

# KIMLUN

**KIMLUN CORPORATION BERHAD**

Registration No. 200901023978 (867077-X)  
(Incorporated in Malaysia under the Companies Act, 1965)



# ENGINEERING

Annual Report 2019

**GREATER DIVERSITY**

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**K**nowledge

**I**ntegrity

**M**oral

**L**eadership

**U**nity

**N**ovelty

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KIMLUN GROUP IS AN ENGINEERING AND CONSTRUCTION SERVICES PROVIDER SPECIALISING IN INFRASTRUCTURE AND BUILDING CONSTRUCTION, PROJECT MANAGEMENT, INDUSTRIAL BUILDING SYSTEMS (IBS) AND MANUFACTURE OF CONCRETE PRODUCTS.

Ancillary to our core business, we also involve in property development and trading in construction and building materials. We have the ability to act as a one-stop engineering services provider, capable of providing a comprehensive and integrated range of concrete products and engineering and construction services to our customers.



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## CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Pang Tin @ Pang Yon Tin** / Executive Chairman  
**Sim Tian Liang** / Chief Executive Officer and Executive Director  
**Chin Lian Hing** / Executive Director  
**Yam Tai Fong** / Executive Director  
**Pang Khang Hau** / Executive Director  
**Dato' Paduka (Dr.) Ir. Hj. Keizrul Bin Abdullah** / Independent Non-Executive Director  
**Kek Chin Wu** / Independent Non-Executive Director  
**Chua Kee Yat @ Koo Kee Yat** / Independent Non-Executive Director

## AUDIT COMMITTEE

**Chairman**  
 Kek Chin Wu  
 Independent Non-Executive Director

**Members**  
 Chua Kee Yat @ Koo Kee Yat  
 Independent Non-Executive Director

Dato' Paduka (Dr.) Ir. Hj. Keizrul Bin Abdullah  
 Independent Non-Executive Director

## REMUNERATION COMMITTEE

**Chairman**  
 Chua Kee Yat @ Koo Kee Yat  
 Independent Non-Executive Director

**Members**  
 Dato' Paduka (Dr.) Ir. Hj. Keizrul Bin Abdullah  
 Independent Non-Executive Director

Kek Chin Wu  
 Independent Non-Executive Director

## NOMINATION COMMITTEE

**Chairman**  
 Dato' Paduka (Dr.) Ir. Hj. Keizrul Bin Abdullah  
 Independent Non-Executive Director

**Members**  
 Chua Kee Yat @ Koo Kee Yat  
 Independent Non-Executive Director

Kek Chin Wu  
 Independent Non-Executive Director

## COMPANY SECRETARIES

Wong Peir Chyun (MAICSA 7018710)  
 (SSM PC No. 202008001742)  
 Tay Lee Shya (MIA 16982)  
 (SSM PC No. 202008002274)  
 Yeng Shi Mei (MAICSA 7059759)  
 (SSM PC No. 202008001282)

## HEAD OFFICE

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 Johor Bahru City Square  
 106-108, Jalan Wong Ah Fook  
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 Telephone No. : (+607) 222 8080  
 Facsimile No. : (+607) 223 8282  
 E-mail : info@kimlun.com  
 Web-site : www.kimlun.com

## REGISTRAR

Tricor Investor & Issuing House  
 Services Sdn. Bhd.  
 Unit 32-01, Level 32,  
 Tower A, Vertical Business Suite,  
 Avenue 3, Bangsar South,  
 No. 8, Jalan Kerinchi,  
 59200 Kuala Lumpur  
 Telephone No. : (+603) 2783 9299  
 Facsimile No. : (+603) 2783 9222

## REGISTERED OFFICE

Unit 30-01, Level 30,  
 Tower A, Vertical Business Suite,  
 Avenue 3, Bangsar South,  
 No. 8, Jalan Kerinchi,  
 59200 Kuala Lumpur  
 Telephone No. : (+603) 2783 9191  
 Facsimile No. : (+603) 2783 9111

## AUDITOR

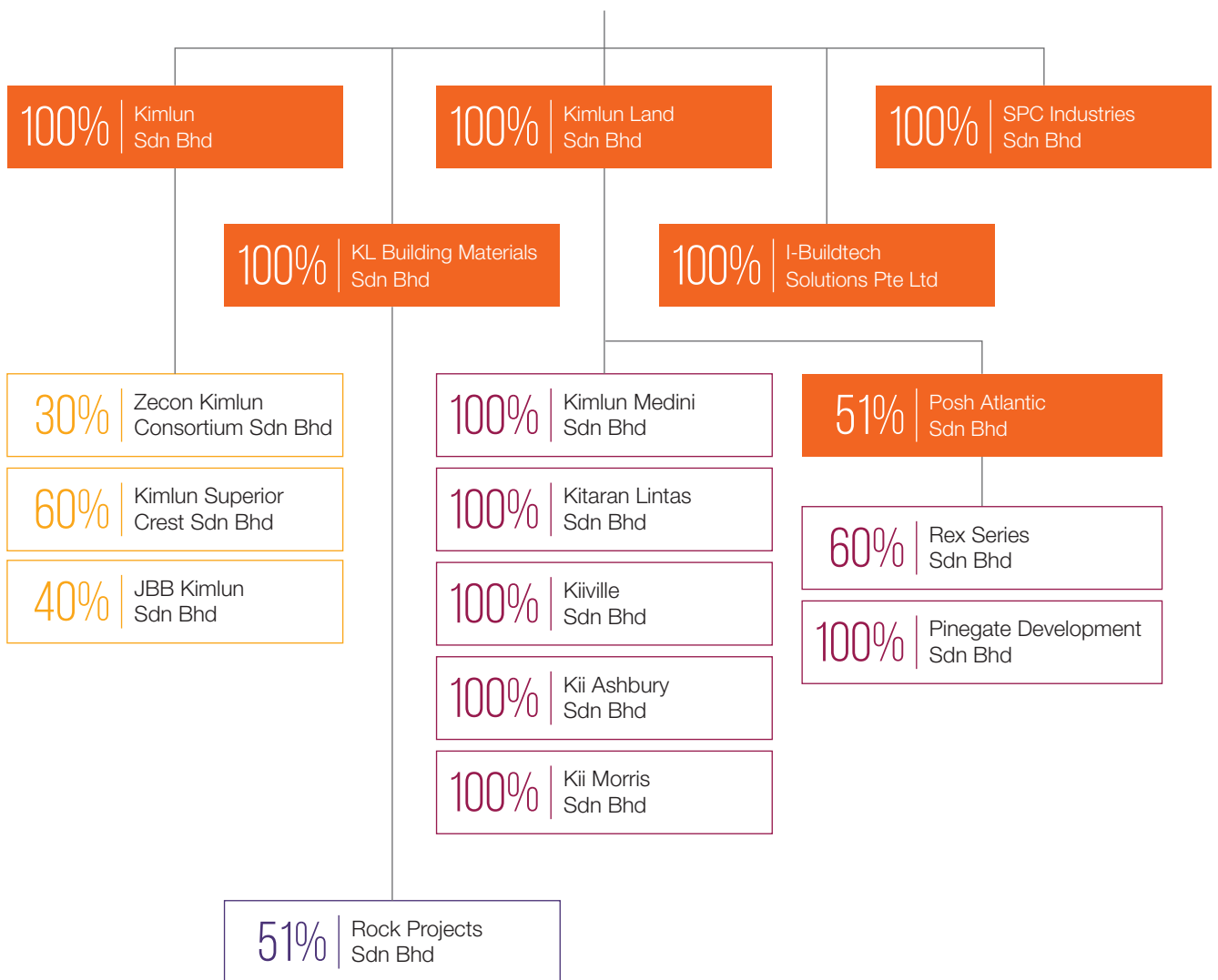
Ernst & Young PLT  
 202006000003 (LLP0022760-LCA) & AF 0039  
 B-15, Medini 9,  
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## CORPORATE STRUCTURE



### KIMLUN CORPORATION BERHAD

Registration No. 200901023978 (867077-X)  
(Incorporated in Malaysia under the Companies Act, 1965)



## CORPORATE MILESTONES



### 1977

- Our humble beginnings started when Kimlun Earthworks Sdn Bhd was incorporated.

### 1994

- Kimlun Earthworks Sdn Bhd changed its name to Kimlun Sdn Bhd ("KLSB").

### 1997-2002

- KLSB involved in building construction and infrastructure projects with contract value less than RM20.0 million each in Johor, Malaysia.

### 2002

- SPC Industries Sdn Bhd ("SPC") commenced its pre-cast concrete business.

### 2003

- KLSB secured its first contract with a value exceeding RM20.0 million for the construction of apartments and townhouses.
- SPC was accredited with ISO 9001:2000 Quality Management.

### 2004

- SPC supplied concrete sewerage tunnel segments to Pantai Trunk Sewerage Bored Tunnel project in Kuala Lumpur.

### 2005

- KLSB ventured into specialised infrastructure construction by constructing the Tanjung Puteri flyover in Johor Bahru.
- KLSB ventured into Klang Valley with the construction of 70 units of semi detached houses.
- SPC secured its first sales contract for the supply of concrete tunnel lining segments to Singapore MRT project.

### 2006

- KLSB secured specialised infrastructure construction project for the upgrading works of the Perling Interchange in Johor Bahru.

### 2007

- KLSB was accredited the "ISO 9001:2000, Quality Management System" certification.

### 2008

- KLSB secured the project for the construction of the elevated interchange along Johor Bahru Inner Ring Road – Package 3B Jalan Abu Bakar Interchange with a contract value exceeding RM100 million.
- KLSB formed IBS Department to promote IBS construction methods.
- I-Buildtech Solutions Pte Ltd ("IBT") was incorporated in Singapore.

## CORPORATE MILESTONES

(cont'd)



### 2009

- KLSB secured its first Industrial Building System (“IBS”) building project from Iskandar Regional Development Authority at a contract value of RM142.81 million.
- Kimlun Corporation Berhad was incorporated as an investment holding company.

### 2010

- Kimlun Corporation Berhad acquired KLSB, SPC and IBT in conjunction with its proposed initial public offering exercise.
- Kimlun Corporation Berhad was successfully listed on the Main Market of Bursa Malaysia Securities Berhad on 29 June 2010.
- Kimlun Corporation Berhad incorporated a new whollyowned subsidiary namely, Kimlun Land Sdn Bhd (“KLLSB”).

### 2011

- Kimlun Group ventured into property development with its first development land in Cyberjaya, Selangor.

### 2012

- SPC was appointed by Mass Rapid Transit Corporation Sdn Bhd as the designated supplier for the supply of segmental box girders (“SBG”) to certain packages of the Projek Mass Rapid Transit Lembah Kelang: Jajaran Sungai Buloh-Kajang for RM223.18 million.
- KLSB secured more than RM400 million worth of IBS projects during 2012.

### 2013

- Kimlun Group launched its first property development project, the Hyve SOHO and Offices in Cyberjaya, Selangor.
- KLSB secured its first contract with a value exceeding RM290 million for the construction of service apartments and ancillary buildings.
- SPC set up a new precast concrete products manufacturing plant on a piece of land measuring approximately 130 acres in Negeri Sembilan, and commenced production during the year.

### 2015

- Kimlun Corporation Berhad incorporated a whollyowned subsidiary, KL Building Materials Sdn Bhd (“KBMSB”). The principal activities of KBMSB are manufacturing and trading of building and construction materials, and provision of quarry services and machinery rental services.

### 2016

- Kimlun Group’s 30% owned joint venture company, Zecon Kimlun Consortium Sdn Bhd, was awarded a work package contract for the Proposed Development and Upgrading of the Pan Borneo Highway in Sarawak for a contract sum of RM1.46 billion. This signifies the Group’s geographical diversification to East Malaysia, and expansion of its construction services to highway project. The Project is the single largest contract which the Group won in its history.
- SPC won SBG and tunnel lining segments supply contracts in relation to Projek Mass Rapid Transit Lembah Kelang: Jajaran Sungai Buloh- Putrajaya Line, with aggregate contract value of RM252 million.

### 2017

- KLSB subscribed for 40% equity interest in JBB Kimlun Sdn Bhd (“JKSB”). The principal activity of JKSB is building and infrastructure contractor.
- KLLSB incorporated three wholly-owned subsidiaries, Kiiville Sdn Bhd (“KVSB”), Kii Ashbury Sdn Bhd (“KASB”) and Kii Morris Sdn Bhd (“KMSB”). The principal activities of KVSB, KASB and KMSB are property investment and property development.
- Kimlun Group commenced premix production in Sarawak and Johor

## PROFILE OF DIRECTORS AND KEY SENIOR MANAGEMENT

### PANG TIN @ PANG YON TIN

EXECUTIVE CHAIRMAN

Gender	Nationality	Age
Male	Malaysian	72

Pang Tin @ Pang Yon Tin, a Malaysian aged 72, male, was appointed to the Board as Executive Chairman of Kimlun Corporation Berhad on 24 October 2009 and is responsible for overseeing the management of our Group.

He completed Senior Middle Three at Foon Yew High School in Johor Bahru, Johor, in 1966. He commenced his career in the construction industry in 1966 by assisting his late father in his construction business. He, together with Phang Piow @ Pang Choo Ing, incorporated Kimlun Sdn Bhd in 1977 to continue their venture in the construction industry. With the experience gained in the construction industry, he ventured into quarry business in 1970s and into property development in 1980s.

He has more than 40 years of experience in various sectors, encompassing property development, property investment, construction, quarrying, manufacturing and hotel management. He also sits on the Board of several private limited companies.

### SIM TIAN LIANG

CHIEF EXECUTIVE OFFICER & EXECUTIVE DIRECTOR

Gender	Nationality	Age
Male	Malaysian	65

Sim Tian Liang, a Malaysian aged 65, male, was appointed to the Board as Chief Executive Officer of Kimlun Corporation Berhad on 24 October 2009 and is responsible for strategic planning and for the overall management of the Group.

He graduated from Universiti Teknologi Malaysia in 1978, obtaining a Bachelor Degree (Honours) in Engineering. Currently, he is the Past Chairman of the Institution of Engineers Malaysia Southern Branch and Past President of Johor Master Builders Association. He is also a member of the Chartered Institution of Highway and Transportations of the UK., a Honorary Member of Asean Federation of Engineering Organisation and a Fellow of Construction Industry Development Board Malaysia.

He is a professional engineer registered with the Board of Engineers, Malaysia, and has been in the construction industry since 1978 where he commenced work as a civil engineer with the Malaysian Government. He joined Pang Hock Constructions Sdn Bhd (now known as Tebrau Bay Constructions Sdn Bhd) towards the end of 1996 and was appointed as its Project Director in 1997 where his responsibilities included overseeing, monitoring and management of building and infrastructure construction projects. In 2003, he left Pang Hock Constructions Sdn Bhd and joined Kimlun Sdn Bhd as Chief Executive Officer. His primary role is to oversee to the execution of corporate objectives, as well as to provide the strategic direction of the company.

## PROFILE OF DIRECTORS AND KEY SENIOR MANAGEMENT

(cont'd)

### CHIN LIAN HING

EXECUTIVE DIRECTOR

Gender	Nationality	Age
Male	Malaysian	55

Chin Lian Hing, a Malaysian aged 55, male, was appointed to the Board as Executive Director of Kimlun Corporation Berhad on 24 October 2009 and is responsible for the operations and business development activities of our construction business.

He graduated from Tunku Abdul Rahman College, Malaysia, in 1988, obtaining a Diploma in Technology (Building). He holds a Bachelor Degree of Applied Science (Constructions Management and Economics) from Curtin University of Technology, Australia.

He has been in the construction industry since 1988 where he commenced work as an Assistant Quantity Surveyor in Rukumas Sdn Bhd, leaving in 1989 to join AJ Construction Sdn Bhd as a Quantity Surveyor. In 1990, he joined Hoon Lay Kien Construction also as a Quantity Surveyor. Thereafter, he joined Chin Kek Ling Transport in mid-1990 before leaving to join Pang Hock Constructions Sdn Bhd (now known as Tebrau Bay Constructions Sdn Bhd) in January 1992. During his time at Pang Hock Constructions Sdn Bhd, his last held position was General Manager (Operations and Contracts) and he was responsible for overseeing the tendering of building and infrastructure construction projects, and project implementation. He left Pang Hock Constructions Sdn Bhd in 2002 to join Kimlun Sdn Bhd, where he is responsible for the operations and business development activities of the company.

### YAM TAI FONG

EXECUTIVE DIRECTOR

Gender	Nationality	Age
Female	Malaysian	52

Yam Tai Fong, a Malaysian aged 52, female, was appointed to the Board as Executive Director of Kimlun Corporation Berhad on 24 October 2009 and is responsible for all financial matters concerning our Group.

She graduated from Monash University, Australia, in 1990, obtaining a Bachelor Degree in Economics. Since 1994, she has been a member of the Malaysian Institute of Accountants.

She commenced her career at Ernst & Young, Malaysia, in 1991, with responsibilities for audit, taxation and corporate advisory matters, leaving in 1994 to join Pang Hock Constructions Sdn Bhd (now known as Tebrau Bay Constructions Sdn Bhd). Whilst at Pang Hock Constructions Sdn Bhd, she was responsible for the financial management and management reporting of its affairs. She left Pang Hock Constructions Sdn Bhd in 2003 to join Kimlun Sdn Bhd to assume similar responsibilities.

## PROFILE OF DIRECTORS AND KEY SENIOR MANAGEMENT

(cont'd)

## PANG KHANG HAU

EXECUTIVE DIRECTOR

Gender	Nationality	Age
Male	Malaysian	38

Pang Khang Hau, a Malaysian aged 38, male, was appointed to the Board as Executive Director of Kimlun Corporation Berhad on 24 October 2009 and is responsible for the corporate affairs of our Group, including business development activities, human resource, administration and management.

He graduated from the University of Western Australia in 2005, obtaining a Bachelor Degree in Civil Engineering. He completed a Master of Business Administration degree at the University of Liverpool, UK, in 2010. He commenced his career in the construction industry in 2006 with his appointment as a Director of Kimlun Sdn Bhd where he is responsible for business development activities, human resource, administration and management.

DATO' PADUKA (DR.) IR. HJ.  
KEIZRUL BIN ABDULLAH

INDEPENDENT NON-EXECUTIVE DIRECTOR

Gender	Nationality	Age
Male	Malaysian	68

Dato' Paduka (Dr.) Ir. Hj. Keizrul Bin Abdullah, a Malaysian aged 68, male, was appointed to the Board as Independent Non-Executive Director of Kimlun Corporation Berhad on 24 October 2009. He is the Chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee.

He holds a Bachelor Degree (Honours) in Civil Engineering from Universiti Malaya and a Master degree in Water Resources Engineering from the University of Newcastle Upon Tyne, UK. Upon graduation in 1975, he joined the Department of Irrigation and Drainage (DID) Malaysia, and over an illustrious career, rose to become the Director General in 1997 until his retirement from public service eleven years later. He oversaw the development of a Flood Mitigation Master Plan for Kuala Lumpur and managed the SMART Tunnel Project (a unique and innovative flood mitigation project utilising a tunnel for both flood and traffic use) from conception to commissioning. In 2015, Dato' Paduka Keizrul was one of the recipients of the first ever CIDB Fellowship Awards conferred to individuals who have contributed greatly in building the nation.

On the corporate side, he is Chairman of Wetlands International Malaysia, a not-for-profit company limited by guarantee ; as well as an Independent Non-Executive Director with George Kent (Malaysia) Bhd., an engineering based company listed on the Main Board of Bursa Malaysia. He is an alumni of the Senior Executive Programme at the London Business School (1997), and the Advanced Management Programme at the Harvard Business School (2002).

## PROFILE OF DIRECTORS AND KEY SENIOR MANAGEMENT

(cont'd)

### KEK CHIN WU

INDEPENDENT NON-EXECUTIVE DIRECTOR

<b>Gender</b>	<b>Nationality</b>	<b>Age</b>
Male	Malaysian	48

Kek Chin Wu, a Malaysian aged 48, male, was appointed to the Board as Independent Non-Executive Director of Kimlun Corporation Berhad on 24 October 2009. He is the Chairman of the Audit Committee and a member of the Remuneration Committee and Nomination Committee.

He graduated from the Association of Chartered Certified Accountants ("ACCA") UK, with a professional degree in accounting and he is currently a Fellow Member of ACCA UK and a member of the Malaysian Institute of Accountants.

He has over 26 years of experience in the fields of auditing, corporate finance and business advisory services. He commenced his career in the field of auditing in BDO Binder Malaysia in 1993 before moving on to join Price Waterhouse in 1995 where he gained experience in auditing various industries. He then joined Bumiputra Merchant Bankers Berhad in 1997 where he provided advisory services to various public listed companies. He later served as the Corporate Finance Manager of Paracorp Berhad, a company listed on the then Main Board of Bursa Securities, from 1998 to 1999 where he was involved in the planning and execution of corporate exercises. He then set up Paragon Advisory Sdn Bhd ("Paragon"), a consulting firm which provides business advisory services in 2002. He is currently the Managing Director of Paragon. He has also served as an Independent Non-Executive Director of LNG Resources Berhad, a company listed on the ACE Market of Bursa Securities from 2005 to 2013.

### CHUA KEE YAT @ KOO KEE YAT

INDEPENDENT NON-EXECUTIVE DIRECTOR

<b>Gender</b>	<b>Nationality</b>	<b>Age</b>
Male	Singaporean	65

Chua Kee Yat @ Koo Kee Yat, a Singaporean aged 65, male, was appointed to the Board as Independent Non-Executive Director of Kimlun Corporation Berhad on 24 October 2009. He is the Chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee.

He is a senior member of The Institution of Engineers, Singapore. He graduated from the University of Singapore (now the National University of Singapore) in 1977 with a Bachelor Degree in Engineering (Mechanical).

Upon graduation, he served his national service with Singapore Armed Forces from 1977 to 1979 and continued as Naval Engineering Officer and later as Defence Engineering Scientific Officer in Republic of Singapore Navy until 1989. He joined MTU Asia Pte Ltd in 1989 as Head of Application Engineering in Sales and Application Department overseeing the diesel engines sales and business development in marine sector within the company and providing the operations support to the Agents/Distributors in the Asia region. He was responsible for the operations of MTU Singapore Pte Ltd in 2002 to 2003 before posted to The People's Republic of China as Head of Greater China Operations in 2004 to 2006. During this period, a new factory was constructed while the operations were further developed with the establishment of in-country sales and service network. In 2006, he was engaged by Draka Cableteq Asia Pacific Holding Pte Ltd, as President for Greater China Operations, responsible for setting up a new production factory and growth of sales and operations of Draka China Operations in Suzhou. He joined Luerssen Marine Technology Ltd as Director from July 2014 to September 2015. He was engaged as consultant and later as a Director for the acquired KSL-Kuttler Automation Systems GmbH till end 2016.

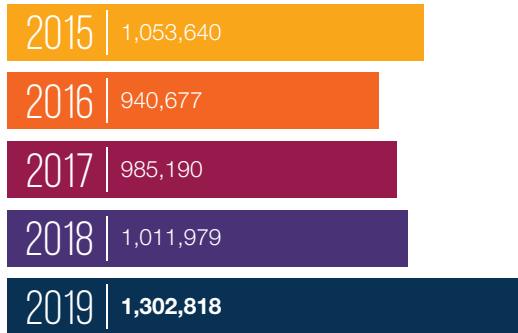
He is currently engaged as Technical Consultant by VPower Holding (Singapore) Pte Ltd since August 2017.

#### Notes to Directors' Profile :

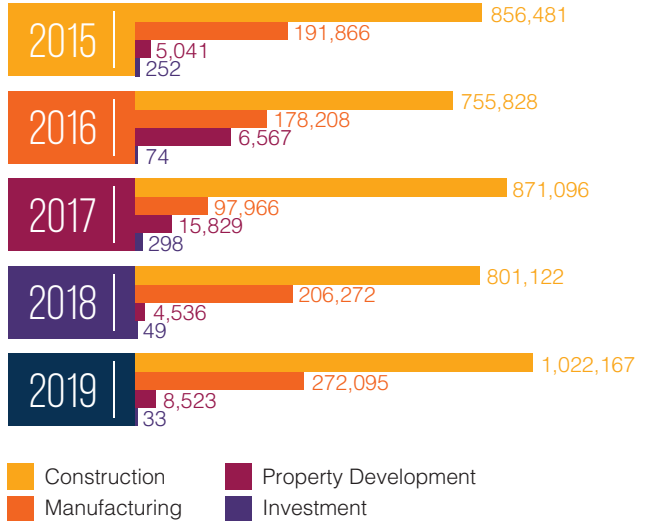
1. Pang Tin @ Pang Yon Tin is the father of Pang Khang Hau. Save as disclosed, none of the directors have any family relationship with any other director and/or major shareholder of the Company.
2. Save for Pang Tin @ Pang Yon Tin and Pang Khang Hau, who have interest in recurrent related party transactions as disclosed under Note 31 to the financial statements contained in this Annual Report, none of the directors have any conflict of interest with the Company.
3. None of the directors have been convicted of any offences within the past five (5) years and imposed any public sanction or penalty by the relevant regulatory bodies during the financial year 2019 other than traffic offences, if any.

## GROUP FINANCIAL HIGHLIGHTS

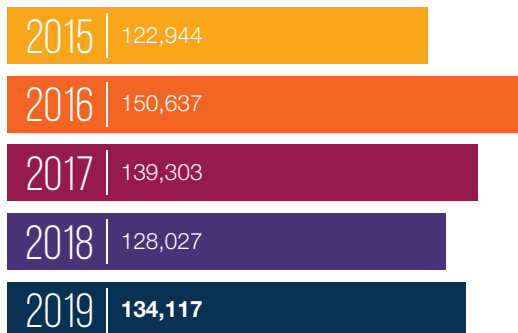
## REVENUE (RM'000)



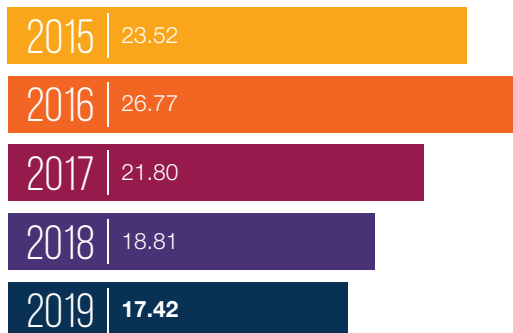
## REVENUE BY SEGMENT (RM'000)



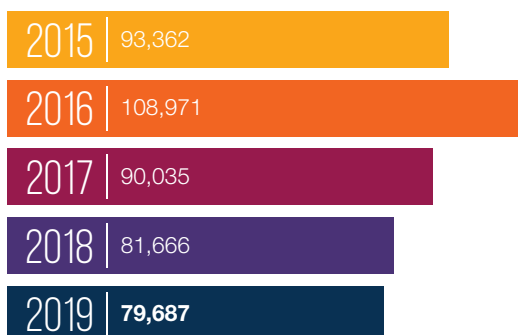
## GROSS PROFIT (RM'000)



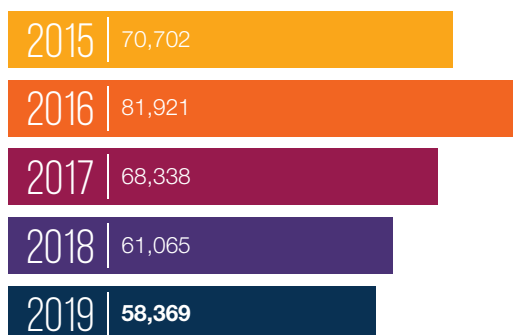
## BASIC EARNINGS PER SHARE (Sen)



## PROFIT BEFORE TAX (RM'000)



## PROFIT AFTER TAX (RM'000)



# CHAIRMAN'S STATEMENT



## DEAR SHAREHOLDERS,

ON BEHALF OF THE BOARD OF DIRECTORS (“THE BOARD”), I AM PLEASED TO PRESENT THE ANNUAL REPORT OF KIMLUN CORPORATION BERHAD (“OUR COMPANY”) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (“FY2019”).

### Our Performance

For FY2019, we achieved revenue of RM1.30 billion, which was 28.7% higher compared to RM1.01 billion registered in the financial year ended 31 December 2018 (“FY2018”). The higher revenue achieved in FY2019 was mainly attributable to higher revenue achieved by the construction and manufacturing and trading (“M&T”) divisions.

Despite of the higher revenue achieved, we recorded a lower profit attributable to owners of the Company of RM58.39 million, which was 4.5% lower compared to the results achieved in FY2018. This was mainly attributable to lower profit generated by the construction division which had a project mix with higher composition of lower margin contracts.

### Business Review

During FY2019, we secured, amongst others the following sizable projects and sales orders:

- (i) main building works for 2 blocks of apartments in Selangor (“the Project”) for a contract sum of RM204.40 million;
- (ii) the construction of 232 units of houses in Mukim Pulai, Johor for a contract sum of RM38.33 million; and
- (iii) the supply of pre-cast concrete pipes to Singapore Deep Tunnel Sewerage Phase 2 projects for Singapore Dollar 15.39 million.

### Looking Ahead

Though the Group is supported by an estimated construction and manufacturing balance order book of approximately RM1.3 billion and RM0.24 billion respectively as at 31 December 2019, the Board takes cognizance that the Group’s near term growth and financial results are expected to be impacted negatively by the recent outbreak of the Coronavirus (“Covid-19”) which has adversely affected economies worldwide.

Based on Bank Negara Malaysia’s estimates, Malaysia’s GDP growth is projected to be between -2.0% and +0.5% in 2020, affected by weak global demand, supply chain disruptions and Covid-19 containment measures both abroad and domestic.

For the Group, the impact on business operations has not been a direct consequence of the Covid-19 outbreak, but a result of the measures taken by the Malaysia Government and Singapore Government to contain it. These are unprecedented and challenging times for the Group. As the outbreak continues to evolve, it is challenging to predict the full extent and duration of its impact on business of the Group.

## CHAIRMAN'S STATEMENT

(cont'd)



Following the Malaysia Government's implementation of a Movement Control Order ("MCO") on 18 March 2020 in response to the Covid-19 outbreak, all the Group's operations have been shut down during the MCO period except for the minimum permitted critical works such as slope protection and delivery of products for permitted critical works. Consequentially, the Group's revenue, earnings, cash flow and financial condition are affected negatively by the MCO. The Group's revenue streams have been severely reduced during the MCO period due to the shutting down of the Group's operations whilst the Group continues to incur substantially the same amount of fixed and recurring expenses such as depreciation, payroll expenses, rental and interest expenses.

Though the Malaysia Government has allowed most business sectors to resume operations under the conditional MCO period beginning 4 May 2020, there are significant uncertainties in assessing how long the pandemic would last and the severity of its impact on the economy.

The Group will continue to monitor the development of these events and have implemented the following measures to mitigate the impact of Covid-19 to the Group's business:

- (i) take the necessary precautionary measures at our business premises and work sites in accordance with guidelines from health authorities and government bodies;
- (ii) frequent senior management operation meetings conducted via online platform to strategize and identify operational issues so that operations can resume smoothly post-MCO;
- (iii) communicate with suppliers as to their stocks readiness and look for alternative supplies to improve supply chain lead times where necessary;
- (iv) exploring cost cutting measures to preserve cash to support working capital requirements until the Covid-19 situation improves, such as suspending all non-essential operating and capital expenditure; and
- (v) exploring additional working capital credit facilities for contingency needs.

**Recent Corporate Development**

During FY2019, the Company implemented a dividend reinvestment plan ("DRP") that provides the shareholders with an option to elect to reinvest their dividends in new shares of the Company ("New Shares") from the entire FY2018 final dividend ("Fourth DRP").

80.7% of shareholders had elected to reinvest their dividend pursuant to the Fourth DRP. The electable portion of the FY2018 final dividend which was not reinvested in new shares in the Company was paid in cash on 31 July 2019.

**Reward to Shareholders – Dividend**

While we do not adopt a formal dividend policy, our Company has been declaring dividends every year since its listing on the Main Market of Bursa Malaysia Securities Berhad in 2010. In respect of FY2019, the Board recommends a final single tier dividend of 3.3 sen per share. The recommended final dividend is subject to the approval of the shareholders at the forthcoming Annual General Meeting ("AGM"), and it represents a pay-out ratio of approximately 19.2% of FY2019's profit attributable to owners of the Company.

The Board has determined that the DRP will apply to the proposed final dividend in respect of FY2019 and all shareholders of the Company be given an option to reinvest the entire final dividend in New Shares ("Reinvestment Option"), subject to approvals being obtained from the following:

- (i) Bursa Securities for the listing of and quotation for the New Shares to be issued pursuant to the implementation of the DRP for the final dividend on the Main Market of Bursa Securities;
- (ii) Shareholders in the forthcoming AGM for the declaration of the final dividend and the issuance of such number of New Shares as may be required pursuant to the exercise of the Reinvestment Option by the shareholders; and
- (iii) Approval from other relevant authorities and/ or parties, if required.

Our Company is always mindful to reward our loyal shareholders who have supported our growth over the years while trying to strike a balance with the funding needs at our different development phases.

