

Annual Report 2020



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Form of Proxy

Our Vision

To Be The Leading
Conglomerate In The
Building Industry

Our Mission

To Provide Quality Homes,
Optimize Shareholders'
Returns And Nurture Its
Employees

Our Values

- Responsibility & Accountability
- Excellence In Service
- Customer Focus
- Respect Oneself And Fellow Colleagues

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Corporate Information

DIRECTORS

Mr. Ng Cheng Chuan
Chairman

YBhg. Datuk (Dr.) Philip Ting Ding Ing
Deputy Chairman

YBhg. Datuk Chew Chiaw Han
Group Managing Director

Mr. Liu Tow Hua
Executive Director

Puan Sharifah Deborah Sophia Ibrahim
Non-Independent Non-Executive Director

Mr. Guido Paul Philip Joseph Ravelli
Independent Director

Mr. Ng Kee Tiong
Independent Director

COMPANY SECRETARIES

Yeo Puay Huang (SSM PC No.:202008000727) (LS 0000577)
May Wong Mei Ling (SSM PC No.:202008002420) (MIA 18483)

REGISTERED OFFICE

Ibraco Berhad (197101000730 (011286-P))
No.6 The NorthBank,
Off Kuching-Samarahan Expressway,
93350 Kuching, Sarawak, Malaysia.
Tel: 082-361111 Fax: 082-361188

AUDITORS

Messrs. Ernst & Young PLT
3rd Floor, Wisma Bukit Mata Kuching,
Jalan Tunku Abdul Rahman,
93100 Kuching, Sarawak
Tel: 082-752668 Fax: 082-421287

STOCK EXCHANGE LISTING

Main Market of the Bursa Malaysia Securities Berhad
Stock Name: IBRACO
Stock Code: 5084

SHARE REGISTRAR

Securities Services (Holdings) Sdn. Bhd. (197701005827 (036869-T))
Level 7 Menara Milenium, Jalan Damanlela,
Pusat Bandar Damansara, Damansara Heights,
50490 Kuala Lumpur
Tel: 03-2084 9000 Fax: 03-2094 9940

WEBSITE

www.ibraco.com

NorthBank Clubhouse



Group Corporate Structure



IBRACO BERHAD
(197101000730 (011286-P))

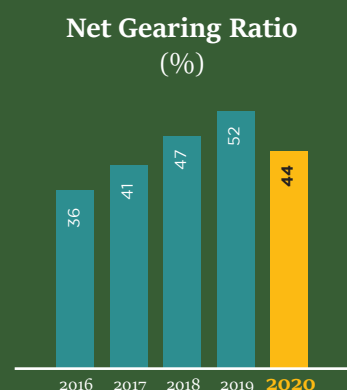
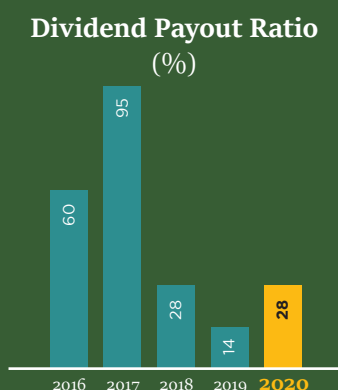
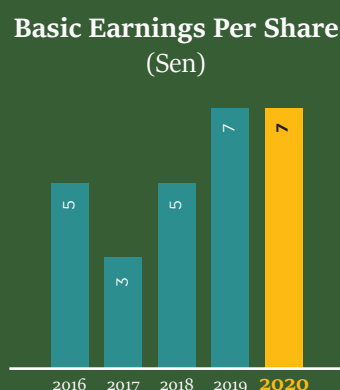
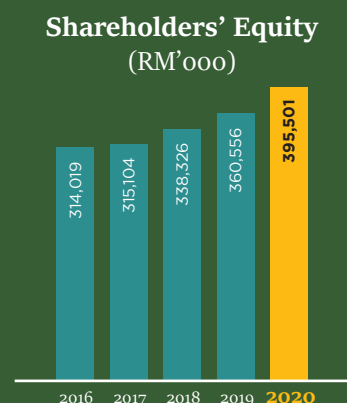
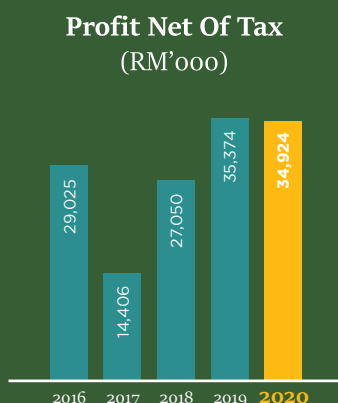
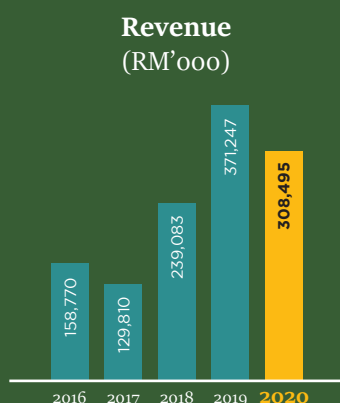


Group Financial Highlights

FIVE YEARS FINANCIAL SUMMARY

	2016	2017	2018	2019	2020
Revenue (RM'000)	158,770	129,810	239,083	371,247	308,495
Profit before taxation (RM'000)	40,378	18,493	37,937	48,587	48,537
EBTIDA (RM'000)	46,241	23,524	52,929	62,036	61,066
Net profit after taxation (RM'000)	29,025	14,406	27,050	35,374	34,924
Profit attributable to owners of the Company (RM'000)	27,074	14,499	26,945	34,614	34,917
Basic earnings per ordinary share (sen)	5	3	5	7	7
Dividend payout per share (sen)	3.50	2.75	1.50	1.00	2.00
Dividend payout ratio (%)	60	95	28	14	28
Net gearing ratio (%)	36	41	47	52	44
Shareholders' equity (RM'000)	314,019	315,104	338,326	360,556	395,501
Total Assets (RM'000)	542,967	608,976	721,693	795,612	784,557
Net assets per share (RM'000)	0.63	0.63	0.68	0.73	0.80
Return on shareholders' equity (%)	9	5	8	10	9
Return on total assets (%)	9	4	7	8	8
Total borrowings (RM'000)	140,641	180,571	246,258	265,911	242,566
Current assets (RM'000)	426,166	465,913	554,756	568,550	544,839
Current liabilities (RM'000)	154,000	226,431	250,036	279,468	249,703
Current ratio (times)	2.77	2.06	2.22	2.03	2.18

	RM0.50				
Issued and fully paid-up share capital of ('000)	496,406	496,406	496,406	496,406	496,406
Share price performance (RM)					
Closing	1.00	0.78	0.60	0.70	0.52



Chairman's Statement

Without doubt, the Year 2020 was unprecedented and challenging with the Covid 19 pandemic impacting all markets globally. The nationwide Movement Control Order (MCO) that lasted almost 2 months effective 18 March 2020 has brought non-essential industries in the country to a standstill. As a consequence of the MCO, subsequent movement restrictions had severely curtailed business activities. Without being spared as well, the property sector took a hit as consumers' behaviour shift was caused by uncertainties and unemployment concerns.



Ng Cheng Chuan
Chairman

Despite the challenges, I am grateful to our leadership team and personnel for their resilience and commitment which have well positioned the Group to weather this challenging period. Against all odds, I am very pleased to report that IBRACO Group managed to maintain its performance level in FY2020, recording a revenue of RM308.5 million and net profit of RM34.9 million as compared to its net profit of RM35.3 million in FY2019.

The Property development segment remains the main contributor to Ibraco's performance, reported at RM202.3 million, being 66% of the Group's revenue, whilst the construction segment delivered RM91.6 million (30%) to the overall result. Accordingly, we have paid out a dividend of 2 sen per share which is equivalent to 28.4% of net profit for the FY2020. This is consistent with our commitment to achieve our internal dividend policy of minimum payout ratio of 30%.

Further details of the Group financial performance are covered in the Management Discussion and Analysis review in this Annual Report.

NEW BUSINESS ACTIVITIES

Ibraco's quarry operation has commenced production in July 2020 upon the completion of upgrading works. The plant was running at average monthly capacity of 35,000 MT- 40,000 MT. On the same note, we are working on a new quarry site at Gunung Sinmajau measuring at 100 hectares. This is a meaningful partnership with Kebajikan Anak-Anak Yatim Sarawak Charitable Trust ("PERYATIM") via our subsidiary company, Sekitar Gemilang Sdn Bhd. Ibraco has transferred 30% shareholdings to PERYATIM at nil consideration. We are committed to give back to the society and the surrounding community while we expand our business activities. This new quarry site is scheduled to commence operation in 2nd half of Year 2022.



GOVERNANCE AND SUSTAINABILITY

As we continue to uphold good governance and ethic business conducts throughout the organisation, we rolled out the Anti-Bribery and Corruption Policy effective 1 June 2020. Employees had signed a declaration of commitment to Anti-Bribery and Corruption and relevant clauses have been incorporated in our engagement documents with supplier, contractors, consultants and other stakeholders.

This year, we also achieved another milestone when we moved into our new corporate office at our flagship development, The NorthBank. This certified green office building form part and parcel of our development planning and design for The NorthBank that take into consideration environmentally friendly and sustainable living environment.

FORWARD LOOKING

Moving into FY2021, we are hopeful that macroeconomic recovery will be forthcoming with Malaysia's Year 2021 gross domestic product (GDP) growth projected at between 6% and 7.5%. Additionally, the pandemic is expected to be better contained with vaccines coming along, helping to instil confidence in consumers spending.

Against this backdrop coupled with the solid foundation of our ongoing projects and upcoming projects at The NorthBank, we are confident that the Group is well-positioned to deliver commendable results and growth in FY 2021.

A NOTE OF APPRECIATION

On behalf of the Board, I would like to thank the leadership team and all employees for their dedication and resilience in maintaining the Group's performance amidst the unprecedented challenging year. I would also like to take this opportunity to thank the shareholders, associates, customers, bankers, subcontractors and suppliers for their unwavering support.

Finally, I express my gratitude to my fellow board members, for their guidance and support.

Ng Cheng Chuan
Chairman



Staff contribution to HOPE PLACE charity body.

Management Discussion and Analysis

by Group Managing Director

Overview of the Group's Business and Operations

Ibraco Berhad has been in the forefront of property development for more than 45 years. The vast building experience has led the organisation to maintain and build on its good reputation for its quality works and timely delivery of its development projects. The Group has been actively running property developments in Sarawak, namely Kuching and Bintulu, as well as West Malaysia. While striving to achieve the Group's vision to be the leader in the building industry, the Group has also ventured into the education industry, quarry operation and government projects coordination.



**Datuk Chew
Chiaw Han**
*Group Managing
Director*

Year 2020 as a whole, sees Malaysia's Gross Domestic Product ("GDP") contracted 5.6% as compared to 4.3% growth in Year 2019, mainly due to the Covid-19 pandemic that has affected the global economic environment. The state of uncertainties were further exacerbated by geopolitical events, primarily the US-China trade tension. Hence, lower sales and progress billings had led to the overall decrease of 16.9% in revenue, recorded at RM308.5 million compared to RM371.2 million in the preceding year. Nonetheless, the Group managed to maintain its net profit after taxation amounting to RM34.9 million against RM35.3 million in Year 2019. The shortfall in the property development and construction segments were cushioned by revenue generated from its investment holding in Tunku-Putra HELP school via lease income effective Year 2020 as well as gain on fair valuation of the hypermarket mall upon finalisation of the new lease arrangement.

FINANCIAL PERFORMANCE REVIEW

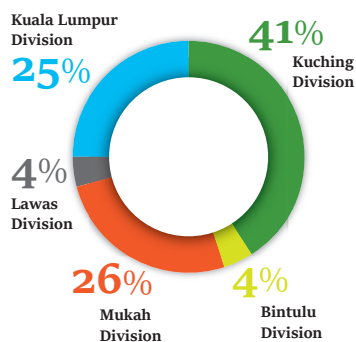
The property development segment remained the main contributor of the Group's revenue, with 66% of the current year's aggregated revenue, followed by the construction segment with 30%. The Group's revenue was primarily recognised from the development of The NorthBank that comprises the office block, commercial shop offices, Avona Residence serviced apartment, as well as the Nova 72 and Alyvia residential houses. Revenue also derived from the sales of apartment suites and commercial lots at ContiNew, Kuala Lumpur as well as from the shop office and SOHO units at Town Square Bintulu. Sales of the Group's inventories had also contributed to the revenue, representing 4% of the revenue of property development segment.

Despite the drop in property sales in this unprecedented challenging year, we managed to record improved segmental profit as compared to FY2019 as a result of the sales mix. During the year under review, we managed to conclude higher sales of commercial properties which earned higher profit margin.



OFFICE BLOCK

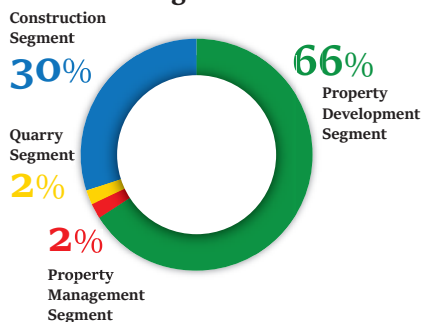
Revenue by Geographical Area



Another segment that contributed significantly to the Group's performance is our construction arm, which had contributed 30% of the Group's revenue performance. The revenue derived mainly from the construction project of the new Airport at Mukah, Sarawak and a contractual work from Jabatan Bekalan Air Luar Bandar, Kuching, Sarawak for the Design, Construction, Completion, Testing and Commissioning of Proposed Package NR4 (Northern Region) for Sarawak Water Supply Grid Programme – Stressed Areas.

The Group's administrative expenses recorded a decrease of 12% from RM24.4 million in previous year to RM21.5 million in the current year. In the preceding FY2019, there was an exceptional impairment of property development costs amounting RM2.8 million, incurred on a joint venture development project which the development approval has been put on hold. Whereas, FY2020 we recognised RM3.5 million fair value gain on investment properties that was offset against the Group's administrative expenses.

Revenue by Segment



As we continue to repay project financing as scheduled and via redemption from the sales proceeds, we managed to reduce the Group's loan and borrowings by 8% from RM265.9 million in FY2019 to RM242.6 million in FY2020. The Group's net gearing ratio remains healthy at 44% in Year 2020 (recorded at 52% for Year 2019).

In respect of return to shareholders, we managed to maintain an earnings per share of 7 sen for FY2020 and grow the Shareholders' funds from RM377.3 million as at 31 December 2019 to RM410.8 million as at 31 December 2020. Lastly, the Board of Directors has approved to pay out a dividend of 2 sen per share for FY2020 while taking concrete steps to achieve a minimum dividend payout ratio of 30% annually.

OPERATIONAL PERFORMANCE REVIEW

PROPERTY DEVELOPMENT SEGMENT

The NorthBank, Kuching



The NorthBank, spanning across on 123 acre, will be our major focus for the next few years. This new township creates vibrant economy and convenience to the surrounding communities, combining the popularity of landed residences with the growing trend of high-rise developments and complemented with commercial components. The NorthBank offers purchasers with choices of various type of residences built within a walking distance to commercials, office units and other community facilities namely a social clubhouse, educational institution and healthcare facility.



NOVA 72

Sales achieved across The NorthBank developments stood at RM82.8 million, representing 41% of the Group's property development segment revenue.

FY2020 marked the first handover of the landed residential property at The NorthBank, NOVA 72, which encompasses a terrace and semi-detached gated and guarded community. We also successfully completed the handover of an 8-storey office block that received the QLASSIC certificate (The Quality Assessment System in Construction) with a score of 80%, in August 2020.



NBX 1

Other ongoing projects at The NorthBank include the NBX Phase 1 – 23 units of commercial lots, Avona Residence – a two 12-level towers of 298 units serviced apartments, and Alyvia Residence – 102 units of townhouse residences. In addition, Tunku Putra-HELP School officially commenced operation at the NorthBank in January 2020, which has in turn enhanced the value of surrounding development.

Despite the tough market conditions in Year 2020, we managed to successfully launch NBX 2, albeit under strict Covid-19 SOP. We are gratified that our branding effort created for The NorthBank has not gone unrecognised. During the launch, we achieved 50% take up rate whilst succeeded in offloading the balance unsold units of NBX 1 which was launched earlier. However, we were unable to roll out remaining

new launches that were planned for FY2020 due to the delay in obtaining development approvals. As a result of the Movement Control Order (“MCO”) and Conditional MCO, many offices were operating at limited capacities. Consequently, the submission and approvals of development plans were delayed and these launches are now rescheduled to Year 2021.

FY2020 also signified a major milestone for the Group with the grand opening of our new corporate office, that is certified as a Green Office. We are proud to have accomplished the 1st step of our commitment to sustainable development, which is incorporated and integrated in The NorthBank design and planning.

CONTINEW, Kuala Lumpur

The Group’s maiden foray in West Malaysia, ContiNew, which is located in Kuala Lumpur City Centre, was officially launched in February 2017. It consists of two residential towers, sitting above a vibrant commercial space comprising 4 units of 3-storey commercial/retail shops, 30 units of retail/office spaces and 510 units of serviced apartments. This mixed development is estimated to have a GDV of over RM400 million and scheduled to complete in FY 2021. For FY2020, it has generated RM76.3 million, representing 25% of the Group’s property development segment revenue.



CONTINEW, KL



MUKAH AIRPORT

CONSTRUCTION SEGMENT

In FY2020, the Group continued to recognise its revenue from the construction of the new Airport at Mukah, Sarawak. The Project, amounting to RM302.64 million, is re-scheduled to complete in 1st quarter of Year 2021 in view of the Movement Control Order (“MCO”) effective 18 March 2020. Another ongoing government project is the Design, Construction, Completion, Testing and Commissioning of NR4 (Northern Region) for Sarawak Water Supply Grid Programme – Stressed Areas amounting RM44.9 million. Similarly, this project is re-scheduled to complete in 3rd quarter of Year 2021. Both projects have generated RM91.6 million, representing 30% of the Group’s total revenue for FY2020.

QUARRY SEGMENT

The Group’s quarry operations are managed under its wholly owned subsidiary, Ibraco Quarry Sdn Bhd. The Group acquired the existing plant at Pulau Salak in Year 2019 and has commenced production in July 2020 after the completion of its upgrading works. The plant, producing aggregates of granites, has an annual capacity of 600,000 MT.

In FY2020, we have obtained approval for the quarry licence for a new quarry reserve located at Gunung Sinmajau, Mile 14 Serian-Tebedu, Serian Division. This involves a meaningful partnership with Kebajikan Anak-Anak Yatim Sarawak Charitable Trust (“PERYATIM”) via our subsidiary company, Sekitar Gemilang Sdn Bhd. This new quarry site is scheduled to commence operation in the 2nd half of Year 2022 with estimated capital expenditure (“CAPEX”) of RM27 million. The CAPEX will be funded via bank borrowings and internally generated funds.



CRESTWOOD RESIDENCE

Outlook for Year 2021

Although Malaysia's Year 2021 gross domestic product (GDP) growth projected at between 6% and 7.5%, we are mindful of the duration of time needed to contain the Covid-19 pandemic and subsequent economic recoveries. The uncertainties in the economic recoveries, concerns over employment and tightening of end financing for buyers have impacted the spending behaviour of home buyers, which are adopting a "wait and see" approach.

However, we are hopeful of a better economy recovery in Sarawak in view of the Sarawak Government's five-year development master plan to transform Kuching city. Furthermore, Sarawak's infrastructure development will get a major boost with the allocation of some RM6.3bil in the Year 2021 state budget for development expenditure and global economic recoveries. The State 2021 budget has also highlighted various strategies and programmes to ensure that Sarawak's economy stands on strong foundation.

Against the above backdrop coupled with our efforts in the branding of The NorthBank development over the years, we are set on good path to roll out more launches in FY2021 focusing on The NorthBank. There will be new launches for commercial developments, service apartments and landed residences. Also in the development plan is the kick start of the construction of The NorthBank Specialist Hospital in FY2021 that will further enhance the value of the surrounding properties and hence, the marketability of our new launches in the pipeline. Apart from The NorthBank, we also plan to roll out a range of affordable housings in Kuching in FY2021 so to broaden our market reach as well as to cater for the current demand for affordable homes.

As for Bintulu market, we are planning for the new launch of shop office and 2nd phase of our service apartment following the 100% take up rate of the phase 1 service apartment, that we had successfully completed the handover to buyers in Year 2020.

Riding on the success of ContiNew Kuala Lumpur, the Group's venture into West Malaysia will continue with the new launch of affordable service apartment at Bandar Petaling Jaya Selatan. The launch of this project in Year 2020 was re-scheduled to 4th quarter of Year 2021 due to delay in development approvals as a result of the movement controls imposed.

Apart from the property development segment, the Group is also actively bidding for government's construction and infrastructure projects.

With the solid foundation of ongoing projects and upcoming strategies, the Group is well-positioned to deliver sustainable growth for Year 2021.



RENNA SERVICE APARTMENT

Profile of Directors



NG CHENG CHUAN

Chairman

Singaporean | Age 62 | Male



DATUK (DR.) PHILIP TING DING ING

Deputy Chairman

Malaysian | Age 69 | Male

Mr. Ng Cheng Chuan, a Non Executive Non Independent Director, joined the Board of Ibraco Group on 21 October 2009 and was appointed as the Chairman of Ibraco Group on 27 February 2014. He is also member of the Audit Committee, Nomination Committee and Remuneration Committee. He is a member of the Institute of Internal Auditors Malaysia.

Mr. Ng is the Chairman of Crossland Marketing (2000) Pte Ltd and several other companies in Singapore, Malaysia and Thailand dealing mainly with soft commodities, farming and warehousing. Mr. Ng has more than 35 years of extensive experience in the areas of sales and purchasers of soft commodities.

He does not have any family relationship with any Director and/or major shareholder and has no conviction for any offences over the past 5 years (other than traffic offences, if any). He does not have any conflict of interest with the Company.

Datuk (Dr.) Philip Ting, a Non Executive Independent Director, joined the Board of Ibraco Group on 1 April 2001.

Datuk Ting holds a Bachelor of Business degree majoring in Accounting, as well as a Doctorate of the University (Honoris Causa) from Swinburne University of Technology, Australia. He is a member of the Malaysian Institute of Certified Public Accountants and a Chartered Accountant of the Malaysian Institute of Accountants.

A Fellow Member of the Institute of Chartered Accountants in Australia, he was in public practice for 17 years beginning with Touche Ross & Co in Australia in 1973 and ending as a Partner of Arthur Andersen & Co/Hanafiah Raslan & Mohamad in Malaysia. From 1991 to 1994, he was Chief Executive Officer of Sarawak Securities Sdn Bhd, a major stock-broking company in Malaysia and from 1994 to 1998, he was Group Managing Director of Cahya Mata Sarawak Berhad, a diversified conglomerate in Malaysia. He was the acting Group Chief Executive Officer of Encorp Berhad from 1 October 2010 to 30 November 2010. During his working career, he spent a significant amount of time consulting and investing in Australia, the United States of America and in countries throughout Southeast Asia.

Datuk Ting is the Honorary Consul for Australia in Sarawak and the Deputy President of the Sarawak Chamber of Commerce and Industry. He is also a Board and Council Member of Swinburne University of Technology, Sarawak, Chairman of the University's finance committee and Chairman of Swinburne Innovation Sdn Bhd. Datuk Ting also sits on the Board of National Bank of Abu Dhabi Malaysia Berhad, Employees' Provident Fund and as Deputy President of Sarawak Business Federation.

Datuk Ting does not have any family relationship with any Director and/or major shareholder and has no conviction for any offences over the past 5 years (other than traffic offences, if any). He does not have any conflict of interest with the Company.

Profile of Directors



DATUK CHEW CHIAW HAN

Group Managing Director

Malaysian | Age 44 | Male



LIU TOW HUA

Executive Director

Malaysian | Age 61 | Male

Datuk Chew Chiaw Han was appointed as a Non Executive Non Independent Director on 21 October 2009 and became an Executive Director on 30 October 2009. He was appointed as the Chief Executive Officer on 30 April 2010 and later redesignated as the Group Managing Director on 10 May 2011. Datuk Chew is also the Chairman of the Risk Management Committee, member of the Remuneration Committee and Sustainability Committee.

Datuk Chew is a graduate of the University of Waikato, New Zealand with a Bachelor of Law Degree. He started his career with Lian Hua Seng Group of companies in 1999. He was then appointed as an Executive Director in 2002 and later promoted to Chief Executive Officer of the Group in 2007. Under his leadership, he has led the group to diversify into other business fields such as manufacturing, supply, construction, logistic, and food processing, both in private and government sectors.

He does not have any family relationship with any Director and/or major shareholder and has no conviction for any offences over the past 5 years (other than traffic offences, if any).

Datuk Chew's private companies are principally involved in construction. There may be potential conflict of interest with Ibraco Construction Sdn Bhd, a wholly owned subsidiary of Ibraco Berhad, which principally involved in construction activities.

Mr. Liu Tow Hua, an Executive Director, joined the Board of Ibraco Group on 16 January 2007. He is also a member of the Risk Management Committee and Sustainability Committee.

He qualified as a Chartered Accountant with the Chartered Institute of Management Accountants (UK). He is also a member of the Malaysian Institute of Accountants.

He has extensive experience in the auditing field both in the public and private sectors. He joined Ibraco Berhad as Group Internal Auditor and became the Chief Financial Officer in May 2006. He was appointed as an Executive Director on 16 January 2007.

He does not have any family relationship with any Director and/or major shareholder and has no conviction for any offences over the past 5 years (other than traffic offences, if any). He does not have any conflict of interest with the Company.

Profile of Directors



SHARIFAH DEBORAH SOPHIA IBRAHIM

Non Executive Non Independent Director

Malaysian | Age 58 | Female

Puan Sharifah Deborah Sophia Ibrahim was appointed to the Board of Ibraco Group on 5 July 1982 as an Executive Director and as a member of the Audit Committee on 21 April 2001. She ceased to be a member of the Audit Committee on 3 December 2007 and was redesignated to a Non Executive Non Independent Director on 16 April 2008. She also holds directorships in several private limited companies.

She does not have any family relationship with any Director and/or major shareholder and has no conviction for any offences over the past 5 years (other than traffic offences, if any). She does not have any conflict of interest with the Company.



NG KEE TIONG

Non Executive Independent Director

Malaysian | Age 53 | Male

Mr. Ng Kee Tiong, a Non Executive Independent Director, was appointed to the Board of Ibraco Group on 15 April 2010. He is also the Chairman of the Audit Committee and member of the Nomination Committee.

Mr. Ng is a Fellow Member of the Association of Chartered Certified Accountants of United Kingdom and a member of the Malaysian Institute of Accountants. Besides his accounting and finance experience, he gained many years of experience in property development and construction industry. He is currently an Executive Director of a construction company. There may be potential conflict of interest with Ibraco Cosntruction Sdn Bhd, a wholly owned subsidiary of Ibraco Berhad, which principally involved in construction activities.

He does not have any family relationship with any Director and/or major shareholder and has no conviction for any offences over the past 5 years (other than traffic offences, if any).

Profile of Directors



GUIDO PAUL PHILIP JOSEPH RAVELLI

Non Executive Independent Director

British | Age 70 | Male

Mr. Guido Paul Philip Joseph Ravelli, a Non Executive Independent Director, joined the Board of Ibraco Group on 1 May 2002. He is the Chairman of the Remuneration Committee, Nomination Committee and Sustainability Committee, and member of Audit Committee. He is also the Senior Independent Non Executive Director to whom the public may address their concerns (if any) on the general conducts of Ibraco Group.

Born in the United Kingdom, he studied civil engineering at King's College, University of London. Graduating with a Bachelor of Science (Hons) degree in Civil Engineering, he furthered his studies at Ecole Centrale des Arts et Manufactures, Paris. Commencing his working career with a major building contractor in Paris, he soon elected to pursue an international career in the field of construction. Since joining Bouygues Construction in France in 1974, he has accumulated more than 40 years of experience in the development, implementation and management of building, public works and built-operate-transfer projects in France, Portugal, Hong Kong and Malaysia and 9 years of experience in the oil and gas industry. In 2000, the President of France conferred a national

honour on him by making Paul Ravelli a Chevalier de l'Ordre National du Merite, in recognition of his contribution to the profession and to Franco-Asian business relations. Amongst the significant projects with which he has been associated are in Hong Kong, the HSBC Head Office, Pacific Place development, the National Stadium and the Convention & Exhibition Centre, and in Malaysia, the KL Sentral Station.

