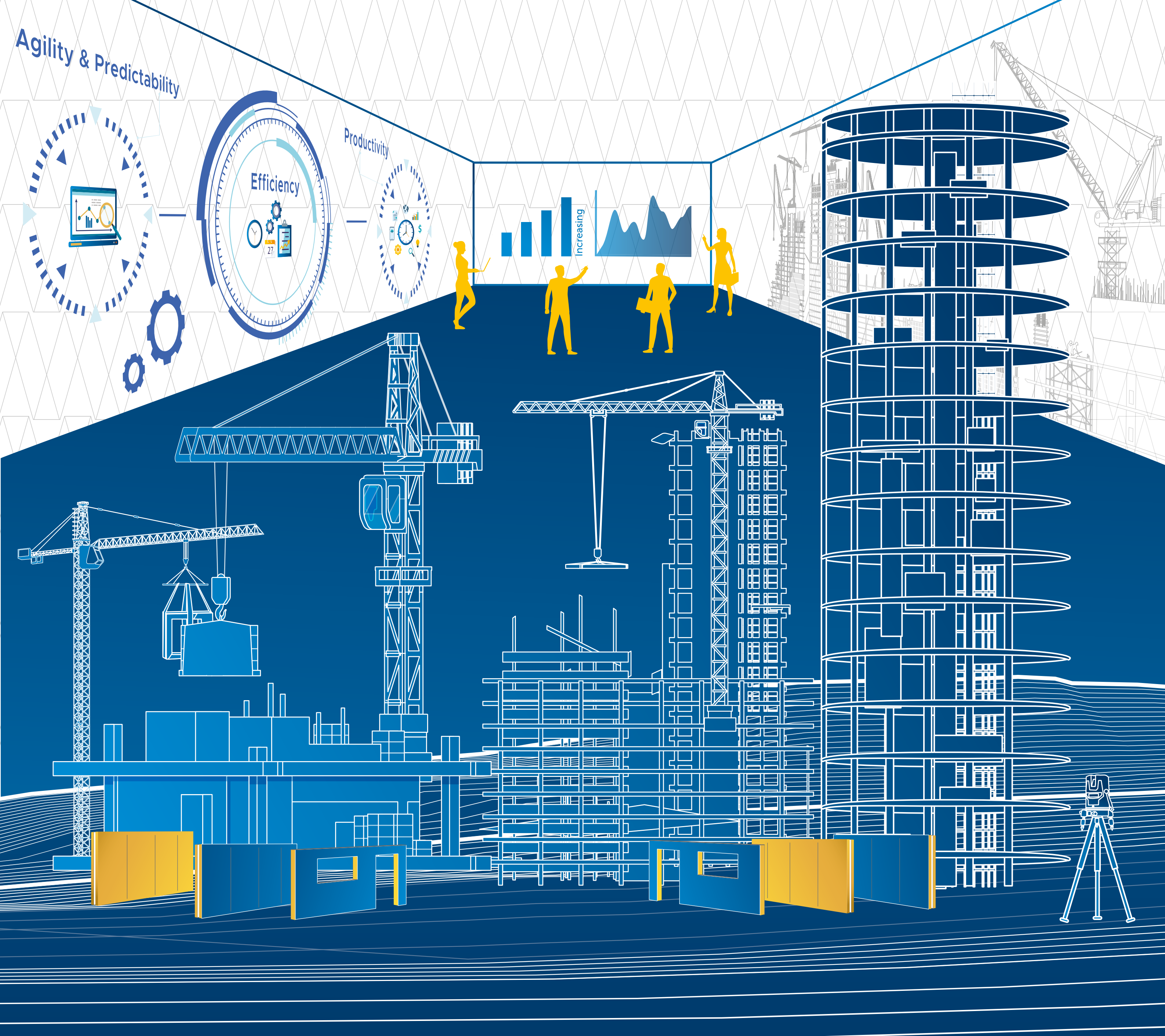
VALUE DRIVEN INNOVATION

DIGITALISATION IN CONSTRUCTION

ANNUAL REPORT 2019



VALUE DRIVEN INNOVATION

In MGB, we constantly look to bring innovative inspiration that gives our clients the best end result. We believe in efficient innovation that drives to be better, our people that gives us strength to inspire others and our unfailing determination to serve our clients. With multiple professional expertise, we promise to give the future a better tomorrow.

REASON TO BELIEVE

INNOVATION

Driving efficiency by constantly adopting new methods to optimise value, quality, time, resources and processes for better productivity.

PEOPLE

Integrity and solid leadership are core strengths of MGB that fuels value, innovation and inspires human connection that makes a difference.

RELIABILITY

Demonstrated through accountability, product quality, efficiency in project management and overall service experience.

MANIFESTS THROUGH

MALAYSIAN

MGB

BUILDER

GENERATIONS

Scan this to view our Annual Report 2019.

Our Annual Report, financial and other information about MGB Berhad can also be found at www.mgbgroup.com.my

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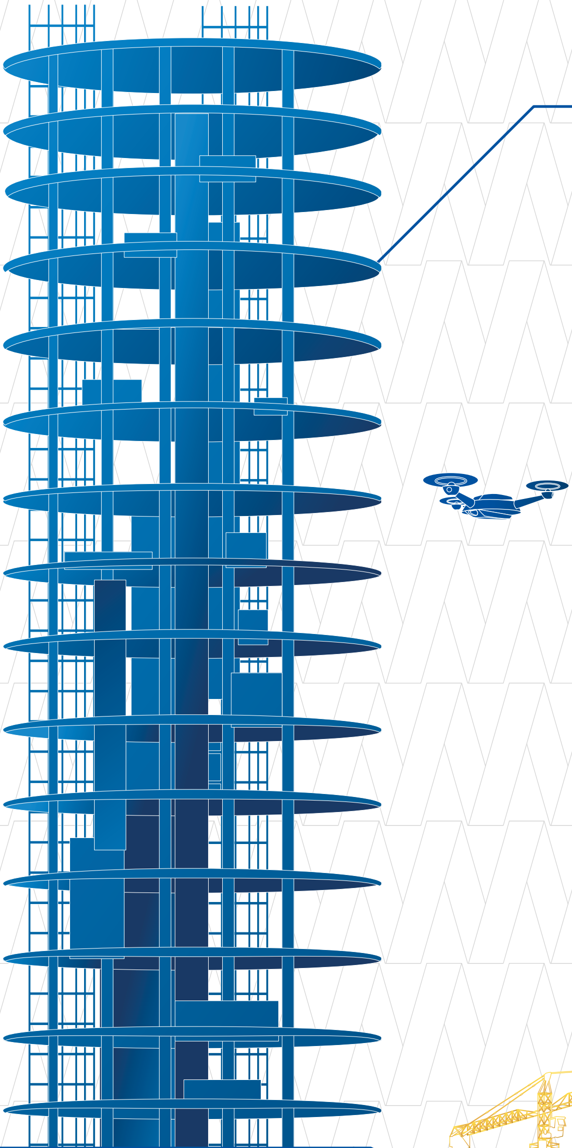


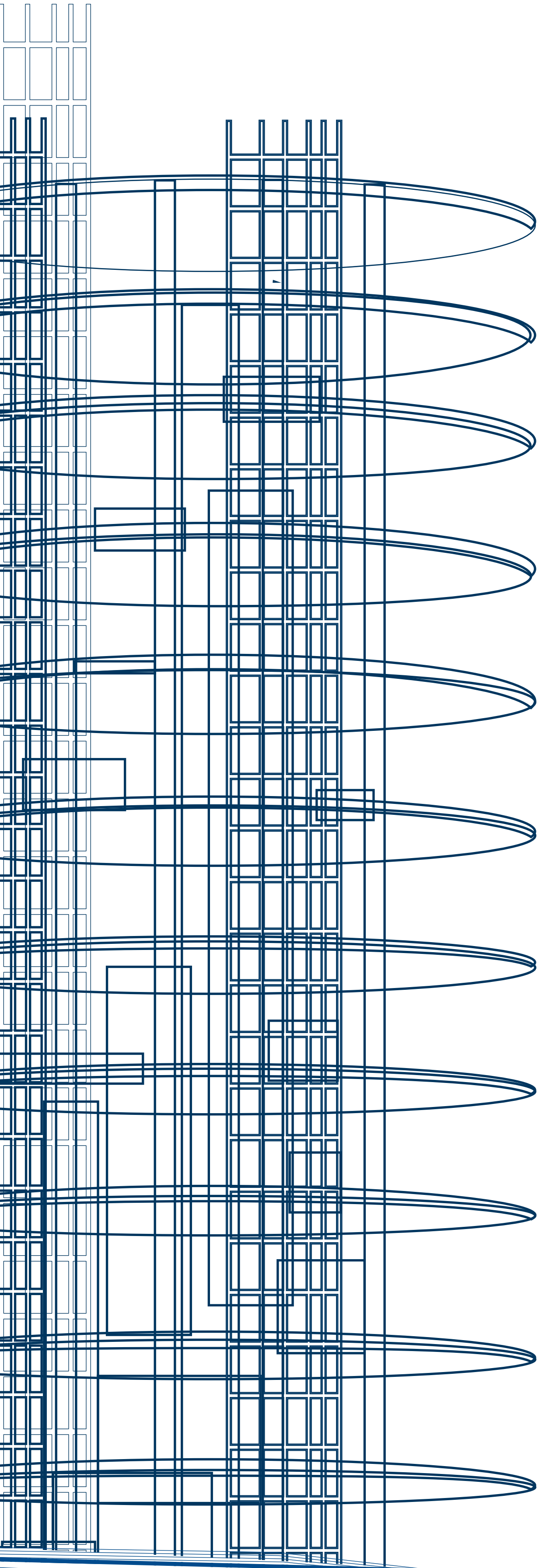
Experience Shapes Confidence

*MGB Group is an **established construction player** with a strong track record of **more than 10 years** in constructing design and build projects to general construction for residential, commercial and industrial buildings as well as infrastructure works.*

revenue
RM756.15 million

completed over
15,000 units
of properties

4 years
MOSHPA OSH Excellence Award



OUR VISION

To be a recognised design and build expert setting new standards in creating living spaces to enrich life.

OUR MISSION

To constantly push boundaries and surpass expectations through Quality, Reliability and Innovation.

BRAND VALUES

PASSION

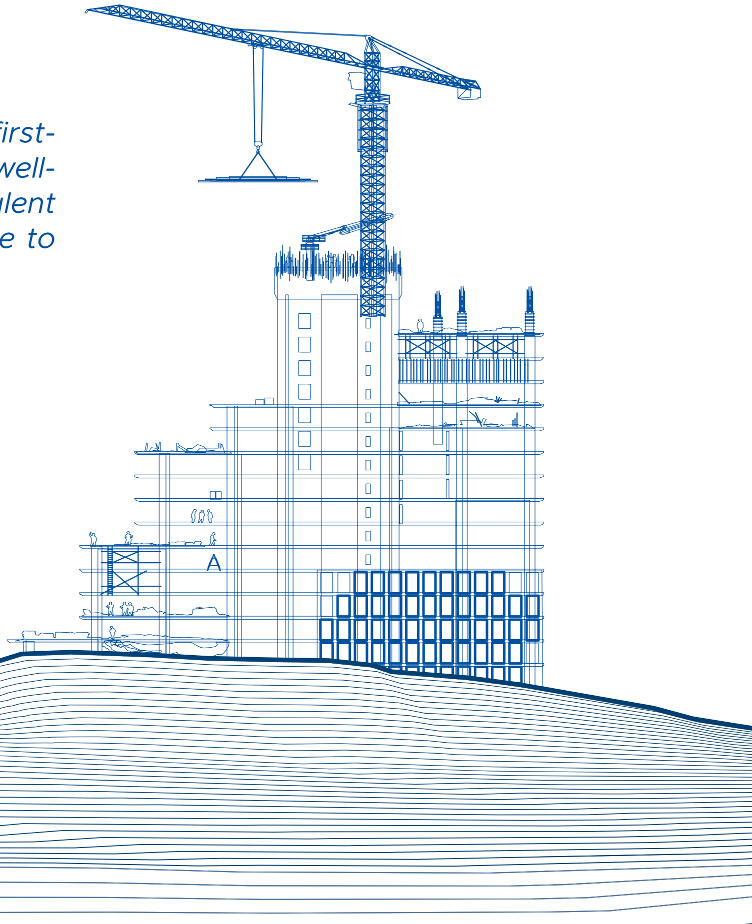
We believe that passion in the business causes us to self-innovative. It spurs us to explore and to embrace new ideas of working, new software and new ways of communication to create greater timeliness and efficiency for our clients. Greater efficiency means a better bottomline.

CREATIVITY

We understand that every generation has different needs. Innovation can come through creative thinking that provides apt solutions that cater to the specific needs, so that greater value is felt to the end consumer.

CARE

We believe in a working culture that puts people first-people innovation. Apart from caring for their well-being, we believe in promoting and nurturing talent by providing the right environment and guidance to create a culture of seeking progress.



CORPORATE STRUCTURE

AS AT 4 MAY 2020

MGB BERHAD

- 100% MGB CONSTRUCTION & ENGINEERING SDN BHD (f.k.a. MITC Engineering Sdn Bhd)
  - 100% PRISMA CRAFT SDN BHD
  - 100% PRISMA KASTURI SDN BHD
  - 100% TOP ACE SOLUTIONS SDN BHD
  - 100% MGB GEOTECH SDN BHD
  - 81% MGB SANY (M) IBS SDN BHD
  - 30% MGB JPC CONSULTANCY SDN BHD
  - 30% YLT CONSULTANCY SDN BHD
- 100% MGB CONSTRUCTION SDN BHD
- 100% MGB LAND SDN BHD
  - 100% DELTA GALLERY SDN BHD
  - 100% IDAMAN AKTIF SDN BHD
  - 100% IDAMAN ELEGAN SDN BHD
  - 100% IDAMAN KUKUH SDN BHD
  - 100% IDAMAN LIVING SDN BHD
  - 100% MULTI COURT DEVELOPERS SDN BHD
  - 100% SINARAN KENCANA SDN BHD (f.k.a VTI Consortium Sdn Bhd)
- 100% VINTAGE ROOFING & CONSTRUCTION SDN BHD
- 100% VINTAGE TILES HOLDINGS SDN BHD
- 80% NEWSTEEL BUILDING SYSTEMS SDN BHD
- 51% ALUNAN WARTA SDN BHD

CORPORATE INFORMATION

AS AT 4 MAY 2020

BOARD OF DIRECTORS

DATO' ABDUL MAJIT BIN AHMAD KHAN DIMP
Independent Non-Executive Chairman

TAN SRI DATO' SRI LIM HOCK SAN
PSM, SSAP, DSSA, JP
Group Managing Director

DATUK WIRA LIM HOCK GUAN
DCSM, DMSM, PJK, JP
Executive Director

DATUK LIM LIT CHEK DPSM
Executive Director & Chief Executive Officer

MR LIM KIM HOE
Executive Director & Deputy Chief Executive Officer

MR CHIN SUI YIN
Senior Independent Non-Executive Director

DATO' BEH HANG KONG DSIS
Independent Non-Executive Director

PUAN NADHIRAH BINTI ABDUL KARIM
Independent Non-Executive Director

AUDIT COMMITTEE

MR CHIN SUI YIN *Chairman*
DATO' ABDUL MAJIT BIN AHMAD KHAN
DATO' BEH HANG KONG
PUAN NADHIRAH BINTI ABDUL KARIM

NOMINATION AND REMUNERATION COMMITTEE

DATO' ABDUL MAJIT BIN AHMAD KHAN *Chairman*
MR CHIN SUI YIN
DATO' BEH HANG KONG

RISK MANAGEMENT COMMITTEE

DATUK LIM LIT CHEK *Chairman*
MR LIM KIM HOE
MR WONG TACK LEONG
MR CHEW WEE SEONG
MS TAN SUAN SUAN
MR TOH CHIEW KIAN
MS YEO CHIOU YEAN

COMPANY SECRETARIES

MR CHONG VOON WAH
SSM PC No. 202008001343
MAICSA 7055003

MS YEO CHIOU YEAN
SSM PC No. 202008002607
MAICSA 7058868

REGISTERED OFFICE

I-6, Sunway PJ@51A
Jalan SS9A/19, Seksyen 51A
47300 Petaling Jaya
Selangor Darul Ehsan
Malaysia
T +603-7874 5888
F +603-7874 5889

BUSINESS ADDRESS

HEAD OFFICE
H-G, Sunway PJ@51A
Jalan SS9A/19, Seksyen 51A
47300 Petaling Jaya
Selangor Darul Ehsan
Malaysia
T +603-7874 5888
F +603-7874 5889

MGB SANY (M) IBS SDN BHD
Lot 74, Jalan Emas Kawasan
Industri Nilai 1
Kawasan Perindustrian Nilai
71800 Nilai
Negeri Sembilan Darul Khusus
Malaysia
T +606-797 1855
F +606-797 1614

SALES GALLERY & OFFICES

ZENOPY RESIDENCES
173 & 175 Jalan LP 7/2
Taman Lestari Perdana
Bandar Putra Permai
43300 Seri Kembangan
Selangor Darul Ehsan
Malaysia
Hotline: 1700 81 8998

LAMAN BAYU
Lot 16913-A
Jalan Putera Indah 7/1
Taman Putera Indah
Tongkang Pecah
83000 Batu Pahat
Johor Darul Takzim
Malaysia
Hotline: 1700 81 8899

HOSPITALITY

ZETTER SUITES
C-G-31, Barrington Square Apartment
Jalan Golden Hills 1
Cameron Golden Hills,
39000 Tanah Rata,
Cameron Highlands
Pahang Darul Makmur
Malaysia
T +605-485 1119

SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd
Registration No. 197101000970 (11324-H)
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3
Bangsar South, No. 8 Jalan Kerinchi
59200 Kuala Lumpur
T +603-2783 9299
F +603-2783 9222

SOLICITORS

Steven Tai, Wong & Partners
Manjit Singh Sachdev, Mohammad Radzi & Partners
Nanthakumar & Co
Ong & Partners
Ting & Ting

AUDITOR

Messrs UHY (AF 1411)
Suite 11.05, Level 11
The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
T +603-2279 3088
F +603-2279 3099

PRINCIPAL BANKERS

Public Bank Berhad
AmBank (M) Berhad
OCBC Bank (M) Berhad
United Overseas Bank (M) Berhad

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Stock Name : MGB
Stock Code : 7595
Sector : Construction

WEBSITE

www.mgbgroup.com.my

EMAIL

Customer Service:
custcare@mgbgroup.com.my

SOCIAL MEDIA

Follow MGB Berhad on:

MGB Berhad

DATO' ABDUL MAJIT BIN AHMAD KHAN

Independent Non-Executive Chairman

NATIONALITY :
MALAYSIAN

AGE/GENDER :
74/Male

DATE OF APPOINTMENT :
1 August 2014

Dato' Abdul Majit bin Ahmad Khan ("**Dato' Abdul Majit**") was appointed to the Board as Independent Non-Executive Chairman of the Company on 1 August 2014. He is the Chairman of the Nomination and Remuneration Committee and a Member of Audit Committee of the Company.

Dato' Abdul Majit holds a Bachelor of Economics (Honours) from University of Malaya. He served with the government for 34 years and held various positions in the Prime Minister's Department and the Ministry of Foreign Affairs of Malaysia. His positions provided him with wide exposures in various countries that he served at, such as Laos, Vietnam, USA, Nigeria, Ghana, Cote de Ivoire, Sierra Leone and Cameroon, the Democratic People's Republic of Korea and the People's Republic of China.

In his capacity as the Under Secretary of West Asia and the Organisation in Islamic Cooperation ("**OIC**"), he participated in several Ministerial and prime Ministerial visits to West Asian Countries and OIC Meetings. He was the Director General of the Association of Southeast Asian Nations ("**ASEAN**") Division of the Ministry of Foreign Affairs, from 1996 until 1998. As Director General of ASEAN Division, he actively participated in the organisation of the 30th ASEAN Ministerial Meeting held in Kuala Lumpur as well as the ASEAN Heads of Summit and the 10+3 Summit Meetings in Malaysia. In 1998, he was appointed as the Ambassador of Malaysia to the People's Republic of China until his retirement on 2 January 2005.

Currently, Dato' Abdul Majit is the President of the Malaysia-China Friendship Association (position held since 2005), Director of Malaysia-China Business Council, Honorary Chairman of the Malaysia-China Chamber of Commerce and as an Adjunct Professor to the Institute of China Studies, University of Malaya. He is also the cofounder of Zheng He International Peace Foundation based in Washington D.C. In April 2019, he was appointed as the Chairman of the Malaysian Investment Development Authority (MIDA).

Dato' Abdul Majit's other directorship in public companies include Hong Leong Asset Management Berhad, Zecon Berhad and Dutaland Berhad.

He does not have any family relationship with any Director and/or Major shareholder, nor any conflict of interest with the Company. He has no convictions for any offences within the past 5 years (other than traffic offences, if any), nor any public sanction or penalty imposed by regulatory bodies during the financial year.

DIRECTORS' PROFILES (CONT'D)

TAN SRI DATO' SRI LIM HOCK SAN, JP

Group Managing Director

NATIONALITY :
MALAYSIAN

AGE/GENDER :
62/Male

DATE OF APPOINTMENT :
1 August 2014

Tan Sri Dato' Sri Lim Hock San ("**Tan Sri Dato' Sri Lim**") was appointed to the Board as a Non-Independent Non-Executive Director on 1 August 2014. Subsequently, he was re-designated as the Group Managing Director on 5 July 2016.

Upon graduation in 1982 with First Class Honours in Civil Engineering from the University of Wales, UK, Tan Sri Dato' Sri Lim returned to Malaysia to assist in the family business of lorry transportation and construction works. Two decades later, the businesses have expanded into property development, insurance and tourism. On 6 December 2001, he was appointed as the Managing Director of LBS Bina Group Berhad ("**LBGB**").

With excellent entrepreneurship, acquired management skills and experienced technical expertise, Tan Sri Dato' Sri Lim became the Key Leader and spearheaded LBGB Group to become one of the leading players in the property development industry.

These outstanding accolades were awarded personally to Tan Sri Dato' Sri Lim:-

i. Second Prize in the British Steel Corporation Competition for Design in Hollow Steel Section, 1982
ii. Recipient of the inaugural Platinum Entrepreneur Award by SMI Association of Malaysia, 2011
iii. Prestigious Entrepreneur of the Year by Asia Pacific Entrepreneurship Awards (APEA), 2012
iv. Malaysia Best Company for Leadership of Property Development of the Year by International Alternative Investment Review (IAIR) Awards, 2014
v. Conferment of World Chinese Economic Summit (WCES) Lifetime Achievement Award for continued efforts in enhancing bilateral relations between Malaysia and China (Guangdong Province), 2015
vi. Bestowed with The BrandLaureate Hall of Fame – Lifetime Achievement Brand Icon Leadership Awards by Asia Pacific Brands Foundations, 2015
vii. Global Best Company for Leadership of Property Development of the Year by International Alternative Investment Review (IAIR) Awards, 2016
viii. Most Affluent Chinese Entrepreneur Awards, 2016
ix. Property Insight Prestigious Developer Awards (PIPDA) - Personality of the Year, 2017
x. Asia Corporate Excellence & Sustainability Awards (ACES) - Outstanding Leader in Asia, 2017
xi. Special Distinguished Award for Promotion of China-ASEAN Relations at the 9th World Chinese Economic Summit (WCES), 2017
xii. Worldwide Excellence Award (WEA) - Person of the Year, 2017
xiii. Queen Victoria Commemorative Medal by The Europe Business Assembly, 2017
xiv. 8th Global Leadership Awards 2018 - Lifetime Achievement Award, 2018
xv. The BrandLaureate Prominent Business Brand Awards: Most Eminent - Prominent Business Brand Leadership Award, 2018
xvi. The BrandLaureate Special Edition World Awards: BrandLaureate World Brandpreneur Hall of Fame - Lifetime Achievement Award, 2018
xvii. FIABCI Malaysia Property Award - Property Man of the Year, 2018
xviii. Des Prix Infinitus Asean Property Award 2019 - Lifetime Achievement, 2019
xix. Property Insight Prestigious Developers Awards (PIPDA) 2019 - Lifetime Achievement Award, 2019
xx. iProperty Development Excellence Awards (iDEA) 2019 - Innovative Leader of the Year, 2019

Being a philanthropist and an active advocate of social and community works, Tan Sri Dato' Sri Lim sits on the board of these organisations:-

1. Chairman, Board of Governors of SMJK Katholik
2. Chairman, Board of Governors of SJK (C) Tun Tan Siew Sin
3. Chairman, Selangor/ K.L Lim Clansmen Association
4. President, The Federation of Hokkien Associations Malaysia
5. President, The Federation of Malaysia Lim Associations
6. President, Malaysia-Guangdong Chamber of Investment Promotion
7. President, Persekutuan Persatuan-Persatuan Ann Koai Malaysia
8. President, Persatuan Anxi Selangor Dan W.P. Kuala Lumpur
9. Vice President, Fujian Overseas Exchanges Association 6th Council
10. Vice President, The World Lin's Association
11. Honorary Life Chairman, Board of Governors of SJK (C) Sungai Way
12. Honorary Life Chairman, Selangor Petaling Business & Industry Association
13. Honorary Chairman, Rumah Berhala Leng Eng Tian
14. Honorary Life President, Gabungan Persatuan Cina Petaling Jaya, Selangor
15. Honorary President, Malaysia-China Chamber of Commerce
16. Honorary President, Malaysia-China Silk Road Entrepreneurs Association
17. Honorary President, The Federation of Malaysian Clans and Guilds Youth Association
18. Honorary President, Catholic High School Alumni Association
19. Honorary President, Persatuan Penganut Tho Guan Sen
20. Honorary President, Young Malaysians Movement
21. Honorary Life Adviser, The Federation of Chinese Associations Malaysia
22. Honorary Life Adviser, Tan Kah Kee Educational Charity Foundation
23. Honorary Adviser, The Federation of Malaysia Chinese Surname Association
24. Honorary Adviser, Gabungan Persatuan Keturunan Cina Negeri Sembilan
25. Adviser, Persatuan Ko Chow Sungai Way
26. Adviser, Kelab Sungai Way
27. Adviser, Majlis Pembangunan Sekolah Menengah Jenis Kebangsaan Malaysia
28. Advisory Committee, Malaysia China Mergers & Acquisitions Association
29. Overseas Representative, The 5th Session of The 12th Chinese People's Political Consultative Conference
30. Overseas Representative, Fujian Chinese People's Political Consultative Conference
31. Committee, The 6th China Overseas Exchange Association
32. Committee, China Federation 10th Plenary Session
33. Committee, Fujian Provincial Federation
34. Committee, The 5th China Overseas Friendship Association

Tan Sri Dato' Sri Lim sits on the Board of several subsidiary companies of LBGB Group and is the Chairman of Risk Management Committee of LBGB.

Tan Sri Dato' Sri Lim is the father of Mr Lim Kim Hoe and brother of Datuk Wira Lim Hock Guan, both who are the Executive Directors of the Company. He is a Substantial Shareholder of the Company.

Save as disclosed herein, he does not have any family relationship with any Director and/or Major shareholder, nor any conflict of interest with the Company. He has no convictions for any offences within the past 5 years (other than traffic offences, if any), nor any public sanction or penalty imposed by regulatory bodies during the financial year.

DATUK WIRA LIM HOCK GUAN, JP

Executive Director

NATIONALITY :
MALAYSIAN

AGE/GENDER :
58/Male

DATE OF APPOINTMENT :
1 August 2014

Datuk Wira Lim Hock Guan ("**Datuk Wira Lim**") was appointed to the Board as the Non-Independent Non-Executive Director of the Company on 1 August 2014. Subsequently, he was re-designated as Executive Director of the Company on 5 July 2016.

Datuk Wira Lim holds a degree Civil Engineering from the Tennessee Technology University, USA. He started his career as a Civil Engineer upon his graduation.

He has more than 30 years of extensive experience in the field of property development and construction. He was appointed as Executive Director of LBS Bina Group Berhad ("**LBGB**") on 6 December 2001. He is in charge of LBGB Group's projects and he is one of the major driving forces behind the LBGB Group's successful implementation of the projects in the Klang Valley. Datuk Wira Lim sits on the Board of several subsidiary companies of the LBGB Group. He is Member of Risk Management Committee and ESOS Committee in LBGB.

He is also active in community works and has involved in several non-profit-making organisations. He is the Chairman of Persatuan Hokkien Sungai Way, President of Selangor Petaling Business & Industry Association, Vice President of Malaysia-Guangdong Chamber of Investment Promotion and the Vice President of The Malaysian Chamber of Commerce in Guangdong, People's Republic of China. He is also a qualified sharpshooter from National Riffle Association, Washington D.C.

He is the brother of Tan Sri Dato' Sri Lim Hock San, the Group Managing Director of the Company and a Substantial Shareholder of the Company.

Save as disclosed herein, he does not have any family relationship with any Director and/or Major shareholder, nor any conflict of interest with the Company. He has no convictions for any offences within the past 5 years (other than traffic offences, if any), nor any public sanction or penalty imposed by regulatory bodies during the financial year.