**Acknowledgement**

On behalf of the Board, I would like to extend my heartfelt gratitude to our shareholders, bankers, customers, business partners and regulatory authorities for their continued support, guidance and assistance. Your Board would like to express our appreciation to our management team and employees for their hard work and dedication.

**Pang Tin @ Pang Yon Tin**  
Chairman

## 主席文告

### 敬爱的股东，

本人谨代表董事局提呈金轮企业有限公司（“本公司”）截至2019年12月31日财政年（“2019财政年”）的年度报告。

### 我们的表现

我们在2019财政年的营业额报13亿令吉，较2018财政年的10亿1千万令吉，增长了28.7%，归功于建筑和制造业务贡献较高的营业额。

虽然我们在2019财政年达到较高的集团营业额，该年的集团盈利却下滑了4.5%。这主要归因于建筑业务在该年的工程组合包含较多的低利润工程。

### 业务回顾

我们在2019财政年接获多宗的工程与销售订单，包括以下几项大型的工程与订单：

1. 共管公寓  
获颁总值2亿440万令吉的合约，以在雪兰莪州建设2栋公寓。
2. 有地房屋  
获颁总值3833万令吉的合约，以在柔佛州建造232套房屋。
3. 预制混凝土构件  
获颁总值1千539万新币的供应合约，为新加坡深隧道排污系统第二期工程供应预制混凝土顶管和排污管。

### 前景与展望

尽管我们手握13亿令吉的建筑订单以及2亿4千万令吉制造订单，董事局预料我们的近期增长和财务业绩将受到最近爆发的新冠肺炎（Covid-19）疫情的负面影响，Covid-19已对全球经济产生不利影响。

根据马来西亚国家银行的估计，马来西亚的2020年国内生产总值增长率在全球需求疲软，供应链中断以及国内外的Covid-19遏制措施的影响之下，预计在-2.0%至+ 0.5%之间。

马来西亚政府和新加坡政府采取的Covid-19防控措施对我们的业务运营造成前所未有的不利影响。基于疫情多变，我们无法预测其对我们业务的影响的持续性和程度。

随着马来西亚政府于2020年3月18日针对Covid-19爆发实施了行动控制令（MCO）之后，除了少数的关键工程运作，我们的业务在MCO期间均已暂停。因此，MCO对我们的收入，收益，现金流量和财务状况产生了负面影响。

马来西亚政府已允许大多数企业在2020年5月4日开始的有条件MCO期限内逐步恢复运营。

我们已采取各种措施以减轻Covid-19对我们的影响。这些措施包括削减成本，延后非紧急性的运营和资本开销，以及遵守政府机构规定的相关复工标准操作程序。



### 企业最新进展

我们为2018财政年的终期股息进行了股息再投资计划（DRP），在该计划下股东们可以选择把他们的股息再投资在公司所发出的新股。多达80.7%的股东选择了把股息再投资，其余的股息则已在2019年7月31日以现金的方式付给股东。

### 股东回馈—股息

虽然本公司没有实行正规的股息政策，本公司自2010年在马来西亚证券交易所主板上市以来，每年都派发股息回馈股东。

随着我们在2019财政年的盈利表现，董事局建议派发每股3.3仙的终期单层股息，惟需在来临的股东常年大会上获得股东批准。该终期单层股息，代表着2019财政年派息率为集团净利的大约19%。

董事局决定让股东们可以在DRP下选择把他们的2019财政年的终期股息再投资在公司所发出的新股，惟需获得以下的批准：

1. 大馬交易所批准在DRP下所发出的新股在大馬交易所主板上市
2. 股东们批准2019财政年的终期股息以及在DRP下发出新股
3. 其他监管单位的批准

一直以来，我们都致力地在派发股息以及保留资金供作未来发展用途之间取得平衡。

### 致谢

我谨代表董事会，衷心感谢我们的股东、来往银行、客户、业务伙伴以及有关监管当局对我们的持续支持，指导以及协助。董事会谨借此机会感谢我们的管理层以及员工的辛勤工作以及奉献精神。

彭廷  
主席

# MANAGEMENT DISCUSSION AND ANALYSIS

## CORPORATE VALUES

K	I	M	L	U	N
Knowledge	Integrity	Moral	Leadership	Unity	Novelty

## MISSION

We aim to continuously improve, promote and provide construction activities and services to the society at which we operate. By providing one stop construction design and build services, we aim to add value to our clients that in turn will be beneficial to the society at large. We will treat all partners including suppliers, subcontractors and consultants with trust, honesty and fairness in all business dealings.

Towards our employees, we balance our focus on their personal skills development while taking care of their welfare.

While seeking for the maximisation of shareholders' wealth, we strive to maintain harmony with the interest of the society to enhance our corporation's sustainability.

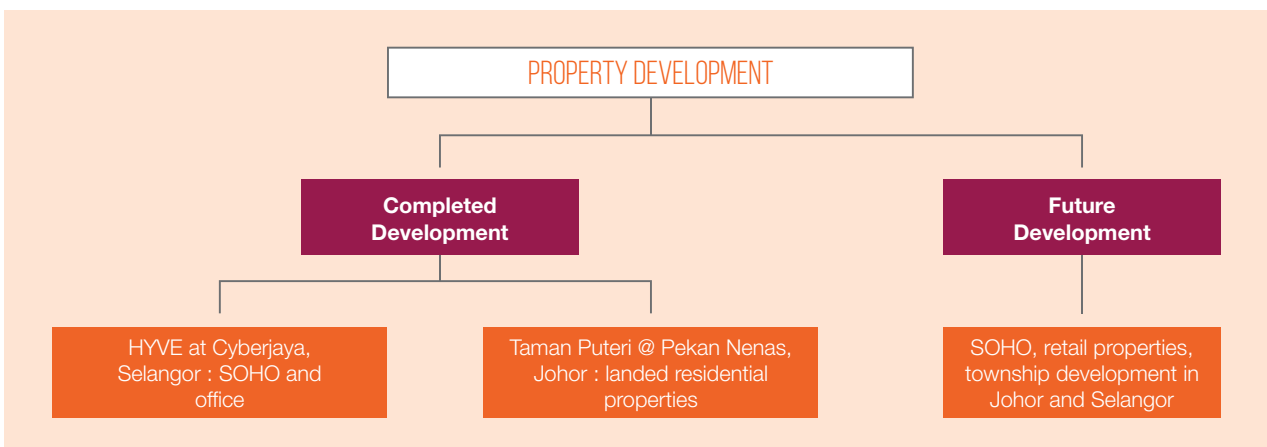
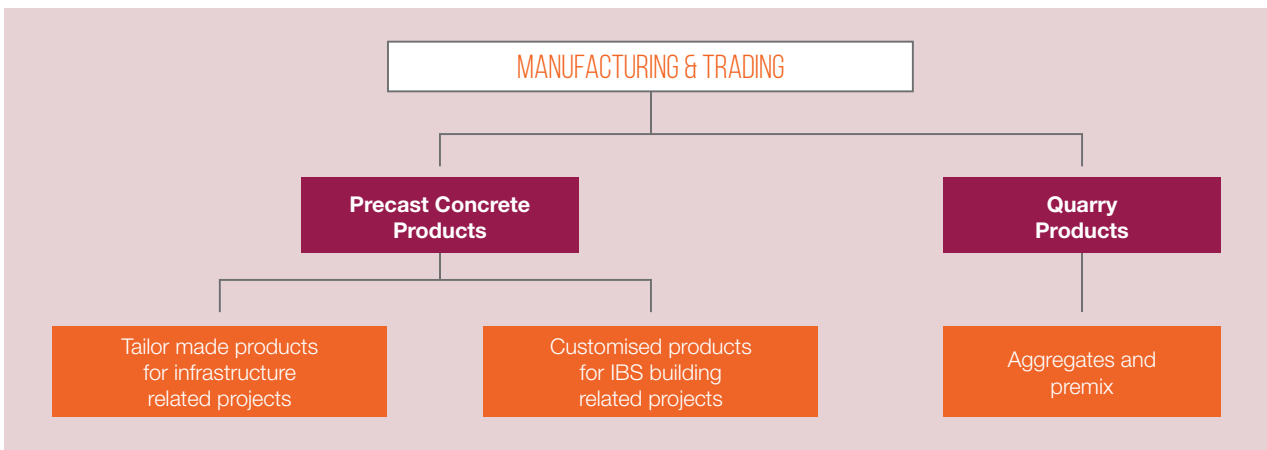
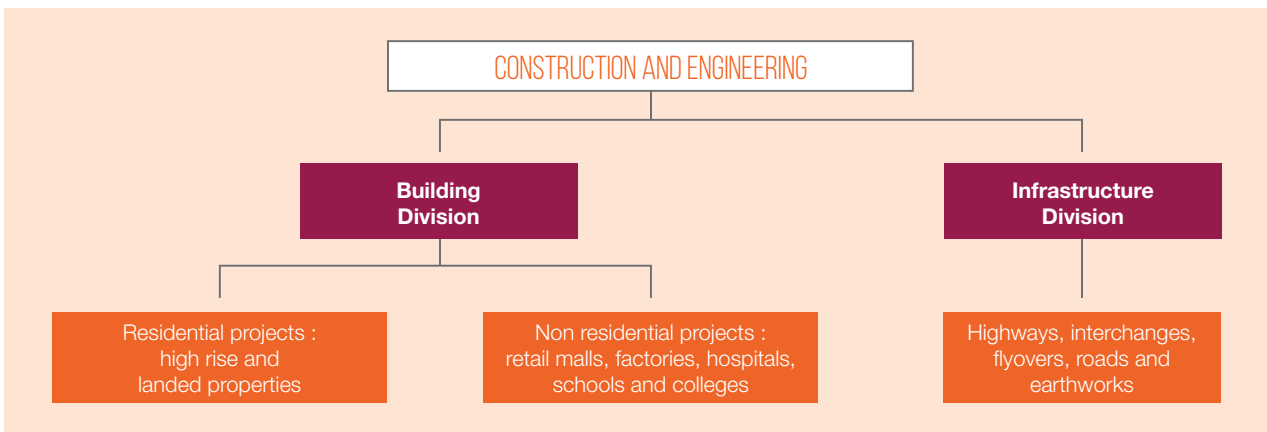
## VISION

We aspire to be a reliable, innovative and profitable provider of full range construction services and products in the South East Asia region.

MANAGEMENT DISCUSSION AND ANALYSIS

(cont'd)

OVERVIEW OF OUR BUSINESSES AND OPERATIONS



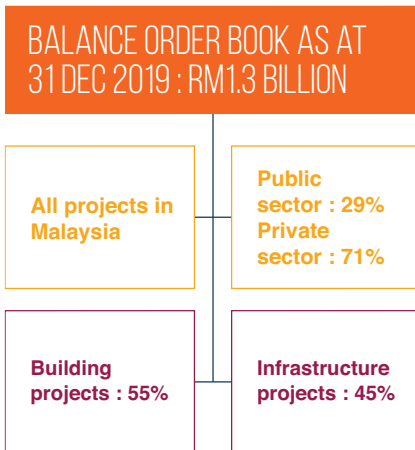
## MANAGEMENT DISCUSSION AND ANALYSIS

(cont'd)

## Production Plant and Products

ULU CHOH, JOHOR	SENAWANG, NEGERI SEMBILAN	SAMARAHAN, SARAWAK
<ul style="list-style-type: none"> <li>• Tunnel lining segment</li> <li>• Rail sleeper</li> <li>• Jacking pipe</li> <li>• Vertical cast pipe</li> <li>• Box culverts and u drain</li> <li>• Pre-cast concrete bathroom</li> <li>• Hollow core slab</li> <li>• Column and beam</li> <li>• Premix</li> </ul>	<ul style="list-style-type: none"> <li>• Tunnel lining segment</li> <li>• Segmental box girder</li> <li>• Parapet walls</li> <li>• Column and beam</li> <li>• IBS components</li> </ul>	<ul style="list-style-type: none"> <li>• Aggregates</li> <li>• Premix</li> </ul>

## Construction Projects



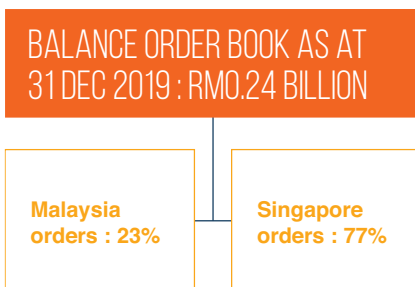
## Notable completed projects include :

- Main building works for Marlborough College East, Johor
- Mall of Medini, Johor
- Granada Hotel, Johor
- The Sky Loft Suites, Johor
- Gleneagle Medini Hospital, Johor

## On-going projects include :

- Pan Borneo Highway Sarawak
- Commercial building and apartment in Sunway Iskandar, Johor
- Various apartment and landed properties projects in Selangor and Johor

## Manufacturing Orders



## Completed sales orders include :

- Segmental box girders ("SBG") and tunnel lining segment ("TLS") to Klang Valley MRT ("KVMRT") Line 1
- TLS to Singapore MRT Circle Line, Downtown Line and Thomson Line
- Precast Bathroom to Michael and Festive Hotel, Singapore

## On-going sales orders include :

- SBG, TLS and parapet wall to KVMRT Line 2
- TLS to Singapore MRT Eastern Region Line
- Jacking pipes to Singapore Deep Tunnel Sewerage project

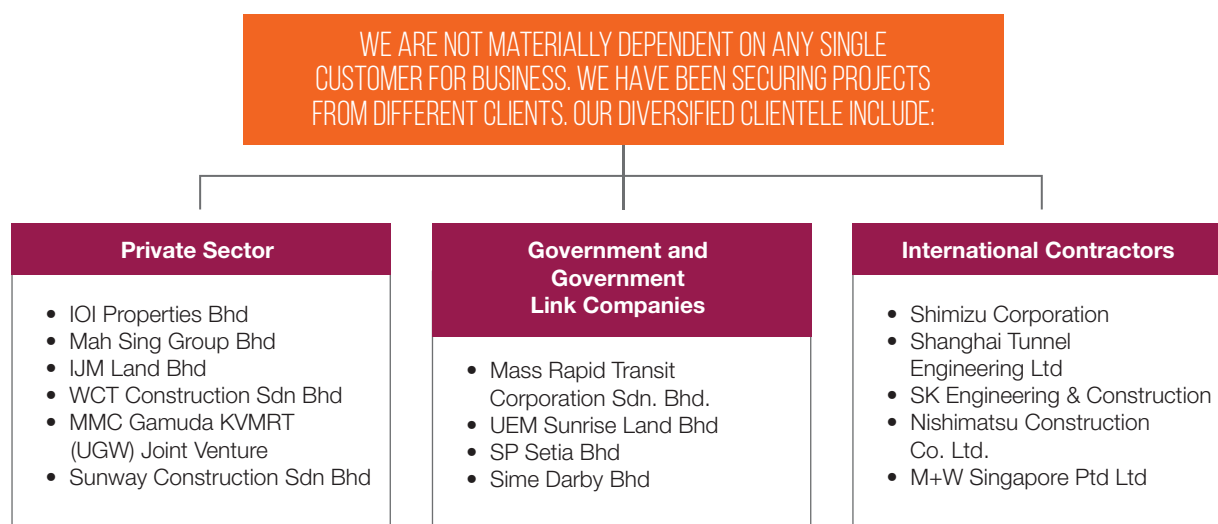
## MANAGEMENT DISCUSSION AND ANALYSIS

(cont'd)

### Property Development Projects

Location / Land Area	Gross Development Value (RM)	Type of Land Usage / Planned Development
<b>Completed Project</b>		
Hyve at Cyberjaya, Selangor / 4.95 acres	232 million	Freehold enterprise land / a combination of 804 units of SOHO and offices
Taman Puteri @ Pekan Nenas, Johor / 6 acres	48 million	Freehold residential land / 131 units of various types of landed properties
<b>Land Bank</b>		
Seksyen U10 Shah Alam / 20.11 acres	#	88 plots of leasehold (expiring in 2103) vacant detached lots/ bungalow development
Medini Iskandar Malaysia, Johor / 5.31 acres	#	2 leases on freehold commercial land expiring in 2113 and 2116 respectively/ a combination of SOHO and retail properties
Kota Tinggi, Johor / 140.84 acres	#	Freehold agriculture land/ township development
Within Iskandar Puteri, Iskandar Malaysia, Johor / 29 acres	#	Freehold agriculture land/ commercial development
Within a matured township, Taman Sri Pulai Perdana, approximately 24km from Johor Bahru city centre / 5.15 acres	#	Freehold commercial land/ commercial development
Within Mukim of Plentong, Johor Bahru, Johor / 5.31 acres	#	60 freehold semi-detached building lots / semi-detached houses development
Within Mukim of Plentong, Johor Bahru, Johor / 7.98 acres	#	Freehold land / service apartment development
# The gross development value cannot be ascertained as the development details have yet to be finalised		

### Diversified Clientele



## MANAGEMENT DISCUSSION AND ANALYSIS

(cont'd)

## Group Financial Highlights

Year ended/As at 31 December		2015	2016	2017	2018	2019
<b>FINANCIAL RESULTS (RM' mil)</b>						
Revenue		1053.6	940.68	985.19	1,011.98	1,302.82
Gross Profit		122.94	150.64	139.30	128.03	134.12
Profit Before Taxation		93.36	108.97	90.03	81.67	79.69
Profit After Taxation		70.70	81.92	68.34	61.07	58.37
Profit Attributable to Owners of the Company		70.70	81.92	68.48	61.14	58.39
<b>FINANCIAL POSITION (RM' mil)</b>						
Cash and Bank Balances		97.15	79.03	86.57	35.57	64.94
Total Assets		973.68	985.20	1,148.22	1,397.14	1,546.16
Total Borrowings		162.97	115.04	129.60	273.15	406.61
Shareholders' Equity		459.74	539.26	607.64	664.72	720.47
<b>FINANCIAL RATIOS</b>						
Gross Profit Margin	%	11.67	16.01	14.14	12.65	10.29
Basic Earnings per share ("EPS")	Sen	23.52	26.77	21.80	18.81	17.42
Dividend per Share	Sen	5.80	6.50	5.50	3.70	3.30
Dividend Yield (note 1)	%	4.2	3.1	2.5	3.4	2.6
Net Assets per Share	RM	1.53	1.74	1.90	2.00	2.12
Net Gearing Ratio (note 2)	times	0.13	0.06	0.07	0.26	0.32
<b>CASH FLOW (RM' mil)</b>						
Net cash flows generated from / (used in) operating activities		62.90	86.85	89.45	(137.52)	10.55
Net cash flows generated from / (used in) investing activities		(41.41)	(46.61)	(37.03)	(21.14)	(91.86)
Net cash flows generated from / (used in) financing activities		(16.91)	(69.41)	(45.23)	93.01	104.04
<b>SHARES PERFORMANCE</b>						
Share Price – Year Close	RM	1.38	2.08	2.22	1.08	1.25
Share Price – Year High	RM	1.48	2.26	2.43	2.35	1.49
Share Price – Year Low	RM	1.05	1.36	2.00	1.00	1.08
Trading volume (no of shares)	Mil	57	178	70	34	35
Market Capitalisation (note 3)	RM' mil	415	645	712	358	425
Price Earnings Ratio (note 4)	times	5.9	7.9	10.2	5.7	7.2

Note 1: Being dividend per share/share price – year close

Note 2: Being net debt/ total equity plus net debt

Note 3: Market capitalisation as at the financial year end

Note 4: Being year close share price/ EPS for the financial year

## MANAGEMENT DISCUSSION AND ANALYSIS

(cont'd)

### FINANCIAL REVIEW

#### Group Revenue and Profitability

Revenue recorded in FY2019 was RM1.30 billion which was RM290.84 million or 28.7% higher compared to the revenue achieved in FY2018. The higher revenue achieved in FY2019 was mainly attributable to higher revenue achieved by the construction and manufacturing and trading ("M&T") divisions.

Our Group's gross profit ("GP") margin achieved in FY2019 of 10.3% was lower compared to 12.7% in FY2018 mainly due to lower GP margins achieved by both the construction and M&T divisions.

On the back of a higher revenue achieved in FY2019, our Group recorded GP of RM134.12 million, which was an increase of RM6.09 million or 4.8% against FY2018.

The selling and administrative expenses in FY2019 was RM45.09 million, increased by RM1.45 million compared to FY2018, mainly due to the increase in employee expenses by RM0.87 million, in line with higher scale of operation, and higher provision for assets impairment.

Finance costs of RM16.73 million in FY2019 was higher against FY2018 mainly due to higher utilization of working capital financing facilities to meet the requirement of higher scale of operation.

The Group recorded a small loss in the share of results of joint ventures in the period under review mainly due to a provision of doubtful debt made by one of the joint ventures.

There was no significant variance in other income in the period under review against FY2018.

Due to the variances in gross profit, share of results of joint ventures, other income and expenses as explained above, profit before taxation ("PBT") and profit after taxation ("PAT") of FY2019 of RM79.69 million and RM58.37 million respectively were lower than FY2018. This was 2.4% and 4.4% lower compared to the PBT and PAT of RM81.67 million and RM61.07 million achieved in FY2018, respectively.

Our net profit attributable to owners of the Company for FY2019 was RM58.39 million.

#### Segmental Revenue and Gross Profit\*

*\*: The segmental revenue and gross profit stated in the commentary in relation to the respective segment was inclusive of inter-segment transactions.*

#### Construction Division

The construction division's revenue of RM1.03 billion was RM229.98 million or 28.7% higher compared to RM801.12 million recorded in FY2018. The increase was mainly due to higher revenue contribution from the Pan Borneo Highway Sarawak project ("PBH") and an office tower project, on higher percentage of completion. These two projects collectively contributed about 45% of the revenue of FY2019.

The construction division's GP margin declined from 11.0% in FY2018 to 7.8% in FY2019. The decline in GP margin was mainly due to the Group's projects mix with higher composition of lower margin projects. Consequential upon the lower GP margin, GP declined by 8.0% from RM87.92 million in FY2018 to RM80.92 million in FY2019.

## MANAGEMENT DISCUSSION AND ANALYSIS

(cont'd)

### M&T Division

The M&T division achieved a higher revenue of RM373.04 million in FY2019 compared to RM252.66 million recorded in FY2018. The improvement in M&T revenue by RM120.38 million or 47.6% was due to the following:

Operation	Revenue (RM' mil)		Main reasons for variance
	FY2019	FY2018	
Precast concrete products	274.47	203.89	Higher revenue from KVMRT line 2 project
Quarry products	98.57	48.77	Higher volume of quarry products supplied to the PBH

The M&T division's GP margin declined from 15.2% in FY2018 to 13.8% in FY2019. The decline in GP margin was mainly due to larger proportion of the precast concrete products revenue was contributed by lower margin sales orders.

On the back of higher revenue, GP increased by RM12.90 million in FY2019 against FY2018.

### Property Development Division

The property development division recorded higher revenue of RM8.52 million in FY2019 against RM4.54 million in FY2018 as more completed houses were sold during the period. Consequently, higher GP of RM1.70 million was recorded in FY2019.

### Financial Position

Shareholders' funds increased from RM664.72 million as at 31 December 2018 to RM720.47 million as at 31 December 2019, attributable to comprehensive income generated and issuance of shares pursuant to the dividend reinvestment plan during FY2018.

Non-current assets increased from RM325.45 million as at 31 December 2018 to RM389.58 million as at 31 December 2019. This was mainly attributable to the increase in land held for development by RM88.58 million following the completion of the acquisition of a parcel of agriculture land in Johor during the year.

Current assets increased from RM1.07 billion as at 31 December 2018 to RM1.16 billion as at 31 December 2019 mainly due to the combined effects of the following:

- (i) increase in development properties by RM26.15 million, mainly attributable to the purchase of 60 freehold semi-detached building lots located in Mukim Plentong, Johor Bahru, Johor, and the refurbishment of bungalows lots in Bukit Bayu@U10 Shah Alam, Seksyen U10, Shah Alam, Selangor;
- (ii) increase in trade and other receivables by RM31.10 million mainly attributable to higher billing raised in the last quarter of FY2019 against the corresponding period of FY2018;
- (iii) increase in contract assets by RM40.42 million, in line with higher scale of operations; and
- (iv) decrease in inventories by RM42.24 million, mainly due to active delivery of pre-cast concrete finished goods to KVMRT line 2 project.

Current liabilities increased from RM648.55 million as at 31 December 2018 to RM667.44 million as at 31 December 2019 mainly due to the combined effects of the followings:

- (i) increase in loans and borrowings by RM59.24 million. The increase in short term loans was mainly due to higher utilization of working capital financing facilities to meet the requirement of higher scale of operations; and
- (ii) net decrease in trade and other payables and contract liabilities by RM50.45 million, mainly attributable to the followings:
  - the fulfilment in FY2019 of sales contracts obligations, for which part payments were received from customers prior to FY2019.
  - payment of balance purchase consideration in relation to certain land bank bought in FY2018.

Non-current liabilities increased from RM83.79 million as at 31 December 2018 to RM158.20 million as at 31 December 2019 mainly due to the drawdown of term loans to finance the purchase consideration of the Group's new land bank.

Net gearing ratio as at 31 December 2019 was 0.32 times.

## MANAGEMENT DISCUSSION AND ANALYSIS

(cont'd)

### Cash Flow

For FY2019, the Group registered net cash inflow from operating activities of RM10.55 million. Net cash used in investing activities was RM91.86 million, mainly for the purchase of land held for development. Net cash generated from financing activities of RM104.04 million was mainly attributable to the proceeds from loans and borrowings and issuance of shares. Due to the net cash inflow of RM22.73 million during FY2019, the Group's cash and cash equivalents was RM18.73 million as at 31 December 2019.

### PROSPECTS AND OUTLOOK

Though the Group is supported by an estimated construction and manufacturing balance order book of approximately RM1.3 billion and RM0.24 billion respectively as at 31 December 2019, the Board takes cognizance that the Group's near term growth and financial results are expected to be impacted negatively by the recent outbreak of the Coronavirus ("Covid-19") which has adversely affected economies worldwide. For the Group, the impact on business operations has not been a direct consequence of the Covid-19 outbreak, but a result of the measures taken by the Malaysia Government and Singapore Government to contain it. These are unprecedented and challenging times for the Group. As the outbreak continues to evolve, it is challenging to predict the full extent and duration of its impact on business and the economy.

Following the Malaysia Government's implementation of a Movement Control Order ("MCO") on 18 March 2020 in response to the Covid-19 outbreak, all the Group's operations have been shut down during the MCO period except for the minimum permitted critical works such as slope protection and delivery of products for permitted critical works. Consequentially, the Group's revenue, earnings, cash flow and financial condition are affected negatively by the MCO. The Group's revenue streams have been severely reduced during the MCO period due to the shutting down of the Group's operations whilst the Group continues to incur substantially the same amount of fixed and recurring expenses such as depreciation, payroll expenses, rental and interest expenses.

Though the Malaysia Government has allowed most business sectors to resume operations under the conditional MCO period beginning 4 May 2020, there are significant uncertainties in assessing how long the pandemic would last and the severity of its impact on the economy.

The Group will continue to monitor the development of these events and have implemented the following measures to mitigate the impact of Covid-19 to the Group's business:

- (i) take the necessary precautionary measures at our business premises and work sites in accordance with guidelines from health authorities and government bodies;
- (ii) frequent senior management operation meetings conducted via online platform to strategize and identify operational issues so that operations can resume smoothly post-MCO;
- (iii) communicate with suppliers as to their stocks readiness and look for alternative supplies to improve supply chain lead times where necessary;
- (iv) exploring cost cutting measures to preserve cash to support working capital requirements until the Covid-19 situation improves, such as suspending all non-essential operating and capital expenditure; and
- (v) exploring additional working capital credit facilities for contingency needs.

Other than the challenges brought by the outbreak of the Covid-19 and the measures to curb the spread of the virus, our key challenges and risks include operational, credit, liquidity, human resources and market risks. Please refer to pages 51 to 52 of this Annual Report for nature of the key risks and the Group's control measures to mitigate the risks.

## MANAGEMENT DISCUSSION AND ANALYSIS

(cont'd)

## Focus and Strategies for 2020

Construction Division	Manufacturing Division	Property Development Division
<ul style="list-style-type: none"> <li>• Focus in the execution of projects in hand</li> <li>• Leverage on the diversified construction services track record to bid for new public and private sector projects solely or jointly with parties whom have complementary strengths</li> </ul>	<ul style="list-style-type: none"> <li>• Focus in the production of pre-cast components for KVMRT Line 2 and Singapore MRT</li> <li>• Bid for orders from Singapore market including those in relation to MRT line, North South Corridor Expressway and private sector projects</li> </ul>	<ul style="list-style-type: none"> <li>• Development planning of land bank in hand and in the pipeline;</li> <li>• Engage experience real estate agents and participate in roadshow to market balance stocks</li> <li>• Explore joint venture opportunities for properties development</li> </ul>

Our on-going projects and sales orders comprises of contracts secured from, amongst other, Lebuhraya Borneo Utara Sdn Bhd, MMC Gamuda KVMRT (UGW) Joint Venture, UEM Sunrise Bhd Group, Sunway Iskandar Sdn Bhd, Hillcrest Gardens Sdn Bhd and China Railway First Group Co.Ltd. Our on-going projects and sales orders include the following:

- The supply contracts in relation to the supply of segmental box girders, tunnel lining segments ("TLS") and other precast concrete products to KVMRT Line 2, with aggregate contract value of approximately RM330 million. The supplies of products under these contracts are expected to be completed in 2020;
- PBH - Zecon Kimlun Consortium Sdn Bhd, the Company's 30% owned joint venture company was awarded with a work package under the PBH for a contract sum of RM1.46 billion. The estimated completion period of the project is year 2021;
- Main building works for 1 block of commercial building and 1 block of apartments at Medini Iskandar, Mukim Pulai, Daerah Johor Bahru, Johor at a contract sum of RM165.82 million. The estimated completion period of the project is year 2021;
- Main building works for 2 blocks of apartments in Selangor ("the Project") for a contract sum of RM204.40 million. The estimated completion period of the project is year 2022; and
- The supply of pre-cast concrete pipes to Singapore Deep Tunnel Sewerage Phase 2 projects for Singapore Dollar 15.39 million. The estimated completion period of the project is year 2022.

The Group will continue to bid for new construction projects in Malaysia, in particular those in relation to affordable housing development which receive strong demand from the low and middle income group.

## MANAGEMENT DISCUSSION AND ANALYSIS

(cont'd)

### **Singapore Construction Sector**

The total construction demand in 2020 is projected to range between S\$28 billion to S\$33 billion, with sustained public sector construction demand.

Public construction demand is expected to reach between S\$17.5 billion and S\$20.5 billion in 2020, spurred by major infrastructure projects such as the Integrated Waste Management Facility, infrastructure works for Changi Airport Terminal 5, Jurong Region MRT Line and Cross Island MRT Line.

The private sector's construction demand is projected to be between S\$10.5 billion and S\$12.5 billion in 2020, supported by projects such as the redevelopment of en-bloc sales sites, recreation development at Mandai Park, Changi Airport new taxiway and berth facilities at Jurong Port and Tanjong Pagar Terminal.

The construction demand is expected to hold steady over the medium term. Demand is projected to reach between S\$27 billion and S\$34 billion per year for 2021 and 2022 and between S\$28 billion and S\$35 billion per year for 2023 and 2024.

The public sector is expected to contribute S\$16 billion to S\$20 billion per year from 2021 to 2024 with building projects and civil engineering works each taking up about half of the demand. Besides public residential developments, public sector construction demand over the medium term will continue to be supported by various mega infrastructure projects.

*(Source: Media release of Building and Construction Authority of Singapore on 8 January 2020)*

The Ministry of Trade and Industry of Singapore has downgraded the Singapore GDP growth forecast for 2020 to “-7.0 to -4.0 per cent” to account for heightened uncertainties in the global economy, given the unprecedented nature of the Covid-19 outbreak.

*(Source: Media release of The Ministry of Trade and Industry of Singapore on 26 May 2020)*

SPC supplies TLS to Singapore MRT projects since 2006. It secured approximately 40% of the total TLS orders of the Downtown Line 2, Downtown Line 3 and Thomson Line.

Further, SPC has been a frequent supplier of jacking pipes and IBS components to various projects in Singapore.

With its strong track record in Singapore, SPC is well positioned to compete for further potential sales orders from future MRT and sewerage projects.

### **Property Development Ventures**

Our Property Development division will continue its effort to market the unsold stocks of the completed Hyve SOHO development and Taman Puteri residential development in Pekan Nenas, Johor.

There is no other on-going development carried out by the Group on its existing land bank totalling 214 acres. The Group plan to launch the newly refurbished bungalow in Seksyen U10, Shah Alam in year 2020.

We have entered into agreement to acquire the following property (“New Land”) to increase our land bank to ensure the availability of land for future development:

## MANAGEMENT DISCUSSION AND ANALYSIS

(cont'd)

**New Land Bank in the Pipe Line**

Location	Purchase Price (RM)	Expected Completion of Acquisition	Land Area, Tenure and Land Use On Completion of the Acquisition
Within Meridin East township which is 2.5km away from the Senai-Desaru Highway, and approximately 28 km from Johor Bahru city centre	22 million	Last quarter of 2020	17.90 acres freehold commercial land / commercial development

The purchase consideration of the New Land is expected to be satisfied by internally generated funds and bank borrowings. For illustrative purpose, assuming 70% of the purchase consideration is financed through bank borrowings and fully drawn down as at 31 December 2019, the Group's gearing ratio is expected to increase from the audited ratio of 0.32 times as at 31 December 2019 to 0.33 times.