Mr. Paul Ravelli is a member of the Institute of Internal Auditors Malaysia. He is also Deputy Chairman and Independent Non Executive Director of Malton Berhad, a company listed on Bursa Malaysia Securities Berhad specializing in property development and project construction management. Prior to this, he was a Director and General Manager of Dragages Malaysia Berhad. He is currently Chairman of CFC Technologies Holdings, a company specializing in associated gases in oil fields.

He does not have any family relationship with any Director and/or major shareholder and has no conviction for any offences over the past 5 years (other than traffic offences, in any). He does not have any conflict of interest with the Company.

Profile of Key Personnel

Felix Su Kuang Yiau, Malaysian, age 62, male, is the Project Director of Ibraco Group. He obtained Bachelor of Civil Engineering from Ryerson University, Canada. He has over thirty years of experience in the construction industry, with niche technical knowledge in upgrading and construction of airports within Sarawak. He joined the Group on 2 May 2017.

He does not have any family relationship with any Director and/or major shareholder and has no conviction for any offences over the past 5 years (other than traffic offences, if any).

May Wong Mei Ling, Malaysian, age 47, female, is the Assistant to Group Managing Director cum Company Secretary. She qualifies as a Chartered Accountant with the Association of Chartered Certified Accountants (ACCA). She is also a member of the Malaysian Institute of Accountants. She was the Chief Financial Officer and Company Secretary of Sarawak Consolidated Industries Berhad for 6 years before joining the Group on 1 February 2010.

She does not have any family relationship with any Director and/or major shareholder and has no conviction for any offences over the past 5 years (other than traffic offences, if any).

Chai Ming Hsia, Malaysian, age 45, female, has more than 10 years of experience in Quantity Surveying for consultancy, developer and construction firms prior to joining Ibraco Group on 21 May 2013 as Project Special Assistant. She was later appointed as the Senior Contracts Manager in 2016. Her past projects include high end residential development, biogas plant and wastewater treatment plant. She graduated with a Bachelor's Degree in Construction Management and Economics from Australia.

She does not have any family relationship with any Director and/or major shareholder and has no conviction for any offences over the past 5 years (other than traffic offences, if any).

Jonathan Teo Kui Theng, Malaysian, age 53, male, joined the Group as Senior M&E Manager on 1 December 2016. He has more than 10 years of experience in managing building works and M&E packages for major development projects in Sarawak, including the Sarawak International Medical Centre, as well as Sarawak Energy Berhad's headquarters building. He graduated with BSc. Engineering in Mechanical and Production from Singapore.

He does not have any family relationship with any Director and/or major shareholder and has no conviction for any offences over the past 5 years (other than traffic offences, if any).

Chung Yng Yng, Malaysian, age 46, female, has joined Ibraco Group on 2 April 2018 as Senior Architect and Planning Officer. She graduated from her Architectural Studies in U.K and she is a qualified architect in Malaysia (LAM, PAM) as well as U.K (ARB, RIBA). Her architectural experience includes mixed-use developments, residential, commercial, industrial projects and aged care centre. She has over 10 years working experience in U.K and more than 6 years in Malaysia as a senior architect.

She does not have any family relationship with any Director and/or major shareholder and has no conviction for any offences over the past 5 years (other than traffic offences, if any).

Ng Suk Ling, Malaysian, age 43, female, has joined Ibraco Group on 1 November 2018 as Group Internal Auditor. She qualifies as a Chartered Accountant with the Association of Chartered Certified Accountants (ACCA). She is also a member of the Malaysian Institute of Accountants. She has more than 17 years of working experience in the field of auditing, finance, tax matters and group reporting. Prior to joining Ibraco, she spent 4 years in audit with a reputable audit firm and 11 years in group reporting, finance and tax matters with a public listed company.

She does not have any family relationship with any Director and/or major shareholder and has no conviction for any offences over the past 5 years (other than traffic offences, if any).

Corporate Governance Overview Statement

The Board of Directors of Ibraco is committed to conduct business operations integrate with good corporate governance practices throughout the Group. The Board believes in maintaining good corporate governance as the fundamental tools in discharging the Board's responsibility of protecting and enhancing shareholders' values consistent with acceptable levels of risks. The Board firms up a governance framework that is guided by the Malaysian Code on Corporate Governance ("MCCG"). This Statement provides a summary of Ibraco's corporate governance practices during the financial year ended 31 December 2020 with reference to the key Principles which set out in MCCG. The Corporate Governance Report for the financial year ended 31 December 2020 is available on Ibraco's website at www.ibraco.com.

MCCG PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

Board Responsibilities

The Board is collectively responsible for the stewardship of the Group's business and affairs, setting the Company's long-term strategic direction and safeguarding interests of the stakeholders while the Management is responsible in day to day operation of the Group's business activities in accordance with the direction of the Board.

The Board has established various Board Committees to assist the Board in the running of the Group. The Board Committees comprise the following:-

- Audit Committee
- Nomination Committee
- Remuneration Committee
- Risk Management Committee
- Sustainability Committee

The functions and terms of reference of the Board Committees, as well as the authorities and duties delegated by the Board to these Board Committees, have been clearly defined by the Board. The terms of reference of each Board Committee are accessible on Ibraco's website at www.ibraco.com.

Board's role in setting strategy

Ibraco has established and formalized a Board Charter which clearly sets out the roles and responsibilities of the Board and serves as a reference for Board activities and those delegated to Management.

The Board has assumed the following principal responsibilities in discharging its fiduciary functions:-

- (i) reviewing and adopting strategic plan, as developed by Management, that promote sustainability within the aspect of environmental, social and governance;
- (ii) overseeing the conduct of the Group's business in accordance with its strategic plan and budget;
- (iii) monitoring the performance of Management to ensure sound financial and operational management;
- (iv) identifying principal business risks faced by the Group and ensuring the implementation of appropriate internal controls and mitigating measures to manage such risks;
- (v) overseeing and review in the identification and management of sustainability matters;
- (vi) overseeing the development and implementation of investor relations and shareholder communication policy;
- (vii) ensuring succession planning are in place for the orderly succession of senior management;
- (viii) reviewing the adequacy and integrity of the Group's management information and internal control systems, ensuring there is a sound framework of reporting internal controls and regulatory compliance; and
- (ix) overseeing the Group's adherence to appropriate corporate governance structure and ethical corporate behavior.

Corporate Governance Overview Statement (contd.)

Code of Conduct and Ethics

Ibraco has adopted a set of Code of Conduct and Ethics to establish a strong corporate culture to guide Directors and employees to commit themselves to ethical standards and conduct at work. The Code of Conduct and Ethics is subject to periodical review.

Directors are expected to observe, amongst others, the following salient points in the Code of Conduct and Ethics:-

- observed the highest standards of ethical conduct;
- to act in the interest of Ibraco Group to the best of their ability and judgement; and
- maintain the confidentiality of non-public information about Ibraco Group or its activities or operations.

The Code of Conduct and Ethics is available on Ibraco's website at www.ibraco.com.

Whistle-blower Policy

The Group's Whistle-blower Policy has been established to encourage all employees or members of the public to raise genuine concerns about possible improprieties in matters of financial reporting, compliance and other malpractices at the earliest opportunity, and in an appropriate way.

The Whistle-blower Policy is designed to:-

- (a) support the Company's values;
- (b) ensure employees and member of the public can raise concerns without fear of reprisals and safeguard such person's confidentiality;
- (c) protect a whistle-blower from reprisal as consequence of making a disclosure; and
- (d) provide a transparent and confidential process for dealing with concerns.

The Whistle-blower Policy is available on Ibraco's website at www.ibraco.com.

Anti-Bribery and Anti-Corruption Policy

Ibraco has also established and adopted a set of Anti-Bribery and Anti-Corruption policy to commit integrity in conducting business in accordance to the guidance of the Guidelines on Adequate Procedures issued pursuant to Section 17A(5) of the Malaysia Anti-Corruption Commission Act 2009.

The Anti-Bribery and Anti-Corruption policy is served as Ibraco's overall position on bribery and corruption in all its forms and both Directors and employee are bound to this Policy and shall act professionally with integrity in their performance of their duties.

The Policy is subject to periodical review and is accessible on Ibraco's website at www.ibraco.com.

Roles of Chairman and Managing Director

The respective roles and responsibilities of the Chairman of the Board and the Managing Director are held by 2 different individuals, where such division is to ensure that there is clear and proper balance of power and authority.

The Chairman's main responsibility is to set tone at the top, ensure effectiveness of the Board functions, and encourages participation and deliberation by all the Board members.

The Managing Director has overall responsibilities over the Group's operational, organisational effectiveness and implementation of Board policies, directives, strategies and decisions. At the management level, several committees namely Risk Management Committee, Sustainability Working Committee and Tender Committee have been established to ensure good governance and practices are upheld at all times in the Group's operations and business dealings.

Corporate Governance Overview Statement (contd.)

Qualified and Competent Company Secretaries

The Board is regularly updated and advised by the joint Company Secretaries, who are qualified, experienced and competent on statutory and regulatory requirements, on the resultant implications of any changes in regulatory requirements to the Company and Directors in relation to their duties and responsibilities. The joint Company Secretaries oversee adherence to Board policies and procedures, brief the Board on the proposed contents and timing of material announcements to be made to regulators, as well as any changes to regulatory requirements that may affect the Company and the Board. The in-house Company Secretary ensures the Board papers are circulated prior to the Board meetings to ensure sufficient time is given to the Directors to read and seek any clarification that they may need from the Management or Company Secretaries or consult independent advisers, before the Board meetings. In addition, the in-house Company Secretary also attends all Board and Board Committee meetings and ensures that meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are taken and maintained accordingly. All Directors also have access to independent professional advice where appropriate, at the Company's expenses.

Board Charter

Ibraco has established and formalized a Board Charter which clearly sets out the roles and responsibilities of the Board and serves as a reference for Board activities and those delegated to Management.

The Board Charter is reviewed on annual basis to ensure it remains consistent with the Board's objectives which in line with the Group's direction and any new regulations that may impact the Board's responsibilities. The Board Charter is available on Ibraco's website at www.ibraco.com.

Board Composition and Independence

The Board currently comprises seven (7) members, with three (3) Independent Directors and four (4) Non-Independent Directors out of which two (2) are Executive Directors. Thus, the Board fulfilled the Listing Requirements of Bursa Securities para 15.02 that at least 1/3 of the Board must be Independent Directors.

The Directors have wide range of experience and expertise and have contributed significantly in areas such as policy and strategy, performance monitoring, allocation of resources as well as improving governance and controls. The Executive Directors in particular, are responsible for implementing the policies and decisions of the Board, overseeing the operations as well as coordinating the development and implementation of business strategies adopted whilst the Independent Directors have provided balanced and independent view and judgement to the Board.

The Board has an established annual evaluation of Independent Directors to ensure compliance with the requirements of Independent Directors set out in the Main Market Listing Requirements. The Board performed an assessment on the independence and effectiveness of Independent Directors, took into account Independent Directors' skills, competences and whether the Independent Directors can continue to bring independent and objective judgement to Board deliberations. The Board is satisfied with the level of independence demonstrated by the Independent Directors.

The profile of each of the Board Members is as presented on pages 13 to 16 of this Annual Report.

Tenure of Independent Directors

Datuk (Dr.) Philip Ting Ding Ing and Mr. Guido Paul Philip Joseph Ravelli were appointed as Non-Executive, Independent Director on 1 April 2001 and 2 May 2002 respectively and hence have served the Company in their present capacity for more than twelve years. Whereas, Mr. Ng Kee Tiong, appointed as Non-Executive Independent Director on 15 April 2020, has served the Company for more than nine years. The Board is satisfied with the skills, contribution and independent judgement that they bring to the Board. In view thereof, the Board recommends and supports their re-appointment as Independent Director of the Company, which will be tabled for shareholders' approval at the forthcoming 49th Annual General Meeting of the Company, where the shareholders' approval will be sought through a "two-tier" voting process for re-appointment of Datuk (Dr.) Philip Ting Ding Ing and Mr. Guido Paul Philip Joseph Ravelli.

Corporate Governance Overview Statement (contd.)

Nomination Committee ("NC")

The NC was set up on 16 April 2003 and comprises three (3) members who are Non-Executive Directors with majority of them being Independent Directors. The composition of the members is set out below:-

Committee Members

Guido Paul Philip Joseph Ravelli (Chairman, Senior Independent Non-Executive Director)
Ng Cheng Chuan (Non-Independent Non-Executive Director)
Ng Kee Tiong (Independent Non-Executive Director)

Key Responsibilities of the NC

- (a) To assess and recommend new Directors to the Board and Boards of the Group. For the position of Independent Non-Executive directors, the NC shall also evaluate the candidate's ability to discharge such responsibilities as expected from Independent Non-Executive directors.
- (b) To review annually the mix of skills, knowledge, professionalism, integrity and experience, and other qualities to enable the Board to function completely and efficiently.
- (c) Review the size, structure and composition of the Board.
- (d) Annual assessment that the number of Independent Directors on the Board is sufficient to meet the regulatory requirements, and make such recommendation to the Board, where necessary.
- (e) Annual evaluation of the Board's and Board Committees' performance. Performance assessment shall be used to assess whether the directors are spending enough time to fulfil their duties.
- (f) Identify and develop succession plan for those in key positions in senior management.
- (g) Make recommendation to the Board concerning the succession plan for Directors, in particular the Chairman and Managing Director and the re-appointment of Director at the conclusion of the term of office.

Summary of Activities of the NC during the Year

- Review the required mix skills, experience and other qualities required for the Board.
- Review the size of the Board.
- Annual assessment of the performance of Directors.
- Annual assessment of the performance of the Board, the Board Committees and its members.
- Review and assess the performance and make recommendation to the Board with regard to Directors who seek re-election at the Annual General Meeting.

For the financial year ended 31 December 2020, the NC has conducted its annual assessment of the Board, Board Committees and Individual Directors using a set of detailed questionnaire completed by Directors. The results of the assessment were compiled by the Company Secretary and tabled to the Board for review and deliberation. The Board is satisfied that the size of the Board and those of the various committees is optimum and concluded that the composition of the Board has an appropriate mix of skills and core competencies and that all the members of the Board and various committees are suitably qualified to hold their positions as Directors in view of their respective academic and professional qualifications, experiences and qualities.

Board Diversity

The Board is aware of the gender diversity as set out in Practice 4.5 of MCGG. When appointing a Director, the NC and the Board will evaluate the candidate giving due consideration for boardroom diversity. Currently, there is one woman Director on the Board.

Apart from the Board, the Group promotes gender diversity at the management and staff level. The Group recorded 34% female workforce at Group level and 67% female at Senior Management level.

Corporate Governance Overview Statement (contd.)

Time Commitment

The Board meets at least once in every quarter, which is in tandem with the need to review and approve unaudited quarterly financial results prior to public dissemination.

During the year ended 31 December 2020, the Board met on five (5) occasions where it deliberated upon and considered a variety of matters including business plans and the future direction of the Group, Corporate Governance, Risk Management, Group Policies and Group Financial Results.

Details of Directors' attendances of Board Meetings in 2020 are as follows:-

Directors	Numbers of Board Meetings attended
Ng Cheng Chuan	4/5
Datuk (Dr.) Philip Ting Ding Ing	4/5
Datuk Chew Chiaw Han	5/5
Liu Tow Hua	5/5
Sharifah Deborah Sophia Ibrahim	5/5
Guido Paul Philip Joseph Ravelli	5/5
Ng Kee Tiong	5/5

Directors' Training

The Directors will continuously attend conferences, seminars and training programs as well as reading materials and publications to further broaden their perspective, skills, knowledge and to keep abreast with the relevant changes in law, regulations and the business environment.

During the financial year under review, the Directors, individually or collectively, attended various training programs and seminars as set out below:-

- Macro and Market Updates – Recovering in 2021
- Covid-19 Financial Reporting Implication and Recent MFRS Developments, Updates and Amendments
- MIA Conference 2020
- Impact on valuation assessment and deal structuring in responding to COVID-19
- Corporate Liability under Section 17A of the Malaysian Anti-Corruption Commission (MACC) Act 2009

Remuneration Committee ("RC")

The RC was established on 16 April 2003 and comprises the following Board members:-

Guido Paul Philip Joseph Ravelli (Chairman, Senior Independent Non-Executive Director)

Ng Cheng Chuan (Non-Independent Non-Executive Director)

Datuk Chew Chiaw Han (Non-Independent Executive Director)

The Committee is responsible for reviewing and recommending the remuneration of all the Executive Directors of the Group ensuring that the remuneration framework is set at a competitive level for similar roles within comparable markets to recruit, attract, retain and motivate high caliber individuals to pursue the long-term growth and success of the Group.

In the case of Non-Executive Directors, the determination of their remuneration is a matter for the Board as a whole and the level of remuneration reflects the experience and level of responsibilities undertaken by each Non-Executive Director.

Individual Directors do not participate in the decision regarding their individual remuneration.

Corporate Governance Overview Statement (contd.)

The remuneration of the Executive Directors and Non-Executive Directors of the Group for the year ended 31 December 2020 is set out as follows:-

	From the Company				From Subsidiary Companies	
2020	Fees ⁽ⁱ⁾	Other emoluments ⁽ⁱⁱ⁾	Benefits- in-kind	Company Total	Fees ⁽ⁱ⁾	Group Total
	RM	RM	RM	RM	RM	RM
Executive Directors						
Datuk Chew Chiaw Han	-	768,249	44,722	812,971	17,325	830,296
Liu Tow Hua	-	358,800	8,800	367,600	17,325	384,925
	-	1,127,049	53,522	1,180,571	34,650	1,215,221
Non-Executive Directors						
Ng Cheng Chuan	276,000	-	-	276,000	-	276,000
Datuk (Dr.) Philip Ting Ding Ing	66,000	-	-	66,000	-	66,000
Sharifah Deborah Sophia Ibrahim	48,000	-	-	48,000	8,400	56,400
Guido Paul Philip Joseph Ravelli	84,700	-	-	84,700	-	84,700
Ng Kee Tiong	96,350	-	-	96,350	-	96,350
	571,050	-	-	571,050	8,400	579,450
Total Directors' Remuneration	571,050	1,127,049	53,522	1,751,621	43,050	1,794,671

⁽ⁱ⁾ Included in fees are Director's fees and meeting allowances.

⁽ⁱⁱ⁾ Included in other emoluments are salaries, bonus and defined contribution plan.

The remuneration packages of the Senior Management Personnel are determined by taking into considerations on individual responsibilities, skills, expertise, experiences and contributions to the Group's performance. It is essential to offer competitive and sufficient remuneration packages to ensure executive talents' retention. The Board is of the view that it would not be beneficial to the Company to disclose the Key Senior Management Personnel's remunerations on named basis, which might raise negative impact to maintain a stable working environment for long-term strategic goals.

The details of the aggregate remuneration of the Key Senior Management Personnel during the year under review are set out as below:-

	From the Company RM
Salaries	1,962,314
Bonus	241,195
Benefits-in-kind	111,459
Other emoluments**	184,689
Total	2,499,657

** Included in other emoluments are defined contribution plan and social security costs.

Corporate Governance Overview Statement (contd.)

MCCG PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit Committee (“AC”)

The Audit Committee is established by the Board and comprises three (3) members, whom two (2) of the members are Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. The Chairman of the AC is appointed by the Board and is not the Chairman of the Board.

The AC assists and supports the Board primarily in the area of financial reporting in liaison with the external auditors and the Group’s system of risk management and internal control in liaison with the internal auditors. The functions of the AC are clearly defined in the Terms of Reference, which is accessible on Ibraco’s website at www.ibraco.com.

Collectively, the AC members have a wide range of necessary skills, knowledge and experiences to discharge their duties, ranges from accounting and construction. The Chairman of the AC is a member of the Malaysian Institute of Accounts and also a fellow member of the Association of Chartered Accountants of United Kingdom.

The details of summary of work by AC for year 2020 are set out under the Audit Committee Report on pages 27 to 30 of this Annual Report.

Internal Audit Function

Ibraco has established an in-house Internal Audit Department (“IAD”), which provides the Board with adequate assurance it requires regarding the adequacy and effectiveness of risk management, internal control and governance processes. The IAD is guided by the Internal Audit Charter as well as the Professional Practices Framework in assessing the reporting on the adequacy and effectiveness of the internal control, governance and risk management processes.

The IAD is led by Group Internal Auditor (“GIA”), assisted by an Internal Audit Executive, and reports directly to AC. The AC is responsible to oversee the performance and the effectiveness of the internal audit function. As guided by the Internal Audit Charter, independence of the IAD is essential for the effectiveness of their function. In this regard, the internal audit has no direct authority or responsibility for the activities it audited and has no responsibility for developing or implementing procedures or system and does not prepare records or engage in original line processing functions or activities.

Further details of the internal audit function that is oversighted by the AC are set out under the Audit Committee Report on pages 27 to 30 of this annual report.

Relationship with External Auditors

The AC has an appropriate and transparent relationship with the external auditors. The role of the AC in relation to the external auditors and the assessment of external auditors by the AC are set out under the Audit Committee Report on pages 27 to 30 of this Annual Report.

Risk Management and Internal Control Framework

The Board acknowledges it assumes overall responsibility for maintaining a system of internal controls that provides reasonable assurance of effective and efficient operations, and compliance with applicable laws and regulations, as well as with internal procedures and guidelines. The Board recognises that it is also responsible for reviewing their effectiveness. A sound system of internal control is designed to manage the Group’s risks within an acceptable risk profile, rather than eliminate the risk of failure to achieve the policies and business objectives of the Group, and can only provide reasonable and not absolute assurance against any risk of material errors, frauds or losses occurring.

The overview on the state of internal control is set out in the “Statement of Risk Management and Internal Control” on pages 31 to 33 of this Annual Report.

Corporate Governance Overview Statement (contd.)

MCCG PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Relationships with Stakeholders

Ibraco recognises the importance of maintaining transparency and accountability to its stakeholders. This is done through optimised levels of disclosure and communications with its stakeholders through readily accessible channels. It is also a practice to provide clear, comprehensive and timely information to all stakeholders, particularly shareholders and investors, to facilitate informed investment decision-making. All communication with media or public and disclosures made are in accordance with the Group Communication Policy. The Board acknowledges the need for shareholders to be informed on all material business matters of the Group. Announcements to inform shareholders are made on significant developments and matters within the Group. The Board may seek external advice to ensure that announcements do not omit any material information. Financial results are released on a quarterly basis to provide shareholders with an overview of the Group's performance. The Annual Report is also a key channel of communication with shareholders and investors.

Annual General Meeting

The Annual General Meeting has been a main forum for dialogue with shareholders and investors. Opportunities will be given to shareholders and investors to raise questions and to seek clarifications on the business and performance of the Group.

Ibraco has adopted the practice where notice of Annual General Meeting to be given to the shareholders at least 28 days prior to the meeting.

Electronic Communications

Ibraco's corporate website at www.ibraco.com is the one of the key platforms to ensure the stakeholders can access communications and documents once they are published. A dedicated investor relation section is available on the website, where information released by the Company to Bursa Malaysia Securities Berhad is made available immediately after the announcement, and all newsletters issued by the Company are made available on the website.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS

The Directors are responsible to ensure that the financial statements give a true and fair view of the state of affairs of Ibraco and of the Group as at the end of the financial year and of the results and cash flows of Ibraco and of the Group for the financial year.

The Directors are satisfied that in preparing the financial statements of the Group and the Company for the financial year ended 31 December 2020, the Group has used appropriate accounting policies on a consistent basis supported by reasonable and prudent judgments and estimates and all applicable approved accounting standards have been complied.

The Directors have ensured that the accounting records to be kept by Ibraco and the Group have been properly kept.

Additional Compliance Information

Audit and Non-audit Fees

The amount of audit and non-audit fees paid or payable to the External Auditor and a company affiliated to the External Auditors' firm for the year ended 31 December 2020 were as follows:

Purpose	Group (RM)	Company (RM)
Audit Fees	210,700	150,200
Non-Audit Fees		
- Tax advisory, computation and filing	64,726	19,356
- Review of Statement on Risk Management and Internal Control	11,045	11,045
- Review of Housing Development Accounts	20,140	16,430
Total	306,611	197,031

Related Party Transactions

The value and types of related party transactions entered into by Ibraco Group are shown on pages 129 to 133 of this Annual Report (see Note 27 to the financial statements).

Material Contracts

There were no material contracts entered into by Ibraco Group involving Directors and major shareholders, either still running at the end of the financial year or entered into since the end of the previous financial year other than those disclosed in the financial statements.

Audit Committee Report

The Audit Committee ("the Committee") takes on the role of assisting the Board of Directors ("the Board") in the discharge of its fiduciary duties, the responsibility of overseeing the financial reporting, governance, internal control and risk management process of Ibraco Group.

MEMBERSHIP AND ATTENDANCE

The Committee comprises a majority of Independent Non-Executive Directors with at least one member shall be a professional or qualified accountant. The Audit Committee met five times during the year and the attendance record of each member is as tabulated below:

Composition of Committee	Total Number of Meetings Attended
Ng Kee Tiong Chairman/Independent Non-Executive Director	5/5
Guido Paul Philip Joseph Ravelli Member/Independent Non-Executive Director	5/5
Ng Cheng Chuan Member/Non-Independent Non-Executive Director	4/5

The meetings were appropriately structured through the use of agendas. Meeting papers are distributed to the Committee with sufficient notice before meetings to enable the Committee to peruse and have the opportunity to seek additional information from the Management and Group Internal Auditor ("GIA") on the matters to be deliberated.

The GIA is the Secretary of the Committee. Representatives from the External Auditors were invited to attend meetings where necessary. The Group Managing Director, the Chief Financial Officer ("CFO") and the Company Secretary were also presented at the meetings by invitation to facilitate direct communications as well as to provide clarification on audit issues and the Group's operations. Other management personnel were invited to attend the meetings with respect to those agenda that concerned them as such.

Minutes of all the Committee meetings were circulated to the Board. The Chairman of the Committee reports and made recommendation for approval on key issues deliberated at each meeting to the Board.

TERMS OF REFERENCE

The Audit Committee is guided by its Terms of Reference in performing its duties and discharging its responsibilities. The terms of reference of the Committee is available on the Company's corporate website at www.ibraco.com.

SUMMARY OF WORK DURING THE FINANCIAL YEAR

The Committee carried out its duties as set out in the terms of reference and the work undertaken by the Committee during the financial year are described as below:

1. Financial Reporting

- Reviewed the quarterly and year-to-date unaudited financial results of the Group before recommending them for approval by the Board.
- Reviewed the annual audited financial statements prior to submission to the Board for approval on 29 May 2020.

The review was to ensure the financial reporting and disclosures are in compliance with the provisions of the Companies Act 2016, applicable Malaysian Financial Reporting Standards ("MFRS"), Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("LR") and other relevant legal and regulatory requirements.

Audit Committee Report (contd.)

- Deliberated significant accounting issues and reasonableness of accounting standards application highlighted by the external auditors or management to derive the Group's financial statements.
- The CFO had on each quarterly Committee meeting, presented and given assurance to the Committee that:
 - Appropriate accounting policies had been adopted and applied consistently;
 - The going concern basis applied in the annual financial statements and quarterly unaudited financial statements were appropriate;
 - Prudent judgements and reasonable estimates had been made in accordance with the requirements set out in the MFRSs;
 - Adequate processes and controls were in place for effective and efficient financial reporting and disclosures under the MFRSs and LR; and
 - The annual financial statements and quarterly unaudited financial statements did not contain material misstatements and gave a true and fair view of the financial position of the Group and the respective companies within the Group for 2020.
- Reviewed the financial performance of the Group and the quarterly results against financial estimates approved by the Board.