DATUK LIM LIT CHEK

Executive Director &
Chief Executive Officer

NATIONALITY :
MALAYSIAN

AGE/GENDER :
43/Male

DATE OF APPOINTMENT :
1 December 2016

Datuk Lim Lit Chek ("**Datuk Lim**") was appointed to the Board as Executive Director & Chief Executive Officer ("**CEO**") of the Company on 1 December 2016. He is also the Chairman of Risk Management Committee of the Company.

Datuk Lim graduated with a Master's Degree in Engineering Management from the Ivy League's Cornell University in New York. He also holds a First Class Honours Bachelor Degree in Civil Engineering and a Bachelor Degree in Business Administration with the highest distinction from the RMIT University in Melbourne.

His other academic achievements include winning the VICROADS Education Prize, Best Student Award, Golden Key National Honor Society Award, Most Innovative Award in Concrete Design Competition (C.I.A.), all of which in Australia and the Fellowship Merit Award from Cornell University.

As a member of Board of Engineering Malaysia, Datuk Lim has 19 years of experience in the field of property development and construction.

In 2007, he founded MITC Engineering Sdn Bhd (now known as MGB Construction & Engineering Sdn Bhd) and held the position of Managing Director. Under his astute leadership, the business has achieved great milestone.

He is actively involved in Non-Government Organisation. He is currently the President of Petaling Lim Clan Association, Vice President of Malaysia Guangdong Chamber of Investment Promotion (MGCIP), Vice President of Selangor Petaling Business and Industry Association, Vice President of KL-Selangor Anxi Association, Vice President of Selangor Sungai Way Hokkian Association and Deacon of Mega Chinese Methodist Church. He is also a Committee Member of The Federation of Malaysia Lim Associations and Malaysia Anxi Associations.

Datuk Lim is a Substantial Shareholder of the Company.

He does not hold any directorship in other public companies. Save as disclosed herein, he does not have any family relationship with any Director and/or Major shareholder, nor any conflict of interest with the Company. He has no convictions for any offences within the past 5 years (other than traffic offences, if any), nor any public sanction or penalty imposed by regulatory bodies during the financial year.

MR LIM KIM HOE

Executive Director &
Deputy Chief Executive Officer

NATIONALITY :
MALAYSIAN

AGE/GENDER :
35/Male

DATE OF APPOINTMENT :
1 August 2014

Mr Lim Kim Hoe ("**Mr Lim**") was appointed to the Board as Executive Director of the Company on 1 August 2014. He is also Deputy Chief Executive Officer and a Member of Risk Management Committee of the Company.

Mr Lim graduated with an Honour Degree in Bachelor of Engineering (Civil) from the University of Melbourne, Australia. After graduation, he began his career with LBS Bina Group Berhad where he was involved in property management, business development and construction activities.

He is a member of Yayasan Ang Koai Selangor, Lim Association Selangor and Persatuan Hokkien Seri Setia as well as other charitable and non-profit-making organisations.

Mr Lim is the son of Tan Sri Dato' Sri Lim Hock San, the Group Managing Director of the Company.

He does not hold any directorship in other public companies. Save as disclosed herein, he does not have any family relationship with any Director and/or Major shareholder, nor any conflict of interest with the Company. He has no convictions for any offences within the past 5 years (other than traffic offences, if any), nor any public sanction or penalty imposed by regulatory bodies during the financial year.

MR CHIN SUI YIN

Senior Independent
Non-Executive Director

NATIONALITY :
MALAYSIAN

AGE/GENDER :
57/Male

DATE OF APPOINTMENT :
28 November 2007

Mr Chin Sui Yin ("**Mr Chin**") was appointed to the Board as an Executive Director of Company on 28 November 2007 and was re-designated as Non-Independent Non-Executive Director on 9 May 2008. On 14 September 2012, Mr Chin was re-designated as Independent Non-Executive Director of the Company. Subsequently, he was appointed as Senior Independent Non-Executive Director on 31 January 2017. Mr Chin is the Chairman of Audit Committee and a Member of Nomination and Remuneration Committee of the Company.

Mr Chin is an Accountant by profession, a Fellow Member of the Association of Chartered Certified Accountants (ACCA), United Kingdom and a Member of Malaysian Institute of Accountants (MIA). He started his career with an international accounting firm, KPMG in 1983, handling various audit and non-audit assignments of companies involved in a wide range of business activities. He moved on to commercial sector in 1989 and has 28 years of commercial experience working in various industries such as financial institutions, stock exchange, manufacturing and data centre and has held different roles including corporate restructuring, risk management, compliance, equity dealings, treasury management and was a member of audit committee and risk management committee in a local leading financial institution. Currently, he holds a key leadership role in a data centre operator with a leading position in South East Asia.

He does not hold any directorship in other public companies. He does not have any family relationship with any Director and/or Major shareholder, nor any conflict of interest with the Company. He has no convictions for any offences within the past 5 years (other than traffic offences, if any), nor any public sanction or penalty imposed by regulatory bodies during the financial year.

DIRECTORS' PROFILES (CONT'D)

DATO' BEH HANG KONG

Independent Non-Executive Director

NATIONALITY :
MALAYSIAN

AGE/GENDER :
62/Male

DATE OF APPOINTMENT :
16 January 2008

Dato' Beh Hang Kong ("**Dato' Beh**") was appointed to the Board as the Managing Director of the Company on 16 January 2008 and was re-designated as an Executive Director on 4 July 2016. On 1 February 2019, Dato' Beh was re-designated as Independent Non-Executive Director of the Company, 2 years after being appointed as Non-Independent Non-Executive Director. He is a Member of Audit Committee as well as Nomination and Remuneration Committee of the Company.

He started his career in 1980 as a reporter with China Press Berhad. In 1982, he was employed as a Regional Executive Secretary by the Malaysian Chinese Association. He left this position in 1985 to establish a company involved in the marketing of office equipment before he extensively invested into property investments and development.

From 1986 to 1990, he served as Municipal Councillor for the Majlis Perbandaran Shah Alam. Currently, he is the Executive Director of Yong Tai Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad. He is also the Deputy Board Chairman of China-Malaysia Qinzhou Industrial Park (CMQIP) in Qinzhou, Quangxi, People's Republic of China and directors of several other private limited companies.

On the Non-Governmental Organisation side, he is a director of Malaysia-China Business Council (MCBC), Chairman of China-Asean Entrepreneur Association (Malaysia) and Deputy Chairman of Malaysia-Guangdong Chamber of Investment and Promotion (MGCIP).

He does not have any family relationship with any Director and/or Major shareholder, nor any conflict of interest with the Company. He has no convictions for any offences within the past 5 years (other than traffic offences, if any), nor any public sanction or penalty imposed by regulatory bodies during the financial year.

PUAN NADHIRAH BINTI ABDUL KARIM

Independent Non-Executive Director

NATIONALITY :
MALAYSIAN

AGE/GENDER :
32/Female

DATE OF APPOINTMENT :
1 February 2019

Puan Nadhirah binti Abdul Karim ("**Puan Nadhirah**") was appointed to the Board as Independent Non-Executive Director of the Company on 1 February 2019. She is also a Member of Audit Committee of the Company.

Puan Nadhirah graduated with an Honour Degree in Bachelor of Accountancy from Universiti Teknologi Mara. She started her career as an auditor upon her graduation. She has 10 years of experiences working in an audit firm where bringing with her a wealth of experience from auditing, financial reporting practices and processes, taxation matters and corporate advisory which involved in the field such as manufacturing, trading, retail and consulting services.

She does not hold any directorship in other public companies. She does not have any family relationship with any Director and/or Major shareholder, nor any conflict of interest with the Company. She has no convictions for any offences within the past 5 years (other than traffic offences, if any), nor any public sanction or penalty imposed by regulatory bodies during the financial year.

KEY MANAGEMENT'S PROFILES

KEY MANAGEMENT

DATUK LIM LIT CHEK*
Executive Director &
Chief Executive Officer

MR LIM KIM HOE^
Executive Director &
Deputy Chief Executive Officer

MR WONG TACK LEONG
Deputy Chief Executive Officer

MR CHEW WEE SEONG
Chief Operating Officer

MS TAN SUAN SUAN
Head of Department of Accounts & Finance Department

MS LEE KAR YEN
Head of Department of Contract Department

MR KWOK KONG WEI
General Manager of Project Department

MR ENG BOON CHOON
General Manager of Project Department

MR CHAN AH SOON
Senior General Manager of MGB Geotech Sdn Bhd

MS ENG GEOK TIN
General Manager of MGB SANY (M) IBS Sdn Bhd

MS YEO CHIOU YEAN
Head of Department of Secretarial, Corporate Affairs & Risk Management Department

* For details of Datuk Lim Lit Chek's profile, please refer to the page 11 of this Annual Report.
^ For detals of Mr Lim Kim Hoe's profile, please refer to page 12 of this Annual Report.

MR WONG TACK LEONG

Deputy Chief Executive Officer

NATIONALITY :
MALAYSIAN

AGE/GENDER :
48/Male

Mr Wong Tack Leong ("**Mr Wong**") was appointed as Deputy Chief Executive Officer of the Company on 1 December 2016. He oversees the operational functions including administration, construction and project management, contract administration as well as monitoring the financial performance of the Group. He is also a Member of Risk Management Committee of the Company.

He holds Bachelor of Building (Quantity Surveying) from University of South Australia. He is also a Member of Australia Institute of Quantity Surveyors, Associate Member of the Malaysian Institute of Arbitrators and Institute of Value Management Malaysia.

He joined MITC Engineering Sdn Bhd (now known as MGB Construction & Engineering Sdn Bhd) ("**MCESB**") as a General Manager in 2007 and was later promoted as Executive Director of MCESB.

Prior to joining the Company, he worked as an associate Quantity Surveyor Consultant in construction industry. He has over 20 years of experience in various aspects of construction sector particularly in relation to building and infrastructure projects as well as oil and gas related fields. He has wide range of knowledge and actively involved in pre and post building contract implementation, EPCC contract, costing and feasibility studies.

He is Deacon Chairman of Mega Subang Chinese Methodist Church as well as member of other charitable and non-profit-making organisations.

He does not hold any directorship in other public companies. He does not have any family relationship with any Director and/or Major shareholder, nor any conflict of interest with the Company. He has no convictions for any offences within the past 5 years (other than traffic offences, if any), nor any public sanction or penalty imposed by regulatory bodies during the financial year.

KEY MANAGEMENT'S PROFILES (CONT'D)

MR CHEW WEE SEONG

Chief Operating Officer

NATIONALITY :
MALAYSIAN

AGE/GENDER :
49/Male

Mr Chew Wee Seong ("**Mr Chew**") was re-designated as Chief Operating Officer ("**COO**") of the Company on 1 December 2016. Currently, he is responsible for the Group's corporate functions including Accounts & Finance, Treasury, Legal, Secretarial, Corporate Affairs & Risk Management as well as Credit & Property Management Department. He is also a Member of Risk Management Committee of the Company.

He is a Bachelor of Finance graduate of St. Cloud State University in the United States. He also holds a MBA (Merit) graduate from the prestigious Cardiff Metropolitan University in Cardiff, United Kingdom. In addition, he is a professional property manager registered and licensed by the Board of Valuers, Appraisers, Estate Agents and Property Managers (BOVAEP) to carry out professional property management practice under the Valuers, Appraisers, Estate Agents and Property Managers Act 1981 (as amended) (Act 242).

Mr Chew served as Head of Credit Administration Department with a leading local bank. For more than 5 years of working experience in the banking and finance industry, he gained extensive experience including credit processing, marketing, credit control and review, security and risk management and consumer banking operations. His previous experience also provided him with training in marketing, financial management and planning skills.

Mr Chew joined LBS Bina Group Berhad ("**LBGB**") Group in August 2000. He gained a vast experience in property development. Over the years with LBGB Group, he has held several portfolios including customer service, maintenance, sales and marketing, credit administration and property management for projects of LBGB Group.

He was appointed as the Chief Executive Officer ("**CEO**") of the Company from August 2014 to November 2016, before he was re-designated as COO of the Company. During his tenure as CEO of the Company, he oversaw the corporate function of the Group, as well as the day to day operation of both construction and manufacturing. He has successfully turned around the Company from a loss making to profitable entity and also successfully uplifted the Company from being classified as PN17.

He does not hold any directorship in other public companies. He does not have any family relationship with any Director and/or Major shareholder, nor any conflict of interest with the Company. He has no convictions for any offences within the past 5 years (other than traffic offences, if any), nor any public sanction or penalty imposed by regulatory bodies during the financial year.

MS TAN SUAN SUAN

Head of Department of
Accounts & Finance Department

NATIONALITY :
MALAYSIAN

AGE/GENDER :
37/Female

Ms Tan Suan Suan ("**Ms Tan**") was appointed as Head of Department of Accounts & Finance of the Company on 1 January 2018. Ms Tan is responsible to lead and oversee the entire accounting and reporting functions of the Group, which include statutory reporting and banking and finance matters. She is also a Member of Risk Management Committee of the Company.

She graduated with Bachelor of Commerce majoring in Account & Finance from University of Queensland, Australia. She is a member of Malaysian Institute of Accountants (MIA), Certified Practicing Accountants (CPA), Australia and registered secretary under Companies Commission of Malaysia.

Ms Tan began her career with Messrs Ernst & Young ("**EY**") in 2005. Throughout the years with EY, she has accumulated vast experience in audit and advisory for listed entities from various sectors including property development, construction, manufacturing, concessionaire and food and beverages.

Prior to joining the Company, she was the Head of Department of a listed construction group. She was the key representative in corporate restructuring exercise and successfully completed an acquisition and private placement of shares during her tenure with the group. Besides, she also actively involved in investors relation and analyst briefing matters.

She does not hold any directorship in other public companies. She does not have any family relationship with any Director and/or Major shareholder, nor any conflict of interest with the Company. She has no convictions for any offences within the past 5 years (other than traffic offences, if any), nor any public sanction or penalty imposed by regulatory bodies during the financial year.

MS LEE KAR YEN

Head of Department of Contract Department

NATIONALITY :
MALAYSIAN

AGE/GENDER :
42/Female

Ms Lee Kar Yen ("**Ms Lee**") was appointed as Head of Department of Contract Department on 1 January 2018. She is involved in all pre and post contracts of projects and oversees the administration of Contract Department of the Company.

Ms Lee graduated with Bachelor of Science majoring in Construction Management from University Science Malaysia. She started her career in year 2000 and has 20 years of experience in the field of building contract administration and quantity surveying.

Prior to her current position, she joined MITC Engineering Sdn Bhd (now known as MGB Construction & Engineering Sdn Bhd) as the Head of Contract Department where she led the department in managing and supervising full range of pre and post contract activities, including tenders, budgets, estimations, claims and payment certification.

She does not hold any directorship in other public companies. She does not have any family relationship with any Director and/or Major shareholder, nor any conflict of interest with the Company. She has no convictions for any offences within the past 5 years (other than traffic offences, if any), nor any public sanction or penalty imposed by regulatory bodies during the financial year.

MR KWOK KONG WEI

General Manager of Project Department

NATIONALITY :
MALAYSIAN

AGE/GENDER :
47/Male

Mr Kwok Kong Wei ("**Mr Kwok**") was appointed as the General Manager, Project Department on 1 January 2019. He is responsible for overall planning, implementation and construction of the Group's projects particularly in Klang Valley and Pahang. He is also key liaison personnel between the Company and various authorities for construction related approval. Additionally, he monitors the Work-Done progress of construction, Stage Completion Claim, Plant & Machinery, Maintenance and construction technical related matters for all the Group's projects.

He started his career in construction industry in 1997 and since then, he has accumulated more than 23 years of experiences. Over the years, he had been involved extensively in the development and construction of various projects such as bridges construction, pilling and foundation works, highland resort, high-rise and landed residential projects.

He does not hold any directorship in other public companies. He does not have any family relationship with any Director and/or Major shareholder, nor any conflict of interest with the Company. He has no convictions for any offences within the past 5 years (other than traffic offences, if any), nor any public sanction or penalty imposed by regulatory bodies during the financial year.

KEY MANAGEMENT'S PROFILES (CONT'D)

MR ENG BOON CHOON

General Manager of
Project Department

NATIONALITY :
MALAYSIAN

AGE/GENDER :
41/Male

Mr Eng Boon Choon ("**Mr Eng**") was appointed as the General Manager, Project Department on 1 January 2019. He is responsible for overall planning, implementation and construction of the Group's projects particularly in Klang Valley as well as in Johor and Pahang. He is also key person responsible to lead and oversee the implementation of project management software arising from the digital transformation embarked by the Group. Additionally, he monitors the Quality Assurance & Quality Control (QA&QC), Health, Safety & Environmental, Preliminary Costing, Material Control List and General Worker matters for all the Group's projects.

He graduated from Sarjana Institute with an Advanced Diploma in Business Management in 1999 and Master's Degree in Corporate Management from Open University Malaysia in 2016. He has more than 16 years of experience in the field of property development and construction.

Prior to joining the Group in 2017, he held project manager position in local property development and construction-based companies and had been involved extensively in the development and construction of various projects particularly in high-rise residential projects.

He does not hold any directorship in other public companies. He does not have any family relationship with any Director and/or Major shareholder, nor any conflict of interest with the Company. He has no convictions for any offences within the past 5 years (other than traffic offences, if any), nor any public sanction or penalty imposed by regulatory bodies during the financial year.

MR CHAN AH SOON

Senior General Manager of
MGB Geotech Sdn Bhd

NATIONALITY :
MALAYSIAN

AGE/GENDER :
59/Male

Mr Chan Ah Soon ("**Mr Chan**") was appointed as the General Manager, Project Department on 1 January 2019 and concurrently holds the position of Senior General Manager of MGB Geotech Sdn Bhd, a subsidiary of the Company.

Currently, he is responsible for overall planning, implementation and construction of the Group's projects particularly projects in Klang Valley as well as overseeing the piling construction and foundation works.

He graduated with BTEC Higher National Diploma in Civil Engineering Studies from the University of South Bank, London. He started his career in 1987 and has 33 years of experience in the field of construction.

Prior to joining the Company, he held senior management positions in local construction-based companies and had been involved extensively in the development and construction of various projects. He has spearheaded a myriad of projects, *inter alia*, clinker plant, polymer latex plant, sun power plant, water treatment plant, bridges construction, piling and foundation works as well as highland resort and specialises in high-rise residential projects.

He does not hold any directorship in other public companies. He does not have any family relationship with any Director and/or Major shareholder, nor any conflict of interest with the Company. He has no convictions for any offences within the past 5 years (other than traffic offences, if any), nor any public sanction or penalty imposed by regulatory bodies during the financial year.

MS ENG GEOK TIN

General Manager of
MGB SANY (M) IBS Sdn Bhd

NATIONALITY :
MALAYSIAN

AGE/GENDER :
52/Female

Ms Eng Geok Tin ("**Ms Eng**") was appointed as General Manager of MGB SANY (M) IBS Sdn Bhd on 15 July 2019. Currently, she is responsible for leading the Company's Industrialised Building System ("**IBS**") precast concrete manufacturing plant in Alam Perdana, Selangor and Nilai, Negeri Sembilan.

She graduated with a Diploma in Cost Accounting from Systematic College in year 1988. She started her career in year 1988 in metal stamping manufacturing under electric and electronic industry for 15 years and held various senior management positions such as Senior Customer Service and Purchasing Manager. She then continued her career path under automotive industry and served as a Senior Purchasing and Operation Manager for 12 years.

Prior to joining the Company, she was attached to Tan Chong International Singapore Group as Deputy General Manager and based in Nanjing, People's Republic of China for 3 years. She is key person responsible for the overall operations such as planning, monitoring and managing the production, product quality and customer service. She also responsible to ensure the manufacturing process and procedures uphold with ISO standard by maintaining sound and effective Quality Management System (QMS) as well as a Quality Management Representative (QMR).

She does not hold any directorship in other public companies. She does not have any family relationship with any Director and/or Major shareholder, nor any conflict of interest with the Company. She has no convictions for any offences within the past 5 years (other than traffic offences, if any), nor any public sanction or penalty imposed by regulatory bodies during the financial year.

MS YEO CHIOU YEAN

Head of Department of
Secretarial, Corporate Affairs
& Risk Management Department

NATIONALITY :
MALAYSIAN

AGE/GENDER :
38/Female

Ms Yeo Chiou Yean ("**Ms Yeo**") was appointed as the Head of Department of Secretarial, Corporate Affairs & Risk Management on 19 August 2019. Subsequently, she was appointed as the Joint Company Secretary of Company on 17 February 2020.

She graduated with Advance Diploma in Commerce (Business Management) from Tunku Abdul Rahman College. She is an Associate Member of Malaysian Institute of Chartered Secretaries and Administrators (MAICSA).

Ms Yeo has more than 14 years' experience in corporate secretarial practice. She started her career with established and reputable secretarial firms from 2004 to 2009 providing a wide array of corporate secretarial services to private companies and public listed groups. From 2010 until 2013, she was attached to the corporate secretarial department of a listed property development group in Malaysia. Subsequently, she joined the corporate secretarial department of Eco World Development Group Berhad in 2014. In October 2016, she was transferred to Eco World International Berhad ("**EcoWorld International**") to lead the newly established secretarial department and was involved with the IPO exercise of EcoWorld International. She left EcoWorld International in May 2019 prior joining the Company.

She does not hold any directorship in other public companies. She does not have any family relationship with any Director and/or Major shareholder, nor any conflict of interest with the Company. She has no convictions for any offences within the past 5 years (other than traffic offences, if any), nor any public sanction or penalty imposed by regulatory bodies during the financial year.

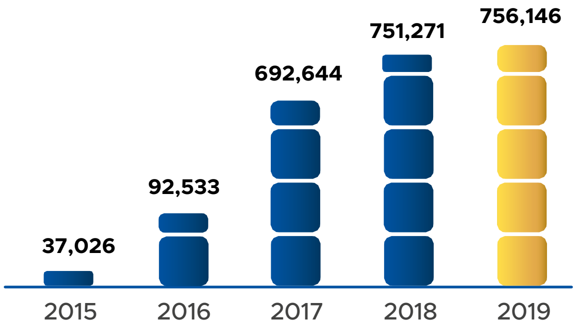
GROUP'S FINANCIAL HIGHLIGHTS

FINANCIAL YEAR ENDED 31 DECEMBER	2015* (RM'000)	2016* (RM'000)	2017 (RM'000)	2018 (RM'000)	2019 (RM'000)
Revenue	37,026	92,533	692,644	751,271	756,146
Profit Before Tax	7,077	1,811	50,119	45,849	20,905
Profit After Tax and Non-controlling Interests	10,174	62	34,491	30,409	12,481
Share Capital	44,817	268,698	383,282	385,803	388,186
Equity Attributable To Owners Of The Parent	30,275	335,501	407,824	442,532	456,713
Net Tangible Assets	30,275	73,754	149,802	183,850	200,190
Basic Earnings per share (sen)	11.35	0.06	9.01	6.49	2.71
Gross Dividend per share (sen)	-	-	-	-	-
Net Assets per share (sen)	33.78	93.87	82.92	89.06	91.04
Net Tangible Assets per share (sen)	33.78	20.64	30.46	37.00	39.91
Total Assets	65,089	637,959	816,632	1,042,189	968,580
Total Borrowings	16,980	38,807	106,416	231,639	159,375
Net Gearing Ratio	0.46	0.09	0.20	0.48	0.28
Market Capitalisation	40,335	296,638	870,567	347,821	326,074

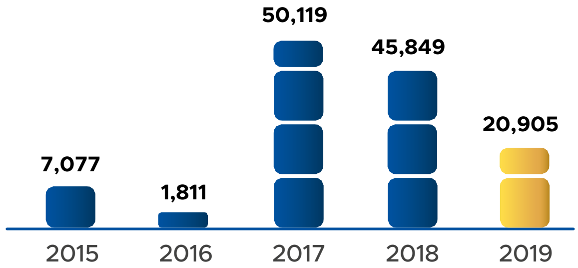
* The figures have not been restated following the adoption of MFRS 9 - Financial Instruments.

FINANCIAL CALENDAR	
Financial Year Ended	**31 December 2019**
Announcement of Quarterly Results:-	
First Quarter ended 31 March 2019	**27 May 2019**
Second Quarter ended 30 June 2019	**23 August 2019**
Third Quarter ended 30 September 2019	**21 November 2019**
Fourth Quarter ended 31 December 2019	**21 February 2020**
Publishing of Annual Report	**5 June 2020**

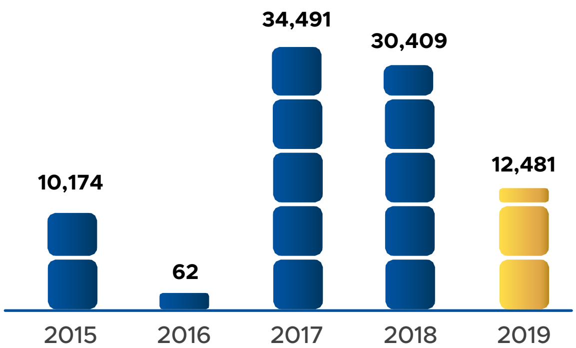
REVENUE
(RM'000)



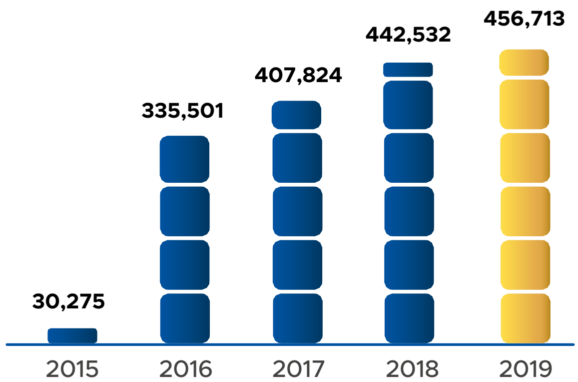
PROFIT BEFORE TAX
(RM'000)



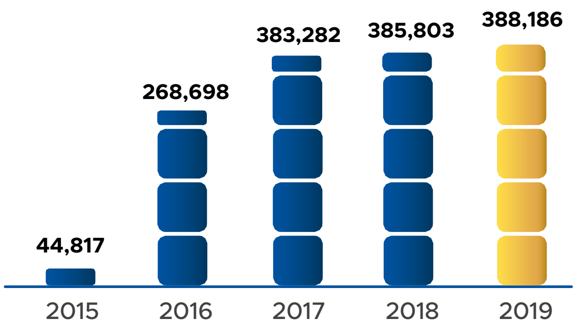
PROFIT AFTER TAX AND NON-CONTROLLING INTERESTS
(RM'000)



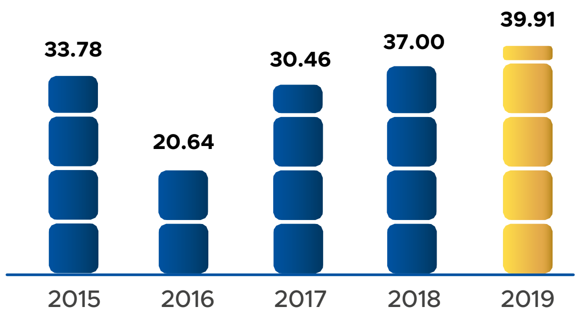
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT
(RM'000)



SHARE CAPITAL
(RM'000)



NET TANGIBLE ASSETS PER SHARE
(SEN)



LETTER FROM THE CHAIRMAN

DEAR VALUED SHAREHOLDERS,

On behalf of the Board of Directors, it is my great pleasure to present to you MGB Berhad (MGB)'s Annual Report for the financial year ended 31 December 2019 ("FY2019").

Rumah Idaman Project Signing Ceremony @ Dewan Jubli Perak Sultan Abdul Aziz

DIGITALISATION IN CONSTRUCTION

The theme for our annual report this year reveals MGB's aspirations to future-proof the organisation by investing in a digital transformation exercise aimed to optimise project profits as well as minimise project risk in order to deliver better value to all of our stakeholders. Driven by our commitment to innovation, the Group invested in project management software that enables the Management and project teams to efficiently monitor and control the progress of its ongoing construction projects. Currently, the software has been implemented in five (5) identified pilot projects located at Cybersouth, Bandar Saujana Putra and Alam Perdana, all located in the Klang Valley. As we progress, we will continue to implement this project management software into our upcoming projects.

Further details on the implementation is found in our Management Discussion and Analysis section included in this Annual Report.

GROUP PERFORMANCE HIGHLIGHT

2019 was a challenging year as our country experienced economic uncertainties due to many local and global factors such as the prolonged trade disputes, sell down in equity markets, volatile currency movements and supply disruptions in the commodity related sectors. The construction industry also concurrently experienced a slowdown mainly due to the continued soft property market as well as delay and cancellations of major infrastructure projects. Despite the challenging economic environment, MGB and its subsidiaries ("**the Group**") generated revenues of RM756.15 million, Profit After Tax ("**PAT**") of RM12.48 million and profit attributable to owners of RM13.49 million during the financial year.

During the financial year under review, our construction arm successfully completed and handed over five (5) projects in Selangor, Pahang and Johor. Some of our notable projects in Selangor include Zenopy Residences (shop lots) in Seri Kembangan and Block H, I & J of BSP 21 at Bandar Saujana Putra.