Upon the completion of the acquisitions, the total land bank of the Group will increase to 232 acres.

**DIVIDEND POLICY**

While we do not adopt a formal dividend policy, our Company has been declaring dividends every year since its listing on the Main Market of Bursa Malaysia Securities Berhad in 2010. In respect of FY2019, the Board recommends a final single tier dividend of 3.3 sen per share. The recommended final dividend represents a pay-out ratio of approximately 19.2% of FY2019's profit attributable to owners of the Company.

Further, our Company has established a dividend reinvestment plan that provides our shareholders with an option to elect to reinvest their dividends in new shares in the Company.

Our Company is always mindful to reward our loyal shareholders who have supported our growth over the years while trying to strike a balance with the funding needs at our different development phases.

# SUSTAINABILITY STATEMENT



## Introduction

Businesses that embrace sustainability are able to thrive together with the society that they serve in the long-term. In line with this, sustainability is an essential part of the corporate culture at Kimlun Corporation Berhad (“Kimlun”) and its subsidiary companies (“the Group”) and guides every aspect of our daily activities and is the key to our continued success. Our business units embrace sustainable business practices in tandem with our pursuit of sustainable economic growth.

We recognise that our operations would have an impact on economic, environment and social conditions of the communities within which we operate. We integrate our business approaches with key Economic, Environmental and Social aspects towards achieving and delivering long-term sustainable values to our stakeholders.

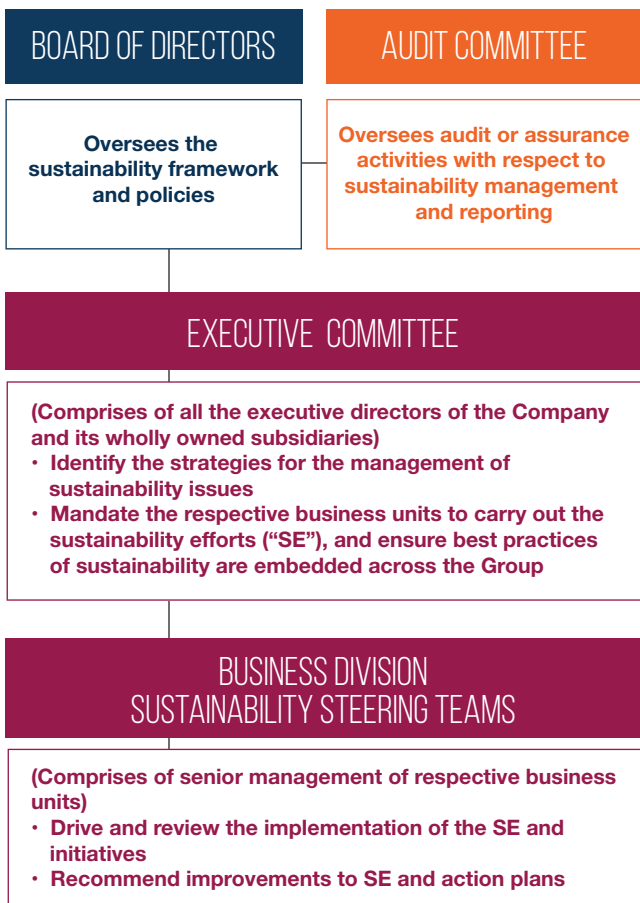
This Sustainability Statement covers the reporting period from 1 January 2019 to 31 December 2019.

# SUSTAINABILITY STATEMENT

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## Governance Structure

Sustainability is addressed at the highest levels at Kimlun. Our Board of Directors oversees the business affairs of the Group and is collectively responsible for our long-term success. The main duties of our Board include providing leadership on Kimlun’s overall strategy, which takes into consideration sustainability issues, its framework and policies. Our Board also ensures the adequacy of the Group’s framework for risk management and internal controls. The Group’s sustainability framework can be illustrated as follows:



## Scope of Sustainability Reporting and Basis for the Scope

Our sustainability reporting covers our key business activities, namely construction and pre-cast concrete components manufacturing business carried out by our wholly-owned subsidiary companies. Property Development division has been excluded as its revenue contribution was minimal and not expected to be significant in the near future, and almost all of its construction needs are performed by our construction division. It also excludes joint ventures for which Kimlun does not have full management and/or operational control.

## SUSTAINABILITY STATEMENT

(cont'd)

### Stakeholders

We recognise the importance of both internal and external stakeholders' contributions to our Group's sustainable growth. Hence, we work with our internal and external stakeholders in a timely and open manner to identify and address sustainability matters which ultimately help us make informed decisions to achieve our sustainability objectives.

Stakeholders	Mode of Engagement	Sustainability Focus Areas
Shareholders/Investors	<ul style="list-style-type: none"> <li>• Annual General Meeting</li> <li>• Annual report</li> <li>• Quarterly results announcement</li> <li>• Website with dedicated investor relations section</li> <li>• Analyst briefings</li> <li>• Media interviews and releases</li> </ul>	<ul style="list-style-type: none"> <li>• Company performance</li> <li>• Dividends</li> <li>• Business strategy and plans</li> <li>• Corporate governance</li> </ul>
Customers	<ul style="list-style-type: none"> <li>• Direct engagements</li> <li>• On-site meetings</li> <li>• Quality management</li> <li>• Participation in bidding process</li> </ul>	<ul style="list-style-type: none"> <li>• Relationship management</li> <li>• Quality and reliability of products and services</li> <li>• Project management</li> <li>• Pricing</li> <li>• On time delivery of projects</li> </ul>
Suppliers/Contractors/ Consultants	<ul style="list-style-type: none"> <li>• Direct engagements</li> <li>• On-site meetings and/or inspections</li> </ul>	<ul style="list-style-type: none"> <li>• Relationship management</li> <li>• Quality of products and services</li> <li>• Project management</li> <li>• Occupational health and safety</li> </ul>
Government and regulatory authorities	<ul style="list-style-type: none"> <li>• Compliance to licences and permits</li> <li>• Waste management practices</li> <li>• Pollution management practices</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate governance</li> <li>• Regulatory compliance</li> </ul>
Media/Analysts/ Fund Managers	<ul style="list-style-type: none"> <li>• Media interviews and releases</li> <li>• Analyst briefings</li> </ul>	<ul style="list-style-type: none"> <li>• Timely communication</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Employee induction training</li> <li>• Training and development programmes</li> <li>• Performance appraisals</li> <li>• Safety briefings</li> <li>• Company activities</li> </ul>	<ul style="list-style-type: none"> <li>• Career development and enhancement</li> <li>• Fair employment practices</li> <li>• Workplace conduciveness</li> <li>• Safety, health and welfare</li> </ul>
Community	<ul style="list-style-type: none"> <li>• Corporate social responsibility programmes</li> <li>• Local hiring and sourcing</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate citizenship</li> <li>• Contribution to local community</li> </ul>

## SUSTAINABILITY STATEMENT

(cont'd)

**Material Sustainability Matters (“MSM”)**

In identifying our MSM which reflect our significant economic, environmental and social impacts, we have considered the following:

- (i) the nature of our business and our corporate strategy;
- (ii) risks assessment and risks scoring based on matrix developed pursuant to our enterprise risk framework; and
- (iii) our understanding of our stakeholders' needs.

Based on our assessment, the most significant MSM identified and categorised into three board categories as follows:

BUSINESS / ECONOMIC GROWTH	ENVIRONMENTAL MANAGEMENT	SOCIAL CONTRIBUTION
<ul style="list-style-type: none"> <li>• Mechanized construction method</li> <li>• Shortage of skilled workers</li> <li>• Inconsistency of quality of products and services</li> <li>• Cost control</li> <li>• Business expansion</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance with applicable laws and regulations</li> <li>• Waste management</li> <li>• Consumption of natural resources</li> <li>• Pollution</li> </ul>	<ul style="list-style-type: none"> <li>• Workplace practices</li> <li>• Occupational safety and health</li> <li>• Contribution to local community</li> </ul>

**Management of Sustainability Matters**

The construction industry is generally regarded as labour intensive, dangerous and polluting. Construction projects involve long periods of work and delivery, complicated processes and rely heavily on in-situ construction methods involving the use of formworks and a huge amount of wet trades. The main challenges faced by the industry players include shortage of skilled labour, quality of works, cost control as well as compliances with the laws and regulations in relation to safety, health and environment. Occupational safety and health is always a challenge as the industry has a high level of work site accident injuries and fatalities. Construction activities are also inherently harmful to the environment, impacting the environment with noise, dust, muddy run-offs, and significant amounts of waste. In addition, the industry is very competitive and its vibrancy depends on property development projects and public sector projects planned and launched by the respective project owners.

The ability to deal with these challenges will have direct impact on the performance of the Group and its sustainability.

Generally, our key operation processes are governed by approved policies and procedures to ensure amongst others, that our operations are conducted in an orderly manner for delivery of quality products and services, and in compliance with applicable laws and regulations.

## SUSTAINABILITY STATEMENT

(cont'd)

We have taken the following actions to deal with the challenges and MSM identified:

Category	MSM to address	Our actions
Business Growth	<ul style="list-style-type: none"> <li>Mechanised construction methods</li> <li>Shortage of skilled workers</li> <li>Inconsistency of quality of products and services</li> <li>Cost control</li> </ul>	<ul style="list-style-type: none"> <li>Adoption of industrialised building system (“IBS”) construction method</li> <li>Quality control teams (“QC Team”) which check and review quality of our works and products, benchmarking against established standard such as the Quality Assessment System in Construction (QLASSIC) quality rating system, Construction Quality Assessment System (CONQUAS), and recommend ways to improve weaknesses identified</li> <li>Active negotiation and co-operation with sub-contractors and suppliers, implementation of the approved policies and procedures governing the tendering process and project management process to achieve cost efficiency, service quality and reliability</li> <li>Materials budgeting prior to the commencement of project and review the materials consumed against the budget</li> <li>Engagement of sub-contractors based on clearly identified scope of works, performance and basis of price</li> <li>Internal and external training and seminar to update employees’ technical know how</li> </ul>
	<ul style="list-style-type: none"> <li>Business Expansion</li> </ul>	<ul style="list-style-type: none"> <li>Actively explore business opportunities outside our home base, namely Johor</li> <li>Actively seek for new tenders via steps such as frequent checking to Singapore and Malaysia government’s websites for information on projects under planning or in the pipe line, and tender invitation advertisements in newspapers, to identify business opportunities and ensure timely preparation for bidding</li> <li>Bid for projects in affordable housing sub-sectors which continue to see strong demand, and infrastructure projects</li> <li>Bid for projects jointly with parties which have complementary strength to the Group</li> <li>Participate in trade fair to create visibility</li> </ul>
Environmental	<ul style="list-style-type: none"> <li>Consumption of natural resources</li> </ul>	<ul style="list-style-type: none"> <li>Adoption of IBS construction method as it leads to less wastage of materials;</li> <li>Proper pre-production planning and strict production process control to minimise product rejection rate</li> </ul>
	<ul style="list-style-type: none"> <li>Waste management</li> </ul>	<ul style="list-style-type: none"> <li>Recyclable materials, if cannot be reused in our operations, will be channelled to recycling companies</li> <li>Engage waste disposal companies that commit to dispose our construction waste in appropriate disposal sites i.e. not by way of illegal dumping</li> <li>Large commercial grade waste bins at project sites to collect construction waste and non-construction waste to maintain cleanliness of project sites. The bins will be pulled out from the project sites at fixed intervals or as and when the bins are full, whichever is the earlier</li> </ul>

## SUSTAINABILITY STATEMENT

(cont'd)

Category	MSM to address	Our actions
Environmental	<ul style="list-style-type: none"> <li>Pollution</li> </ul>	<ul style="list-style-type: none"> <li>Construct temporary earth drain (where necessary) to prevent water ponding and flooding</li> <li>Construct silt trap to collect and store sediment from sites cleared during construction</li> <li>Construct wash through where every vehicles wash their muddy tyres before exiting the project site</li> <li>Sheeting vehicles carrying dusty materials on leaving our factory to prevent materials being blown from the vehicles</li> <li>Spraying of roads with water using high power water jet to maintain cleanliness of public road leading to the construction site</li> <li>Our pre-cast concrete components manufacturing arm, SPC Industries Sdn Bhd ("SPC") has been accredited with Environment Management System Certification – ISO 14000:2000 Certification and follow the guidance under this standard to minimise the environmental impact of its operations</li> </ul>
Social contribution	<ul style="list-style-type: none"> <li>Work place practices</li> </ul>	Please refer to the ensuing section on corporate social responsibility ("CSR")
	<ul style="list-style-type: none"> <li>Occupational safety and health ("SH")</li> </ul>	<ul style="list-style-type: none"> <li>Written policy and procedures on SH</li> <li>Training and continuous updates on the requirement of the applicable legislation to the senior leadership at site</li> <li>Please refer to the section on SH for further information</li> </ul>
	<ul style="list-style-type: none"> <li>Contribution to local community</li> </ul>	Please refer to the ensuing section on CSR



## SUSTAINABILITY STATEMENT

(cont'd)

### Industrialised Building System ("IBS")

IBS is a technique of construction whereby components are manufactured in a controlled environment, either at-site or off-site, and transported, positioned and assembled into construction works.

We recommend our clients to adopt IBS in their project, and we have an IBS design team backed by pre-cast concrete manufacturing plants to assist our client as early as at the development planning stage. For those developments which the involvement of our construction arm, Kimlun Sdn Bhd ("KLSB"), begins only at construction stage, KLSB will advise its client to convert some elements to IBS component/pre-cast components. KLSB actively creates awareness and receptiveness of IBS construction method among its clients as this method renders:

- (i) Higher quality products with lower wastage due to factory-controlled prefabrication environment. This reduces pollution which may be caused by construction waste, and lesser wastage of natural resources such as iron and cement;
- (ii) Shorten time of construction due to the introduction of prefabricated components replacing on-site construction. The reduction in construction period reduces the inconvenience caused to the public during construction period; and
- (iii) Lower reliance on foreign labour. This reduces the social impact arising from employing foreign labour for construction works.

### Production Reject

We perform pre-production planning and production process assessment prior to the commencement of production of the products ordered by our customers, to minimize product rejection and machine and manpower idling time. By minimize product rejection, the return to shareholders will be enhanced, while lesser natural resources will be wasted.

We have set a benchmark rejection rate of not more than 1% as a guide. For the year under review, we successfully kept the rejection lower than the benchmark rate with the actual rejection rate of 0.3%. We managed to reduce the rejection rate compared to rejection rate of 0.5% for the previous year.

### Occupational Safety and Health

Safety and quality continues to be a priority in our operations. Occupational health and safety not only contributes to corporate goals but also plays a part in the social and ethical role of the organisation. We inculcate the culture of safety, health and environmental consciousness in our business operations, and provide and maintain safe systems of work, make arrangements for ensuring the safe use, handling, storage and transport of equipment and materials, as well as provide necessary information, instruction, training and supervision to our employees.

Safety of our employees, customers, business associates and communities must be prioritized in all decisions making processes and shall not be compromised in any manner. In compliance with the Occupational Safety and Health Act (OSHA) 1994, KLSB has a team of SH personnel who are stationed in various construction sites to check and enforce implementation of the Group's SH policies and procedures, and recommend appropriate compliance measures. This team is responsible to oversee the Safety and Health function matters of KSB at respective project sites.

SPC is accredited with Occupational Health and Safety Management Certification (OHSAS) 18000, an international standard which provides a framework to identify, control and decrease the risks associated with SH within the workplace. It follows the guideline under the OHSAS 18000 as to its planning for hazard identification, risk assessment and SH management. The SH committee which comprises the senior management of SPC and representatives of production workers oversee SH matter of SPC.

The SH's activities include:

- identify and assess the potential hazards in the workplaces, and summarised risks identified into a risk assessment report;
- formulate emergency response plan;
- recommend SH practices and protection equipment to manage the risk;
- conduct induction training when contractors first enter into the new project site;
- perform periodic tool box briefing which emphasize on SH matters and enforce the requirement of personal protective equipment; and
- conduct workplace audit to identify SH compliance. Non-conformance will be recorded and any issue noted will be followed up for resolution.

We also require our sub-contractors to ensure their workers comply with SH practices recommended by us. KLSB implements a reward and punishment system which is applicable to both our and our sub-contractors' workers. Workers who have shown good SH attitude, proactive in SH matters and comply with our SH requirements, will be rewarded with monetary incentives to be decided by the SH Committee. Workers who do not comply with our SH requirement will be imposed with penalty.

We provide appropriate personal protective equipment to our employees in accordance with their job requirements; have in place in every construction sites safety devices such as safety net for arresting falling or flying objects for the safety of people beyond or below the net, and fire extinguishers for fire fighting purpose.

To relieve the financial burden of our employees in seeking medical treatment and ensuring medical treatment is sought timely, we purchase hospital and surgical insurance and personal accident insurance for our local employees, and workmen compensation insurance for our foreign labour.

The following is the list of some of the safety and health trainings that our employees participated during the year under review:

Training Subject	No of Attendees	Total Training Hours
Effective Safety Health Committee	16	256
The Roles of OSH Professional in Crisis Recovery Phase	1	16
Overhead Gantry Crane and Lifting Safety	11	176
Occupational & Workshop on Fall Prevention	9	144

## SUSTAINABILITY STATEMENT

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### Corporate Social Responsibility

Corporate social responsibility has formed part of the core values that Kimlun will always uphold while conducting itself as a responsible business entity. We are always mindful of contributing back to the local community where we derive our economic benefits. We recognise the essential needs to safeguard the welfare of our employees and to contribute to the community where our Group operates in. In line with these core fundamental values, we always strive to seek a balance between our social responsibilities and our obligations to maximise value for our shareholders.

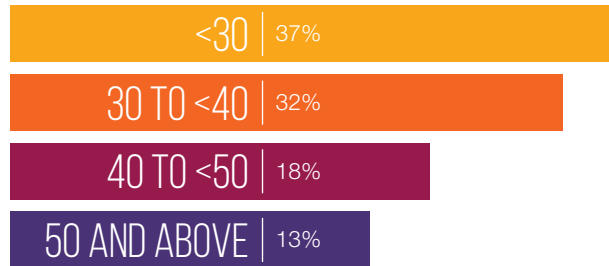
### Welfare of Employees

Human capital is the key asset of Kimlun. Our employees' development is critical to the Company's growth. We provide a conducive environment where our employees can explore, express, exchange and execute ideas for individual as well as collective excellence.

We practice equal employment opportunity and there are no barriers to employment or development in our Group by reason of an individual's gender, race, religion and age. The recruitment or promotion of a candidate is dependent on our organisational needs, the candidate's skills, experience, core competencies and other qualities.

The Group's workforce statistics as at 31 December 2019 are as follows:

#### Age



#### Gender-Construction Sites/Production Floor Based



#### Gender-Office Based



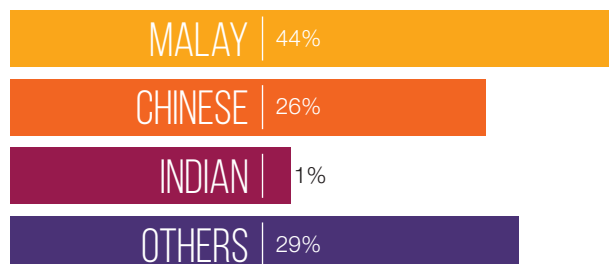
#### Gender-Overall



#### Gender-Managerial Position



#### Ethnicity



## SUSTAINABILITY STATEMENT

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Our Human Resources department works together with the department heads to identify the training needs for our employees to develop a competent, capable and motivated workforce that can meet our business challenges. During the year, we arranged numerous customised internal and external training programs in relation to our core businesses in order to improve our employees' technical knowhow and engineering expertise. Further, we also aim to align our employees' career development plans with their respective job requirements.

Various internal training and external courses in relation to occupational health and safety, and quality management system were conducted during the year to ensure a safe working environment, and that a systematic and efficient construction and production process was upheld.

The Group has also looked into the training needs of departments such as finance and human resources department.

For the year under review, we have provided 5,800 hours of external training to our employees, which was approximately 13 hours per employee of executive level and above. This has surpassed our internal benchmark of a minimum of 6 hours per employee of executive level and above. We spent approximately RM159,000 for employees training and development. The average training hours was higher compared to 9.6 hours per employee of last financial year.

For employees below executive level, on-the-job training were provided.

### **Contribution to Community**

We also serve the community to improve the quality of the lives of the less fortunate. During the year, we supported numerous organisations and causes, either directly or in conjunction with other enterprises, mainly via monetary contribution and sponsorship. Amongst the charitable bodies, parties and events that we had supported were Kesas Kenangan Sdn. Bhd. Charity Dinner and Mah Sing Foundation.

We participated in various local government agencies' initiatives to build a caring society with united and harmonious living environment. We also contributed to the Tabung Pembinaan Cawangan Sekolah Menengah Foon Yew Seri Alam, Johor and supported amongst others the Persatuan Veteran Bomba Dan Penyelamat Malaysia, Persatuan Perlindungan Dan Peliharaan Haiwan Terbiar and Pertubuhan Kebajikan Mental Selangor during the year.

We made charitable contributions of approximately RM259,000 during the year.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### INTRODUCTION

The Board of Directors (“the Board”) is accountable and responsible for the performance and affairs of Kimlun Corporation Berhad (“the Company”), including practicing a high level of good governance. All Board members are expected to show good stewardship and act in a professional manner, as well as upholding the core values of integrity and enterprise with due regard to their fiduciary duties and responsibilities. To this end, the Board implements the principles and practices of the Malaysian Code on Corporate Governance 2017 (“MCCG 2017”) towards achieving corporate excellence.

This Corporate Governance Overview Statement sets out the principal features of the Company and its subsidiaries’ (collectively referred to as “the Group”) corporate governance approach, summary of corporate governance practices during the financial year as well as key focus areas in relation to corporate governance for the financial year ended 31 December 2019 (“FY2019”). The detailed application for each practice as set out in the MCCG 2017 is disclosed in the Corporate Governance Report (“CG Report”) which is available on the Company’s website at <http://www.kimlun.com> and via an announcement on the website of Bursa Malaysia.

### A. BOARD LEADERSHIP AND EFFECTIVENESS

The Board adopted a Board Charter which sets out the authority, role, responsibilities, membership and operation of the Board. The Board reviews the Board Charter from time to time and makes any necessary amendments to ensure it complies with relevant laws, regulations and practices, and remain relevant and effective in the light of the Board’s objectives. The Board Charter was last reviewed by the Board on 22 April 2020.

The Board Charter is accessible at <http://www.kimlun.com>.

#### Authority

The Board’s roles and responsibilities are governed by the Constitution of the Company and also in accordance with the Companies Act 2016 (“CA 2016”), the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“MMLR”), the MCCG 2017 of Securities Commission Malaysia (“SC”), the Capital Markets and Services Act 2007 (“CMSA”) and any other prevailing regulatory corporate governance practices and laws.

### Board Composition

The Constitution of the Company provides that the Company shall have a minimum of three directors and a maximum of ten directors. In compliance with Paragraph 15.02 of the MMLR, there shall be at least two directors or one-third (1/3) of the Board, whichever is higher, who are Independent Directors.

The Board consists of eight qualified individuals with diverse set of skills, experience and knowledge necessary to govern the Company. Three of the Directors are Independent Non-Executive Directors (“Independent Director”), thus the Company has complied with Paragraph 15.02 of the MMLR. The composition and size of the Board is such that it facilitates the decision making of the Company.

The Independent Directors provide objective and independent views and judgement in decision-making processes of the Board covering issues of strategy, performance and risks. The presence of the Independent Directors fulfills a pivotal role in corporate governance accountability and ensures the interests of all shareholders are indeed taken into account by the Board.

Pursuant to Practice 4.2 of the MCCG 2017, the tenure of an Independent Director shall not exceed a cumulative term of nine years. However, upon completion of the nine years, the Independent Director may continue to serve the Board as a Non-Independent Director. If the Board intends to retain an Independent Director beyond nine years, it shall provide justification and seek annual shareholders’ approval.

The size and composition of the current Board is well balanced with a good and appropriate mix of knowledge, skills, attributes and core competencies. The Board which currently comprises of three Independent Directors and five Executive Directors is able to discharge its duties professionally and effectively, uphold good governance standards in their conduct and that of the Board.

The Independent Directors are able to exercise strong independent judgement and provide balance to the Board with their unbiased and independent views, advice and judgement to all Board deliberations. All the Independent Directors fulfill the criteria of independence as defined in the MMLR and they impartially provide check and balance to the Board.

The Executive Chairman has demonstrated strong commitment and judgement in overseeing the management function, looking after the best interest of all shareholders and ensuring that contributions by all Directors were forthcoming on matters being deliberated and that no particular Board member dominated in any of the discussions. This ensures the balance of power and authority within the Board.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

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The Board does not have a formal policy on boardroom and senior management diversity, nevertheless the Board is committed to ensuring directors and senior management of the Company possess diverse sets of skills, knowledge and experience. In addition, the directors of the Company must have the ability to devote sufficient time and attention to the Company, and are independent taking into account the candidate's character, integrity and professionalism.

On boardroom diversity, the current composition of the Board is diverse in terms of skills, experiences, gender, age and nationality. The background of each Director can be found on pages 6 to 9 of this Annual Report. Despite the Group is operating mainly in the construction industry which is male-dominant whereby males made up of 89% of the Group's work force, the Board is supportive of the boardroom gender diversity recommended by MCCG 2017 as the Board currently has a female member (i.e. 12.5% of the Board). The Board is committed to have at least one female Director on the Board. Underpinning the Company's boardroom gender diversity is the commitment to ensure that all Directors are appointed on merit, in line with the standards as set out in Paragraph 2.20A of the MMLR. The Board through the Nomination Committee ("NC") will review the proportion of the female to male board members during the annual assessment of the Directors' performance taking into consideration the appropriate skills, experience and characteristics required in the context of the needs of the Group. At the subsidiary companies level, 50% of the directors (other than those Director(s) who also serve on the board of subsidiary companies) appointed by the Company to represent its interest in the subsidiary companies are female.

The Group practices equal employment opportunity, there are no barriers to employment or development in our Group by reason of an individual's gender. The recruitment or promotion of a candidate to the position of senior management is dependent on our organisational needs, the candidate's skills, experience, core competencies and other qualities.

The Board is satisfied with the level of time committed by its members in discharging their duties and roles as Directors of the Company. All the Directors have high attendance at the Board meetings or committee meetings (where applicable) during FY2019, and complied with Paragraph 15.06 of the MMLR on the limit of five directorships in public listed companies.

The Board acknowledges the recommendations by the MCCG 2017 that at least half of the board comprises independent directors. The Board will assess the impact of the recommendations on the composition of the Board, and endeavour to adopt the recommendation within one year.

The Board does not consider that it is necessary to nominate a Senior Independent Non-Executive Director to whom concerns may be conveyed. All members of the Board have demonstrated that they are always available to members and stakeholders whereby all issues can be openly discussed during Board meetings.

The composition and size of the Board are reviewed from time to time to ensure its appropriateness.

### Appointment

The NC is responsible for making recommendations to the Board for the appointment of new Directors. All nomination to the Board shall first be considered by the NC, taking into consideration inter-alia the current and future needs of the Group, the Corporate Governance Guide issued by Bursa Securities and the credential of the potential Director.

The NC shall meet with the shortlisted candidates to assess their suitability before formally considering and recommending them for appointment to the Board. In assessing the suitability of candidates, the NC shall consider the candidates' characters, experiences, competencies, integrity, time commitment and other qualities, and board diversity including gender diversity and the mix of skills, qualifications, expertise and experience, knowledge, professionalism and integrity which would contribute to the overall desired composition of the Board.

Based on the NC's recommendation, the Board will evaluate and decide on the appointment of the proposed candidates. Prior to such appointment, the selected candidate will be briefed on the Company's vision and mission, its philosophy and nature of business, the corporate strategy and the expectations of the Company concerning input from Directors.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

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### Election and re-election

Pursuant to Clause 78 of the Company's Constitution, Directors appointed during the year by the Board shall hold office until the next Annual General Meeting ("AGM") and shall then be eligible for re-election. In accordance with Clause 76(3) of the Constitution, at least one-third (1/3) of the Directors shall retire from office at every AGM. All Directors shall retire from office at least once every three years but shall be eligible for re-election. Retiring Directors who are seeking re-election are subject to Directors' assessment by the NC.

In FY2019, the NC had reviewed all Directors who are due for retirement by rotation, and standing for re-election at the Company's Eleventh AGM. The NC found that they met the criteria of character, experience, integrity, competence and time to effectively discharge their respective roles as Directors as prescribed by the MMLR.

### Independence of Director

The Board only considers Directors to be independent where they are independent of management and free from any business or other relationship that could materially interfere with or could reasonably be perceived to interfere with the exercise of their unfettered and independent judgement.

The NC reviews the independence of each Independent Director annually or whenever necessary, in light of information relevant to this assessment as disclosed by each Independent Director to the Board.

All the Independent Directors have served as independent directors of the Company for a cumulative term of ten (10) years on 23 October 2019. In the 10th Annual General Meeting held on 17 June 2019, shareholders of the Company approved the resolutions for all the Independent Non-Executive Directors to continue serving as independent directors from 24 October 2019 to 23 October 2020.

The NC has assessed the independence of all Independent Directors during FY2019 and has determined and informed the Board that all Independent Directors remain objective and independent. The Board concurred with the findings of the NC, and considered the suitability of each of the Independent Directors to continue to act as independent directors of the Company. The Board resolved to seek shareholders' approval for all the Independent Directors to continue serving as independent directors from 24 October 2020 to 23 October 2021 based on the following justifications:

- (i) each of them has fulfilled the criteria under the definition of independent as set out in the MMLR;
- (ii) each of them has during their present tenure as Independent Director developed valuable insight of the Group and its business. Their experience enables them to discharge their duties and responsibilities independently, objectively and effectively in the decision making processes of the Board;
- (iii) each of them has vast experience, knowledge and skills in a diverse range of business and therefore provide constructive opinion, counsel, oversight and guidance as directors; and
- (iv) each of them has devoted sufficient time and attention to his professional obligations to the Company for informed and balanced decision making.

On the same justification, with regards to the Independent Director, Mr. Kek Chin Wu, who is seeking for re-election pursuant to Clause 76(3) of the Company's Constitution at the forthcoming Eleventh AGM, the Board recommends and supports his re-election.

### New Directorship

While the Board allows its Directors to accept appointments to other boards, the Directors are required to discuss with the Chairman and the Chief Executive Officer ("CEO") before accepting the new appointment and to indicate the time expected to be spent on the new appointment.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

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### Role of Board

The Board's role is to represent and serve the interests of the shareholders. It is primarily responsible for overseeing and supervising the management of the business affairs of the Group.

The responsibilities of the Board include:

- (i) Formulating the Group's strategic plans and strategies with economic, environmental and social considerations in line with sustainability practices for the Group;
- (ii) Overseeing the conduct of the Group's business to evaluate whether the business is being properly managed with good corporate governance;
- (iii) Establishing an effective risk management and internal control framework which includes identifying the principal risks and ensuring the implementation of appropriate systems to manage these risks;
- (iv) Succession planning including assessing that all candidates for senior management position are of sufficient calibre;
- (v) Developing and implementing an investor relation programme and shareholder communication policy for the Company;
- (vi) Together with senior management, promote good corporate governance culture which reinforces ethical, prudent and professional behaviour;
- (vii) Reviewing the adequacy and the integrity of the Group's risk management framework and internal control systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines; and
- (viii) Ensuring the integrity of the Company's financial and non-financial reporting.

Matters which shall be reserved for decision by the Board, supported by any recommendation as may be made from time to time by the Board Committees (as appropriate) include:

- (a) Approval of corporate plans and programmes;
- (b) Approval of annual budgets;
- (c) Approval of new ventures;
- (d) Approval of material acquisitions and disposals of undertakings and properties;
- (e) Approval of the annual financial statements and interim reports; and
- (f) Any matters or transactions that fall within the ambit of the Board pursuant to the CA 2016, MMLR, the Company's Constitution or any other applicable laws and regulations.

The Board delegates responsibility for the day-to-day operation of the Group's business to the Executive Directors and recognises its responsibility for ensuring that the Group operates within a framework of prudent and effective control.

### Chairman and Chief Executive Officer ("CEO")

The roles and responsibilities of the Chairman and the CEO are clearly defined and segregated to ensure a balance of power and authority such that no one individual has unfettered power of decision. The Chairman is responsible for leadership of the Board in ensuring the effectiveness of all aspects of its role.

The responsibilities of the Chairman include:

- (a) leading the Board in its responsibilities for the business and affairs of the Company and its oversight of management;
- (b) overseeing the Board in the effective discharge of its supervisory role;
- (c) ensuring the integrity and effectiveness of the governance process of the Board;
- (d) facilitating the effective contribution of all Directors and ensuring constructive relations be maintained between the Board and Management;
- (e) ensuring that there is regular and effective evaluation of the Board's performance; and
- (f) ensuring appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board as a whole.