2. Internal Audit

- Reviewed the annual internal audit plan to ensure adequacy of scope and coverage on the activities of the Group, taking into consideration the assessment of key risk areas.
- Reviewed the internal audit reports, which include audit findings, audit recommendations made and the Management's responses to assess whether or not appropriate actions have been taken with respect to the audit recommendations.
- At each Committee meeting, the Committee had an executive session with the GIA to discussed problems and reservations arising from internal audits and any matters without the presence of Management.
- At the Committee meeting on 20 November 2020, the Committee had assessed the Internal Audit Function via questionnaires, which aimed to gauge the level of satisfaction with the Internal Audit roles and services, competency and professionalism in governance, risk and controls, as well as the independence and objectivity. The results indicated the Internal Audit Function was satisfactory.
- Reviewed and approved annual training budget to equip the internal audit team with an appropriate level of skills and knowledge to carry out the function effectively.

3. The External Audit Function

- Reviewed with the External Auditors their Audit Plan and scope of work for the year on 20 November 2020. The Committee discussed the Key Audit Matters Area identified by the External Auditors which are most likely to give rise to a material financial reporting error and requiring additional audit emphasis.
- Reviewed the results of the annual audit and their audit report and evaluate their findings and recommendations.
- The Committee also reviewed the external auditors' proposed fees for the statutory audit, together with the review of the Statement of Internal Control and Risk Management. In considering the nature and scope of non-audit fees, the Committee was satisfied that it was not likely to neither create any conflict of interest nor impair the independence and objectivity of the external auditors.
- The Committee deliberated on the external auditors' report at its meeting on 29 May 2020 with regard to the relevant disclosures in the annual audited financial statements.

Audit Committee Report (contd.)

- On 29 May 2020, the Committee undertook an annual assessment of the suitability, effectiveness and independence of the external auditors, taking into consideration the Management's feedback on external auditors' performance. Assessment questionnaires were used as a tool to obtain input from the personnel who had substantial contact with the external auditors throughout the year. External auditors' performance was rated using a five-point scale on their ability to provide advice, suggestions or clarifications relating to the presentation of financial statements, ability to provide realistic analysis of issues using technical knowledge and independent judgement, and maintain active engagement, through both verbal and written communication during the audit process, including their responsiveness to issues. The Committee also took into account the observations of the audit engagement partner and engagement team's performance during the meetings held between the Committee and the external auditors in February, May and November 2020 respectively. Based on the evaluation conducted, the Committee is satisfied with the external auditors' performance, technical competency and audit independence.
- The external auditors provided written assurance to the Committee regarding their independence to the Group.
- The Committee have their annual private session with External Auditors without the presence of management personnel. This session provides the Committee with the opportunity to openly share concerns about the Group, discuss issues requiring attention or significant matters arising from the audit. The Committee was informed that there was no major concern from the external auditors and have received full cooperation from the management during the course of audit.

4. Related Party Transactions

- The Committee reviewed all related party transactions of the Group as reported by the Management and incorporated them in relevant quarterly announcements and related party transactions announcements made during the financial year.
- Reviewed the Circular to Shareholders relating to the Shareholders' Mandate for Recurrent Related Party Transactions prior to recommending it for the Board's approval.

5. Risk Management

- Reviewed the Statement on Risk Management and Internal Control duly confirmed by the External Auditors that no exception was noted and it is in accordance with Audit and Assurance Practice Guide 3 for the publication in the Annual Report.
- Reviewed reports from the Risk Management Committee and the corresponding action plans to manage such risks at the Committee meeting held on 29 May 2020 to ensure that mitigating measures were appropriate and adequate to help reduce the risk identified to an acceptable and tolerable level in accordance to the risk appetite of the Group.

6. Others

- Reviewed Audit Committee Report for inclusion in the Annual Report and recommended its adoption by the Board.

INTERNAL AUDIT FUNCTION

The Group has established an Internal Audit Department, which reports directly to the Committee, to assist the Committee in discharging its duties and responsibilities. The Department undertakes regular, independent and systematic reviews of the internal control systems so as to provide reasonable assurance that such systems will continue to operate effectively, efficiently and economically in accordance with the Group's overall objectives and goals. The Department also verifies data and information given to external agencies such as Bursa Malaysia Securities Berhad.

The Internal Audit Department carries out its functions in accordance with the annual audit plan approved by the Committee each year covering the scope of the audit work and resources needed to perform such work. The Internal Audit Department reports directly to the Committee on major findings and any significant control issues and concerns. The Committee regularly evaluates and monitors the performance of the internal audit function to assess its effectiveness in discharging its duties and responsibilities.

Audit Committee Report (contd.)

A risk-based approach is adopted for all audits conducted by the Internal Audit Department, among the scope of coverage were:

- Sales and marketing management;
- Procurement management;
- Project management (2);
- Safety and Health Management; and
- Quarry Operation management

These audits will help to ensure that control measures put in place are appropriate, effectively applied and are adequate to cover the exposure to risks, consistent with the Group's policies.

The Internal Audit department is guided by the Internal Audit Charter as well as the Professional Practices Framework in assessing and reporting on the adequacy and effectiveness of the internal control, governance and risk management processes.

The relevant audit reports were presented to the Committee on 21 February 2020, 25 June 2020, 21 August 2020 and 20 November 2020, for deliberation and forwarded to the Management for the necessary corrective actions to be taken.

The summary of internal audit work performed during the financial year is as below:

- a. prepared annual audit plan for deliberation and approval by the Committee;
- b. performed operational audits on business units and projects of the Group to ascertain the adequacy and integrity of their system of internal controls, governance and risk management;
- c. presented internal audit's reports, which include audit findings, audit recommendations and Management's responses;
- d. performed statutory compliance audits including related party transactions;
- e. discussed with Management in identifying significant concerns and risk areas perceived by Management for inclusion in the internal audit plan; and
- f. reviewed the extent of the Group's compliance with provisions of the Malaysian Code of Corporate Governance.

The total costs incurred in relation to the Internal Audit Department for year 2020 amounted to approximately RM221,000. The internal audit function was carried out solely by the Internal Audit Department and there were no areas of the internal audit function which were outsourced.

Statement on Risk Management and Internal Control

Background

The Malaysian Code on Corporate Governance requires the Board of Directors ("Board") of listed companies to maintain a sound system of risk management and internal control to safeguard shareholders' investments and the Group's assets.

This Statement is prepared pursuant to paragraph 15.26(b) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), Principal B of the Malaysian Code of Corporate Governance and is guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("the Guidelines").

Responsibility of the Board

The Board acknowledges its overall responsibility and the importance of having a sound risk management framework and internal control system, and for reviewing the adequacy and effectiveness thereof. Such system covers not only financial controls but also operational, compliance with applicable laws, regulations and other guidelines (professional, statutory or otherwise).

It should be noted that such system is designed to manage rather than to eliminate the risk of failure to achieve business objectives and therefore can provide only reasonable and not absolute assurance against material misstatement, loss or fraud.

The Group has an on-going process for identifying, evaluating and managing the significant risks faced by the Group and this process includes updating the risk management and internal control system when there are changes to the business environment or regulatory guidelines. The process is regularly reviewed by the Board and accords with the MMLR of Bursa Securities and guided by the Guidelines issued by the Taskforce of Internal Control.

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 reasonable assurance from the Group Managing Director and the Chief Financial Officer that the Group's risk management framework and internal control system is operating adequately and effectively, in all material aspects, based on the risk management framework and internal control system of the Group.

The disclosures in this statement do not include risk management and internal control practices of the Group's material associate. The Group's interests in associate are safeguarded through representation on the Board of the associate company.

The Board is of the view that the risk management and internal control system are generally in place for the year under review and up to the date of approval of this Statement for inclusion in the Annual Report.

Risk Management Framework

The Risk Management Committee was established to assist the Board to oversee the overall management of principal areas of risk of the Group.

In order to properly manage risks, the Group has adopted an appropriate risk assessment and evaluation framework as an on-going process as well as appropriate control systems to manage and control these risks. The following provide an overview of the Group's risk management process:

- The Board has approved a Risk Management Policies and Procedures Manual, which outlines the risk management framework for the Group and offers practical guidance to all employees on risk management issues.
- A Risk Management Committee, headed by the Group Managing Director, continuously carries out its responsibility to identify and communicate to the Board the critical risks (present and potential) which the Group faces, their changes, and what the management action plans are, to manage the risks.
- All Heads of Departments have identified risks (present and potential) faced at departmental levels and suggested action plans to mitigate these risks for deliberation during the Risk Management Committee meeting. These action plans are closely monitored to assess their effectiveness over the period during which they are subject to such risks.
- A consolidated risk profile of the Group was developed and will be updated in accordance with the risk appetite of the Group. This together with a summary of key findings and proposed mitigating measures was discussed and finalised in the various Risk Management Committee meetings.

Statement on Risk Management and Internal Control (contd.)

- The Risk Management Committee has identified, compiled and worked out the remedial measures to mitigate the risks encountered by each Department, which fall under the categories of Project Planning, Contract, Property Development, Property Management, Marketing and Sales, Conveyance and Credit, Customer Service, Leasing, Corporate and Secretarial, Quarry, Procurement, Account and Finance, Human Resources and Administration.
- The Risk Management Committee is to report to the Audit Committee on the overall Group Risk Profile annually. Should there be any new proposals or projects, the Risk Management Committee will report separately to the Audit Committee on the additional new risks (if any). As and when, the Audit Committee also has the power to request the Risk Management Committee to prepare and present the risk areas that they are concerned with.

Internal Audit Function

The Group has established an Internal Audit Department, who reports independently to the Audit Committee, to provide the Board with adequate assurance it requires regarding the adequacy and effectiveness of risk management, internal control and governance systems.

The annual internal audit plan is approved by the Audit Committee and the scope of internal audit work covers the audits of all business processes in the Group. The internal auditors also monitor the implementation of their audit recommendations in order to obtain assurance that all major risks and controls measures identified have been duly addressed by the Management in the most effective and timely manner.

The internal auditors adopt a risk-based approach towards the planning and conduct of internal audits, which are consistent with the Group's established framework of designing, implementing and monitoring its internal control system.

For control issues that may be raised by the external auditors, the internal auditors will follow up to ensure that significant issues are duly acted upon by the Management in the most timely and appropriate manner.

Other Key Elements

Other key elements of the Group's risk management and internal control system, which may also fall under the ambit of risk management practices or internal control procedures, are described below:

Committees at the Various Levels

Various Committees have been established to assist the Board in the discharge of their fiduciary duties. They are the Audit Committee, the Risk Management Committee, the Nomination Committee, the Remuneration Committee, the Sustainability Committee and the Emergency Management Committee.

Specific responsibilities have been delegated to these Board Committees, all of which have written terms of reference. These Committees have the authority to examine all matters within such terms of reference and related scope of responsibilities and to report to the Board with appropriate recommendations.

Policies and Procedures

The Group has established a system of governance and compliance through code of conduct, whistle blower policy, anti-bribery and corruption policy, board diversity policy, dividend policy and the board charter.

Operational Procedures for all business processes are also in place to ensure effectiveness, transparency and continuity.

The procedures amongst other things outlined reporting and authority structures. Pre-defined limits are also established at appropriate levels to deliberate and approve expenditures.

For the Group's construction arm, it has ISO 9001: 2015 Quality Management System certification, with standards, policies and procedures in place to continuously improve and maintain product quality and customer satisfaction.

Statement on Risk Management and Internal Control (contd.)

Performance Monitoring

It is an essential component of the Financial Policies and Procedures Manual that yearly Management Action Plans are formulated and approved by the Board, with the following objectives:

- To map out the strategic direction of the Group;
- To set goals at all appropriate levels;
- To gear financial and human resources towards achieving these goals; and
- To serve as a blueprint that sets the criteria to measure performance throughout the year.

The daily running of the business is entrusted to the Group Managing Director and the respective management team. Performance measurements are discussed at the various Board Committee meetings. Significant variances are investigated by the Management and findings are reported to the various Committees.

Management reports covering all key financial and operational indicators are also provided to senior management for information and further action. In addition, the Audit Committee and the Board reviewed the quarterly financial performance.

During the year under review, a performance management system has been established wherein the respective departments' performance will be monitored against agreed targets (Key Performance Indicators) to instill a stronger performance culture.

Review of the Statement by External Auditors

As required by Para 15.23 of the MMLR, the external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG") 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2020, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects: has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or is factually inaccurate.

AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Directors and management thereon. The report from the external auditors was made solely for, and directed solely to the Board of Directors in connection with their compliance with the listing requirements of Bursa Malaysia Securities Berhad and for no other purposes or parties. The external auditors do not assume responsibility to any person other than the Board of Directors in respect of any aspect of this report.

Conclusion

The Board is not aware of any significant control failures or weaknesses identified during the financial year under review that would result in material losses and require disclosure in the Annual Report of the Group.

The Board and Management will continue to monitor all major risks affecting the Group and take necessary measures to mitigate them and continue to enhance the adequacy and integrity of the risk management framework and internal control system of the Group.

This statement is issued in accordance with the Board's approval on 25 February 2021.

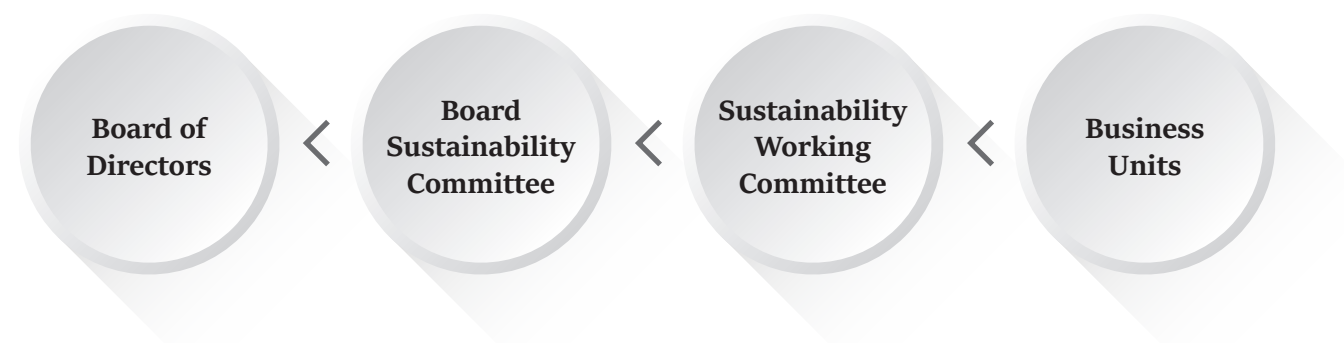
Sustainability Statement

The Sustainability Statement provides an overview of our commitment to our sustainability goal and reports our various endeavors to drive the aspects of sustainability in the Economic, Environment and Social (“EES”) domains.

This Statement is prepared in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and with reference to the Sustainability Reporting Guide – 2nd Edition, including its accompanying Toolkits, issued by Bursa.

OUR SUSTAINABILITY GOVERNANCE STRUCTURE

Under the stewardship of our Board of Directors (“Board”), the Sustainability Committee is put in place to oversee and ensure the Group conducts its business in a responsible manner, in relation to its impact on the environment, economy and society. The Sustainability Committee, which is chaired by our Senior Independent Director, is assisted by the Sustainability Working Committee, which comprises the Heads of Departments to discharge duties of embedding a sustainability culture in our daily business.



During the financial year ended 31 December 2020, the Sustainability Committee reviewed the management processes, initiatives and performance of the Group in the following areas:-

- Health and safety, including the security of assets and employees;
- Workplace policies, including ethnic and gender diversity;
- Sustainable development;
- Responsible and ethical business practices; and
- Contribution to a better society within the communities that the Group operates.

Our Approach to Sustainability

Through our Sustainability Working Committee workshops, we have identified sustainability matters in relations to Ibraco’s property development and construction activities and their impact on the environment, economy and society including stakeholders’ needs and expectations. We have also incorporated material sustainability matters into our risk management framework to ensure they are addressed as part of the organisation’s risks and opportunities. All material sustainability matters are handled by relevant departments, where sustainability development is linked to their departmental key performance indicators. The implementation of the departmental key performance indicators has started to take place in year 2021.

Sustainability Statement (contd.)

STAKEHOLDER ENGAGEMENT

We regularly engage with our stakeholders as our operations, products and services impact their daily lives. The table below lists our key stakeholders, their key concerns as well as our approach to these:





Stakeholder Group	Key Concerns	Type of Engagement	Our Approach
Employees	<ul style="list-style-type: none"> • Remuneration and benefits • Career development • Job satisfaction & retention • Training & development • Workplace health and safety • Work-life balance 	<ul style="list-style-type: none"> • Annual performance assessment • Employee engagement survey • Town hall meeting • Awareness talk • Staff gathering • Orientation programme • Staff newsletter 	<ul style="list-style-type: none"> • Fair and attractive remuneration package • Talent development program • Health and Safety awareness talk by Safety Officer or authorities • Emphasis on health and safety during Town hall meeting or induction briefing • Publication of health and safety articles in staff newsletter periodically • Publication of work-life balance articles in staff newsletter periodically
Customers	<ul style="list-style-type: none"> • Pricing of the property • Customer service & experience • Safety and security of developments • Quality and workmanship 	<ul style="list-style-type: none"> • Customer satisfaction survey • Community apps • Company's website/ social media/newsletter • Community outreach event 	<ul style="list-style-type: none"> • Launch of affordable properties • To obtain customer feedback constantly and via customer satisfaction survey • Implement customer engagement digital platform • Stringent selection of contractor and supplier • Improved Inspection and monitoring standards
Communities	<ul style="list-style-type: none"> • Safety and security • Community investment • Environmental issue 	<ul style="list-style-type: none"> • Contribution to environment and social enhancement • Communities outreach program • Donation and financial aid 	<ul style="list-style-type: none"> • Company's website/social media/newsletter • To provide auxiliary police services • Corporate Social Responsibility partner engagement program • To implement student financial aid program • To seek for improvement in our waste management system • Green design development
Contractors	<ul style="list-style-type: none"> • Pricing of contracts • Payment schedule • Transparent procurement practices • Responsible material applications • Product quality • Delivery on time 	<ul style="list-style-type: none"> • Contractor performance appraisal • Post-project review • Contract negotiation • Pre-tender assessment • Regular meetings 	<ul style="list-style-type: none"> • Systematic review of appointment and performance assessment • Tender process

Sustainability Statement (contd.)

Our Material Sustainability Matters

Identifying our economic, environmental and social aspects that have material impact on our sustainable development is key to implementing our sustainability strategies and initiatives.

We have matched our materiality matters to 4 of the 17 main Sustainable Development Goals ("SDGs") by the United Nations.

SDG	Focus Area	Material Sustainability Matters	Stakeholder Group
 5 GENDER EQUALITY	Ensuring gender equality and empowerment.	<ul style="list-style-type: none"> Talent Management 	<ul style="list-style-type: none"> Employee
 8 DECENT WORK AND ECONOMIC GROWTH	Ensuring full and productive employment and decent work.	<ul style="list-style-type: none"> Occupational Health and Safety Talent Management Ethics and Integrity 	<ul style="list-style-type: none"> Employee Contractors
 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Building resilient infrastructure for the community.	<ul style="list-style-type: none"> Customer Satisfaction Product Quality Green Design 	<ul style="list-style-type: none"> Customers Contractors Communities
 11 SUSTAINABLE CITIES AND COMMUNITIES	Making cities and human settlements inclusive, safe, resilient and sustainable.	<ul style="list-style-type: none"> Green Design 	<ul style="list-style-type: none"> Customers Communities

Our Material Sustainability Matters Performance

Economic

Running a business while practicing the highest standards of ethics and integrity is crucial for the economy. It is our responsibility to protect the interests of our stakeholders while ensuring our competitive advantage in the market. As such, we have established policies and procedures to align with our commitment in ensuring ethical practices and integrity throughout our operations.

Furthermore, we strive to provide good quality products and services for our projects thus making customers satisfaction our priority. We constantly obtain customer feedback to understand their level of satisfaction with our products and services. It is important for us to know where we stand in the market to maintain our leading position. One of the ways we achieve this is by engaging only contractors that meet our quality standards.

Customer service satisfaction

Customer feedback is always a key indicator of our product and service quality. We managed to obtain 96% response rate to our customer satisfaction survey for the properties we handed over during the year. Generally, our customers are satisfied with our customer services and product quality with average rating of 89%.

We continuously seek to improve our services in order to serve our customers better. However, the market survey to better understand the market needs that was planned to be carried out throughout the year, was put on hold in lieu of the Covid 19 pandemic as all roadshows events have been cancelled.

Sustainability Statement (contd.)

Product quality

Timely delivery of quality products is what Ibraco strives for, hence contractors for our construction projects are selected for their services through a systematic pre-qualification procedure to ensure competency for the work to be awarded. Throughout the year we have awarded a total of 8 contracts to various contractors namely for piling, infrastructure and building works. We have performed 100% pre-qualification review of the invited tenderers during the tender award process and 5 post-project reviews. Contractors' performance is assessed upon project completion and will be used as track records for future engagements. As for the 5 post-project reviews, 4 of the contractors achieved satisfactory performance with an average rating of >70%. On the other hand, one contractor's performance was not up to our quality standards and shall be eliminated from the approved contractor list until proven otherwise. We are targeting to have the contractor's overall performance rating to be at least at 70% of our benchmark scale.

We have our own project teams to monitor contractors' performance, and the project site personnel have the authority to stop any form of work if non-compliance is detected at our construction sites. Moreover, we maintain the standard of our construction arm in line with our ISO9001:2015 Quality Management System certification and we have also adopted strict quality standards based on the CIS7:2014 assessment system. Based on our customer satisfaction survey mentioned earlier, the respondents were satisfied with our product quality upon hand over with average rating of 82%. In order to further improve our service quality, we have extended our customer satisfaction surveys to cover the area on Defect Liability Period as well. Based on our customer satisfaction survey, we were given an average rating of 86%.

The Quality Assessment System in Construction ("QLASSIC") is an assessment conducted by the Construction Industry Development Board ("CIDB") with the objective to enhance quality of workmanship. Our office blocks project at the NorthBank has received the QLASSIC certificate with the score of 80% in August 2020.

Ethics and Integrity

Ibraco has a set of Code of Conduct and Ethics that establishes a strong corporate culture to guide Directors and employees to commit to ethical standards and conduct at work. Besides that, Ibraco also has adopted an Anti-Bribery and Corruption Policy to ensure integrity in conducting business. A Whistle-Blower Policy has been established to provide employees and other stakeholders an avenue to raise genuine concerns about possible improprieties in matters of financial reporting, compliance and other malpractices at the earliest opportunity, and in an appropriate way.

Our Code of Conduct and Ethics, Anti-Bribery and Corruption Policy and Whistle-Blower Policy have been communicated to employees during new hire orientation and through our internal staff newsletter. The employees are also required to sign a declaration of commitment to the Anti-Bribery and Corruption policy.

This year, we have extended our policy on Anti-Bribery and Corruption to our consultants, contractors and vendors. Further to that, relevant clauses on the Anti-Bribery and Corruption policy have been included in the contract terms. All these policies are available in our website at www.ibraco.com as well.

We did not receive any Whistle-Blower Reports related to incidents of misconduct or unlawful behavior within the organisation for year 2020.

Sustainability Statement (contd.)

Environment

We understand that our products and operations create environmental impacts and we also acknowledge the importance of preserving the environment for future generations which is why we are looking into green design development. Currently this includes our new corporate office at The NorthBank, Kuching as well as another upcoming property development project in Bandar Petaling Jaya Selatan. We will continue to pursue green certification on a case-by-case basis, targeting at least 10% of our property development projects in the near future.

Green Design

We believe that the culture of conserving a mindset to commit to sustainable development in our employees needs to start from 'home'. This year, we have moved to our new 'home' which is a certified green office building designed with these green features.



Our new corporate office sits in our new township, The NorthBank which spans across 123 acres. At The NorthBank, the development planning and design has taken into great consideration environmentally friendly and sustainable living environment. We managed to designate additional 5% of the development as open spaces in addition to the local authorities' requirement. Furthermore, the development is designed with cycling and jogging paths, low energy street lightings and set in close proximity to local amenities to reduce carbon footprint.

Moreover, the design and orientation of our properties take into consideration the use of natural lighting and air ventilation to reduce dependence on artificial lightings and air-conditioners in our efforts to cut down on carbon emission.

Sustainability Statement (contd.)

Social

Workplace

We believe a successful organisation depends on getting the right people to run the operations, hence, retaining talent in the organisation is essential. Our team is built from a diverse group of people with the right inspiration and innovation, and we practice non-discrimination giving equal opportunities to potential candidates who join us. We understand that a positive and an empowering work environment will make employees feel valued for their contribution to the organisation. To support our employees, a well-structured training and career development program is what we aim to provide our employees, to grow together with us.

Talent Management

Ibraco recognises employees as the main driver of our business. As such, we ensure the industry best practices are followed within our fair, non-discriminative and growth-oriented human resource policies to attract and retain talent in the Group.

Our Human Resource personnel receive nominations from each Head of Department on the trainings required from their employees, and training programs are arranged accordingly for staff performance improvement. Currently our Human Resource personnel are working on structured training programs for the Group, to optimise the annual training budget allocated.

Employee Engagement Programme

Festive and staff gatherings are held during the year to let employees interact with senior management and bond among colleagues. In addition, we offer the availability of gym facilities and membership in addition to organising weekly run within The NorthBank as part of the employee engagement programme. We encourage staff participation in these activities to foster relationship and break down communication barriers.

As a mode of constant communication within the Group, especially to the junior staff, monthly internal staff newsletter is issued in the English and Bahasa Malaysia mediums as an avenue to share information or notify all of upcoming activities held within the Group, focusing on Group-wide communication and branding.

In 2020, our Human Resource department managed to conduct an employee survey which was responded to by 97.5% of our total employees (excluding construction contract employees). Employees' rated positively, at above 80% on the new working environment, leadership, staff engagement as well as the remuneration and staff benefits. We shall address our employees' feedback on improved work system and support in year 2021.

The turnover rate for employees has increased by 1.4% as compared to 2019 mainly due to resignations of general workers at construction segment towards the tail end of the construction project of the new airport at Mukah.

Occupational Safety and Health

We are pleased to report that there has been no fatalities at our construction sites in year 2020. We continuously commit ourselves to maintain zero fatalities and no major injuries. We will compile and maintain our Loss Time and Injury ("LTI") records for better monitoring of our safety and health at construction sites in the near future. Our construction contractors for our property development projects are required to provide details of their Occupational Safety and Health ("OSH") management plans. The safety officer of our construction arm is also required to provide high standards of OSH performance, regular safety briefings to the site workers and monthly reporting to the Management.

All our site employees are covered under the Social Security Organisation, Construction Industry Development Board and personal accident insurance.

Our Head Office's safety and health committee held its periodic meetings to serve as an avenue for the committee to highlight concerns on safety and health issues and relay awareness messages to all work offices across the organisation.

Corporate Social Responsibilities ("CSR")

HOPE PLACE, the non-profit organisation, remains our CSR partner during the year. We provide free usage of office and storage space for their daily operation, and also pledge monthly cash sponsorship to subsidise their monthly operating expenses. Our employees contribute via donation either in cash or in goods periodically on a voluntary basis.

Sustainability Statement (contd.)

Following the outbreak of Covid-19, the Group has put in place various precautionary measures recommended by the Ministry of Health which include strict site protocols for hygiene and social distancing, cleaning and disinfecting workplaces, temperature screening and contact tracing record as well as providing face masks to employees.

During the year, the Group has donated RM88,500 to various organisation to support those affected by the pandemic.

Conclusion

Ibraco will continuously work towards strengthening our sustainability performance related to economic, environmental and social aspects.

This Sustainability Statement was approved by the Board on 8 April 2021.

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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 2020.

Principal activities

The Company is engaged in realty development and investment holding. The principal activities of the subsidiaries are set out in Note 14 to the financial statements. There have been no significant changes in the nature of the principal activities of the Group and of the Company during the financial year.

Results

	Group RM	Company RM
Profit net of tax	34,924,109 =====	30,274,374 =====
Profit attributable to:		
Owners of the Company	34,917,078	30,274,374
Non-controlling interests	7,031 -----	- -----
	34,924,109 =====	30,274,374 =====

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

There were no dividends paid or declared by the Company since the end of the previous financial year.

