
| Dividend payable | 7,401,552 | - | 7,401,552 | - |
| Amount owing to a subsidiary | - | - | 1,944,204 | 99,267,902 |
| | 504,054,836 | 568,932,251 | 9,962,310 | 99,678,620 |
| | 666,729,228 | 674,167,014 | 9,962,310 | 99,678,620 |

## 32. TRADE AND OTHER PAYABLES (continued)

(i) Trade and other payables are classified as financial liabilities measured at amortised cost.

(ii) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 14 to 90 days (2018: 14 to 90 days). Other credit term are assessed and approved by the suppliers on a case by case basis.

(iii) Amounts owing to related parties (non-trade) represent advances and payments made on behalf, which are unsecured, interest-free and repayable within next twelve (12) months in cash and cash equivalents.

(iv) Accruals represent accrued project costs, property development costs and other expenses, which are unsecured, interest-free and repayable within next twelve (12) months in cash and cash equivalents.

(v) Amount owing to a subsidiary represents advances and payments made on behalf, which is unsecured, bears interest at 8% (2018: Nil) and payable within next twelve (12) months in cash and cash equivalents.

(vi) Trade and other payables are denominated in Ringgit Malaysia.

(vii) The maturity profile of the trade and other payables of the Group and of the Company at the end of the reporting period based on contractual undiscounted repayment obligations are repayable on demand or within one (1) year.

(viii) Sensitivity analysis for fixed rate profile of amount owing to a subsidiary at the end of the reporting period is not presented as fixed rate instruments are not affected by change in interest rates.

## 33. COMMITMENTS

(a) Operating lease commitments

(i) The Group and the Company as lessee

The Group and the Company had entered into non-cancellable lease agreements for the rental of office buildings, shop lots, leasehold land and office equipment resulting in future rental commitments which can, subject to certain terms in the agreements, be revised accordingly or upon its maturity based on prevailing market rates.

The Group and the Company have aggregated future commitments as at the end of each reporting period as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Not later than one (1) year | 18,204 | 3,470,533 | - | 72,250 |
| Later than one (1) year and not later than five (5) years | 42,715 | 1,429,744 | - | - |
| | 60,919 | 4,900,277 | - | 72,250 |

## 33. COMMITMENTS (continued)

(a) Operating lease commitments (continued)

(ii) The Group as lessor

The Group has entered into a non-cancellable lease arrangement for the rental of investment properties for a term of five (5) years.

The Group has aggregate future minimum lease receivables as at the end of the reporting period as follows:

| | Group | |
|---|---|---|
| | **2019 RM** | **2018 RM** |
| Not later than one (1) year | 11,581,023 | - |
| One (1) to two (2) years | 2,897,004 | - |
| Two (2) to three (3) years | 27,000 | - |
| | 14,505,027 | - |

(b) Capital commitments

| | Group | |
|---|---|---|
| | **2019 RM** | **2018 RM** |
| **Contracted but not provided for** | | |
| - Freehold land held under development | 687,500 | 21,250,000 |

## 34. CONTINGENT LIABILITIES

Guarantees

| | Group | | Company | |
|---|---|---|---|---|
| | **2019 RM** | **2018 RM** | **2019 RM** | **2018 RM** |
| Corporate guarantees given to financial institutions for credit facilities granted to subsidiaries | - | - | 366,080,330 | 323,783,270 |
| Corporate guarantees given to suppliers in respect of goods supplied to its wholly-owned subsidiaries | - | - | 112,411,030 | 109,611,030 |
| Bank guarantees given by financial institutions in respect of construction and property development projects | 205,287,383 | 200,387,965 | 5,178,532 | 5,178,532 |
| | 205,287,383 | 200,387,965 | 483,669,892 | 438,572,832 |

# Notes to the Financial Statements

31 DECEMBER 2019 (CONT'D)

## 34. CONTINGENT LIABILITIES (continued)

Guarantees (continued)

The Group designates corporate guarantees given to banks for credit facilities granted to third party and subsidiaries as insurance contracts as defined in MFRS 4 *Insurance Contracts*. The Group recognises these insurance contracts as recognised insurance liabilities when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The Directors are of view that the chances of the financial institutions to call upon the guarantees are remote. Accordingly, the fair values of the above guarantees are negligible.

## 35. RELATED PARTY DISCLOSURES

(a) Identities of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties could be individuals or other entities.

Related parties of the Group include:

(i) Direct and indirect subsidiaries as disclosed in Note 17 to the financial statements;

(ii) Associate and joint venture as disclosed in Notes 18 and 19 to the financial statements;

(iii) Key management personnel, which comprises persons (including the Directors of the Group) having authority and responsibility for planning, directing and controlling the activities of the Group directly or indirectly; and

(iv) Companies in which the Directors/shareholders of the Company or their close family members have substantial financial interests or significant influence.