The CEO is responsible for implementing the policies and decisions of the Board, overseeing day-to-day operations as well as development and implementation of business and corporate strategies and plans. All Board authorities conferred on the management is delegated through the CEO and this will be considered as the CEO's authority and accountability.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

**Board Committees**

The Board, in discharging its fiduciary duties, may from time to time establish Committees as it considers necessary to assist it in carrying out its responsibilities.

The Board has established three Board Committees, namely Audit Committee ("AC"), NC and Remuneration Committee ("RC"), each entrusted with specific tasks and operates within clearly defined terms of reference approved by the Board. The Chairman of the respective Committees reports to the Board on the outcome of the Committee meetings and such reports or minutes will be included in the Board papers.

The respective committees' terms of reference are available for reference at the Company's website at <http://www.kimlun.com>.

**a. Audit Committee**

Please refer to pages 47 to 49 of this Annual Report for composition of the AC, AC meetings held and the activities undertaken by the AC in the discharge of its duties during FY2019.

**b. Remuneration Committee**

The current composition of the RC is as follows:

Name	Designation	Directorship
Chua Kee Yat @ Koo Kee Yat	Chairman	Independent Director
Kek Chin Wu	Member	Independent Director
Dato' Paduka (Dr.) Ir. Hj. Keizrul Bin Abdullah	Member	Independent Director

The RC shall review and recommend to the Board the remuneration of the Executive Directors and Senior Management. Please refer to the ensuing section on Director's remuneration for further details.

The remuneration packages of Non-Executive Directors shall be determined by the Board as a whole and subject to the shareholders' approval at the AGM. The Director concerned shall abstain from any discussion on his/her individual remuneration.

During FY2019, two meetings were held and attended by all members.

**c. Nomination Committee**

The current composition of the NC is as follows:

Name	Designation	Directorship
Dato' Paduka (Dr.) Ir. Hj. Keizrul Bin Abdullah	Chairman	Independent Director
Kek Chin Wu	Member	Independent Director
Chua Kee Yat @ Koo Kee Yat	Member	Independent Director

During FY2019, one meeting was held and attended by all members. Please refer to the ensuing sections on Election and Re-election, Independence of Director and Board Evaluation and Performance for further details on activities undertaken by the NC in the discharge of its duties during FY2019.

**Board Meetings and Attendance**

The Board shall meet at least five times a year. Directors are informed at the end of each year about the number and the tentative dates of Board meeting and Board committee meetings in the following year. In exceptional circumstances, additional meetings may be convened. During Board meetings, the CEO and members of the Management team, will table and present reports for the Board's consideration, deliberation and direction.

Directors are required to inform the Board of conflicts or potential conflicts of interest they may have in relation to particular items of business transacted by the Group or the Company. The interested Directors should abstain themselves from discussion or decisions on matters in which they have a conflicting interest.

The Chairman of the AC, RC and NC would inform the Directors at Board meetings of any salient matters noted by the Committee and which require the Board's notice, direction or approval.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

Agenda, board papers and any other documents are made available at least five business days in advance to the Board to facilitate well-informed Board deliberation and decision-making. In addition, members of the Management are frequently invited to the Board meetings to explain and clarify the items tabled to the Board.

Agenda shall be prepared taking into account the formal schedule of matters reserved for the Board's decision.

All proceedings of the Board meetings are minuted. All Board members ensure that the minutes of meetings accurately reflect the deliberations and decisions of the Board, including whether any Director abstain from voting or deliberating on a particular manner.

During FY2019, five Board meetings were held. Details of attendance at the Board Meeting are as follows:

Directors	Number of Meetings Held During Director's Tenure In Office	Number of Meetings Attended	Percentage of Attendance
Pang Tin @ Pang Yon Tin	5	5	100%
Sim Tian Liang	5	5	100%
Pang Khang Hau	5	4	80%
Chin Lian Hing	5	5	100%
Yam Tai Fong	5	5	100%
Kek Chin Wu	5	5	100%
Dato' Paduka (Dr.) Ir. Hj. Keizrul Bin Abdullah	5	5	100%
Chua Kee Yat @ Koo Kee Yat	5	5	100%

**Access to Information and Independent Professional Advice**

All Directors, whether as a full Board or in their individual capacity have unrestricted access to all information of the Group on a timely basis in an appropriate form and quality necessary to enable them to discharge their duties and responsibilities. In exercising their duties, the Directors have unrestricted access to the advice and services of the Company Secretary and are also entitled to obtain independent professional opinions or advice from external consultants at the Company's expenses, when the need arises. Any request for professional opinions or advice from external consultants shall be raised for the consideration and consent of the Chairman. Upon his consent of the request, the Chairman shall authorise a Director or a member of the Senior Management to source for the advice of a suitable professional advisers or external consultants, based on the requirements of the Board.

**Directors' Remuneration**

The Board has adopted a remuneration policy for Directors and key senior management ("Remuneration Policy") that sets out the manner in which the remuneration of Directors and key senior management are determined. The Remuneration Policy is subject to regular review by the RC and will be amended as appropriate to align with market practices and requirements of the MCG 2017 and any other new requirements. Amendment to this policy must be tabled to the Board for approval. Remuneration Policy is accessible at <http://www.kimlun.com>.

On an annual basis, the RC considers market competitiveness, business results and individual performance in evaluating the Executive Directors' remuneration. The RC will then recommend to the Board, the remuneration package for the Directors. The Board, as a whole, will determine the level of remuneration paid to its Directors, taking into consideration the recommendation of the RC.

The level and make-up of remuneration should be effective and sufficient enough to:-

- attract and retain the Directors needed to run the Group successfully; and
- motivate and create incentives for Directors to perform at their best;

The remuneration package for Executive Directors comprises of a number of separate elements such as basic salary, allowances (where applicable), performance-based bonuses and benefit-in-kind. The level of remuneration of the Executive Directors takes into consideration the Directors' experience, responsibilities, qualifications, level of skills, contribution and commitment to the Group and the performance of the Group. The remuneration package is also compared to the compensation levels for comparable positions among other similar Malaysian public listed companies that are in the construction industry and prevailing economic and market conditions. Executive Directors who are full time employees of the Group receive no additional compensation for services as a Director.

In the case of Non-Executive Directors, the level of remuneration should reflect the experience and level of responsibilities undertaken by the particular Non-Executive Director concerned. Non-Executive Directors will be paid a fixed basic fee as ordinary remuneration, a sum based on their responsibilities in Board committees and allowances for their attendances at the meetings. The quantum of Non-Executive Directors' remuneration shall not be based on commission, percentage of profits and/or turnover of the Group. The fee and allowance to the Non-Executive Directors are subject to the approval of the shareholders.

No Board member, whether executive or non-executive, will be involved in deciding his own remuneration.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

The remuneration received or receivable by the Directors for FY2019 are as follows:

Name of Directors	Fee <sup>∞</sup> (RM)	Meeting allowance <sup>∞</sup> (RM)	Salaries and other allowances <sup>^</sup> (RM)	Bonus <sup>^</sup> (RM)	EPF <sup>^</sup> (RM)	Benefits- in-kind <sup>^</sup> (RM)	Total (RM)
<b>Independent Director</b>							
Dato' Paduka (Dr.) Ir. Hj. Keizrul Bin Abdullah	80,400	5,100					85,500
Kek Chin Wu	80,400	5,100					85,500
Chua Kee Yat @ Koo Kee Yat	80,400	5,100					85,500
Total	241,200	15,300					256,500
<b>Executive Director</b>							
Pang Tin @ Pang Yon Tin			652,680	160,170	148,782	28,000	989,632
Sim Tian Liang			651,120	159,780	154,079	24,910	989,889
Chin Lian Hing			651,120	159,780	154,079	24,910	989,889
Yam Tai Fong			619,680	151,920	146,608	11,153	929,361
Pang Khang Hau			822,611	161,640	98,429	13,325	1,096,005
Total			3,397,211	793,290	701,977	102,298	4,994,776

<sup>^</sup> : received and receivable on group basis. None of the amount was received from the Company.

<sup>∞</sup> : received and receivable from the Company.

During FY2019, the RC had reviewed the remuneration of the Directors taken into consideration the respective Director's experience, level of responsibility, contribution and commitment to the Company, the performance of the Group, the compensation levels for comparable positions among other similar Malaysian public listed companies and market condition. Based on the result of its review, the RC made recommendation to the Board on the remuneration package for the Directors for financial year ending 2020. The Board concurred with the recommendation of the RC, and that shareholders' approval be sought at the Eleventh AGM on the payment of Directors' fees and benefits up to an amount of RM470,000 to the Independent Directors for the period commencing from the date of the forthcoming Eleventh AGM until the next AGM of the Company. The proposed fees and benefits are inclusive of the provision for fees and benefits for up to two additional independent directors. The Board is in the process of identifying suitable candidate(s) for appointment as independent director(s), in its effort to apply the recommendation under the MCCG 2017 that at least half of the board comprises independent directors.

The Group's top five senior management are the five Executive Directors of the Company. Their respective remuneration is disclosed above.

### Board Evaluation and Performance

The NC evaluates the effectiveness and performance of the Board as a whole, the Board Committees and the individual Directors on an annual basis. The process is internally facilitated and conducted through questionnaires covering a variety of assessment criteria.

The criteria on which assessment is made is developed, maintained and reviewed by the NC. The assessment criteria includes the mix of skills, experience, competency, time commitment, character, integrity, independence, ability to constructively challenge and contribute to the development of strategy, diversity and other qualities required to meet the needs of the Group and to comply with the provisions of the MMLR. The NC, upon discussion of the results, will present the findings to the Board.

Based on the evaluation conducted in FY2019, the NC found that the Board as a whole, the Board Committees and the individual Directors are effective and possess the criteria required to discharge their duties professionally and effectively, and uphold good governance standards in their conduct. The NC presented their findings to the Board, and the Board concurred with the findings of the NC.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

**Directors' Training**

All Directors of the Company have attended the Mandatory Accreditation Programme as required by the Bursa Securities. The Directors continue to update their knowledge and enhance their skills through appropriate continuing education programmes and life-long learning. This will enable Directors to effectively discharge duties and sustain active participation in the Board deliberations.

The Board is notified of training programmes or workshops conducted by Bursa Securities for its consideration of participation and the Board receives updates of the MMLR from the Company Secretary from time to time. The external auditors also briefed the Directors on any changes to the Malaysian Financial Reporting Standards that would affect the Group's financial statements during the financial year under review. All the Directors after assessing their own training needs, had attended the following training/seminar/conference:-

Director	Training/Seminar/Conference	Date
Dato' Paduka (Dr.) Ir. Hj. Keizrul Bin Abdullah	• Detecting Financial Frauds	17 June 2019
	• Demystifying The Diversity Conundrum: The Road to Business Excellence	15 August 2019
Sim Tian Liang	• Detecting Financial Frauds	17 June 2019
Chin Lian Hing	• Detecting Financial Frauds	17 June 2019
Yam Tai Fong	• Detecting Financial Frauds	17 June 2019
	• Group Accounting (MFRS3, 10 and 11): Basic to Intermediate by Using MS Excel Worksheets	29 -30 October 2019
Pang Khang Hau	• Data Analytics Begins With Me	6 May 2019
Kek Chin Wu	• Detecting Financial Frauds	17 June 2019
Pang Tin @ Pang Yon Tin	• Detecting Financial Frauds	17 June 2019
Chua Kee Yat @ Koo Kee Yat	• Detecting Financial Frauds	17 June 2019

**Code of Conduct**

The Directors, officers and employees of the Group are required to observe the Company's Corporate Code of Conduct. The core areas of conduct under the Code include the following:-

- (a) conflict of interest;
- (b) confidential information;
- (c) fair dealing;
- (d) protection of company assets and property;
- (e) knowledge and information;
- (f) employment practices; and
- (g) reporting of illegal and/or unethical behavior.

The Board will review the Code regularly to ensure that it continues to remain relevant and appropriate. The Code is made available for reference in the Company's website at <http://www.kimlun.com>.

**Whistleblowing Policy**

The Board is committed to achieving and maintaining the highest standards of integrity, openness, probity and accountability in the conduct of its businesses and operations. It aspires to conduct its affairs in an ethical, responsible and transparent manner.

Whistle blowing is a specific means by which an individual, whether employee or otherwise, can report or disclose through established channels, concerns about unethical behavior, malpractices, illegal acts or failure to comply with regulatory requirements that is taking place / has taken place / may take place in the future, without fear of reprisal or victimization, in a responsible and effective manner.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

The policy addresses the following areas:

- Policy Statement;
- Scope of Policy;
- Reporting Procedure;
- Investigation Procedure; and
- Protection and Confidentiality.

The Policy also provides the contact details of the Chairman of AC, should the reporting individual is in doubt of the Management's independence and objectivity on the concerns raised.

### COMPANY SECRETARIES

All the Company Secretaries of the Company are qualified to act as Company Secretary under Section 235(2) of the CA 2016. The Company Secretary plays an important advisory role and is a source of information and advice to the Board and Committees on issues relating to compliance with laws, rules, procedures and regulations affecting the Company and Group.

The Board shall ensure that the Company Secretaries remain competent to fulfill the function for which they have been appointed. In this respect, the appointment and removal of the Company Secretaries are matters for the Board to consider as a whole.

The specific responsibilities of the Company Secretaries include, but are not limited to the following:

- (a) manage all Board and Board Committee meeting logistics, attend and record minutes of all board and committee meetings and facilitate Board communication;
- (b) advise the Board on its roles and responsibilities;
- (c) facilitate the orientation of new directors and assists in directors' training and development;
- (d) advise the Board on corporate disclosures and compliance with company and securities regulations and listing requirements;
- (e) manage processes pertaining to the annual shareholder meeting;
- (f) monitor corporate governance developments and assist the Board in applying governance practices to meet the Board's needs and stakeholders' expectation; and
- (g) serve as a focal point for stakeholders' communication and engagement on corporate governance issues.

The Company Secretary's appointments and resignations are subject to Board's approval.

## B. EFFECTIVE AUDIT AND RISK MANAGEMENT

### Financial Reporting

The Board aims to present a balanced, clear and meaningful assessment of the Group's financial performance and position, and prospects in presenting the annual financial statements and quarterly reports as well as announcements to Bursa Securities. The Board is assisted by the AC in reviewing the Group's financial reporting processes and accuracy of its financial results, and scrutinising information for disclosure to ensure compliance with applicable approved accounting standards in Malaysia and the provisions of the CA 2016.

### Internal Control

The Board acknowledges its overall responsibility for maintaining a sound system of internal controls to safeguard shareholders' investment and the Group's assets. However, the Board recognises that such system is structured to manage rather than eliminate the possibility of encountering risk of failure to achieve corporate objectives.

The Statement on Risk Management and Internal Control is set out on page 50 of the Annual Report providing an overview of the state of internal controls, risk management framework and internal audit function within the Group.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

### Relationship with Auditors

The Company has established a formal, transparent and appropriate relationship with the Company's auditors, both internal and external. The internal auditors and the external auditors have direct access to the AC at all times. From time to time, the auditors will highlight to the AC and the Board matters that require the Board's attention.

The AC meets with the external auditors at least twice a year without the presence of Executive Directors and management to discuss their audit plan and audit findings. The AC reviews with the external auditors the annual audited financial statements before recommending them to the Board for its approval.

The AC assesses the effectiveness of both internal and external audit as well as the suitability, independence and objectivity of the external auditors. In its assessment, the AC considered several factors, which included adequacy of experience and resources of the firm and the professional staff assigned to the audit. Written assurance shall be obtained from the external auditors yearly, confirming their independence in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants.

Being satisfied with the external auditors, Ernst & Young PLT's ("EY") performance, technical competency and audit independence, the AC recommended the appointment of EY as external auditors for FY2019. The Board at its meeting held on 22 April 2020 approved the AC's recommendation for the shareholders' approval to be sought at the 11th AGM on the appointment of EY as external auditors of the Company for FY2020.

## C. INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

### DISCLOSURE POLICY, INVESTOR RELATIONS AND SHAREHOLDER COMMUNICATION

The Board shall place great importance in ensuring the high standards of transparency and accountability in its communication to shareholders, analysts and the public. The shareholders shall be informed of all material matters affecting the Company and Group.

The channels of communication, amongst others, are as follows:-

- (a) timely announcements made to Bursa Securities, which includes quarterly financial results, material contracts awarded, changes in the composition of the Group and any other material information that may affect investors' decision making;
- (b) conducts dialogues with financial analysts from time to time as a means of effective communication that enables the Board and Management to convey information relating to the Company's performance, corporate strategy and other matters affecting shareholders' interests; and
- (c) The Company's website which provides easy access to corporate information pertaining to the Company and its activities and is continuously updated. All announcements made to Bursa Securities are updated on the Company's website as soon as practical.

The AGM is the principal forum for dialogue with shareholders. At each AGM, a presentation is given by the CEO or the Finance Director ("FD") to explain the Group's strategy, performance and major developments to shareholders. The Board also encourages shareholders to participate in the question and answer session at the AGM.

Key investor relation activities during FY2019 include the followings:

- Semi-annually investors and financial analysts briefings;
- Participation in events or roadshows organised by investment banks; and
- Private meetings with fund managers, investors and financial analysts.

The Board is mindful on the importance of maintaining proper corporate disclosure procedures with the aim to provide shareholders and investors with comprehensive, accurate and quality information on a timely basis. Personnel and working team preparing the disclosure will conduct due diligence and proper verification, as well as coordinate the efficient disclosure of material information to the investing public. The Company also ensures that confidential information is handled properly by Directors, employees and relevant parties to avoid leakage and improper use of such information.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

### **STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS**

The Company dispatches its notice of AGM to shareholders at least 28 days before the AGM, in advance of the notice period as required under the CA 2016 and MMLR. The additional time given to shareholders allows them to go through the Annual Report and Circular to shareholders, and make the necessary attendance and voting arrangements.

The Company allows a member to appoint a proxy who may be a member of the Company. If the proxy is not a member of the Company, he/she need not be an advocate, an approved company auditor or a person approved by the Companies Commission of Malaysia. The Company has also removed the limit on the number of proxies to be appointed by an exempt authorised nominee with shares in the Company for Omnibus account to allow greater participation of beneficial owners of shares at general meetings of the Company. The Constitution of the Company further accord proxies the same rights as members to attend, participate, speak and vote at the general meeting. Essentially, a corporate representative, proxy or attorney is entitled to attend, speak and vote as if they were a member of the Company.

The AGM is the principal forum for dialogue with individual shareholders, as it provides shareholders the opportunity to ask questions about the resolutions being proposed or about the Group's operations in general. In every AGM, the CEO or FD conducts a presentation on the performance of the Group and encourages the shareholders to enquire about the Group's performance. The Directors, Company Secretary and the Company's external auditors are available to respond to the queries raised. The Share Registrar is available to attend to matters relating to shareholders' interests. Summary of key matters discussed at the AGM was published on the Company's website at <http://www.kimlun.com>.

Extraordinary General Meetings ("EGM") are held as and when required. When an EGM is held to obtain shareholders' approval on certain business or corporate proposals, comprehensive circulars to shareholders will be sent within prescribed deadlines in accordance with regulatory and statutory provisions.

The Board put all resolutions to vote by poll and make an announcement of the detailed results showing the number of votes cast for and against each resolution.

This statement is made in accordance with the resolution of the Board of Directors dated 22 April 2020.

## ADDITIONAL COMPLIANCE INFORMATION DISCLOSURES

### Utilisation of Proceeds Raised From Corporate Proposal

Net proceeds raised from the Dividend Reinvestment Plan (“DRP”) during FY2019 (after deducting estimated expenses of the DRP) had been fully utilised to fund general working capital of the Group.

### Non-Audit Fees

During FY2019, non-audit fees incurred for services rendered to the Company and/or its subsidiaries by the Company’s external auditors, or a firm affiliated to the external auditors were as follows:

	Audit Fee	Non-audit Fee
Company	RM38,000	RM10,500
Group	RM173,500	RM78,000

The non-audit fees were incurred mainly for corporate tax computation and submission services rendered to the Group by a firm affiliated to the external auditors.

### Material Contracts

Save as disclosed under Note 31 to the financial statements contained in this Annual Report, there were no material contracts including contracts relating to any loans entered into by the Company and its subsidiaries involving Directors and major shareholders’ interest, either still subsisting at the end of FY2019 or entered into since the end of the previous financial year.

### Recurrent Related Party Transactions of Revenue and Trading Nature (“RRPT”)

The Company had at the 10th AGM of the Company held on 17 June 2019 obtained shareholders’ mandate for the Group to enter into RRPT, which are necessary for its day-to-day operations and are in the ordinary course of business with related parties. The shareholders’ mandate shall lapse at the conclusion of the Company’s forthcoming AGM. The Company intends to seek a renewal of the shareholders’ mandate for the RRPT at the Company’s forthcoming AGM.

The details of the mandated RRPTs transacted during FY2019 are as follows:

Subsidiaries involved	Transacting Parties	Categories of transactions	Value transacted RM’000	Interested Directors and Major Shareholders
Kimlun Sdn Bhd (“KLSB”)	Scudai Development Sdn Bhd (“SD”)	Provision of construction services by KLSB to SD for construction of buildings and infrastructure	6,410	<p>Pang Tin @ Pang Yon Tin<sup>^</sup>, his spouse and children collectively hold 90% interest in SD. Pang Khang Hau* holds 7.5% interest in SD.</p> <p>Pang Chew Ngo<sup>#</sup> is also deemed interested by virtue of her family relationship to Pang Tin @ Pang Yon Tin.</p> <p>Phin Sdn Bhd (“Phin”) is deemed interested by virtue of Pang Tin @ Pang Yon Tin’s interest in Phin<sup>™</sup> pursuant to Section 8 of the CA 2016.</p>
SPC Industries Sdn Bhd (“SPC”)	Sri Pulai Realty Sdn Bhd (“SPR”)	Renting of premises from SPR	723	<p>Phang Piow @ Pang Choo Ing, his spouse and his children collectively hold 100% interest in SPR.</p> <p>Pang Tin @ Pang Yon Tin<sup>^</sup> and Pang Chew Ngo<sup>#</sup> are deemed interested by virtue of their family relationship to Phang Piow @ Pang Choo Ing.</p> <p>Phin is deemed interested by virtue of Pang Tin @ Pang Yon Tin’s interest in Phin<sup>™</sup> pursuant to Section 8 of the CA 2016.</p>

## ADDITIONAL COMPLIANCE INFORMATION DISCLOSURES

(cont'd)

Subsidiaries involved	Transacting Parties	Categories of transactions	Value transacted RM'000	Interested Directors and Major Shareholders
SPC	Properties Watch Sdn Bhd ("PWSB")	Renting of premises from PWSB	1,157	<p>Pang Tin @ Pang Yon Tin<sup>^</sup> and his spouse collectively hold 100% interest in PWSB.</p> <p>Pang Khang Hau* and Pang Chew Ngo<sup>#</sup> are also deemed interested by virtue of their family relationship to Pang Tin @ Pang Yon Tin.</p> <p>Phin is deemed interested by virtue of Pang Tin @ Pang Yon Tin's interest in Phin<sup>∞</sup> pursuant to Section 8 of the CA 2016.</p>
SPC and Kimlun Land Sdn Bhd ("Kimlun Land")	Mi Lun Woodworks Sdn Bhd ("MLW")	Provision of landscaping & maintenance service by MLW to SPC and Kimlun Land	33	<p>Pang Tin @ Pang Yon Tin<sup>^</sup> and his spouse collectively hold 100% interest in MLW.</p> <p>Pang Khang Hau* and Pang Chew Ngo<sup>#</sup> are also deemed interested by virtue of their family relationship to Pang Tin @ Pang Yon Tin.</p> <p>Phin is deemed interested by virtue of Pang Tin @ Pang Yon Tin's interest in Phin<sup>∞</sup> pursuant to Section 8 of the CA 2016.</p>
KL Building Materials Sdn Bhd ("KLBM")	PWSB	Purchase of quarry products from PWSB	379	<p>Pang Tin @ Pang Yon Tin<sup>^</sup> and his spouse collectively hold 100% interest in PWSB.</p> <p>Pang Khang Hau* and Pang Chew Ngo<sup>#</sup> are also deemed interested by virtue of their family relationship to Pang Tin @ Pang Yon Tin.</p> <p>Phin is deemed interested by virtue of Pang Tin @ Pang Yon Tin's interest in Phin<sup>∞</sup> pursuant to Section 8 of the CA 2016.</p>

<sup>^</sup> Our Director and Major Shareholder<sup>\*</sup> Our Director and shareholder<sup>#</sup> Our shareholder and a Director of one of our subsidiary companies<sup>∞</sup> Our Major Shareholder

## AUDIT COMMITTEE REPORT

### AUDIT COMMITTEE COMPOSITION AND MEETINGS

The members of the Audit Committee ("AC") comprise of:-

- 1. Kek Chin Wu**  
Chairman / Independent Non-Executive Director
- 2. Dato' Paduka (Dr.) Ir. Hj. Keizrul Bin Abdullah**  
Member / Independent Non-Executive Director
- 3. Chua Kee Yat @ Koo Kee Yat**  
Member / Independent Non-Executive Director

The AC, which consists solely Independent Non-Executive Directors, comprise qualified individuals with the required skills and expertise to discharge the committee's functions and duties. All members of the AC, including the Chairman, will hold office only so long as they serve as Directors of the Company. The members of the AC are financially literate and have contributed to meaningful discussions in overseeing the integrity of the financial reporting processes and financial statements. Further, the members have experience and sufficient understanding that is relevant to the business and the industries the Group operates in.

The AC Chairman, Mr. Kek Chin Wu, is a fellow member of Association of Chartered Certified Accountants and a member of the Malaysian Institute of Accountants. Accordingly, the company complies with paragraph 15.09(1)(c)(i) of MMLR.

Annually, the term of office, independence and performance of the AC and each of its members are assessed by the Nomination Committee. Based on the said assessment, the AC and its members are found to have effectively discharged its duties in accordance with its terms of reference. The Board and the Nomination Committee were of the view that the AC has provided valuable recommendations to assist the Board in making informed decisions. The Board is kept informed of the AC's deliberations through its minutes and report, which is a standing agenda item in the scheduled meetings of the Board.

During the financial year ended 31 December 2019 ("FY2019"), the AC met five (5) times. The AC meetings were appropriately structured through the use of agendas, which were distributed to members prior to the meeting. The meeting attendance of the AC members is as follows:

Name of Directors	Number of Meetings		Percentage of Attendance
	Held During Director's Tenure in Office	Attendance	
Kek Chin Wu	5	5	100%
Dato' Paduka (Dr.) Ir. Hj. Keizrul Bin Abdullah	5	5	100%
Chua Kee Yat @ Koo Kee Yat	5	5	100%

### TERMS OF REFERENCE OF THE AUDIT COMMITTEE

The information on the terms of reference of the AC is available on the Company's website at <http://www.kimlun.com>.

### SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year, the AC met five times. In line with the terms of reference of the AC, the following activities were carried out by the AC during FY2019 in discharging its functions:

#### (1) External Audit

- (a) Met with the external auditors three times during FY2019 on 27 February 2019, 1 April 2019 and 28 November 2019 respectively on matters relating to the audit and financial statements without the presence of Management and Executive Directors;
- (b) Reviewed and discussed with the external auditors on their scope of work, engagement team, audit timeline, areas of audit emphasis, focus on key audit matters, accounting standards updates that affected financial reporting, the responsibilities of Directors and Management, and the FY2019 audit planning memorandum;

## AUDIT COMMITTEE REPORT

(cont'd)

- (c) Reviewed and discussed with the external auditors the results of their audit, their comments and conclusions on the significant audit findings, the audit report, management letter and their evaluation of the internal control;
- (d) Sought clarification from the Management on significant financial reporting issues, judgments made by the Management and matters highlighted by the external auditors. The AC was satisfied with the clarification from the Management and the actions taken by the Management to address the matters highlighted;
- (e) Reviewed the audit fees proposed by the external auditors and recommended the fees to the Board of Directors for approval;
- (f) Assessed the suitability, objectivity and independence of the external auditors. In its assessment, the AC considered several factors, which included adequacy of experience and resources of the firm, the professional staff assigned to the audit and the level of non-audit services to be rendered by the external auditors, Ernst & Young PLT ("EY"). Written assurance was received from the external auditors confirming their independence in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants. Being satisfied with EY's performance, technical competency and audit independence, the AC recommended the appointment of EY as external auditors for FY2019.

### (2) Financial Reporting

- (a) Reviewed the quarterly unaudited financial results, audited financial statements and Annual Report before recommending for the Board's approval focusing particularly on:-
  - (i) changes in or implementation of major accounting policy changes;
  - (ii) significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, key audit matters and how these matters are addressed;
  - (iii) compliance with accounting standards and other legal requirements; and
  - (iv) the going concern assumption.

The AC obtained the advice of the Company's Secretary and external auditors on compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the applicable approved Financial Reporting Standards issued by the Malaysian Accounting Standards Board, and other legal requirements;

- (b) Invited the Finance Director to all AC meetings to facilitate direct communication as well as to provide clarification on the financial results of the Group, the changes in or implementation of major accounting policy changes.

### (3) Internal Audit

- (a) Met with the internal auditors four (4) times during the year without the presence of any Executive Directors or Management of the Group;
- (b) Reviewed the internal audit plan, the adequacy of the scope and coverage of activities of the Group, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
- (c) Reviewed and deliberated on the audit findings in the internal audit reports tabled during the year, the audit recommendations made and Management's responses and/or actions taken to these recommendations. The AC briefed the Board on audit findings, sought clarifications from the Executive Directors on internal control matters and provided its views and recommendations on areas where improvements could be made;
- (d) Reviewed the results of follow-up audits conducted by the internal auditors on the Management's implementation of audit recommendations to ensure that all key risks and internal control weaknesses are properly addressed.

## AUDIT COMMITTEE REPORT

(cont'd)

### (4) Related Party Transactions

- (a) Reviewed related party transactions ("RPTs") on a quarterly basis and also the internal audit report on RPTs to ascertain that the review procedures established to monitor the RPTs have been complied with. The Management presented the RPTs reports detailing the parties to the RPTs, the nature and quantum of the RPTs to the AC quarterly for their review;
- (b) Reviewed the 2019 Circular to Shareholders in relation to the renewal of shareholders' mandate for Recurrent RPT, prior to its recommendation to the Board of Directors for approval.

### (5) Annual Report and Corporate Governance

- (a) Reviewed the application of corporate governance principles and the extent of the Group's compliance with the best practices set out under the Malaysian Code on Corporate Governance 2017 ("MCCG 2017"). In discharging its duty, the AC obtained the advices of the Company Secretary on MCCG 2017, and discussed with the Executive Directors on the application of the best practices set out under the MCCG 2017;
- (b) Reviewed the following statements/reports and recommended the same to the Board for inclusion in the Annual Report:
  - (i) Detailed Sustainability Overview Statement;
  - (ii) Corporate Governance Overview Statement;
  - (iii) Corporate Governance Report;
  - (iv) Statement on Risk Management and Internal Control; and
  - (v) Audit Committee Report.

### (6) Risk Management

Discussed with the Board of Directors, the material key risks affecting the Group, the mitigation plans and strategies implemented by Management and the residual risk scores of these risks.

## SUMMARY OF ACTIVITIES OF INTERNAL AUDIT FUNCTION

The Company has outsourced its internal audit function to NGL Tricor Governance Sdn. Bhd., a professional services firm. The internal audit function has been mandated to continually assess and monitor the Group's system of internal control.

During the financial year, the internal auditors carried out internal audit reviews to assess the adequacy and integrity of the system of internal control as established by the Management, so as to provide reasonable assurance that:-

- the system of internal control continues to operate satisfactorily and effectively;
- assets and resources are safeguarded;
- integrity of records and information is protected;
- internal policies, procedures and standards are adhered to; and
- applicable rules and regulations are complied with.

The scope of work, as approved by the AC, was essentially based on the risk profiles of individual business units in the Group, where areas of higher risk were included for internal audit. The internal audit covered key operational, financial and compliance controls, including the risk management process deployed by Management. Among the scope of coverage during the financial year were reviews of the project management system, safety and health function, related party transactions and project tendering system.

The internal audit reports ("IA Reports") with details on audit scope and methodology, process flow, critical process risks and relevant control activities, audit findings, areas of concern that require improvements, and audit recommendations were presented to the AC for its review and deliberation. The results of the audits in the IA Reports and the recommended corrective actions on reported weaknesses to be undertaken by the relevant Management team members within the required timeframes would be discussed at the Board meetings. The IA Reports were also forwarded to the Management for the necessary corrective actions. The internal auditors also conducted follow-up audits on key engagements to ensure that the corrective actions were implemented appropriately.

This statement is made in accordance with the resolution of the Board of Directors dated 22 April 2020.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

### INTRODUCTION

The Board is committed to maintaining a sound system of risk management and internal control in the Group to safeguard shareholders' investments and the Group's assets. The Board is pleased to provide the Statement on Risk Management and Internal Control which outlines the nature and scope of risk management and internal control of the Group for the financial year ended 31 December 2019 ("FY2019") under review, in accordance with paragraph 15.26(b) of Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). For the purpose of this Statement, the Group comprises the holding company and its subsidiaries.