An interim single-tier dividend of 2 sen per ordinary share in respect of the financial year ended 31 December 2020, amounting to a dividend payable of RM9,928,113 has been approved on 25 February 2021 and will be payable on 15 April 2021. The financial statements for the current financial year do not reflect this dividend. Such dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2021.

The directors do not recommend the payment of any final dividend for the financial year ended 31 December 2020.

Directors of the Company

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

Ng Cheng Chuan
Datuk Chew Chiaw Han
Dr. Sharifah Deborah Sophia Ibrahim
Datuk (Dr.) Ting Ding Ing
Ng Kee Tiong
Guido Paul Philip Joseph Ravelli
Liu Tow Hua

Directors' Report (Contd.)

Directors of the Company's subsidiaries

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

Datuk Barry Tan Chong Liang	
May Wong Mei Ling	
Monaliza Binti Zaidel	
Law Ka Tong	
Ting Sie King	
Davidran A/L Somasundiram Praksan	(Appointed on 14 October 2020)
Muhammad Yakup Bin Kari	(Appointed on 15 October 2020)
Abdul Rahim Bin Abdullah	(Appointed on 15 October 2020)
Ng Kim Thiea	(First director)
Nor-E-Fadzwe Bin Salleh	(Appointed on 20 January 2020, resigned on 14 October 2020)
Datu Sajeli Bin Kipli	(Resigned on 7 January 2020)
Rodziah Binti Morshidi	(Resigned on 15 October 2020)

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 the 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 or the fixed salary of a full time employee of the Company as shown below) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except as disclosed in Note 27 to the financial statements.

Included in the analysis below is remuneration for directors of the Company and its subsidiaries in accordance with the requirements of Companies Act 2016:

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Executive directors' remuneration:				
Fees	34,650	36,000	-	-
Salaries and other emoluments	1,062,105	1,130,606	1,062,105	1,130,606
	-----	-----	-----	-----
	1,096,755	1,166,606	1,062,105	1,130,606
	-----	-----	-----	-----

Directors' Report (Contd.)

Directors' benefits (contd.)

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Non-executive directors' remuneration:				
Fees and other emoluments	674,700	634,150	608,550	571,750
Total directors' remuneration	1,771,455	1,800,756	1,670,655	1,702,356
Estimated money value of benefits-in-kind	53,522	39,200	53,522	39,200
Total directors' remuneration including benefits-in-kind	1,824,977	1,839,956	1,724,177	1,741,556
Insurance effected to indemnify directors *	19,472	16,228	19,472	16,228
Total directors' remuneration	1,844,449	1,856,184	1,743,649	1,757,784

* The Company maintains a liability insurance for the directors of the Group. The total amount of sum insured for directors of the Group for the financial year amounted to RM10,000,000.

Directors' interests

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

Number of ordinary shares At 1 January 2020 and 31 December 2020

Direct Interest

Ng Cheng Chuan	87,077,478
Datuk Chew Chiaw Han	15,875,440
Dr. Sharifah Deborah Sophia Ibrahim	99,366,120
Datuk (Dr.) Philip Ting Ding Ing	1,625,120
Ng Kee Tiong	1,099,120

Indirect Interest

Ng Cheng Chuan	35,720,720
Datuk Chew Chiaw Han	130,619,438

By virtue of their substantial interests in the Company, Ng Cheng Chuan, Datuk Chew Chiaw Han and Dr. Sharifah Deborah Sophia Ibrahim are also deemed interested in the shares of the subsidiaries to the extent that the Company has an interest.

None of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

Directors' Report (Contd.)

Other statutory information

- (a) Before the statements of profit or loss and other 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 allowance for doubtful debts and satisfied themselves that there were no known bad debts and that adequate allowance had 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) it necessary to write off any bad debts or the amount of the allowance 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 the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) 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) 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 or 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) 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.

Directors' Report (Contd.)

Significant event

Details of a significant event are disclosed in Note 37 to the financial statements.

Subsequent event

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

Auditors

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

Auditors' remuneration are disclosed in Note 7 to the financial statements.

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 for the financial year ended 31 December 2020.

Signed on behalf of the Board in accordance with a resolution of the directors dated 8 April 2021.

Datuk Chew Chiaw Han

Liu Tow Hua

Statement By Directors

Pursuant To Section 251(2) Of The Companies Act 2016

We, **Datuk Chew Chiaw Han** and **Liu Tow Hua**, being two of the directors of **Ibraco Berhad**, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 54 to 147 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 2020 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 8 April 2021.

Datuk Chew Chiaw Han

Liu Tow Hua

Statutory Declaration

Pursuant To Section 251(1)(b) Of The Companies Act 2016

I, **Liu Tow Hua**, being the director primarily responsible for the financial management of **Ibraco Berhad**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 54 to 147 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 **Liu Tow Hua**
at Kuching in the State of Sarawak
on 8 April 2021

Liu Tow Hua
(MIA 25463)

Before me,
Evelyn Lau Sie Jiong (No. Q 137)
Commissioner For Oaths
No. 10, Lot 663, Ground Floor
Lorong 2, Jalan Ong Tiang Swee
93200 Kuching, Sarawak.

Independent Auditors' Report

To The Members Of Ibraco Berhad
(Incorporated In Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of **Ibraco Berhad**, which comprise the statements of financial position as at 31 December 2020 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 54 to 147.

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 2020, 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.

Key audit matters

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

Independent Auditors' Report

To The Members Of Ibraco Berhad (Incorporated In Malaysia) (Contd.)

Report on the audit of the financial statements (contd.)

Key audit matters (contd.)

1. Revenue and cost recognition on the sales of properties under construction and on construction contracts

The Group's revenue and profits are mainly derived from property development contracts and construction contracts which span more than one accounting period. For the year ended 31 December 2020, the Group's revenue and cost of sales of properties under construction amounted to RM174 million and RM113 million respectively, and the Group's revenue and costs from construction contracts amounted to RM92 million and RM83 million respectively.

Revenue on the sales of properties under construction is recognised on the percentage of completion basis which in turn is determined based on the proportion of contract costs incurred to-date and the total budgeted costs for the respective development projects. For construction contracts, the stage of completion and the revenue to be recognised are calculated based on estimates made of the work completed at balance sheet date.

Adjustments may be made to the budget estimates throughout the life of the contracts/development and may materially affect results. The process to measure the amount of revenue, including the determination of the appropriate timing of revenue recognition, involves significant judgements and estimates in determining the total estimated costs of the projects and the remaining costs to complete. In making these judgements and estimates, management considers past experience and knowledge from similar projects and relies on the work of experts.

We identified revenue and cost recognition on the sales of properties under construction and on construction contracts as areas requiring audit focus due to the significance of the balances and the significant judgements and estimates made by management.

Our audit procedures to address these areas of audit focus include the following:

- (i) Obtained an understanding of the process and internal controls over the accuracy and timing of revenue recognised in the financial statements, including the controls maintained by management in estimating the total budgeted costs on each project/contract;
- (ii) Reviewed the sales and purchase agreements on a sampling basis, which is determined based on the types of properties and all construction contracts and obtained an understanding of the salient terms and conditions;
- (iii) Evaluated the key assumptions applied in estimating the property development costs and construction costs by examining documentary evidence such as letters of award issued to contractors to support the budgeted costs;
- (iv) Assessed the reliability of the reports provided by external experts (quantity surveyors etc.) on the status of the physical progress and the competency of the external experts;
- (v) Evaluated the determination of the progress towards complete satisfaction of the Group's performance obligations by examining supporting evidence such as contractors' progress claims and suppliers' invoices to support the costs incurred to-date; and
- (vi) Performed site visits to the various property development phases and construction project sites and reviewed project minutes of discussions between key project team members and key representatives from customers/appointed sub-contractors to understand the status of the ongoing projects.

Independent Auditors' Report

To The Members Of Ibraco Berhad (Incorporated In Malaysia) (Contd.)

Report on the audit of the financial statements (contd.)

Key audit matters (contd.)

1. Revenue and cost recognition on the sales of properties under construction and on construction contracts (contd.)

The Group's disclosures on revenue recognition are included in the summary of significant accounting policies in Note 2.19 to the financial statements, as well as the significant accounting judgements and estimates in Note 3.2 (i) and (ii) to the financial statements.

2. Valuation of completed investment properties

As at 31 December 2020, the carrying amount of completed investment properties amounted to RM114.3 million representing approximately 48% and 15% of the Group's and 45% and 15% of the Company's total non-current assets and total assets respectively.

Investment properties are stated at fair value and any gain or loss arising from changes in the fair value are included in profit or loss in the year in which they arise. When estimating the fair value of an investment property, the objective is to estimate the price that would be received from the sale of the property in an orderly transaction between market participants at the reporting date under current market conditions. The Group and the Company have appointed independent professional valuers to perform the valuation on the investment properties.

In determining the fair value, the key assumptions involved in the valuation models include the estimated net rental income, growth rates, rates of return and other adjustment factors including market knowledge of the current market conditions, which are highly judgmental. Accordingly, we consider this to be an area of audit focus.

Our procedures to address this area of focus include, amongst others, the following:

- (i) Assessed the competency, objectivity, independence, and qualifications of the independent valuers;
- (ii) Reviewed the methodology adopted by the independent valuers in estimating the fair value of the investment properties and assessed whether such methodology is consistent with those used in the industry;
- (iii) Discussed the key assumptions and critical judgmental areas with the professional valuers and understood the approaches taken by them in determining the valuation of each investment property; and
- (iv) Evaluated the reasonableness of the key assumptions such as expected rental yield by benchmarking the assumptions against specific property data, taking into consideration comparability and market factors.

The Group's accounting policies and disclosures on investment properties are included in the summary of significant accounting policies in Note 2.9 to the financial statements, as well as the significant accounting judgements and estimates in Note 3.2 (iii) to the financial statements.

Independent Auditors' Report

To The Members Of Ibraco Berhad (Incorporated In Malaysia) (Contd.)

Report on the audit of the financial statements (contd.)

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, but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the Annual Report, which is expected to be made available to us after the date of this auditors' report.

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

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

If, based on the work we have performed 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 there in, we are required to communicate the matter to the directors of the Company and take appropriate action.

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.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards 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.

Independent Auditors' Report

To The Members Of Ibraco Berhad (Incorporated In Malaysia) (Contd.)

Report on the audit of the financial statements (contd.)

Auditors' responsibilities for the audit of the financial statements (contd.)

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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

Independent Auditors' Report

To The Members Of Ibraco Berhad (Incorporated In Malaysia) (Contd.)

Report on the audit of the financial statements (contd.)

Auditors' responsibilities for the audit of the financial statements (contd.)

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

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

WAN DANEENA LIZA BT WAN ABDUL RAHMAN
No. 02978/03/2022 J
Chartered Accountant

Kuching, Malaysia
Date: 8 April 2021

Statements of Profit or Loss and Other Comprehensive Income

For The Financial Year Ended 31 December 2020

		Group		Company	
	Note	2020 RM	2019 RM	2020 RM	2019 RM
Revenue	4	308,494,775	371,246,777	196,682,035	233,761,551
Cost of sales	5	(223,269,080)	(278,861,509)	(129,392,405)	(172,498,223)
Gross profit		85,225,695	92,385,268	67,289,630	61,263,328
Other item of income					
Other income		5,904,655	1,708,301	9,481,868	4,965,749
Other items of expense					
Administrative expenses		(21,537,774)	(24,405,745)	(15,170,262)	(17,716,202)
Selling and marketing expenses		(8,527,380)	(9,784,824)	(8,516,229)	(9,427,835)
Operating profit		61,065,196	59,903,000	53,085,007	39,085,040
Finance costs	6	(10,145,500)	(11,315,570)	(13,009,952)	(13,152,341)
Share of results in associate	15	(2,382,312)	-	-	-
Profit before tax	7	48,537,384	48,587,430	40,075,055	25,932,699
Income tax expense	10	(13,613,275)	(13,213,691)	(9,800,681)	(7,723,656)
Profit net of tax, representing total comprehensive income for the year		34,924,109	35,373,739	30,274,374	18,209,043
Total comprehensive income attributable to:					
Owners of the Company		34,917,078	34,613,897	30,274,374	18,209,043
Non-controlling interests		7,031	759,842	-	-
		34,924,109	35,373,739	30,274,374	18,209,043
Earnings per share attributable to owners of the Company (sen)					
- Basic	11	7	7		
- Diluted	11	7	7		

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

Statements of Financial Position

As at 31 December 2020

		Group		Company	
	Note	2020 RM	2019 RM	2020 RM	2019 RM
ASSETS					
Non-current assets					
Property, plant and equipment	12	60,507,288	51,349,971	44,803,826	33,798,775
Intangible asset	13	5,267,917	5,765,673	-	-
Investments in subsidiaries	14	-	-	34,051,166	33,401,266
Investment in an associate	15	1,782,688	3,430,000	4,165,000	3,430,000
Investment in joint venture	16	1	1	1	1
Inventories	17	45,133,467	45,095,306	42,643,363	42,605,201
Completed investment properties	18.1	114,300,000	110,800,000	114,300,000	110,800,000
Investment property under construction	18.2	2,095,980	-	2,194,380	-
Trade and other receivables	19	289,862	289,862	4,878,286	4,668,038
Deferred tax assets	24	10,340,316	10,330,643	6,672,736	7,962,937
		239,717,519	227,061,456	253,708,758	236,666,218
Current assets					
Inventories	17	340,639,693	363,442,037	292,418,033	315,171,507
Trade and other receivables	19	36,032,065	61,923,353	77,832,538	81,710,973
Other current assets	20	109,838,137	117,914,436	102,905,087	93,628,649
Cash and bank balances	21	58,329,209	25,270,306	38,936,093	15,749,913
		544,839,104	568,550,132	512,091,751	506,261,042
TOTAL ASSETS		784,556,623	795,611,588	765,800,509	742,927,260

Statements of Financial Position

As at 31 December 2020 (contd.)

	Note	2020 RM	Group 2019 RM	Company 2020 RM	2019 RM
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	22	248,202,826	248,202,826	248,202,826	248,202,826
Retained earnings		147,297,863	112,353,003	107,522,111	77,247,737
		395,500,689	360,555,829	355,724,937	325,450,563
Non-controlling interests		15,281,357	16,752,108	-	-
TOTAL EQUITY		410,782,046	377,307,937	355,724,937	325,450,563
Non-current liabilities					
Loans and borrowings	23	109,574,811	116,712,554	102,086,069	105,914,648
Trade and other payables	25	14,497,072	22,123,078	9,415,953	16,478,640
		124,071,883	138,835,632	111,502,022	122,393,288
Current liabilities					
Loans and borrowings	23	132,991,682	149,198,696	106,454,314	106,131,987
Trade and other payables	25	113,409,124	120,098,606	181,982,027	170,443,000
Other current liabilities	26	990,400	10,170,717	8,196,883	17,609,251
Income tax payable		2,311,488	-	1,940,326	899,171
		249,702,694	279,468,019	298,573,550	295,083,409
TOTAL LIABILITIES		373,774,577	418,303,651	410,075,572	417,476,697
TOTAL EQUITY AND LIABILITIES		784,556,623	795,611,588	765,800,509	742,927,260

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 2020

Group	Note	Attributable to owners of the Company				
		Equity, total	Equity attributable to owners of the Company, total	Share capital (Note 22)	Retained earnings	Non-controlling interests
		RM	RM	RM	RM	RM
At 1 January 2019		353,939,340	338,352,074	248,202,826	90,149,248	15,587,266
Profit net of tax, representing total comprehensive income		35,373,739	34,613,897	-	34,613,897	759,842
Transactions with owners:						
Dividends on ordinary shares	36	(12,410,142)	(12,410,142)	-	(12,410,142)	-
Contribution by non-controlling interests		405,000	-	-	-	405,000
At 31 December 2019		377,307,937	360,555,829	248,202,826	112,353,003	16,752,108

Group	Note	Attributable to owners of the Company				
		Equity, total	Equity attributable to owners of the Company, total	Share capital (Note 22)	Retained earnings	Non-controlling interests
		RM	RM	RM	RM	RM
At 1 January 2020		377,307,937	360,555,829	248,202,826	112,353,003	16,752,108
Profit net of tax, representing total comprehensive income		34,924,109	34,917,078	-	34,917,078	7,031
Transactions with owners:						
Dividends paid to non-controlling interest		(1,180,000)	-	-	-	(1,180,000)
Acquisition of non-controlling interests	14(b)	(300,000)	27,782	-	27,782	(327,782)
Contribution by non-controlling interests	14(a)	30,000	-	-	-	30,000
At 31 December 2020		410,782,046	395,500,689	248,202,826	147,297,863	15,281,357

Statements of Changes in Equity

For the Financial Year Ended 31 December 2020 (contd.)

	Note	Equity, total RM	Share capital (Note 22) RM	Retained earnings RM
Company				
At 1 January 2019		319,651,662	248,202,826	71,448,836
Profit net of tax, representing total comprehensive income		18,209,043	-	18,209,043
Transactions with owners:				
Dividends on ordinary shares	36	(12,410,142)	-	(12,410,142)
At 31 December 2019/1 January 2020		325,450,563	248,202,826	77,247,737
Profit net of tax, representing total comprehensive income		30,274,374	-	30,274,374
At 31 December 2020		355,724,937	248,202,826	107,522,111

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 2020

		Group		Company	
	Note	2020 RM	2019 RM	2020 RM	2019 RM
Operating activities					
Profit before tax		48,537,384	48,587,430	40,075,055	25,932,699
<u>Adjustments for:</u>					
Amortisation of intangible asset	7	497,756	-	-	-
Depreciation of property, plant and equipment	7	2,382,811	2,132,714	1,112,880	1,500,748
Dividend income from investment securities	7	-	(26)	-	-
Dividend income from subsidiary	7	-	-	(1,820,000)	-
(Gain)/loss on disposal of property, plant and equipment	7	(1,051)	-	1,948	-
Interest income from licensed banks	7	(10,744)	(12,731)	(5,735)	(4,175)
Fair value (gain)/loss on investment properties	7	(3,500,000)	(289,679)	(3,500,000)	1,395,119
Interest expense	6	10,145,500	11,315,570	13,009,952	13,152,341
Other interest income	7	(340,809)	(359,743)	(2,473,352)	(3,758,413)
Inventories written off	7	29,293	-	-	-
Reversal of allowance for expected credit losses	7	(119,919)	(248,831)	-	-
Property development cost written off	7	-	2,842,385	-	-
Property, plant and equipment written off	7	67,027	-	67,027	-
Share of results in associate		2,382,312	-	-	-
Total adjustments		11,532,176	15,379,659	6,392,720	12,285,620
Operating profit before working capital changes		60,069,560	63,967,089	46,467,775	38,218,319
<u>Changes in working capital:</u>					
Inventories		22,734,890	14,431,022	22,715,312	5,456,663
Receivables		26,011,207	(22,312,875)	3,668,187	11,279,580
Other current assets		1,263,480	(36,074,177)	(9,276,438)	(28,697,183)
Payables		(14,315,488)	42,496,847	4,476,340	49,924,243
Other current liabilities		(9,180,317)	(11,626,151)	(9,412,368)	(6,658,631)

Statements of Cash Flows

For the Financial Year Ended 31 December 2020 (contd.)

	Note	2020 RM	Group 2019 RM	Company 2020 RM	2019 RM
Operating activities (contd.)					
Cash generated from operations		86,583,332	50,881,755	58,638,808	69,522,991
Interest paid		(10,989,824)	(14,208,683)	(14,059,195)	(16,641,206)
Interest received		340,809	359,743	2,473,352	3,758,413
Tax paid		(13,116,043)	(13,067,363)	(7,469,325)	(7,264,000)
Tax refunded		10,770,126	8,209,968	-	2,191,972
		-----	-----	-----	-----
Net cash generated from operating activities		73,588,400	32,175,420	39,583,640	51,568,170
		-----	-----	-----	-----
Investing activities					
Dividend received from investment securities		-	26	-	-
Dividend received from subsidiary		-	-	1,820,000	-
Interest received from licensed banks		10,744	12,731	5,735	4,175
Expenditure incurred on investment property under construction, net of interest capitalised	18.2	(2,095,980)	(28,545,095)	(2,194,380)	(29,332,299)
Net cash inflow on incorporation of subsidiaries	14(a)	30,000	405,000	-	-
Placement of deposits with maturity of more than three months		(140,487)	(1,689,965)	(140,487)	(1,689,965)
Purchase of property, plant and equipment, net of interest capitalised	12(i)	(12,930,499)	(22,397,782)	(11,104,058)	(13,549,220)
Purchase of intangible asset	13	-	(5,765,673)	-	-
Proceeds from disposal of property, plant and equipment		15,995	-	12,995	-
Subscription of shares in subsidiary		-	-	(649,900)	-
Subscription of shares in associate	15	(735,000)	(3,381,000)	(735,000)	(3,381,000)
Subscription of shares in joint venture	16	-	(1)	-	(1)
		-----	-----	-----	-----
Net cash used in investing activities		(15,845,227)	(61,361,759)	(12,985,095)	(47,948,310)
		-----	-----	-----	-----

Statements of Cash Flows

For the Financial Year Ended 31 December 2020 (contd.)

	Note	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Financing activities					
Acquisition of non-controlling interest		(300,000)	-	-	-
Dividends paid on ordinary shares	36	-	(12,410,142)	-	(12,410,142)
Dividends paid to non-controlling interest		(1,180,000)	-	-	-
Repayment of bank loans		(32,423,969)	(83,576,893)	(31,471,257)	(82,067,847)
Repayment of revolving credit		(31,009,416)	(54,688,693)	(13,000,000)	(28,010,000)
Repayment of principal portion of lease liabilities	23(a)	(2,677,546)	(3,140,972)	(623,877)	(1,230,766)
Proceeds from bank loans		33,562,710	97,139,581	33,562,710	88,339,581
Proceeds from revolving credit		20,415,572	47,699,120	7,979,572	21,020,428
(Repayment)/proceeds from collateralised borrowings		(11,212,108)	14,225,543	-	-
		-----	-----	-----	-----
Net cash (used in)/generated from financing activities		(24,824,757)	5,247,544	(3,552,852)	(14,358,746)
		-----	-----	-----	-----
Net increase/(decrease) in cash and cash equivalents		32,918,416	(23,938,795)	23,045,693	(10,738,886)
Cash and cash equivalents at 1 January		20,852,362	44,791,157	11,331,969	22,070,855
		-----	-----	-----	-----
Cash and cash equivalents at 31 December	21	53,770,778	20,852,362	34,377,662	11,331,969
		=====	=====	=====	=====

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

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020

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 registered office of the Company is located at No.6 The NorthBank, Off Kuching-Samarahan Expressway, 93350 Kuching, Sarawak.

The Company is engaged in realty development and investment holding. The principal activities of the subsidiaries are set out in Note 14. There have been no significant changes in the nature of the principal activities of the Group and of the Company during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with resolution of the directors on 8 April 2021.

2. Basis of preparation and summary of significant accounting policies

2.1 Basis of preparation

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

The financial statements of the Group and of the Company have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements of the Group and of the Company are presented in Ringgit Malaysia ("RM"), which is also the functional currency of the Company.

2.2 Changes in accounting policies

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

On 1 January 2020, the Group and the Company adopted the applicable new and amended MFRSs and Annual Improvements (collectively known as "pronouncements"), which are mandatory for annual financial periods beginning on or after 1 January 2020.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform	1 January 2020
Amendments to MFRS 101 and MFRS 108: Definition of Material	1 January 2020

The adoption of these pronouncements did not have any material effect on the financial performance or position of the Group and of the Company.

2.3 Pronouncements issued but not yet effective

The Standards and Interpretations (collectively referred to as "pronouncements") that are 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 pronouncements, if applicable, when they become effective.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

2. Basis of preparation and summary of significant accounting policies (contd.)

2.3 Pronouncements issued but not yet effective (contd.)

Description	Effective for annual periods beginning on or after
Amendments to MFRS 16: Covid-19-Related Rent Concessions	1 June 2020
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16: Interest Rate Benchmark Reform – Phase 2	1 January 2021
Annual improvements to MFRS Standards 2018-2020 Cycle:	
(i) Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards	1 January 2022
(ii) Amendments to MFRS 9: Financial Instruments	1 January 2022
(iii) Amendments to MFRS 141: Agriculture	1 January 2022
Amendments to MFRS 3: Business Combinations	
- Reference to Conceptual Framework	1 January 2022
Amendments to MFRS 116: Property, Plant and Equipment	
- Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137: Onerous Contracts	
- Cost of Fulfilling a Contract	1 January 2022
MFRS 17: Insurance Contracts	1 January 2023
Amendments to MFRS 17: Insurance Contracts	1 January 2023
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 108: Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The directors do not expect any material impact from the adoption of the above pronouncements in the period of initial application.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

2. Basis of preparation and summary of significant accounting policies (contd.)

2.4 Basis of consolidation (contd.)

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

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.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

2. Basis of preparation and summary of significant accounting policies (contd.)

2.4 Basis of consolidation (contd.)

Business combinations and goodwill (contd.)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9 *Financial Instruments* ("MFRS 9"), is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with MFRS 9. Other contingent consideration that is not within the scope of MFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss. 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.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2.5 Subsidiaries

A subsidiary is an entity over which 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.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, 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 2020 (contd.)

2. Basis of preparation and summary of significant accounting policies (contd.)

2.6 Transactions with non-controlling interests

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated statement of profit or loss and other comprehensive income and within the equity in the consolidated statement of financial position, separately from equity attributable to the owners of the Company.

Changes in the Company owner's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interest in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributable to the owners of the Company.

2.7 Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. 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.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost.

The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in other comprehensive income ("OCI") of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

2. Basis of preparation and summary of significant accounting policies (contd.)

2.7 Investments in associates and joint ventures (contd.)

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in the associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss within 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

2.8 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.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, as follows:

Buildings	50 years
Renovation	5 years
Motor vehicles, office equipment, furniture and fittings	5 to 20 years
Plant and equipment	5 to 10 years

Work-in-progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

2. Basis of preparation and summary of significant accounting policies (contd.)

2.8 Property, plant and equipment (contd.)

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.

2.9 Investment properties and investment property under construction

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value which reflects market conditions at the reporting date. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Investment properties are derecognised when either it has 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.

Transfer is made to or from investment properties only when there is a change in use. For a transfer from investment properties to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment properties, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.8 up to the date of change in use.

Where the fair value of investment property under construction ("IPUC") is not readily determinable, the IPUC is measured at cost until either its fair value can be reliably determinable or construction is complete, whichever is earlier.

2.10 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.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

2. Basis of preparation and summary of significant accounting policies (contd.)

2.10 Impairment of non-financial assets (contd.)

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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 unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

2.11 Financial instruments

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

(i) 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"), or 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.

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. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of business model.

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. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual costs held while financial asset classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

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 2020 (contd.)

2. Basis of preparation and summary of significant accounting policies (contd.)

2.11 Financial instruments (contd.)

(i) Financial assets (contd.)

Categories and subsequent measurement

For purposes of subsequent measurement, financial assets are classified into 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); or
- Financial assets at fair value through profit or loss.

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 rate ("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 include trade and other receivables and cash and bank balances.

Financial assets at fair value through OCI (debt instruments)

The Group and the Company measure debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; 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.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

2. Basis of preparation and summary of significant accounting policies (contd.)

2.11 Financial instruments (contd.)

(i) Financial assets (contd.)

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group and the Company can elect to classify irrevocably their equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under MFRS 132 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group and the Company benefit from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Group and the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

2. Basis of preparation and summary of significant accounting policies (contd.)

2.11 Financial instruments (contd.)

(i) Financial assets (contd.)

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 statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group and the Company have transferred their 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 have transferred control of the asset.

When the Group and the Company have transferred their rights to receive cash flows from an asset or have entered into a pass-through arrangement, they evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have 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 their 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 contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at 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.

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 debt instruments at fair value through OCI, the Group and the Company apply the low credit risk simplification. At every reporting date, the Group and the Company evaluate whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group and the Company reassess the internal credit rating of the debt instrument.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

2. Basis of preparation and summary of significant accounting policies (contd.)

2.11 Financial instruments (contd.)

(i) Financial assets (contd.)

Impairment of financial assets (contd.)