During the year, the Group was awarded a total of RM352.65 million of construction projects (including contracts from our own property development projects) and closed the year with an order book of RM1.38 billion as at 31 December 2019. To-date, the Group has completed over 15,000 units of properties, majority of which were under the affordable homes segment.

On the property development front, our Laman Bayu development in Johor had successfully launched Phase 2 and Phase 2A comprising a total of 100 units of double storey terrace houses with a Gross Development Value ("**GDV**") of approximately RM33.60 million. In addition, we expect to deliver vacant possession of Phase 1 of Laman Bayu in the second half of financial year ending 2020 and Phase 2 in the first half of financial year ending 2021.

In growing our property development division, the Group also entered into several development rights and joint venture agreements with various parties to develop affordable housing under the Rumah Idaman scheme. The total estimated GDV of these projects is more than RM900.00 million.

LETTER FROM THE CHAIRMAN (CONT'D)

The Group also charted a new milestone in March 2019 when our subsidiary, MGB SANY (M) IBS Sdn. Bhd. ("**MGB SANY**") launched its permanent plant in Nilai, Negeri Sembilan. In 2019, together with its Alam Perdana's mobile plant, MGB SANY started supplying precast panels and contributed to the successful completion of 856 units of terrace houses in Alam Perdana and 379 units of terrace houses in Cybersouth.

The Group is confident that the internal supply of precast panels will enhance the earnings of the construction projects in the long run through savings generated from preliminary expenses and labour cost as usage of the precast panels have significantly improved the speed of completion.

In terms of corporate development, a total of 26,257,011 Warrants 2014/2019 were converted into ordinary shares at the exercise price of RM0.50 per warrant, which have resulted in 26,257,011 new ordinary shares being issued at a total value of RM13.13 million. The Warrants 2014/2019 expired on 25 October 2019.

A detailed discussion of the Group's business and operations can be found in the Management Discussion and Analysis section included in this Annual Report.

OUTSTANDING ORDER BOOK OF
RM1.38 billion
AS AT 31 DECEMBER 2019

Precast Concrete Permanent Plant @ Nilai, Negeri Sembilan

RECOGNITION

Our wholly owned subsidiary company, MGB Construction & Engineering Sdn Bhd (formerly known as MITC Engineering Sdn Bhd) was awarded the 'Platinum Premier Award' under the category of OSH Management in Construction of High Rise at the 15th MOSHPA OSH Excellence Award 2019 hosted by the Malaysian Occupational Safety & Health Practitioner's Association ("**MOSHPA**"). This award is a testament to our commitment to uphold good safety and health practices. We are proud to be recognised by MOSHPA for the fourth consecutive year and will continue to improve the safety and health practices across our projects.

OUTLOOK FOR 2020

According to Bank Negara Malaysia's 2019 Economic and Monetary Review, the Malaysian economy is expected to see a Gross Domestic Product ("**GDP**") contraction -2.0% at its worst and growth of 0.5% at its best in 2020, compared to 4.3% in 2019, against a highly challenging global economic outlook arising from the measures taken locally and abroad to contain the unprecedented coronavirus disease ("**COVID-19**") pandemic. The GDP growth will largely be affected by weak global demand, supply chain disruptions and COVID-19 containment measures. Apart from the pandemic, Bank Negara Malaysia said the domestic economy will also be affected by the sharp decline and volatile shifts in crude oil prices and continued supply disruption in the commodities sector.

In addition, the recent change in government has also affected investors' confidence in the Malaysian capital market as well as potentially disrupting the roll-out of policies and projects that have been identified by the previous government.

Bank Negara Malaysia expects the Malaysian economy to rebound in 2021, in line with the projected global recovery. They remain optimistic that Malaysia will be able to pull through this economic downturn based on factors that have enabled Malaysia to weather past episodes of shocks. This include the country having diversified sources of growth, economic flexibility, adequate buffers, a strong financial system and robust policy frameworks that have been built over the years.

Amid this challenging backdrop, MGB will continue to stay vigilant, tread carefully and review our operations to increase efficiency as well as remain nimble to adapt to changes. We also expect the landscape to remain challenging for the construction sector in the near term. However, we will continue to focus on building affordable homes as they are still in high demand and we expect the recent overnight policy rate ("**OPR**") cuts by Bank Negara Malaysia as well as the stamp duty exemption announced under Budget 2019 to stimulate borrowings and encourage sales in this segment. With our ability to produce 4,000 units of IBS homes per year, we will continue to focus on increasing our IBS production and we trust that our IBS operations will be complementary to our Group's profitability in the long run.

APPRECIATION

MGB would not be where it is today without the dedication of our hard working and committed employees, guided by the leadership of our experienced management team.

On behalf of the Board of Directors, I wish to extend our appreciation to the management and employees for dedicating their professionalism, loyalty and hard work towards meeting the aspirations of MGB Berhad. To our esteemed shareholders, valued customers, regulators and government authorities, business associates, bankers and fund managers, we thank you for your continuous support and confidence in the Group.

Last but not least, I would like to express my gratitude to my fellow Board members for their commitment, support and invaluable contributions over the years.

DATO' ABDUL MAJIT BIN AHMAD KHAN
Independent Non-Executive Chairman

THE GROUP IS CONFIDENT THAT THE INTERNAL SUPPLY OF PRECAST PANELS WILL ENHANCE THE EARNINGS OF THE CONSTRUCTION PROJECTS IN THE LONG RUN THROUGH SAVINGS GENERATED FROM PRELIMINARY EXPENSES AND LABOUR COST

AWARDS & RECOGNITIONS

12th MOSHPA OSH Excellence Award 2016 - Gold Award

13th MOSHPA OSH Excellence Award 2017 - Gold Platinum Award

14th MOSHPA OSH Excellence Award 2018 - Platinum Award

15th MOSHPA OSH Excellence Award 2019 - Platinum Premier Award

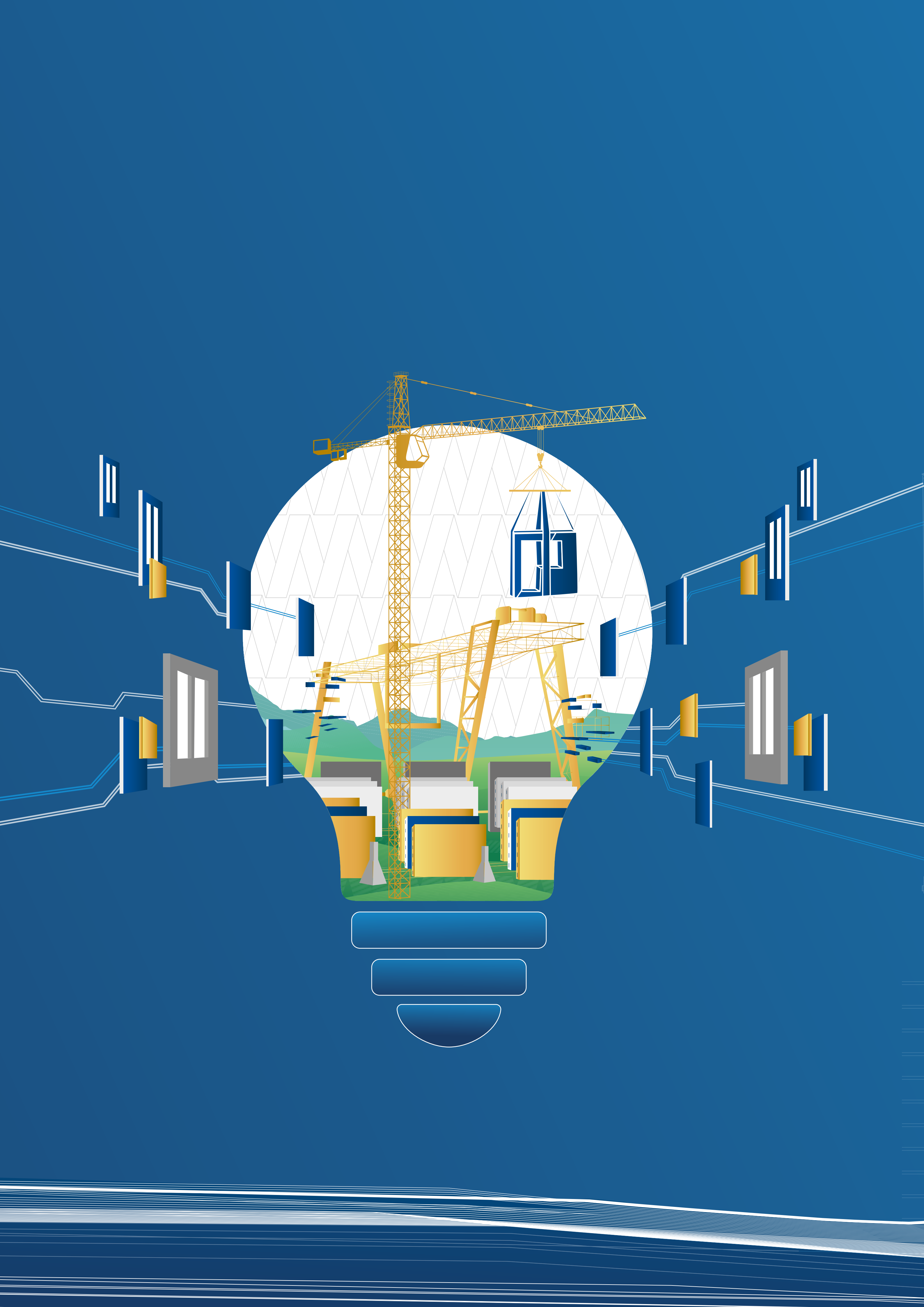
Malaysian Construction Industry Development Board (CIDB) - Certificate of Achievement - 5 Star SCORE rating

Malaysian Construction Industry Development Board (CIDB) License - Grade 7

Quality Management System ISO 9001:2015

Environmental Management System ISO 14001:2015

Occupational Health and Safety Management System OHSAS 18001: 2007



Confidence Drives Innovation

*MGB has always been a proponent of utilising **Industrialised Building System (IBS)** as part of our construction methods as we believe in the benefits of **saving manpower and increasing the efficiency and timeliness of construction.***

production capability per year
4,000
units of properties

31%
reduction of manpower quantity

49%
savings in total on site labour costs

MANAGEMENT DISCUSSION AND ANALYSIS

The information in this Management Discussion and Analysis should be read in conjunction with the Company's consolidated financial statements and the notes related thereto. The discussion of results, causes and trends should not be construed to imply any conclusions that such results, causes or trends will necessarily continue in the future.

OVERVIEW OF GROUP'S BUSINESS AND OPERATIONS

MGB Group is an established construction player with a strong track record of more than 10 years in constructing design and build projects to general construction for residential, commercial and industrial buildings as well as infrastructure works. As at 30 April 2020, MGB Group has successfully completed over 15,000 units of properties, particularly in affordable homes.

The Group via its wholly owned subsidiary, MGB Construction & Engineering Sdn. Bhd. (formerly known as MITC Engineering Sdn. Bhd.) ("**MGBCE**") continues to enhance its capabilities as a 'Design and Build' expert through providing a complete range of services from the initial planning and design stages right up to the final stages of operations and management. In 2017, the Group further expanded its construction value chain to include other synergistic businesses such as foundation and geotechnical engineering services as well as manufacturing of precast concrete products to further enhance the Group's service offerings and elevate our total solution capabilities to the next level.

Guided by the leadership of Tan Sri Dato' Sri Lim Hock San, the Group Managing Director, and Datuk Lim Lit Chek, Executive Director & Chief Executive Officer of the Company, MGB also re-strategised its business plan to expand into areas which are complementary to its construction business and began its venture into the property development sector in 2017.

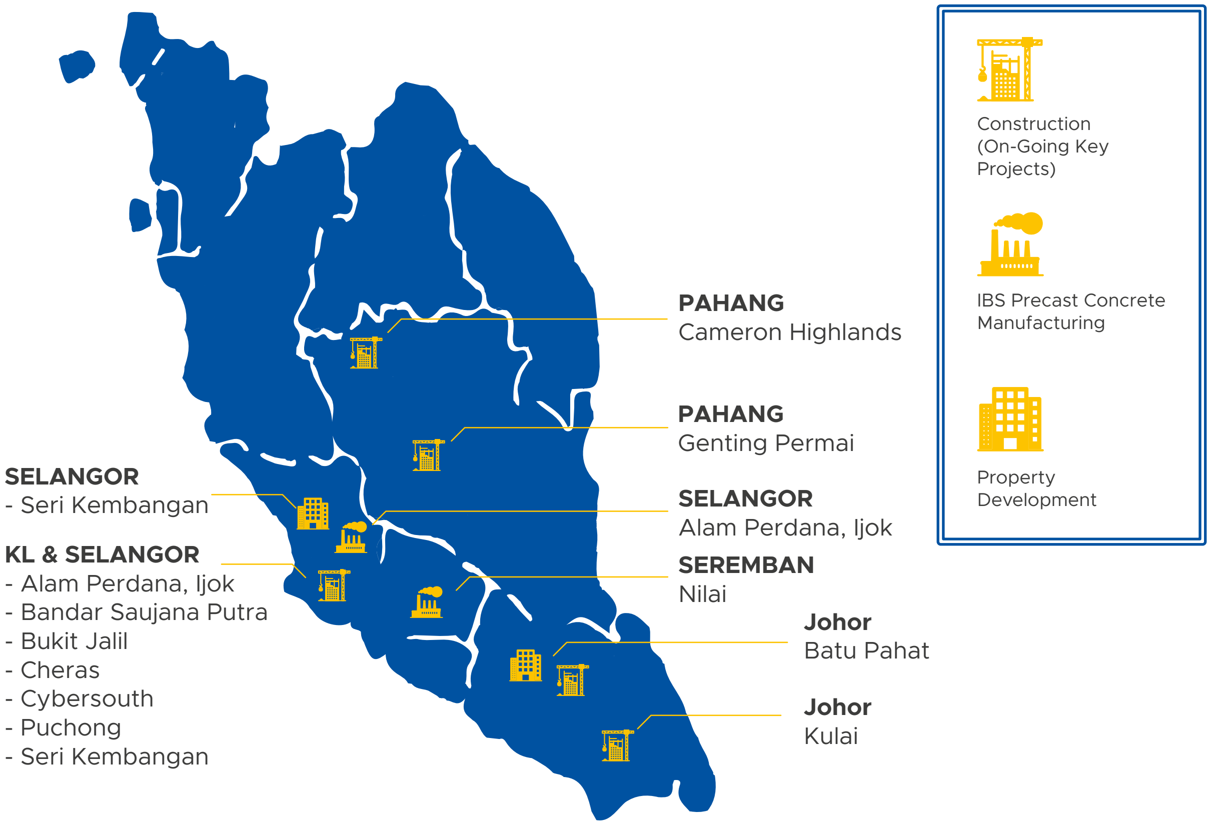
Today, MGB Group is a comprehensive and fully-integrated construction and development company providing a full range of design, construction and development services including design and build, project management, civil engineering, value engineering, geotechnical specialisation, hospitality and manufacturing of Industrialised Building System ("**IBS**") precast concrete products.

MORE THAN
10 YEARS
IN CONSTRUCTING DESIGN AND BUILD PROJECTS TO GENERAL CONSTRUCTION FOR RESIDENTIAL, COMMERCIAL AND INDUSTRIAL BUILDINGS AS WELL AS INFRASTRUCTURE WORKS

LBS Alam Perdana Township

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

OUR PRESENCE



WEST MALAYSIA

AT A GLANCE

AS AT 31 DECEMBER 2019

Market Capitalisation:
RM326.07 million with closing price of RM0.65

Key Business Activity:
Construction

Outstanding Order Book:
RM1.38 billion

Amount of Contract Secured:
RM352.65 million

Total Number of Employees:
> 300

Revenue:
RM756.15 million

Profit Before Tax:
RM20.91 million

Profit After Tax:
RM12.48 million

FINANCIAL PERFORMANCE REVIEW

Amid the challenging economic backdrop and market conditions that prevailed throughout the financial year, the Group posted a commendable revenue of RM756.15 million for the financial year ended 31 December 2019 ("**FY2019**") as compared to RM751.27 million in financial year ended 31 December 2018 ("**FY2018**"), representing a marginal increase of RM4.88 million or 0.65%. The slight improvement was mainly attributed to:

1. Property development division contributed an increase of approximately RM45.37 million in revenue from RM77.23 million (FY2018) to RM122.60 million (FY2019). Following the successful launch of Laman Bayu in FY2019, the project contributed new sales of approximately RM33.04 million.

2. This in turn mitigated the impact from the decrease in revenue of approximately RM40.74 million by the Construction & Trading division from RM671.76 million (FY2018) to RM631.02 million (FY2019). This decrease was mainly due to the delay in replenishment of order book as a result of the low property market sentiment.

Tan Sri Dato' Sri Lim Hock San
Group Managing Director

CONSTRUCTION & TRADING DIVISION'S REVENUE OF
RM631.02 million

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Despite the increase in revenue, FY2019 saw a 58.09% decline in Net Profit Attributable to Owners of the Parent from RM32.19 million in FY2018 to RM13.49 million FY2019. This was mainly due to the soft profit margin from ongoing construction projects as well as increase in the operating expenditure.

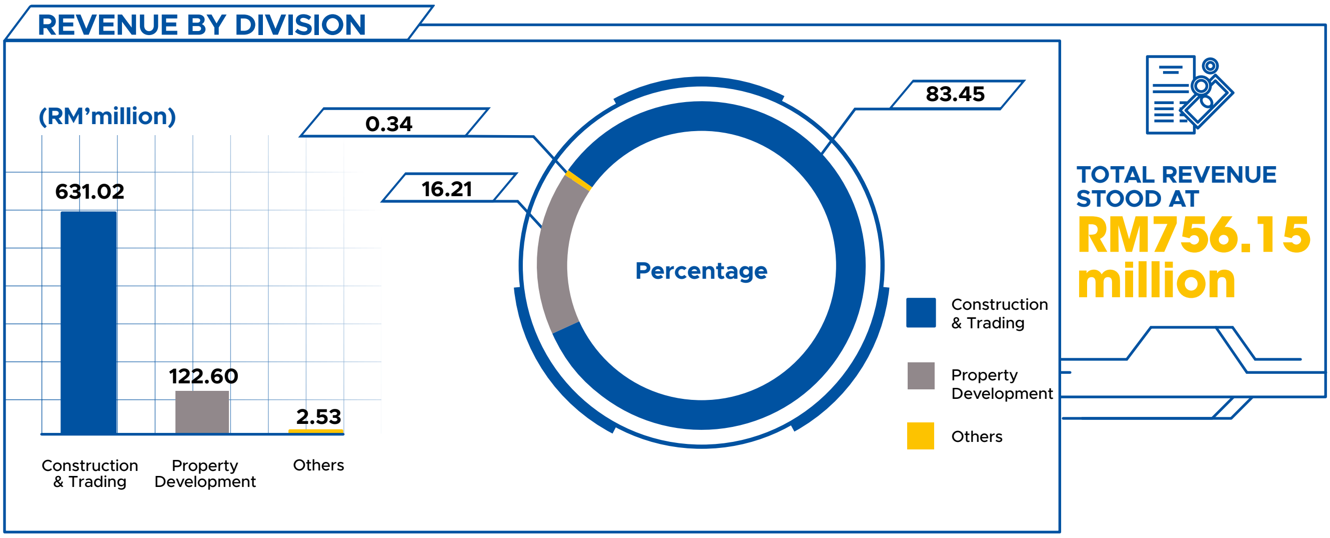
The increase in operating expenditure was mainly attributable to the following factors:

- Significant increase in other operating expenditure to RM3.33 million (FY2018: RM0.95 million). Other operating expenses mainly comprises of factory overheads incurred by the manufacturing operation. Amongst others, it includes depreciation of plant and machineries, utilities, securities, upkeep and maintenance. The increase in FY2019 after taken into account the full operation of two (2) plants by MGB SANY (M) IBS Sdn Bhd ("**MGB SANY**"). The first is a mobile plant at Alam Perdana, Selangor and the second is a permanent plant located at Nilai, Negeri Sembilan which started operations in March 2019. In FY2018, only the mobile plant at Alam Perdana was in operations.

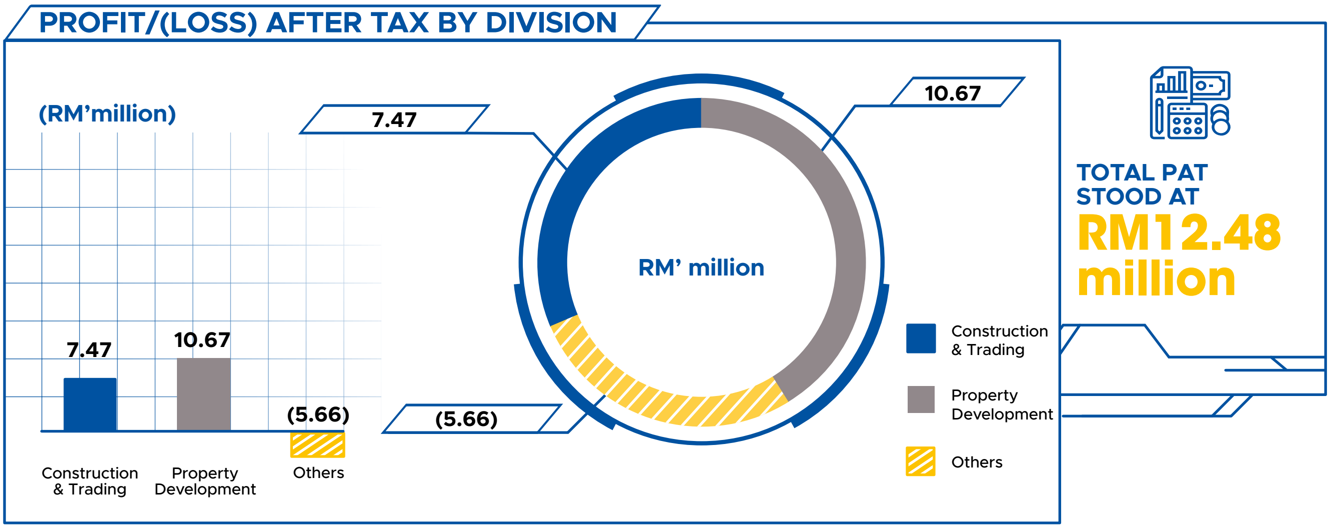
- Following the increased utilisation of a new project financing facility secured in 2019 for projects at Alam Perdana and hire purchase interest incurred on the CAPEX invested in the permanent plant of MGB SANY, finance cost has increased by RM3.89 million to RM9.70 million in FY2019 compared to RM5.81 million in FY2018.

- Increased in depreciation expenses by RM4.68 million arising from capital expenditure invested previously.

REVENUE BY DIVISION



PROFIT/(LOSS) AFTER TAX BY DIVISION



TOTAL ASSETS

Total assets in FY2019 decreased by RM73.61 million or 7.06% to RM968.58 million from RM1,042.19 million in FY2018 mainly due to the following asset movements:

- Reduction in trade receivables of approximately RM98.22 million mainly due to bullet collection from a customer - YPJ Builders Sdn Bhd ("**YPJ Builders**");
- Reduction in intangible assets of approximately RM2.16 million subsequent to the amortisation during the year;
- Net increase in amount due from related companies of approximately RM13.58 million for construction work billed; and
- Increase in overall cash and bank balances of approximately RM15.06 million.

TOTAL LIABILITIES

Total liabilities in FY2019 decreased by RM88.24 million or 14.73% to RM510.81 million from RM599.05 million in FY2018. The decrease mainly due to loan and borrowings with movement detailed as follow:

- Gross drawdown of loans of approximately RM168.54 million mainly to finance the acquisition of machines and equipment, project development and also to serve as general working capital.
- The drawdown of loans has been mitigated by the total repayment of approximately RM241.36 million during the year. The Group has settled one of its biggest contract financing facility amounted to approximately RM91.82 million when it received the bullet payment from YPJ Builders upon the completion of the project awarded with certificate of practical completion issued.

CAPITAL STRUCTURE AND RESOURCES

The net gearing ratio of the Group as at FY2019 stood at 0.28 times compared to 0.48 times in FY2018. The improvement is mainly due to the settlement of two major loans detailed as follows:

- The first being settlement of a contract financing facility of approximately RM91.82 million as explained previously.
- The second being settlement of a bridging loan which financed the development project – Zenopy Residences of approximately RM48.10 million.

NET GEARING RATIO AT
0.28 times

Service Apartment – Phase 2 of Zenopy Residences

THE GROUP WILL CONTINUE TO FOCUS ON QUALITY IMPROVEMENT AS WELL AS COST AND PRODUCTION OPTIMISATION WITHIN THE GROUP WITH THE IMPLEMENTATION OF THE NEW PROJECT MANAGEMENT SOFTWARE SYSTEM FOR OUR DIGITAL TRANSFORMATION EXERCISE

Datuk Lim Lit Chek
Executive Director &
Chief Executive Officer

CORPORATE DEVELOPMENTS

In October 2014, MGB issued 26.75 million of Warrants 2014/2019. A total of 26,257,011 Warrants 2014/2019 were converted into ordinary shares at the exercise price of RM0.50 per warrant, which have resulted in 26,257,011 new ordinary shares being issued at a total value of RM13.13 million. The Warrants 2014/2019 expired on 25 October 2019.

At MGB, one of the core thrusts of how we do business is to constantly review and innovate the way we work for better results. As such, we have identified the need to evolve the way we construct by adopting tools that can increase our efficiency and productivity. In 2019, the Group undertook a digital transformation exercise aimed to optimise project profits as well as minimise project risk in order to deliver better value to our stakeholders.

The Group invested in a project management software that enables the Management and project teams to monitor and control the progress of its ongoing construction projects in three (3) main areas namely; project management, program management and portfolio/cost management. The software allows the Management and the respective teams on the ground to monitor the real-time progress of the projects including its' material usage and cost incurred, while improving the team's collaboration as everyone is able to access the same dashboard. Real time update also equips the team with the necessary information to make informed and timely decisions as well as to manage the projects efficiently. To-date, it has been successfully implemented in five (5) pilot projects located at Cybersouth, Bandar Saujana Putra and Alam Perdana.

CONSTRUCTION & TRADING DIVISION

MGB, via its subsidiaries, is a registered contractor with Pusat Khidmat Kontraktor ("**PKK**") and the Malaysian Construction Industry Development Board ("**CIDB**") with a G7 classification.

In FY2019, the Construction & Trading division registered a lower revenue and PAT of RM631.02 million and RM7.47 million respectively as compared to RM671.76 million and RM28.61 million in the preceding year. The lower PAT is mainly attributable to the soft profit margins from ongoing construction projects and delay in replenishment of order book due to the continued low property market sentiment.

Skylake Residence @ Puchong

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

The Group successfully completed the following five (5) projects with a total contract value of RM477.78 million:-

Zenopy Residences Shop Lot (Phase 1) at Seri Kembangan, Selangor

Type of property and no. of units built	: 74 units of commercial shoplots
Completion Date	: January 2019
Contract Value	: RM28.0 million

Block H, I & J of BSP 21 at Bandar Saujana Putra, Selangor

Type of property and no. of units built	: 898 units of Apartments
Completion Date	: March 2019
Contract Value	: RM195.17 million

PPAM Bandar Akademi YPJ at Kota Tinggi, Johor

Type of property and no. of units built	: 694 units of Double Storey Terrace Houses
Completion Date	: May 2019
Contract Value	: RM145.40 million

Residensi TNB at Cameron Highlands, Pahang

Type of property and no. of units built	: 170 units of Quarters Complex
Completion Date	: June 2019
Contract Value	: RM71.21 million

Taman Alam Perdana (Arcadia) at Puncak Alam, Selangor

Type of property and no. of units built	: 203 units of Double Storey Terrace Houses
Completion Date	: July 2019
Contract Value	: RM38.0 million

2019 Platinum Premier Award, OSH Management in Construction of High Rise

As at 31 December 2019, the Group's outstanding order book stands at RM1.38 billion.

As we continue to grow, the Group is cognisant of its responsibility to continuously improve its way of doing business as we subscribe to industry best practices. In that regard, we are proudly certified in the following:

1. ISO 9001:2015 Quality Management System
2. ISO 14001:2015 Environmental Management System
3. OHSAS 18001:2007 Occupational Health and Safety Management System

In line with our commitment to uphold good safety and health practices, our wholly owned subsidiary company, MGBCE was awarded the 'Platinum Premier Award' under the category of OSH Management in Construction of High Rise at the 15th MOSHPA OSH Excellence Award 2019 hosted by the Malaysian Occupational Safety & Health Practitioner's Association ("**MOSHPA**"). We are proud to be recognised by MOSHPA for the fourth consecutive year.

The construction industry continues to face challenges such as fluctuation of material costs and heavy reliance on foreign workers which we hope to mitigate by increasing the use of IBS materials and methods as well as leveraging on the new software to monitor its projects. The construction division will continue to be the main revenue driver for the Group as we continue to actively tender for new construction projects.