(b) The Group and the Company had the following transactions with related parties during the financial year:

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Subsidiaries: | | | | |
| Gross dividend income | - | - | 5,000,000 | 60,890,000 |
| Interest paid/payable | - | - | 576,175 | 180,389 |
| Interest received/receivable | - | - | 234,451 | 4,017,603 |
| Lease paid/payable | - | - | 115,920 | 115,920 |
| Lease received/receivable | - | - | 108,250 | - |
| Management fee paid/payable | - | - | 1,078,077 | 1,190,218 |

## 35. RELATED PARTY DISCLOSURES (continued)

(b) The Group and the Company had the following transactions with related parties during the financial year: (continued)

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Related parties: | | | | |
| Gross dividend income | - | - | - | 600,000 |
| Sale of properties to Directors | 2,072,882 | - | - | - |
| Sale of property to a close family member of a Director | 333,554 | - | - | - |
| Sale of property to a company in which a Director has substantial financial interest | 440,276 | - | - | - |
| Rental of investment properties received/receivable | 11,354,016 | 11,354,016 | - | - |

The related party transactions described above were carried out on agreed contractual terms and conditions and in the ordinary course of business between the related parties of the Group and the Company.

Information regarding outstanding balances with related parties at the end of the financial year are disclosed in Notes 23 and 32 to the financial statements.

(c) Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any Director (whether executive or otherwise) of the Group.

The remuneration of Directors during the financial year are as follows:

| | Group | |
|---|---|---|
| | 2019 RM | 2018 RM |
| Short term employee benefits | 6,673,520 | 7,631,163 |
| Contributions to defined contribution plan | 807,934 | 928,985 |
| | 7,481,454 | 8,560,148 |

# Notes to the Financial Statements

31 DECEMBER 2019 (CONT'D)

## 36. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs

### 36.1 New MFRSs adopted during the current financial year

The Group and the Company adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ("MASB") during the financial year:

| Title | Effective Date |
|---|---|
| MFRS 16 *Leases* | 1 January 2019 |
| IC Interpretation 23 *Uncertainty over Income Tax Treatments* | 1 January 2019 |
| Amendments to MFRS 128 *Long-term Interests in Associates and Joint Ventures* | 1 January 2019 |
| Amendments to MFRS 9 *Prepayment Features with Negative Compensation* | 1 January 2019 |
| Amendments to MFRS 3 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle* | 1 January 2019 |
| Amendments to MFRS 11 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle* | 1 January 2019 |
| Amendments to MFRS 112 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle* | 1 January 2019 |
| Amendments to MFRS 123 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle* | 1 January 2019 |
| Amendments to MFRS 119 *Plan Amendment, Curtailment or Settlement* | 1 January 2019 |

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and of the Company except for the adoption of MFRS 16 as described in the following sections.

**MFRS 16 *Leases***

*MFRS 16 supersedes MFRS 117 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the financial statements.

Lessor accounting under MFRS 16 is substantially unchanged from MFRS 117. Lessors would continue to classify leases as either operating or finance leases using similar principles as in MFRS 117. Therefore, MFRS 16 does not have a material impact for leases for which the Group is the lessor.

The Group applied MFRS 16 using the modified retrospective approach, for which the cumulative effect of initial application, if any, is recognised in retained earnings as at 1 January 2019. Accordingly, the comparative information presented is not restated.

On adoption of MFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of MFRS 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate of the Group as of 1 January 2019. The range of incremental borrowing rates of the Group applied to the lease liabilities on 1 January 2019 were 5.85% to 7.12%.

In order to compute the transition impact of MFRS 16, a significant data extraction exercise was undertaken by management to summarise all property and equipment lease data such that the respective inputs could be uploaded into management's model. The incremental borrowing rate method has been adopted where the implicit rate of interest in a lease is not readily determinable.

## 36. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

### 36.1 New MFRSs adopted during the current financial year (continued)

**MFRS 16 *Leases* (continued)**

For leases previously classified as finance leases, the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability respectively at the date of initial application. The measurement principles of MFRS 16 are only applied after that date.

In applying MFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

(a) Applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
(b) Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review - there were no onerous contracts as at 1 January 2019;
(c) Accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 and do not contain a purchase option as short-term leases;
(d) Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
(e) Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The impact on transition is summarised below:

| Group | Note | As at 31 December 2018 RM | Impact RM | As at 1 January 2019 RM |
|---|---|---|---|---|
| Property, plant and equipment | (a) | 30,921,974 | 5,556,950 | 36,478,924 |
| Investment properties | (a) | 33,006,684 | 463,510 | 33,470,194 |
| Borrowings | | 205,706,995 | (5,217,913) | 200,489,082 |
| Lease liabilities | (b) | - | 11,238,373 | 11,238,373 |
| **Company** | | | | |
| Property, plant and equipment | (a) | - | 740,815 | 740,815 |
| Lease liabilities | (b) | - | (740,815) | (740,815) |

(a) The right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the financial statements as at 31 December 2018.