For trade receivables and contract assets, the Group and the Company apply a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognises a loss allowance based on a lifetime ECLs at each reporting date. The Group and the Company have performed their assessment based on their historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. In making this assessment specific to property development, the Group and the Company also take into consideration that they would maintain legal title to the properties sold until full settlement is made for the purchase consideration.

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, or at amortised cost.

All financial liabilities are recognised initially at fair value and, in the case of those measured subsequently at amortised cost, net of directly attributable transaction costs.

The Group's and the Company's financial liabilities include trade and other payables and loans and borrowings including bank overdrafts.

Categories and subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group and the Company that are not designated as hedging instruments in hedge relationships.

Gains or losses on liabilities held for trading are recognised in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated only if the criteria in MFRS 9 are satisfied. The Group and the Company have not designated any financial liability as at fair value through profit or loss.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

2. Basis of preparation and summary of significant accounting policies (contd.)

2.11 Financial instruments (contd.)

(ii) Financial liabilities (contd.)

Financial liabilities at amortised cost

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.

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 profit or loss.

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 profit or loss.

(iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement 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.

2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, and short-term deposit with maturity of three months or less. These also include bank overdrafts that form an integral part of the Group's cash management.

2.13 Inventories

Land held for property 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 measured at the lower of cost and net realisable value.

Land held for property development is reclassified as property development costs 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 2020 (contd.)

2. Basis of preparation and summary of significant accounting policies (contd.)

2.13 Inventories (contd.)

Properties acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, are held as inventories and are measured at the lower of cost and net realisable value.

Costs include:

- Freehold and leasehold rights for land;
- Amounts paid to contractors for construction; and
- Borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs

Net realisable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money if material, less costs to completion and the estimated costs of sale.

The costs of inventories recognised in profit or loss on disposal are determined with reference to the specific costs incurred on the properties sold and an allocation of any non-specific costs based on the relative size of the properties sold.

Inventories for consumables are stated at lower of cost and net realisable value.

Cost is determined using the first in, first out method. The costs of raw materials comprises costs of purchase.

2.14 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.

2.15 Intangible assets

An intangible asset is a non-monetary asset without physical substance capable of being separated (sold, transferred, rented or licensed) with a related contract, asset or liability, or when it arises from contractual or other rights, regardless of whether those rights are transferable.

Rights to operate a quarry is stated at cost less accumulated depreciation and impairment. It is amortised over its estimated life of twelve years using the straight-line method.

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new expectations.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

2. Basis of preparation and summary of significant accounting policies (contd.)

2.16 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.

2.17 Employee benefits

(i) Defined contribution plans

The Group participates in the national pension scheme as defined by the laws of the country in which it has operations. The Group makes contributions to the Employees' 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.

(ii) 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.

2.18 Leases

The Group and the Company assess 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.

As a lessee

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

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

2. Basis of preparation and summary of significant accounting policies (contd.)

2.18 Leases (contd.)

As a lessee (contd.)

(a) Right-of-use assets

The Group and the Company recognise 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 classified within the same line item as the corresponding underlying assets would be presented if they were owned. 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:

Buildings and renovation	1 to 3 years
Motor vehicles	5 years
Plant and equipment	5 years

If ownership of the leased asset transfers to the Group and the Company 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.

(b) Lease liabilities

At the commencement date of the lease, the Group and the Company recognise 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 by the Company and payments of penalties for terminating the lease, if the lease term reflects the Group and the Company 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 and the Company use their 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.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

2. Basis of preparation and summary of significant accounting policies (contd.)

2.18 Leases (contd.)

As a lessee (contd.)

(c) Short-term leases and leases of low-value assets

The Group and the Company apply the short-term lease recognition exemption to their short-term leases (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). They also apply the lease of low-value assets recognition exemption to leases 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.

As a lessor

Leases in which the Group or the Company do 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 statement of profit or loss 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.

2.19 Revenue from contracts with customers

The Group and the Company are in the business of construction and property development. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group and the Company expect to be entitled in exchange for those goods or services. The Group and the Company have generally concluded that they are the principal in their revenue arrangements because they typically control the goods or services before transferring them to customer.

(a) Sale of properties under construction

The Group and the Company recognise revenue from property under construction over time, using an input method to measure progress towards complete satisfaction of the service. Control of the asset is transferred over time if the Group's and the Company's performance do not create an asset with an alternative use to the Group and the Company and the Group and the Company have an enforceable right to payment for performance completed to date by the Group and the Company.

(b) Sale of completed properties

Sale of completed properties are recognised at a point in time.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

2. Basis of preparation and summary of significant accounting policies (contd.)

2.19 Revenue from contracts with customers (contd.)

(c) Construction contracts

Revenue from construction contracts is recognised as and when the control of the asset is transferred to the customer and it is probable that the Group and the Company will collect the consideration to which they 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 when the customer simultaneously received and consumes the benefits provided or at a point in time.

Progress billings to the customer are based on a payment schedule in the contract and are typically triggered upon achievement of specified construction milestones.

Revenue is recognised progressively based on the percentage of completion and the revenue are calculated based on estimates made of work performed.

(d) Property management fees

Property management fees are recognised when services are rendered.

(e) Sale of goods

Revenue from sale of goods is measured based on the consideration specified in a contract with a customer in exchange for transferring goods to a customer, excluding amounts collected on behalf of third parties. The Group recognises revenue when (or as) it transfers control over a product to customer. An asset is transferred when (or as) the customer obtains control over the asset.

The Group transfers control of a good at a point in time unless one of the following over time criteria is met:

- the customer simultaneously receives and consumes the benefits provided as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to-date.

(f) Contract balances

(i) Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group and the Company perform by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

(ii) Trade receivables

A receivable represents the Group's and the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

2. Basis of preparation and summary of significant accounting policies (contd.)

2.19 Revenue from contracts with customers (contd.)

(f) Contract balances (contd.)

(iii) Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group and the Company have received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group and the Company transfer goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group and the Company perform under the contract.

(g) Contract cost

(i) Costs to obtain a contract

The Group and the Company recognise incremental costs of obtaining contracts when the Group and the Company expect to recover these costs.

(ii) Costs to fulfil a contract

The Group and the Company recognise a contract cost that relates directly to a contract or to an anticipated contract as an asset when the cost generates or enhances resources of the Group and the Company, will be used in satisfying performance obligations in the future, and it is expected to be recovered.

These contract costs are initially measured at cost and amortised on a systematic basis that is consistent with pattern of revenue recognition to which the assets relate. An impairment loss is recognised in the profit or loss when the carrying amount of the contract cost exceeds the expected revenue less expected cost that will be incurred. Where the impairment condition no longer exists or has improved, the impairment loss is reversed to the extent that the carrying amount of the contract cost does not exceed the amount that would have been recognised had there been no impairment loss recognised previously.

(h) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

2.20 Taxes

(a) Current tax

The income tax expense for the period comprises current and deferred tax. Tax is recognised in profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group and the Company operate and includes all taxes based upon the taxable profits.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

2. Basis of preparation and summary of significant accounting policies (contd.)

2.20 Taxes (contd.)

(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.

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.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

2. Basis of preparation and summary of significant accounting policies (contd.)

2.20 Taxes (contd.)

(b) Deferred tax (contd.)

The Group and the Company offset deferred tax assets and deferred tax liabilities if and only if they have a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets expected to be settled or recovered.

(c) Sales and Services Tax ("SST") and Goods and Services Tax ("GST")

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

- Where the SST and GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the SST and GST are 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 SST and GST included.

2.21 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 reviews 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 34.

2.22 Share capital and share issuance expenses

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

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

2.23 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 event(s) not wholly within the control of the Group and the Company.

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

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

2. Basis of preparation and summary of significant accounting policies (contd.)

2.24 Fair value measurements

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 and the Company. 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.

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

All assets and liabilities for which fair values 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 measurements 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.

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.

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

2.25 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantees issued are initially measured at fair value, net of transaction costs. Subsequently, they are measured at the higher of the amount of the loss allowance; and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with MFRS 15.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

2. Basis of preparation and summary of significant accounting policies (contd.)

2.26 Current versus non-current classification

The Group and the Company present assets and liabilities in the statement of financial position 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 the 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.

A liability is current when:

- It is expected to be settled in the 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.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group and the Company classify all other liabilities as non-current.

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

3. Significant accounting judgements, estimates and assumptions

The preparation of the Group's and 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 assets or liabilities affected in the future.

3.1 Judgements made in applying accounting policies

In the process of applying the Group's and the Company's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Classification between investment properties and inventory properties

The Group and the Company determine whether properties are classified as investment properties or inventory properties based on the following principles:

- Investment properties comprise land and buildings (school and retail properties) which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.
- Inventory properties comprise properties that are held for sale in the ordinary course of business.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

3. Significant accounting judgements, estimates and assumptions (contd.)

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 adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(i) Recognition of sale of properties under construction recognised over time

For the sale properties under construction where the Group and the Company satisfy their performance obligations over time, management has determined that a cost-based input method provides a faithful depiction of the Group's and the Company's performance in transferring control of the development properties to the customers, as it reflects the Group's and the Company's efforts incurred to date relative to the total inputs expected to be incurred for the development properties. 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 development properties.

Estimates are involved in determining the total estimated development costs. These estimates are based on contracted amounts and, in respect of amounts not contracted for, management relies on experience and knowledge of the project quantity surveyors to make estimates of the amounts to be incurred. In making these estimates, management takes into consideration the historical trends of the amounts incurred on its other similar development properties, analysed by different property types for the past years.

The carrying amounts of assets and liabilities of the Group and the Company arising from property development activities are disclosed in Notes 17, 20 and 26.

(ii) Recognition of revenue from construction contracts recognised over time

Construction contract revenue is recognised progressively based on the percentage of completion and revenue is calculated based on estimates made of the work completed at balance sheet date.

The estimation of the performance completed to date and appraisal of results achieved are undertaken by professional consultants appointed by the customers.

The carrying amounts of assets and liabilities of the Group's construction activities are disclosed in Notes 20 and 26.

(iii) Valuation of completed investment properties

The Group and the Company carry their completed investment properties at fair value, with changes in fair value being recognised in profit or loss. The fair value of the investment properties is determined by independent professional valuers assessed on a number of estimates and assumption. The methods and assumptions used by valuers in estimating the fair value of investment properties are set out in Note 18.1

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

4. Revenue

Set out below is the disaggregation of the Group's and the Company's revenue from contracts with customers.

(a) Disaggregation of Group's revenue from contracts with customers

	Property development activities RM	Property holding and management RM	Construction works RM	Quarry operations RM	Total RM
2020					
Group					
Type of goods and services					
Sales of properties under construction	173,530,045	-	-	-	173,530,045
Sales of completed properties and land	28,786,752	-	-	-	28,786,752
Construction revenue	-	-	91,653,438	-	91,653,438
Property management service	-	619,075	-	-	619,075
Quarry operations	-	-	-	7,350,592	7,350,592
Total revenue from contracts with customers	202,316,797	619,075	91,653,438	7,350,592	301,939,902
Rental income from investment properties	-	6,554,873	-	-	6,554,873
	202,316,797	7,173,948	91,653,438	7,350,592	308,494,775
Timing of revenue recognition					
Revenue recognised over time	173,530,045	619,075	91,653,438	-	265,802,558
Revenue recognised at a point of time	28,786,752	-	-	7,350,592	36,137,344
Total revenue from contracts with customers	202,316,797	619,075	91,653,438	7,350,592	301,939,902

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

4. Revenue (contd.)

(a) Disaggregation of Group's revenue from contracts with customers (contd.)

	Property development activities RM	Property holding and management RM	Construction works RM	Total RM
2019				
Group				
Type of goods and services				
Sales of properties under construction	250,699,961	-	-	250,699,961
Sales of completed properties and land	20,749,179	-	-	20,749,179
Construction revenue	-	-	95,797,064	95,797,064
Property management service	-	468,406	-	468,406
Total revenue from contracts with customers	271,449,140	468,406	95,797,064	367,714,610
Rental income from investment properties	-	3,532,167	-	3,532,167
Total revenue	271,449,140	4,000,573	95,797,064	371,246,777
Timing of revenue recognition				
Revenue recognised over time	250,699,961	468,406	95,797,064	346,965,431
Revenue recognised at a point of time	20,749,179	-	-	20,749,179
	271,449,140	468,406	95,797,064	367,714,610

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

4. Revenue (contd.)

(b) Transaction prices allocated to the remaining performance obligation

	Property development activities RM	Construction works RM	Total RM
2020			
Group			
Sale of properties under construction			
- within one year	118,663,573	-	118,663,573
- over one year	9,973,687	-	9,973,687
	=====	=====	=====
	128,637,260	-	128,637,260
	=====	=====	=====
Construction revenue			
- within one year	-	52,592,396	52,592,396
	=====	=====	=====
	-	52,592,396	52,592,396
	=====	=====	=====
2019			
Sale of properties under construction			
- within one year	167,033,972	-	167,033,972
- over one year	31,631,742	-	31,631,742
	=====	=====	=====
	198,665,714	-	198,665,714
	=====	=====	=====
Construction revenue			
- within one year	-	136,668,299	136,668,299
- over one year	-	10,885,500	10,885,500
	=====	=====	=====
	-	147,553,799	147,553,799
	=====	=====	=====

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

4. Revenue (contd.)

(c) Disaggregation of Company's revenue from contracts with customers

	Company	
	2020	2019
	RM	RM
Type of goods and services		
Sales of properties under construction	173,530,045	217,228,453
Sales of completed properties and land	16,597,117	13,000,931
Total revenue from contracts with customers	190,127,162	230,229,384
Rental income from investment properties	6,554,873	3,532,167
Total revenue	196,682,035	233,761,551
	=====	=====
Timing of revenue recognition		
Revenue recognised over time	173,530,045	217,228,453
Revenue recognised at a point of time	16,597,117	13,000,931
	190,127,162	230,229,384
	=====	=====

(d) Transaction prices allocated to the remaining performance obligations

	Company	
	2020	2019
	RM	RM
Sale of properties under construction		
- within one year	118,663,573	167,033,972
- over one year	9,973,687	31,631,742
	128,637,260	198,665,714
	=====	=====

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

5. Cost of sales

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Property development costs	113,351,738	178,161,816	116,589,041	159,824,849
Costs of completed properties sold and land	20,384,634	16,276,809	12,580,323	12,552,764
Construction costs	83,402,771	84,242,518	-	-
Investment properties maintenance costs	223,041	120,610	223,041	120,610
Property management costs	1,982	59,756	-	-
Quarry operation costs	5,904,914	-	-	-
	223,269,080	278,861,509	129,392,405	172,498,223
	=====	=====	=====	=====

6. Finance costs

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Interest expense on:				
- Bank loans and bank overdrafts	10,639,194	13,720,753	9,049,429	12,188,628
- Amount due to subsidiaries	-	-	4,960,270	4,361,886
- Lease liabilities (Note 23(a))	350,630	487,930	49,496	90,692
	10,989,824	14,208,683	14,059,195	16,641,206
Less: Interest expense capitalised in:				
- Property, plant and equipment (Note 12(ii))	(844,324)	(1,226,806)	(1,049,243)	(1,547,008)
- Investment properties under construction (Note 18.2)	-	(1,666,307)	-	(1,941,857)
	10,145,500	11,315,570	13,009,952	13,152,341
	=====	=====	=====	=====

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

7. Profit before tax

The following amounts have been included in arriving at profit before tax:

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Auditors' remuneration				
- statutory audit	136,500	113,000	76,000	66,000
- other services	80,000	10,000	80,000	10,000
Amortisation of intangible asset (Note 13)	497,756	-	-	-
Depreciation of property, plant and equipment (Note 12)	2,382,811	2,132,714	1,112,880	1,500,748
Dividend income from investment securities	-	(26)	-	-
Dividend income from subsidiary	-	-	(1,820,000)	-
Interest income				
- licensed banks	(10,744)	(12,731)	(5,735)	(4,175)
- others	(340,809)	(359,743)	(2,473,352)	(3,758,413)
Employee benefits expense (Note 8)	12,071,641	13,834,230	9,068,796	10,664,134
Expenses relating to short term leases (Note 23(a))	323,651	189,600	119,751	-
Expenses relating to low value assets (Note 23(a))	6,900	11,400	-	-
Fair value (gain)/loss on investment properties (Note 18.1)	(3,500,000)	(289,679)	(3,500,000)	1,395,119
(Gain)/loss on disposal of property, plant and equipment	(1,051)	-	1,948	-
Inventories written off	29,293	-	-	-
Non-executive directors' remuneration (Note 9)	674,700	634,150	608,550	571,750
Property development cost written off	-	2,842,385	-	-
Property, plant and equipment written off	67,027	-	67,027	-
Rental income	(414,777)	(444,694)	(28,167)	(135,840)
Reversal of allowance for expected credit losses (Note 19(a))	(119,919)	(248,831)	-	-
	=====	=====	=====	=====

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

8. Employee benefits expense

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Wages and salaries	13,876,441	15,714,954	7,971,218	9,353,674
Contribution to defined contribution plan	1,728,920	1,922,949	1,007,685	1,210,268
Other benefits	177,745	182,623	89,893	100,192
	<u>15,783,106</u>	<u>17,820,526</u>	<u>9,068,796</u>	<u>10,664,134</u>
Less: Employee benefits capitalised in construction costs (Note 20(a))	(3,711,465)	(3,986,296)	-	-
	<u>12,071,641</u>	<u>13,834,230</u>	<u>9,068,796</u>	<u>10,664,134</u>
	=====	=====	=====	=====

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM1,096,755 (2019: RM1,166,606) and RM1,062,105 (2019: RM1,130,606) respectively, as further disclosed in Note 9.

9. Directors' remuneration

The details of remuneration receivable by directors of the Group and of the Company during the year are as follows:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Directors of the Company				
Executive directors' remuneration (Note 8):				
Fees	34,650	36,000	-	-
Salaries and other emoluments	1,062,105	1,130,606	1,062,105	1,130,606
	<u>1,096,755</u>	<u>1,166,606</u>	<u>1,062,105</u>	<u>1,130,606</u>
Non-executive directors' remuneration:				
Fees and other emoluments	608,550	580,150	608,550	571,750
Total directors' remuneration	1,705,305	1,746,756	1,670,655	1,702,356
Estimated money value of benefits -in-kind	53,522	39,200	53,522	39,200
Total Company directors' remuneration including benefits-in-kind	<u>1,758,827</u>	<u>1,785,956</u>	<u>1,724,177</u>	<u>1,741,556</u>
	=====	=====	=====	=====

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

9. Directors' remuneration (contd.)

The details of remuneration receivable by directors of the Group and of the Company during the year are as follows: (contd.)

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Other directors				
Non-executive directors remuneration:				
Fees and other emoluments	66,150	54,000	-	-
	-----	-----	-----	-----
Total Group directors' remuneration (Note 27(c))	1,824,977	1,839,956	1,724,177	1,741,556
	=====	=====	=====	=====

10. Income tax expense

The major components of income tax expense for the years ended 31 December 2020 and 2019 are:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Statement of profit or loss and other comprehensive income:				
Current income tax:				
- Malaysian income tax,	13,532,600	13,536,220	8,601,900	7,663,000
- Under/(over) provision in respect of previous years	90,348	(1,708,113)	(91,420)	(1,173,344)
	-----	-----	-----	-----
	13,622,948	11,828,107	8,510,480	6,489,656
	-----	-----	-----	-----
Deferred tax (Note 24):				
- Origination and reversal of temporary differences	(342,145)	(829,294)	1,111,000	(974,000)
- Under provision in respect of previous years	332,472	2,214,878	179,201	2,208,000
	-----	-----	-----	-----
	(9,673)	1,385,584	1,290,201	1,234,000
	-----	-----	-----	-----
Income tax expense recognised in profit or loss	13,613,275	13,213,691	9,800,681	7,723,656
	=====	=====	=====	=====

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

10. Income tax expense (contd.)

The reconciliations between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2020 and 2019 are as follows:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Accounting profit before tax	48,537,384	48,587,430	40,075,055	25,932,699
Tax at Malaysian statutory rate of 24% (2019: 24%)	11,648,972	11,660,983	9,618,013	6,223,848
Adjustments:				
Income not subject to tax	(28,781)	(129,249)	(436,800)	-
Deferred tax assets not recognised on unused tax losses and unabsorbed capital allowances	48,480	-	-	-
Share of results in associate	571,755	-	-	-
Expenses not deductible for tax purposes	950,029	1,175,192	531,687	465,152
Under/(over) provision of income tax in respect of previous years	90,348	(1,708,113)	(91,420)	(1,173,344)
Under provision of deferred tax in respect of previous years	332,472	2,214,878	179,201	2,208,000
Income tax expense recognised in profit or loss	13,613,275	13,213,691	9,800,681	7,723,656

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2019: 24%) of the estimated assessable profit for the year.

11. Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

The following table reflects the profit and share data used in the computation of basic earnings per share for the years ended 31 December 2020 and 2019:

	Group	
	2020	2019
Profit attributable to owners of the Company (RM)	34,917,078	34,613,897
Weighted average number of ordinary shares in issue	496,405,652	496,405,652
Basic earnings per share (sen)	7	7

There are no dilutive potential ordinary shares. As such, the diluted earnings per share of the Group is equivalent to basic earnings per share.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

12. Property, plant and equipment

	Buildings and renovation RM	Motor vehicles, office equipment, furniture and fittings RM	Plant and equipment RM	Work-in- progress RM	Total RM
Group					
Cost					
At 1 January 2020	7,132,903	11,189,780	21,230,143	29,095,122	68,647,948
Additions	12,130	1,127,730	2,146,664	10,488,299	13,774,823
Disposal	-	(91,981)	-	-	(91,981)
Write-off	(286,450)	(530,929)	(158,609)	-	(975,988)
Derecognition of right-of-use asset	(446,747)	-	-	-	(446,747)
Reclassification	31,117,177	1,225,149	7,241,095	(39,583,421)	-
At 31 December 2020	<u>37,529,013</u>	<u>12,919,749</u>	<u>30,459,293</u>	<u>-</u>	<u>80,908,055</u>
Accumulated depreciation					
At 1 January 2020	2,785,861	7,879,460	6,632,656	-	17,297,977
Depreciation charge for the year:	714,333	1,104,030	2,717,172	-	4,535,535
Recognised in profit or loss (Note 7)	714,333	667,556	1,000,922	-	2,382,811
Capitalised in construction costs (Note 20(a))	-	436,474	1,716,250	-	2,152,724
Disposal	-	(77,037)	-	-	(77,037)
Write-off	(286,442)	(463,996)	(158,523)	-	(908,961)
Derecognition of right-of-use asset	(446,747)	-	-	-	(446,747)
At 31 December 2020	<u>2,767,005</u>	<u>8,442,457</u>	<u>9,191,305</u>	<u>-</u>	<u>20,400,767</u>
Net carrying amount	<u>34,762,008</u>	<u>4,477,292</u>	<u>21,267,988</u>	<u>-</u>	<u>60,507,288</u>

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

12. Property, plant and equipment (contd.)

	Buildings and renovation RM	Motor vehicles, office equipment, furniture and fittings RM	Plant and equipment RM	Work-in- progress RM	Total RM
Group (contd.)					
Cost					
At 1 January 2019	5,600,027	10,075,927	12,502,865	14,822,987	43,001,806
Effect of adoption of MFRS 16 Leases	993,887	-	-	-	993,887
At 1 January 2019 (restated)	6,593,914	10,075,927	12,502,865	14,822,987	43,995,693
Additions	538,989	1,113,853	8,727,278	14,272,135	24,652,255
At 31 December 2019	7,132,903	11,189,780	21,230,143	29,095,122	68,647,948
Accumulated depreciation					
At 1 January 2019	1,910,403	6,596,377	4,593,829	-	13,100,609
Depreciation charge for the year:	875,458	1,283,083	2,038,827	-	4,197,368
Recognised in profit or loss (Note 7)	875,458	934,679	322,577	-	2,132,714
Capitalised in construction costs (Note 20(a))	-	348,404	1,716,250	-	2,064,654
At 31 December 2019	2,785,861	7,879,460	6,632,656	-	17,297,977
Net carrying amount	4,347,042	3,310,320	14,597,487	29,095,122	51,349,971

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

12. Property, plant and equipment (contd.)

Company	Buildings and renovation RM	Motor vehicles, office equipment, furniture and fittings RM	Plant and equipment RM	Work-in- progress RM	Total RM
Cost					
At 1 January 2020	4,496,877	5,975,531	162,397	30,241,231	40,876,036
Additions	46,600	1,116,946	1,374	11,034,981	12,199,901
Disposal	-	(78,250)	-	-	(78,250)
Write-off	(286,450)	(530,929)	(158,609)	-	(975,988)
Reclassification	32,806,877	1,225,149	7,244,186	(41,276,212)	-
Derecognition of right-of-use asset	(446,747)	-	-	-	(446,747)
At 31 December 2020	<u>36,617,157</u>	<u>7,708,447</u>	<u>7,249,348</u>	<u>-</u>	<u>51,574,952</u>
Accumulated depreciation					
At 1 January 2020	1,873,993	5,044,015	159,253	-	7,077,261
Depreciation charge for the year:					
Recognised in profit or loss (Note 7)	665,859	386,137	60,884	-	1,112,880
Disposal	-	(63,307)	-	-	(63,307)
Write-off	(286,443)	(463,996)	(158,522)	-	(908,961)
Derecognition of right-of-use asset	(446,747)	-	-	-	(446,747)
At 31 December 2020	<u>1,806,662</u>	<u>4,902,849</u>	<u>61,615</u>	<u>-</u>	<u>6,771,126</u>
Net carrying amount	<u>34,810,495</u>	<u>2,805,598</u>	<u>7,187,733</u>	<u>-</u>	<u>44,803,826</u>

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

12. Property, plant and equipment (contd.)

	Buildings and renovation RM	Motor vehicles, office equipment, furniture and fittings RM	Plant and equipment RM	Work-in- progress RM	Total RM
Company (contd.)					
Cost					
At 1 January 2019	3,236,005	5,921,803	160,578	15,200,550	24,518,936
Effect of adoption of MFRS 16	1,013,304	-	-	-	1,013,304
At 1 January 2019 (restated)	4,249,309	5,921,803	160,578	15,200,550	25,532,240
Additions	247,568	53,728	1,819	15,040,681	15,343,796
At 31 December 2019	4,496,877	5,975,531	162,397	30,241,231	40,876,036
Accumulated depreciation					
At 1 January 2019	1,026,583	4,391,056	158,874	-	5,576,513
Depreciation charge for the year: Recognised in profit or loss (Note 7)	847,410	652,959	379	-	1,500,748
At 31 December 2019	1,873,993	5,044,015	159,253	-	7,077,261
Net carrying amount	2,622,884	931,516	3,144	30,241,231	33,798,775

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

12. Property, plant and equipment (contd.)

(i) Acquisitions of property, plant and equipment during the financial year were by the following means:

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Cash	12,930,499	22,397,782	11,104,058	13,549,220
Lease arrangement (Note 23(a))	-	1,027,667	46,600	247,568
Interest capitalised (Note 6)	844,324	1,226,806	1,049,243	1,547,008
	<u>13,774,823</u>	<u>24,652,255</u>	<u>12,199,901</u>	<u>15,343,796</u>
	=====	=====	=====	=====

(ii) Capitalisation of borrowing costs

The Group's and the Company's work-in-progress include borrowing costs arising from specific bank loans procured and other general borrowings used for financing the construction of the Company's corporate office. The capitalisation rate used for the general borrowings was at 4.13% (2019: 5.52%). During the financial year, the borrowing costs capitalised as cost of work-in-progress of the Group and the Company are as shown in Note 12(i) above.

(iii) Right-of-use assets

Included in the net carrying amount of property, plant and equipment are right-of-use assets as follows:

Group	Buildings and renovation	Motor vehicles	Plant and equipment	Total
	RM	RM	RM	RM
At 1 January 2020	482,559	2,344,366	4,339,713	7,166,638
Depreciation charge for the year (Note 23(a))	(380,559)	(835,814)	(1,648,844)	(2,865,217)
At 31 December 2020	<u>102,000</u>	<u>1,508,552</u>	<u>2,690,869</u>	<u>4,301,421</u>
	=====	=====	=====	=====
At 1 January 2019	-	-	-	-
Effect of adoption of MFRS 16:				
- Reclassifications	-	2,495,530	5,988,563	8,484,093
- Recognition	993,887	-	-	993,887
Additions	200,967	863,800	-	1,064,767
Depreciation charge for the year (Note 23(a))	(712,295)	(1,014,964)	(1,648,850)	(3,376,109)
At 31 December 2019	<u>482,559</u>	<u>2,344,366</u>	<u>4,339,713</u>	<u>7,166,638</u>
	=====	=====	=====	=====

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

12. Property, plant and equipment (contd.)

(iii) Right-of-use assets (contd.)