Construction Division – Piling and Foundation Activities

The Group ventured into piling and foundation activities in 2017 via its subsidiary MGB Geotech Sdn. Bhd. ("**MGBGT**"). Services offered include constructing earth retaining systems, bored piling, substructure and basement construction works. In October 2019, MGBGT became a wholly owned subsidiary of MGB Group after the latter increased its shareholding to 100% from 70%.

In FY2019, MGBGT secured four (4) contracts amounting to RM16.42 million.

Residensi Bintang @ Bukit Jalil

Construction Division – Manufacturing of IBS precast component

MGB has always been a proponent of utilising IBS as part of our construction methods as we believe in the benefits of saving manpower and increasing the efficiency and timeliness of construction. Our subsidiary, MGB SANY started the mobile plant's operation in Alam Perdana in May 2018 with a production capacity of 2,000 units of properties per year. In 2019, this mobile plant has delivered 856 units of double storey terrace houses in Phase 3 of Alam Perdana project.

The Group also charted a new milestone in March 2019 with the launch of our new IBS permanent plant in Nilai, Negeri Sembilan with an additional production capacity of 2,000 units of properties per year. So far, the plant has an order book to supply IBS pre-cast products to more than 2,000 units of properties at Cybersouth development.

At the moment, both plants cater mainly to internal projects and the Group hopes to expand the supply to the Government and external housing development projects when both plants operate at full capacity.

In FY2019, the business generated an internal revenue of approximately RM41.64 million, representing a substantial increase of approximately RM27.36 million or 190.26%. Against this backdrop, MGB SANY managed to eke out a profit of RM0.09 million in FY2019.

The Group is confident that the self-supply of precast panels will enhance the earnings of the construction projects in the long run through saving on preliminary expenses and labour cost as the speed of completion has proven to be significantly improved. MGB SANY will also work towards improving its results through achieving economies of scale.

BOTH PLANTS HAVE THE PRODUCTION CAPACITY OF
4,000 UNITS
OF PROPERTIES PER YEAR

Precast Concrete Works at Permanent Plant @ Nilai, Negeri Sembilan

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Laman Bayu @ Batu Pahat

Property Development Division

The property development division registered a revenue of RM122.60 million and PAT of RM10.67 million in FY2019 as compared to RM77.23 million and RM6.49 million respectively in FY2018, representing a growth of approximately 58.75% and 64.41% respectively.

The notable growth in revenue was driven predominantly by our Laman Bayu development in Johor, whereby Phase 1 and Phase 2 with a total of 365 units of terrace houses developed by Multi Court Developers Sdn. Bhd. contributed combined new sales of approximately RM33.04 million in FY2019. The Group expects to handover vacant possession of Phase 1 comprising 134 units of terrace houses in the second half of financial year ending 2020 ("**FY2020**").

The division also completed and handover vacant possession of Phase 1 of the Group's maiden project Zenopy Residences comprising 74 commercial shoplots in August 2019. Phase 2 of the project comprising 398 service apartments is progressing well and is expected to handover vacant possession in the second half of FY2020.

In line with our commitment to develop affordable housing and increase our property development portfolio, the Group entered into several Development Rights Agreement ("**DRA**") and Joint Venture Agreements ("**JVA**") as listed below. The total GDV of these projects amounted to over RM1.0 billion.

Date of announcement	Type of Agreement	Parties involved	Type of Development	GDV (RM million)	Location
27 May 2019	DRA	Must Ehsan Development Sdn Bhd, PNSB Construction Sdn Bhd and MGB Berhad	1,800 units of Type E Rumah Idaman	450.00	Shah Alam, Selangor
5 August 2019	JVA	Aset AZG Sdn Bhd and Sinaran Kencana Sdn Bhd	1 block serviced apartments	107.00	Cameron Highlands, Pahang
24 January 2020	JVA	Abadi Man Nien Sdn Bhd, PNSB Construction Sdn Bhd, MGB Berhad and Idaman Aktif Sdn Bhd	513 units of Type E Rumah Idaman	128.25	Sepang, Selangor
24 January 2020	DRA	Solid Benefit Sdn Bhd, Eco Green City Sdn Bhd, PNSB Construction Sdn Bhd, MGB Berhad and Idaman Living Sdn Bhd	1,448 units of Type E Rumah Idaman	362.00	Sepang, Selangor

Further details of the above agreements are available at our Company's corporate website.

Tapping on the experience and expertise of the existing management team and staff, the Group hopes to extract synergistic benefits with our construction business which would further enhance the Group's earning base in the long term.

MITIGATING RISKS AT MGB

The Group believes that identifying and managing risks is central to our business operations while enhancing long term strategic value for our stakeholders. As such, MGB's risk management practices and processes have been formalised in February 2019 under our Enterprise Risk Management Framework. The framework is benchmarked against the guidance issued by Committee of Sponsoring Organisation of the Treadway Commission ("**COSO**") and ISO 31000 – Risk Management Principles and Guidelines.

Key risks for the Group and current mitigation action plans are disclosed in the table below:

RISK FACTOR	CONTEXT	MITIGATION PLANS
1. Competition within the construction industry	The Group derives earnings mainly from the Construction & Trading division, which is contract-driven. MGB faces direct competition from existing companies as well as new entrants in the construction industry. Often, these companies would offer aggressive pricing that would affect the Group's competitiveness and profit margin. In addition, the prolonged slowdown and oversupply in the property market also increases the competition for construction contracts.	• Proactively seek new initiatives to drive operational efficiencies such as embarking on a digital transformation exercise and strategic sourcing of construction materials. • Explore ways to reduce cost and material wastage such as utilising in-house IBS pre-cast products for faster construction. • Provide training to workers on new technology in order to increase internal efficiency and provide optimum solutions to clients.
2. Single Customer Risk	All of the contracts in FY2019 were awarded by our immediate holding company, LBS Bina Group Berhad ("**LBGB**").	• Participate in external tendering of projects to diversify revenue sources. • Established a consortium with PNSB Construction Sdn Bhd, a State Government agency to develop Rumah Idaman projects.
3. Price increase in key construction materials	Fluctuation in raw material prices, labour cost and currency rates will affect the profit margins of our construction business.	• Practice efficient cost management by negotiating with suppliers on bulk purchase to secure better pricing and terms. • Diversify supplier base for essential raw materials. • Source local suppliers to avoid unnecessary foreign currency exchange fluctuation. • Embark on a digital transformation exercise to monitor efficient usage of materials.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Kita Bayu Residential units @ CyberSouth

LOOKING AHEAD

The Board recognises the support of our shareholders and believe in the rewarding of our shareholders in order to develop a long-term partnership. At present, MGB does not have a formalised dividend policy. However, the Board will consider the Group's financial performance, on-going capital needs and other factors deemed relevant in formalising its future dividend policy to reward its shareholders whilst ensuring adequate funds for the Group's operations in order to sustain strategic long-term growth.

With regards to the market outlook, Bank Negara Malaysia's 2019 Economic and Monetary Review report forecasts that the global economy is projected to register negative growth in 2020, due mainly to the significant economic repercussions arising from the unprecedented coronavirus disease ("**COVID-19**") pandemic. In line with that, the Malaysian economy is expected to see a Gross Domestic Product ("**GDP**") contraction -2.0% at its worst and growth of 0.5% at its best in 2020, compared to 4.3% in 2019.

Bank Negara Malaysia expects the Malaysian economy to rebound in 2021, in line with the projected global recovery. They remain optimistic that Malaysia will be able to pull through this economic downturn due to the country's strong fundamentals that have been built over the years including having diversified sources of growth, economic flexibility, adequate buffers, robust policy frameworks and a strong financial system.

The Group expects the landscape to remain challenging for the construction industry in the near term due to the soft property market, increase in raw material pricing as well as the general tightening of government spending in infrastructure. In light of that, we will continue to focus on internal projects awarded by LBGB for the near future.

For our property development division, the Group will continue to focus its efforts in the affordable homes segment by securing JVA or DRA with land owners to develop Rumah Idaman projects via the consortium with the State Government agency. We are optimistic on the continued demand for affordable housing and we expect the recent overnight policy rate ("**OPR**") cuts by Bank Negara Malaysia as well as the stamp duty exemption announced under Budget 2019 to further stimulate borrowings and encourage sales in this segment.

In line with that, the Group is excited to embark on a project to design our own Rumah Idaman prototype utilising IBS pre-cast products for our Rumah Idaman projects in Selangor. It will be the first-of-its-kind affordable homes built using IBS technology.

We will continue to focus on increasing our IBS production to produce more than 4,000 units of properties per year which will also enable the Group to benefit from economies of scale and we trust that our IBS business will be complementary to our Group's profitability in the long run. Thus far, we have experienced significant benefits in terms of cost control as the utilisation of our internal IBS pre-cast products have managed to reduce the construction waste and labour cost at site.

Taking into consideration the prevailing challenging external environment, the Management is cautiously optimistic of the business performance for FY2020. Nevertheless, the Group will take every effort to minimise any adverse impact and continue to implement rigorous cost control measures to safeguard the profit margin and remain competitive at the same time.

The Group will continue to focus on quality improvement as well as cost and production optimisation within the Group. With the implementation of the new project management software system for our digital transformation exercise, the Management and project teams will be able to plan, manage and control project changes, activities and resources with greater ease and efficiency. Through this digitalisation effort, portfolio management becomes simpler and the outputs from the software can assist the Management and project teams to facilitate better decision making and focus on delivering quality products in a timely manner.

OUR FEATURED PROJECTS TRACK RECORD

Residensi TNB @ Habu, Cameron Highlands

PPAM, Bandar Akademi @ Kulai

Nautilus @ D'Island Residence

BSP SkyPark @ Bandar Saujana Putra

Midhills @ Genting Permai

Corallia @ D' Island Residence

Balvia @ D' Island Residence

Somer Square @ Cameron Golden Hills

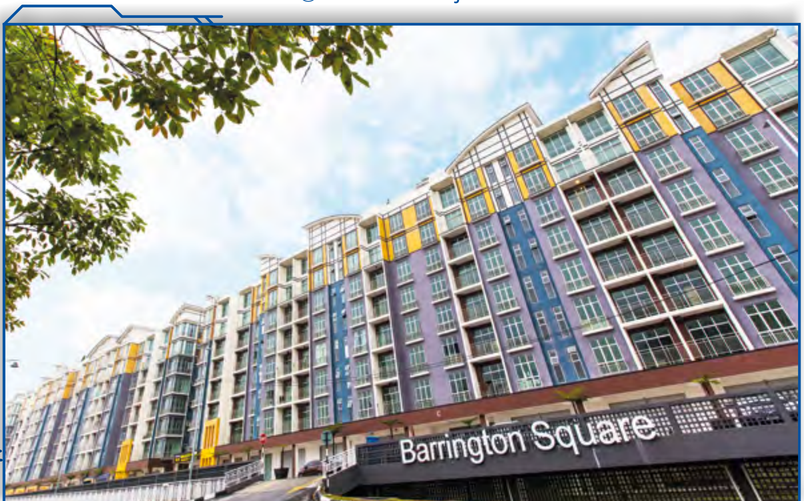
Taman Tasik Puchong Industrial Park, 3 Storey Bungalow Factory

Taman Tasik Puchong Industrial Park, 1 1/2 Storey Semi-D Factory

BSP21 @ Bandar Saujana Putra

M3 Mall @Taman Melati

Arcadia @ Bandar Puncak Alam



Barrington Square @ Cameron Golden Hills

Innovation Creates Sustainability

*At MGB, we constantly **review and innovate** the way we work to ensure **long-term growth and sustainability** for the Group. The Group embarked on a digital transformation exercise utilising a project management software that enables us to monitor and have better control of our construction projects.*

increases collaboration, efficiency and productivity

real-time monitoring and progress updates

mitigating potential project risks

ABOUT THIS REPORT

GRI 102-45, 102-46, 102-50, 102-51, 102-52, 102-53, 102-54

MGB Berhad ("MGB") is proud to present its third Sustainability Report to showcase our continuous commitment to monitor and evaluate sustainability-driven topics within the organisation. Our sustainability reporting journey began in 2017 and has proved to be an invaluable process as it helps us highlight and monitor key sustainability practices across our operations.

This report outlines MGB's approach in integrating sustainability into its policies, structure, management and operations. Through our sustainability journey, we aim to create a value chain that benefits the business' stakeholders from an economic, environmental and social perspective.

OUR REPORTING APPROACH

This report has been prepared with reference to the Global Reporting Initiative ("**GRI**") Standards and in compliance with Bursa Malaysia Securities Berhad's ("**Bursa Securities**") Sustainability Reporting Requirements covering:

- Stakeholder Inclusiveness: capturing our stakeholder's expectations and concerns;
- Sustainability Context: presenting our performance in the wider context of sustainability;
- Materiality: identifying and prioritising the key sustainability issues that our Group encounters;
- Completeness: reporting all sustainability topics that are relevant to our Group and influence our stakeholders.

The Material references are based on the GRI Sustainability Reporting Standards 2016 edition and are as stated below:

GRI 201: Economic Performance
GRI 204: Procurement Practices
GRI 302: Energy
GRI 307: Environmental Compliance
GRI 403: Training and Education

Please refer to page 50 of this report for MGB Berhad's Materiality Matrix

SCOPE AND BOUNDARIES

This report covers MGB's sustainability performance and progress for the financial year ("**FY**") - 1 January 2019 to 31 December 2019, unless otherwise stated.

The material matters covered in this report are from the following:

- All sustainability-related activities of MGB;
- Group's operations (e.g. headquarters ("**HQ**") offices, project sites and etc.); and
- Quantitative and qualitative results for the indicators of the reporting year.

References to 'MGB', 'the Company', 'the Group' and 'we' refer to MGB Berhad and its subsidiaries.

FEEDBACK

For queries/comments, you may contact:
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Email : scr@mgbgroup.com.my

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Address:
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H-G, Sunway PJ@51A
Jalan SS9A/19, Seksyen 51A
47300 Petaling Jaya
Selangor Darul Ehsan
Malaysia

SUSTAINABILITY COMMITTEE CHAIRMAN'S MESSAGE

GRI 102-14

"MGB Berhad is proud to place sustainability as part of our business processes. Echoing our Group's vision, we strive to ensure that sustainability aspects are well-adopted and integrated into our business strategy. More and more stakeholders are beginning to understand and adopt sustainability as part of their decision-making. Understanding this growing importance of sharing our sustainability performance to our stakeholders, I'm proud to present to you MGB Berhad's 2019 Sustainability Report"

Mr Lim Kim Hoe
Executive Director &
Deputy Chief Executive Officer

WE STRIVE TO ENSURE THAT SUSTAINABILITY ASPECTS ARE WELL-ADOPTED AND INTEGRATED INTO OUR BUSINESS STRATEGY

GOVERNANCE

The overarching aspect of all the sustainability areas we focus on is our governance. Our Sustainability Committee has been actively reviewing and monitoring sustainability initiatives that are aligned with our business plans and aspirations. We have been closely appraising our performance on MGB's material matters, our focus areas. We watchfully ensure that the company aligns with the Malaysian Code of Corporate Governance ("**MCCG**"), Bursa Securities' Listing Requirements and other local laws.

ECONOMIC

MGB is committed to support the local economy and protect the interest of stakeholders. In 2019, we have embarked on a digital transformation exercise by investing in a project management software. Through this digitalisation effort, we anticipate improvement in monitoring and controlling our on-going construction projects by receiving real-time updates on the progress of the projects, project cost as well as project team collaboration. Real time information shall improve the transparency and efficiency across the organisation.

ENVIRONMENTAL

Due to heavy reliance on natural resources and raw materials, we acknowledge that the construction sector has a significant environmental footprint. Thus, we ensure that all our projects adhere to the relevant regulations that govern our industry. We have been continuously monitoring our performance on our energy resources. In our operations, we have recorded 1.35% reduction on our company's total energy consumption at our HQ compared to FY2018.

SOCIAL

We are humbled to be part of the nation's drive towards sustainable economic growth by promoting local talents. We want to invest in our people and bring value to individuals – to expand their credibility and reliability. As a company that appreciates its employees, we ensure our people's health and safety is placed at the forefront. For our commitment to health and safety management and implementation at our project sites, we were awarded the MOSHPA OSH Excellence Award for consecutive four (4) years since 2016 and in this year under review was awarded Platinum Premier Award under the category of OSH Management Construction of High Rise for creating safe workplace putting emphasis on occupational safety and health practices. As for our local communities, we aspire to bring benefit to the wider society and closely support initiatives through the LBS foundation.

SUMMARY

We believe that sustainability needs to be embedded in our business strategy and that individual business actions bring impact to the global turbulence we are all experiencing. As we continue on our sustainability journey, we will attempt to implement best practices across our operations. We look forward to continuing our journey and set more ambitious sustainability-related targets for the next financial year.

MR LIM KIM HOE
Chairman of Sustainability Committee

SUSTAINABILITY REPORT (CONT'D)

VALUE DRIVEN INNOVATION

HIGHLIGHTS OF 2019

ECONOMIC

Five Stars
CIDB Malaysia Rating

Revenue
RM756.15 million

Market Capitalisation
RM326.07 million

ISO 9001:2015
Quality Management System Certified

Procurement
100% Local Suppliers

ENVIRONMENT

Zero
Cases of Environmental Non-compliance

ISO 14001:2015
Environmental Management System Certified

0.92×10^6 MJ
Energy Consumption

SOCIAL

Platinum Premier Award
MOSHPA OSH Excellence Award

OHSAS 18001:2007
Occupational Health and Safety Management System Certified

Total of 50
Training Programmes

OUR SUSTAINABILITY GOVERNANCE

GRI 102-16, 102-18

Sustainability is the cornerstone of MGB's development and we understand that good governance provides clear guidance, direction and accountability in the Company's sustainability efforts. We seek to integrate Environmental, Social and Governance ("**ESG**") matters into our policies and practices to embed the principles of sustainability not only in the way we operate as a business, but also in the services that we offer to our stakeholders.

MGB'S CORPORATE AND SUSTAINABILITY STRUCTURE

MGB's sustainability management comes under the purview of its Sustainability Committee ("**SC**"), comprising representatives from various departments that responsible for overseeing, addressing, implemented and compiled information on sustainability-related issues from all groups of stakeholders. The Figure 1 highlights the Corporate and Sustainability Structure of MGB and the reporting flow of the SC with the Board. In addition, our SC Chairman, Mr Lim Kim Hoe who is also an Executive Director, also ensures that sustainability-related matters are duly addressed at the highest level of decision-making.

MGB'S ENVIRONMENTAL, SOCIAL & GOVERNANCE (ESG) POLICY

MGB's ESG policy reflects our belief that long-term value creation depends on the sustainable development of our business, our supply chain, and the communities in which we operate. We consider these factors during the inception, design, construction, occupation, and demolition phases of our development projects. With respect to the environment, the policy states that the Group will be a good steward of natural resources and biodiversity within our influence, and we will ensure that all potential adverse impacts of our operations are identified and managed appropriately. MGB's goal is to ensure all business conduct holds fast to policies that established a culture of integrity while accomplishing long-term business success.

BUSINESS ETHICS

MGB is committed to a corporate culture that embraces and promotes strong principles of business ethics at every level, a commitment reflected in Group's Business Ethics document. The Board has included processes, policy and practices that are designed to embed a culture of sustainability throughout all levels of the Group. By placing responsible corporate administration as a core of MGB's business practices, we are able to ensure that environmental conservation and sociocultural inclusiveness are integrated into our daily business practices.

WHISTLEBLOWING POLICY

MGB believes in promoting a high standard of integrity and accountability in managing its day-to-day businesses and operations and aims to conduct its affairs in an ethical, responsible and transparent manner. Approved by the Board in 2016, the Whistleblowing Policy is formalised to ensure that all employees and members of the public are provided with an avenue to disclose any improper conduct in accordance with the procedures as provided for under Whistleblowing policy.

CORPORATE GOVERNANCE IS THE ESSENCE OF ANY SUCCESSFUL BUSINESS IN REALISING ITS SUSTAINABILITY ASPIRATIONS

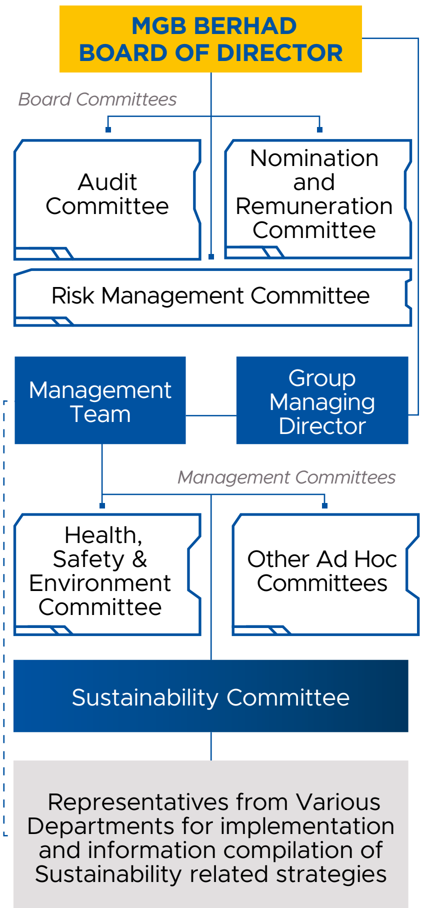
Sustainability Vision

To create a future of sustainable living spaces that enrich the quality of life for all

Sustainability Mission

To be the force of transformation in the construction industry through sustainable and innovative solutions that are proactively responsive to the economy, environment and social needs

Figure 1: MGB Corporate and Sustainability Structure



STAKEHOLDER ENGAGEMENT

GRI 102-40. 102-42, 102-43, 102-44

MGB identified shareholders, business partners, regulators, industry groups, media and the community residing around its business entities as key stakeholder groups with impact and influence on MGB's sustainability practices. Thus, MGB has engaged with the aforementioned key groups, towards identifying the material (e.g. economic, environmental and social) concerns in drawing the sustainability perimeters of its initiatives.

Based on the concerns raised by these key stakeholder groups was later populated into a control matrix to identify the prioritisation of MGB's material matters.

Table 1: Stakeholder Engagement Mode and Frequency for MGB

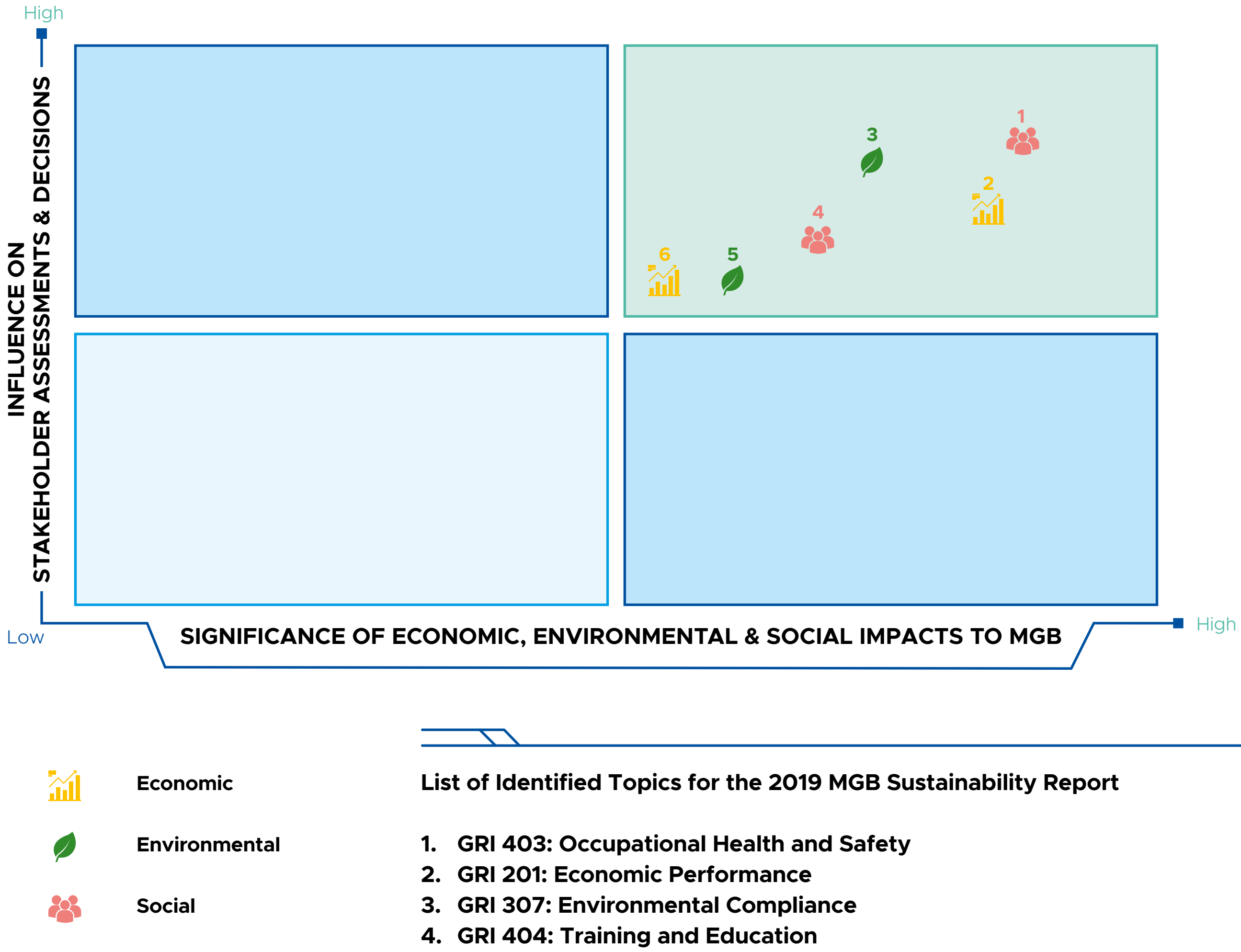
STAKEHOLDER GROUP	MODE OF ENGAGEMENT	FREQUENCY OF ENGAGEMENT	CONCERNS RAISED
Shareholders / Investors	- Annual General Meeting - Annual Report - Quarter Financial Report - Analyst Briefing - Extraordinary General Meeting - Regular Shareholder Communication/ Announcement on Bursa Securities and Corporate Website	Annually Annually Quarterly As needed As needed As needed	Economic Performance Corporate Governance
Employees	- Annual Performance Appraisal - Employee Engagement Surveys - Briefings and Trainings - Events, Celebrations & Sports - Management Meetings - Town Hall	Annually Periodic Periodic Periodic As needed Bi-Annual	Career Progression Fair Benefits Occupational Health & Safety
Customers	- Feedback Channels such as Emails, Phone Calls, Hotlines and Surveys - Website and Social Media - Product Launches and Roadshows - Marketing and Promotional Programmes and Events	As needed As needed As needed As needed	Project Delivery Product Quality Regulatory Compliance
Government / Regulators	- Income Tax Filing - Annual Return - SST Reporting - Official Meetings and Visits - Industry Events and Seminars	Annually Annually Bi-Monthly As needed As needed	Regulatory Compliance
Suppliers / Contractors	- Product Launches and Roadshows - Regular Meetings and Site Visits - Supplier Assessment System - Subcontractor Performance Evaluation	As needed As needed As needed As needed	Business Integrity Ethical Procurement
Local Communities	- Charitable Contributions - Website and Social Media	As needed As needed	Community Outreach
Media	- Press Releases - Website and Social Media	As needed As needed	Economic Performance Project Delivery

MATERIALITY MATRIX

GRI 102-47, 102-49

Following the materiality matrix methodology outlined by the GRI Standards framework, MGB mapped the materials matters of its organisation according to the importance of sustainability issues to the stakeholders and the significance of their economic, environment and social impact to MGB. A total of six (6) sustainability material topics were highlighted by the stakeholders as high impact. The influence of these topics are as showcased in the matrix below:

Figure 2: Materiality Matrix for MGB



List of Identified Topics for the 2019 MGB Sustainability Report

1. **GRI 403: Occupational Health and Safety**
2. **GRI 201: Economic Performance**
3. **GRI 307: Environmental Compliance**
4. **GRI 404: Training and Education**
5. **GRI 302: Energy**
6. **GRI 204: Procurement Practices**

All six (6) materiality sustainability topics selected this year are consistent with MGB's 2018 selections with one excluded topic, Water, to reflect increased focus from stakeholders. This year, we also elevated the materiality of Occupational Health and Safety and Energy to display our continuous efforts in creating value in these matters. In the following section of this report, we will be exploring the detailed management approaches and performance data of these selected material topics.

ECONOMIC

ECONOMIC VALUE GENERATED AND DISTRIBUTED

GRI 103-1, 103-2, 103-3, 201-1

WHY IT MATTERS?

MGB recognises that strong economic performance is critical in delivering value to its wide range of stakeholders, including shareholders, employees and suppliers. With economic performance that is viable and sustainable in the future, we believe we can continue to expand our footprint in the industry and create more new job opportunities for the communities that we operate in.

Notwithstanding to the above, MGB retains its visibility in the construction industry by enhancing its portfolio of projects on hand. Our success is driven by delivering quality products that in adherence to specifications and contractual requirements. At the same time, we place a great emphasis on wastages control and timely delivery for not being imposed any late ascertained damages charges, both of which would negatively affect the company's profitability.

HOW WE APPROACH IT?