# Notes to the Financial Statements

31 DECEMBER 2019 (CONT'D)

## 36. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

### 36.1 New MFRSs adopted during the current financial year (continued)

**MFRS 16 *Leases* (continued)**

(b) Lease liabilities are measured as follows:

| | Group RM | Company RM |
|---|---|---|
| Operating lease commitments at 31 December 2018 as disclosed under MFRS 117 | 4,900,277 | 72,250 |
| Weighted average incremental borrowing rate as at 1 January 2019 | 5.89% | 7.12% |
| Discounted operating lease commitments as at 1 January 2019 | 4,831,953 | 66,005 |
| Finance lease liabilities recognised as at 31 December 2018 | 5,217,913 | - |
| Recognition exemption for leases with less than 12 months of lease term at transition | (379,040) | - |
| Extension options reasonably certain to be exercised | 3,134,345 | 674,810 |
| Termination options reasonably certain to be exercised | (1,566,798) | - |
| **Lease liabilities recognised at 1 January 2019** | 11,238,373 | 740,815 |

### 36.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2020

| Title | Effective Date |
|---|---|
| *Amendments to References to the Conceptual Framework in MFRS Standards* | 1 January 2020 |
| Amendments to MFRS 3 *Definition of a Business* | 1 January 2020 |
| Amendments to MFRS 101 and MFRS 108 *Definition of Material* | 1 January 2020 |
| Amendments to MFRS 9, MFRS 139 and MFRS 7 *Interest Rate Benchmark Reform* | 1 January 2020 |
| MFRS 17 *Insurance Contracts* | 1 January 2021 |
| Amendments to MFRS 101 *Classification of Liabilities as Current or Non-current* | 1 January 2022 |
| Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* | Deferred |

The Group does not expect the adoption of the above Standards to have a significant impact on the financial statements.

## 37. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD

The World Health Organisation declared the 2019 Novel Coronavirus infection ('COVID-19') a pandemic on 11 March 2020. This was followed by the Government of Malaysia issuing a Federal Government Gazette on 18 March 2020, imposing a Movement Control Order ('MCO') effective from 18 March 2020 to 31 March 2020 arising from COVID-19. The MCO was subsequently extended until 12 May 2020, followed by a Conditional MCO until 9 June 2020.

Since these developments occurred subsequent to the end of the reporting period, the COVID-19 pandemic is treated as a non-adjusting event in accordance with MFRS 110 *Events after the Reporting Period*. Consequently, the financial statements for the financial year ended 31 December 2019 do not reflect the effects arising from this non-adjusting event.

## 37. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD (continued)

The financial reporting impact of the COVID-19 pandemic could be significant to the Group due to:

(a) Reduced consumer demand for goods and services of the Group owing to lost income and/or restrictions on consumers' ability to move freely;
(b) Lack of investment in capital improvements and construction, thus reducing demand for goods and services of the Group;
(c) Potential impairment of assets of the Group and Company; and
(d) Disruption of supply chains due to the restrictions imposed on the movement of people and goods.

The Group is in the process of assessing the financial reporting impact of COVID-19 pandemic since ongoing developments remain uncertain and cannot be reasonably predicted as at the date of authorisation of the financial statements.

The Group anticipates that the potential financial reporting impact of COVID-19 would be recognised in the financial statements of the Group during the financial year ending 31 December 2020.

## 38. FINANCIAL REPORTING UPDATES

### (a) IFRIC Agenda Decision - An assessment of the lease term (IFRS 16)

The IFRS Interpretations Committee ('IFRIC') issued a final agenda decision on 26 November 2019 regarding 'Lease term and useful life of leasehold improvements (IFRS 16 and IAS 16).

The submission to the IFRIC raised a question pertaining the determination of the lease term of a cancellable lease or a renewable lease based on the requirements of IFRS 16.B34.

Based on the final agenda decision, the IFRIC concluded that the determination of the enforceable period of a lease and the lease term itself shall include broad economic circumstances beyond purely commercial terms.

The Group anticipates an increase in lease liabilities and corresponding right-of-use assets arising from the reassessment of the lease term of existing leasing arrangements due to this final agenda decision.

The Group is in the process of implementing the requirements of this final agenda decision and the impact upon adoption is expected to be recognised during the financial year ending 31 December 2020.

### (b) IFRIC Agenda Decision - *Over time transfer of constructed good*, which may have impacts on the Group's financial statements on adoption

The IFRS Interpretations Committee ('IFRIC') received a submission about the capitalisation of borrowing costs in relation to the construction of a residential multi-unit real estate development.

Based on the fact pattern described in the submission, the request asked whether the entity has a qualifying asset as defined in IAS 23 *Borrowing Costs* and, therefore, capitalises any directly attributable costs.

The IFRIC concluded in March 2019 that, in the fact pattern described in the request:

(i) Any receivable and contract asset that the entity recognises is not a qualifying asset.