Included in the net carrying amount of property, plant and equipment are right-of-use assets as follows: (contd.)

Company	Buildings and renovation RM	Motor vehicles RM	Total RM
At 1 January 2020	501,976	450,700	952,676
Additions	46,600	-	46,600
Depreciation charge for the year (Note 23(a))	(427,159)	(235,615)	(662,774)
At 31 December 2019	121,417	215,085	336,502
At 1 January 2019	-	-	-
Effect of adoption of MFRS 16:			
- Reclassifications	-	958,142	958,142
- Recognition	1,013,304	-	1,013,304
Additions	247,568	-	247,568
Depreciation charge for the year (Note 23(a))	(758,896)	(507,442)	(1,266,338)
At 31 December 2019	501,976	450,700	952,676

The Group and the Company have lease contracts for buildings and renovation, motor vehicles and plant and equipment used in their operations.

There are several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's and the Company's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

12. Property, plant and equipment (contd.)

(iii) Right-of-use assets (contd.)

The table below describes the nature of the Group's and the Company's leasing activities by type of right-of-use assets recognised on the statements of financial position:

	Buildings and renovation	Plant and equipment	Motor vehicles
Group			
As at 31 December 2020			
No. of right-of-use assets leased	2	15	28
No. of leases with extension option	-	-	-
No. of leases with variable lease payments	-	-	-
No. of leases with termination option	-	-	-
	=====	=====	=====
As at 31 December 2019			
No. of right-of-use assets leased	3	15	30
No. of leases with extension option	-	-	-
No. of leases with variable lease payments	-	-	-
No. of leases with termination option	-	-	-
	=====	=====	=====
	Buildings and renovation	Plant and equipment	Motor vehicles
Company			
As at 31 December 2020			
No. of right-of-use assets leased		3	4
No. of leases with extension option		-	-
No. of leases with variable lease payments		-	-
No. of leases with termination option		-	-
		=====	=====
As at 31 December 2019			
No. of right-of-use assets leased		4	6
No. of leases with extension option		-	-
No. of leases with variable lease payments		-	-
No. of leases with termination option		-	-
		=====	=====

Details of the terms and conditions of the lease arrangements are disclosed in Note 23.

Leased assets are pledged as security for the related lease liabilities as set in Note 23.

- (iv) The corporate office building of the Group and of the Company amounting to RM26 million is pledged as security for the related borrowings as set in Note 23.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

13. Intangible asset

	Group	
	2020	2019
	RM	RM
Cost		
At 1 January	5,765,673	-
Additions	-	5,765,673
	-----	-----
At 31 December	5,765,673	5,765,673
	=====	=====
Amortisation		
At 1 January	-	-
Amortisation charge for the year (Note 7)	497,756	-
	-----	-----
At 31 December	497,756	-
	=====	=====
Net carrying amount	5,267,917	5,765,673
	=====	=====

The above intangible asset represents the rights to operate the quarry arising from the Extraction Agreement dated 3 July 2019 entered into with a third party, which commenced operations during the year.

14. Investments in subsidiaries

	Company	
	2020	2019
	RM	RM
Unquoted shares, at cost	34,853,944	34,204,044
Less: Accumulated impairment losses	(802,778)	(802,778)
	-----	-----
	34,051,166	33,401,266
	=====	=====

Details of the subsidiaries, all of which are incorporated and domiciled in Malaysia, and their principal activities are as set out below:

Name of subsidiaries	Principal activities	Proportion of ownership interest	
		2020	2019
Foso One Sdn. Bhd.	Construction	100%	100%
Ibraco Quarry Sdn. Bhd.	Housing and property development, quarry operations	100%	100%
Ibraco Construction Sdn. Bhd.	Construction	100%	100%
Ibraco HGS Sdn. Bhd.	Property development and construction	70%	70%
Ibraco Pelita Sdn. Bhd.	Property development and construction	75%	75%

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

14. Investments in subsidiaries (contd.)

Details of the subsidiaries, all of which are incorporated and domiciled in Malaysia, and their principal activities are as set out below: (contd.)

Name of subsidiaries	Principal activities	Proportion of ownership interest	
		2020	2019
Ibraco Plantation Sdn. Bhd.	Plantation and investment holdings	100%	70%
Ibraco Spectrum Sdn. Bhd.	Landscaping and trading of building materials and related products	100%	100%
Ibraco Infinity Sdn. Bhd.	Property management service	100%	100%
Syarikat Ibraco-Peremba Sdn. Bhd.	Land and property development	100%	100%
Ibraco Ascent Sdn. Bhd.	Property investment and development	74%	74%
NewUrban Sdn. Bhd.	Property development and construction	100%	100%
Sekitar Gemilang Sdn. Bhd.	Quarry operation	100%	-
Subsidiary of Ibraco HGS Sdn. Bhd.			
Warisar Sdn. Bhd.	Property development and construction	80%	80%
Subsidiary of Ibraco Construction Sdn. Bhd.			
Ibraco Construction Polybuilding Construction JV Sdn. Bhd.	Construction	70%	70%
Dynaciate Engineering Ibraco Construction JV Sdn. Bhd.	Construction	70%	-

All subsidiaries are audited by Ernst & Young PLT Malaysia.

(a) Incorporation of new subsidiaries

Current financial year

On 5 March 2020, Ibraco Construction Sdn. Bhd., a subsidiary of the Company, incorporated a new subsidiary, Dynaciate Engineering Ibraco Construction JV Sdn. Bhd. ("DEIC") of which it subscribed 70% equity interest for RM70,000, settled in cash.

The Company, on 9 June 2020, incorporated a new subsidiary, Sekitar Gemilang Sdn. Bhd. ("SGSB") of which it subscribed 100% equity interest for RM100,000, settled in cash.

The Group incorporated DEIC and SGSB to expand its construction and quarry operations activities, respectively.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

14. Investments in subsidiaries (contd.)

(a) Incorporation of new subsidiaries (contd.)

Current financial year (contd.)

The fair values of the identifiable assets of DEIC and SGSB as at the date of incorporation were:

	Fair value RM	Carrying amount RM
Cash and cash equivalents		
DEIC	100,000	100,000
SGSB	100,000	100,000
	=====	=====

Total cost of business combination

The total cost of the business combination is as follows:

	DEIC RM	SGSB RM	Total RM
Cash paid	70,000	100,000	170,000
	=====	=====	=====

The effect of the incorporation on cash flows is as follows:

Total cost of the business combination	70,000	100,000	170,000
Less: Net cash and cash equivalents of subsidiaries incorporated	(100,000)	(100,000)	(200,000)
	-----	-----	-----
Net cash inflow on incorporation	30,000	-	30,000
	=====	=====	=====

Goodwill

Fair value of net identifiable assets	100,000	100,000	200,000
Less: Non-controlling interests	(30,000)	-	(30,000)
	-----	-----	-----
Group's interest in fair value of net identifiable assets	70,000	100,000	170,000
Goodwill	-	-	-
	-----	-----	-----
Cost of business combination	70,000	100,000	170,000
	=====	=====	=====

Impact of incorporation in statement of profit and loss and comprehensive income

From the date of incorporation, DEIC and SGSB have contributed losses of RM3,901 and RM95,620 respectively, to the Group's profit, net of tax.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

14. Investments in subsidiaries (contd.)

(a) Incorporation of new subsidiaries (contd.)

Previous financial year

On 15 May 2019, Ibraco Construction Sdn. Bhd., a subsidiary of the Company, incorporated a new subsidiary, Ibraco Construction Polybuilding Construction JV Sdn. Bhd. of which it subscribed 70% equity interest for RM945,000, settled in cash.

The fair values of the identifiable asset of Ibraco Construction Polybuilding Construction JV Sdn. Bhd. as at the date of incorporation was:

	Fair value RM	Carrying amount RM
Cash and cash equivalents	1,350,000	1,350,000
	=====	=====

Total cost of business combination

The total cost of the business combination is as follows:

	RM
Cash paid	945,000
	=====

The effect of the incorporation on cash flows is as follows:

Total cost of the business combination	945,000
Less: Net cash and cash equivalents of subsidiary incorporated	(1,350,000)

Net cash inflow on incorporation	405,000
	=====

Goodwill

Fair value of net identifiable assets	1,350,000
Less: Non-controlling interests	(405,000)

Group's interest in fair value of net identifiable assets	945,000
Goodwill	-

Cost of business combination	945,000
	=====

Impact of incorporation in statement of profit and loss and comprehensive income

From the date of incorporation, Ibraco Construction Polybuilding Construction JV Sdn. Bhd. has contributed loss of RM8,246 to the Group's profit, net of tax in previous year.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

14. Investments in subsidiaries (contd.)

(b) Acquisition of additional interest in Ibraco Plantation Sdn. Bhd.

On 28 August 2020, the Company acquired the remaining 300,000 ordinary shares, representing 30% equity interest in Ibraco Plantation Sdn. Bhd. ("IPSB"), for a total cash consideration of RM300,000. Following the acquisition, IPSB became a wholly-owned subsidiary of the Company.

The following is a schedule of additional interest acquired in IPSB:

	2020 RM
Cash consideration paid to non-controlling interest	300,000
Carrying value of the additional interest	(327,782)

Differences recognised in retained earnings	27,782
	=====

(c) Material non-controlling interests

The Group's subsidiary that has material non-controlling interests are set out below.

	Ibraco HGS Sdn. Bhd. and its subsidiary	
	2020 RM	2019 RM
Accumulated balances of material non-controlling interest	16,052,109	17,123,194
	=====	=====
Profit allocated to material non-controlling interest	108,915	1,539,557
	=====	=====

The summarised financial information presented below is the amount before inter-company elimination.

(i) Summarised consolidated statements of financial position

	Ibraco HGS Sdn. Bhd. and its subsidiary	
	2020 RM	2019 RM
Non-current assets	471,767	-
Current assets	94,059,113	120,535,624
	-----	-----
Total assets	94,530,880	120,535,624
	-----	-----

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

14. Investments in subsidiaries (contd.)

(c) Material non-controlling interests (contd.)

(i) Summarised consolidated statements of financial position (contd.)

	Ibraco HGS Sdn. Bhd. and its subsidiary	
	2020	2019
	RM	RM
Non-current liabilities	-	170,933
Current liabilities	47,918,673	71,179,559
Total liabilities	47,918,673	71,350,492
Net assets	46,612,207	49,185,132
Equity attributable to owners of the Company	30,560,098	32,061,938
Non-controlling interests	16,052,109	17,123,194
	46,612,207	49,185,132

(ii) Summarised consolidated statement of profit or loss and other comprehensive income

	Ibraco HGS Sdn. Bhd. and its subsidiary	
	2020	2019
	RM	RM
Revenue	12,120,769	40,927,322
Profit for the year	427,075	3,560,431
Profit attributable to:		
Owners of the Company	318,160	2,020,874
Non-controlling interests	108,915	1,539,557
	427,075	3,560,431

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

14. Investments in subsidiaries (contd.)

(c) Material non-controlling interests (contd.)

(iii) Summarised consolidated statement of cash flows

	Ibraco HGS Sdn. Bhd. and its subsidiary	
	2020	2019
	RM	RM
Net cash generated from operating activities	461,653	776,611
Net cash generated from investing activities	14,489	28,406
Net cash used in financing activities	(3,000,000)	(1,362,380)
Net decrease in cash and cash equivalents	(2,523,858)	(557,363)
Cash and cash equivalents at the beginning of the year	3,710,895	4,268,258
Cash and cash equivalents at the end of the year	1,187,037	3,710,895

15. Investment in an associate

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Unquoted shares, at cost				
- Ordinary shares	490,000	490,000	490,000	490,000
- Redeemable non-cumulative preference shares	3,675,000	2,940,000	3,675,000	2,940,000
	4,165,000	3,430,000	4,165,000	3,430,000
Share of post-acquisition deficit	(2,382,312)	-	-	-
	1,782,688	3,430,000	4,165,000	3,430,000

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

15. Investment in an associate (contd.)

Name of associate	Principal activities	Proportion of ownership interest	
		2020	2019
IBRACO HELP Education Sdn. Bhd.	Education services	49%	49%

During the year, the Company subscribed for 735,000 new redeemable preference shares at RM1 each in IBRACO HELP Education Sdn. Bhd. amounting to RM735,000, settled in cash.

Summarised financial information in respect of the Group's associate is set out below. The summarised financial information represents the amounts extracted from the financial statements of the associate prepared using the MFRS framework and is not the Group's share of those amounts. Reconciliation with the carrying amount of the investment in the consolidated financial statements is set out in Note 15(c) below.

The following table summarises the financial information in respect of the Group's associate:

	IBRACO HELP Education Sdn. Bhd. Group	
	2020 RM	2019 RM
(a) Summarised statement of financial position		
Assets and liabilities		
Current assets	3,692,543	6,967,992
Total assets	3,692,543	6,967,992
Current liabilities	54,404	12,845
Total liabilities	54,404	12,845
Net assets	3,638,139	6,955,147

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

15. Investment in an associate (contd.)

(b) Summarised statement of profit or loss and other comprehensive income

	IBRACO HELP Education Sdn. Bhd. Group	
	2020 RM	2019 RM
Revenue	-	-
Loss before tax	(4,779,937)	(12,441)
Income tax expense	(37,070)	(9,995)
Total comprehensive loss	(4,817,007)	(22,436)

(c) Reconciliation of net assets to carrying amount of investment

As at 31 December		
Net assets	3,638,139	6,955,147
Effective interest in associate	49%	49%
Group's share of net assets	1,782,688	3,408,022

16. Investment in joint venture

	Group and Company	
	2020 RM	2019 RM
Unquoted shares, at cost	1	1

Name of joint venture	Principal activities	Proportion of ownership interest	
		2020	2019
NorthBank Specialist Hospital Sdn. Bhd.	Intended for health care services	50%	50%

In 2019, the Company subscribed for 50% equity interest in, NorthBank Specialist Hospital Sdn. Bhd. ("NBSH"). NBSH has remained dormant since incorporation. Hence, there was no share of results being accounted for.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

17. Inventories

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
At cost				
Non-current				
Land held for property development	45,133,467	45,095,306	42,643,363	42,605,201
Current				
Property development costs	272,525,717	287,332,138	239,578,652	263,577,796
Completed properties held for sale	68,113,976	76,080,606	52,839,381	51,593,711
Others	-	29,293	-	-
	340,639,693	363,442,037	292,418,033	315,171,507
	385,773,160	408,537,343	335,061,396	357,776,708

Certain land held for property development of the Group and the Company have been amalgamated, sub-divided and are pending issuance of land titles by the relevant government authority.

Right-of-use assets

Included in the net carrying amount of land held for property developments are right-of-use assets as follows:

	Group RM	Company RM
Leasehold land		
At 1 January 2020 and 31 December 2020	8,660,516	6,170,412
At 1 January 2019 and 31 December 2019	8,660,516	6,170,412

Land held for property development

The Group and the Company have freehold and leasehold land with aggregate carrying values of RM25,121,608 (2019: RM24,745,437) and RM21,490,871 (2019: RM21,114,700) respectively, which are pledged as security for loans and borrowings as disclosed in Note 23.

Property development costs

Freehold and leasehold land of the Group and the Company classified under property development costs with aggregate carrying value of RM112,860,779 (2019: RM112,860,779) and RM112,860,779 (2019: RM112,860,779) are pledged as security for loans and borrowings as disclosed in Note 23.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

18.1 Completed investment properties

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
As at 1 January	110,800,000	56,880,000	110,800,000	56,880,000
Transfer from investment property under construction (Note 18.2)	-	53,630,321	-	55,315,119
Fair value gain/(loss) (Note 7)	3,500,000	289,679	3,500,000	(1,395,119)
As at 31 December	114,300,000	110,800,000	114,300,000	110,800,000
Fair value of completed investment properties	114,300,000	110,800,000	114,300,000	110,800,000

The investment property with carrying amount of RM114,300,000 (2019: RM110,800,000) is pledged as security for loans and borrowings as disclosed in Note 23.

The investment properties are classified as Level 3 in the fair value hierarchy (Note 30).

The income received and related maintenance costs from the above completed investments properties are disclosed in Note 4 and Note 5, respectively.

Valuation of completed investment properties

Investment properties are stated at fair value, which is determined based on the valuations performed by accredited independent valuers with relevant experience in the location and category of the properties being valued. The valuations are based on the investment method that makes reference to net rental income which is capitalised at the appropriate market rates of return.

Description of valuation techniques used and key inputs to valuation on investment properties are as below:

Categories	Valuation technique	Significant unobservable inputs	Range	Quantity sensitivity analysis
Buildings	Investment method	<ul style="list-style-type: none"> Estimated rental value per month Discount rate 	<ul style="list-style-type: none"> RM24,150 to RM407,000 5% to 7.25% 	<ul style="list-style-type: none"> 5% (2019:5%) (decrease)/ increase in the rental per month in the reversion term would result in a (decrease)/ increase in fair value by RM2.6 million (2019:RM3.3 million) 0.25 basis points (2019: 0.25 basis points) increase in the discount rate/yield would decrease in fair value by RM4.0 million (2019:RM4.0 million)

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

18.2 Investment property under construction

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
As at 1 January	-	23,418,919	-	24,040,963
Additions	2,095,980	30,211,402	2,194,380	31,274,156
Transfer to completed investment property (Note 18.1)	-	(53,630,321)	-	(55,315,119)
As at 31 December	2,095,980	-	2,194,380	-

As at 31 December 2020, the investment property under construction was carried at cost because its fair value could not be reliably measured at the reporting date.

Capitalisation of borrowing costs

The Group's and the Company's investment property under constructions includes borrowing costs arising from specific bank loans procured and other general borrowings for financing the construction of the Company's investment property. The capitalisation rate used for the general borrowings in 2019 was 5.52%. In the previous financial year, borrowing costs capitalised as cost of investment property under construction for the Group and for the Company was RM1,666,307 and RM1,941,857, respectively.

19. Trade and other receivables

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Current				
Trade receivables				
Third parties	26,930,830	38,804,002	23,544,587	26,065,092
Bills receivables	3,013,435	14,225,543	-	-
	29,944,265	53,029,545	23,544,587	26,065,092
Less: Allowance for expected credit losses				
- third parties	(766,935)	(886,854)	-	-
Trade receivables, net	29,177,330	52,142,691	23,544,587	26,065,092

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

19. Trade and other receivables (contd.)

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Current (contd.)				
Other receivables				
Third parties	3,345,585	7,236,538	1,888,095	3,785,906
Deposits	3,615,221	2,650,195	2,929,286	2,092,654
Amounts due from subsidiaries	-	-	49,470,570	49,767,321
	6,960,806	9,886,733	54,287,951	55,645,881
Less: Allowance for expected credit losses				
- third parties	(106,071)	(106,071)	-	-
Other receivables, net	6,854,735	9,780,662	54,287,951	55,645,881
Total trade and other receivables (current)	36,032,065	61,923,353	77,832,538	81,710,973
Non-current				
Other receivables				
Amounts due from subsidiaries	-	-	4,878,286	4,668,038
Deposits	289,862	289,862	-	-
	289,862	289,862	4,878,286	4,668,038
Total trade and other receivables (current and non-current)	36,321,927	62,213,215	82,710,824	86,379,011

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 14 to 30 days (31 December 2019: 14 to 30 days) terms. Other credit terms are assessed and approved on a case-by-case basis.

The Group and the Company have no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

19. Trade and other receivables (contd.)

(a) Trade receivables (contd.)

Ageing analysis of trade receivables

The ageing analysis of the Group's and the Company's trade receivables are as follows:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Neither past due nor impaired	15,473,605	16,976,384	9,858,881	15,071,696
1 to 119 days past due but not impaired	10,372,552	31,692,947	10,366,352	7,531,855
More than 120 days but not impaired	3,331,173	3,473,360	3,319,354	3,461,541
	13,703,725	35,166,307	13,685,706	10,993,396
Impaired	766,935	886,854	-	-
	29,944,265	53,029,545	23,544,587	26,065,092
	=====	=====	=====	=====

Receivables that are neither past due nor impaired

None of the Group's and the Company's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group and the Company have trade receivables amounting to RM13,703,725 (31 December 2019: RM35,166,307) and RM13,685,706 (31 December 2019: RM10,993,396), respectively that are past due at the reporting date but not impaired. These receivables are mainly progress billings which will be settled by the purchasers or the purchasers' end-financiers. The directors are of the view that these amounts should be realised in full without material losses as the legal title to the properties sold will only be transferred to the purchasers upon full settlement of the purchase consideration.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

19. Trade and other receivables (contd.)

(a) Trade receivables (contd.)

Set out below is the movement in the allowance for expected credit losses of trade receivables:

	2020 RM	Group 2019 RM
Movement in expected credit losses account		
At 1 January	886,854	1,135,685
Reversal of allowance for expected credit losses (Note 7)	(119,919)	(248,831)
	-----	-----
At 31 December	766,935	886,854
	=====	=====

Trade receivables that were determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

(b) Bills receivables

The Group sold with recourse trade receivables to a bank for cash proceeds. These trade receivables have not been derecognised from the consolidated statement of financial position because the Group retains substantially all the risks and rewards, primarily credit risk. The amount received on transfer has been recognised as a secured bank loan. The arrangement with the bank is such that the customers remit cash directly to the Group and the Group transfers the collected amounts to the bank.

The receivables are considered to be held within the hold-to-collect business model consistent with the Group's continuing recognition of the receivables.

Transfer of trade receivables

The following information shows the carrying amount of trade receivables at the reporting date that have not been derecognised and the associated liabilities.

	2020 RM	Group 2019 RM
Carrying amount of trade receivables transferred to a bank	3,013,435	14,225,543
Carrying amount of associated liabilities (Note 23)	3,013,435	14,225,543
	=====	=====

(c) Amounts due from subsidiaries

Amounts due from subsidiaries are unsecured, earn interest at the rate of 4.50% (31 December 2019: 5.75%) per annum and are repayable on demand.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

19. Trade and other receivables (contd.)

(d) Other receivables

Other receivables are non-interest bearing and are generally on 30 days (31 December 2019: 30 days) terms.

At the reporting date, the Group has provided an allowance of RM106,071 (31 December 2019: RM106,071) for impairment of the amount due from third parties with nominal amount of RM106,071 (31 December 2019: RM106,071).

20. Other current assets

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Prepayments	896,262	3,581,812	441,724	612,584
Tax recoverable	-	8,965,543	-	-
Contract assets (a)	103,193,586	99,821,092	96,715,074	87,470,076
Rent receivable	2,175,084	-	2,175,084	-
Costs to obtain a contract (b)	3,573,205	5,545,989	3,573,205	5,545,989
	-----	-----	-----	-----
	109,838,137	117,914,436	102,905,087	93,628,649
	=====	=====	=====	=====

(a) Contract assets

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
At 1 January	99,821,092	59,301,492	87,470,076	58,520,507
Revenue recognised during the year	284,803,357	351,406,142	180,960,284	214,389,322
Progress billings during the year	(281,430,863)	(310,886,542)	(171,715,286)	(185,439,753)
	-----	-----	-----	-----
At 31 December	103,193,586	99,821,092	96,715,074	87,470,076
	=====	=====	=====	=====

Contract assets relate to sale of properties under construction and construction contracts that are initially recognised for revenue earned from construction as receipt of consideration from customers is conditional on certain successful percentage of construction. Upon achievement of these percentages, the amounts recognised as contract assets will be reclassified to trade receivables.

The Group and the Company only deals with creditworthy customers. Historically, the Group and the Company have not encountered any material default by these customers. Consequently, no allowance for expected credit loss was recorded for contract assets as at reporting date.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

20. Other current assets (contd.)

(a) Contract assets (contd.)

Included in the construction contract costs incurred during the year are:

	Group	
	2020	2019
	RM	RM
Depreciation of property, plant and equipment (Note 12)	2,152,724	2,064,654
Employee benefits expense (Note 8)	3,711,465	3,986,296
	=====	=====

(b) Costs to obtain a contract

Costs to obtain a contract primarily comprises of incremental commission fees paid to intermediaries in order to obtain contracts and the costs are recoverable.

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
At 1 January	5,545,989	5,292,174	5,545,989	5,288,903
Additions	4,867,265	6,983,022	4,867,265	6,983,022
Amortisation	(6,840,049)	(6,729,207)	(6,840,049)	(6,725,936)
	-----	-----	-----	-----
At 31 December	3,573,205	5,545,989	3,573,205	5,545,989
	=====	=====	=====	=====

21. Cash and cash equivalents

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Cash on hand and at banks	53,770,778	20,852,362	34,377,662	11,331,969
Deposits with licensed banks	4,558,431	4,417,944	4,558,431	4,417,944
	-----	-----	-----	-----
Cash and bank balances	58,329,209	25,270,306	38,936,093	15,749,913
	=====	=====	=====	=====

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 twelve months (2019: one month to twelve months) depending on the immediate cash requirements of the Group and the Company, and earn interest at the respective short-term deposit rates. The weighted average effective interest rate as at 31 December 2020 for the Group and the Company was 2.09% (2019: 3.28%).

Included in cash at banks of the Group and the Company are amounts of RM11,214,580 (2019: RM4,565,051) and RM10,845,350 (2019: RM2,951,318) held pursuant to Section 12 of the Housing Development (Control and Licensing) Ordinance, 2013 and are restricted from use in other operations.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

21. Cash and cash equivalents (contd.)

Included in cash at banks of the Group and the Company are amounts of RM9,711,175 (2019: RM814,258) held pursuant to Section 7A of the Housing Development (Control and Licensing) Act, 1966 and are restricted from use in other operations.

Deposits with licensed banks of the Group and the Company with aggregate carrying value of RM363,697 (2019: RM363,697) are pledged as security for loans and borrowings as disclosed in Note 23.