The responsibility of managing MGB's economic performance lies with the Board of Directors and Group Managing Director, who assisted by the top management team led by Executive Director & Chief Executive Officer (CEO). We prepare yearly profit and loss forecasts at group level and monthly cash flow forecasts at the individual subsidiary company. MGB has ensuring adequate cash flow at all times in order to honour our commitments to our stakeholders (e.g. bank instalments, salaries payments and statutory contributions). To-date, we have maintained prompt repayment track record and no default of any commitments.

MGB RECOGNISES THAT STRONG ECONOMIC PERFORMANCE IS CRITICAL IN DELIVERING VALUE TO ITS WIDE RANGE OF STAKEHOLDERS

ECONOMIC (CONT'D)

HOW WE APPROACH IT? (CONT'D)

We believe our continuous financial success rests on our ability to achieve the highest standard of quality and to uphold our beliefs. For this reason, MGB takes several measures to achieve this ambition, such as:

- Conduct regular training and development programmes to increase productivity, personal job satisfaction, and help to attract and retain talent for the long term
- Perform regular inspections at each construction site to ensure adherence to customer's expectation, quality control and safety measurements
- Co-operate with subcontractors, technical consultants and other professionals with relevant experiences and proven track records of accomplishment to strive for excellence
- Keep abreast with the latest technology that is relevant to the industry and invest a comfortable budget for capital such as machineries, technology updates to ensure the Group stays competitive in term of efficiency and pricing

MGB evaluates the abovementioned objectives and approaches by engaging internal and external audit teams. No material deficiencies have been noted in terms of operations and no major audit adjustments have been imposed by the auditors. Notwithstanding all the measures mentioned above, we constantly make enhancements to our existing Standard Operating Procedures (SOP) in order to strengthen our internal control and operations efficiency along the way.

OUR PERFORMANCE

During the reporting period, MGB recorded revenue of RM756.15 million and Profit After Tax ("**PAT**") of RM12.48 million compared to RM751.27 million revenue and PAT of RM30.41 million in previous financial year. The overall decrease in PAT was mainly due to soft profit margin from ongoing construction projects as well as increase in operating expenses arising from business expansion along the time. Please refer to the Annual Report page 28 for the Performance Data of Direct Economic Impact of MGB.

ECONOMIC (CONT'D)

SUPPORT FOR LOCAL SUPPLIERS

GRI 103-1, 103-2, 103-3, 204-1

WHY IT MATTERS?

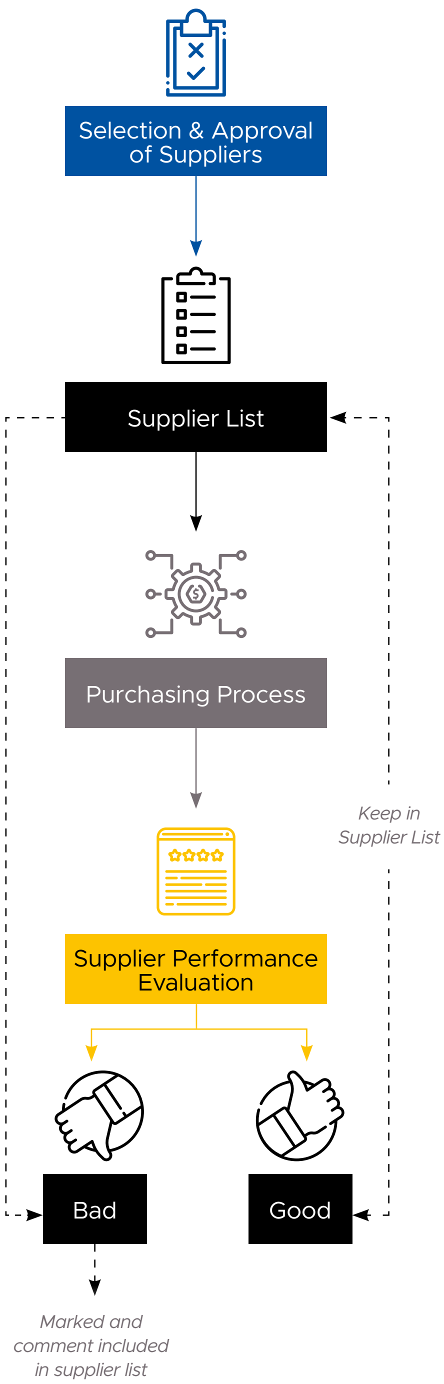
At MGB, our procurement practice is key to our competitive advantage and has a direct impact on our financial performance. Apart from prioritising local suppliers to support the development of local economy, we believe it is of critical importance to ensure continual competency and the ability to meet with our stringent requirements in all our procurement practices. This is in line with our uncompromised commitment to the excellence of the products and services we provide to all our customers towards shaping a future of sustainable living spaces that enrich the quality of life for all.

HOW WE APPROACH IT?

In order to uphold effective procurement practices at all times, we have developed comprehensive procurement policies and procedures to ensure compliance with Quality Management System and other internal requirements such as quality, delivery timeliness, environmental, health and safety requirements. These policies and procedures are in place with the objective to provide sufficient support to directors, managements and employees of the organisation in any situation pertaining to procurement processes.

Our "Supplier Assessment System", for example, is a rigorous three-stage system that is embedded as part of our Standard Operating Procedures ("**SOP**") in procurement processes. Through the integrated process outlined in Figure 3, we are able to continuously maintain suppliers that have the strong capability to not only consistently supply high-quality materials to MGB but also fulfil all our internal requirements.

Figure 3 : MGB's Procurement-related SOPs



1
SELECTION AND APPROVAL OF SUPPLIERS:
Used to create a database of suppliers that will be kept for five (5) years, including technical information on their products for easy reference.

2
PURCHASING PROCESS:
Used for the purchasing processes, including obtaining requisition permission, as well as the purchase order and formal delivery order approvals.

3
SUPPLIERS PERFORMANCE EVALUATION:
Used to assess the performance of the supplier on certain criteria on an annual basis (whichever occurs first), and provides a score; if a supplier fails to meet a minimum score, they will be marked on the Supplier's List.

OUR PERFORMANCE

As an organisation that strives towards contributing to the betterment of the economy and society that we operate in, we have set an 80% target on supplying our materials from local suppliers. This year, we are pleased to highlight that we once again managed to exceed the target and maintain 100% local supplier procurement for our raw materials.

ENVIRONMENT

ENVIRONMENTAL COMPLIANCE

GRI 103-1, 103-2, 103-3, 307-1

WHY IT MATTERS?

At MGB, we aspire to redefine the way living spaces are built for generations to come. With this forward-looking vision, we deeply care about environmental protection, especially when any misstep in our industry can lead to considerable damages. We manage our environmental impact in a holistic manner, and constantly strive to make progress. We are committed to complying with all applicable environmental regulations across all sites of work and influencing our subsidiaries and sub-contractors' environmental practices through customised Environmental Management Plans for each individual project.

HOW WE APPROACH IT?

Our environmental policies manifest our commitment to minimising adverse impacts on the environment. We have established and implemented an internal Environmental Management System which is ISO 14001:2015 certified that helps us fulfil our environmental responsibilities while encouraging other stakeholders in our supply chain to step up as well.

The Health, Safety & Environment (HSE) Committee spearhead our adherence to environmental standards and regulatory compliance. The HSE Committee has representatives on each operation site to oversee diverse environmental compliance issues. Project Environmental Management Plans are in place to facilitate the monitoring and assessment of environmental practices throughout the project lifecycles. Our Environmental Aspects-Impact-Register assures that we identify environmental impacts (either adverse or beneficial) before the commencement of our projects.

Company-wise, awareness initiatives have been designed for key personnel to understand and engage in environmental issues. These initiatives aim to boost overall sentiment and support towards environmental-friendly practices, while crowdsourcing ideas for more initiatives to be embedded in day-to-day operations. To ensure the efficiency of our efforts, periodic management review, audits, and spot checks are performed on specific environmental topics.

OUR PERFORMANCE

In 2019, MGB has successfully maintained zero cases of significant fines and non-monetary sanctions for environmental non-compliance from government authorities, marking this the second consecutive year of zero-incidents. In the coming decade, MGB is determined to continue safeguarding the environment and to allocate more resources to HSE officers as and when needed to further strengthen our environmental compliance practices.

Zero

CASES OF NON-COMPLIANCE WITH ENVIRONMENTAL LAWS AND REGULATIONS IN 2019

ENVIRONMENT (CONT'D)

ENERGY

GRI 103-1, 103-2, 103-3, 302-1

WHY ENERGY MATTERS?

The clear relationship between energy and climate change has led us to continuously challenge ourselves the way we consume and manage energy. We acknowledge that climate change will undermine our ability as a construction and development service provider to sustain our business if we fail to build resilience to withstand the negative physical effects of climate change. Therefore, we are committed to take an active role towards effective and efficient use of energy, regardless of the locations we operate in. We believe this will enable us to not only safeguard our business but also reduce the associated economic risks brought on by lack of energy resources in the long-run.

HOW WE APPROACH IT?

MGB's efforts on energy conservation are reflected in the Environmental Instructions Manual that all our employees and contractors are required to comply with. Guided by our environmental policy, this manual outlines broadly applicable initiatives that can be incorporated into our daily practices at MGB's HQ and all project sites.

As part of our Environmental Management System (EMS) Monitoring Programme, the implementation of these initiatives are regularly monitored and verified by our HSE Officers which will be reported to EMS Quality Committee to forge greater alignment of efforts across our organisation. This is in line with our commitment to strive to carry out sustainable construction practices while consistently fulfilling not only our clients' expectations but also relevant environmental requirements.

Examples of Energy Conservation Initiatives

- Install light sensors in common areas e.g. reception, corridors and toilets where necessary
- Use energy saving bulbs to minimise electricity consumption
- Turn off the lights and air conditioning system during lunch time
- Turn off the air conditioning system at least half an hour before the last person leaves the office
- Place signage at strategic locations such as meeting rooms, toilets, corridors etc. to conserve electricity as well as turning off lights and air-conditioning system
- Turn off lights when daylight is sufficient in the office
- Turn off air conditioning system in the meeting rooms when the rooms are not occupied
- When meeting room or toilet is not in use, turn off the lights
- Ensure that computers, printers and photocopiers are programmed to be on power saving mode when not in use
- Repair any leaks in the air ventilation system
- Ensure that doors and windows are kept closed at all times when air conditioning system is in use

OUR PERFORMANCE

Through our consistent endeavours in optimising our HQ's energy management, we achieved 1.35% reduction in electricity consumption as compared to the previous year. While we aim to extend our scope of disclosure in energy consumption to include all our project sites in the future, we also strive to explore other energy-saving opportunities through incorporating best practices in energy management to further reduce our energy consumption and carbon footprint.

0.92×10^6 MJ

TOTAL ELECTRICITY CONSUMPTION IN HQ

SOCIAL

OCCUPATIONAL HEALTH & SAFETY

GRI 103-1, 103-2, 103-3, 403-1, 403-2

WHY IT MATTERS?

As a comprehensive construction and development service providers, our commitment towards excellence is not limited to construction solutions for our clients. It also encompasses the duty of care in providing a safe and healthy working environment to all our employees, contractors, subcontractors, visitors and those who are affected by our activities. This means Occupational Safety and Health (OSH) is of the utmost priority in MGB and it is consistently reflected in our aspirations to go beyond compliance by achieving zero OSH-related incidents across all our project sites and HQ.

HOW WE APPROACH IT?

All safety and health matters at MGB are guided by our Health and Safety Policy, which is applicable to all our business activities and premises. In accordance with Malaysia's Occupational Safety and Health Act 1994, our policy acts as the overarching framework to our Health and Safety Management System (HSMS) that is established to effectively and systematically manage our health and safety risk. The HSMS has enabled us to not only meet all applicable health and safety legal requirements but also to work towards incorporating industry best practices into our health and safety management. This is aligned with MGB's occupational health and safety strategies that are aimed at advocating safety as a culture and establishing an optimal healthy working environment for all.

Figure 4: MGB's Occupational Health and Safety Strategies

- Meet and comply with all applicable health and safety legal requirements and other requirements
- Talk to and consult employees and their representatives, and encourage them to participate actively in all elements of the HSMS activities
- Instil best practices to prevent workplace health and safety-related illnesses and injuries
- Ensure awareness of all employees on company's health and safety system

Additionally, we have established Health, Safety and Environment (HSE) Committees in both HQ and projects sites. The HQ HSE Committee is responsible to work together with all Site HSE Committees to ensure all our project sites adhere to the Group's HSE requirements. While each project site has its own dedicated Site HSE Committee, it is tasked to consistently monitor its project site's HSE performance and identify areas for improvement towards achieving MGB's target in zero fatalities across all our operations. MGB continues investing in resources to offer OSH-related training and education programmes to our employees.

SOCIAL (CONT'D)

This includes the establishment of comprehensive OSH procedures such as fire drills, an emergency response team, weekly toolbox briefings, bi-weekly housekeeping, health and safety induction and monthly awareness programmes.

We believe our employees play a critical role in shaping our health and safety management towards excellence. Apart from regular health and safety internal and external audits, a WhatsApp HSE group has been created as a platform to facilitate employee involvement in improving our health and safety performance. All our employees are welcome to escalate their concerns if they believe there are incidents of violation in MGB's health and safety requirements at HQ and at project sites.

15th MOSHPA OSH Excellence Awards 2019 - Platinum Premier Award

In 2019, MGB Construction & Engineering Sdn Bhd was awarded Platinum Premier Award from the 15th MOSHPA OSH Excellence Award by the Malaysia Occupational Safety and Health Practitioner's Association (MOSHPA). This marks exceptional improvement in our health and safety management since our first Gold Award in 2016. We have previously received the Gold Platinum Award and Platinum Award in 2017 and 2018 respectively.

Composition of HQ and Site HSE Committee

HQ: Health and Safety Manager, HSE Management Representative, Head of Construction, Head of Department (HR/Admin, Procurement, Account/Finance and Contract).

Site: Health and Safety Officer, Site Safety Supervisor, Site Engineer, Project Manager, Trade Subcontractors representatives, Nominated Subcontractors representatives and client's representative.

Occupational Health and Safety Management Certification

MGB Construction & Engineering Sdn Bhd a wholly owned subsidiary of MGB, has been accredited with OHSAS 18001:2007 Occupational Health and Safety Management Certification by an independent certification body, the Worldwide Quality Assurance (WQA), for demonstration of effective health and safety management system.

SOCIAL (CONT'D)

OUR PERFORMANCE

In 2019, a total of 256 HSE Committee members including 22 certified practitioners under the Malaysian Department of Occupational Safety and Health (DOSH) were stationed at 18 of MGB's projects sites across Malaysia. We are delighted that our relentless efforts together with this strong defence line towards constantly mitigating MGB's health and safety risks have translated into remarkable results. This year, we managed to not only to retain our zero Lost Time Injuries (LTI), zero Lost Time Accidents (LTA) and zero Fatalities track record but also achieve zero injuries (minor & major) reported and recorded in both MGB's HQ and project sites, in addition to the Platinum Premier Award we received from the MOSHPA. Moving forward, we aim to maintain our successes this year by continuing to be vigilant in our health and safety management.

Figure 5: MGB's Site Health, Safety and Environment Committees across Site Locations

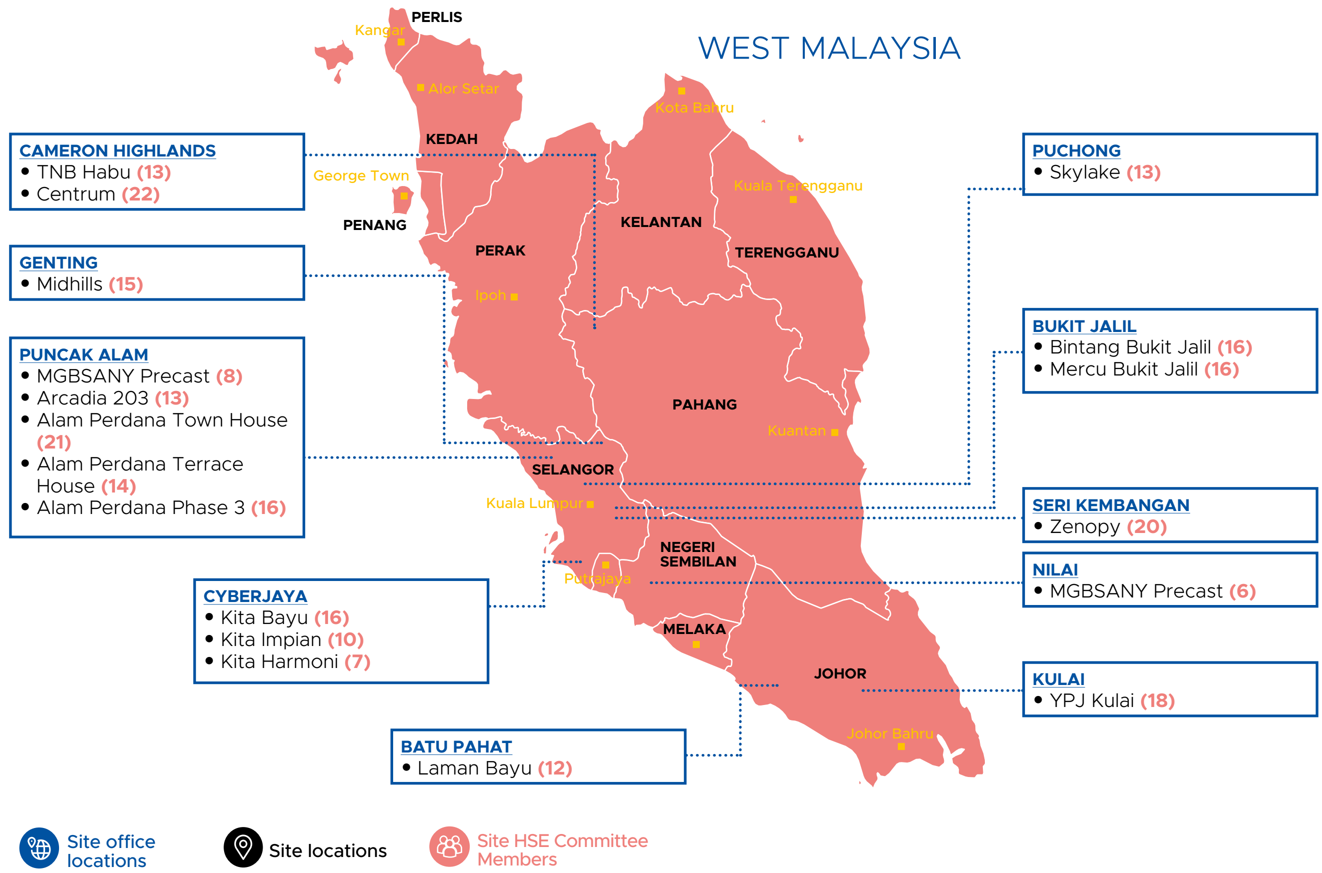


Figure 6: MGB OHS Performance at HQ	
Total number of injuries	0
Total number of lost workdays resulted from injuries	0
Injury rate	0
Lost day rate	0

Figure 7: MGB OHS Performance at Project Sites	
Total number of injuries	0
Total number of lost workdays resulted from injuries	0
Injury rate	0
Lost day rate	0

SOCIAL (CONT'D)

TRAINING AND EDUCATION

GRI 103-1, 103-2, 103-3, 404-2

WHY IT MATTERS?

MGB is devoted to building tomorrow's talent today. We recognise that our people are our most important asset and that each of us must grow and learn or we—as individuals and as a company—risk falling behind. Our mission is to engage, develop, and empower our employees to advance their careers through targeted development opportunities and innovative learning systems and solutions in support of achieving our business strategy. We believe career development is essential for job satisfaction, as well as enhancing relationships and experiences with our clients, colleagues, and communities.

HOW WE APPROACH IT?

Career development and learning at MGB is a shared responsibility between employees and their managers, but employees ultimately own their careers. Employees can take many different paths as we encourage them to learn through experiences on the job, supplemented by mentoring, coaching and formal learning. The Human Resources (HR) department together with Heads of Departments (HODs) drive and coordinate efforts across the business units to ensure consistency in the professional and personal development of our people.

Governed by training and development policies and guidelines that spread across our subsidiaries, we provide structured learning opportunities in two main categories for employees: technical and awareness. We regularly expand our learning programmes in consultation with subject matter experts to meet employees' needs as they strengthen their skills, enhancing our competitive advantage in the marketplace.

We track and evaluate training effectiveness for employees through a Training Evaluation Form. Our internal Quality Assurance and Quality Control (QAQC) department together with external accreditation bodies routinely audit our management systems to ensure we continue to conform to relevant ISO Standards. In FY2019, zero non-conformance reports (NCR) were issued against training and development in the process review and audit.

OUR PERFORMANCE

Our employees clocked over 3,000 hours of training in total for FY2019 in comparison to approximately 2,470 hours of training overall from the previous year. This allows us to maintain our target of eight (8) training hours per employee per year. During the year in review, we organised 50 training programmes comprising of skills in presentation and communication, leadership, environmental, health and safety, client service, sustainability, and anti-corruption.

Figure 8: Examples of MGB's Training Programmes for Employees in FY2019

AWARENESS TRAINING

- Quality Management System (QMS)
- Environmental Management System (EMS)
- Occupational Health and Safety Assessment Series (OHSAS)
- The Global Leadership Summit: Everyone Has Influence
- The New Section 17A on Corporate Liability in the Malaysia Anti-Corruption Act

TECHNICAL TRAINING

- Seminar on Design Risk Analysis and Reduction through OSHCIM
- CIDB Green Card Training
- Industrialised Building System (IBS) Programme: Precast Concrete Wall Panel System
- A Comprehensive Review of Latest Development in the Malaysian Financial Reporting Standards (MFRS)
- The Human Resources Development Fund (HRDF) Strategic Initiatives Schemes Briefing

COMMUNITY

OUR PEOPLE, OUR SUCCESS

Our long-term commitment to address the nation social issues has led MGB to understand the magnitude of our role in shaping and steering the local communities that we are part of and continue to build. Having a rooted vision to be a recognised industry expert stems from the core values of our holding company LBS Bina Group Berhad, we are committed to empowering citizens through our vast and diverse initiatives that prioritise social welfare improvement. We believe that these initiatives will have a multi-generational ripple effect on society at large.

The successes of our community-oriented programmes are largely attributed to our organisational emphasis on inclusion and are aimed to enrich people from all walks of life. Our efforts to embed these values in MGB's daily practices include the MGB Care Group Initiative and the Happily Grow Together with MGB Programme.

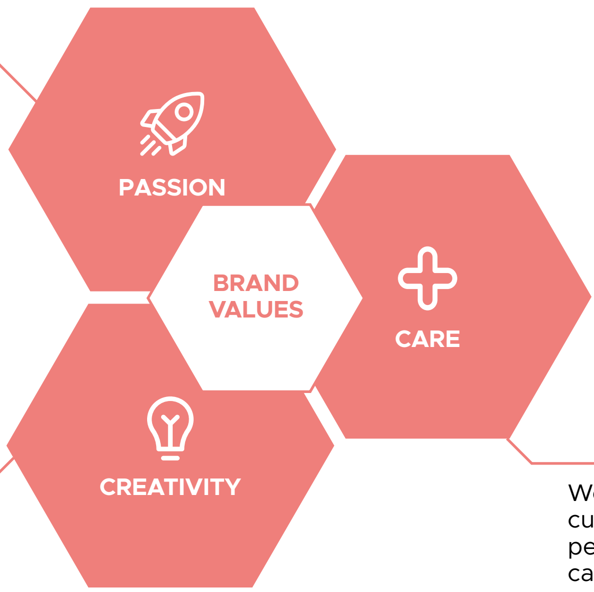
CARE GROUP INITIATIVE

Passion, Creativity and Care are MGB's three (3) Brand Values that fundamentally shape our working environment. These values, particularly on "Care" are embedded in our working culture to ensure the welfare of our people, who are also our most valuable asset. Established in January 2017, the "Care Group" comprise members of the Super Glue committee and the Human Resources Department. The objective of this initiative is to reward our fellow employees adequately and to enhance MGB's culture in maintaining a conducive and encouraging working environment with dynamic working teams.

In order to constructively establish the Care Group initiative, relevant feedback from our employees are collected and subsequently analysed. This approach was instrumental in leading the task force to devise activities that boost employee morale as it gave us an insight into their expectations in MGB's working culture. The Care Group Initiative also serves as a platform for employees across all levels to explore and propose ideas that can further enhance our current work processes and practices.

Figure 9: MGB's Care Group and Brand Values

We believe that passion in the business causes us to self-innovate. It spurs us to explore and to embrace new ideas of working, new software and new ways of communication to create greater timeliness and efficiency for our clients. Greater efficiency means a better bottom line.



We understand that every generation has different needs. Innovation can come through creative thinking that provides apt solutions that cater to the specific needs, so that greater value is felt by the end consumer.

We believe in a working culture that puts people first – people innovation. Apart from caring for their well-being, we believe in promoting and nurturing talent by providing the right environment and guidance to create a culture of seeking progress.

COMMUNITY (CONT'D)

HAPPILY GROW TOGETHER WITH MGB ("HGTM")

Guided by the three (3) aspects of MGB's working values – Happily, Grow and Together, HGTM is an initiative aimed at helping all employees to better blend into MGB's working culture while encouraging greater performance and creativity. These working values are illustrated below with their respective aims and extended values.

Figure 10: HGTM's Initiative Themes and Aims

HAPPILY	GROW	TOGETHER
Aim: To create an enjoyable yet high performance working environment	Aim: To promote innovation and creativity in MGB	Aim: To promote a sense of belonging in MGB
Enjoyable working environment	Improve personal knowledge and skills	We are MGB-ians
Creative workplace	Develop one's potential to be a better person	We are a family with the same vision - Create Living Space, Enrich Life
Be proud of MGB's achievements	Progressive business and to improve company's performance	
Receive rewards accordingly	To increase company's popularity in the industry	

At MGB, we emphasise internal company activities that promote and foster employee engagement. Activities planned through the HGTM programme encourage employees to interact and connect with colleagues from different departments and service lines and we believe these initiatives subsequently elevate team spirit within MGB at large. Moving forward, we aim to reap more benefits that we have seen through the HGTM initiatives by convening and facilitating similar activities in the future.

Chinese New Year Celebration

Bersatu for Makan Campaign

COMMUNITY (CONT'D)

BREAST CANCER AWARENESS CAMPAIGN

Aimed at creating a heightened sense of awareness on the early detection of breast cancer and the available treatment options, we organised a Breast Cancer Awareness Campaign for our employees. We believe that sufficient emphasis should be placed on regular and routine checks due to the fact that early detection and treatment can be life-changing.

CHARITABLE ACTIVITIES

As the subsidiary of LBS Bina Group Berhad, we collaborate closely with LBS Foundation, our holding company's arm in conducting the Group's Corporate Social Responsibility (CSR) programmes, on philanthropic causes across Malaysia. This means we join forces in many ways such as direct local engagement and collaborative partnerships to empower individuals and create shared value within the local communities we operate in. For more information on LBS Foundation, kindly refer to LBS Bina Group Berhad's Annual Report.

This year, we continued our joint efforts in charitable activities across Malaysia. This includes the Kiwanis Motor Treasure Hunt and LBS Foundation Virtual Run 2019.

KIWANIS MOTOR TREASURE HUNT

In support of the Kiwanis Motor Treasure Hunt 2019 themed "The Orient Connection", LBS Bina Group Berhad and MGB collectively pledged RM50,000 towards the event, returning for the 13th year as the Gold and Silver sponsors respectively. Both companies are the long-term supporters of the annual event over the past decade.

LBS FOUNDATION VIRTUAL RUN 2019

The LBS Foundation Virtual Run 2019 contributed to enrich the lives of many children with Ajar-Ajar Malaysia, a volunteer-based student education tuition aid programme for underprivileged school going children. The execution of this programme also increased awareness on the significance of giving back to society and the importance of providing children with equal opportunities.

COMMUNITY (CONT'D)

FOSTERING THE NEXT GENERATION THROUGH EDUCATION

We recognise that MGB plays a vital role in shaping the future of the construction industry in Malaysia. Apart from continuously exploring innovative technologies to incorporate into construction solutions that we deliver to our clients, we have embarked on the journey in building the future talent pipeline for us as well as the wider construction industry.

As one of the member companies of Master Builders Association Malaysia (MBAM), MGB and other construction companies in Malaysia have partnered with Politeknik Ungku Omar (PUO) to establish a Work Based Learning (WBL) Programme back in 2016. Over the years, we have successfully hosted 15 students from PUO for the WBL Programme.

WORK BASED LEARNING PROGRAMME

A flagship initiative between member companies of Master Builders Association Malaysia (MBAM) and Politeknik Ungku Omar (PUO), the Work Based Learning (WBL) Programme is designed with the aim to build human capital that meets the needs of the construction industry. The students under the programme will be exposed to real work situations during their training period with the member companies of MBAM.

MGB is one of the pioneer companies who joined the WBL Programme since the programme enrolled. Many students from PUO have enrolled into this programme to gain hands-on construction-related experiences during their studies since its inception in 2016.