(ii) Any inventory (work-in-progress) for unsold units under construction that the entity recognises is also not a qualifying asset because the unsold units are ready for its intended use or sale.

The MASB announced on 20 March 2019 that an entity shall apply the change in accounting policy as a result of this Agenda Decision to financial statements of annual periods beginning on or after 1 July 2020.

The Group is in the process of obtaining new information and adapting its systems to implement this change in accounting policy. The implementation results would be reported during the financial year ending 31 December 2021.

# LIST OF **PROPERTIES**

| Land Title Details/ Location | Built-up Area (sq. ft.) | Description/ Existing Use | Tenure/ Age of Property | Date of Issuance of Certificates of Fitness for Occupation | Audited Net Carrying Amount as at 31.12.2019 |
|---|---|---|---|---|---|
| Geran 162711/M1/2/4,<br>Lot 70891 2-1A<br>Jalan Q 31/Q,<br>Kota Kemuning<br>40460 Seksyen 31<br>Shah Alam,<br>Selangor Darul Ehsan | 1,539 | 1 unit on the 1st floor of a 4-storey shoplot/ Vacant | Freehold/ Approximately 15 years | 02.03.2000 | 119,546 |
| H.S.(D) 247091,<br>P.T No. 10900<br>G-58-G to G-58-3,<br>Block G<br>Jalan Teknologi 3/9<br>Bistari 'De' Kota<br>Kota Damansara, PJU 5<br>47810 Petaling Jaya<br>Selangor Darul Ehsan | 11,236 | 1 unit of a 4-storey shoplot | Leasehold (99 years expiring on 03.09.2107)/ Approximately 12 years | 11.03.2008 | 4,518,806 |
| H.S.(D) 247092,<br>P.T No. 10901<br>G-59-G to G-59-3,<br>Block G<br>Jalan Teknologi 3/9<br>Bistari 'De' Kota<br>Kota Damansara, PJU 5<br>47810 Petaling Jaya<br>Selangor Darul Ehsan | 6,644 | 1 unit of a 4-storey shoplot | Leasehold (99 years expiring on 03.09.2107)/ Approximately 12 years | 11.03.2008 | 2,695,609 |
| H.S.(D) 247071,<br>P.T No. 10880<br>D-39-G and D-39-1,<br>Block D<br>Jalan Teknologi 3/9<br>Bistari 'De' Kota<br>Kota Damansara, PJU 5<br>47810 Petaling Jaya<br>Selangor Darul Ehsan | 3,248 | 1 unit of a 2-storey shoplot | Leasehold (99 years expiring on 03.09.2107)/ Approximately 12 years | 11.03.2008 | 1,746,011 |

# List of Properties

(CONT'D)

| Land Title Details/ Location | Built-up Area (sq. ft.) | Description/ Existing Use | Tenure/ Age of Property | Date of Issuance of Certificates of Fitness for Occupation | Audited Net Carrying Amount as at 31.12.2019 |
|---|---|---|---|---|---|
| H.S.(D) 247072,<br>P.T No. 10881<br>D-40-G and D-40-1,<br>Block D<br>Jalan Teknologi 3/9<br>Bistari 'De' Kota<br>Kota Damansara, PJU 5<br>47810 Petaling Jaya<br>Selangor Darul Ehsan | 3,248 | 1 unit of a 2-storey shoplot | Leasehold (99 years expiring on 03.09.2107)/ Approximately 12 years | 11.03.2008 | 1,527,715 |
| H.S.(D) 247065,<br>P.T No. 10874<br>D-33-G to D-33-2,<br>Block D<br>Jalan Teknologi 3/9<br>Bistari 'De' Kota<br>Kota Damansara, PJU 5<br>47810 Petaling Jaya<br>Selangor Darul Ehsan | 10,945 | 1 unit of a 3-storey shoplot | Leasehold (99 years expiring on 03.09.2107)/ Approximately 12 years | 11.03.2008 | 4,176,041 |
| PN 21843 Lot No: 130801<br>No. B6, Jalan KS 1/13,<br>KotaSAS Avenue,<br>Kota Sultan Ahmad Shah,<br>25200 Kuantan, Pahang. | 1,650 | 1 Unit of a 2-storey shop office | Leasehold (99 years expiring on 03.07.2117)/ Approximately 2 years | | 774,060 |
| PL. 196290123<br>Jalan KPD1,<br>Kampung Merintaman,<br>89500 Sipitang, Sabah | 133,407 | Seri Bayu Temporary Housing | Provisional Lease (15 years expiring on 15.09.2029) Approximately 4 years | | 44,676,264 |

# STATISTICS OF **SHAREHOLDINGS**

AS AT 8 MAY 2020 (AS PER RECORD OF DEPOSITORS)

The total number of issued shares of the Company stands at 494,594,267 ordinary shares, with voting right of one vote per ordinary share