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following at the reporting date:

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Cash and bank balances	58,329,209	25,270,306	38,936,093	15,749,913
Less:				
Deposits with maturity more than three months	(4,194,734)	(4,054,247)	(4,194,734)	(4,054,247)
Deposits pledged for bank borrowings	(363,697)	(363,697)	(363,697)	(363,697)
Cash and cash equivalents	53,770,778	20,852,362	34,377,662	11,331,969

22. Share capital

	Number of ordinary shares	Share capital RM
Issued and fully paid		
At 1 January 2019 and 31 December 2019	496,405,652	248,202,826
At 1 January 2020 and 31 December 2020	496,405,652	248,202,826

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.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

23. Loans and borrowings

		Group		Company	
	Maturity	2020 RM	2019 RM	2020 RM	2019 RM
Current					
Secured:					
Revolving credits	2021	102,576,583	113,170,427	83,150,000	88,170,428
Collateralised borrowings (Note 19(b))	2021	3,013,435	14,225,543	-	-
Lease liabilities	2021	2,371,322	2,677,546	240,100	596,383
Bank loans:					
- RM loan at ECOF ⁽¹⁾ + 2.50%	2021	8,739,725	-	8,739,725	-
- RM loan at CFR ⁽²⁾ + 2.00%	2021	3,035,702	-	3,035,702	-
- RM loan at CFR + 1.10%	2021	618,783	-	618,783	-
- RM loan at COF ⁽³⁾ + 1.75%	2021	3,750,000	3,750,000	3,750,000	3,750,000
- RM loan at COF + 2.00%	2021	1,920,000	1,800,000	1,920,000	1,800,000
- RM loan at ECOF + 2.00%	2020	-	11,815,176	-	11,815,176
- RM loan at BFR ⁽⁴⁾ - 1.00%	2021	1,966,128	1,760,004	-	-
- RM loan at ECOF + 1.85%	2021	5,000,004	-	5,000,004	-
Total loans and borrowings (current)		132,991,682	149,198,696	106,454,314	106,131,987
Non-current					
Secured:					
Lease liabilities	2022 - 2023	1,800,521	4,171,843	46,272	267,266
Bank loans:					
- RM loan at COF + 1.75%	2022 - 2023	7,187,500	10,937,500	7,187,500	10,937,500
- RM loan at COF + 2.00%	2022 - 2029	19,669,674	22,300,000	19,669,674	22,300,000
- RM loan at CFR + 2.00%	2022 - 2027	19,353,150	24,000,000	19,353,150	24,000,000
- RM loan at ECOF + 1.85%	2022 - 2028	34,399,217	34,387,042	34,399,217	34,387,042
- RM loan at CFR + 1.10%	2022 - 2029	21,430,256	14,022,840	21,430,256	14,022,840
- RM loan at BFR - 1.00%	2022 - 2024	5,734,493	6,893,329	-	-
		109,574,811	116,712,554	102,086,069	105,914,648
Total loans and borrowings (current and non-current)		242,566,493	265,911,250	208,540,383	212,046,635

⁽¹⁾ Effective Cost of Funds

⁽²⁾ Cost Funding Rate

⁽³⁾ Cost of Funds

⁽⁴⁾ Base Financing Rate

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

23. Loans and borrowings (contd.)

(a) Lease liabilities

The movement of lease liabilities during the financial year is as follows:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
At 1 January	6,849,389	7,994,881	863,649	859,926
Effect of adoption of MFRS 16:				
- Recognition	-	967,813	-	986,921
Additions (Note 12(ii))	-	1,027,667	46,600	247,568
Interest charged (Note 6)	350,630	487,930	49,496	90,692
Payment of:				
Principal	(2,677,546)	(3,140,972)	(623,877)	(1,230,766)
Interest	(350,630)	(487,930)	(49,496)	(90,692)
At 31 December	<u>4,171,843</u>	<u>6,849,389</u>	<u>286,372</u>	<u>863,649</u>

The expenses relating to payments not included in the measurement of the lease liabilities are as follows:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Depreciation of right-of-use assets (Note 12(iii))	2,865,217	3,376,109	662,774	1,266,338
Interest expense on lease liabilities (Note 6)	350,630	487,930	49,496	90,692
Expenses relating to leases of low value assets (Note 7)	6,900	11,400	-	-
Expenses relating to short term leases (Note 7)	323,651	189,600	119,751	-
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

The Group and the Company had total cash outflows for leases amounting to RM3,358,727 (2019: RM3,829,902) and RM793,124 (2019: RM1,321,458), respectively in 2020.

These obligations are secured by a charge over the right-of-use assets (Note 12). The average discount rates implicit in the lease for the Group and the Company are 5.98% and 4.69% (2019: 5.24% and 4.45%) per annum, respectively.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

23. Loans and borrowings (contd.)

(b) Other borrowings

(i) Revolving credits

- RM83.2 million (31 December 2019: RM88.2 million) is secured by a charge over the few parcels of land held for property development (Note 17), deposits with licensed banks (Note 21), corporate office building (Note 12) and two of the investment properties (Note 18.1); and
- RM19.4 million (2019: RM25.0 million) of the revolving credit is secured over a deed of assignment in respect of one of the Group's project contract proceeds. During the year, interest was charged at rates ranging from 1% to 2% (2019: 1% to 2%) per annum above the bankers' cost of funds.

(ii) Bank loans

- RM7.70 million (2019: RM8.65 million) of the Group's bank loans is secured over deed of assignment in respect of the rights and benefits of the Extraction Agreement between a third party and the Ibraco Spectrum Sdn. Bhd., a subsidiary of the Company.
- The other bank loans of the Group and the Company amounting to RM125.1 million (2019: RM123.0 million) are secured by charges over the few parcels of land held for property development (Note 17), corporate office building (Note 12) and investment property (Note 18.1).
- Corporate guarantees were provided by the Company to banks on the subsidiaries' loans and borrowings amounting to RM123.9 million (2019: RM115.1 million)

24. Deferred tax

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
As at 1 January	(10,330,643)	(11,716,227)	(7,962,937)	(9,196,937)
Recognised in profit or loss (Note 10)	(9,673)	1,385,584	1,290,201	1,234,000
At 31 December	(10,340,316)	(10,330,643)	(6,672,736)	(7,962,937)

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

24. Deferred tax (contd.)

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Presenting after appropriate offsetting as follows:				
Deferred tax assets	(10,340,316)	(10,330,643)	(6,672,736)	(7,962,937)
Deferred tax liabilities	-	-	-	-
	<u>(10,340,316)</u>	<u>(10,330,643)</u>	<u>(6,672,736)</u>	<u>(7,962,937)</u>
	=====	=====	=====	=====

Deferred tax assets and liabilities prior to offsetting are summarised as follows:

Deferred tax liabilities	3,099,805	1,897,937	1,792,613	81,787
Deferred tax assets	(13,440,121)	(12,228,580)	(8,465,349)	(8,044,724)
	<u>(10,340,316)</u>	<u>(10,330,643)</u>	<u>(6,672,736)</u>	<u>(7,962,937)</u>
	=====	=====	=====	=====

The components and movements of deferred tax liability and assets during the financial year prior to offsetting are as follows:

Deferred tax liabilities of the Group:

	Investment properties RM	Cost to obtain contract RM	Property, plant and equipment RM	Rent receivable RM	Total RM
At 1 January 2020	-	2,042,839	(144,902)	-	1,897,937
Recognised in profit or loss	813,891	(1,292,912)	1,128,869	552,020	1,201,868
At 31 December 2020	<u>813,891</u>	<u>749,927</u>	<u>983,967</u>	<u>552,020</u>	<u>3,099,805</u>
	=====	=====	=====	=====	=====
At 1 January 2019	-	1,677,207	274,127	-	1,951,334
Recognised in profit or loss	-	365,632	(419,029)	-	(53,397)
At 31 December 2019	<u>-</u>	<u>2,042,839</u>	<u>(144,902)</u>	<u>-</u>	<u>1,897,937</u>
	=====	=====	=====	=====	=====

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

24. Deferred tax (contd.)

Deferred tax assets of the Group:

	Investment properties RM	Unabsorbed capital allowances RM	Staff leave balance RM	Unused tax losses RM	Provisions for expenses RM	Property development cost RM	Total RM
At 1 January 2020	(66,109)	-	(79,007)	-	(6,206,698)	(5,876,766)	(12,228,580)
Recognised in profit or loss	66,109	(827,519)	10,832	(503,875)	(229,489)	272,401	(1,211,541)
At 31 December 2020	-	(827,519)	(68,175)	(503,875)	(6,436,187)	(5,604,365)	(13,440,121)
At 1 January 2019	(780,602)	-	(68,107)	-	(7,316,722)	(5,502,130)	(13,667,561)
Recognised in profit or loss	714,493	-	(10,900)	-	1,110,024	(374,636)	1,438,981
At 31 December 2019	(66,109)	-	(79,007)	-	(6,206,698)	(5,876,766)	(12,228,580)

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

24. Deferred tax (contd.)

Deferred tax assets of the Company:

	Investment properties RM	Property, plant and equipment RM	Property development cost RM	Staff leave balance RM	Provisions for expenses RM	Total RM
At 1 January 2020						
Recognised in profit or loss	(66,109)	-	(3,399,819)	(79,007)	(4,499,789)	(8,044,724)
	66,109	-	439,560	10,832	(937,126)	(420,625)
At 31 December 2020						
	-	-	(2,960,259)	(68,175)	(5,436,915)	(8,465,349)
At 1 January 2019						
Recognised in profit or loss	(593,273)	(114,040)	(3,776,485)	(68,107)	(4,645,032)	(9,196,937)
	527,164	114,040	376,666	(10,900)	145,243	1,152,213
At 31 December 2019						
	(66,109)	-	(3,399,819)	(79,007)	(4,499,789)	(8,044,724)

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

24. Deferred tax (contd.)

Deferred tax liabilities of the Company:

	Investment properties RM	Property, plant and equipment RM	Rent receivable RM	Total RM
At 1 January 2020	-	81,787	-	81,787
Recognised in profit or loss	773,891	414,915	522,020	1,710,826
	-----	-----	-----	-----
At 31 December 2020	773,891	496,702	522,020	1,792,613
	=====	=====	=====	=====
At 1 January 2019	-	-	-	-
Recognised in profit or loss	-	81,787	-	81,787
	-----	-----	-----	-----
At 31 December 2019	-	81,787	-	81,787
	=====	=====	=====	=====

Deferred tax assets have not been recognised in respect of the following items:

	2020 RM	Group 2019 RM
Unused tax losses	1,307,000	1,120,000
Unabsorbed capital allowances	65,000	50,000
	-----	-----
	1,372,000	1,170,000
	=====	=====

Deferred tax assets have not been recognised as it is not probable that future taxable profits will be available against which the unused tax losses and unabsorbed capital allowances can be utilised. The above benefits of the Group are available for offsetting against future taxable profits of the respective companies in Malaysia and are subject to no substantial changes in shareholdings under the Income Tax Act, 1967 ("the Act") and guidelines issued by the tax authority.

Pursuant to Section 44(5F) of the Act 1967, the unused tax losses can be carried forward until the following years of assessment:

	2020 RM	Group 2019 RM
Year of assessment 2025	950,000	950,000
Year of assessment 2026	170,000	170,000
Year of assessment 2027	187,000	-
	-----	-----
	1,307,000	1,120,000
	=====	=====

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

25. Trade and other payables

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Current				
Trade payables				
Third parties	36,719,599	35,910,900	12,892,254	16,500,488
Accruals	49,196,026	62,650,213	35,026,844	40,131,502
Amounts due to subsidiaries	-	-	110,673,245	94,689,869
Retention sum on contracts payable within 1 year	18,017,455	10,630,493	10,442,832	4,542,407
	<u>103,933,080</u>	<u>109,191,606</u>	<u>169,035,175</u>	<u>155,864,266</u>
Other payables				
Sundry payables	2,447,696	2,654,182	1,516,929	2,436,272
Accruals	6,944,847	8,252,818	5,806,627	6,871,604
Deposits	83,501	-	-	-
Amounts due to subsidiaries	-	-	5,623,296	5,270,858
	<u>9,476,044</u>	<u>10,907,000</u>	<u>12,946,852</u>	<u>14,578,734</u>
Total trade and other payables (current)	<u>113,409,124</u>	<u>120,098,606</u>	<u>181,982,027</u>	<u>170,443,000</u>
Non-current				
Trade payables				
Retention sum on contracts payable after 1 year	14,497,072	22,123,078	9,415,953	16,478,640
	<u>14,497,072</u>	<u>22,123,078</u>	<u>9,415,953</u>	<u>16,478,640</u>
Total trade and other payables (current and non-current)	<u>127,906,196</u>	<u>142,221,684</u>	<u>191,397,980</u>	<u>186,921,640</u>

(a) Trade payables

These amounts are non-interest bearing. Trade payables are normally settled on 30 days to 60 days (2019: 30 days to 60 days) terms.

(b) Sundry payables

These amounts are non-interest bearing. Sundry payables are normally settled on an average term of 30 days (2019: 30 days).

(c) Amounts due to subsidiaries

Amounts due to subsidiaries under other payables are unsecured, bear interest at 4.50% (2019: 5.75%) per annum and are repayable on demand.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

26. Other current liabilities

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Contract liabilities	990,400	6,779,230	8,196,883	17,609,251
Advance deposits made by a contract customer	-	3,391,487	-	-
	-----	-----	-----	-----
	990,400	10,170,717	8,196,883	17,609,251
	=====	=====	=====	=====
Contract liabilities				
At 1 January	6,779,230	12,506,269	6,774,282	5,829,505
Revenue recognised during the year	9,166,878	15,840,062	9,166,878	15,840,062
Progress billings during the year	(14,955,708)	(21,567,101)	(15,017,485)	(14,895,285)
	-----	-----	-----	-----
At 31 December	990,400	6,779,230	923,675	6,774,282
Amount due to a subsidiary	-	-	7,273,208	10,834,969
	-----	-----	-----	-----
	990,400	6,779,230	8,196,883	17,609,251
	=====	=====	=====	=====
Set out below is the amount of revenue recognised from:				
Amounts included in contract liabilities at the beginning of the year	6,779,230	12,506,269	6,774,282	5,829,505
	=====	=====	=====	=====

The Group's and the Company's contract liabilities due to third parties relate to advance consideration received from customers for construction contracts which revenue is recognised over time during the construction work. The contract liabilities are expected to be recognised as revenue over a period of one to six months (2019: one to six months).

The Company's contract liabilities due to a subsidiary relates to an unbilled portion of the land acquired through a joint venture agreement with a subsidiary, Ibraco HGS Sdn. Bhd., to develop a housing project.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

27. Related party disclosures

In addition to related party disclosures mentioned elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year.

a) Transactions with directors and/or companies in which certain directors and their close family members have substantial financial interest:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
(i) Rental expense of office building: Hiap Ghee Seng Sdn. Bhd. ⁽¹⁾	137,905	147,840	137,905	147,840
(ii) Rental expense of office building: Dr. Sharifah Deborah Sophia Ibrahim	170,000	408,000	170,000	408,000
(iii) Progress billings issued to Hiap Ghee Seng Sdn. Bhd. ⁽¹⁾ - 8 storey strata-titled corporate office at NorthBank	637,500	8,287,500	637,500	8,287,500
(iv) Progress billings issued to Datuk Chew Chiaw Han - SOHO unit at Tabuan Tranquility Phase 3	8,400	168,000	8,400	168,000
- Apartments suite at ContiNew, Kuala Lumpur	-	379,626	-	379,626
- Apartments suite at NorthBank Avona	-	43,780	-	43,780
(v) Progress billings issued to Dr. Sharifah Deborah Sophia Ibrahim - SOHO units at Tabuan Tranquility Phase 3	31,570	883,960	31,570	883,960
- Apartment suite at ContiNew, Kuala Lumpur	120,378	280,883	120,378	280,883
- Townhouse at NorthBank Alyvia	616,500	-	616,500	-

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

27. Related party disclosures (contd.)

(a) Transactions with directors and/or companies in which certain directors and their close family members have substantial financial interest: (contd.)

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
(vi) Progress billings issued to Ng Kee Tiong for apartment suite at ContiNew, Kuala Lumpur	79,675	478,050	79,675	478,050
(vii) Progress billings issued to Ng Cheng Chuan for apartment suite at ContiNew, Kuala Lumpur	54,340	489,056	54,340	489,056
(viii) Progress billings issued to Liu Sze Leh ⁽²⁾ for apartment suite at ContiNew, Kuala Lumpur	32,526	195,156	32,526	195,156
(ix) Progress billings issued to Liu Sze Wei ⁽³⁾ for SOHO unit at Tabuan Tranquility Phase 3	10,825	216,500	10,825	216,500
(x) Progress billings issued to Global Makna Sdn. Bhd. ⁽⁴⁾ for apartment suite at ContiNew, Kuala Lumpur	134,875	1,213,871	134,875	1,213,871
(xi) Progress billings issued to Liu Tow Hua for SOHO unit at Tabuan Tranquility Phase 3	10,825	216,500	10,825	216,500
(xii) Deposit paid by Dr. Sharifah Deborah Sophia Ibrahim for townhouse at NorthBank Alyvia	-	137,000	-	137,000

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

27. Related party disclosures (contd.)

(a) Transactions with directors and/or companies in which certain directors and their close family members have substantial financial interest: (contd.)

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
(xiii) Purchase of motor vehicle from Hiap Ghee Seng Sdn. Bhd. ⁽¹⁾	-	78,000	-	-
(xiv) Quarry contractor Ho Bee Contractor & Engineering Sdn. Bhd. ⁽⁵⁾	1,772,439	-	-	-
	=====	=====	=====	=====

(1) Hiap Ghee Seng Sdn. Bhd. ("HGS")

HGS is a major shareholder of the Company. Datuk Chew Chiaw Han ("Datuk Chew"), a director of the Company, is also a director and major shareholder of HGS.

(2) Liu Sze Leh ("LSL")

LSL is a person connected to Liu Tow Hua ("LTH"), a director of the Company.

(3) Liu Sze Wei ("LSW")

LSW is a person connected to LTH, a director of the Company.

(4) Global Makna Sdn. Bhd. ("GMSB")

GMSB is a company connected to Datuk Chew, who is also a director and major shareholder of GMSB.

(5) Ho Bee Contractor & Engineering Sdn. Bhd. ("HBCESB")

HBCESB is a company connected to Ng Cheng Chuan, who is also a director and major shareholder of HBCESB.

The rental paid to a company controlled by certain directors is under terms which are determined by reference to the prevailing market rates for comparable buildings.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

27. Related party disclosures (contd.)

(b) Transactions with subsidiaries:

	Company	
	2020	2019
	RM	RM
Interest charged by subsidiaries:		
Ibraco Construction Sdn. Bhd.	3,613,180	3,107,611
Ibraco HGS Sdn. Bhd.	847,028	716,245
Foso One Sdn. Bhd.	190,817	222,606
Ibraco Plantation Sdn. Bhd.	49,251	-
Syarikat Ibraco-Peremba Sdn. Bhd.	259,994	315,424
Interest charged to subsidiaries:		
Ibraco Pelita Sdn. Bhd.	210,067	253,818
Warisar Sdn. Bhd.	1,739,604	3,149,802
Ibraco Infinity Sdn. Bhd.	19,587	16,226
Ibraco Spectrum Sdn. Bhd.	14,569	-
NewUrban Sdn. Bhd.	95,296	-
Ibraco Quarry Sdn. Bhd.	107,205	-
Sekitar Gemilang Sdn. Bhd.	946	-
Marketing fee charged to a subsidiary:		
Warisar Sdn. Bhd.	205,080	497,390
Landscaping services from a subsidiary:		
Ibraco Spectrum Sdn. Bhd.	1,050	1,800
Sub contractors billings from a subsidiary:		
Ibraco Construction Sdn. Bhd.	72,667,781	119,553,130
	=====	=====

Purchases and other related party transactions were entered into by the Group and the Company under mutually agreed terms.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

27. Related party disclosures (contd.)

(c) Compensation of key management personnel:

The remuneration of directors and other members of key management during the year were as follows:

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Total Group's directors' remuneration including benefits-in-kind (Note 9)	1,824,977	1,839,956	1,724,177	1,741,556
	=====	=====	=====	=====
Other members of key management				
Short term employee benefits	2,203,509	2,396,730	2,203,509	2,396,730
Long term employee benefits	-	95,317	-	95,317
Defined contribution plan	179,953	275,435	179,953	275,435
Other short-term benefits	4,736	5,593	4,736	5,593
Benefits-in-kind	111,459	54,521	111,459	54,521
	-----	-----	-----	-----
	2,499,657	2,827,596	2,499,657	2,827,596
	=====	=====	=====	=====

28. Commitments

(a) Operating lease commitments - as lessor

The Group has entered into commercial property leases on its investment properties. These non-cancellable leases have remaining lease terms of 2 to 15 years (2019: 1 to 15 years). All leases include a clause to enable upward revision of the rental charge once in every three years based on pre-agreed rate.

Future minimum rentals receivable under non-cancellable operating leases at the reporting date are as follows:

	Group and Company	
	2020	2019
	RM	RM
Not later than 1 year	7,734,474	3,883,525
Later than 1 year but not later than 5 years	30,044,346	10,059,450
Later than 5 years	51,914,803	46,965,600
	-----	-----
	89,693,623	60,908,575
	=====	=====

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

28. Commitments (contd.)

(b) Capital commitments

Capital expenditure as at the reporting date is as follows:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Approved and contracted for:				
Investment properties under construction	2,819,050	4,858,338	2,885,595	5,005,495
Property, plant and equipment	1,597,496	13,242,371	1,419,138	12,317,208
	-----	-----	-----	-----
	4,416,546	18,100,709	4,304,733	17,322,703
	=====	=====	=====	=====

29. Fair value of financial instruments

(a) Determination of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Trade and other receivables	19
Cash and bank balances	21
Trade and other payables	25
	=====

(i) Cash and bank balances, other receivables and other payables

The carrying amounts of these balances approximate their fair values due to the short-term nature. On the long-term other receivables balance, the discounting impact is immaterial.

(ii) Trade receivables and trade payables

The carrying amounts of trade receivables and trade payables approximate their fair values because they are subject to normal trade credit terms and they are short term in nature.

(iii) Financial guarantees

Fair value is determined based on the probability weighted discounted cash flow method. The probability has been estimated and assigned for the following key assumptions:

- The likelihood of the guaranteed party defaulting within the guaranteed period;
- The exposure on the portion that is not expected to be recovered due to the guaranteed party's default; and
- The estimated loss exposure if the party guaranteed were to default.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

30. Fair value measurement

Fair value hierarchy

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

The following table provides the fair value measurement hierarchy of the Group's and the Company's assets and liabilities:

Quantitative disclosures fair value measurement hierarchy as at 31 December 2020 and 31 December 2019 were as follows:

	Note	Date of valuation	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Group						
Assets for which fair values are disclosed						
Completed investment properties	18.1	31 December 2020	-	-	114,300,000	114,300,000
		31 December 2019	-	-	110,800,000	110,800,000
			=====	=====	=====	=====
Investment property under construction	18.2	31 December 2020	-	-	2,095,980	2,095,980
		31 December 2019	-	-	-	-
			=====	=====	=====	=====

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

30. Fair value measurement (contd.)

Fair value hierarchy (contd.)

The following table provides the fair value measurement hierarchy of the Group's and the Company's assets and liabilities. (contd.)

Quantitative disclosures fair value measurement hierarchy as at 31 December 2020 and 31 December 2019 were as follows: (contd.)

	Note	Date of valuation	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Group (contd.)						
Liabilities carried at fair value						
Loans and borrowings (excluding lease liabilities)		31 December 2020	-	238,394,650	-	238,394,650
		31 December 2019	-	259,061,861	-	259,061,861
			=====	=====	=====	=====
Company						
Assets for which fair values are disclosed						
Completed investment properties	18.1	31 December 2020	-	-	114,300,000	114,300,000
		31 December 2019	-	-	110,800,000	110,800,000
			=====	=====	=====	=====
Investment property under construction	18.2	31 December 2020	-	-	2,194,380	2,194,380
		31 December 2019	-	-	-	-
			=====	=====	=====	=====
Liabilities carried at fair value						
Loans and borrowings (excluding lease liabilities)		31 December 2020	-	208,254,011	-	208,254,011
		31 December 2019	-	211,182,986	-	211,182,986
			=====	=====	=====	=====

There have been no transfers between Levels 1, 2 and 3 during the financial year.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

31. Changes in liabilities arising from financing activities

Group	1 January 2019 RM	Adoption of MFRS 16 RM	New leases RM	Others* RM	Cash flows RM	31 December 2019 RM	Others* RM	Cash flows RM	31 December 2020 RM
Current interest - bearing loans and borrowings									
- Revolving credits	120,160,000	-	-	-	(6,989,573)	113,170,427	-	(10,593,844)	102,576,583
- Collateralised borrowings	-	-	-	-	14,225,543	14,225,543	-	(11,212,108)	3,013,435
- Bank loans	16,972,599	-	-	85,729,474	(83,576,893)	19,125,180	38,329,131	(32,423,969)	25,030,342
Current obligations under lease arrangements	2,349,082	297,614	290,486	2,881,336	(3,140,972)	2,677,546	2,371,322	(2,677,546)	2,371,322
Non-current interest- bearing loans and borrowings									
- Bank loans	101,130,604	-	-	(85,729,474)	97,139,581	112,540,711	(38,329,131)	33,562,710	107,774,290
Non-current obligations under lease arrangement	5,645,799	670,199	737,181	(2,881,336)	-	4,171,843	(2,371,322)	-	1,800,521
Total liabilities from financing activities	246,258,084	967,813	1,027,667	-	17,657,686	265,911,250	-	(23,344,757)	242,566,493

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

31. Changes in liabilities arising from financing activities (contd.)

Company	Adoption of		New leases	Others*	Cash flows	31 December 2019		Others*	New leases	Cash flows	31 December 2020	
	1 January 2019	MFRS 16	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Current interest-bearing loans and borrowings												
- Revolving credits	95,160,000	-	-	-	(6,989,572)	88,170,428	-	-	-	(5,020,428)	83,150,000	
- Bank loans	15,610,220	-	-	83,822,803	(82,067,847)	17,365,176	37,170,295	-	-	(31,471,257)	23,064,214	
Current obligations under lease arrangement	481,792	316,722	247,568	781,067	(1,230,766)	596,383	220,994	46,600	(623,877)		240,100	
Non-current interest-bearing loans and borrowings												
- Bank loans	101,130,604	-	-	(83,822,803)	88,339,581	105,647,382	(37,170,295)	-	33,562,710	102,039,797		
Non-current obligations under lease arrangements	378,134	670,199	-	(781,067)	-	267,266	(220,994)	-	-	-	46,272	
Total liabilities from financing activities	212,760,750	986,921	247,568	-	(1,948,604)	212,046,635	-	46,600	(3,552,852)	208,540,383		

* The "others" column includes the effect of reclassification of non-current portion of interest-bearing loans to current due to passage of time. The Group and the Company classify interest paid as cash flows from operating activities.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

32. 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 real estate risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks. The audit committee provides independent oversight to the effectiveness of the risk management process.

The following sections provide details regarding the Group's and 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 its trading activities (trade and other receivables). For other financial assets (comprising cash and bank balances), the Group and the Company minimise credit risk by dealing with good credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by:

- (i) the carrying amount of each class of financial assets recognised in the statements of financial position; and
- (ii) a nominal amount of RM123,917,800 (2019: RM115,117,800) relating to corporate guarantees provided by the Company to banks and financial institutions for the subsidiaries' loans and borrowings.

Credit risk concentration profile

The Group mitigates concentration of credit risk by monitoring its trade receivables on an ongoing basis and the Group's exposure to bad debts is not significant. The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial assets.

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 19. Deposits with banks and other financial institutions that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

32. Financial risk management objectives and policies (contd.)

(a) Credit risk (contd.)

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 19.

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturity 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.

The Group and the Company maintain sufficient liquid financial assets and stand-by credit facilities with eight different banks. At the reporting date, 55% (2019: 56%) and 51% (2019: 50%) of the Group's and the Company's loans and borrowings (Note 23), respectively, will mature in less than one year based on the carrying amount reflected in the financial statements.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
At 31 December 2020				
Group				
Financial liabilities				
Trade and other payables	113,409,123	14,497,073	-	127,906,196
Loans and borrowings	138,386,319	81,369,071	44,649,856	264,405,246
	=====	=====	=====	=====
Total undiscounted financial liabilities	251,795,442	95,866,144	44,649,856	392,311,442
	=====	=====	=====	=====
Company				
Financial liabilities				
Trade and other payables	187,489,909	9,644,601	-	197,134,510
Loans and borrowings	111,282,938	73,440,127	44,649,856	229,372,921
Financial guarantee contracts*	123,917,800	-	-	123,917,800
	=====	=====	=====	=====
Total undiscounted financial liabilities	422,690,647	83,084,728	44,649,856	550,425,231
	=====	=====	=====	=====

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

32. Financial risk management objectives and policies (contd.)

(b) Liquidity risk (contd.)

Analysis of financial instruments by remaining contractual maturities (contd.)

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
At 31 December 2019				
Group				
Financial liabilities				
Trade and other payables	120,098,606	22,123,078	-	142,221,684
Loans and borrowings	153,304,639	86,739,488	55,077,241	295,121,368
	=====	=====	=====	=====
Total undiscounted financial liabilities	273,403,245	108,862,566	55,077,241	437,343,052
	=====	=====	=====	=====
Company				
Financial liabilities				
Trade and other payables	178,280,735	17,006,433	-	195,287,168
Loans and borrowings	109,284,140	76,587,569	53,418,244	239,289,953
Financial guarantee contracts*	115,117,800	-	-	115,117,800
	=====	=====	=====	=====
Total undiscounted financial liabilities	402,682,675	93,594,002	53,418,244	549,694,921
	=====	=====	=====	=====

* Based on the maximum amount that can be called under the financial guarantee contracts.

(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 and the Company's exposure to interest rate risk arises primarily from their loans and borrowings where interests are charged at floating rates and contractually re-priced to market interest rates.