THE SUCCESSES OF OUR COMMUNITY-ORIENTED PROGRAMMES ARE LARGELY ATTRIBUTED TO OUR ORGANISATIONAL EMPHASIS ON INCLUSION AND ARE AIMED TO ENRICH PEOPLE FROM ALL WALKS OF LIFE.

FEATURE STORY: INDUSTRIALISED BUILDING SYSTEMS (IBS) IN MGB

INDUSTRIALISED BUILDING SYSTEMS IN MGB

The future of affordable housing lies with IBS, a technique in pre-fabrication that increases efficiency in construction projects. The IBS precast concrete technique involves a process where components are manufactured in a controlled environment off-site and then assembled at construction sites. In our third year of being one of the industry leader in the production IBS, MGB has seen much success in utilising the technique. It has contributed lower labour dependence, better finish product quality, optimum material usage and lower weather impact to construction progress. As such, it has shorter the construction time with cost saving and be more sustainable to construction site.

In this year alone, MGB has reached further milestones in terms of increasing the dissemination and use of IBS precast concrete technique into its projects. The total production output of precast concrete products for MGB's plants in 2019 was 35,657m^3 and the types of components produced include but not limited to wall panels, hollow core slab, beams, columns, slabs and staircases.

One of our proudest accomplishments was successfully delivered IBS-built homes at Alam Perdana, a township developed by our holding company, LBS Bina Group Berhad ahead of schedule. Our mobile plant constructed 673 units of double-storey terrace houses (also known as Irama Perdana project) and was certified by CIDB with an IBS score of 84/100 points. Year 2019 also saw our further achievement by completing of 856 units of double-storey terrace houses (also known as Rentak Perdana project).

It was noted in 2018 that IBS precast concrete was instrumental in several areas of increased efficiency including a 33% savings on construction time, less dependency on manual labour by as much as 31% and total on-site labour costs cut in half. Significantly, MGB has also recorded further costs savings in terms of transportation as there is more control on trip frequency and overtime. It has been a cornerstone in enhancing the standard of local property development and works towards achieving sustainable development goals by launching thriving communities.

In addition, there are also environmental advantages seen through this system such as efficiency in using sustainable or eco-friendly materials, reduction of waste, increased site safety and a decrease in noise levels at sites.

The commitment to making IBS successful in delivering well-constructed and affordable housing is clear as MGB has expanded its operation focus from IBS steel and aluminium formworks to IBS precast concrete and has formed strategic partnerships to take this vision forward.

Riding on the success of the mobile plant at Alam Perdana, MGB replicated the model and further invested approximately of RM40.0 million for a built area spanning of 119,017 sq ft permanent plant in Nilai, Negeri Sembilan which was launched in March 2019. With both plants combine, MGB has the capacity to produce 4,000 units of properties per year.

Currently, the short-term targets are to cater to Alam Perdana project as well as Cybersouth project by our holding company and the long-term target is to supply to other property developers and the government for building affordable housing projects.

The Government has also expressed support for integrating IBS further into Malaysia's construction industry as it has proved to be among the most valuable techniques to support the Government in achieving its targets of building one million affordable homes in the next 10 years. Furthermore, the Housing and Local Government Minister has also stated that the Government intends to utilise IBS components in all its housing projects by 2024. This is in line with MGB's strategy to constantly be on the look out for more efficient methods to produce pre-cast components. MGB also plans to move into the future by using IBS to enhance the job market and plans to focus on hiring a local workforce as well as develop detailed training to equip its workforce with the necessary skills.

To date, MGB has already delivered more than 15,000 units of properties, particularly in affordable homes to the nation. We are confident that our increased efforts on producing more quality sustainable homes through IBS will only give us a firmer footing in the industry and drive the progress of the country.

THE FUTURE OF AFFORDABLE HOUSING LIES WITH IBS WITH INCREASED EFFICIENCY INCLUDING A 33% SAVINGS ON CONSTRUCTION TIME, LESS DEPENDENCY ON MANUAL LABOUR BY AS MUCH AS 31% AND TOTAL ON-SITE LABOUR COSTS SAVED BY HALF

SUSTAINABILITY REPORT (CONT'D)

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GRI 102-55

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GRI 102-3	Location of headquarters	Page 7
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GRI 102-5	Ownership and legal form	Page 6
GRI 102-6	Markets served	Page 28 & 29
GRI 102-7	Scale of the organisation	Page 19 & 29
GRI 102-8	Information on employees and other workers	Page 29
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GRI 102-10	Significant changes to organisation and its supply chain	Page 28 to 37
GRI 102-11	Precautionary Principle or approach	Page 38, 84 to 86
GRI 102-12	External initiatives	Page 60 to 63
GRI 102-13	Membership of associations	Contact organisation for further details
STRATEGY		
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GRI 103-2	The management approach and its components	Page 51 & 52
GRI 103-3	Evaluation of the management approach	Page 51 & 52
GRI 201-1	Direct economic value generated and distributed	Page 52
TOPIC: PROCUREMENT PRACTICES		
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GRI 103-3	Evaluation of the management approach	Page 53
GRI 204-1	Proportion of spending on local suppliers	Page 53
TOPIC: ENERGY		
GRI 103-1	Explanation of the material topic and its Boundary	Page 55
GRI 103-2	The management approach and its components	Page 55
GRI 103-3	Evaluation of the management approach	Page 55
GRI 302-1	Energy consumption within the organisation	Page 55
TOPIC: ENVIRONMENTAL COMPLIANCE		
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TOPIC: TRAINING AND EDUCATION		
GRI 103-1	Explanation of the material topic and its Boundary	Page 59
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CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("**Board**") of MGB Berhad ("**MGB**") recognises the importance of good corporate governance and emphasises in instilling and maintaining a high standards of corporate governance within MGB and its subsidiaries ("**MGB Group**" or "**the Group**") by acknowledging and adopting the relevant principles and recommendations of the Malaysian Code on Corporate Governance ("**MCCG**") issued by the Securities Commission Malaysia, where applicable to the operations of the Group towards financial sustainability and corporate accountability with the ultimate objective of protecting and enhancing long-term shareholders' value, while protecting the interests of all stakeholders.

The Board is pleased to report that this statement sets out the extent of the Group's compliance with the recommendations of MCCG for the financial year ended 31 December 2019 ("**FY2019**"). MGB has adopted 26 out of the 36 practices including 1 step up. The details of the practices that have yet to be applied/adopted are set out in the Corporate Governance Report 2019 ("**CG Report 2019**").

This statement shall be read together with the CG Report 2019 which is available on the Company's corporate website at www.mgbgroup.com.my.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

Board of Directors

MGB continues to be led by an experienced, competent and diversified Board that is made up of Directors with appropriate competencies, knowledge, skills and experience from diverse sectors and backgrounds. The Directors collectively, have wide and varied technical, financial and commercial experience which facilitates the discharge of the Board's statutory and fiduciary duties and responsibilities.

The Board assumes, amongst others, the following roles and responsibilities:

- to formulate, implement and evaluate the strategic plans and direction of the Group;
- to oversee the conduct and performance of the Group's businesses;
- to identify principal risks affecting the Group, setting the risk appetites and to ensure the implementation of appropriate mitigation measures;
- to establish and review training programme and succession planning to the Board and all candidates appointed to senior management positions are of sufficient calibre;
- to approve the change of corporate organisation structure plan including new investments or divestments both locally or abroad;
- to oversee the development and implementation of shareholder communication policy/practice for the Group; and
- to review the adequacy and the integrity of the Group's management information and internal control system.

The Board is supported by the respective Board Committees, namely Audit Committee ("**AC**"), Nomination and Remuneration Committee ("**NRC**") and Risk Management Committee ("**RMC**") with delegated responsibilities to oversee the Group's affairs and authorise to act on behalf of the Board in accordance with their respective Terms of Reference ("**TOR**"). Each Board Committee will review, report and make recommendation to the Board during the Board meeting on matters relevant to their roles and responsibilities. The Chairman of the respective Board Committee will provide highlights to the Board and the minutes of the respective Board Committees' meetings will also be tabled at the Board meetings to keep the Board abreast of the decision and deliberation made by each Board Committee. The ultimate responsibility for decision making lies with the Board.

The Board delegates the authority and accountability of the business operations of the Group to the Management Team led by the Executive Director & Chief Executive Officer ("**CEO**") who reports periodically to Group Managing Director, Board and Board Committees. The Management Team is responsible for assisting the CEO in implementing the policies and procedures adopted by the Board to achieve the Group's objectives. The Management Team would be invited to attend the Board and Board Committees' Meetings as and when necessary, to furnish with explanations and comments on the relevant agenda items tabled at the meetings or to provide clarification on issue(s) that may be raised by the Directors.

I. BOARD RESPONSIBILITIES (CONT'D)

Board of Directors (Cont'd)

The following diagram shows an overview of the responsibilities of the Board, Board Committees and Management Team of the Company:

Board
Responsible for the long-term success of the Group. It sets strategy and oversees its implementation, ensuring only acceptable risks are taken. It provides leadership and direction and is also responsible for corporate governance and the overall financial performance of the Group.

BOARD COMMITTEES

Audit Committee
Responsible for oversight of the Group's financial and reporting processes, the integrity of the financial statements, the external and internal audit processes, and the systems of internal control and risk management.

Nomination and Remuneration Committee
Responsible for reviewing and recommending to the Board on board composition, board evaluation, executive remuneration policy and recommend the remuneration packages of the Executive Directors.

Risk Management Committee
Responsible for oversight of the implementation of the risk management system and to ensure that the risk management process is in place and functioning effectively.

Group Managing Director
Responsible for implementation of the Board's strategies, day-to-day management of the business and all matters which have not been reserved to the Board or delegated to its Committees.

Management Team
Responsible for implementing strategies and policies set by the Board and managing the operational and financial performance of the Group.

MANAGEMENT COMMITTEES

Sustainability Committee
Responsible for overseeing and addressing sustainability issues relating to all groups of stakeholders.

Health, Safety & Environment (HSE) Committee
Responsible for establishing and implementing the Group HSE Management System to achieve the objectives of HSE.

Other Ad-Hoc Committees
Ad-hoc Committee will be formed based on the specific corporate exercise or operation of the Group when the need arises.

I. BOARD RESPONSIBILITIES (CONT'D)

Chairman of the Board and Group Managing Director

The roles of the Chairman and Group Managing Director are distinct and separate to ensure balance of power and authority. Dato' Abdul Majit bin Ahmad Khan, the Chairman of the Board is primarily responsible for ensuring Board effectiveness and monitoring the workings of the Board.

Tan Sri Dato' Sri Lim Hock San, Group Managing Director has the overall responsibilities over the Group's operation, organisational performance effectiveness and implementation of strategy, overseeing and managing the day-to-day operations of the Group and the Board's policies, decisions, consideration and approval. He is also responsible for determination of strategic direction of the Group.

The clear separation of roles of the Chairman and Group Managing Director provides a healthy, independent and professional relationship between the Board and the Management.

Company Secretaries

The Board is supported by the Company Secretaries who are qualified under the Companies Act 2016. The Company Secretaries advise and regularly update the Board on corporate governance related matters and ensure the Board adheres to the relevant rules and regulatory requirements as well as Board policies and procedures. The Board has unrestricted direct access to the services of the Company Secretaries to enable them to discharge their duties and responsibilities effectively.

The Company Secretaries attends all the Board and Board Committees' meetings and facilitates the communications of decisions made and policies set by the Board to the Management Team for action.

Board Meetings

The Board meets at least five (5) times a year. Additional meetings which require the Board's deliberation and approval will be held in between the scheduled meetings.

During the FY2019, a total of five (5) Board Meetings were held. The attendance of each Director at the Board Meetings is tabulated as below: -

Directors	Attendance
Dato' Abdul Majit bin Ahmad Khan	4/5
Tan Sri Dato' Sri Lim Hock San, JP	5/5
Datuk Wira Lim Hock Guan, JP	5/5
Datuk Lim Lit Chek	4/5
Mr Lim Kim Hoe	5/5
Dato' Beh Hang Kong	5/5
Mr Chin Sui Yin	5/5
Puan Nadhirah binti Abdul Karim [(a)]	5/5
Datuk Tan Choon Hwa [(b)]	0/0

(a) Appointed on 1 February 2019
(b) Resigned on 1 February 2019

I. BOARD RESPONSIBILITIES (CONT'D)

Board Meetings (Cont'd)

The proceedings of Board Meetings are conducted in accordance with a structured agenda together with comprehensive management reports and supporting information which are furnished to the Directors in advance for the Directors to obtain further explanation or clarification, where necessary, in order to be properly briefed before the meeting. All Directors have full and unrestricted access to the advice and services of the Management Team, Company Secretaries, Internal Auditors and External Auditors in the furtherance of their duties. When necessary, the Board may seek independent professional advice on specific matters to enable the Board to discharge its functions in the decision-making process at the Company's expenses.

In the intervals between Board Meetings, any matters requiring urgent Board's decisions or approvals will be sought via circular resolutions which are supported with all the relevant information and explanations required for an informed decision to be made and the same for the Board Committees.

Notices on the closed periods for dealings in the securities of the Company are circulated to all Directors and principal officers of the Company in order for them to make necessary disclosure to the Company in advance whenever the closed period is applicable.

Board Charter

The Board has adopted a Board Charter which sets how its roles, powers and responsibilities are exercised, having regard to principles of good governance, best practices and applicable laws.

The Board Charter upholds high standard of governance and clarifies, amongst others, the roles and responsibilities of the Board and serves as a general statement of intent and expectation as to how the Board discharge its duties and responsibilities. The Board Charter will be reviewed and updated periodically as and when necessary to ensure its appropriateness and relevance to the Company from time to time and its compliance with relevant laws, rules and regulations. The Board Charter is available at the Company's corporate website.

Code of Conduct and Business Ethics

The Group's Code of Conduct and Business Ethics for Directors and employees continue to govern the standards of ethics and good conduct expected from the Directors and employees of the Group.

Directors' Code of Conduct

The Board in discharging its function besides observing the Code of Ethics for Company Directors issued by the Companies Commission of Malaysia, the provisions of the Companies Act, 2016 and MCCG, has adopted its Directors' Code of Conduct which sets out 12 principles as guidance for proper standards of conduct, sound and prudent business practices as well as standard of ethical behaviour for Directors, based on the principles of integrity, responsibility, sincerity and corporate social responsibility.

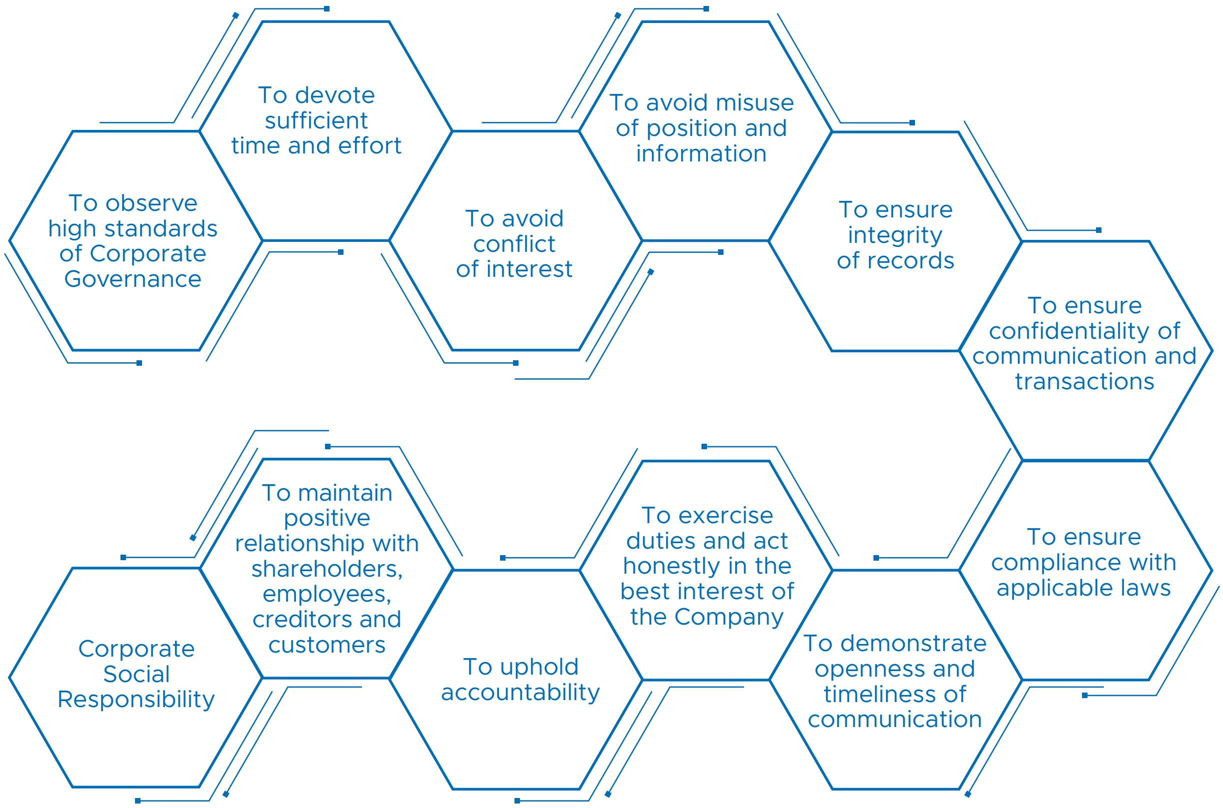
CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

I. BOARD RESPONSIBILITIES (CONT'D)

Code of Conduct and Business Ethics (Cont'd)

Directors' Code of Conduct (*Cont'd*)

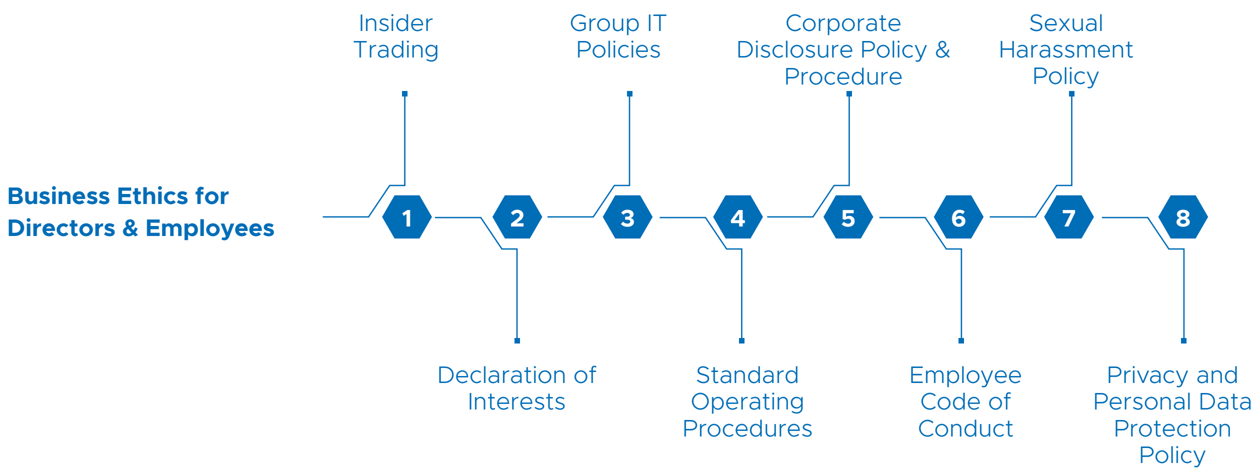
Board members are required to observe the Directors' Code of Conduct as follows:



The Board will review the Directors' Code of Conduct as and when necessary to ensure it remains relevant and appropriate. The Directors' Code of Conduct is available on the Company's corporate website.

Business Ethics

Employees are also expected at all times to maintain the highest standards of professionalism and integrity. The Company has set out various policies and procedures in relation to the code of conduct for the Directors and employees, such as: -



I. BOARD RESPONSIBILITIES (CONT'D)

Whistleblowing Policy

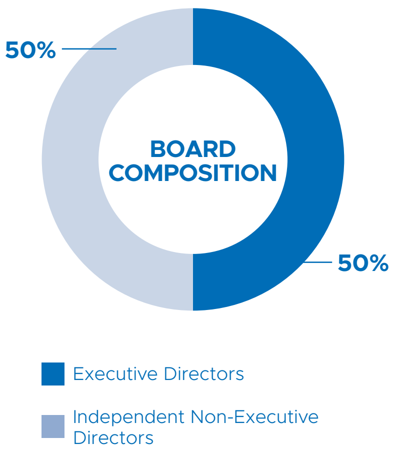
The Board believes in promoting high standard of integrity and accountability in managing its day-to-day businesses and operations and aims to conduct its affairs in an ethical, responsible and transparent manner. To address this concern, the Company has formalised a whistleblowing policy with the aim of providing an avenue for all employees of the Group and members of the public to disclose any improper conduct in accordance with the procedures as provided under the policy and to provide protection for employees and members of the public who report such allegations.

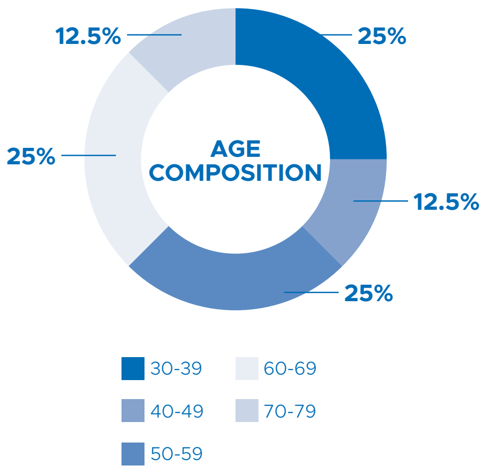
The Whistleblowing Policy is available on the Company's corporate website.

II. BOARD COMPOSITION

Composition of the Board

The Board had eight (8) members comprising four (4) Independent Non-Executive Directors and four (4) Executive Directors. The Board, through the NRC, reviews annually the size and composition of the Board and each Board Committee, and the skills and core competencies of its members, to ensure an appropriate balance and diversity of skills and experience.





BOARD SKILLS AND EXPERIENCE

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

II. BOARD COMPOSITION (CONT'D)

Tenure of Independent Directors

Pursuant to the Board Charter, the tenure of an independent director should not exceed nine (9) years cumulatively. However, an Independent Director who has served the Company beyond nine (9) years may, subject to NRC's recommendation and shareholders' approval, continue to serve the Company in the capacity of Independent Director.

None of the Independent Director's tenure has exceeded a cumulative term of nine (9) years for the FY2019.

Appointment of Director and Senior Management

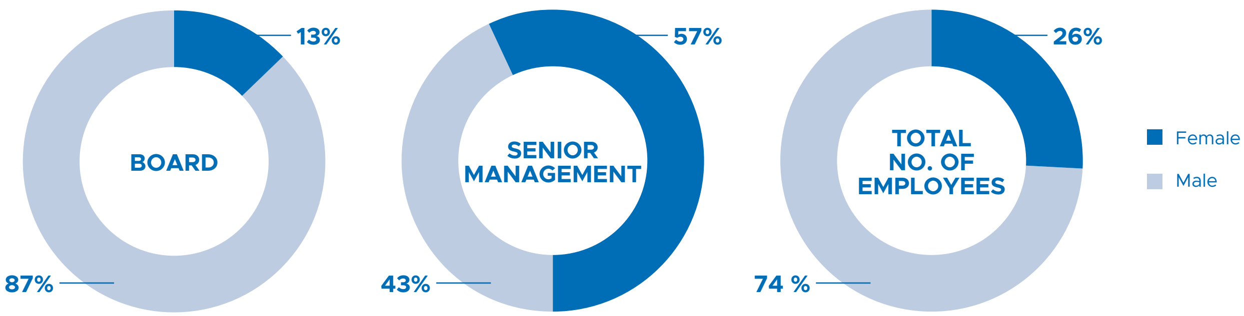
The NRC maintains a formal and transparent procedure for the selection and recruitment of new Directors. The criteria for selection would include but not be limited to the candidates' skills, knowledge, expertise, experience, professionalism and integrity. The Board will use independent sources or search firms to identify suitably qualified candidates, instead of relying solely on the existing Board, management or major shareholders should the need arises.

The appointment of Senior Management of the Company is based on merit and with due regards for diversity in skills, experience, age and gender.

Boardroom Diversity

The Board acknowledges the importance of boardroom diversity and is supportive of the recommendation of MCCG to the establishment of boardroom and workforce gender diversity policy. Currently, the Group does not adopt any formal gender diversity policy in the selection of new Board candidates and does not have specific policies on setting target for female candidates in the workforce. The evaluation of the suitability of candidates as the new Board member or as a member of the workforce is based on the candidates' competency, skills, character, time commitment, knowledge, experience and other qualities in meeting the needs of the Group, regardless of gender. The Group is an equal opportunity employer and does not practise discrimination of any form, whether based on age, gender, race and religion, throughout the organisation.

During the FY2019, a woman director namely Puan Nadhirah binti Abdul Karim was appointed on 1 February 2019, which has improved the women representation on the Board and testified to the Group's commitment on gender diversity.



Gender composition as at 31 December 2019

II. BOARD COMPOSITION (CONT'D)

Directors' Training and Induction

For newly appointed Director, a formal letter detailing the general duties and obligations as a Director pursuant to the relevant legislations and regulations will be given. The new Director will also be provided with printed materials relating to the roles and responsibilities of a director, the Group's principal businesses, corporate governance practices, company policies and procedures as well as a board meeting calendar for the year.

The Company Secretaries would lead a comprehensive induction programme for newly appointed Director. The induction programme includes meetings with various key executives of the Management. The programme also includes briefing by the Company Secretaries on the Company's board processes, internal controls and governance practices and by the Management Team on key areas of the Company's operations.

All Directors are also provided with updates and/or briefings from time to time by professional advisers, consultants, Management and the Company Secretaries in areas such as corporate governance practices, relevant legislations and regulations and financial reporting standards. The Company Secretaries has periodically informed the Directors of the availability of appropriate courses, conferences and seminars. The Directors are encouraged to attend such training at the Company's expense.

Details of training/seminars/conference attended by the Board members in the FY2019 are listed as follows:

NAME OF DIRECTOR	TRAINING / SEMINARS / CONFERENCE ATTENDED
Dato' Abdul Majit bin Ahmad Khan	• Malaysia-China Outlook Forum 2019 – What's Next After Beijing BRI Forum
Tan Sri Dato' Sri Lim Hock San	• National Housing and Property Focus Summit 2019 • Malaysia-China Outlook Forum 2019 : What's Next After Beijing BRI Forum • The 9th Malaysia-China Entrepreneurs Conference & The 1st Malaysia-China Young Entrepreneurs Conference – 45th Anniversary Malaysia-China Diplomatic Relations a Greater Glory • The New Section 17A on Corporate Liability in the Malaysian Anti-Corruption Act
Datuk Wira Lim Hock Guan	• The New Section 17A on Corporate Liability in the Malaysian Anti-Corruption Act
Datuk Lim Lit Chek	• International Construction Transformation Conference 2019 • Malaysia-China Outlook Forum 2019 – What's Next After Beijing BRI Forum • The New Section 17A on Corporate Liability in the Malaysian Anti-Corruption Act
Mr Lim Kim Hoe	• International Construction Transformation Conference 2019 • The New Section 17A on Corporate Liability in the Malaysian Anti-Corruption Act
Mr Chin Sui Yin	• Session on Corporate Governance & Anti-Corruption • The New Section 17A on Corporate Liability in the Malaysian Anti-Corruption Act • The Securities Commission Malaysia's Audit Oversight Board Conversation with Audit Committees • Raising Defences: Section 17A, MACC Act

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

II. BOARD COMPOSITION (CONT'D)

Directors' Training and Induction (Cont'd)

Details of training/seminars/conference attended by the Board members in the FY2019 are listed as follows: (Cont'd)

NAME OF DIRECTOR	TRAINING / SEMINARS / CONFERENCE ATTENDED
Dato' Beh Hang Kong	• Malaysia - China 4th Joint Cooperation Council Meeting on Malaysia-China Kuantan Industrial Park (MCKIP) and China - Malaysia Qinzhou Industrial Park (CMQIP) • Malaysia - China Belt and Road Economic Cooperation Forum • Joint Business Council Meeting of Malaysia China Business Council (MCBC) and China Council for The Promotion of International Trade (CCPIT)
Puan Nadhirah binti Abdul Karim	• The Mandatory Accreditation Programme • The New Section 17A on Corporate Liability in the Malaysian Anti-Corruption Act • National Tax Seminar 2019

Nomination and Remuneration Committee

The NRC currently comprises three (3) Independent Non-Executive Directors:

a) Chairman - Dato' Abdul Majit bin Ahmad Khan
(Independent Non-Executive Chairman)

b) Members – Mr Chin Sui Yin
(Senior Independent Non-Executive Director)

c) Members – Dato' Beh Hang Kong
(Independent Non-Executive Director)

A summary of the activities of the NRC in discharging its duties for the FY2019 is as follows:

1) reviewed the composition of the Board in respect of its structure, size and the required mix of skills and experience;
2) assessed the independence of Independent Directors;
3) assessed and evaluate the Board, Board Committees and the individual directors;
4) recommended the appointment of Puan Nadhirah binti Abdul Karim as Independent Non-Executive Director of the Company;
5) recommended the re-designation of Dato' Beh Hang Kong as Independent Non-Executive Director of the Company;
6) review and recommended the change of the composition of AC and NRC;
7) reviewed and recommended the re-election of directors retiring by rotation and re-appointment of director at the Annual General Meeting ("**AGM**") of the Company; and
8) reviewed and recommended remuneration package of Executive Directors.