## ANALYSIS BY SIZE OF SHAREHOLDINGS

| Size of Holdings | No. of Holders | % of Holders | No. of Shares Held | % of Issued Shares |
|---|---|---|---|---|
| Less than 100 | 468 | 18.23 | 16,327 | 0.00 |
| 100 to 1,000 | 319 | 12.43 | 140,928 | 0.03 |
| 1,001 to 10,000 | 988 | 38.49 | 4,311,164 | 0.87 |
| 10,001 to 100,000 | 536 | 20.88 | 16,029,282 | 3.25 |
| 100,001 to less than 5% of issued shares | 255 | 9.93 | 419,819,524 | 85.08 |
| 5% and above of issued shares | 1 | 0.04 | 53,111,298 | 10.76 |
| **Total** | **2,567** | **100.00** | **493,428,523** | **100.00** |

*Note:-*

* *Negligible*

## SUBSTANTIAL SHAREHOLDERS

according to the Register of Substantial Shareholders as at 8 May 2020

| | | Direct Interest | | Deemed Interest | |
|---|---|---|---|---|---|
| No. | Name | No. of Issued Shares | % of Issued Shares | No. of Issued Shares | % of Issued Shares |
| 1. | Dato' Azizan bin Jaafar | 1,879,146 | 0.38 | 53,602,938[1] | 10.86[1] |
| 2. | Dato' Ow Chee Cheoon | 33,966,774 | 6.88 | - | - |
| 3. | Ganjaran Gembira Sdn Bhd | 53,602,938 | 10.86 | - | - |
| 4. | Employees Provident Fund Board | 40,235,288 | 8.154 | - | - |
| 5. | Oversea-Chinese Banking Corporation Limited | - | - | 29,634,142 | 6.01 |

*Notes:-*

*(1) Deemed interested by virtue of their respective shareholdings in Ganjaran Gembira Sdn Bhd pursuant to Section 8(4)(c) of the Act.*

# Statistics of Shareholdings

AS AT 8 MAY 2020 (AS PER RECORD OF DEPOSITORS) (CONT'D)

## DIRECTORS' DIRECT AND DEEMED INTERESTS

in the Company and/or its Related Corporations as at 8 May 2020

| | Direct Interest | | Deemed Interest | |
|---|---|---|---|---|
| **Name of Directors** | **No. of Issued Shares** | **% of Issued Shares** | **No. of Issued Shares** | **% of Issued Shares** |
| Y.M. Tunku Alizan bin Raja Muhammad Alias | 900,492 | 0.18 | - | - |
| Datuk Kamarudin bin Md. Ali | 270,000 | 0.05 | - | - |
| Dato' Azizan bin Jaafar | 1,879,146 | 0.38 | 53,602,938[1] | 10.86[1] |
| Dato' Ow Chee Cheoon | 33,966,774 | 6.88 | - | - |
| Ow Yin Yee | 163,812 | 0.03 | - | - |
| Loo Choo Hong | 20,200 | 0.00 | - | - |
| Muk Sai Tat | - | - | - | - |

*Notes:-*

*(1) Deemed interested by virtue of their respective shareholdings in Ganjaran Gembira Sdn Bhd pursuant to Section 8(4)(c) of the Act.*

## TOP 30 SECURITIES ACCOUNT HOLDERS

as per Record of Depositors as at 8 May 2020

| **No.** | **Name** | **No. of Issued Shares** | **% of Issued Shares** |
|---|---|---|---|
| 1. | CIMSEC Nominees (Tempatan) Sdn Bhd<br>*CIMB for Ganjaran Gembira Sdn Bhd (PB)* | 53,111,298 | 10.76 |
| 2. | CIMB Group Nominees (Tempatan) Sdn Bhd<br>*CIMB Commerce Trustee Berhad - Kenanga Growth Fund* | 22,501,534 | 4.56 |
| 3. | CIMSEC Nominees (Tempatan) Sdn Bhd<br>*CIMB Bank for Ow Chee Cheoon (PBCL-0G0066)* | 21,499,559 | 4.36 |
| 4. | Ng Kit Heng | 19,440,719 | 3.94 |
| 5. | MayBank Nominees (Tempatan) Sdn Bhd<br>*MTRUSTEE Berhad for Principal Dali Equity Growth Fund (UT-CIMB-DALI) (419455)* | 17,481,290 | 3.54 |
| 6. | HSBC Nominees (Asing) Sdn Bhd<br>*Exempt an for Credit Suisse (SG-BR-TST-ASING)* | 16,400,000 | 3.32 |
| 7. | CitiGroup Nominees (Tempatan) Sdn Bhd<br>*Employees Provident Fund Board (AMUNDI)* | 11,917,800 | 2.42 |
| 8. | CitiGroup Nominees (Tempatan) Sdn Bhd<br>*Kumpulan Wang Persaraan (Diperbadankan) (Kenanga)* | 11,276,230 | 2.29 |
| 9. | HSBC Nominees (Tempatan) Sdn Bhd<br>*HSBC (M) Trustee Bhd for Allianz Life Insurance Malaysia Berhad (MEF)* | 10,168,788 | 2.06 |
| 10. | CitiGroup Nominees (Tempatan) Sdn Bhd<br>*Employees Provident Fund Board* | 9,285,612 | 1.88 |
| 11. | MayBank Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account for Ow Chee Cheoon* | 8,761,000 | 1.78 |