The Group's policy is to manage interest cost using a mix of long and short term facilities from more than one bank. To manage this mix in a cost-efficient manner, project development costs are normally financed by short term facilities while constructions of investment properties are normally financed by long term facilities.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 25 basis points higher/lower, with all other variables held constant, the Group's and the Company's profit net of tax would have been RM252,329 (2019: RM250,165) and RM239,047 (2019: RM233,724) lower/higher respectively, arising mainly as a result of lower/higher interest expense on floating loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

32. Financial risk management objectives and policies (contd.)

(d) Real estate risk

The Group and the Company have identified the following risks associated with the real estate portfolio:

- The cost of the development schemes may increase if there are delays in the planning process. The Group and the Company use advisers who are experts in the specific planning requirements in the scheme's location in order to reduce the risks that may arise in the planning process.
- Major tenants may become insolvent causing a significant loss of rental income and a reduction in the value of the investment properties. To reduce this risk, the Group and the Company review the financial status of prospective tenants and decide on the appropriate level of security required via rental deposits or guarantees.
- The exposure of the fair values of the portfolio to market and occupier fundamentals.

33. Financial assets and financial liabilities

(a) Financial assets

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Current and non-current debt instruments at amortised cost				
Trade and other receivables (Note 19)	36,321,927	62,213,215	82,710,824	86,379,011
Cash and bank balances (Note 21)	58,329,209	25,270,306	38,936,093	15,749,913
Total current and non-current debt instruments at amortised cost	94,651,136	87,483,521	121,646,917	102,128,924
Total financial assets	94,651,136	87,483,521	121,646,917	102,128,924

Debt instruments at amortised cost include trade and other receivables and receivables from related parties.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

33. Financial assets and financial liabilities (contd.)

(b) Financial liabilities

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Current and non-current financial liabilities at amortised cost				
Trade and other payables (Note 25)	127,906,196	142,221,684	191,397,980	186,921,640
Loans and borrowings (Note 23)	242,566,493	265,911,250	208,540,383	212,046,635
	-----	-----	-----	-----
Total current and non-current financial liabilities	370,472,689	408,132,934	399,938,363	398,968,275
	=====	=====	=====	=====

34. Segment information

The management prepared the Group's segmental information using management approach, which requires presentation of the segments on the basis of internal reports of components of the entity. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

For management purposes, the Group is organised into business units based on their products and services, and has four reportable operating segments as follows:

- Property development - development and sale of residential and commercial properties;
- Property holding and management - provision of property management services and lease of retail and education facilities;
- Quarry operations - quarry operations and sale of stone products; and
- Construction works - construction of residential and commercial properties and infrastructure works.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Details on geographical segments are not applicable as the Group operates predominantly in Malaysia.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

34. Segment information (contd.)

	Property development activities		Property holding and management		Quarry operations		Construction works		Elimination		Per consolidated financial statements	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	RM	RM	RM	RM	RM	RM	RM	RM	RM	Note	RM	RM
Revenue:												
External customers	202,316,797	271,449,140	619,075	468,406	7,350,592	-	91,653,438	95,797,064	-	-	301,939,902	367,714,610
Inter-segment	-	-	-	-	3,722,079	-	64,154,584	133,652,556	(67,876,663)	(133,652,556)	-	-
Revenue from contracts with customers												
Rental income	202,316,797	271,449,140	619,075	468,406	11,072,671	-	155,808,022	229,449,620	(67,876,663)	(133,652,556)	301,939,902	367,714,610
	-	-	6,554,873	3,532,167	-	-	-	-	-	-	6,554,873	3,532,167
Total	202,316,797	271,449,140	7,173,948	4,000,573	11,072,671	-	155,808,022	229,449,620	(67,876,663)	(133,652,556)	308,494,775	371,246,777
Results:												
Interest income	1,794,820	1,642,974	3,676	-	22,461	-	4,443,075	4,486,885	(5,912,479)	(5,757,385)	351,553	372,474
Dividend income from investment securities	-	26	-	-	-	-	-	-	-	-	-	26
Fair value gain/(loss) on investment properties	-	-	3,500,000	(1,395,119)	-	-	-	-	-	1,684,798	3,500,000	289,679
Amortisation of intangible asset	-	-	-	-	497,756	-	-	-	-	-	497,756	-
Depreciation of property, plant and equipment	1,066,280	1,454,845	17,962	16,209	641,625	-	656,944	661,660	-	-	2,382,811	2,132,174
Other non-cash items	(50,944)	2,593,554	29,293	-	-	-	(2,999)	-	-	-	(24,650)	2,593,554
Segment profit/(loss)	30,322,092	27,135,911	6,331,832	1,953,908	(928,474)	-	9,823,119	14,202,749	2,988,815	5,294,862	48,537,384	48,587,430
Assets:												
Additions to non-current assets	9,688,303	33,550,421	5,699,960	31,274,156	2,162,373	-	250	1,036,470	(945,083)	(1,850,716)	16,605,803	64,010,331
Segment assets	555,238,316	595,239,835	117,064,843	114,816,228	20,255,328	-	146,464,576	146,747,617	(54,466,440)	(61,192,092)	784,556,623	795,611,588
Segment liabilities	303,186,180	267,767,266	40,129,349	34,704,342	19,209,925	-	98,790,113	128,119,113	(87,540,990)	(12,287,070)	373,774,577	418,303,651

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

34. Segment information (contd.)

Notes: Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements.

A. Inter-segment revenues are eliminated on consolidation.

B. Inter-segment interest income is eliminated on consolidation.

C. Other material non-cash expenses consist of the following items as presented in the respective notes to the financial statements.

	2020 RM	2019 RM
Gain on disposal of property, plant and equipment	(1,051)	-
Inventories written off	29,293	-
Reversal of loss allowance for trade receivables	(119,919)	(248,831)
Property, plant and equipment written off	67,027	-
Property development cost written off	-	2,842,385
	-----	-----
	(24,650)	2,593,554
	=====	=====

D. Additions to non-current assets consist of:

	2020 RM	2019 RM
Intangible asset	-	5,765,673
Investment in associate	735,000	3,381,000
Investment in joint venture	-	1
Property, plant and equipment	13,774,823	24,652,255
Investment property under construction	2,095,980	30,211,402
	-----	-----
	16,605,803	64,010,331
	=====	=====

E. The following items are added to/(deducted from) segment assets to arrive at total assets reported in the consolidated statement of financial position:

	2020 RM	2019 RM
Deferred tax assets	10,340,316	10,330,643
Inter-segment assets	(64,806,756)	(71,522,735)
	-----	-----
	(54,466,440)	(61,192,092)
	=====	=====

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

34. Segment information (contd.)

- F. The following item is deducted from segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	2020 RM	2019 RM
Inter-segment liabilities	(87,540,990) =====	(12,287,070) =====

35. Capital management

The primary objective of the Group's and the Company's capital management is to ensure that they maintain strong credit rating and healthy capital ratios in order to support their business and maximise shareholder value.

The Group and the Company manage their capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company 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 2020 and 31 December 2019.

The Group and the Company monitor capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group and the Company include within net debt, loans and borrowings, trade and other payables, less cash and bank balances. Capital comprises equity attributable to the owners of the Company.

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
Loans and borrowings	23	242,566,493	265,911,250	208,540,383	212,046,635
Trade and other payables	25	127,906,196	142,221,684	191,397,980	186,921,640
Less: Cash and bank balances	21	(58,329,209)	(25,270,306)	(38,936,093)	(15,749,913)
Net debt		312,143,480	382,862,628	361,002,270	383,218,362
Equity attributable to the owners of the Company		395,500,689	360,555,829	355,724,937	325,450,563
Capital and net debt		707,644,169 =====	743,418,457 =====	716,727,207 =====	708,668,925 =====
Gearing ratio		44% =====	52% =====	50% =====	54% =====

Notes to the Financial Statements

For the Financial Year Ended 31 December 2020 (contd.)

36. Dividends

	Group and Company	
	2020	2019
	RM	RM
Recognised during the financial year:		
Dividends on ordinary shares:		
- Interim single-tier dividend for 2019: 1.00 sen per share	-	4,964,057
- Final single-tier dividend for 2018: 1.50 sen per share	-	7,446,085
	-----	-----
	-	12,410,142
	=====	=====

There were no dividends paid or declared by the Company since the end of the previous financial year.

An interim single-tier dividend of 2 sen per ordinary share in respect of the financial year ended 31 December 2020, amounting to a dividend payable of RM9,928,113 has been approved on 25 February 2021 and will be payable on 15 April 2021. The financial statements for the current financial year do not reflect this dividend. Such dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2021.

The directors do not recommend the payment of any final dividend for the financial year ended 31 December 2020.

37. Significant event

The novel coronavirus ("COVID-19") pandemic in 2020 has affected many businesses and the Malaysian economy as a whole. The threats posed by the Covid-19 outbreak continue to spiral and many businesses have been crippled by the loss in earnings and disruption in the supply chains.

Given the evolving nature of the conditions, the Group and the Company faced with rising costs of doing business and slowdown of economy resulting from this COVID-19 pandemic and the enforcement of various movement control orders by the Malaysian Government.

Nevertheless, the Group and the Company have not been adversely affected as at the date of this report. No adjustments are required to the financial position and operating results for the current financial year. The Group and the Company will continue to monitor the development of these events and provide further updates on the financial impact and mitigating actions relating to the COVID-19 pandemic in its forthcoming financial reports and will recognise the financial impact, if any, in the financial statements for the financial year ending 31 December 2021 accordingly.

38. Subsequent event

On 23 March 2021, Sekitar Gemilang Sdn. Bhd. ("SGSB") a subsidiary of the Company, entered into a shareholders' agreement with Kebajikan Anak-Anak Yatim Sarawak Charitable Trust ("PERYATIM") to operate a new quarry at Gunung Sinmajau.

In connection with the above, the Company transferred 30% of its interest in SGSB, representing 30,000 ordinary shares, to PERYATIM as a gift at nil consideration. The dilution of interest in SGSB as a result of the transfer will not have material effect on the financial position and performance of the Group.

Analysis of Shareholdings

As at 6 April 2021

Issued and Paid-up Share Capital : RM248,202,826.00 comprising 496,405,652 ordinary shares of RM0.50 each

Class of shares : Ordinary shares

Voting Rights : One vote per ordinary shares

Distribution of Shareholdings

(without aggregating securities from different securities accounts belonging to the same person)

Size of shareholding	Shareholders		Shareholdings	
	No.	%	No.	%
Less than 100	32	3.47	1,175	0.00
100 to 1,000	408	44.30	130,995	0.03
1,001 to 10,000	244	26.49	1,218,960	0.25
10,001 to 100,000	165	17.92	6,236,386	1.26
100,001 and 24,820,281(*)	68	7.38	152,806,060	30.78
24,820,282 and above (**)	4	0.43	336,012,076	67.69
Total	921	100.00	496,405,652	100.00

* - Less than 5% of issued holdings

** - 5% and above of issued holdings

Substantial Shareholders

Name	No. of shares held			
	Direct	%	Indirect	%
Sharifah Deborah Sophia Ibrahim	99,366,120	20.02	-	-
Ng Cheng Chuan	87,077,478	17.54	35,720,720 *	7.20
Hiap Ghee Seng Sdn. Bhd.	130,619,438	26.32	-	-
Datuk Chew Chiaw Han	15,875,440	3.19	130,619,438 **	26.32
Chia Kwai Lin	35,720,720	7.20	87,077,478 ***	17.54

* Deemed interested by virtue of his spouse's shareholding in the Company.

** Deemed interested by virtue of his substantial shareholding in Hiap Ghee Seng Sdn. Bhd.

*** Deemed interested by virtue of her spouse's shareholding in the Company.

Analysis of Shareholdings

As at 6 April 2021

Top Thirty Shareholders

(Without aggregating the securities from different securities accounts belonging to the same person)

No.	Shareholder Name	No. of Shareholdings	% of Shareholding
1.	AMSEC Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account – AmBank (M) Berhad for Hiap Ghee Seng Sdn.Bhd.	102,016,078	20.55
2.	Sharifah Deborah Sophia Ibrahim	99,366,120	20.02
3.	CITIGROUP Nominees (Asing) Sdn Bhd CBHK PBGSF for Ng Cheng Chuan	87,077,478	17.54
4.	RHB Nominees (Asing) Sdn Bhd Exempt An for Phillip Securities Pte. Ltd. (A/C Clients)	47,552,400	9.58
5.	Kenanga Nominees (Asing) Sdn. Bhd. Exempt An for Phillip Securities Pte. Ltd. (Client Account)	22,546,192	4.54
6.	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Hiap Ghee Seng Sdn. Bhd.	22,134,898	4.46
7.	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Microsite Enterprise Sdn. Bhd.	15,553,920	3.13
8.	LCDA Holdings Sdn. Bhd.	12,211,080	2.46
9.	UOBM Nominees (Tempatan) Sdn. Bhd. United Overseas Bank Nominees (Pte.) Ltd. for Chew Chiaw Han	8,546,720	1.72
10.	Lee Keck Liang	7,192,708	1.45
11.	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Hiap Ghee Seng Sdn. Bhd.	6,468,462	1.30
12.	Ong Hong Lian	6,000,000	1.21
13.	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Chew Chiaw Han	4,480,000	0.90
14.	Tan Hock Liong	3,600,000	0.73
15.	Orienter Intertrade Co. Sdn. Bhd.	3,000,000	0.60
16.	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Thian Cheong Meng	2,855,700	0.58
17.	Khor Kowi Kim	2,855,500	0.58

Analysis of Shareholdings

As at 6 April 2021

No.	Shareholder Name	No. of Shareholdings	% of Shareholding
18.	Chew Chiaw Han	2,848,720	0.57
19.	Phang Chung Tchet	2,340,240	0.47
20.	JF Apex Nominees (Tempatan) Sdn. Bhd. For Pledged Securities Account for Ong Kah Huat	2,289,800	0.46
21.	Public Invest Nominees (Asing) Sdn. Bhd. Exempt An for Phillip Securities Pte. Ltd. (Clients)	2,197,500	0.44
22.	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Low Shurn	2,001,600	0.40
23.	Ting Ding Ing	1,625,120	0.33
24.	Ong Li Xin	1,600,000	0.32
25.	Affin Hwang Nominees (Asing) Sdn. Bhd. DBS Vickers Secs (S) Pte Ltd for Ng Chee Meng	1,543,920	0.31
26.	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Hemang Yu Abit	1,299,500	0.26
27.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Ong Kah Huat	1,135,600	0.23
28.	Mayban Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Ng Kee Tiong	1,099,120	0.22
29.	Chin Chiew Ted	1,005,000	0.20
30.	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Chin Lee Mee	940,000	0.19

Directors' Direct and Indirect Interest in the Company

Name of Directors	No. of shares held			
	Direct	%	Indirect	%
Ng Cheng Chuan	87,077,478	17.54	35,720,720 *	7.20
Datuk Chew Chiaw Han	15,875,440	3.19	130,619,438 **	26.32
Ng Kee Tiong	1,099,120	0.22	-	-
Datuk (Dr.) Ting Ding Ing	1,625,120	0.33	-	-
Sharifah Deborah Sophia Ibrahim	99,366,120	20.02	-	-

* Deemed interested by virtue of his spouse's shareholding in the Company.

** Deemed interested by virtue of his substantial shareholding in Hiap Ghee Seng Sdn. Bhd.

List of Material Properties

Held by the Group as at 6 April 2021

No.	Location	Term of Lease/ Date of Expiry of Lease	Description & Existing Land Use	Land Area		Age of buildings	Fair Value/ Carrying Amount @ 31 Dec 2020	Date of Acquisition	Date of Revaluation
				Hectare	Acre				
1	GRN78930 Lot 20019 Seksyen 65, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan KL	Freehold/ Perpetuity	Mixed Development	0.5825	1.439	-	55,000,000	26.03.2015	-
2	Lot 3830, Block 12, Muara Tebas LD, Kuching	60 years/ 17.11.2071	Educational Institution	2.436	6.020	1.2	57,000,000	14.11.2011	Feb 2021
3	Lot 16766, Block 11, Muara Tebas LD, Kuching	Freehold/ Perpetuity	Single Storey Commercial Mall	2.621	6.477	10.0	52,100,000	29.12.2010	Dec 2020
4	Lot 3741, Block 12, Muara Tebas LD, Kuching	60 years/ 17.11.2071	Corporate Offices	0.834	2.061	0.5	41,276,212	14.11.2011	-
5	Lot 3146, Block 12, Muara Tebas LD, Sg Laru, Kuching	60 years/ 17.11.2071	Mix Development	46.230	114.189	-	38,111,529	14.11.2011	-
6	H.S.(D)120172, No. PT12, Bandar Petaling Jaya Selatan, Daerah Petaling, Negeri Selangor	99 years/ 06.10.2097	Vacant Commercial Land	0.815	2.014	-	16,486,680	11.09.2017	-
7	H.S.(D)120171, No. PT11, Bandar Petaling Jaya Selatan, Daerah Petaling, Negeri Selangor	99 years/ 06.10.2097	Vacant Commercial Land	0.622	1.537	-	12,441,777	11.09.2017	-
8	Lot 3530, Muara Tebas LD, Sg. Nida, Kuching*	Freehold/ Perpetuity	Residential Development	2.011	4.970	-	8,128,949	29.12.2010	-
9	H.S.(D)120169, No. PT9, Bandar Petaling Jaya Selatan, Daerah Petaling, Negeri Selangor	99 years/ 06.10.2097	Vacant Commercial Land	0.351	0.866	-	8,071,952	11.09.2017	-
10	Lot 4271, Muara Tebas LD, Ulu Sg. Ni-Ada, Kuching	Freehold/ Perpetuity	Residential Development	5.840	14.431	-	5,993,038	30.07.2003	-

* Ibraco Berhad as the beneficial owner.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Forty-Ninth Annual General Meeting ("**AGM**") of Ibraco Berhad will be held at No.6 The NorthBank, Off Kuching-Samarahan Expressway, 93350 Kuching, Sarawak on **Friday, 28 May 2021 at 11.30 a.m.** to transact the following businesses:-

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2020 together with the Reports of the Directors and Auditors thereon. *(Please refer Explanatory Note 1)*
2. To approve the payment of Directors' fees of up to RM1,000,000 and benefits payable to the Directors up to an aggregate amount of RM60,000 from 1 January 2021 until the next AGM of the Company. Resolution No. 1
3. To re-elect the following Directors who are retiring by rotation in accordance with Article 93 of the Company's Constitution:- *(Please refer Explanatory Note 2)*
 - i. Mr. Ng Cheng Chuan Resolution No. 2
 - ii. YBhg. Datuk (Dr.) Philip Ting Ding Ing Resolution No. 3
 - iii. Mr. Guido Paul Philip Joseph Ravelli Resolution No. 4
4. To re-appoint Messrs. Ernst & Young PLT as the Auditors of the Company until the conclusion of the next AGM and to authorise the Directors to determine their remuneration. Resolution No. 5

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following ordinary resolutions:-

5. Proposed Retention of Independent Directors *(Please refer Explanatory Note 3)*
 "THAT approval be and is hereby given to the following Directors who have served as Independent Non-Executive Directors of the Company for a cumulative term of more than nine years to continue to act as Independent Non-Executive Directors of the Company in accordance with the Malaysian Code on Corporate Governance :-
 - a) YBhg. Datuk (Dr) Philip Ting Ding Ing *(subject to the passing of Resolution No. 3)* Resolution No. 6
 - b) Mr. Guido Paul Philip Joseph Ravelli *(subject to the passing of Resolution No. 4)* Resolution No. 7
 - c) Mr. Ng Kee Tiong Resolution No. 8
6. Authority to Allot and Issue Shares Pursuant to Sections 75 & 76 of the Companies Act 2016 Resolution No. 9
 "THAT subject always to the Companies Act 2016 ("**ACT**"), the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the approvals of any relevant authorities, where such approval is required, the Directors be and are hereby authorized and empowered pursuant to Sections 75 & 76 of the Act to issue and allot shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued does not exceed ten (10) percent of the issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next AGM of the Company." *(Please refer Explanatory Note 4)*

Notice of Annual General Meeting (contd.)

7. Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of A Revenue or Trading Nature

Resolution No. 10
(Please refer
Explanatory Note 5)

"THAT approval be and is hereby given pursuant to Chapter 10.09 of the Main Market Listing Requirements of Bursa Securities for the Company, its subsidiaries or any one of them to enter into the specified recurrent transactions of a revenue or trading nature with the related parties stated in Section 2.3 of the Circular to Shareholders dated 28 April 2021 which is necessary for its day-to-day operations, in its ordinary course of business, made on an arm's length basis and on normal commercial terms of the Group and on such terms which are no more favourable to the related party than those generally available to the public and which are not detrimental to the minority shareholders of the Company.

AND THAT the approval given in the aforesaid paragraph, unless revoked or varied by the shareholders of the Company in its general meeting, shall continue to be in force until the conclusion of the next Annual General Meeting of the Company, following this general meeting at which this mandate is passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed or the expiration of the period within which the next Annual General Meeting after the date it is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act), whichever is earlier.

AND THAT the aggregate value of the transactions conducted pursuant to the Proposed Shareholders' Mandate during the financial year of the Company be disclosed in the annual report by providing a breakdown of the aggregate value of the transaction, amongst others, based on the following information:-

- (a) the type of transactions made; and
- (b) the names of the related parties involved in each type of transactions made and their relationship with the Company and its subsidiaries.

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required or approved or permitted by the relevant authorities) as they may consider expedient or necessary or in the interests of the Company to give effect to the Proposed Shareholders' Mandate described in the Circular to Shareholders dated 28 April 2021 and/or this resolution."

8. To transact any other business of which due notice shall have been given.

By order of the Board,

Yeo Puay Huang [SSM PC No. 202008000727 (LS0000577)]
May Wong Mei Ling [SSM PC No. 202008002420 (MIA 18483)]
Company Secretaries
28 April 2021

Notice of Annual General Meeting (contd.)

Notes:

1. Only depositors whose names appear in the Record of Depositors as at 21 May 2021 be regarded as members and entitled to attend, speak and vote at the meeting.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may be but need not be a member of the Company.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if such appointor is a corporation under its common seal or under the hand of its duly authorized officer. An instrument appointing a proxy to vote at the meeting shall be deemed to include the power to demand or concur in demanding a poll on behalf of the appointor.
4. Where a member of the Company is an exempt authorized nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.
5. The instrument appointing a proxy must be deposited at the Company's Registered Office at No.6 The NorthBank, Off Kuching-Samarahan Expressway, 93350 Kuching, Sarawak not less than 48 hours before the time for holding the 49th Annual General Meeting or at any adjournment thereof.
6. The Company will continue to monitor the Covid-19 pandemic situation closely and may adopt further procedures and measures at short notice as public health situation changes. Members can check further update on the Company's website at www.ibraco.com.

Explanatory Note 1

This Agenda is meant for discussion only as the provision of Section 340(1)(a) of the Act does not require formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda is not put forward for voting.

Explanatory Note 2

The profiles of the Director standing for re-election are set out in the Profile of Directors appearing on pages 13 to 16 of the Annual Report 2020. Their shareholdings in the Company are set out in the Analysis of Shareholdings on page 148 of this Annual Report.

Explanatory Note 3

The Nomination Committee and the Board have assessed the independence of YBhg. Datuk (Dr) Philip Ting Ding Ing, Mr. Guido Paul Philip Joseph Ravelli and Mr. Ng Kee Tiong, who have served for a cumulative term of more than nine years and the Board has recommended that the approval of the shareholders be sought to re-appoint YBhg. Datuk (Dr) Philip Ting Ding Ing, Mr. Guido Paul Philip Joseph Ravelli and Mr. Ng Kee Tiong as Independent Non-Executive Directors of the Company. The full details of the justification and recommendations for the retention are set out in the Statement of Corporate Governance in the Annual Report 2020

Explanatory Note 4

The proposed Resolution No. 9, if passed, will empower the Directors to issue shares up to an aggregate amount not exceeding 10% of the issued share capital of the Company for the time being, for such purposes as the Directors consider would be in the interests of the Company. This authority unless revoked or varied at a general meeting will expire at the next Annual General Meeting.

The Company had not issued any new shares pursuant to Sections 75 & 76 of the Act under the general authority which was approved by the shareholders of the Company at the 48th AGM held on 21 August 2020 and which will lapse at the conclusion of the 49th AGM to be held on 28 May 2021 and hence, no proceed was raised therefrom. A renewal of this authority is being sought at the 49th AGM under Ordinary Resolution No. 9.

The general authority sought will enable the Directors of the Company to issue and allot shares, including but not limited to further placing of shares for purposes of funding investment(s), working capital and/or acquisitions.

Explanatory Note 5

The explanatory notes on the Recurrent Related Party Transactions is set out in the Circular to Shareholders dated 28 April 2021. Please refer to the Circular to Shareholders for further information.

**IBRACO BERHAD**

(197101000730 (011286-P))

Incorporated in Malaysia

FORM OF PROXY

No. of Shares Held :

I/We NRIC No. / Company No.
(Full Name in Capital Letters)of
(Full Address)being a member/members of IBRACO BERHAD hereby appoint
(Full Name in Capital Letters)..... NRIC No.
(Full Name in Capital Letters)of
(Full Address)and/or failing him/her, NRIC No.
(Full Name in Capital Letters)of
(Full Address)

or failing him/her, the Chairman of the meeting as *my/our proxy/proxies to vote for *me/us on my/our behalf, at the Forty-Ninth Annual General Meeting of the Company to be held at No.6 The NorthBank, Off Kuching-Samarahan Expressway, 93350 Kuching, Sarawak on Friday, 28 May 2021 at 11.30 a.m. and at any adjournment thereof in the manner as indicated below:-

NO.	RESOLUTION	FOR	AGAINST
1.	Approval for the payment of Directors' Fees and Directors' Benefits		
2.	Re-election of Mr. Ng Cheng Chuan as Director		
3.	Re-election of YBhg. Datuk (Dr.) Philip Ting Ding Ing as Director		
4.	Re-election of Mr. Guido Paul Philip Joseph Ravelli as Director		
5.	Re-appointment of Messrs. Ernst & Young PLT as Auditors		
6.	Retention of Datuk Philip Ting Ding Ing as Independent Director		
7.	Retention of Mr. Guido Paul Philip Joseph Ravelli as Independent Director		
8.	Retention of Mr. Ng Kee Tiong as Independent Director		
9.	Authorise Directors to allot and issue shares pursuant to Sections 75 & 76 of the Companies Act, 2016.		
10.	Proposed Renewal of Shareholder's Mandate		

(Please indicate with an "X" in the spaces above how you wish your votes to be cast on the resolution specified in the Notice of Meeting. If no specific direction as to the voting is indicated, the proxy/proxies will vote or abstain from voting as he/she/they think(s) fit.)

Dated this

.....
Signature of Shareholder(s)/Common Seal**NOTES:**

- Only depositors whose names appear in the Record of Depositors as at 21 May 2021 be regarded as members and entitled to attend, speak and vote at the meeting.
- A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may be but need not be a member of the Company.
- The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if such appointor is a corporation under its common seal or under the hand of its duly authorized officer. An instrument appointing a proxy to vote at the meeting shall be deemed to include the power to demand or concur in demanding a poll on behalf of the appointor.
- Where a member of the Company is an exempt authorized nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.
- The instrument appointing a proxy must be deposited at the Company's Registered Office at No.6 The NorthBank, Off Kuching-Samarahan Expressway, 93350 Kuching, Sarawak not less than 48 hours before the time for holding the 49th Annual General Meeting or at any adjournment thereof.
- The Company will continue to monitor the Covid-19 pandemic situation closely and may adopt further procedures and measures at short notice as public health situation changes. Members can check further update on the Company's website at www.ibraco.com.

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AFFIX
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To: The Company Secretaries

IBRACO BERHAD

(197101000730 (011286-P))

No.6 The NorthBank,
Off Kuching-Samarahan Expressway,
93350 Kuching, Sarawak, Malaysia.

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IBRACO BERHAD
(197101000730 (011286-P))

For more in formation, please contact:

No.6 The NorthBank,
Off Kuching-Samarahan Expressway,
93350 Kuching, Sarawak, Malaysia.
T : 082 361 111 • F : 082 361 188

www.ibraco.com