Board Annual Assessment

The Board, through the NRC and facilitated by the Company Secretaries, had carried out the annual assessment to evaluate the performance of the Board, its Board Committees and each individual Director for the FY2019.

The assessment was carried out based on questionnaire. In order to encourage open and frank evaluations, the evaluation process was managed by the Company Secretaries, who had forwarded the questionnaire to each Director, as well as collated the duly completed forms from the Director.

A summary of the results and all feedback received were tabled to the NRC for deliberation before appropriate action plans were recommended to the Board for further discussion and approval. The results of the annual assessment indicated that the Board, its Board Committees and the individual Directors had been effective as a whole in the overall discharge of their functions and responsibilities.

III. REMUNERATION

Directors' Remuneration

The Directors' remuneration has the underlying objectives of attracting and retaining Directors of high calibre needed to run the Group successfully. In the case of the Executive Directors, the various components of the remuneration are structured so as to link rewards to corporate and individual performance. In the case of Independent Directors, the level of remuneration reflects the expertise, experience and level of responsibilities undertaken by a particular Independent Director concerned.

The remuneration of the Directors for the FY2019 is set out below: -

(a) The details of the Directors' remuneration (including benefits-in-kind) for each Director received/receivable **from the Company** during the FY2019 are as follows: -

	Fees (RM)	Salaries, Bonuses, Allowances & Other Emoluments (RM)	Benefits-In-Kind (RM)
Non-Executive Directors			
Dato' Abdul Majit bin Ahmad Khan	43,800	6,750	-
Mr Chin Sui Yin	37,800	6,600	-
Dato' Beh Hang Kong	31,800	3,300	-
Puan Nadhirah binti Abdul Karim (1)	-	-	-
Datuk Tan Choon Hwa (2)	31,800	5,600	-
Executive Directors			
Tan Sri Dato' Sri Lim Hock San	-	-	-
Datuk Wira Lim Hock Guan	-	-	-
Datuk Lim Lit Chek	-	-	-
Mr Lim Kim Hoe	-	-	-
Total	**145,200**	**22,250**	**-**

(b) The details of the Directors' remuneration (including benefits-in-kind) for each Director received/receivable **from the Group** during the FY2019 are as follows: -

	Fees (RM)	Salaries, Bonuses, Allowances & Other Emoluments (RM)	Benefits-In-Kind (RM)
Non-Executive Directors			
Dato' Abdul Majit bin Ahmad Khan	43,800	6,750	-
Mr Chin Sui Yin	37,800	6,600	-
Dato' Beh Hang Kong	31,800	3,300	-
Puan Nadhirah binti Abdul Karim (1)	-	-	-
Datuk Tan Choon Hwa (2)	31,800	5,600	-
Executive Directors			
Tan Sri Dato' Sri Lim Hock San	-	693,014	37,632
Datuk Wira Lim Hock Guan	-	481,968	56,173
Datuk Lim Lit Chek	-	940,578	74,979
Mr Lim Kim Hoe	-	658,115	59,212
Total	**145,200**	**2,795,925**	**227,996**

Notes:
(1) Appointed on 1 February 2019
(2) Resigned on 1 February 2019

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

III. REMUNERATION (CONT'D)

Key Management's Remuneration

The Board acknowledges the recommendation of MCCG to disclose the remuneration of top five (5) senior management on a named basis in bands of RM50,000. However, the Board considered the confidential and commercial sensitivities related with Key Management remuneration matters and the highly competitive human resource environment which being involved, it is important to ensure the stability and continuity of the business operations with a competent and experienced Executive team in place.

At this particular juncture, the Board is of opinion that the disclosure be made on the following aggregate basis which allows stakeholders to make an appreciable link between remuneration of Key Management and the performance of the Group.

Name	Salaries, Bonuses, Allowances & Other Emoluments	Benefits-In-Kind	Total
Top five (5) Senior Management Remuneration	91%	9%	100%
	95%	5%	100%
	100%	0%	100%
	100%	0%	100%
	96%	4%	100%
Total amount paid/ payable during FY2019	**RM1,978,000**		

PRINCIPLE B:
EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AUDIT COMMITTEE

The Chairman of the AC, Mr Chin Sui Yin is not the Chairman of the Board and all members of the AC are financially literate and are able to analyse and interpret financial statements in order to effectively discharge their duties and responsibilities as members of the AC.

The AC has a policy that requires a former key audit partner to observe a cooling-off period of two (2) years before being appointed as a member of the AC and such practise was formalised and incorporated in the TOR of the AC.

Assessment of Suitability and Independence of External Auditors

The shareholders of the Company had on 18 June 2019, during the Seventeenth AGM of the Company approved the re-appointment of Messrs UHY ("**UHY**") as the External Auditors of the Company for FY2019.

An annual assessment on UHY was conducted by AC in May 2020 and the AC was satisfied with the performance of UHY and has recommended to the Board to put forth the proposal for re-appointment of UHY as External Auditors of the Company for financial year ending 31 December 2020 to the shareholders for approval at the forthcoming AGM.

In terms of independence, the AC obtained written assurance from the External Auditors confirming that they are and have been independent throughout the conduct of audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

Risk Management Framework

The Board is aware of the importance of establishing and maintaining a sound system of risk management framework and internal control in the Company and the Group to safeguard shareholders' interest and Group's assets. The Board continuously reviews and examines the effectiveness and efficiency of the risk management framework and internal control system on areas such as financial, operational and compliance, and seek alternative ways for improvement should any weakness be detected and identified.

Having reviewed the adequacy and effectiveness of the Group's risk management and internal control system for the FY2019, the Board is of the view that the risk management and internal control system is satisfactory and there were no material losses incurred as a result of internal control weakness or adverse compliance events.

Internal Audit

The outsourced Internal Audit function is in place to assist the Board in ensuring that there is an appropriate balance of controls and risks throughout the Group in achieving its business objectives. The Internal Audit function, which reports directly to the AC, is responsible to conduct reviews on the system of internal controls and the effectiveness of the processes that are in place to identify, evaluate, manage and report risks.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

I. COMMUNICATION WITH STAKEHOLDERS

The Board is committed to maintain open channels of communication by continuous disclosure and dissemination of comprehensive and timely information of the Company in its best effort to strengthen its relationship with shareholders and stakeholders.

The Group has various mean of communication channels in place to effectively communicate information to all the shareholders and stakeholders, which include annual reports, Company's corporate website, online social networking and AGM.

II. CONDUCT OF GENERAL MEETINGS

Shareholders Participation at General Meetings

At the Company's AGM, shareholders and proxies are encouraged to express their views or raise questions in relation to the Group's financial performance and business operations. Members of the Board, the Management Team, External Auditors, Lawyer and Company Secretaries will be present to respond to questions raised at the AGM.

FUTURE PRIORITIES

Moving forward, the Board will continue to enhance the corporate disclosure requirements in the best interest of the Company's shareholders and stakeholders. The areas to be prioritised by the Board will be principles that have yet to be adopted by the Company as disclosed in the CG Report 2019.

This statement together with the CG Report 2019 were approved by the Board on 4 May 2020.

ADDITIONAL COMPLIANCE INFORMATION

UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

There were no proceeds raised from corporate proposals during the financial year ended 31 December 2019.

AUDIT AND NON-AUDIT FEES

During the financial year ended 31 December 2019, MGB Group paid a total of RM289,000 to the Company's External Auditors, Messrs UHY ("**UHY**") and their affiliates companies for audit and non-audit services. The details of the payments are set out below:

	COMPANY RM	GROUP RM
Audit fees	75,000	234,500
Non-audit fees		
- UHY	23,000	23,000
- Affiliates of UHY	3,200	31,500
Total	101,200	289,000

MATERIAL CONTRACTS

There were no material contracts (not being contracts entered into the ordinary course of business) entered into by MGB Group involving the interest of Directors and major shareholders, either still subsisting at the end of the financial year ended 31 December 2019 or entered into since the end of the previous financial year.

AUDIT COMMITTEE REPORT

COMPOSITION AND ATTENDANCE

The Audit Committee ("**AC**") comprises four (4) members, all of them are Independent Non-Executive Directors ("**NEDs**"). All of the Independent NEDs satisfy the test of independence under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**MMLR**"). The AC meets the requirements of paragraph 15.09(1)(a) and (b) of the MMLR and Practice 8.4 under Principle B of the Malaysian Code on Corporate Governance.

During the financial year 2019, the AC held five (5) meetings. The details of the membership and record of attendance of these meetings are as follows:

COMMITTEE MEMBER	NUMBER OF MEETINGS HELD DURING TENURE IN OFFICE	ATTENDANCE
Mr Chin Sui Yin *Chairman, Senior Independent Non-Executive Director*	5	5
Dato' Abdul Majit bin Ahmad Khan *Member/Independent Non-Executive Director*	5	4
Dato' Beh Hang Kong *Member/Independent Non-Executive Director*	5	5
Puan Nadhirah binti Abdul Karim *Member/Independent Non-Executive Director*	5	5

The AC Chairman, Mr Chin Sui Yin, is a fellow member of the Association of Chartered Certified Accountants (FCCA), United Kingdom and a member of the Malaysian Institute of Accountants (MIA) which complies with paragraph 15.09(1)(c)(i) of MMLR.

The Board of Directors ("**Board**"), via Nomination and Remuneration Committee had reviewed and evaluated the performance of the AC during the financial year. The Board is satisfied that the AC has effectively performed all their functions, duties and responsibilities in accordance with its Terms of Reference.

MEETINGS

The Management, Head of Accounts & Finance, External Auditors and Internal Auditors, where necessary, were invited to attend AC meetings to provide explanations and answer queries. Minutes of each AC meeting were recorded and tabled for confirmation at the next AC meeting and subsequently tabled to the Board for notation. The AC Chairman reports to the Board on activities undertaken and key recommendations for the Board's consideration and decision.

As part of the AC's efforts to ensure the reliability of the quarterly results and their compliance with applicable Financial Reporting Standards, the External Auditors, Messrs UHY ("**UHY**") was engaged to conduct a limited review on the quarterly results before they were presented to the AC for review and recommendation for the Board's approval.

TERMS OF REFERENCE OF AC

The Terms of Reference of the AC is available on the Company's corporate website at www.mgbgroup.com.my.

SUMMARY OF ACTIVITIES OF THE AC

The summary of the activities of the AC in discharging its functions and duties during the financial year were as follows: -

1. Financial Reporting:

- Reviewed all four (4) quarterly results of the Company and the Group for the financial year ended 31 December 2019 with Management for recommendation to the Board for approval and release to Bursa Malaysia Securities Berhad.
- Reviewed the Audited Financial Statements of the Company and the Group for the financial year ended 31 December 2019 with UHY, the External Auditors and Management and recommended to the Board for approval and subsequent tabling at the upcoming Eighteenth Annual General Meeting of the Company.

2. External Audit:

- Reviewed and approved the External Auditors' scope of work and annual audit plan prior to the commencement of the annual audit.
- Assessed and evaluated the performance, independence and suitability of the External Auditors for their re-appointment and made recommendation to the Board. The assessment was undertaken with written assurance from the External Auditors of their independence. The AC was satisfied with the performance of UHY and recommended to the Board the re-appointment of UHY as External Auditors of the Company for financial year ending 31 December 2020.
- Reviewed the audit and non-audit fees of the External Auditors for the financial year ended 31 December 2019.

3. Internal Audit:

- Reviewed and approved the Internal Audit Plan and its scope of work.
- Reviewed the audit activities carried out by the Internal Auditors on areas encompassing Purchasing Function (focus on construction materials) and Human Resource & Administration Function (focus on non-trade purchasing/outsourced services) as well as their relevant risks and audit findings and ensure corrective actions were taken in addressing the risk.
- Monitored the implementation of mitigation actions by Management on outstanding issues to ensure all key risks and control weaknesses are properly addressed.

4. Risk Management:

- Reviewed the Risk Management Committee's meeting minutes and reports, and deliberated on the principal corporate risks highlighted and the controls to mitigate the risks.
- Reviewed the Risk Assessment Reports on investments/joint ventures of the Group.

5. Related Party Transactions:

- Reviewed the standard operating policies & procedures for the Related Party Transactions ("**RPT**") pursuant to the internal audit report conducted by Internal Auditor.
- Reviewed the circular to shareholders in relation to the proposed renewal of existing shareholders' mandate for Recurrent RPT of a revenue or trading nature before tabling to the Board for recommendation to the shareholders for approval.

AUDIT COMMITTEE REPORT (CONT'D)

6. Other Matter

- Reviewed and recommended the Company's Audit Committee Report, Corporate Governance Overview Statement, Corporate Governance Report 2019, Additional Compliance Information and Statement on Risk Management and Internal Control to the Board for approval and inclusion in the 2019 Annual Report.

INTERNAL AUDIT FUNCTION

The Group has outsourced the internal audit function to GovernanceAdvisory.com Sdn Bhd ("**GASB**"), an established external professional internal audit firm, which reports to the AC directly and assists the AC in reviewing the effectiveness of the internal control systems within the Group whilst ensuring that there is an appropriate balance of controls and risks throughout the Group in achieving its business objectives. With the internal audit function being put in place, remedial action can be taken in relation to weaknesses identified and noted in the systems and controls of the respective operating units. The setting up of the internal audit function is geared towards increasing efficiency and better management of resources in all aspects of the Group's operations.

The internal audit function comprises seven (7) audit executives of GASB and led by Mr Jason Tee Wei Chung ("**Mr Jason Tee**"), an experienced internal auditor, has been with GASB for approximately 9 years, having joined in year 2011. Mr Jason Tee is an Associate Member of the Institute of Internal Auditors, Malaysia (IIAM). He has more than 12 years' professional experience in providing risk management system and internal controls review service.

The internal audit adopts a risk-based approach in developing its audit plan which addresses all the core auditable areas of the Group based on their risk profile. The audit focuses on high risk area to ensure that an adequate action plan has in place to improve the controls in place.

The work of the internal audit function, among others, include:

a) developed the annual Internal Audit Plan and proposed the plan to AC.
b) conducted follow-up reviews to assess if appropriate action has been taken to address issues highlighted in previous audit reports.
c) presented significant audit findings and areas for improvements to the AC for consideration on the recommended corrective measures together with the management's responses.

On half yearly basis, GASB reported to the AC based on the agreed scope of work and areas for improvement. A follow-up on previous internal audit reviews were also carried out to ensure that all the agreed recommendations were implemented according to the timeline and AC obtained feedback/update on the implementation status from the Internal Auditors.

The total costs incurred for the internal audit function in respect of the financial year was RM43,722.88.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors of MGB Berhad ("**Board**") is pleased to present the Statement on Risk Management and Internal Control for the financial year ended 31 December 2019, issued in compliance with Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and guided by the Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers. The Board is committed to maintain a sound risk management framework and internal control to safeguard shareholders' investment and the Group's assets.

BOARD RESPONSIBILITY

The Board assumes overall responsibility for the Group's system of internal control and for reviewing its adequacy and integrity. The Group's internal control system and risk management system covers governance, financial, strategy, organisational, operational, management information systems and compliance with existing laws, regulations, rules, directives and guidelines. The Board ensures that appropriate policies on risk management and internal control are set and seeks regular assurance that the system is functioning adequately and that integrity is maintained.

In assessing the adequacy and effectiveness of the system of internal control and functional control procedures of the Group, the Audit Committee ("**AC**") reports to the Board on its activities, audit results or findings and the necessary recommendations or actions needed to be taken by the Management, if any.

The Board recognises that such a system of internal controls has its inherent limitations as it is designed to manage, rather than to eliminate risks that are not adhering to the Group's business objectives. Accordingly, the system can only provide reasonable assurance, and not absolute assurance against material misstatement or loss.

INTERNAL AUDIT FUNCTION

The Group has outsourced its internal audit function to GovernanceAdvisory.com Sdn Bhd, an established external professional internal audit firm. The Internal Auditors supports the AC, and by extension, to the Board, by providing independent assurance on the effectiveness of the Group's system of internal control.

The internal audit plan which reflects the identified risks was reviewed and approved by the AC. During the financial year ended 31 December 2019, internal audit visits were carried out based on the approved audit plan, among the key coverage included Purchasing Function (focus on construction materials) and Human Resource and Administration Function (focus on non-trade purchasing/outsourced).

All reports from the internal audit reviews carried out were presented to the AC with the feedback and agreed corrective actions to be undertaken by the Management. Subsequently, the progress of these corrective actions was verified by Internal Auditors based the agreed timeline and presented to the AC. Based on the internal audit reviews conducted during the financial year, none of the weaknesses noted have resulted in any material losses, contingencies or uncertainties that would require a separate disclosure in this Annual Report and not expected to have any material impact to the financial statements of the Group.

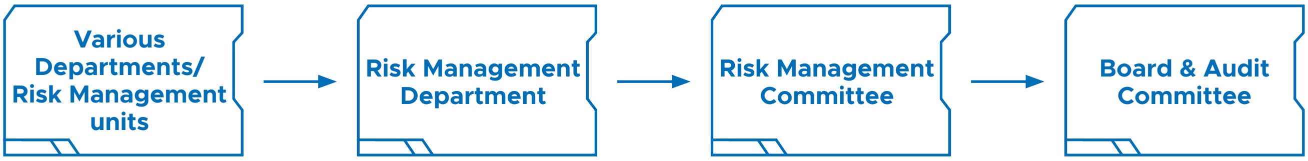
In performing the internal audit review, the Internal Auditors refer to and are guided by The International Professional Practices Framework (IPPF) that includes the Definition of Internal Auditing, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

RISK MANAGEMENT FRAMEWORK

Risk management and internal controls are treated as an integral part of overall management process. Oversight of the Enterprise Risk Management Framework ("**ERM Framework**"), which was approved by the Board in February 2019 were carried out by, among others, various Head of Departments (**"HODs**"), Risk Management Department, Risk Management Committee ("**RMC**"), AC and Board. There are four (4) crucial components of risk management framework, which include: -

- Risk Identification;
- Risk Evaluation;
- Risk Treatment; and
- Risk Monitoring and Review.



The Board has delegated the oversight role of the risk management of the Group to RMC. The principal roles and responsibilities of the RMC are as follows:

a) provide semi-annual reporting and update on the operations based on the ERM Framework to the AC and the Board;
b) review Enterprise Risk Profile for effectiveness of management of risks;
c) evaluate any new risks identified by the HODs and follow-up on management action plans; and
d) ensuring that strategic business risks are considered.

The risk management framework outlines the Group's risk management system, defines management's responsibilities via risk accountability structure and reporting structure, and sets the Group's risk appetite and risk tolerance.

Risk Identification

Risk assessments are undertaken by Risk Management Department together with the HODs to identify and update risks profile in terms of likelihood of exposures and impact on the Group's business as well as the management action plans to manage these risks on a continuing basis.

Risk Evaluation

During the financial year, the RMC met twice to deliberate on the significant risks profiles identified by each of the HODs in the Group. Matters deliberated include the new and revised risk profiles, control procedures and status of management action plans.

Risk Management

The significant risk issues evaluated by the RMC are discussed at AC meetings. The AC reviews the Group's risks profile and effectiveness of the mitigating measures or management action plans that implemented by Management and reports to the Board.

KEY ELEMENTS AND PROCESSES OF INTERNAL CONTROLS

Other key elements and processes of the Group's system of internal control are:

- Internal Auditors, which reports to the AC, performed regular reviews of business processes to assess the effectiveness of internal controls. Internal audits were carried out to review the adequacy of the internal control systems, compliance with policies and procedures.
- Operational structure with defined lines of responsibilities and delegation of authority. A process of hierarchical reporting has been established that is documented and provides auditable trails to ensure accountability.
- The operational policies and procedures are periodically reviewed and updated, if any, to ensure effective management of the Group's operations.
- The AC periodically reviews and deliberate on findings and recommendations for improvement by the Internal Auditors on the state of the internal control system, and reports to the Board.
- The AC and the Board monitor and review the Group's performance and financial results at their quarterly meetings.
- A whistleblowing policy has been in place to supports and encourages its employees and member of the public to report and disclose any improper or illegal activities within the Group.

ADEQUACY AND EFFECTIVENESS OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Board has received assurance from the Group Managing Director and the Executive Director & Chief Executive Officer that the Group's risk management and internal control is operating adequately and effectively in all material aspects. It is therefore of the view that the risk management and internal control system is satisfactory and no material internal control failures nor have any reported major weaknesses resulted during the financial year.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The External Auditors have reviewed this Statement of 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 of Risk Management and Internal Control included in the annual report, issued by the Malaysian Institute of Accountants ("**MIA**") for inclusion in the Annual Report for the year ended 31 December 2019, 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 this Annual Report, in all material respects:

(a) has not been prepared in accordance with the disclosures required by paragraph 41 & 42 of the Statement of Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or
(b) is factually not accurate.

AAPG3 does not require the External Auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risk 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 Board and Management thereon. The External Auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

CONCLUSION

The Board is satisfied that the present risk management and internal controls are overall adequate and effective to safeguard the shareholders' investments and Group's assets. The Board will continue to monitor all major risks affecting the Group and take necessary measures to mitigate them and continue to enhance the adequacy and effectiveness of the risk management and internal control systems of the Group.

This statement was approved by the Board on 4 May 2020.

RECURRENT RELATED PARTY TRANSACTIONS

The details of Recurrent Related Party Transactions of the Company entered into during the financial year ended 31 December 2019 pursuant to Paragraph 10.09(2)(b) and Paragraph 3.1.5 of Practice Note 12 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad were as follows: -

RELATED PARTY	NATURE OF RECURRENT TRANSACTIONS	VALUE OF TRANSACTIONS	NATURE OF RELATIONSHIP BETWEEN MGB GROUP AND THE RELATED PARTY
LBS Bina Group Berhad's ("**LBGB**") Group of Companies	• Provision and/or receipt of contracts in relation to construction works and property development. • Provision and/or receipt of services in relation to project management, project consultancy and property management. • Supply and/or purchase of construction and building materials.	RM535.05 million	• LBGB is a Major Shareholder of MGB with a shareholding of 59.36% as at 31 December 2019. • Tan Sri Dato' Sri Lim Hock San is the Group Managing Director of both MGB and LBGB, and a major shareholder of LBGB. • Datuk Wira Lim Hock Guan is an Executive Director of both MGB and LBGB, and a major shareholder of LBGB. • Mr Lim Kim Hoe is a son of Tan Sri Dato' Sri Lim Hock San. He is also an Executive Director of MGB.

STATEMENT OF DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are required by the Companies Act 2016 ("CA 2016") to prepare the financial statements for each financial year which have been made out in accordance with applicable Malaysian Financial Reporting Standards (MFRSs), International Financial Reporting Standards (IFRSs), and the requirements of the CA 2016 in Malaysia.

The Directors are responsible to ensure that the financial statements give a true and fair view of the financial position of the Group and of the Company at the end of the financial year, and of the financial performance and cash flows of the Group and of the Company for the financial year.

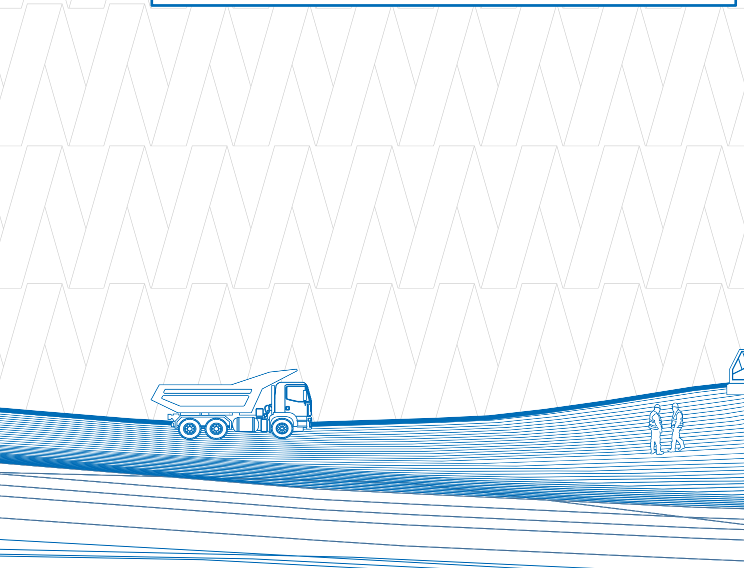
In preparing the financial statements, the Directors ensured that the Management has:

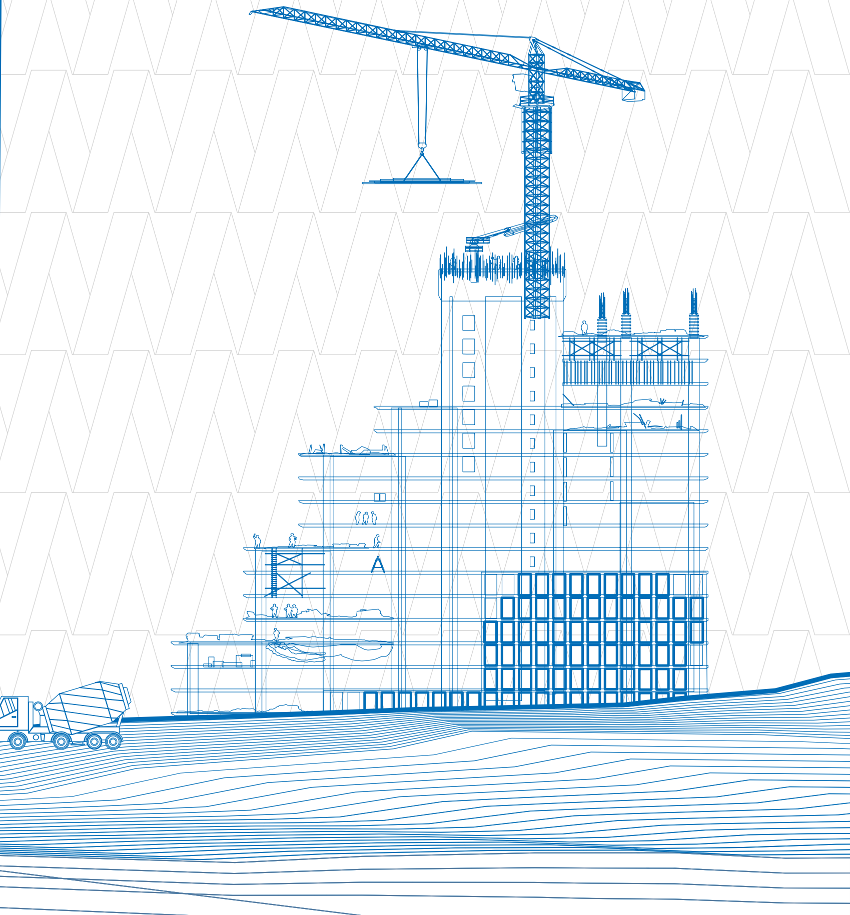
- adopted appropriate accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent; and
- prepared the financial statements on a going concern basis.

The Directors are responsible to ensure that the Group and the Company keep accounting records which disclose the financial position of the Group and of the Company with reasonable accuracy, enabling them to ensure that the financial statements comply with the CA 2016.

The Directors are responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and of the Company, and to detect and prevent fraud and other irregularities.

FINANCIAL STATEMENTS





DIRECTORS' REPORT

AS AT 31 DECEMBER 2019

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

Principal Activities

The principal activities of the Company are provision of management services and investment holding. The principal activities of its subsidiary companies are disclosed in Note 9 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

Financial Results

	Group RM	Company RM
Profit for the financial year	12,480,600	1,167,269
Attributable to:		
Owners of the parent	13,490,653	
Non-controlling interests	(1,010,053)	
	12,480,600	

Reserves and Provisions

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

Dividends

There were no dividends proposed, declared or paid by the Company since the end of the previous financial year. The Board of Directors does not recommend any dividend in respect of the current financial year.

Issue of Shares and Debentures

During the financial year, the Company increased its issued and paid-up share capital from 496,886,552 to 501,652,605 by way of conversion of 4,766,053 Warrants 2014/2019 into 4,766,053 new ordinary shares at an exercise price of RM0.50 per warrant for a total cash consideration of RM2,383,026.

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

There was no issuance of debentures during the financial year.

Irredeemable Convertible Preference Shares ("ICPS")

As at 31 December 2019, the total number of ICPS in issue is 90,000,000 shares.

The salient terms of ICPS are disclosed in Note 22 to the financial statements.

Warrants

The Warrants 2014/2019 were constituted under the Deed Poll dated 22 July 2014.

The Warrants 2014/2019 has expired on 25 October 2019 and the total number of Unexercised Warrants 2014/2019 was 491,589.