# Statistics of Shareholdings

AS AT 8 MAY 2020 (AS PER RECORD OF DEPOSITORS) (CONT'D)

| No. | Name | No. of Issued Shares | % of Issued Shares |
|---|---|---|---|
| 12. | CitiGroup Nominees (Tempatan) Sdn Bhd<br>*Great Eastern Life Assurance (Malaysia) Berhad (LEEF)* | 8,680,700 | 1.76 |
| 13. | Kenanga Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account for Pang Sar* | 7,691,000 | 1.56 |
| 14. | MayBank Nominees (Tempatan) Sdn Bhd<br>*National Trust Fund (IFM Kenanga)* | 6,262,908 | 1.27 |
| 15. | CitiGroup Nominees (Tempatan) Sdn Bhd<br>*Employees Provident Fund Board (CIMB PRIN)* | 6,199,124 | 1.26 |
| 16. | Hong Leong Assurance Berhad<br>*As Beneficial Owner (Unitlinked GF)* | 5,588,600 | 1.13 |
| 17. | CIMB Islamic Nominees (Tempatan) Sdn Bhd<br>*CIMB Islamic Trustee Berhad – Kenanga Syariah Growth Fund* | 5,579,196 | 1.13 |
| 18. | CitiGroup Nominees (Tempatan) Sdn Bhd<br>*Employees Provident Fund Board (ABERISLAMIC)* | 5,246,000 | 1.06 |
| 19. | CIMSEC Nominees (Tempatan) Sdn Bhd<br>*CIMB Bank for Pang Sar (PB-0J0028)* | 5,100,000 | 1.03 |
| 20. | DB (Malaysia) Nominee (Tempatan) Sendirian Berhad<br>*Deutsche Trustees Malaysia Berhad for Eastspring Investmentssmall-Cap Fund* | 5,100,000 | 1.03 |
| 21. | Ng Chun Kooi | 5,038,555 | 1.02 |
| 22. | Tan Yu Yeh | 4,680,400 | 0.95 |
| 23. | Splendid Forte Sdn Bhd | 4,593,618 | 0.93 |
| 24. | Hong Leong Assurance Berhad<br>*As Beneficial Owner (Unitlinked BCF)* | 4,510,700 | 0.91 |
| 25. | CitiGroup Nominees (Asing) Sdn Bhd<br>*CBNY for Norges Bank (FI 17)* | 4,363,600 | 0.88 |
| 26. | DB (Malaysia) Nominee (Tempatan) Sendirian Berhad<br>*Deutsche Trustees Malaysia Berhad for Eastspring Investmentsdana Al-Ilham* | 4,294,710 | 0.87 |
| 27. | MayBank Nominees (Tempatan) Sdn Bhd<br>*National Trust Fund (IFM Maybank)* | 4,000,000 | 0.81 |
| 28. | HSBC Nominees (Asing) Sdn Bhd<br>*Exempt an for Bank Julius Baer & Co. Ltd (Singapore Bch)* | 3,980,000 | 0.81 |
| 29. | CitiGroup Nominees (Tempatan) Sdn Bhd<br>*Kumpulan Wang Persaraan (Diperbadankan) (ESPG IV SC E)* | 3,866,820 | 0.78 |
| 30. | HSBC Nominees (Tempatan) Sdn Bhd<br>*HSBC (M) Trustee Bhd for Principal Dali Opportunities Fund* | 3,611,470 | 0.73 |
| | **Total** | **300,231,231** | **60.85** |

# STATISTICS OF **WARRANT HOLDINGS**

AS AT 8 MAY 2020 (AS PER RECORD OF WARRANT HOLDERS)

| | | |
|---|---|---|
| Number of Outstanding Warrants B | : | 119,394,407 |
| Exercise Price per Warrant B | : | RM1.12 |
| Expiry date of Warrants B | : | 26 September 2023 |
| Voting Rights | : | None unless warrant holders exercise their warrants for new ordinary shares |

**ANALYSIS BY SIZE OF WARRANT HOLDINGS**

| Size of Holdings | No. of Holders | % of Holders | No. of Warrants Held | % of Issued Warrants |
|---|---|---|---|---|
| Less than 100 | 440 | 23.78 | 12,769 | 0.01 |
| 100 to 1,000 | 347 | 18.76 | 156,507 | 0.13 |
| 1,001 to 10,000 | 507 | 27.41 | 2,444,123 | 2.05 |
| 10,001 to 100,000 | 413 | 22.32 | 14,648,424 | 12.27 |
| 100,001 to less than 5% of issued warrants | 141 | 7.62 | 81,655,084 | 68.39 |
| 5% and above of issued warrants | 2 | 0.11 | 20,477,500 | 17.15 |
| **Total** | **1,850** | **100.00** | **119,394,407** | **100.00** |