### RESPONSIBILITIES OF THE BOARD

The Board acknowledges the importance of maintaining an effective and sound system of risk management and internal control, covering all its financial and operating activities, to safeguard shareholders' investments and the Group's assets. Notwithstanding this, due to the limitations that are inherent in any system of internal control, the Group's internal control system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss. Accordingly, the Board affirms its responsibility for the Group's system of risk management and internal control and its commitment to review its effectiveness, adequacy and integrity to ensure implementation of an appropriate system to effectively and continuously identify, evaluate and manage principal risks of the Group and to mitigate the effects of the principal risks on achieving the Group's business objectives.

The Group's system of internal control covers risk management and financial, operational and compliance controls. The Board continually reviews the system of internal control to ensure that it provides a reasonable but not absolute assurance against material misstatement of financial information and records, or against financial losses or fraud.

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. The Management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.

The Board has received assurance from the Chief Executive Officer and the Chief Financial Officer that the Group's risk management and internal control system is operating adequately and effectively in all material aspects.

The Board has taken the necessary steps to ensure that appropriate systems are in place for the assets of the Group to be adequately safeguarded through the prevention and detection of fraud and other irregularities and material misstatements. The Board is of the view that the risk management and internal control system in place for the year under review and up to the date of issuance of the financial statements is adequate and effective.

### RISK MANAGEMENT FRAMEWORK

The Board has overall accountability for ensuring that risks are effectively managed across the Group, and on behalf of the Board, the Audit Committee ("AC") reviews the effectiveness of the Group's risk management process.

During FY2019, the Group operates within an enterprise risk management framework. A Risk Management Committee ("RMC") that comprises Executive Directors of the Company and appointed key management personnel has been established to assume the following functions:

- a) To oversee the risk management activities of the Group. The RMC supports the Board in fulfilling its responsibility for identifying significant risks and ensuring the implementation of appropriate systems to manage the overall risk exposure of the Group; and
- b) To review and recommend the Group's risk management policies and strategies for the Board's approval.

The main functions and duties of the RMC include, but are not limited to:

- (i) Provides oversight, direction and counsel to the Group risk management process which includes:
  - Evaluating and identifying new risks;
  - Reviewing and updating the Risk Register and ensuring that significant risks are being responded to appropriately; and
  - Monitoring the Group's risk exposures and ensuring the implementation of management action plans to mitigate significant risks identified.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(cont'd)

- (ii) Evaluates the effectiveness of the risk management processes and support system to identify, assess, monitor and manage the Group's key risks;
- (iii) Meets with senior management on a semi-annual basis to discuss and deliberate on the significant risks affecting the Group within the context of the business objectives and strategy;
- (iv) Establish Group risk management guidelines and policies and ensure implementation of the objectives outlined therein and compliance thereto;
- (v) Recommends for the Board's approval, the Group risk management policies, strategies and risk tolerance levels, and any proposed changes thereto; and
- (vi) Reviews significant investment proposals.

A risk management report is tabled for AC and Board discussion annually or at shorter intervals where necessary. The report identifies principal risks affecting or are likely to affect the Group, and the appropriate systems or actions to manage the risks.

The key risks and some of the control measures for FY2019 are set out below:

Risk area	Control measures taken to mitigate the risks
<p>Operational Risks</p> <ul style="list-style-type: none"> <li>• As in any business, the Group is subject to operational risks which are inherent in the industry which the Group is operating such as delay in progress of construction leading to Liquidated Ascertained Damages, cost overrun, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Organisation structure outlining the lines of responsibilities and authorities for planning, executing, controlling and monitoring the business operations.</li> <li>• Periodic operational review meetings attended by the Executive Directors, heads of departments and key management staff to consider financial and operational risks and issues of the Group as well as any management proposal.</li> <li>• Monitoring of actual performance against annual budget by the Board.</li> <li>• Relocate loyal and experienced employees to lead branches' operations.</li> <li>• Engagement of specialist to provide consultancy services for technically complicated works.</li> <li>• Formalised whistle blowing policy, code of conduct and written policies and procedures on major processes to ensure compliance with internal control systems and relevant laws and regulations.</li> <li>• Appointment of staff based on the required level of qualification, experience and competency.</li> </ul>
<p>Credit, financial and liquidity risks</p> <ul style="list-style-type: none"> <li>• The Group faces the threat of delays in payment by customers for work done which will eventually affect the Group's cash flow, and heighten the risks of debts becoming unrecoverable.</li> </ul>	<ul style="list-style-type: none"> <li>• Background check of prospective customers prior to accepting any engagement from such parties.</li> <li>• Close monitoring of collection by the finance department with weekly updates to the senior management as to collection received and incidence of delay.</li> <li>• Timely follow up with the customers on overdue payment and retention sum.</li> <li>• Avoid over concentration of sales and credit exposure to any customer to prevent over-dependence on any customer.</li> <li>• Actively monitor the Group's banking facilities to ensure the facilities are sufficient to meet the Group's working capital and capital expenditures requirement, and negotiate with bankers for credit facilities features which enable greater flexibility in the Group's financial resources management.</li> </ul>
<p>Market risks</p> <ul style="list-style-type: none"> <li>• The Group operates in a competitive environment and failure to compete effectively against its existing competitors and new market entrants will affect its performance.</li> </ul>	<ul style="list-style-type: none"> <li>• Established quality control procedures and project tendering guidelines to ensure quality services and products to customers, and cost efficiency.</li> <li>• Nurture close relationship with customers, sub-contractors and suppliers.</li> <li>• Establish wide range of services and products to diversify product risks and reduce reliance on any particular services or products for revenue.</li> <li>• Focus in more technical demanding products and services to create a market niche or speciality.</li> <li>• Bid for projects jointly with parties which have complementary strength to the Group.</li> <li>• Diversify base of customers, sub-contractors and suppliers.</li> </ul>

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(cont'd)

Risk area	Control measures taken to mitigate the risks
<p>Human resource risks</p> <ul style="list-style-type: none"> <li>The Group believes its future success largely depends on the Group's ability to hire, develop, motivate and retain competent employees and key personnel. The Group's key management team may be difficult to replace as they have been instrumental in the development, growth and success of the Group.</li> </ul>	<ul style="list-style-type: none"> <li>Succession planning in human resources.</li> <li>Competitive remuneration packages to attract, reward, retain and motivate talents.</li> <li>Appropriate training and development to nurture and groom existing staff force.</li> <li>Internship program for university students to identify potential talents that the Group can employ.</li> </ul>

**INTERNAL CONTROL**

The Group has established an organisation structure outlining the lines of responsibilities and authorities for planning, executing, controlling and monitoring the business operations aligned to business and operations requirements which supports the maintenance of a strong control environment. It has extended the responsibilities of the AC and of the Board to include the assessment of internal controls through the internal audit function.

Other key elements of the system of internal control of the Group are as follows: -

- The Board established a hierarchical organisation structure with proper segregation of duties for key functions of the operations of the Group;
- Delegation of authority including authorisation limits at various levels of management and those requiring the Board's approval are clearly defined to ensure accountability and responsibility;
- Standard operating procedure manuals set out the policies and procedures for day to day operations to be carried out. Reviews are performed to ensure that documentation remains current, relevant and aligned with evolving business and operational needs;
- Formation of committee to evaluate and approve related party project tenders;
- Appointment of staff is based on the required level of qualification, experience and competency to fulfil their responsibilities. Training and development programmes are carried out to ensure that staff are kept up to date with the necessary competencies and knowledge to carry out their responsibilities towards achieving the Group's objectives;
- There is an annual budgeting process. The Board reviews the actual performance against budget;
- Regular and comprehensive information are provided to the Board for monitoring and tracking of performance of the Group;
- Periodic operational review meetings are held and attended by the Executive Directors, heads of department and key management staff to consider financial and operational issues of the Group as well as any management proposal;
- Active involvement of directors in the operation and management of newly set up branch and subsidiary companies;
- Centralised control of financial resources by head office of respective subsidiary companies;
- Formalised whistle blowing policy and code of conduct are established to ensure high standards of conduct and ethics in the business operations;
- ISO 9001:2008 Quality Management System has been implemented for certain subsidiaries of the Company. Annual surveillance audits are conducted by a certification body to provide assurance of compliance with ISO 9001:2008;
- Adequate insurance coverage and physical safeguarding of major assets are in place to guard against any mishap that may result in material losses to the Group;
- The internal audit function provides reasonable assurance on the effectiveness of the system of internal control within the Group. Internal audits are conducted to review the effectiveness of the control procedures and are directed towards areas with significant risks as identified by the AC and Management, and the risk management process is being audited to provide assurance on the management of risks; and
- Review of internal audit reports and follow-up on audit findings by the AC. The internal audit reports are deliberated by the AC and are subsequently presented to the Board on a quarterly basis where the AC sought clarifications from the Executive Directors on internal control matters and provided its views and recommendations on areas where improvements could be made.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(cont'd)

### INTERNAL AUDIT FUNCTION

The Group has outsourced its internal audit function to NGL Tricor Governance Sdn. Bhd., a professional service firm. The firm and its assigned personnel report directly to the AC and are free from any relationships or conflicts of interest, which could impair their objectivity and independence. The internal audit function has been mandated to continually assess and monitor the Group's system of internal control. The total cost paid or payable by the Group to the professional service firm amounted to RM49,500 for FY 2019.

The internal audit function adopts a risk-based approach and prepares its audit strategy and plans based on the risk profiles of individual business units of the Group. These plans are updated periodically and approved by the AC. The internal audit function employs the widely used internal control guidance, the Internal Control - Integrated Framework issued by the Committee of Sponsoring Organisations ("COSO") of the Treadway Commission in assessing and monitoring the effectiveness of the Group's internal control. The monitoring, review and reporting arrangements undertaken by the Internal Auditor gives reasonable assurance that the internal controls embedded within the major business processes of the Group are appropriate to the Group's operations to adequately manage the key risks of the Group.

The key elements of the Group's internal audit function are described below:

1. Prepare a detailed Audit Plan based on a risk-based methodology with the scope and frequency of the internal audit activities for the AC's approval.
2. Carry out audit activities on business units of the Group to ascertain the adequacy and integrity of their system of internal controls, governance and risk management.
3. Report to the Management upon completion of each audit on any significant control lapses and/or deficiencies noted from the reviews for their verification and corrective action plan.
4. Report to the AC on all significant non-compliance, internal control weaknesses and agreed actions taken by Management to resolve the audit issues identified.
5. Follow-up on internal audit issues identified to ascertain whether agreed corrective action plan has been carried out by the Management and provide updates to the AC.

### WEAKNESSES IN INTERNAL CONTROLS WHICH RESULTED IN MATERIAL LOSSES

There were no major weaknesses in internal controls which resulted in material losses during the financial year under review until the date of approval of this Statement.

### REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control and reported to the Board that nothing has come to their attention that causes them to believe the Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the Group's internal control system.

This statement is made in accordance with the resolution of the Board of Directors dated 22 April 2020.

## STATEMENT ON DIRECTORS' RESPONSIBILITY

### FOR THE AUDITED FINANCIAL STATEMENTS

The Directors acknowledged their responsibilities as required by the Companies Act 2016 to prepare the financial statements for each financial year so as to give a true and fair view of the state of affairs of the Group and the Company as at end of the financial year and of the results and cash flow of the Group and the Company for the financial year then ended.

In the preparation of the financial statements, the Directors have:

- adopted appropriate accounting policies and apply them consistently;
- made judgments and estimates that are reasonable and prudent;
- ensured that applicable approved accounting standards have been complied with; and
- ensured the financial statements has been prepared on a going concern basis.

The Directors are responsible for ensuring that proper accounting and other records are kept which disclose with reasonable accuracy at any time the financial position of the Group and the Company and to enable them to ensure that the financial statements comply with the Companies Act 2016. The Directors are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

This statement on Directors' responsibility is made in accordance with the resolution of the Board of Directors dated 22 April 2020.

# FINANCIAL STATEMENTS



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## DIRECTORS' REPORT

The directors have pleasure in presenting 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 other information on the subsidiaries are disclosed in Note 16 to the financial statements.

### Results

	Group RM	Company RM
Profit net of tax	<u>58,369,053</u>	<u>24,051,171</u>
Attributable to:		
Owners of the Company	58,391,361	24,051,171
Non-controlling interests	<u>(22,308)</u>	-
	<u>58,369,053</u>	<u>24,051,171</u>

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

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

### Dividends

The amount of dividends paid by the Company since 31 December 2018 was as follows:

	RM
In respect of the financial year ended 31 December 2018 as reported in the directors' report of that year:	
Final (single-tier) dividend of 3.70 sen per ordinary share, on 331,871,104 ordinary shares, declared on 17 June 2019 and paid on 31 July 2019	<u>12,279,225</u>

## DIRECTORS' REPORT

(cont'd)

### Dividends (cont'd)

The shareholders of the Company ("Shareholders") have been granted an option to elect to reinvest their entitlement of the abovementioned final dividend in new ordinary shares in the Company ("New Shares") in accordance with the approved Dividend Reinvestment Plan of the Company ("DRP"). The reinvestment rate for the abovementioned dividend was 80.73%.

At the forthcoming Annual General Meeting ("AGM"), a final (single-tier) dividend in respect of the financial year ended 31 December 2019, of 3.30 sen per ordinary share will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2020.

The Board of Directors has determined that the DRP will apply to the final dividend and the shareholders will be given an option to reinvest the entire final dividend in New Shares ("Reinvestment Option"), subject to approvals being obtained from the following:

- (i) Bursa Malaysia Securities Berhad ("Bursa Securities") for the listing and quotation of the New Shares on the Main Market of Bursa Securities;
- (ii) Shareholders in the forthcoming AGM for the declaration of the final dividend and the issuance of such number of New Shares as may be required pursuant to the exercise of the Reinvestment Option by the shareholders; and
- (iii) Approval from other relevant authorities and/ or parties, if required.

### Directors

The names of the directors of the Company in office since the beginning of the financial year to the date of this report are:

Pang Tin @ Pang Yon Tin\*\*

Sim Tian Liang\*\*

Chin Lian Hing\*\*

Yam Tai Fong (f)\*\*

Pang Khang Hau\*\*

Kek Chin Wu

Dato' Paduka (Dr.) Ir. Hj. Keizrul Bin Abdullah @ Lim Teik Keat

Chua Kee Yat @ Koo Kee Yat\*\*

\*\* These directors are also directors of the Company's subsidiaries.

## DIRECTORS' REPORT

(cont'd)

**Directors (cont'd)**

The names of the directors of the Company's subsidiaries in office since the beginning of the financial year to the date of this report (not including those directors listed above) are:

Pang Chew Ngo  
Chia Boo Hooi  
Lee Kai Long  
Lew Kim Bock

**Directors' benefits**

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 31 to the financial statements.

The directors' benefits are as follows:

	<b>Group RM</b>	<b>Company RM</b>
Salaries, bonus and other emoluments	4,205,801	15,300
Defined contribution plan	701,977	-
Fees	241,200	241,200
Estimated money value of benefits-in-kind	102,298	-
	<u>5,251,276</u>	<u>256,500</u>

**Directors and officers indemnity and insurance cost**

Directors and officers of the Company and its subsidiaries are covered under a Directors' and Officers' Liability Insurance against personal liability that they may incur in respect of amounts which they may be liable for in respect of claims made against them arising out of the performance of their duties. During the financial year, the insurance premium paid for the insurance is RM21,500.

## DIRECTORS' REPORT

(cont'd)

**Directors' interests**

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares and warrants in the Company during the financial year were as follows:

**(a) Shares in the Company**

	1 January 2019	Number of ordinary shares		31 December 2019
		Bought/ Reinvested via DRP	Sold	
<b>Direct interest:</b>				
Pang Tin @ Pang Yon Tin	17,655,227	522,594	-	18,177,821
Sim Tian Liang	8,449,661	301,588	-	8,751,249
Chin Lian Hing	8,857,386	262,177	-	9,119,563
Yam Tai Fong (f)	9,070,355	268,481	-	9,338,836
Pang Khang Hau	19,661,849	581,990	-	20,243,839
Kek Chin Wu	354,721	10,499	-	365,220
<b>Dato' Paduka (Dr.) Ir. Hj. Keizrul</b>				
Bin Abdullah @ Lim Teik Keat	80,999	2,397	-	83,396
Chua Kee Yat @ Koo Kee Yat	37,800	-	-	37,800
<b>Indirect interest:</b>				
Pang Tin @ Pang Yon Tin	132,334,903	3,917,110	-	136,252,013

By virtue of his interest in the shares of the Company, Pang Tin @ Pang Yon Tin is also deemed interested in the shares of the subsidiaries to the extent that the Company has an interest.

**(b) Warrants 2014/2024 in the Company**

	1 January 2019	Number of warrants		31 December 2019
		Bought	Sold	
<b>Direct interest:</b>				
Pang Tin @ Pang Yon Tin	2,928,100	-	-	2,928,100
Sim Tian Liang	100,000	-	-	100,000
Yam Tai Fong (f)	450,000	-	-	450,000
Pang Khang Hau	3,641,900	-	-	3,641,900
Kek Chin Wu	78,500	-	-	78,500
<b>Dato' Paduka (Dr.) Ir. Hj. Keizrul</b>				
Bin Abdullah @ Lim Teik Keat	13,000	-	-	13,000
Chua Kee Yat @ Koo Kee Yat	7,800	-	-	7,800
<b>Indirect interest:</b>				
Pang Tin @ Pang Yon Tin	23,119,900	-	-	23,119,900

## DIRECTORS' REPORT

(cont'd)

### Issue of shares

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM237,451,519 to RM247,278,704 by way of issuance of 7,929,839 ordinary shares arising from the DRP pertaining to the final (single-tier) dividend of 3.70 sen per share in respect of the financial year ended 31 December 2018.

The new ordinary shares issued rank pari passu in all respects with the existing ordinary shares of the Company.

### Warrants 2014/2024

Details of the Warrants 2014/2024 are disclosed in Note 30(b) to the financial statements.

### Other statutory information

- (a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, 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 satisfied themselves that all known bad debts had been written off and that adequate provision has been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) the amount 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 substantial extent; and
  - (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.

## DIRECTORS' REPORT

(cont'd)

### Other statutory information (cont'd)

- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
  - (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
  - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
  - (ii) other than as disclosed in the financial statements, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

### Subsequent event

Details of a subsequent event are disclosed in Note 38 to the financial statements.

## DIRECTORS' REPORT

(cont'd)

**Auditors**

The auditors, Ernst & Young PLT, have expressed their willingness to continue in office.

Auditors' remuneration is as follows:

	<b>Group RM</b>	<b>Company RM</b>
Ernst & Young PLT	173,500	38,000
Other auditor	4,859	-
Other services	<u>5,000</u>	<u>5,000</u>

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young PLT, as part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young PLT during or since the end of the financial year.

Signed on behalf of the Board in accordance with a resolution of the directors dated 3 June 2020.

Pang Tin @ Pang Yon Tin

Sim Tian Liang

## STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act 2016

We, Pang Tin @ Pang Yon Tin and Sim Tian Liang, being two of the directors of Kimlun Corporation Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 70 to 159 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements 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 their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 3 June 2020.

Pang Tin @ Pang Yon Tin

Sim Tian Liang

## STATUTORY DECLARATION

Pursuant to Section 251(1)(b) of the Companies Act 2016

I, Yam Tai Fong, being the director primarily responsible for the financial management of Kimlun Corporation Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 70 to 159 are in my opinion 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 Yam Tai Fong at )  
Petaling Jaya in the State of Selangor )  
Darul Ehsan on 3 June 2020 )

Yam Tai Fong

Before me,

## INDEPENDENT AUDITORS' REPORT

To the members of Kimlun Corporation Berhad (Incorporated in Malaysia)

### Report on the audit of the financial statements

#### *Opinion*

We have audited the financial statements of Kimlun Corporation Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 70 to 159.

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 their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards 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. 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 audit 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 Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

## INDEPENDENT AUDITORS' REPORT

To the members of Kimlun Corporation Berhad (Incorporated in Malaysia)(cont'd)

### *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. We have determined that there is no key audit matter to communicate in our report on the financial statements of the Company. The key audit matters for the audit of the financial statements of the Group are described below. These matters were addressed in the context of our audit of the financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditors' responsibilities for the audit of the financial statements* section of our report, including those in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

### **Recognition of revenue and cost of construction**

The Group is involved in a number of significant construction contracts for which it applies the percentage of completion method. The revenue and cost of construction contributed to approximately 79% and 81% respectively of the Group's revenue and costs.

We focused on this area because management made significant judgement and estimates in determining the estimated total contract costs and the extent of cost incurred, which form part of the computation of percentage of completion.

The notes relating to revenue recognition are disclosed in Note 2.22 (a), Note 3.2 (b)(i) and Note 4 to the financial statements.

As part of our audit, we performed the following:

We obtained an understanding of contractual terms and conditions of significant projects;

We obtained an understanding of the relevant controls performed by management in estimating the timing of revenue recognition, total contract costs, profit margin, and percentage of completion of a contract;

We discussed the status of projects under construction with the management, finance and the project leaders. We also observed the progress of the projects by performing site visits and compared the estimated stage of completion to architect certificates;

## INDEPENDENT AUDITORS' REPORT

To the members of Kimlun Corporation Berhad (Incorporated in Malaysia)(cont'd)

### **Recognition of revenue and cost of construction (cont'd)**

We assessed management's assumptions in determining the percentage of completion of a contract. Our audit procedures included amongst others, agreeing the estimated construction cost to the awarded contracts, and assessing the completeness of the cost incurred by vouching to the latest progress claims from sub-contractors;

We tested management's workings on the computation of percentage of completion; and

We tested management's workings on the computation of revenue. Our audit procedures included, amongst others and where applicable, agreeing the contract revenue to the original signed contracts, letter of awards and approved variation orders.

### *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 Directors' Report and 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 and will 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 identified above 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 on the other information that we obtained prior to the date of this auditors' report, 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.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Company and take appropriate action.

## INDEPENDENT AUDITORS' REPORT

To the members of Kimlun Corporation Berhad (Incorporated in Malaysia)(cont'd)

### *Responsibilities of the 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 Malaysian Financial Reporting Standards, International Financial Reporting Standards 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 Group's and the Company's ability 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.

### *Auditor's 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 International Standard on Auditing 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 International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the planning and performance of the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, 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.
- 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 Group's and the Company's internal control.

## INDEPENDENT AUDITORS' REPORT

To the members of Kimlun Corporation Berhad (Incorporated in Malaysia)(cont'd)

### *Auditor's responsibilities for the audit of the financial statements (cont'd)*

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's 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 Group's or the Company's ability 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.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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 those charged with governance 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 those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current financial 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 Kimlun Corporation 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.

Ernst & Young PLT  
202006000003 (LLP0022760-LCA) & AF 0039  
Chartered Accountants

Tan Jin Xiang  
03348/01/2022 J  
Chartered Accountant

Johor Bahru, Malaysia  
Date: 3 June 2020

**STATEMENTS OF COMPREHENSIVE INCOME**

For the financial year ended 31 December 2019

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
<b>Revenue</b>					
Revenue from contracts with customers	4(a)	1,302,785,140	1,011,929,752	-	-
Other revenue	4(c)	33,254	48,812	25,179,662	19,040,162
		<u>1,302,818,394</u>	<u>1,011,978,564</u>	<u>25,179,662</u>	<u>19,040,162</u>
Cost of sales		<u>(1,168,701,821)</u>	<u>(883,951,794)</u>	<u>-</u>	<u>-</u>
<b>Gross profit</b>		<b>134,116,573</b>	<b>128,026,770</b>	<b>25,179,662</b>	<b>19,040,162</b>
<b>Other item of income</b>					
Other operating income	5	7,761,897	8,345,258	-	-
Share of (loss)/profit of joint ventures		(372,583)	809,691	-	-
<b>Other items of expenses</b>					
Administration expenses		(45,087,831)	(43,633,702)	(835,115)	(729,437)
Finance costs	6	<u>(16,730,966)</u>	<u>(11,881,755)</u>	<u>-</u>	<u>-</u>
<b>Profit before tax</b>	7	<b>79,687,090</b>	<b>81,666,262</b>	<b>24,344,547</b>	<b>18,310,725</b>
Income tax expense	10	<u>(21,318,037)</u>	<u>(20,601,154)</u>	<u>(293,376)</u>	<u>(459,426)</u>
<b>Profit net of tax</b>		<b><u>58,369,053</u></b>	<b><u>61,065,108</u></b>	<b><u>24,051,171</u></b>	<b><u>17,851,299</u></b>
<b>Other comprehensive income/(loss):</b>					
Foreign currency translation		<u>244</u>	<u>(697)</u>	<u>-</u>	<u>-</u>
<b>Other comprehensive income/(loss) for the year, net of tax</b>		<b><u>244</u></b>	<b><u>(697)</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Total comprehensive income for the year</b>		<b><u>58,369,297</u></b>	<b><u>61,064,411</u></b>	<b><u>24,051,171</u></b>	<b><u>17,851,299</u></b>
<b>Profit attributable to:</b>					
Owners of the Company		58,391,361	61,138,672	24,051,171	17,851,299
Non-controlling interests		<u>(22,308)</u>	<u>(73,564)</u>	<u>-</u>	<u>-</u>
		<b><u>58,369,053</u></b>	<b><u>61,065,108</u></b>	<b><u>24,051,171</u></b>	<b><u>17,851,299</u></b>
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		58,391,605	61,137,975	24,051,171	17,851,299
Non-controlling interests		<u>(22,308)</u>	<u>(73,564)</u>	<u>-</u>	<u>-</u>
		<b><u>58,369,297</u></b>	<b><u>61,064,411</u></b>	<b><u>24,051,171</u></b>	<b><u>17,851,299</u></b>

## STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2019 (cont'd)

		<b>Group</b>	
	<b>Note</b>	<b>2019 RM</b>	<b>2018 RM</b>
<b>Earnings per share attributable to owners of the Company (sen per share)</b>			
Basic	11	<u>17.42</u>	<u>18.81</u>
Diluted	11	<u>17.42</u>	<u>18.81</u>

**STATEMENTS OF FINANCIAL POSITION**

As at 31 December 2019

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	12	203,004,568	229,495,364	-	-
Right-of-use assets	13	6,092,998	-	-	-
Land held for development	19(a)	158,819,727	70,241,486	-	-
Investment properties	14	3,348,188	7,026,805	-	-
Other investments	15	75,000	75,000	-	-
Investments in subsidiaries	16	-	-	267,773,995	229,318,796
Investment in joint ventures	17	18,239,878	18,612,461	-	-
		<u>389,580,359</u>	<u>325,451,116</u>	<u>267,773,995</u>	<u>229,318,796</u>
<b>Current assets</b>					
Properties held for sale	18	388,938	1,829,232	-	-
Development properties	19(b)	131,605,975	105,452,821	-	-
Inventories	20	79,997,689	122,239,665	-	-
Trade and other receivables	21	486,272,312	455,169,835	25,954,237	40,970,288
Prepayment		6,827,417	5,292,589	7,475	7,475
Contract assets	4(b)	386,551,692	346,132,879	-	-
Cash and bank balances	22	64,940,265	35,569,427	588,331	2,400,916
		<u>1,156,584,288</u>	<u>1,071,686,448</u>	<u>26,550,043</u>	<u>43,378,679</u>
<b>Total assets</b>		<u><u>1,546,164,647</u></u>	<u><u>1,397,137,564</u></u>	<u><u>294,324,038</u></u>	<u><u>272,697,475</u></u>

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019 (cont'd)

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
<b>Equity and liabilities</b>					
<b>Current liabilities</b>					
Loans and borrowings	23	252,384,609	193,147,725	-	-
Lease liabilities	24	3,334,634	-	-	-
Trade and other payables	25	334,102,345	365,776,107	365,020	259,395
Contract liabilities	4(b)	49,490,344	68,267,859	-	-
Income tax payable		10,958,590	7,941,408	85,459	163,652
Provisions	26	17,170,000	13,421,000	-	-
		<u>667,440,522</u>	<u>648,554,099</u>	<u>450,479</u>	<u>423,047</u>
<b>Net current assets</b>		<u>489,143,766</u>	<u>423,132,349</u>	<u>26,099,564</u>	<u>42,955,632</u>
<b>Non-current liabilities</b>					
Loans and borrowings	23	154,224,198	80,006,046	-	-
Lease liabilities	24	3,009,002	-	-	-
Deferred tax liabilities	27	962,048	3,781,156	-	-
		<u>158,195,248</u>	<u>83,787,202</u>	<u>-</u>	<u>-</u>
<b>Total liabilities</b>		<u>825,635,770</u>	<u>732,341,301</u>	<u>450,479</u>	<u>423,047</u>
<b>Net assets</b>		<u>720,528,877</u>	<u>664,796,263</u>	<u>293,873,559</u>	<u>272,274,428</u>
<b>Equity attributable to owners of the Company</b>					
Share capital	28	247,278,704	237,451,519	247,278,704	237,451,519
Treasury shares	28	(23,774)	(23,774)	(23,774)	(23,774)
Retained earnings	29	439,094,889	393,167,396	12,424,961	653,015
Other reserves	30	34,122,629	34,122,385	34,193,668	34,193,668
		<u>720,472,448</u>	<u>664,717,526</u>	<u>293,873,559</u>	<u>272,274,428</u>
Non-controlling interests		<u>56,429</u>	<u>78,737</u>	<u>-</u>	<u>-</u>
<b>Total equity</b>		<u>720,528,877</u>	<u>664,796,263</u>	<u>293,873,559</u>	<u>272,274,428</u>
<b>Total equity and liabilities</b>		<u><u>1,546,164,647</u></u>	<u><u>1,397,137,564</u></u>	<u><u>294,324,038</u></u>	<u><u>272,697,475</u></u>

## STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

Group	Note	Equity, total RM	Attributable to owners of the Company			Non-distributable			Non- controlling interests RM
			Share capital (Note 28) RM	Treasury shares (Note 28) RM	Retained earnings (Note 29) RM	Other reserves total RM	Warrant reserve (Note 30) RM	Foreign currency translation reserve (Note 30) RM	
<b>Opening balance at 1 January 2019</b>		664,796,263 (184,643)	237,451,519	(23,774)	393,167,396 (184,643)	34,122,385	34,193,668	78,737	
Effect of initial adoption of MFRS 16: leases									
<b>Opening balance at 1 January 2019 (Adjusted)</b>		664,611,620	237,451,519	(23,774)	392,982,753	34,122,385	34,193,668	78,737	
Profit net of tax		58,369,053	-	-	58,391,361	-	-	(22,308)	
Foreign currency translation		244	-	-	-	244	244	-	
<b>Total comprehensive income for the year</b>		58,369,297	-	-	58,391,361	244	244	(22,308)	
<b>Transactions with owners</b>									
Issuance of ordinary shares pursuant to: Dividend reinvestment plan of the Company	28	9,912,299 (85,114)	9,912,299 (85,114)	-	-	-	-	-	
Share issuance expenses									
Dividends on ordinary shares	37	(12,279,225)	-	-	(12,279,225)	-	-	-	
<b>Total transactions with owners</b>		(2,452,040)	9,827,185	-	(12,279,225)	-	-	-	
<b>Closing balance at 31 December 2019</b>		720,528,877	247,278,704	(23,774)	439,094,889	34,122,629	34,193,668	56,429	

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.



## STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2019 (cont'd)

Company	Equity, total RM	Attributable to owners of the Company				Warrant reserves (Note 30) RM
		Non-distributable (Note 28) RM	Treasury shares (Note 28) RM	Distributable (Note 29) RM	Non-distributable	
<b>Opening balance at 1 January 2019</b>	272,274,428	237,451,519	(23,774)	653,015	34,193,668	
<b>Total comprehensive income for the year</b>	24,051,171	-	-	24,051,171	-	
<b>Transaction with owners</b>						
Issuance of ordinary shares pursuant to:						
Dividend reinvestment plan of the Company	9,912,299	9,912,299	-	-	-	
Share issuance expenses	(85,114)	(85,114)	-	-	-	
Dividends on ordinary shares	(12,279,225)	-	-	(12,279,225)	-	
<b>Total transaction with owners</b>	<b>(2,452,040)</b>	<b>9,827,185</b>	<b>-</b>	<b>(12,279,225)</b>	<b>-</b>	
<b>Closing balance at 31 December 2019</b>	<b>293,873,559</b>	<b>247,278,704</b>	<b>(23,774)</b>	<b>12,424,961</b>	<b>34,193,668</b>	

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

## STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2019 (cont'd)

Company	Equity, total RM	Attributable to owners of the Company			
		Non-distributable	Share capital (Note 28) RM	Treasury shares (Note 28) RM	Distributable Retained earnings (Note 29) RM
<b>Opening balance at 1 January 2018</b>	258,483,515	223,817,821	(23,774)	436,234	34,253,234
<b>Total comprehensive income for the year</b>	17,851,299	-	-	17,851,299	-
<b>Transaction with owners</b>					
Issuance of ordinary shares pursuant to:					
Dividend reinvestment plan of the Company	13,492,157	13,492,157	-	-	-
Conversion of warrants	172,536	232,102	-	-	(59,566)
Share issuance expenses	(90,561)	(90,561)	-	-	-
Dividends on ordinary shares	(17,634,518)	-	-	(17,634,518)	-
<b>Total transaction with owners</b>	(4,060,386)	13,633,698	-	(17,634,518)	(59,566)
<b>Closing balance at 31 December 2018</b>	<b>272,274,428</b>	<b>237,451,519</b>	<b>(23,774)</b>	<b>653,015</b>	<b>34,193,668</b>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

**STATEMENTS OF CASH FLOWS**

For the financial year ended 31 December 2019

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
<b>Operating activities</b>				
Profit before tax	79,687,090	81,666,262	24,344,547	18,310,725
Adjustments for:				
Interest income	(4,285,731)	(4,232,182)	-	-
Finance costs	16,730,966	11,881,755	-	-
Allowance for impairment on trade receivables	630,464	1,838,324	-	-
Reversal of allowance for impairment on trade receivables	(209,039)	-	-	-
Bad debts written off	-	1,504	-	-
Impairment loss on investment properties	532,360	-	-	-
Impairment loss on investment in subsidiary	-	-	44,801	-
Depreciation of property, plant and equipment	50,562,841	40,439,057	-	-
Depreciation of right-of-use assets	3,577,475	-	-	-
Depreciation of investment properties	129,483	110,172	-	-
Loss/(gain) on disposal of investment properties	139,230	(18,953)	-	-
Loss on disposal of properties held for sale	140,294	-	-	-
Gain on disposal of property, plant and equipment	(310,801)	(324,836)	-	-
Gain on derecognition of right-of-use assets	(60,880)	-	-	-
Property, plant and equipment written off	248,634	134,842	-	-
Share of loss/(profit) of joint ventures	372,583	(809,691)	-	-
Provision for obsolete inventories	236,706	-	-	-
Provision for/(reversal of) defect liability costs	3,749,000	(196,000)	-	-
Unrealised foreign exchange loss/(gain)	3,699,495	(3,648,006)	-	-

## STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2019 (cont'd)

Operating activities (cont'd)	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Fair value loss on other investments	-	211,937	-	-
Operating cash flows before changes in working capital	155,570,170	127,054,185	24,389,348	18,310,725
Property development costs	(23,144,306)	(72,421,164)	-	-
Inventories	42,005,270	(48,353,745)	-	-
Receivables	(23,582,073)	(56,429,073)	-	11,014,318
Other current assets	(51,614,657)	(102,198,314)	-	-
Payables	(30,296,886)	72,901,160	96,320	(127,669)
Other current liabilities	(18,777,515)	(27,430,823)	-	-
Cash flows generated from/ (used in) operations	50,160,003	(106,877,774)	24,485,668	29,197,374
Interest received	1,457,740	1,451,250	-	-
Income taxes paid	(21,089,279)	(21,514,310)	(371,569)	(495,056)
Interest paid	(19,981,300)	(10,576,975)	-	-
Net cash flows generated from/(used in) operating activities	10,547,164	(137,517,809)	24,114,099	28,702,318
<b>Investing activities</b>				
Purchase of property, plant and equipment	(11,767,365)	(21,749,361)	-	-
Additions to land held for development	(85,882,760)	(678,000)	-	-
Proceeds from disposal of property, plant and equipment	1,611,226	334,772	-	-
Additions to investment properties	(7,456)	-	-	-
Proceeds from disposal of other investments	-	64,637	-	-
Proceeds from disposal of investment properties	2,885,000	883,800	-	-
Proceeds from disposal of property held for sale	1,300,000	-	-	-
Subscription of shares in subsidiaries	-	-	(38,500,000)	(26,500,000)
Net cash flows used in investing activities	(91,861,355)	(21,144,152)	(38,500,000)	(26,500,000)

## STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2019 (cont'd)

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
<b>Financing activities</b>				
Dividends paid on ordinary shares	(12,279,225)	(17,634,518)	(12,279,225)	(17,634,518)
Repayment of hire purchase payables	(29,560,732)	(24,637,129)	-	-
Proceeds from issuance of shares	9,912,299	13,492,157	9,912,299	13,492,157
Proceeds from conversion of warrants	-	172,536	-	172,536
Share issuance expenses	(85,114)	(90,561)	(85,114)	(90,561)
Drawdown of loans and borrowings	570,507,089	253,848,170	-	-
Repayment of loans and borrowings	(427,869,975)	(146,667,937)	-	-
(Repayment to)/advances from joint ventures	(3,179,669)	11,633,528	-	-
Repayment from subsidiaries	-	-	15,025,356	-
Repayment of lease liabilities	(3,450,600)	-	-	-
Uplift of pledged deposits	48,611	2,894,559	-	-
Net cash flows generated from/(used in) financing activities	<u>104,042,684</u>	<u>93,010,805</u>	<u>12,573,316</u>	<u>(4,060,386)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	22,728,493	(65,651,156)	(1,812,585)	(1,858,068)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	864,817	(708,751)	-	-
<b>Cash and cash equivalents at 1 January</b>	<u>(4,858,733)</u>	<u>61,501,174</u>	<u>2,400,916</u>	<u>4,258,984</u>
<b>Cash and cash equivalents at 31 December (Note 22)</b>	<u><u>18,734,577</u></u>	<u><u>(4,858,733)</u></u>	<u><u>588,331</u></u>	<u><u>2,400,916</u></u>

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2019

**1. Corporate information**

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 principal place of business of the Company is located at Suite 19.06, Level 19, Johor Bahru City Square, 106 - 108, Jalan Wong Ah Fook, 80000 Johor Bahru, Johor Darul Ta'zim.

The principal activity of the Company is investment holding. The principal activities and other information of the subsidiaries are disclosed in Note 16.

**2. Summary of significant accounting policies****2.1 Basis of preparation**

The financial statements of the Group and the Company have been prepared in accordance with Malaysia Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

The financial statements of the Group and of the Company have been prepared on the historical cost basis.

The financial statements are presented in Ringgit Malaysia ("RM") except when otherwise indicated.

**2.2 Changes in accounting policies**

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2019, the Group and the Company adopted the following Standards, Amendments, Annual Improvements and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2019.

<b><u>Description</u></b>	<b><u>Effective for annual periods beginning on or after</u></b>
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
MFRS 16 Leases	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual Improvements to MFRS Standards 2015–2017 Cycle	1 January 2019
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

**2. Summary of significant accounting policies (cont'd)****2.2 Changes in accounting policies (cont'd)**

The adoption of the above Standards, Amendments, Annual Improvements and IC Interpretations did not have any significant impact on the financial statements other than the below:

**MFRS 16 Leases**

MFRS 16 supersedes MFRS 117: Leases, IC Interpretation 4: Determining whether an Arrangement contains a Lease, IC Interpretation 115: Operating Lease-Incentives and IC Interpretation 127: Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under MFRS 16 is substantially unchanged from MFRS 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in MFRS 117. Therefore, MFRS 16 did not have an impact for leases where the Group and the Company is the lessor.

The Group and the Company adopted MFRS 16 using the modified retrospective method of adoption with the date of application of 1 January 2019. Under this method, comparative figures are not restated and the cumulative effect of initially applying the standard is recognised as an adjustment to the opening balance of retained earnings as at the date of initial application.

The following table presents the impact to the statement of financial position of the Group resulting from the adoption of MFRS 16 Leases as at 1 January 2019:

Group	Note	As at 1 January 2019 RM	Effect of adopting MFRS 16 RM	As at 1 January 2019 (Adjusted) RM
<b>Statement of financial position</b>				
<b>Non-current assets</b>				
Right-of-use assets	(a)	-	9,644,016	9,644,016
<b>Current liabilities</b>				
Lease liabilities	(b)	-	3,477,802	3,477,802
<b>Non-current liabilities</b>				
Lease liabilities	(b)	-	6,350,857	6,350,857
<b>Equity attributable to owners of the Company</b>				
Retained earnings	(c)	393,167,396	(184,643)	392,982,753

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

### 2. Summary of significant accounting policies (cont'd)

#### 2.2 Changes in accounting policies (cont'd)

##### **MFRS 16 Leases (cont'd)**

The Group has lease contracts for various items of land, buildings, machinery and equipment. Before the adoption of MFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. The accounting policy for leases prior to 1 January 2019 is set out in Note 2.21.

Upon adoption of MFRS 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. The accounting policy for leases beginning 1 January 2019 is set out in Note 2.21. The standard provides specific transition requirements and practical expedients which have been applied by the Group.

(i) Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under MFRS 117). The requirements of MFRS 16 were applied to these leases from 1 January 2019. Assets under finance leases are classified as part of property, plant and equipment and related liabilities are classified as hire purchase payables.

(ii) Leases previously classified as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

(iii) Leasehold land classified as property, plant and equipment

The Group has classified its leasehold land within property, plant and equipment and did not change the initial carrying amounts at the date of initial application for leases.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

**2. Summary of significant accounting policies (cont'd)****2.2 Changes in accounting policies (cont'd)****MFRS 16 Leases (cont'd)**

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

Based on the above, as at 1 January 2019:

- (a) The Group's right-of-use assets represents rental of land, buildings, machinery and equipment, which were recognised as at 1 January 2019. Subsequent to initial recognition, the right-of-use assets is measured at cost less any accumulated depreciation, accumulated impairment losses and adjusted for any remeasurement of lease liabilities.
- (b) The lease liabilities arising from the rental of land, buildings, machinery and equipment are recognised and discounted using the Group's average incremental borrowing rate of 5.87% at initial recognition at 1 January 2019. Subsequent to initial recognition, the Group measures the lease liabilities by reducing the carrying amount to reflect lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications using the Group's incremental borrowing rate at that time.
- (c) The cumulative effect of adoption of MFRS 16 Leases is recognised at the date of initial application as an adjustment to the opening balance of retained earnings as at 1 January 2019.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	<b>Group RM</b>
Operating lease commitments as at 31 December 2018	6,347,026
Less:	
Low-value leases recognised on a straight-line basis as expense	(245,823)
Operating lease commitments as at 31 December 2018 (Adjusted)	<u>6,101,203</u>
Weighted average incremental borrowing rate as at 1 January 2019	5.87%
Discounted operating lease commitments as at 1 January 2019	<u>5,270,412</u>
Add:	
Extension options reasonably certain to be exercised	<u>4,558,247</u>
Lease liabilities recognised as at 1 January 2019	<u><u>9,828,659</u></u>

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

**2. Summary of significant accounting policies (cont'd)****2.3 Standards issued but not yet effective**

The Standards and Amendments issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these Standards and Amendments issued, if applicable, when they become effective.

<u>Description</u>	<u>Effective for annual periods beginning on or after</u>
Amendments to references to the Conceptual Framework in MFRS Standards	1 January 2020
Amendments to MFRS 3 Business Combinations - Definition of a Business	1 January 2020
Amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors - 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 directors are of the opinion that the Standards and Amendments above would not have any material impact on the financial statements in the year of initial adoption.

**2.4 Current versus non-current classification**

Assets and liabilities in the statements of financial position are presented based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

### 2. Summary of significant accounting policies (cont'd)

#### 2.4 Current versus non-current classification (cont'd)

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

#### 2.5 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Valuation techniques that are appropriate in the circumstances and for which sufficient data are available, are used to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

### **2. Summary of significant accounting policies (cont'd)**

#### **2.5 Fair value measurement (cont'd)**

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable inputs.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Company determine whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Policies and procedures are determined by senior management for both recurring fair value measurement and for non-recurring measurement.

External valuers are involved for valuation of significant assets and significant liabilities. Involvement of external valuers is decided by senior management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The senior management decides, after discussions with the external valuers, which valuation techniques and inputs to use for each case.

For the purpose of fair value disclosures, classes of assets and liabilities are determined based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

#### **2.6 Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Group. Consistent accounting policies are applied for like transactions and events in similar circumstances.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

### 2. Summary of significant accounting policies (cont'd)

#### 2.6 Basis of consolidation (cont'd)

The Group controls an investee if and only if the Group has all the following:

- (i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its investment with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting rights of an investee, the Group considers the following in assessing whether or not the Group's voting rights in an investee are sufficient to give it power over the investee:

- (i) The size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- (ii) Potential voting rights held by the Group, other vote holders or other parties;
- (iii) Rights arising from other contractual arrangements; and
- (iv) Any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

### 2. Summary of significant accounting policies (cont'd)

#### 2.6 Basis of consolidation (cont'd)

##### *Business combinations*

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with MFRS 9 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 9, it is measured in accordance with the appropriate MFRS.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investment, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

### 2. Summary of significant accounting policies (cont'd)

#### 2.7 Investment in joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

On acquisition of an investment in associate or joint venture, any excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill and included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the investee over the cost of investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the joint venture's profit or loss for the period in which the investment is acquired.

A joint venture is equity accounted for from the date on which the investee becomes a joint venture.

Under the equity method, on initial recognition, the investment in a joint venture is recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture after the date of acquisition. When the Group's share of losses in a joint venture equal or exceeds its interest in the joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

Profits and losses resulting from upstream and downstream transactions between the Group and its joint venture are recognised in the Group's financial statements only to the extent of unrelated investors' interests in the joint venture. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

All joint ventures have a financial year end of 31 December, other than Zecon Kimlun Consortium Sdn. Bhd. which has a financial year end of 30 June. For the purpose of applying the equity method on this joint venture, the last available audited financial statements and the management financial statements to 31 December of this joint venture have been used. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group applies MFRS 9 Financial Instruments to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the joint venture. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with MFRS 136 Impairment of Assets as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

### 2. Summary of significant accounting policies (cont'd)

#### 2.8 Foreign currency

##### (a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

##### (b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

##### (c) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

**2. Summary of significant accounting policies (cont'd)****2.9 Property, plant and equipment**

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. Freehold land is measured at cost less impairment losses.

Freehold land has an unlimited useful life and therefore is not depreciated. Construction-in-progress are not depreciated as these assets are not available for use. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold land	1.25%
Buildings	3% - 10%
Plant, machinery and motor vehicles	10% - 33.33%
Furniture and equipment	10% - 20%

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

**2.10 Investment properties**

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and any accumulated impairment loss.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

### 2. Summary of significant accounting policies (cont'd)

#### 2.11 Properties held for sale

Properties are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject to terms that are usual and customary.

Immediately before classification as properties held for sale, the measurement of the non-current asset is brought up-to-date in accordance with applicable MFRSs. Then, on initial classification as held for sale, the non-current asset is measured in accordance with MFRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

#### 2.12 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss. Impairment loss on goodwill is not reversed in a subsequent period.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

### 2. Summary of significant accounting policies (cont'd)

#### 2.13 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity investment of another entity.

##### (a) Financial assets

###### Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the Group and the Company initially measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price determined under MFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's and the Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group and the Company commit to purchase or sell the asset.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

### 2. Summary of significant accounting policies (cont'd)

#### 2.13 Financial instruments (cont'd)

##### (a) Financial assets (cont'd)

###### Subsequent measurement

For purposes of subsequent measurement financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

The Group's and the Company's only financial assets are its financial assets at amortised cost (debt instruments).

The Group and the Company measure financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows;

And

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's and the Company's financial assets at amortised cost comprise solely of its trade and other receivables balances.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

### 2. Summary of significant accounting policies (cont'd)

#### 2.13 Financial instruments (cont'd)

##### (a) Financial assets (cont'd)

###### Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's and the Company's statements of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group and the Company have transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group and the Company have transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

###### Impairment of financial assets

The Group and the Company recognise an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the present value of contractual cash flows due in accordance with the contract and present value of all the cash flows that the Group and the Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

### 2. Summary of significant accounting policies (cont'd)

#### 2.13 Financial instruments (cont'd)

##### (a) Financial assets (cont'd)

###### Impairment of financial assets (cont'd)

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group and the Company apply a simplified approach in calculating ECLs based on lifetime ECLs at each reporting date. The Group and the Company have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group and the Company consider a financial asset in default when contractual payments are 365 days past due. However, in certain cases, the Group and the Company may also consider a financial asset to be in default when internal or external information indicates that the Group and the Company are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

##### (b) Financial liabilities

###### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's and the Company's financial liabilities include trade and other payables, lease liabilities and loans and borrowings.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

### 2. Summary of significant accounting policies (cont'd)

#### 2.13 Financial instruments (cont'd)

##### (b) Financial liabilities (cont'd)

###### Subsequent measurement

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statements of comprehensive income.

This category generally applies to interest-bearing loans and borrowings.

###### Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statements of comprehensive income.

##### (c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

#### 2.14 Cash and cash equivalents

Cash and short-term deposits in the statements of financial position comprise cash at banks and on hand and short-term deposits include short-term deposits pledged to banks, which are subject to an insignificant risk of change in value.

For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

### 2. Summary of significant accounting policies (cont'd)

#### 2.15 Construction contracts

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a construction contract cannot be reliably estimated, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognised as expenses in the year in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

When the total of costs incurred on construction contracts plus recognised profits (less recognised losses) exceeds progress billings, the balance is classified as amount due from customers on contracts. When progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is classified as amount due to customers on contracts.

#### 2.16 Land held for development and development properties

##### (a) Land held for development

Land held for development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less any accumulated impairment losses.

Land held for development is reclassified as development properties at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

### 2. Summary of significant accounting policies (cont'd)

#### 2.16 Land held for development and development properties (cont'd)

##### (b) Development properties

Development properties comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

When the financial outcome of a development activity can be reliably estimated, development properties revenue and expenses are recognised in the profit or loss by using the stage of completion method. The stage of completion is determined by the proportion that development properties incurred for work performed to date bear to the estimated total development properties cost.

Where the financial outcome of a development activity cannot be reliably estimated, development properties revenue is recognised only to the extent of development properties costs incurred that is probable will be recoverable, and development properties cost on properties sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately.

Development properties cost not recognised as an expense are recognised as an asset, which is measured at the lower of cost and net realisable value.

The excess of revenue recognised in profit or loss over billings to purchasers is classified as accrued billings within trade receivables and the excess of billings to purchasers over revenue recognised in profit or loss is classified as progress billings within trade payables.

#### 2.17 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials: purchase costs on a first-in first-out basis.
- Finished goods: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a first-in first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

### 2. Summary of significant accounting policies (cont'd)

#### 2.18 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

#### 2.19 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

#### 2.20 Employee benefits

##### (a) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

##### (b) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

**2. Summary of significant accounting policies (cont'd)****2.21 Leases**

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

**(a) Group as a lessee**

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

**(i) Right-of-use assets**

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets as follows:

Land and buildings	17% - 71%
Machinery and equipment	20% - 75%

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 2.12 Impairment of non-financial assets.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

### 2. Summary of significant accounting policies (cont'd)

#### 2.21 Leases (cont'd)

##### (a) Group as a lessee (cont'd)

###### (ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

###### (iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

### 2. Summary of significant accounting policies (cont'd)

#### 2.21 Leases (cont'd)

##### (a) Group as a lessee (cont'd)

###### Recognition and measurement in financial year ended 31 December 2019

The Group has recognised and measured its leases in accordance with MFRS 16 Lease effective from 1 January 2019. The financial impact to the Group's financial statements on initial adoption of this Standard is disclosed in Note 2.2.

###### Recognition and measurement in financial year ended 31 December 2018

Other than those assets previously classified as finance leases, all of the Group's leases are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.

##### (b) Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statements of comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

#### 2.22 Revenue from contracts with customers

The Group recognises revenue from contracts with customers based on the five-step model as set out below:

- (i) Identify contract with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.
- (ii) Identify performance obligations in the contract. A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- (iii) Determine the transaction price. The transaction price is the amount of consideration in a contract to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

### 2. Summary of significant accounting policies (cont'd)

#### 2.22 Revenue from contracts with customers (cont'd)

- (iv) Allocate the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
- (v) Recognise revenue when (or as) the Group satisfies a performance obligation.

The Group satisfies a performance obligation and recognise revenue over time if the Group's performance:

- (i) Do not create an asset with an alternative use to the Group and have an enforceable right to payment for performance completed to-date; or
- (ii) Create or enhance an asset that the customer controls as the asset is created or enhanced; or
- (iii) Provide benefits that the customer simultaneously receives and consumes as the Company performs.

For performance obligations where any one of the above conditions is not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

Revenue is measured at the fair value of consideration received or receivable.

#### (a) Construction contracts

The Group contracts with its customers for construction services. Revenue from construction contracts is recognised over time using the input method, which is based on the actual cost incurred to date on the construction project as compared to the total budgeted cost for the respective construction project.

#### (b) Sale of goods

The Group contracts with its customers for the sales of goods. Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

### **2. Summary of significant accounting policies (cont'd)**

#### **2.22 Revenue from contracts with customers (cont'd)**

##### **(c) Sales of development properties under construction**

The revenue from development properties under construction is measured at the fixed transaction price stated in the sale and purchase agreement.

Revenue from development properties under construction is recognised as and when the control of the asset is transferred to the customer and it is probable that the Group will collect the consideration to which it will be entitled in exchange for the asset that will be transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset is transferred over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The Group recognises revenue over time using the input method, which is based on the actual cost incurred to date on the development properties as compared to the total budgeted cost for the respective development properties.

##### **(d) Sales of completed development properties**

Revenue relating to sale of completed development properties is recognised at the point in time when the control of the property has been transferred to the purchaser, being when vacant possession of the property has been delivered to the customer and it is probable that the Group will collect the consideration to which it will be entitled to in exchange for the asset sold.

##### **(e) Interest income**

Interest income is recognised on a time proportion basis that reflects the effective yield on the asset.

##### **(f) Rental income**

Rental income is recognised on accrual basis.

##### **(g) Dividend income**

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

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

### 2. Summary of significant accounting policies (cont'd)

#### 2.23 Taxes

##### (a) Current income tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

##### (b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

**2. Summary of significant accounting policies (cont'd)****2.23 Taxes (cont'd)****(b) Deferred tax (cont'd)**

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**(c) Goods and Services Tax ("GST")**

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the amount of GST incurred in a purchase of assets or services is not recoverable from the taxation authority, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

**(d) Sales and services tax ("SST")**

Expenses and assets are recognise net of the amount of SST, except:

- When the SST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the SST is recognised as part of the cost of acquisition of the assets or as part of the expense item, as applicable; and
- When receivables and payables are stated with the amount of SST included.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

### **2. Summary of significant accounting policies (cont'd)**

#### **2.24 Segment reporting**

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 36, including the factors used to identify the reportable segments and the measurement basis of segment information.

#### **2.25 Share capital and share issuance expenses**

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

#### **2.26 Contingencies**

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group and of the Company.

### **3. Significant accounting judgements and estimates**

The preparation of the Group's and of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

#### **3.1 Judgements made in applying accounting policies**

There are no critical judgements made by the management in the process of applying the Group's and the Company's accounting policies that have significant effect on the amounts recognised in the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

### 3. Significant accounting judgements and estimates (cont'd)

#### 3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below:

##### (a) Useful lives of plant and equipment

The cost of plant and equipment of the Group is depreciated on a straight-line basis over the assets' estimated economic useful lives. Management estimates the useful lives of these plant and equipment to be between 3 to 10 years. These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group's plant and equipment at the reporting date is disclosed in Note 12.

##### (b) Revenue recognition

###### (i) Construction contracts

For construction revenue where the Group satisfies its performance obligations over time, management has determined that a cost-based input method provides a faithful depiction of the Group's performance in transferring control of the development construction to the customers, as it reflects the Group's efforts incurred to date relative to the total inputs expected to be incurred for the construction work. The measure of progress is based on the costs incurred to date as a proportion of total costs expected to be incurred up to the completion of the construction work.

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

###### (ii) Development properties

The Group recognises property development revenue and expenses in the statements of comprehensive income by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Significant judgement is required in determining the stage of completion, the extent of the property development cost incurred, the estimated total property development revenue and costs, as well as the recoverability of the development projects. In making the judgement, the Group evaluates based on past experience and internal budgeting.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

### **3. Significant accounting judgements and estimates (cont'd)**

#### **3.2 Key sources of estimation uncertainty (cont'd)**

##### **(c) Income taxes**

Judgement is involved in determining the Group's and the Company's provision for income taxes as there are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group and the Company recognise liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters are different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

##### **(d) Deferred tax assets**

Deferred tax assets are recognised for all unused tax credits to the extent that it is probable that taxable profit will be available against which the unused tax credits (primarily investment tax allowances and capital allowances) can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

##### **(e) Provision for expected credit loss of trade and other receivables**

The Group uses a provision matrix to calculate ECLs for trade and other receivables. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with available, reasonable and supportable forward-looking information.

The Group considers the probability of default upon initial recognition of an asset and whether there has been significant increase in credit risk on an on-going basis throughout each reporting period.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

**4. Revenue****(a) Revenue from contracts with customers**

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
<b>Types of goods and services</b>		
Sales of concrete products	262,425,666	194,934,130
Sales of building material	9,669,275	11,337,406
Sales of completed properties	8,522,932	4,536,000
Construction contracts	1,022,167,267	801,122,216
	<u>1,302,785,140</u>	<u>1,011,929,752</u>
<b>Timing of revenue recognition</b>		
Transferred over time	1,022,167,267	801,122,216
Transferred at a point in time	280,617,873	210,807,536
	<u>1,302,785,140</u>	<u>1,011,929,752</u>

**(b) Contract assets and contract liabilities**

Information about receivables, contract assets and contract liabilities from contracts with customers is disclosed as follows:

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
Receivables from contracts with customers (Note 21)	467,948,759	391,142,179
Contract assets	386,551,692	346,132,879
Contract liabilities	<u>(49,490,344)</u>	<u>(68,267,859)</u>

Contract assets primarily relate to the Group's right to consideration for work completed but not yet billed at the reporting date. Contract assets are transferred to receivables when the rights become unconditional.

Contract liabilities primarily relate to the Group's billings in advance at the reporting date. Contract liabilities are reversed and revenue is recognised as work is completed.

The remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2019 and 2018 are, as follows:

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
Within one year	1,047,659,330	994,651,408
More than one year	312,320,867	1,042,901,767
	<u>1,359,980,197</u>	<u>2,037,553,175</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

**4. Revenue (cont'd)****(c) Other revenue**

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Dividend income				
from subsidiaries	-	-	23,940,000	17,100,000
Interest income				
from subsidiaries	-	-	1,206,408	1,891,350
Interest income				
from fixed deposits	33,254	48,812	33,254	48,812
	<u>33,254</u>	<u>48,812</u>	<u>25,179,662</u>	<u>19,040,162</u>

**5. Other operating income**

	Group	
	2019 RM	2018 RM
Interest income from financial assets at amortised cost	1,457,740	1,451,250
Unwinding of discount on receivables	2,827,991	2,780,932
Rental income from machinery	70,081	491,472
Rental income from premises	299,617	260,065
Gain on disposal of property, plant and equipment	310,801	324,836
Gain on disposal of investment properties	-	18,953
Gain on derecognition of right-of-use assets	60,880	-
Miscellaneous income	2,525,748	3,017,750
Reversal of allowance for impairment on trade receivables	209,039	-
	<u>7,761,897</u>	<u>8,345,258</u>

**6. Finance costs**

	Group	
	2019 RM	2018 RM
Interest expense on:		
- bank loan, bank overdrafts, invoice financing and bankers' acceptance	14,560,596	6,292,932
- hire purchase arrangements	4,389,449	4,150,515
- advance from joint venture	470,375	133,528
- lease liabilities (Note 24)	560,880	-
Unwinding of discount on payables	2,453,995	2,296,926
	<u>22,435,295</u>	<u>12,873,901</u>
Less: Interest expenses capitalised in development properties (Note 19)	(5,704,329)	(992,146)
	<u>16,730,966</u>	<u>11,881,755</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

**7. Profit before tax**

The following items have been included in arriving at profit before tax:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Auditors' remuneration				
- statutory audits	178,359	141,883	38,000	33,000
- overprovision in prior years	(1,000)	(500)	-	-
- other services	5,000	5,000	5,000	5,000
Allowance for impairment on trade receivables (Note 21)	630,464	1,838,324	-	-
Reversal of allowance for impairment on trade receivables (Note 21)	(209,039)	-	-	-
Bad debts written off	-	1,504	-	-
Employee benefits expenses (Note 8)	85,282,448	75,500,590	-	-
Non-executive directors' remuneration (Note 9)	256,500	239,850	256,500	239,850
Hire of plant and machinery	60,143,273	33,059,162	-	-
Depreciation of property, plant and equipment (Note 12)	50,562,841	40,439,057	-	-
Depreciation of right-of-use assets (Note 13)	3,577,475	-	-	-
Gain on disposal of property, plant and equipment	(310,801)	(324,836)	-	-
Loss/(gain) on disposal of investment properties	139,230	(18,953)	-	-
Loss on disposal of properties held for sale	140,294	-	-	-
Property, plant and equipment written off (Note 12)	248,634	134,842	-	-
Gain on derecognition of right-of-use assets	(60,880)	-	-	-
Operating lease rentals:				
- land and building	29,456	4,103,562	-	-
- office equipment	169,570	158,448	-	-

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

**7. Profit before tax (cont'd)**

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Fair value loss on other investments	-	211,937	-	-
Impairment loss on investment in subsidiary	-	-	44,801	-
Impairment loss on investment properties (Note 14)	532,360	-	-	-
Provision for obsolete inventories	236,706	-	-	-
Provision for/(reversal of) defect liability costs (Note 26)	3,749,000	(196,000)	-	-
Depreciation of investment properties (Note 14)	129,483	110,172	-	-
Foreign exchange (gain)/loss				
- realised	(2,006,843)	4,999,654	-	-
- unrealised	3,699,495	(3,648,006)	-	-

**8. Employee benefits expenses**

	Group	
	2019 RM	2018 RM
Wages, salaries and bonus	77,866,958	68,639,253
Defined contribution plan	6,591,194	6,215,364
Social security contributions	824,296	645,973
	<u>85,282,448</u>	<u>75,500,590</u>

Included in employee benefits expenses of the Group are executive directors' remuneration amounting to RM4,892,478 (2018: RM4,992,442) as disclosed in Note 9.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

**9. Directors' remuneration**

The details of remuneration receivable by directors of the Company during the year are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Directors of the Company</b>				
Executive:				
Salaries and other emoluments	3,397,211	3,078,000	-	-
Bonus	793,290	1,170,500	-	-
Defined contribution plan	701,977	743,942	-	-
Total executive directors' remuneration (excluding benefits-in-kind) (Note 8)	4,892,478	4,992,442	-	-
Estimated money value of benefits-in-kind	102,298	95,529	-	-
Total executive directors' remuneration (including benefits-in-kind)	4,994,776	5,087,971	-	-
Non-Executive:				
Fees	241,200	224,550	241,200	224,550
Other emoluments	15,300	15,300	15,300	15,300
Total non-executive directors' remuneration	256,500	239,850	256,500	239,850
Total directors' remuneration	5,251,276	5,327,821	256,500	239,850

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

**10. Income tax expense****Major components of income tax expense**

The major components of income tax expense for the years ended 31 December 2019 and 2018 are:

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Statements of comprehensive income:</b>				
Current income tax:				
- Malaysian income tax	24,294,624	17,998,650	294,000	459,000
- (Over)/underprovision in prior years	(157,479)	(746,128)	(624)	426
	<u>24,137,145</u>	<u>17,252,522</u>	<u>293,376</u>	<u>459,426</u>
Deferred tax (Note 27):				
- Origination and reversal of temporary differences	(2,587,754)	3,098,583	-	-
- (Over)/underprovision in prior years	(231,354)	250,049	-	-
	<u>(2,819,108)</u>	<u>3,348,632</u>	<u>-</u>	<u>-</u>
Income tax expense recognised in profit or loss	<u><u>21,318,037</u></u>	<u><u>20,601,154</u></u>	<u><u>293,376</u></u>	<u><u>459,426</u></u>

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

**10. Income tax expense (cont'd)****Reconciliation between income tax expense and accounting profit**

The reconciliations between income tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2019 and 2018 are as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Profit before tax	79,687,090	81,666,262	24,344,547	18,310,725
Taxation at Malaysian statutory tax rate of 24% (2018: 24%)	19,124,902	19,599,903	5,843,000	4,395,000
Different tax rates in other countries	1,535	1,571	-	-
Effect of expenses not deductible for tax purposes	2,505,471	2,444,481	197,000	168,000
Effect of income not subject to tax	(224,934)	(623,226)	(5,746,000)	(4,104,000)
Utilisation of unrecognised deferred tax assets	-	(539,969)	-	-
Deferred tax assets not recognised on unutilised tax losses, unabsorbed capital allowances and other temporary differences	295,175	536,280	-	-
Utilisation of current year's reinvestment allowances	(104,918)	(309,800)	-	-
Share of tax of joint ventures	109,639	(12,007)	-	-
(Over)/underprovision of income tax in prior years	(157,479)	(746,128)	(624)	426
(Over)/underprovision of deferred tax in prior years	(231,354)	250,049	-	-
Income tax expense recognised in profit or loss	21,318,037	20,601,154	293,376	459,426

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2018: 24%) of the estimated assessable profit for the year.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

**11. Earnings per share****(a) Basic earnings per share**

Basic earnings per share amounts are calculated by dividing profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

The following reflect the profit and share data used in the computation of basic earnings per share for the years ended 31 December:

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
Profit net of tax attributable to owners of the Company (RM)	58,391,361	61,138,672
Weighted average number of ordinary shares in issue	335,216,844	325,092,975
Basic earnings per share (sen)	<u>17.42</u>	<u>18.81</u>

**(b) Diluted earnings per share**

Diluted earnings per share amounts are calculated by dividing profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares from exercise of the warrants. Dilutive potential ordinary shares are deemed to have been converted at the beginning of the financial year or, if later, the date of the issue of the potential ordinary shares.