*Note:-*

* *Negligible*

**DIRECTORS' WARRANT HOLDINGS**
**as at 8 May 2020**

| | Direct Interest | | Deemed Interest | |
|---|---|---|---|---|
| Name of Directors | No. of Issued Warrants | % of Issued Warrants | No. of Issued Warrants | % of Issued Warrants |
| Y.M. Tunku Alizan bin Raja Muhammad Alias | 173,650 | 0.15 | - | - |
| Datuk Kamarudin bin Md. Ali | 401,200 | 0.34 | - | - |
| Dato' Azizan bin Jaafar | 460,575 | 0.39 | 6,820,500(1) | 5.71(1) |
| Dato' Ow Chee Cheoon | 8,325,190 | 6.97 | - | - |
| Ow Yin Yee | 40,150 | 0.03 | - | - |
| Loo Choo Hong | - | - | - | - |
| Muk Sai Tat | - | - | - | - |

*Notes:-*

*(1) Deemed interested by virtue of his shareholdings in Ganjaran Gembira Sdn Bhd pursuant to Section 8(4)(c) of the Act.*

# Statistics of Warrant Holdings

AS AT 8 MAY 2020 (AS PER RECORD OF WARRANT HOLDERS) (CONT'D)

**TOP 30 WARRANT HOLDERS**
**as per Record of Warrant Holders as at 8 May 2020**

| No. | Name | No. of Issued Warrants | % of Issued Warrants |
|---|---|---|---|
| 1. | HSBC Nominees (Asing) Sdn Bhd<br>*Exempt an for Credit Suisse (SG BR-TST-Asing)* | 13,777,500 | 11.54 |
| 2. | CIMSEC Nominees (Tempatan) Sdn Bhd<br>*CIMB for Ganjaran Gembira Sdn Bhd (PB)* | 6,700,000 | 5.61 |
| 3. | Affin Hwang Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account for Ku Haris bin Ku Mahmud (KUH0001C)* | 5,192,500 | 4.35 |
| 4. | Tan Yu Yeh | 4,854,000 | 4.07 |
| 5. | CIMSEC Nominees (Tempatan) Sdn Bhd<br>*CIMB Bank for Ow Chee Cheoon (PBCL-0G0066)* | 4,299,584 | 3.60 |
| 6. | Syarikat Muhibah Perniagaan dan Pembinaan Sdn Bhd | 2,813,500 | 2.36 |
| 7. | CGS-CIMB Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account for Gregory Chen Hoong Chuin (MY3131)* | 2,802,000 | 2.35 |
| 8. | HSBC Nominees (Tempatan) Sdn Bhd<br>*HSBC (M) Trustee Bhd for Allianz Life Insurance Malaysia Berhad (MEF)* | 2,235,575 | 1.87 |
| 9. | Gwi Huan Yi | 2,195,100 | 1.84 |
| 10. | Splendid Forte Sdn Bhd | 2,155,000 | 1.80 |
| 11. | Maybank Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account for Ow Chee Cheoon* | 2,152,750 | 1.80 |
| 12. | Maybank Nominees (Tempatan) Sdn Bhd<br>*MTRUSTEE Berhad for Pacific Dividend Fund (UT-PM-DIV) (419467)* | 2,000,000 | 1.68 |
| 13. | Kenanga Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account for Pang Sar* | 1,762,500 | 1.48 |
| 14. | Zainal bin Ahmad | 1,707,000 | 1.43 |
| 15. | CIMB Group Nominees (Tempatan) Sdn Bhd<br>*CIMB Commerce Trustee Berhad for Pacific Income Fund* | 1,700,000 | 1.42 |
| 16. | CGS-CIMB Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account for Seah Yik Hong (MY3269)* | 1,660,000 | 1.39 |
| 17. | Maybank Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account for Heng Chee Hong* | 1,500,000 | 1.26 |
| 18. | CitiGroup Nominees (Tempatan) Sdn Bhd<br>*Great Eastern Life Assurance (Malaysia) Berhad (LBF)* | 1,263,250 | 1.06 |
| 19. | CIMSEC Nominees (Tempatan) Sdn Bhd<br>*CIMB Bank for Pang Sar (PB-0J0028)* | 1,250,000 | 1.05 |
| 20. | CitiGroup Nominees (Tempatan) Sdn Bhd<br>*Great Eastern Life Assurance (Malaysia) Berhad (LPF)* | 1,096,625 | 0.92 |
| 21. | Lim Yu Soo | 1,020,000 | 0.85 |
| 22. | Ng Chun Kooi | 1,007,740 | 0.84 |
| 23. | Maybank Nominees (Tempatan) Sdn Bhd<br>*Tan Yoke Chun* | 1,007,000 | 0.84 |