The following reflect the profit and share data used in the computation of diluted earnings per share for the years ended 31 December:

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
Profit net of tax attributable to owners of the Company (RM)	58,391,361	61,138,672
Weighted average number of ordinary shares in issue	335,216,844	325,092,975
Diluted earnings per share (sen)	<u>17.42</u>	<u>18.81</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

**12. Property, plant and equipment**

Group	Freehold land		Leasehold land		Buildings		Plant, machinery and motor vehicles		Furniture and equipment		Construction in progress		Total RM
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	
<b>At 1 January 2018</b>	5,186,536	16,394,806	69,920,214	242,074,802	9,547,206	1,727,692	344,851,256						
Additions	-	-	1,798,226	61,326,981	584,877	220,215	63,930,299						
Disposals	-	-	-	(1,474,159)	(32,854)	-	(1,507,013)						
Written off	-	-	-	(88,467)	(81,318)	-	(169,785)						
<b>At 31 December 2018 and 1 January 2019</b>	5,186,536	16,394,806	71,718,440	301,839,157	10,017,911	1,947,907	407,104,757						
Additions	-	-	-	19,519,312	2,735,320	4,065,248	26,319,880						
Disposals	-	-	-	(2,226,010)	(5,580)	-	(2,231,590)						
Written off	-	-	-	(1,886,006)	(970,069)	-	(2,856,075)						
Adjustment	-	-	(467,968)	-	-	(230,808)	(698,776)						
Transfer	-	-	763,498	4,203,036	-	(4,966,534)	-						
<b>At 31 December 2019</b>	5,186,536	16,394,806	72,013,970	321,449,489	11,777,582	815,813	427,638,196						

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

### 12. Property, plant and equipment (cont'd)

Group	Freehold land RM	Leasehold land RM	Buildings RM	Plant, machinery and motor vehicles RM	Furniture and equipment RM	Construction in progress RM	Total RM
<b>Accumulated depreciation</b>							
<b>At 1 January 2018</b>	-	1,162,121	12,238,850	120,950,892	4,350,493	-	138,702,356
Charge for the year (Note 7)	-	205,139	2,198,484	37,183,739	851,695	-	40,439,057
Disposals	-	-	-	(1,474,150)	(22,927)	-	(1,497,077)
Written off	-	-	-	(360)	(34,583)	-	(34,943)
<b>At 31 December 2018 and 1 January 2019</b>	-	1,367,260	14,437,334	156,660,121	5,144,678	-	177,609,393
Charge for the year (Note 7)	-	205,139	2,239,611	47,179,549	938,542	-	50,562,841
Disposals	-	-	-	(929,000)	(2,165)	-	(931,165)
Written off	-	-	-	(1,684,513)	(922,928)	-	(2,607,441)
<b>At 31 December 2019</b>	-	1,572,399	16,676,945	201,226,157	5,158,127	-	224,633,628
<b>Net carrying amount</b>							
At 31 December 2018	5,186,536	15,027,546	57,281,106	145,179,036	4,873,233	1,947,907	229,495,364
At 31 December 2019	5,186,536	14,822,407	55,337,025	120,223,332	6,619,455	815,813	203,004,568

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

**12. Property, plant and equipment (cont'd)**Assets held under the name of a joint venture company

Included herein are motor vehicles with carrying amount of RM1 (2018: RM6,619) held under the name of a joint venture company.

Assets held under hire purchase arrangements

During the financial year, the Group acquired property plant and equipment with an aggregate cost of RM14,552,515 (2018: RM42,180,938) by means of hire purchase arrangements. The cash outflow on acquisition of property, plant and equipment amounted to RM11,767,365 (2018: RM21,749,361).

The carrying amount of property, plant and equipment held under hire purchase arrangements at the reporting date were as follows:

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
Plant, machinery and motor vehicles	84,475,564	95,457,213

Leased assets are pledged as security for the related hire purchase arrangements (Note 23).

Leasehold land is pledged as security for bank loans and borrowings (Note 23).

**13. Right-of-use assets**

The Group has entered into non-cancellable operating lease agreements for the use of land, buildings, machinery and equipment. The leases generally have lease terms of between 1 year to 6 years.

The Group also has certain leases with lease terms of 12 months or less and leases that have been determined to be low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

**13. Right-of-use assets (cont'd)**

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	Land and buildings RM	Machinery and equipment RM	Total RM
As at 1 January 2019	-	-	-
Effect of adoption of MFRS 16 Leases (Note 2.2)	9,440,643	203,373	9,644,016
As at 1 January 2019 (Adjusted)	9,440,643	203,373	9,644,016
Additions (Note 24)	1,473,249	216,319	1,689,568
Depreciation for the year (Note 7)	(3,490,741)	(86,734)	(3,577,475)
Derecognition	(1,659,728)	(3,383)	(1,663,111)
<b>As at 31 December 2019</b>	<b>5,763,423</b>	<b>329,575</b>	<b>6,092,998</b>

The details of lease liabilities in respect of right-of-use assets are disclosed in Note 24.

**14. Investment properties**

	Group	
	2019 RM	2018 RM
<b>Cost</b>		
At 1 January	7,327,944	8,211,944
Additions	7,456	-
Disposals	(3,169,500)	(884,000)
At 31 December	4,165,900	7,327,944
<b>Accumulated depreciation</b>		
At 1 January	301,139	210,120
Charge for the year (Note 7)	129,483	110,172
Disposals	(145,270)	(19,153)
At 31 December	285,352	301,139
<b>Accumulated impairment loss</b>		
At 1 January	-	-
Additions (Note 7)	532,360	-
At 31 December	532,360	-
<b>Net carrying amount</b>		
At 31 December	3,348,188	7,026,805

Fair value of the investment properties as at 31 December 2019 was RM4,269,000 (2018: RM9,348,000).

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

**15. Other investments**

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
Club memberships, at cost	<u>75,000</u>	<u>75,000</u>

**16. Investment in subsidiaries**

	<b>Company</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
Unquoted shares, at cost	268,482,666	229,982,666
Less: Impairment losses	<u>(708,671)</u>	<u>(663,870)</u>
	<u>267,773,995</u>	<u>229,318,796</u>

Details of the subsidiaries are as follows:

<b>Name</b>	<b>Country of incorporation</b>	<b>Principal activities</b>	<b>Proportion (%) of ownership interest</b>	
			<b>2019</b>	<b>2018</b>
<b>Held by the Company:</b>				
Kimlun Sdn. Bhd.	Malaysia	Building and infrastructure contractors	100	100
SPC Industries Sdn. Bhd.	Malaysia	Ready mix concrete production and manufacturing of pre-cast concrete products	100	100
Kimlun Land Sdn. Bhd.	Malaysia	Investment holding, property investment and development	100	100
KL Building Materials Sdn. Bhd.	Malaysia	Manufacturing and trading of all kinds of building and construction materials, and provision of quarry services and machinery rental services	100	100
I-Buildtech Solutions Pte Ltd *	Singapore	Provision of industrial building systems and the supply of construction and building materials	100	100

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

**16. Investment in subsidiaries (cont'd)**

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest	
			2019	2018
<b>Held through Kimlun Sdn Bhd:</b>				
Kimlun Superior Crest Sdn. Bhd.	Malaysia	Building and infrastructure contractors	60	60
<b>Held through Kimlun Land Sdn Bhd:</b>				
Kimlun Medini Sdn. Bhd.	Malaysia	Property development and property investment	100	100
Kitaran Lintas Sdn. Bhd.	Malaysia	Property development and property investment	100	100
Kiiville Sdn. Bhd.	Malaysia	Property development and property investment	100	100
Kii Ashbury Sdn. Bhd.	Malaysia	Property development and property investment	100	100
Kii Morris Sdn. Bhd.	Malaysia	Property development and property investment	100	100

\* Audited by a firm of chartered accountants other than Ernst & Young PLT, Malaysia.

During the financial year:

- (a) the Company subscribed for additional ordinary shares in Kimlun Land Sdn. Bhd. for a total consideration of RM38,500,000, satisfied by cash. The subscription did not change the percentage of shareholdings effectively held by the Company.
- (b) Kimlun Land Sdn. Bhd., a wholly-owned subsidiary of the Company, subscribed for additional ordinary shares in Kitaran Lintas Sdn. Bhd. for a total consideration of RM3,900,000, satisfied by settlement of amount owing by Kitaran Lintas Sdn. Bhd. The acquisition did not change the percentage of shareholding effectively held by the Company.
- (c) Kimlun Land Sdn. Bhd., a wholly-owned subsidiary of the Company, subscribed for additional ordinary shares in Kii Morris Sdn. Bhd. for a total consideration of RM22,600,000, satisfied by settlement of amount owing by Kii Morris Sdn. Bhd. The acquisition did not change the percentage of shareholding effectively held by the Company.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

**17. Investment in joint ventures**

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
Unquoted shares, at cost	4,830,000	4,830,000
Share of post-acquisition reserves	13,409,878	13,782,461
	<u>18,239,878</u>	<u>18,612,461</u>
Represented by:		
Share of net assets	<u>18,239,878</u>	<u>18,612,461</u>

Details of the joint ventures are as follows:

<b>Name</b>	<b>Country of incorporation</b>	<b>Principal activities</b>	<b>Proportion (%) of ownership interest</b>	
			<b>2019</b>	<b>2018</b>
<b>Held through Kimlun Land Sdn Bhd:</b>				
Posh Atlantic Sdn. Bhd.	Malaysia	Property development and property investment	51	51
<b>Held through Kimlun Sdn Bhd:</b>				
Zecon Kimlun Consortium Sdn. Bhd. *	Malaysia	Building and infrastructure contractor	30	30
JBB Kimlun Sdn Bhd	Malaysia	Building and infrastructure contractors	40	40
<b>Held through KL Building Materials Sdn Bhd:</b>				
Rock Projects Sdn. Bhd.	Malaysia	Quarry and quarry related services	51	51

\* Audited by a firm of chartered accountants other than Ernst &amp; Young PLT, Malaysia.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

**17. Investment in joint ventures (cont'd)**

Summarised financial information on the significant joint venture is as follows:

## (i) Summarised statements of financial position of material joint venture

**Posh Atlantic Sdn Bhd**

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
Non-current assets	32,984	40,583
Current assets	81,526,246	31,470,198
<b>Total assets</b>	<b>81,559,230</b>	<b>31,510,781</b>
Current liabilities	2,476,408	2,675,549
Non-current liabilities	49,940,148	-
<b>Total liabilities</b>	<b>52,416,556</b>	<b>2,675,549</b>
Equity attributable to owners of PASB	29,161,695	28,835,232
Non-controlling interests	(19,021)	-
	<b>29,142,674</b>	<b>28,835,232</b>

## (ii) Summarised statements of comprehensive income of material joint venture

**Posh Atlantic Sdn Bhd**

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
Revenue	2,518,348	1,928,642
Depreciation	(6,945)	(6,945)
Other operating income	646,132	686,469
Finance costs	(181,084)	-
Profit before tax from continuing operations	527,831	1,114,945
Income tax expense	(220,393)	(258,764)
<b>Total comprehensive income</b>	<b>307,438</b>	<b>856,181</b>
Attributable to:		
- owners of PASB	326,463	856,181
- non-controlling interests	(19,025)	-
	<b>307,438</b>	<b>856,181</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

**17. Investment in joint ventures (cont'd)**

(iii) Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in joint ventures

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
<b>Posh Atlantic Sdn Bhd ("PASB")</b>		
Net assets attributable to owners of the Company at 1 January	28,835,232	27,979,051
Total comprehensive income attributable to owners of Company	<u>326,463</u>	<u>856,181</u>
Net assets attributable to owners of the Company at 31 December	29,161,695	28,835,232
Group's interest in PASB	51%	51%
Group's share of net assets of PASB	14,872,464	14,705,969
Unrealised profit adjustments	(378,960)	(463,208)
Carrying amount of individually immaterial joint ventures	<u>3,746,374</u>	<u>4,369,700</u>
Carrying amount of Group's interest in joint ventures	<u><u>18,239,878</u></u>	<u><u>18,612,461</u></u>

**18. Properties held for sale**

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
<b>Cost</b>		
At 1 January	1,829,232	1,829,232
Disposals	<u>(1,440,294)</u>	<u>-</u>
At 31 December	<u><u>388,938</u></u>	<u><u>1,829,232</u></u>

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

**19. Land held for development and development properties****(a) Land held for development**

<b>Group</b>	<b>Freehold and leasehold land RM</b>	<b>Development costs RM</b>	<b>Total RM</b>
At 1 January 2019	61,319,072	8,922,414	70,241,486
Additions	85,426,279	3,151,962	88,578,241
At 31 December 2019	<u>146,745,351</u>	<u>12,074,376</u>	<u>158,819,727</u>
At 1 January 2018	60,682,723	8,880,763	69,563,486
Additions	636,349	41,651	678,000
At 31 December 2018	<u>61,319,072</u>	<u>8,922,414</u>	<u>70,241,486</u>

**(b) Development properties**

<b>Group</b>	<b>Freehold and leasehold land RM</b>	<b>Development costs RM</b>	<b>Total RM</b>
<b>At 31 December 2019</b>			
<b>Cumulative cost of development properties costs</b>			
At 1 January 2019	101,436,203	4,016,618	105,452,821
Costs incurred during the year	12,517,622	13,635,532	26,153,154
At 31 December 2019	<u>113,953,825</u>	<u>17,652,150</u>	<u>131,605,975</u>
At 1 January 2018	29,750,751	2,288,761	32,039,512
Costs incurred during the year	71,685,452	1,727,857	73,413,309
At 31 December 2018	<u>101,436,203</u>	<u>4,016,618</u>	<u>105,452,821</u>

Included in costs incurred during the financial year on land held for development and development properties are:

	<b>2019 RM</b>	<b>2018 RM</b>
Interest expenses (Note 6)	<u>5,704,329</u>	<u>992,146</u>

Land held for development and development properties with an aggregate carrying amount of RM231,125,134 (2018: RM73,995,782) are charged for bank borrowings as referred to in Note 23.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

**20. Inventories**

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
<b>Cost:</b>		
Raw materials	16,318,398	15,401,483
Finished goods	49,758,007	96,394,727
Completed properties	4,411,185	10,339,663
	<u>70,487,590</u>	<u>122,135,873</u>
<b>Net realisable value:</b>		
Finished goods	9,510,099	103,792
	<u>79,997,689</u>	<u>122,239,665</u>

Certain completed properties with an aggregate carrying amount of RM905,896 (2018: RM905,896) are charged for bank borrowings as referred to in Note 23.

**21. Trade and other receivables**

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Trade receivables</b>				
Third parties	441,548,295	364,893,684	-	-
Amount due from joint venture	38,488,396	32,211,242	-	-
Amounts due from companies related to certain directors	2,198,116	8,932,651	-	-
	<u>482,234,807</u>	<u>406,037,577</u>	<u>-</u>	<u>-</u>
Less: Allowance for impairment				
- Third parties	(14,286,048)	(14,895,398)	-	-
Trade receivables, net	<u>467,948,759</u>	<u>391,142,179</u>	<u>-</u>	<u>-</u>
<b>Other receivables</b>				
Refundable deposits	6,475,921	57,376,652	4,500	4,500
Amount due from subsidiaries	-	-	25,949,737	40,965,788
Sundry receivables	11,847,632	6,651,004	-	-
	<u>18,323,553</u>	<u>64,027,656</u>	<u>25,954,237</u>	<u>40,970,288</u>
Total trade and other receivables	486,272,312	455,169,835	25,954,237	40,970,288
Add: Cash and bank balances (Note 22)	64,940,265	35,569,427	588,331	2,400,916
<b>Total financial assets at amortised cost</b>	<u>551,212,577</u>	<u>490,739,262</u>	<u>26,542,568</u>	<u>43,371,204</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

**21. Trade and other receivables (cont'd)****(a) Trade receivables**

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2018: 30 to 90 days) terms, although in practice, this may extend to 120 days. Other credit terms are assessed and approved on a case-by-case basis. They are recognised at their original certificated or invoiced amounts which represent their fair values on initial recognition.

Included in trade receivables is an amount of RM115,712,939 (2018:RM115,378,700), which represents retention sum receivable on construction contracts of the Group.

The ageing analysis of the Group's trade receivables is as follows:

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
Neither past due nor impaired	269,971,480	267,101,942
1 to 30 days past due not impaired	48,920,844	26,924,607
31 to 60 days past due not impaired	21,977,725	27,417,494
61 to 90 days past due not impaired	23,546,294	9,041,566
91 to 120 days past due not impaired	13,945,284	12,289,127
More than 120 days past due not impaired	89,587,132	48,367,443
	197,977,279	124,040,237
Impaired	14,286,048	14,895,398
	<u>482,234,807</u>	<u>406,037,577</u>

Receivables that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

None of these balances have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM197,977,279 (2018: RM124,040,237) that are past due at the reporting date but are not impaired and are not secured by any collateral or credit enhancements.

The management is confident that the balance of receivables that are past due but not impaired are recoverable as these are active accounts due from credit worthy debtors.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

**21. Trade and other receivables (cont'd)****(a) Trade receivables (cont'd)**Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	<b>Group</b>	
	<b>Individually impaired</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
Trade receivables - nominal amounts	14,286,048	14,895,398
Less: Allowance for impairment	(14,286,048)	(14,895,398)
	<u>-</u>	<u>-</u>
 <u>Movement in allowance accounts:</u>		
At 1 January	14,895,398	13,058,445
Charge for the year (Note 7)	630,464	1,838,324
Reversal of impairment loss (Note 7)	(209,039)	-
Written off	(1,030,775)	-
Translation difference	-	(1,371)
At 31 December	<u>14,286,048</u>	<u>14,895,398</u>

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

**(b) Amount due from subsidiaries**

The amount due from subsidiaries are unsecured, bear interest at 3.30% (2018: 3.35%) per annum and are repayable on demand.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

**22. Cash and bank balances**

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Cash on hand and at banks	42,812,707	13,393,258	588,331	2,400,916
Short term deposits with licensed banks	22,127,558	22,176,169	-	-
Cash and bank balances (Note 21)	<u>64,940,265</u>	<u>35,569,427</u>	<u>588,331</u>	<u>2,400,916</u>

Included in cash at banks of the Group are amounts of RM1,682 (2018: RM1,521) held pursuant to Section 7A of the Housing Developers (Control and Licensing) Act, 1966 and therefore restricted from use on other operations.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one month to three months (2018: one month to three months) depending on the immediate cash requirements of the Group and earn interest at respective short-term deposit rates. The weighted average effective interest rates as at 31 December 2019 for the Group was 2.80% (2018: 2.93%).

Short-term deposits with licensed banks of the Group amounting to RM22,127,558 (2018: RM22,176,169) are pledged as security for borrowings (Note 23).

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following at the reporting date:

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Cash and bank balances	64,940,265	35,569,427	588,331	2,400,916
Less: Bank overdrafts (Note 23)	(24,078,130)	(18,251,991)	-	-
Less: Pledged deposits	(22,127,558)	(22,176,169)	-	-
Cash and cash equivalents	<u>18,734,577</u>	<u>(4,858,733)</u>	<u>588,331</u>	<u>2,400,916</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

**23. Loans and borrowings**

		<b>Group</b>	
	<b>Maturity</b>	<b>2019</b>	<b>2018</b>
		<b>RM</b>	<b>RM</b>
<b>Current</b>			
Secured:			
Bank overdrafts (Note 22)	On demand	24,078,130	18,251,991
Bankers' acceptances	2020	57,648,874	63,068,000
Term loans	2020	16,336,735	15,748,272
Hire purchase payables (Note 32 (b))	2020	24,302,363	26,524,012
Invoice financing	2020	114,075,606	58,612,549
Revolving credit	2020	15,942,901	10,942,901
		<u>252,384,609</u>	<u>193,147,725</u>
<b>Non-current</b>			
Secured:			
Term loans	2021 - 2026	114,653,829	27,649,110
Hire purchase payables (Note 32 (b))	2021 - 2026	39,570,369	52,356,936
		<u>154,224,198</u>	<u>80,006,046</u>
<b>Total loans and borrowings (Note 25)</b>		<u>406,608,807</u>	<u>273,153,771</u>

The remaining maturities of the loans and borrowings as at 31 December are as follows:

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
On demand or within one year	252,384,609	193,147,725
More than 1 year and less than 2 years	42,705,296	32,075,655
More than 2 years and less than 5 years	94,321,117	44,941,472
5 years and more	17,197,785	2,988,919
	<u>406,608,807</u>	<u>273,153,771</u>

Hire purchase payables

These obligations are secured by a pledge over the leased assets (Note 12). The discount rate implicit in the leases is between 1.68% to 4.06% (2018: 1.68% to 3.77%) per annum.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

**23. Loans and borrowings (cont'd)**Bank overdrafts, bankers' acceptances, term loans and invoice financing

The interest rates (per annum) at the reporting date were as follows:

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	%	%
Bank overdrafts	5.91 to 8.14	5.35 to 8.37
Bankers' acceptances	4.07 to 5.10	3.68 to 5.10
Term loans	5.20 to 6.70	5.20 to 6.85
Invoice financing	4.06 to 6.44	4.61 to 7.95
Revolving credit	4.66 to 5.77	4.95 to 5.27

The bank overdrafts, bankers' acceptances, term loans, invoice financing and revolving credit together with bank guarantee facilities are secured by:

- (a) First party first legal charge over a parcel of leasehold land as disclosed in Note 12;
- (b) First party first legal charge over certain land held for development, development properties and inventories as disclosed in Note 19 and Note 20;
- (c) Short term deposits as disclosed in Note 22; and
- (d) Corporate guarantee by the Company.

Movement in loans and borrowings were as follows:

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	RM	RM
At 1 January	273,153,771	129,602,722
Drawdown:		
- hire purchase payables	14,552,515	42,755,954
- loans and borrowings	570,507,089	253,848,170
Repayments:		
- hire purchase payables	(29,560,732)	(24,637,129)
- loans and borrowings	(427,869,975)	(146,667,937)
Net changes in bank overdrafts	5,826,139	18,251,991
At 31 December	<u>406,608,807</u>	<u>273,153,771</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

**24. Lease liabilities**

The Group has entered into non-cancellable operating lease agreements for the use of land, buildings, machinery and equipment, which are recognised as right-of-use assets as disclosed in Note 13.

	Group	
	2019	2018
	RM	RM
<b>Current</b>		
Lease liabilities (Note 32(c))	3,334,634	-
<b>Non-current</b>		
Lease liabilities (Note 32(c))	3,009,002	-
<b>Total lease liabilities (Note 25)</b>	<u>6,343,636</u>	<u>-</u>

The remaining maturities of the lease liabilities are as follows:

	Group	
	2019	2018
	RM	RM
Within one year	3,334,634	-
More than 1 year and less than 2 years	1,950,264	-
More than 2 years and less than 5 years	1,058,738	-
	<u>6,343,636</u>	<u>-</u>

At the reporting date, the interest rate of the lease liabilities ranged from 4.92% to 7.00% (2018: Not applicable).

The movement of lease liabilities during the financial year is as follows:

	Group	
	2019	2018
	RM	RM
At 1 January	-	-
Effect of adoption of MFRS 16 Leases (Note 2.2)	9,828,659	-
Additions (Note 13)	1,689,568	-
Derecognition	(1,723,991)	-
Interest charged on lease liabilities (Note 6)	560,880	-
Payments of:		
- Principal	(3,450,600)	-
- Interest	(560,880)	-
At 31 December	<u>6,343,636</u>	<u>-</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

**25. Trade and other payables**

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
<b>Trade payables</b>				
Third parties	272,957,905	259,200,486	-	-
Amount due to a company related to certain directors	184,557	23,834	-	-
	<u>273,142,462</u>	<u>259,224,320</u>	<u>-</u>	<u>-</u>
<b>Other payables</b>				
Accruals	26,064,667	28,832,805	355,052	254,075
Third parties	26,387,153	65,173,546	663	5,320
Deposits payable	51,374	911,908	-	-
Amount due to company related to certain directors	2,830	-	-	-
Amount due to subsidiaries	-	-	9,305	-
Amount due to joint ventures	8,453,859	11,633,528	-	-
	<u>60,959,883</u>	<u>106,551,787</u>	<u>365,020</u>	<u>259,395</u>
Total trade and other payables	334,102,345	365,776,107	365,020	259,395
Add: Loans and borrowings (Note 23)	406,608,807	273,153,771	-	-
Add: Lease liabilities (Note 24)	6,343,636	-	-	-
<b>Total financial liabilities carried at amortised cost</b>	<u>747,054,788</u>	<u>638,929,878</u>	<u>365,020</u>	<u>259,395</u>

**(a) Trade payables**

These amounts are non-interest bearing. Trade payables are normally settled on 30 to 90 day (2018: 30 to 90 day) terms.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

**25. Trade and other payables (cont'd)****(b) Other payables**

Other payables due to third parties are non-interest bearing and are normally settled on 30 to 60 day (2018: 30 to 60 day) terms.

Other than the amount due to a joint venture, which bears interest at 3.30% (2018: 3.30%) per annum and is repayable on demand (2018: 31 March 2019), the amounts due to company related to certain directors, subsidiaries and joint ventures are unsecured, non-interest bearing and are repayable on demand.

**26. Provisions**

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
<b>Defect liability costs</b>		
At 1 January	13,421,000	13,617,000
Addition/(reversal) during the year (Note 7)	3,749,000	(196,000)
At 31 December	<u>17,170,000</u>	<u>13,421,000</u>

This amount represents estimated rectification costs expected to be incurred in the completion of construction contracts.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

### 27. Deferred tax liabilities/(assets)

Deferred tax liabilities/(assets) as at 31 December relate to the following:

Group	As at	Recognised in	As at	Recognised in	As at
	1 January 2018 RM	profit or loss (Note 10) RM	31 December 2018 RM	profit or loss (Note 10) RM	31 December 2019 RM
<b>Deferred tax liabilities</b>					
Property, plant and equipment	7,909,697	1,242,441	9,152,138	(2,341,531)	6,810,607
Others	1,428,397	1,010,154	2,438,551	(1,144,564)	1,293,987
	<u>9,338,094</u>	<u>2,252,595</u>	<u>11,590,689</u>	<u>(3,486,095)</u>	<u>8,104,594</u>
<b>Deferred tax assets</b>					
Unutilised tax credits	(3,763,831)	2,164,011	(1,599,820)	334,710	(1,265,110)
Provision for defect liability costs and others	(5,141,739)	(1,067,974)	(6,209,713)	332,277	(5,877,436)
	<u>(8,905,570)</u>	<u>1,096,037</u>	<u>(7,809,533)</u>	<u>666,987</u>	<u>(7,142,546)</u>
	432,524	3,348,632	3,781,156	(2,819,108)	962,048

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2019 RM	2018 RM
Unutilised tax losses	2,618,000	2,510,000
Unabsorbed capital allowance	4,000	4,000
Other temporary differences	<u>2,372,000</u>	<u>1,253,000</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

**27. Deferred tax liabilities/assets) (cont'd)**

For Malaysian entities, the unutilised tax losses up to the year of assessment 2019 shall be deductible until year of assessment 2026. The unutilised tax losses for the year of assessment 2020 onwards will expire in seven (7) years.

**28. Share capital and treasury shares**

Company	Number of ordinary shares				Amount		Total RM
	Share capital (Issued and fully paid)	Treasury shares	Share capital (Issued and fully paid) RM	Treasury shares RM	Treasury shares RM	Total RM	
<b>At 1 January 2018</b>	320,544,940	20,000	223,817,821	(23,774)	223,794,047		
Issuance of ordinary shares pursuant to: Dividend reinvestment plan of the Company	11,243,464	-	13,492,157	-	13,492,157		
Conversion of warrants	102,700	-	232,102	-	232,102		
Share issue expenses	-	-	(90,561)	-	(90,561)		
<b>At 31 December 2018 and 1 January 2019</b>	331,891,104	20,000	237,451,519	(23,774)	237,427,745		
Issuance of ordinary shares pursuant to: Dividend reinvestment plan of the Company	7,929,839	-	9,912,299	-	9,912,299		
Share issue expenses	-	-	(85,114)	-	(85,114)		
<b>At 31 December 2019</b>	339,820,943	20,000	247,278,704	(23,774)	247,254,930		

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

### 28. Share capital and treasury shares (cont'd)

#### (a) Share capital

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM237,451,519 to RM247,278,704 by way of issuance of 7,929,839 ordinary shares arising from the DRP pertaining to the final (single tier) dividend of 3.70 sen per share in respect of the financial year ended 31 December 2018.

The new ordinary shares issued rank pari passu in all respects with the existing ordinary shares of the Company.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

Dividends to owners of the Company and non-controlling interests are recognised in the statement of changes in equity in the period in which they are declared.

#### (b) Treasury shares

Treasury shares relate to ordinary shares of the Company that are held by the Company. The amount consists of the acquisition costs of treasury shares.

The directors of the Company are committed to enhance the value of the Company for its shareholders and believe that the share purchase plan can be applied in the best interests of the Company and its shareholders.

### 29. Retained earnings

The entire retained earnings of the Company as at 31 December 2019 and 2018 may be distributed as dividends under single tier system.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

**30. Other reserves**

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Foreign currency translation reserve</b>				
At 1 January	(71,283)	(70,586)	-	-
Foreign currency translation	244	(697)	-	-
At 31 December	<u>(71,039)</u>	<u>(71,283)</u>	<u>-</u>	<u>-</u>
<b>Warrant reserve</b>				
At 1 January	34,193,668	34,253,234	34,193,668	34,253,234
Conversion of warrants	-	(59,566)	-	(59,566)
At 31 December	<u>34,193,668</u>	<u>34,193,668</u>	<u>34,193,668</u>	<u>34,193,668</u>
	<u>34,122,629</u>	<u>34,122,385</u>	<u>34,193,668</u>	<u>34,193,668</u>

**(a) Foreign currency translation reserve**

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of a foreign operation whose functional currency is different from that of the Group's presentation currency.

**(b) Warrants reserve**

A total of 60,112,500 free warrants ("Warrants 2014/2024") were issued by the Company on 13 March 2014. Each warrant entitles the holder to subscribe for 1 new share at the exercise price of RM1.68 per share at any time during the exercise period. The warrants have an exercise period of 10 years commencing 13 March 2014 and expiring on 12 March 2024.

As at 31 December 2019, 58,954,600 (2018: 58,954,600) Warrants 2014/2024 remain unexercised.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

**31. Related party disclosures**

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Sales of raw materials to a company related to certain directors	4,230	-	-	-
Purchase of raw materials from a company related to certain directors	378,681	-	-	-
Contract fee receivable from a company related to certain directors	6,409,873	27,465,517	-	-
Contract fee receivable from joint ventures	343,216,891	156,945,001	-	-
Contract fee payable to a company related to certain directors	10,410	-	-	-
Rental of land and building paid to companies related to certain directors	2,252,672	2,241,394	-	-
Rental of premise paid to a company related to certain directors	13,708	13,598	-	-
Landscaping and maintenance service paid to a company related to certain directors	32,690	65,800	-	-
Purchases of property, plant and equipment from a company related to certain directors	50,362	-	-	-
Interest income received from subsidiaries	-	-	1,206,408	1,891,350
Dividend income received from subsidiaries	-	-	23,940,000	17,100,000

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

**31. Related party disclosures (cont'd)**Companies related to certain directors

These entities are subject to the same source of influence as the Company through common directors.

**Compensation of key management personnel**

The remuneration of key management personnel during the year are as follows:

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
Salaries, bonus and other emoluments	5,077,431	5,153,450
Defined contribution plan	846,757	890,433
Other short term benefits	128,498	121,729
	<u>6,052,686</u>	<u>6,165,612</u>

**32. Commitments****(a) Capital commitments**

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
Capital commitments as at the reporting date are as follows:		
Approved and contracted for:		
Property, plant and equipment	3,441,426	9,071,347
Land held for development	<u>35,353,665</u>	<u>67,749,598</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

**32. Commitments (cont'd)****(b) Hire purchase commitments**

The Group has entered into hire purchase arrangements for certain items of plant and equipment (Note 12).