# Statistics of Warrant Holdings

AS AT 8 MAY 2020 (AS PER RECORD OF WARRANT HOLDERS) (CONT'D)

| No. | Name | No. of Issued Warrants | % of Issued Warrants |
|---|---|---|---|
| 24. | CIMSEC Nominees (Tempatan) Sdn Bhd<br>*IMB Bank for Ow Chee Cheoon (PB)* | 969,916 | 0.81 |
| 25. | Affin Hwang Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account for Ow Chee Cheoon (OWC0008M)* | 883,750 | 0.74 |
| 26. | RHB Nominees (Tempatan) Sdn Bhd<br>*How Kim Lian* | 850,000 | 0.71 |
| 27. | Yee Kuai Yan | 800,000 | 0.67 |
| 28. | Zaiton binti Mohammad | 800,000 | 0.67 |
| 29. | Lee Chee Seng | 762,200 | 0.64 |
| 30. | Foo Wen Pok | 740,000 | 0.62 |
| | **Total** | **71,957,490** | **60.27** |

# ADDITIONAL COMPLIANCE **INFORMATION DISCLOSURES**

The following information is provided in accordance with Paragraph 9.25 of the MMLR as set out in Appendix 9C thereto.

**1. Utilisation of Proceeds Raised from Corporate Proposals**

The Company did not undertake any corporate proposals during the financial year.

**2. Recurrent Related Party Transactions of a Revenue or Trading Nature**

There were no material recurrent related party transactions of a revenue or trading nature during the financial year other than those disclosed in Note 35 to the financial statements. Those recurrent related party transactions did not exceed the threshold prescribed under Paragraph 10.09(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

**3. Non-Audit Fees**

The amount of audit fees and non-audit fees paid or payable to the Company's external auditors and a firm affiliated to the external auditors' firm by the Group and the Company for the financial year ended December 2019 are as follows:

| | Group RM | Company RM |
|---|---|---|
| Audit Fees | 288,800 | 70,000 |
| Non-audit fees | 8,500 | 8,500 |
| **TOTAL** | 297,300 | 78,500 |

**4. Material Contracts Involving Directors' and Major Shareholders' Interests**

There was no material contract entered into by the Group involving the interest of Directors and major shareholders, either still subsisting as at the end of the financial year or entered into since the end of the previous financial year.

# ABBREVIATIONS

| | |
|---|---|
| 1Q21 | First Quarter of year 2021 |
| 4Q19 | Quarterly Unaudited Results of the Group for the Fourth Quarter ended 31 December 2019 |
| 2H20 | Second Half of the year 2020 |
| AC | Audit Committee |
| ACCA | Association of Chartered Certified Accountants |
| Act | Companies Act, 2016, as amended from time to time and any re-enactment thereof |
| AGM | Annual General Meeting |
| BDO | Messrs BDO PLT |
| Board | Board of Directors of the Company |
| Bursa Securities | Bursa Malaysia Securities Berhad |
| CEO | Chief Executive Officer |
| CFO | Chief Financial Officer |
| Company | Gabungan AQRS Berhad |
| COSO | Committee of Sponsoring Organizations of the Treadway Commission |
| ED/EDs | Executive Director or its plural |
| EPS | Earnings per share |
| FRSs | Financial Report Standards |
| FYE 2012 | Financial year ended 31 December 2012 |
| FYE 2016 | Financial year ended 31 December 2016 |
| FYE 2018 | Financial year ended 31 December 2018 |
| FYE 2019 | Financial year ended 31 December 2019 |
| FY 2019 | Financial year 2019 |
| FY 2020 | Financial year 2020 |
| GBGAQRS | Gabungan AQRS Berhad or the Company |
| GBGAQRS Share(s) | Ordinary share(s) in the Company |
| GDV | Gross development value |
| Group/GBG | Gabungan AQRS Berhad and its group of companies |
| IA | Internal audit |
| IBS | Industrialised Building System |
| INED/INEDs | Independent and Non-Executive Director or its plural |
| MCCG/Code | Malaysian Code on Corporate Governance |
| MIA | Malaysian Institute of Accountants |
| MMLR | Main Market Listing Requirements of Bursa Securities including any amendment(s) thereto which may be made from time to time |
| NC | Nomination Committee |
| NED/NEDs | Non-Executive Director or its plural |
| Prevailing Laws | Any prevailing laws, rules, regulations, orders, guidelines and requirements issued by the relevant authorities at the time of the Proposed Share Buy-Back |
| RC | Remuneration Committee |
| RM and sen | Ringgit Malaysia and sen respectively, being the lawful currency of Malaysia |
| RMC | Risk Management Committee |
| ROD | Record of Depositors |
| RPT/RPTs | Related Party Transaction or its plural |
| RRPT/RRPTs | Recurrent Related Party Transaction or its plural |
| SC | Securities Commission Malaysia |

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