Future minimum lease payments under hire purchases together with the present value of the net minimum lease payments are as follows:

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
<b>Minimum lease payments:</b>		
Not later than 1 year	27,433,340	30,462,064
Later than 1 year but not later than 2 years	22,198,918	23,452,664
Later than 2 years but not later than 5 years	19,543,320	30,321,659
More than 5 years	589,205	3,064,637
Total minimum lease payments	69,764,783	87,301,024
Less: Amounts representing finance charges	(5,892,051)	(8,420,076)
Present value of minimum lease payments	<u>63,872,732</u>	<u>78,880,948</u>
<b>Present value of payments:</b>		
Not later than 1 year	24,302,363	26,524,012
Later than 1 year but not later than 2 years	20,392,893	20,970,655
Later than 2 years but not later than 5 years	18,604,691	28,397,362
More than 5 years	572,785	2,988,919
Present value of minimum lease payments	63,872,732	78,880,948
Less: Amount due within 12 months (Note 23)	(24,302,363)	(26,524,012)
Amount due after 12 months (Note 23)	<u>39,570,369</u>	<u>52,356,936</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

**32. Commitments (cont'd)****(c) Lease commitments in respect of right-of-use assets**

The Group has entered into lease arrangements for the use of land, building, machinery and equipment. The Group has recognised the right-of-use assets (Note 13) with related lease liabilities (Note 24).

Future minimum lease payments of right-of-use assets together with the present value of the net minimum lease payments are as follows:

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
<b>Minimum lease payments:</b>		
Not later than 1 year	3,663,018	-
Later than 1 year but not later than 2 years	2,090,318	-
Later than 2 years but not later than 5 years	1,110,469	-
Total minimum lease payments	<u>6,863,805</u>	-
Less: Amounts representing finance charges	<u>(520,169)</u>	-
Present value of minimum lease payments	<u><u>6,343,636</u></u>	<u><u>-</u></u>
<b>Present value of payments:</b>		
Not later than 1 year	3,334,634	-
Later than 1 year but not later than 2 years	1,950,264	-
Later than 2 years but not later than 5 years	1,058,738	-
Present value of minimum lease payments	<u>6,343,636</u>	-
Less: Amount due within 12 months (Note 24)	<u>(3,334,634)</u>	-
Amount due after 12 months (Note 24)	<u><u>3,009,002</u></u>	<u><u>-</u></u>

**(d) Operating lease commitment - as lessee**

The Group has minimum lease payments recognised in profit or loss for the financial year ended 31 December 2019 amounting to RM199,026 (2018: RM4,262,010).

Future minimum rentals payable under operating leases at the reporting date are as follows:

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
Not later than 1 year	108,625	4,002,753
Later than 1 year but not later than 5 years	35,345	2,434,273
	<u>143,970</u>	<u>6,437,026</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

**33. Fair value****(a) Fair values of assets**

The following table shows an analysis of assets measured at fair value or for which fair values are disclosed by level of fair value hierarchy:

	Level 1 RM	Group Level 2 RM	Level 3 RM	Total RM
<b>2019</b>				
<i>Assets for which fair values are disclosed:</i>				
Investment properties	-	-	4,269,000	4,269,000
<b>2018</b>				
<i>Assets for which fair values are disclosed:</i>				
Investment properties	-	-	9,348,000	9,348,000

The fair values of investment properties are determined by the directors using the comparable method.

**(b) Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximations of fair value**

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximations of fair values:

	Note
Trade and other receivables (current)	21
Cash and bank balances (current)	22
Loans and borrowings (current)	23
Loans and borrowings (non-current)	23
Lease liabilities (current)	24
Lease liabilities (non-current)	24
Trade and other payables (current)	25

The carrying amounts of the current portions of financial assets and liabilities of the Group and of the Company at the reporting date approximate fair values due to the relatively short term maturity of these financial instruments.

The carrying amounts of the non-current portions of loans and borrowings and lease liabilities are reasonable approximations of fair values as the interest charged on these amounts are pegged to, or close to, market interest rates on or near the reporting date.

Fair values of retention sums on construction contracts are estimated by discounting expected future cash flows at market incremental lending rates at the reporting date.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

**33. Fair value (cont'd)****(b) Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximations of fair value (cont'd)**Guarantees

The fair value of the guarantees provided by the Company in connection with credit facilities, construction contracts and development agreements granted to its subsidiaries is not significant as it is not probable that the financial institutions and third parties will call upon the guarantees.

**34. Financial risk management objectives and policies**

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk.

The Board of Directors approves and reviews policies and procedures for the management of these risks, which are executed by the management. The audit committee provides independent oversight to the effectiveness of the risk management process.

The Group and the Company do not undertake any trading of derivative financial instruments.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

**(a) Credit risk**

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables and contract assets. For cash and bank balances, the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group and the Company minimise and monitor its credit risk by strictly limiting the Group's and Company's associations to business partners with high creditworthiness. Receivable balances and contract assets are monitored on an ongoing basis.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

### 34. Financial risk management objectives and policies (cont'd)

#### (a) Credit risk (cont'd)

The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Any receivables having significant balances past due more than 365 days, which are deemed to have higher default risk, are monitored individually.

Set out below is the information about the credit risk exposure on the Group's trade receivables and contract assets using a provision matrix:

Group	Contract assets RM	Trade receivables					Total RM
		Current RM	1 - 30 days RM	31 - 60 days RM	61 - 90 days RM	91 - 120 days RM	
<b>31 December 2019</b>							
Expected credit loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Estimated total gross carrying amount at default	<b>386,551,692</b>	269,971,480	48,920,844	21,977,725	23,546,294	13,945,284	89,587,132
Expected credit loss	-	-	-	-	-	-	-

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

## 34. Financial risk management objectives and policies (cont'd)

## (a) Credit risk (cont'd)

Group	Contract assets RM	Trade receivables					Total RM
		Current RM	1 - 30 days RM	31 - 60 days RM	61 - 90 days RM	91 - 120 days RM	
<b>31 December 2018</b>							
Expected credit loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Estimated total gross carrying amount at default	<b>346,132,879</b>	267,101,942	26,924,607	27,417,494	9,041,566	12,289,127	48,367,443
Expected credit loss	-	-	-	-	-	-	-

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

### 34. Financial risk management objectives and policies (cont'd)

#### (a) Credit risk (cont'd)

##### Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by:

- the carrying amount of each class of financial assets recognised in the statements of financial position.
- an amount of RM819,925,155 (2018: RM679,538,530) relating to corporate guarantees provided by the Company to several financial institutions for its subsidiaries' credit facilities, and to third parties for the credit facilities granted by suppliers and the joint venture and subsidiaries' performance in construction contracts.

##### Credit risk concentration profile

The Group and the Company do not have any significant exposure to any individual customers or counterparties nor does it have any major concentration of credit risk related to any financial instruments.

##### Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 21. Deposits with banks that are neither past due nor impaired are placed with or entered into with reputable financial institutions.

##### Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 21.

#### (b) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

To ensure continuity of funding, the Group's and the Company's policy is to manage the debt maturity profile, operating cash flows and the availability of funding to support the operating cycle of the business.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

**34. Financial risk management objectives and policies (cont'd)****(b) Liquidity risk (cont'd)**Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and of the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	<b>On demand or within one year RM</b>	<b>One to five years RM</b>	<b>More than five years RM</b>	<b>Total RM</b>
<b>2019</b>				
<b>Group</b>				
<b>Financial liabilities</b>				
Trade and other payables	338,511,736	-	-	338,511,736
Lease liabilities	3,663,018	3,200,787	-	6,863,805
Loans and borrowings	262,820,872	154,769,577	17,827,108	435,417,557
<b>Total undiscounted financial liabilities</b>	<u>604,995,626</u>	<u>157,970,364</u>	<u>17,827,108</u>	<u>780,793,098</u>
<b>Company</b>				
<b>Financial liabilities</b>				
Other payables	365,020	-	-	365,020
<b>Total undiscounted financial liabilities</b>	<u>365,020</u>	<u>-</u>	<u>-</u>	<u>365,020</u>
<b>2018</b>				
<b>Group</b>				
<b>Financial liabilities</b>				
Trade and other payables	369,858,225	-	-	369,858,225
Loans and borrowings	199,062,270	83,745,733	3,064,637	285,872,640
<b>Total undiscounted financial liabilities</b>	<u>568,920,495</u>	<u>83,745,733</u>	<u>3,064,637</u>	<u>655,730,865</u>
<b>Company</b>				
<b>Financial liabilities</b>				
Other payables	259,395	-	-	259,395
<b>Total undiscounted financial liabilities</b>	<u>259,395</u>	<u>-</u>	<u>-</u>	<u>259,395</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

**34. Financial risk management objectives and policies (cont'd)****(c) Interest rate risk**

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

The Group's primary interest rate risk relates to interest-bearing borrowings. The investments in financial assets including fixed deposits are mainly short term in nature and they are not held for speculative purposes.

The Group manages its interest rate exposure by using a mix of fixed and floating rate debts and actively reviewing its debt portfolio, taking into account the investment holding period and nature of its assets.

Sensitivity analysis for interest rate risk

During the financial year, if interest rates had been 50 basis points lower/higher, with all other variables held constant, the Group's net profit after tax would have increased/decreased by RM1,545,000 (2018: RM1,038,000) during the year. The assumed movement in basis points for interest rate sensitivity analysis was based on the prior year observable market environment.

**(d) Foreign currency risk**

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

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than RM, the functional currency of the Group's entities. The foreign currency in which these transactions are denominated is Singapore Dollar ("SGD") and United States Dollar ("USD"). The Group did not enter into any forward currency contracts during the financial years ended 31 December 2019 and 2018.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the SGD and USD exchange rates against RM, with all other variables held constant.

		2019 RM	2018 RM
<b>Increase/(decrease) in profit after tax</b>			
SGD/RM	- strengthened 3%	820,000	1,300,000
	- weakened 3%	<u>(820,000)</u>	<u>(1,300,000)</u>
USD/RM	- strengthened 3%	(13,000)	(35,000)
	- weakened 3%	<u>13,000</u>	<u>35,000</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

**35. Capital management**

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. 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 years ended 31 December 2019 and 2018.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, loans and borrowings less cash and bank balances whereas total capital comprises equity attributable to owners of the Company.

The gearing ratios are as follows:

	Note	Group	
		2019 RM	2018 RM
Loans and borrowings	23	406,608,807	273,153,771
Less: Cash and bank balances	22	(64,940,265)	(35,569,427)
Net debt		<u>341,668,542</u>	<u>237,584,344</u>
Total equity		<u>720,528,877</u>	<u>664,796,263</u>
<b>Capital and net debt</b>		<u><u>1,062,197,419</u></u>	<u><u>902,380,607</u></u>
<b>Gearing ratio</b>		<u><u>32.2%</u></u>	<u><u>26.3%</u></u>

**36. Segment information**

For management purposes, the Group is organised into business units based on their products and services, and has four reportable operating segments as follows:

- (i) Construction
- (ii) Manufacturing and trading of construction materials and provision of quarry services
- (iii) Investment holding
- (iv) Property development

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

## 36. Segment information (cont'd)

At 31 December 2019	Manufacturing, trading, and quarry services					Property development	Eliminations	Consolidation
	Construction	Investment holding	Investment holding	Property development	Eliminations			
	RM	RM	RM	RM	RM	RM	RM	
<b>Revenue:</b>								
External customers	1,022,167,267	272,094,941	33,254	8,522,932	-	1,302,818,394		
Inter-segment	8,938,591	100,945,327	25,146,408	-	(135,030,326)	-		
Total revenue	<u>1,031,105,858</u>	<u>373,040,268</u>	<u>25,179,662</u>	<u>8,522,932</u>	<u>(135,030,326)</u>	<u>1,302,818,394</u>		
<b>Results:</b>								
Segment results	80,920,015	51,298,959	25,179,662	1,701,048	(24,983,111)	134,116,573		
Other operating income						7,761,897		
Administration expenses						(45,087,831)		
Finance costs						(16,730,966)		
Share of loss of joint ventures						(372,583)		
Profit before tax						79,687,090		
Income tax expense						(21,318,037)		
Profit net of tax						<u>58,369,053</u>		
<b>Assets:</b>								
Segment assets	947,238,314	333,814,883	294,324,038	318,484,220	(347,696,808)	<u>1,546,164,647</u>		
<b>Liabilities:</b>								
Segment liabilities	557,551,507	165,641,530	450,479	177,133,135	(75,140,881)	<u>825,635,770</u>		

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

## 36. Segment information (cont'd)

At 31 December 2018	Manufacturing, trading, and quarry services					Investment holding RM	Property development RM	Eliminations RM	Consolidation RM
	Construction RM	RM	RM	RM	RM				
<b>Revenue:</b>									
External customers	801,122,216	206,271,536	48,812	4,536,000	-	1,011,978,564			
Inter-segment	-	46,385,037	18,991,350	-	(65,376,387)	-			
Total revenue	<u>801,122,216</u>	<u>252,656,573</u>	<u>19,040,162</u>	<u>4,536,000</u>	<u>(65,376,387)</u>	<u>1,011,978,564</u>			
<b>Results:</b>									
Segment results	87,915,740	38,402,389	19,040,162	904,532	(18,236,053)	128,026,770			
Other operating income						8,345,258			
Administration expenses						(43,633,702)			
Finance costs						(11,881,755)			
Share of profit of joint ventures						809,691			
Profit before tax						81,666,262			
Income tax expense						(20,601,154)			
Profit net of tax						<u>61,065,108</u>			
<b>Assets:</b>									
Segment assets	825,988,256	387,810,840	272,697,475	257,718,403	(347,077,410)	1,397,137,564			
<b>Liabilities:</b>									
Segment liabilities	450,225,218	243,045,619	423,047	151,691,533	(113,044,116)	732,341,301			

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

**37. Dividends**

	<b>Group and Company</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
<b>Recognised during the financial year:</b>		
Dividends on ordinary shares:		
- Final (single-tier) dividend of 3.70 sen (2018: 5.50 sen) per share	<u>12,279,225</u>	<u>17,634,518</u>

The shareholders of the Company ("Shareholders") have been granted an option to elect to reinvest the entire portion of the final dividend in respect of the financial year ended 31 December 2018 in new ordinary shares in the Company ("New Shares") in accordance with the approved Dividend Reinvestment Plan of the Company ("DRP"). The reinvestment rate for the abovementioned dividend was 80.73%.

At the forthcoming Annual General Meeting ("AGM"), a final (single-tier) dividend in respect of the financial year ended 31 December 2019, of 3.30 sen per ordinary share will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2020.

The Board of Directors has determined that the DRP will apply to the final dividend and the Shareholders be given an option to reinvest the entire final dividend in New Shares ("Reinvestment Option"), subject to approvals being obtained from the following:

- (i) Bursa Malaysia Securities Berhad ("Bursa Securities") for the listing and quotation of the New Shares on the Main Market of Bursa Securities;
- (ii) Shareholders in the forthcoming AGM for the declaration of the final dividend and the issuance of such number of New Shares as may be required pursuant to the exercise of the Reinvestment Option by the Shareholders; and
- (iii) Approval from other relevant authorities and/ or parties, if required.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

### 38. Subsequent event

The COVID-19 pandemic has significantly disrupted many business operations around the world. For the Group, the impact on business operations has not been a direct consequence of the COVID-19 outbreak, but a result of the measures taken by the Malaysia Government and Singapore Government to contain it. These are unprecedented and challenging times for the Group. As the outbreak continues to evolve, it is challenging to predict the full extent and duration of its impact on business and the economy.

Since the COVID-19 outbreak occurred subsequent to the end of the reporting period, it is not an adjusting post balance sheet event. Judgements and assumptions used in the preparation of the financial statements of the Group for the financial year ended 31 December 2019 do not reflect the effects arising from this non-adjusting event. The Group anticipates that the effects of COVID-19 would be recognised in the financial statements for the financial year ending 31 December 2020. The effects of COVID-19 would potentially impact the judgements and assumptions used in the preparation of the financial statements for the financial year ending 31 December 2020, such as expected credit losses on trade and other receivables and contract assets, net realisable value of inventories, land held for development and development properties and impairment assessments on property, plant and equipment, investment properties, properties held for sale, investments in subsidiaries and joint ventures.

Following the Malaysia Government's implementation of a Movement Control Order (MCO) on 18 March 2020 in response to the COVID-19 outbreak, all the Group's operations have been shut down during the MCO period except for the minimum permitted critical works such as slope protection and delivery of products for permitted critical works. Consequentially, the Group's revenue, earnings, cash flow and financial condition are affected negatively by the MCO. The Group's revenue streams have been severely reduced during the MCO period due to the shutting down of the Group's operations whilst the Group continues to incur substantially the same amount of fixed and recurring expenses such as depreciation, payroll expenses, rental and interest expenses.

Though the Malaysia Government has allowed most business sectors to resume operations under the conditional MCO period beginning 4 May 2020, there are significant uncertainties in assessing how long the pandemic would last and the severity of its impact on the economy. Hence, at this juncture it is not possible to estimate the full impact of the outbreak's short-term and longer-term effects nor can we predict the Government's varying responses and directives to combat the outbreak as the COVID-19 pandemic remains a fluid and evolving situation. As such the full extent of the impact on the Group's financial performance and operations cannot be determined at this stage.

The Group will continue to monitor the development of these events and have implemented the following measures to mitigate the impact of COVID-19 to the Group's business:

- (i) take the necessary precautionary measures at our business premises and work sites in accordance with guidelines from health authorities and government bodies;

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019 (cont'd)

### **38. Subsequent event (cont'd)**

- (ii) frequent senior management operation meetings conducted via online platform to strategize and identify operational issues so that operations can resume smoothly post-MCO;
- (iii) communicate with suppliers as to their stocks readiness and look for alternative supplies to improve supply chain lead times where necessary;
- (iv) exploring cost cutting measures to preserve cash to support working capital requirements until the COVID-19 situation improves, such as suspending all non-essential operating and capital expenditure; and
- (v) exploring additional working capital credit facilities for contingency needs.

### **39. Authorisation of financial statements for issue**

The financial statements for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 3 June 2020.

**ANALYSIS OF SHAREHOLDINGS**

As At 28 May 2020

Number of issued shares	: 339,820,943
Number of treasury shares	: 20,000
Class of shares	: Ordinary shares
Voting rights	: One vote per ordinary share

**Distribution of Shareholdings (As per Record of Depositors)**

Size of Shareholdings	No. of shareholders	%	No. of shares	%#
1 - 99	201	5.505	8,206	0.002
100 - 1,000	459	12.572	265,869	0.078
1,001 - 10,000	1,868	51.164	9,282,065	2.732
10,001 - 100,000	958	26.239	27,151,007	7.990
100,001 – 16,990,046 *	163	4.465	164,302,849	48.353
16,990,047 and above **	2	0.055	138,790,947	40.845
<b>Total</b>	<b>3,651</b>	<b>100.000</b>	<b>339,800,943</b>	<b>100.000</b>

\* less than 5% of issued shares

\*\* 5% and above of issued shares

# Based on the total number of issued shares in the Company excluding 20,000 treasury shares.

**Substantial Shareholders  
(As per Register of Substantial Shareholders)**

Name of shareholders	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
1. Phin Sdn Bhd	125,424,836	36.911	-	-
2. Pang Khang Hau	20,243,839	5.958	-	-
3. Pang Tin @ Pang Yon Tin	18,177,821	5.350	125,424,836	36.911

**Directors' Shareholdings (As per Register of Directors' Shareholdings)**

Name of shareholders	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
1. Pang Khang Hau	20,243,839	5.958	-	-
2. Pang Tin @ Pang Yon Tin	18,177,821 <sup>^</sup>	5.350	136,990,013 <sup>*</sup>	40.315
3. Sim Tian Liang	8,751,249 <sup>@</sup>	2.575	-	-
4. Chin Lian Hing	9,119,563 <sup>+</sup>	2.684	-	-
5. Yam Tai Fong	9,348,836	2.751	-	-
6. Kek Chin Wu	365,220	0.107	-	-
7. Dato' Paduka (Dr.) Ir. Hj. Keizrul Bin Abdullah	83,396	0.025	-	-
8. Chua Kee Yat @ Koo Kee Yat	37,800	0.011	-	-

Note :-

<sup>^</sup> Includes 12,038,725 shares held in bare trust by HLB Nominees (Tempatan) Sdn. Bhd.<sup>\*</sup> Includes 6,877,728 shares held in bare trust by CIMSEC Nominees (Tempatan) Sdn Bhd<sup>@</sup> Includes 6,686,606 and 2,064,643 shares held in bare trust by Maybank Nominees (Tempatan) Sdn Bhd and Alliancegroup Nominees (Tempatan) Sdn Bhd respectively.<sup>+</sup> Includes 2,139,422 and 3,531,514 shares held in bare trust by Amsec Nominees (Tempatan) Sdn Bhd and Alliancegroup Nominees (Tempatan) Sdn Bhd.

## ANALYSIS OF SHAREHOLDINGS

As At 28 May 2020 (cont'd)

**Thirty Largest Shareholders (As per Record of Depositors)**

Name of shareholders	No. of Shares Held	%#
1. Phin Sdn. Bhd.	118,547,108	34.887
2. Pang Khang Hau	20,243,839	5.957
3. Phang Piow @ Pang Choo Ing	16,964,500	4.992
4. HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Pang Tin @ Pang Yon Tin (JBU 13629)	12,038,725	3.542
5. Cimsec Nominees (Tempatan) Sdn Bhd CIMB for Phin Sdn Bhd (PB)	6,877,728	2.024
6. Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Sim Tian Liang	6,686,606	1.967
7. Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (CIMB Prin)	6,485,199	1.908
8. Yam Tai Fong	6,466,694	1.903
9. Pang Tin @ Pang Yon Tin	6,139,096	1.806
10. Loh Oi Yoke	4,341,300	1.277
11. Sunny Pang Yi Lin	3,915,547	1.152
12. Citigroup Nominees (Tempatan) Sdn Bhd Great Eastern Life Assurance (Malaysia) Bhd (LGF)	3,706,384	1.090
13. Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chin Lian Hing (8122003)	3,531,514	1.039
14. Wang Ah Yu	3,489,353	1.026
15. Chin Lian Hing	3,448,627	1.014
16. Leong Choon Thye	3,429,543	1.009
17. Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (PHEIM)	2,945,926	0.866
18. Yam Tai Fong	2,882,142	0.848
19. DB (Malaysia) Nominee (Tempatan) Sendirian Bhd Deutsche Trustees Malaysia Berhad for Eastspring Investments Islamic Small-Cap Fund	2,811,837	0.827
20. Lew Kim Bock	2,788,967	0.820
21. Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (PRINCIPAL EQITS)	2,484,939	0.731
22. Pang Yi Shia	2,196,386	0.646
23. Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account – Ambank (M) Berhad for Chin Lian Hing (SMART)	2,139,422	0.629
24. Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Sim Tian Liang (8122016)	2,064,643	0.607
25. Pang Yili	1,963,891	0.577
26. Pang Chew Ngo	1,960,461	0.576
27. Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad For Dana Makmur PHEIM (211901)	1,843,975	0.542
28. Maybank Nominees (Tempatan) Sdn Bhd MTRUSTEE Berhad For Pacific Pearl Fund (UT-PM-PPF) (419471)	1,559,266	0.458
29. Citigroup Nominees (Tempatan) Sdn Bhd Urusharta Jamaah Sdn. Bhd. (MAYBANK 1)	1,547,357	0.455
30. UOB Kay Hian Nominees (Asing) Sdn Bhd Exempt an For UOB Kay Hian Pte Ltd (A/C CLIENTS)	1,372,378	0.403
Total	256,873,353	75.595

The thirty largest shareholders refer to the thirty securities account holders having the largest number of securities according to the Record of Depositors (without aggregating the shares from different securities accounts belonging to the same depositor).

# Based on the total number of issued shares in the Company excluding 20,000 treasury shares as at 28 May 2020.

**ANALYSIS OF WARRANT HOLDINGS**

As At 28 May 2020

No. of Warrants in issue	: 58,954,600
No. of Warrant Holders	: 1,246
Exercise Price per Warrant	: RM1.68
Exercise Period	: 13 March 2014 to 12 March 2024
Exercise Rights	: Each warrant entitles the holder to subscribe for one new ordinary share
Voting rights at Meetings of Warrant Holders	: One vote per warrant

**Distribution of Warrant Holdings (As per Record of Depositors)**

Size of Holdings	No. of Holders	% of holders	No. of Warrants	% of Warrants
1 - 99	53	4.254	2,477	0.004
100 - 1,000	370	29.695	208,660	0.354
1,001 - 10,000	549	44.061	2,269,601	3.850
10,001 - 100,000	229	18.379	7,799,937	13.230
100,001 – 2,947,729 *	43	3.451	23,379,925	39.658
2,947,730 and above **	2	0.160	25,294,000	42.904
<b>Total</b>	<b>1,246</b>	<b>100.000</b>	<b>58,954,600</b>	<b>100.000</b>

\* less than 5% of issued warrants

\*\* 5% and above of issued warrants

**Directors' Warrant Holdings (As per Register of Directors' Warrant Holdings)**

Name of Warrant Holders	Direct Interest		Indirect Interest	
	No. of Warrants	%	No. of Warrants	%
1. Pang Khang Hau	3,641,900	6.177	-	-
2. Pang Tin @ Pang Yon Tin	2,928,100	4.967	23,119,900	39.216
3. Sim Tian Liang	100,000@	0.170	-	-
4. Chin Lian Hing	-	-	-	-
5. Yam Tai Fong	450,000	0.763	-	-
6. Kek Chin Wu	78,500	0.133	-	-
7. Dato' Paduka (Dr.) Ir. Hj. Keizrul Bin Abdullah	13,000	0.022	-	-
8. Chua Kee Yat @ Koo Kee Yat	7,800	0.013	-	-

Note :-

@ Held in bare trust by Alliancegroup Nominees (Tempatan) Sdn Bhd.

## ANALYSIS OF WARRANT HOLDINGS

As At 28 May 2020 (cont'd)

**Thirty Largest Warrant holders (As per Record of Depositors)**

<b>Name of warrant holders</b>	<b>No. of Warrants Held</b>	<b>% of Issued Warrants</b>
1. Phin Sdn. Bhd.	21,652,100	36.726
2. Pang Khang Hau	3,641,900	6.177
3. Pang Tin @ Pang Yon Tin	2,928,100	4.966
4. Phang Piow @ Pang Choo Ing	2,579,200	4.374
5. Maybank Nominees (Tempatan) Sdn Bhd Nomura Singapore Limited for Lim Lian Hock (410242)	2,110,200	3.579
6. Cimsec Nominees (Tempatan) Sdn Bhd CIMB Bank For Cheah Chee Siong (PB-0J0022)	1,435,600	2.435
7. UOB Kay Hian Nominees (Asing) Sdn Bhd Exempt an for UOB Kay Hian Pte Ltd (A/C Clients)	1,255,000	2.128
8. UOB Kay Hian Nominees (Tempatan) Sdn Bhd Exempt an for UOB Kay Hian Pte Ltd (A/C Clients)	1,250,000	2.120
9. Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lew Kim Bock (8122057)	704,775	1.195
10. Wang Ah Yu	627,800	1.064
11. Chai Yune Fah	566,900	0.961
12. Ter Leong Swe	562,600	0.954
13. Chai Yun Kien	555,300	0.941
14. RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Toh Yew Peng	550,000	0.932
15. Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tam Kian Kwang	548,200	0.929
16. CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Retnarasa A/L Annarasa (MY2355)	503,100	0.853
17. HLIB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yong Foy Won (CCTS)	471,000	0.798
18. Citigroup Nominees (Asing) Sdn Bhd Exempt an for Citibank New York (Norges Bank 1)	454,250	0.770
19. Yam Tai Fong	450,000	0.763
20. CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ganendrah A/L Chellappah (MY1786)	446,400	0.757
21. Chin Ah Fee @ Chan Yok Ying	440,000	0.746
22. Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yeap Soon Aik	409,000	0.693
23. Sunny Pang Yi Lin	394,800	0.669
24. Pang Yili	353,500	0.599
25. Maybank Securities Nominees (Asing) Sdn Bhd Maybank Kim Eng Securities Pte Ltd for Lim Chuan Seng	300,000	0.508
26. CGS-Cimb Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Siew Gaik (TTDI-CL)	265,000	0.449
27. Cheah Chee Siong	252,200	0.427
28. Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teoh Wei Shien (8119538)	247,000	0.418
29. Tan Ching Sing	206,700	0.350
30. Tan Siew Kang	193,000	0.327
Total	46,353,625	78.608

The thirty largest warrant holders refer to the thirty securities account holders having the largest number of securities according to the Record of Depositors (without aggregating the warrants from different securities accounts belonging to the same depositor).

**LIST OF PROPERTIES**

Held by the Group as at 31 December 2019

No	Address/Location	Description and Existing Use	Date of Acquisition <sup>(a)</sup>	Tenure of Land (years)	Land Area (sq. ft.)	Built-up Area (sq. ft.)	Age of Building	Net Book Value (RM)
1.	PTD 90544; HS(M) 1203, Mukim Kulai, District of Kulai Jaya, Johor	Factory and office buildings	02/09/2002 <sup>(b)</sup>	Freehold	605,457	349,268	18	20,772,403
2.	PN45839 Lot No.2, Pekan Sungai Gadut, District of Seremban, Negeri Sembilan	Factory and office buildings	26/01/2012	Leasehold Expiring on 08/12/2091	5,665,041	284,538	7	49,840,116
3.	HS(D)478917, PTD170709, Mukim Pulau, Daerah Johor Baharu, Negeri Johor	Lease over vacant commercial land	28/3/2013	Land lease over freehold commercial land expiring 31 July 2113	110,642	Not Applicable	Not Applicable	20,928,957.86
4.	HS(D)478918 PTD170710, Mukim Pulau, Daerah Johor Baharu, Negeri Johor	Lease over vacant commercial land	28/3/2013	Land lease over freehold commercial land expiring 13 July 2116	120,491	Not Applicable	Not Applicable	17,376,916.64
5.	HS(M)3416 to HS(M)3423 (PT7109 to PT7116) and HS(M)3539 to HS(M)3571 (PT7232 to PT7264), Seksyen U10 Shah Alam, Mukim Bukit Raja, Daerah Petaling, Negeri Selangor	Vacant bungalow land	5/3/2014	Leasehold (99 years expiring on 27 January 2103)	386,499	Not Applicable	Not Applicable	36,185,416.83
6.	Lot 3766 to Lot 3775, Lot 3787 to Lot 3795, Lot 3807 to Lot 3814, Lot 4393 and Lot 3833, Mukim Kota Tinggi, Daerah Kota Tinggi, Negeri Johor	Agriculture land	13/5/2015	Freehold	6,082,826	Not Applicable	Not Applicable	32,906,463.87

## LIST OF PROPERTIES

Held by the Group as at 31 December 2019 (cont'd)

No	Address/Location	Description and Existing Use	Date of Acquisition <sup>(a)</sup>	Tenure of Land (years)	Land Area (sq. ft.)	Built-up Area (sq. ft.)	Age of Building	Net Book Value (RM)
7.	HS(M)3441 to HS(M)3443 (PT7134 to PT7136), HS(M)3445 to HS(M)3452 (PT7138 to PT7145), HS(M)3455 (PT7148), HS(M)3461 to HS(M)3465 (PT7154 to PT7158), HS(M)3473 to HS(M)3475 (PT7166 to PT7168), HS(M)3486 (PT7179), HS(M)3494 to HS(M)3495 (PT7187 to PT7188), HS(M)3497 to HS(M)3500 (PT7190 to PT7193) and HS(M)3506 to HS(M)3508 (PT7199 to PT7201), Seksyen U10 Shah Alam, Mukim Bukit Raja, Daerah Petaling, Negeri Selangor	Bungalows	26/1/2018	Leasehold (99 years expiring on 27 January 2103)	291,530	1,942,929	4	57,814,513.98
8.	HS(M)3412 to HS(M)3415 (PT7105 to PT7108), HS(M)3424 to HS(M)3439 (PT7117 to PT7132), HS(M)3509 to HS(M)3525 (PT7202 to PT7218), HS(M)3528 to HS(M)3534 (PT7221 to PT7227) and HS(M)3536 to HS(M)3538 (PT7229 to PT7231), Seksyen U10 Shah Alam, Mukim Bukit Raja, Daerah Petaling, Negeri Selangor	Vacant bungalow land	26/1/2018	Leasehold (99 years expiring on 27 January 2103)	589,539	Not Applicable	Not Applicable	28,415,643.69

## LIST OF PROPERTIES

Held by the Group as at 31 December 2019 (cont'd)

No	Address/Location	Description and Existing Use	Date of Acquisition <sup>(a)</sup>	Tenure of Land (years)	Land Area (sq. ft.)	Built-up Area (sq. ft.)	Age of Building	Net Book Value (RM)
9.	HS(D)527565-HS(D)527604 (PTD217199-PTD217238) and HS(D)527605-HS(D)527624 (PTD217241-PTD217260), Mukim Plentong, Daerah Johor Bahru, Negeri Johor	Vacant semi-detached land	15/03/2019	Freehold	261,208	Not Applicable	Not Applicable	12,781,456.32
10.	HS(D)458296 PTD166915, Mukim Pulau, Daerah Johor Bahru, Negeri Johor	Agriculture land	20/12/2017	Freehold	1,263,037	Not Applicable	Not Applicable	88,588,240.32

**Notes :**

- (a) Date of acquisition stated herein refers to the date of the respective sale & purchase agreement.  
(b) This being the acquisition date of the factory building. The acquisition of the freehold land on which the buildings were erected thereon was completed on 27 October 2010.

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