Options Granted Over Unissued Shares

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

Directors

The Directors of the Company in office since the beginning of the current financial year until the date of this report are:

Dato' Abdul Majit Bin Ahmad Khan, DIMP
Tan Sri Dato' Sri Lim Hock San, PSM, SSAP, DSSA, JP*
Datuk Wira Lim Hock Guan, DCSM, DMSM, PJK, JP*
Datuk Lim Lit Chek, DPSM*
Lim Kim Hoe*
Chin Sui Yin

DIRECTORS' REPORT (CONT'D)

AS AT 31 DECEMBER 2019

Directors (Cont'd)

The Directors of the Company in office since the beginning of the current financial year until the date of this report are: (Cont'd)

Dato' Beh Hang Kong, DSIS
Nadhirah Binti Abdul Karim (appointed on 01 February 2019)
Datuk Tan Choon Hwa, JMK, JP (resigned on 01 February 2019)

* Director of the Company and its subsidiary companies

The Directors who held office in the subsidiary companies (excluding Directors who are also Directors of the Company) since the beginning of the current financial year until the date of this report are:

Chang Bar Kuei
Fu JianGuo
Wong Yuen Meng (resigned on 01 October 2019)

The information required to be disclosed pursuant to Section 253 of the Companies Act 2016 is deemed incorporated herein by such reference to the financial statements of the respective subsidiary companies and made a part hereof.

Directors' Interests in Shares

The interests and deemed interests in the shares and warrants of the Company and of its related corporations (other than wholly-owned subsidiary compaines) of those who were Directors at financial year end (including their spouses or children) according to the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			
	At 01.01.2019	Bought	Sold	At 31.12.2019
The Company				
Direct interests				
Tan Sri Dato' Sri Lim Hock San	400,000	210,800	-	610,800
Datuk Wira Lim Hock Guan	1,520,000	-	-	1,520,000
Datuk Lim Lit Chek	61,894,698	-	-	61,894,698
Dato' Beh Hang Kong	2,034,004	1,243,381	130,000	3,147,385
Indirect interests				
Tan Sri Dato' Sri Lim Hock San [1]	299,570,915	1,200,414	-	300,771,329
Datuk Wira Lim Hock Guan [1]	299,570,915	1,200,414	-	300,771,329
Datuk Lim Lit Chek [2]	61,500	805,000	-	866,500
LBS Bina Group Berhad				
Direct interest				
Tan Sri Dato' Sri Lim Hock San	28,098,559	2,300,000	-	30,398,559
Datuk Wira Lim Hock Guan	26,311,111	1,000,000	-	27,311,111
Indirect interest				
Tan Sri Dato' Sri Lim Hock San [3]	639,162,332	11,687,122	-	650,849,454
Datuk Wira Lim Hock Guan [3]	637,098,182	11,687,122	-	648,785,304
Gaterich Sdn. Bhd.				
Direct interest				
Tan Sri Dato' Sri Lim Hock San	2,500,000	-	-	2,500,000
Datuk Wira Lim Hock Guan	1,000,000	-	-	1,000,000

Directors' Interests in Shares (Cont'd)

The interests and deemed interests in the shares and warrants of the Company and of its related corporations (other than wholly-owned subsidiary compaines) of those who were Directors at financial year end (including their spouses or children) according to the Register of Directors' Shareholdings are as follows: (Cont'd)

	Number of ICPS 2016/2021			
	At 01.01.2019	**Bought**	**Converted**	**At 31.12.2019**
The Company				
Direct interests				
Datuk Lim Lit Chek	22,500,000	-	-	22,500,000
Indirect interests				
Tan Sri Dato' Sri Lim Hock San [1]	67,500,000	-	-	67,500,000
Datuk Wira Lim Hock Guan [1]	67,500,000	-	-	67,500,000

	Number of Redeemable Convertible Preference Shares			
	At 01.01.2019	**Bought**	**Converted**	**At 31.12.2019**
LBS Bina Group Berhad				
Indirect interest				
Tan Sri Dato' Sri Lim Hock San [3]	30,123,020	-	29,965,020	158,000
Datuk Wira Lim Hock Guan [3]	29,965,020	-	29,965,020	-

	Number of Warrants 2014/2019			
	At 01.01.2019	**Bought**	**Sold/Exercise**	**At 31.12.2019**
The Company				
Direct interests				
Dato' Beh Hang Kong	948,381	295,000	1,243,381	-
Indirect interest				
Tan Sri Dato' Sri Lim Hock San [1]	5,514	-	5,514	-
Datuk Wira Lim Hock Guan [1]	5,514	-	5,514	-

	Number of Warrants B			
	At 01.01.2019	**Bought**	**Exercise**	**At 31.12.2019**
LBS Bina Group Berhad				
Direct interest				
Datuk Wira Lim Hock Guan	4,327,598	-	-	4,327,598
Indirect interest				
Tan Sri Dato' Sri Lim Hock San [3]	35,721,320	-	-	35,721,320
Datuk Wira Lim Hock Guan [3]	35,521,285	-	-	35,521,285

Notes:

(1) Deemed interest pursuant to Section 8 of the Companies Act 2016 by virtue of the shareholdings in LBS Bina Group Berhad through Gaterich Sdn. Bhd.

(2) Deemed interest pursuant to Section 59(11)(c) of the Companies Act 2016 by virtue of his spouse's and/or child's direct interests in MGB Berhad.

(3) Deemed interest pursuant to Section 59(11)(c) of the Companies Act 2016 by virtue of his spouse's and/or child's direct interests in LBS Bina Group Berhad and Section 8 of the Companies Act 2016 by virtue of his interests in Gaterich Sdn. Bhd.

By virtue of their interests in the shares of the Company, Tan Sri Dato' Sri Lim Hock San and Datuk Wira Lim Hock Guan are also deemed to have interest in the shares of all the subsidiary companies to the extent that the Company has an interest under Section 8 of the Companies Act 2016 in Malaysia.

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

DIRECTORS' REPORT (CONT'D)

AS AT 31 DECEMBER 2019

Directors' Benefits

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors as shown in Note 39(c) to the financial statements) by reason of a contract made by the Company or a related corporations with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 39(b) to the financial statements.

Neither during nor at the end of the financial year, was the Company a party to any arrangement whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than those arising from the warrants.

Indemnity and Insurance Costs

The Directors and officers of the Group and of the Company are covered by Directors and Officers liability insurance for any liability incurred in the discharge of their duties, provided that they have not acted fraudulently or dishonestly or derived any personal profit or advantage. The insurance is maintained on a group basis by the immediate holding company, LBS Bina Group Berhad with total coverage of RM20,000,000 and premium of RM30,000 has been paid during the financial year.

No indemnity was given to or insurance effected for auditors of the Company.

Other Statutory Information

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

  (i) to ascertain that 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 adequate allowance had been made for doubtful debts and there were no bad debts to be written off; and

  (ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company have been written down to an amount which the current assets might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances:

  (i) which would render 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; or

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

  (iii) not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading; or

  (iv) 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.

(c) At the date of this report, there does not exist:

  (i) any charge on the assets of the Group and 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.

Other Statutory Information (Cont'd)

(d) In the opinion of Directors:

(i) no contingent liability 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 and of the Company to meet their obligations as and when they fall due;

(ii) the result 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; and

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

Significant Events

The significant events are disclosed in Note 43 to the financial statements.

Subsequent Events

The subsequent events are disclosed in Note 44 to the financial statements.

Ultimate Holding Company

The Directors regard Gaterich Sdn. Bhd., a private limited liability company, incorporated and domiciled in Malaysia, as the ultimate holding company.

Immediate Holding Company

The Directors regard LBS Bina Group Berhad, a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad, as the immediate holding company.

Subsidiary Companies

The details of the subsidiary companies are disclosed in Note 9 to the financial statements.

Auditors

The Auditors, Messrs. UHY, have expressed their willingness to continue in office.

The details of auditors' remuneration are set out in Note 32 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 15 May 2020

DATUK LIM LIT CHEK

LIM KIM HOE

KUALA LUMPUR

STATEMENT BY DIRECTORS

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

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 101 to 186 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 15 May 2020

DATUK LIM LIT CHEK

LIM KIM HOE

KUALA LUMPUR

STATUTORY DECLARATION

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

I, Datuk Lim Lit Chek, being the Director primarily responsible for the financial management of MGB Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 101 to 186 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the)
abovenamed at Kuala Lumpur in the)
Federal Territory on 15 May 2020)

DATUK LIM LIT CHEK

Before me,

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MGB BERHAD

AS AT 31 DECEMBER 2019

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of MGB Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 101 to 186.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the financial 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 opinion.

Independence and Other Ethical Responsibilities

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial 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.

Key Audit Matters	How we addressed the key audit matters
1. Revenue and cost recognition for construction and property development activities	
The Group and the Company are involved in construction and property development activities which span more than one accounting period. The revenue from construction and property development activities is recognised over the period of the contract by reference to the progress towards complete satisfaction of the performance obligation. The Group uses the percentage of completion method in accounting for the progress towards complete satisfaction of the performance obligation. We identified revenue, construction and property development costs as key audit matter as significant management judgement and estimates are involved in estimating the total construction and property development costs.	We evaluated whether the accounting policy adopted by the management is consistent with the requirements of MFRS 15 *Revenue from Contracts with Customers*. We performed a range of audit procedures which included reviewing contract documentation, variation orders and enquiring of key personnel regarding status of on-going contracts, adjustments for job costing and potential impairment losses. In relation to construction and property development revenue or costs, we, amongst others and where applicable, agreed this to original signed contracts, letter of awards and approved variation orders. We evaluated the project progress and recovery of cost to supporting evidences include but not limited to verifying third party surveyors' certificates, progress report and interviews with project team.

Key Audit Matters (Cont'd)

Key Audit Matters	How we addressed the key audit matters
1. Revenue and cost recognition for construction and property development activities (Cont'd)	
Key management judgements include: • estimating the budgeted costs to complete each project; • the future profitability of each project; and • the percentage of completion at the end of the reporting period. Changes in these judgements could lead to a material change in the value of revenue recognised.	In assessing management's assumptions in estimating the costs to completion for contracts, we verified the budgeted cost to sub-contractors' contracts. We verified the construction and property development costs incurred to date to sub-contractors' progress claims and recalculating the percentage of completion at the reporting date. We have considered the adequacy of the Group's disclosures regarding this revenue stream and whether they are in accordance with MFRS 15 *Revenue from Contracts with Customers*.
2. Goodwill impairment review	
The Group has significant goodwill allocated to the construction cash-generating units ("CGUs"). Goodwill shall be tested for impairment annually in accordance to MFRS 136 *Impairment of Assets*. The estimation of recoverable amount is complex and significant judgement is required for estimates, specifically cash flows projections, discount rates and short-term growth rates. Due to the inherent uncertainty involved in forecasting and discounting future cash flows, this is the key judgemental area that our audit was concentrated.	We assessed the reasonableness of the cash flows forecasts and supporting evidence of the underlying assumptions, by checking to approved budgets and comparing expected growth rates to relevant market expectations. We performed sensitivity analysis on the key inputs (including discount rates and long-term growth rates) to the impairment model, to understand the impact that reasonably possible changes to key assumptions would have on the overall carrying amount of the goodwill at the end of the reporting period. We tested the discount rates assigned to the cash-generating units, as well as the long-term growth rates, with reference to our understanding of the business, comparisons to other similar companies, economic and industry forecasts where appropriate. We considered evidence available to support the discount rates used, and consistency with findings from other areas of the audit. We considered the adequacy of management's disclosures in respect of impairment testing and whether the disclosures appropriately communicate the underlying sensitivities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MGB BERHAD (CONT'D)

AS AT 31 DECEMBER 2019

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of 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.

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 of 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.

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

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: (Cont'd)

- 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, related safeguards.

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

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.

UHY
Firm Number: AF 1411
Chartered Accountants

LIM GE RU
Approved Number: 03360/03/2022 J
Chartered Accountant

KUALA LUMPUR
15 May 2020

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	Group 2019 RM	Group 2018 RM
Assets			
Non-Current Assets			
Property, plant and equipment	4	24,226,069	107,477,136
Right-of-use assets	5	87,430,512	-
Intangible assets	6	1,827,722	3,986,979
Investment properties	7	57,298,437	58,542,931
Capital work-in-progress	8	3,901,229	1,300,410
Investment in associates	10	150,858	95,582
Goodwill on consolidation	11	254,694,909	254,694,909
		429,439,766	426,097,947
Current Assets			
Inventories	12	19,707,320	57,618,386
Contract assets	13	146,395,974	120,442,523
Trade receivables	14	67,258,463	165,470,053
Other receivables	15	19,417,195	16,596,800
Amount due from related companies	17	248,439,290	234,857,923
Amount due from an associate	18	12,296	40,000
Tax recoverable		1,809,324	3,022,409
Fixed deposits with licensed banks	19	2,999,691	2,361,330
Cash held under Housing Development Accounts	20	1,895,608	682,760
Cash and bank balances	20	28,204,760	14,998,536
		536,139,921	616,090,720
Asset held for sale	21	3,000,000	-
Total Current Assets		539,139,921	616,090,720
Total Assets		968,579,687	1,042,188,667
Equity and Liabilities			
Equity			
Share capital	22	388,185,706	385,802,680
Reserves	23	2,907,896	5,273,139
Retained earnings		65,619,826	51,456,300
Equity attributable to owners of the parent		456,713,428	442,532,119
Non-controlling interests		1,057,874	609,118
Total Equity		457,771,302	443,141,237
Non-Current Liabilities			
Loans and borrowings	24	35,636,143	92,764,697
Lease liabilities	25	23,562,909	-
Deferred tax liabilities	26	1,911,446	3,626,009
		61,110,498	96,390,706
Current Liabilities			
Contract liabilities	13	40,648,464	24,458,009
Trade payables	27	255,891,334	280,242,015
Other payables	28	42,405,386	38,785,665
Lease liabilities	25	11,902,788	-
Amount due to related companies	17	10,352,424	18,250,646
Amount due to an associate	18	7,200	-
Loans and borrowings	24	88,273,195	138,874,367
Tax payable		217,096	2,046,022
		449,697,887	502,656,724
Total Liabilities		510,808,385	599,047,430
Total Equity and Liabilities		968,579,687	1,042,188,667

	Note	Company 2019 RM	Company 2018 RM
Assets			
Non-Current Assets			
Property, plant and equipment	4	199,432	270,602
Investment in subsidiary companies	9	300,000,000	300,000,000
		300,199,432	300,270,602
Current Assets			
Other receivables	15	2,350,150	351,102
Amount due from subsidiary companies	16	66,368,799	64,444,553
Tax recoverable		-	367,847
Cash and bank balances	20	482,849	261,456
		69,201,798	65,424,958
Total Assets		369,401,230	365,695,560
Equity and Liabilities			
Equity			
Share capital	22	388,185,706	385,802,680
Reserves	23	-	525,764
Accumulated losses		(41,007,628)	(42,700,661)
Total Equity		347,178,078	343,627,783
Current Liabilities			
Other payables	28	637,290	680,195
Amount due to subsidiary companies	16	6,371,116	6,387,582
Loans and borrowings	24	15,000,000	15,000,000
Tax payable		214,746	-
		22,223,152	22,067,777
Total Equity and Liabilities		369,401,230	365,695,560

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Revenue	29	756,145,529	751,271,338	-	-
Cost of sales	30	(675,753,430)	(654,638,956)	-	-
Gross profit		80,392,099	96,632,382	-	-
Other income		2,638,371	2,436,636	3,577,642	3,407,109
Administrative expenses		(48,983,370)	(46,203,044)	(847,992)	(1,383,519)
Net loss on impairment of financial assets		(164,379)	(332,657)	-	(182,974)
Other operating expenses		(3,331,346)	(953,707)	-	-
Finance costs	31	(9,701,191)	(5,811,302)	(957,379)	(892,825)
Share of profit of associates, net of tax		55,276	80,582	-	-
Profit before tax	32	20,905,460	45,848,890	1,772,271	947,791
Taxation	33	(8,424,860)	(15,439,433)	(605,002)	(495,531)
Profit for the financial year, representing total comprehensive income for the financial year		12,480,600	30,409,457	1,167,269	452,260
Profit/(Loss) for the financial year attributable to:					
Owners of the parent		13,490,653	32,188,078		
Non-controlling interests		(1,010,053)	(1,778,621)		
		12,480,600	30,409,457		
Total comprehensive income/(loss) for the financial year attributable to:					
Owners of the parent		13,490,653	32,188,078		
Non-controlling interests		(1,010,053)	(1,778,621)		
		12,480,600	30,409,457		
Earnings per share					
Basic earnings per share (sen)	34(a)	2.71	6.49		
Diluted earnings per share (sen)	34(b)	2.29	5.47		

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Attributable to owners of the parent								
		Non-Distributable					Distributable			
	Note	**Share Capital RM**	**ICPS RM**	**Warrant Reserves RM**	**Asset Revaluation Reserve RM**	**Other Reserve RM**	**Retained Earnings RM**	**Total RM**	**Non-Controlling Interests RM**	**Total Equity RM**
Group										
At 1 January 2019										
- as previously reported		325,502,680	60,300,000	525,764	4,747,375	-	51,456,300	442,532,119	609,118	443,141,237
- effect of adoption of MFRS 16	2(a)	-	-	-	-	-	(8,561)	(8,561)	-	(8,561)
As restated		325,502,680	60,300,000	525,764	4,747,375	-	51,447,739	442,523,558	609,118	443,132,676
Profit for the financial year, representing total comprehensive income for the financial year		-	-	-	-	-	13,490,653	13,490,653	(1,010,053)	12,480,600
Changes of stakes in a subsidiary company	9(c)	-	-	-	-	(826,218)	-	(826,218)	601,218	(225,000)
Changes in equity interest	9(d)	-	-	-	-	(857,591)	-	(857,591)	857,591	-
Realisation of asset revaluation reserve	23(c)	-	-	-	(155,670)	-	155,670	-	-	-
Transactions with owners										
Issuance of ordinary shares pursuant to:										
- exercise of warrant	22	2,383,026	-	-	-	-	-	2,383,026	-	2,383,026
Realisation of warrant reserves	23(b)	-	-	(476,605)	-	-	476,605	-	-	-
Expiration of warrant reserves	23(b)	-	-	(49,159)	-	-	49,159	-	-	-
Total transactions with owners		2,383,026	-	(525,764)	-	-	525,764	2,383,026	-	2,383,026
At 31 December 2019		327,885,706	60,300,000	-	4,591,705	(1,683,809)	65,619,826	456,713,428	1,057,874	457,771,302

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Attributable to owners of the parent							
		Non-Distributable				Distributable			
	Note	Share Capital RM	ICPS RM	Warrant Reserves RM	Asset Revaluation Reserve RM	Retained Earnings RM	Total RM	Non-Controlling Interests RM	Total Equity RM
Group									
At 1 January 2018		322,982,290	60,300,000	1,029,842	4,903,045	18,608,474	407,823,651	2,387,739	410,211,390
Profit for the financial year, representing total comprehensive income for the financial year		-	-	-	-	32,188,078	32,188,078	(1,778,621)	30,409,457
Realisation of asset revaluation reserve	23(c)	-	-	-	(155,670)	155,670	-	-	-
Transactions with owners									
Issuance of ordinary shares pursuant to:									
- exercise of warrant	22	2,520,390	-	-	-	-	2,520,390	-	2,520,390
Realisation of warrant reserves	23(b)	-	-	(504,078)	-	504,078	-	-	-
Total transactions with owners		2,520,390	-	(504,078)	-	504,078	2,520,390	-	2,520,390
At 31 December 2018		325,502,680	60,300,000	525,764	4,747,375	51,456,300	442,532,119	609,118	443,141,237

FINANCIAL STATEMENTS

	Note	← Non-Distributable		→		
		Share Capital RM	ICPS RM	Warrant Reserves RM	Accumulated Losses RM	Total Equity RM
Company						
At 1 January 2019		325,502,680	60,300,000	525,764	(42,700,661)	343,627,783
Profit for the financial year, representing total comprehensive income for the financial year		-	-	-	1,167,269	1,167,269
Transactions with owners						
Issuance of ordinary shares pursuant to:						
- exercise of warrant	22	2,383,026	-	-	-	2,383,026
Realisation of warrant reserves	23(b)	-	-	(476,605)	476,605	-
Expiration of warrant reserves	23(b)	-	-	(49,159)	49,159	-
Total transactions with owners		2,383,026	-	(525,764)	525,764	2,383,026
At 31 December 2019		327,885,706	60,300,000	-	(41,007,628)	347,178,078

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Non-Distributable				
		Share Capital RM	ICPS RM	Warrant Reserves RM	Accumulated Losses RM	Total Equity RM
Company						
At 1 January 2018		322,982,290	60,300,000	1,029,842	(43,656,999)	340,655,133
Profit for the financial year, representing total comprehensive income for the financial year		-	-	-	452,260	452,260
Transactions with owners						
Issuance of ordinary shares pursuant to:						
- exercise of warrant	22	2,520,390	-	-	-	2,520,390
Realisation of warrant reserves	23(b)	-	-	(504,078)	504,078	-
Total transactions with owners		2,520,390	-	(504,078)	504,078	2,520,390
At 31 December 2018		325,502,680	60,300,000	525,764	(42,700,661)	343,627,783

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
Cash flows from operating activities					
Profit before tax		20,905,460	45,848,890	1,772,271	947,791
Adjustments for:					
Amortisation of intangible assets		2,159,257	2,677,035	-	-
Depreciation of:					
- property, plant and equipment		5,676,206	7,587,366	71,170	106,138
- investment properties		1,244,494	1,244,496	-	-
- right-of-use assets		6,591,568	-	-	-
Impairment losses on:					
- contract assets		157,164	-	-	-
- investment in subsidiary companies		-	-	-	55
- trade receivables		36,278	101,970	-	-
- other receivables		41,649	164,005	-	-
- amount due from subsidiary companies		-	-	-	478,256
- amout due from related companies		6,772	69,427	-	-
Property, plant and equipment written off		459	380,277	-	60,241
Gain on disposal of:					
- property, plant and equipment		(207,053)	(23,421)	-	(110)
- subsidiary company	9(e)	-	(1,520,970)	-	-
Reversal of impairment losses on:					
- trade receivables		(77,484)	(618)	-	-
- amount due from subsidiary companies		-	-	-	(295,282)
- amout due from related companies		-	(2,127)	-	-
Gain on unrealised foreign exchange		-	(129,232)	-	-
Interest income		(155,825)	(125,402)	(3,577,642)	(3,267,399)
Finance costs		9,701,191	5,811,302	957,379	892,825
Share of profit of associates		(55,276)	(80,582)	-	-
Operating profit/(loss) before working capital changes		46,024,860	62,002,416	(776,822)	(1,077,485)
Change in working capital					
Inventories		34,911,066	16,186,685	-	-
Receivables		95,390,752	(53,819,540)	952	(48,010)
Payables		(21,135,211)	60,311,380	(42,905)	274,524
Contract assets and contract liabilities		(9,920,160)	(78,627,125)	-	-
Subsidiary companies		-	-	(3,268,693)	(22,087,179)
Related companies		(24,087,180)	(46,187,118)	-	-
Associates		34,904	(40,000)	-	-
		75,194,171	(102,175,718)	(3,310,646)	(21,860,665)
Cash from/(used in) operations		121,219,031	(40,173,302)	(4,087,468)	(22,938,150)
Interest paid		(9,701,191)	(5,811,302)	(957,379)	(892,825)
Interest received		155,825	125,402	3,663	11,123
Tax paid		(10,755,264)	(17,298,986)	(22,409)	(313,679)
		(20,300,630)	(22,984,886)	(976,125)	(1,195,381)
Net cash from/(used in) operating activities		100,918,401	(63,158,188)	(5,063,593)	(24,133,531)

STATEMENTS OF CASH FLOWS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Cash flows from investing activities					
Investment in an associate		-	(15,000)	-	-
Net cash outflow for changes in stake of subsidiary company	9(c)	(225,000)	-	-	-
Net cash outflow from acquisition of subsidiary company	9(b)	-	(2,771,165)	-	-
Net cash inflow from disposal of a subsidiary company	9(e)	-	2	-	-
Purchase of property, plant and equipment	4(c)	(8,587,563)	(30,705,396)	-	-
Additions in right-of-use assets	5(d)	(1,153,298)	-	-	-
Proceeds from disposal of property, plant and equipment		485,100	23,429	-	110
Interest received		-	-	2,901,960	3,256,276
Net cash (used in)/from investing activities		(9,480,761)	(33,468,130)	2,901,960	3,256,386
Cash flows from financing activities					
(Increased)/decreased of fixed deposits pledged		(638,361)	1,971,420	-	-
Increased of bank balances pledged		(67,000)	-	(67,000)	-
Drawdown of bank borrowings		162,604,004	111,147,453	-	15,000,000
Repayment of lease liabilities		(11,139,919)	-	-	-
Repayment of finance lease liabilities		-	(4,634,603)	-	-
Repayment of bank borrowings		(228,728,163)	(18,670,945)	-	-
Proceeds from issuance of ordinary shares arising from conversion of warrants	22	2,383,026	2,520,390	2,383,026	2,520,390
Net cash (used in)/from financing activities		(75,586,413)	92,333,715	2,316,026	17,520,390
Net increase/(decrease) in cash and cash equivalents		15,851,227	(4,292,603)	154,393	(3,356,755)
Cash and cash equivalents at the beginning of the financial year		1,177,817	5,470,420	261,456	3,618,211
Cash and cash equivalents at the end of the financial year		17,029,044	1,177,817	415,849	261,456
Cash and cash equivalents at the end of the financial year comprises:					
Cash and bank balances		28,204,760	14,998,536	482,849	261,456
Cash held under Housing Development Accounts		1,895,608	682,760	-	-
Fixed deposits with licensed banks		2,999,691	2,361,330	-	-
Bank overdrafts		(12,281,822)	(13,780,977)	-	-
		20,818,237	4,261,649	482,849	261,456
Less: Fixed deposits pledged with licensed banks		(2,999,691)	(2,361,330)	-	-
Cash and bank balances pledged with a licensed bank		(789,502)	(722,502)	(67,000)	-
		17,029,044	1,177,817	415,849	261,456

The accompanying notes form an integral part of these financial statements.

1. Corporate Information

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The principal place of business of the Company is located at H-G, Sunway PJ@51A, Jalan SS 9A/19, Seksyen 51A, 47300 Petaling Jaya, Selangor Darul Ehsan.

The registered office of the Company is located at I-6, Sunway PJ@51A, Jalan SS 9A/19, Seksyen 51A, 47300 Petaling Jaya, Selangor Darul Ehsan.

The principal activities of the Company are provision of management services and investment holding. The principal activities of its subsidiary companies are disclosed in Note 9. There have been no significant changes in the nature of these activities of the Company and its subsidiary companies during the financial year.

The ultimate holding company is Gaterich Sdn. Bhd., a private limited liability company, incorporated and domiciled in Malaysia.

The immediate holding company is LBS Bina Group Berhad, a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

2. Basis of Preparation

(a) Statement of compliance

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

The financial statements of the Group and of the Company have been prepared under the historical cost convention, unless otherwise indicated in the significant accounting policies below.

Adoption of new and amended standards

During the financial year, the Group and the Company have adopted the following new standards and amendments to standards issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for current financial year:

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

Annual Improvements to MFRSs 2015 - 2017 Cycle:
- Amendments to MFRS 3
- Amendments to MFRS 11
- Amendments to MFRS 112
- Amendments to MFRS 123

The adoption of the new standards and amendments to standards did not have any significant impact on the financial statements of the Group and of the Company, except for:

MFRS 16 *Leases*

MFRS 16, which upon the effective date will supersede MFRS 117 *Leases*, IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Leases - Incentives and* IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

As a result of the adoption of MFRS 16, the existing requirements for a lessee to distinguish between finance leases and operating leases under the MFRS 117 *Leases* are no longer required. MFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under MFRS 16, a lessee is required to recognise a right-of-use ("ROU") asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the ROU asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statements of cash flows.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2019

2. Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

Adoption of new and amended standards (Cont'd)

The adoption of the new standards and amendments to standards did not have any significant impact on the financial statements of the Group and of the Company, except for: (Cont'd)

MFRS 16 *Leases* (Cont'd)

The ROU asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, MFRS 117.

In respect of the lessor accounting, MFRS 16 substantially carries forward the lessor accounting requirements in MFRS 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As permitted by the transitional provision of MFRS 16, the Group has elected to adopt a simplified transition approach where cumulative effects of initial application are recognised on 1 January 2019 as an adjustment to the opening balance of retained earnings.

For leases that were classified as finance lease under MFRS 117, the carrying amounts of the ROU asset and the lease liability at 1 January 2019 are determined to be the same as the carrying amount of the lease asset and lease liability under MFRS 117 immediately before that date.

The Group has also applied the following practical expedients when applying MFRS 16 to lease previously classified as operating lease under MFRS 117:

- Applied a single discount rate to portfolio of leases with reasonably similar characteristics.
- The Group does not apply the standard to leases which lease terms end within 12 months from 1 January 2019.
- No adjustments are made on transition for leases for which the underlying assets are of low value.
- The Group uses hindsight in determining lease terms for contracts that contain options for extension or termination.

As a result, the leasehold land under property, plant and equipment classification have been reclassified to ROU assets on 1 January 2019 for the Group and the Company respectively.

Impact arising from the adoption of MFRS 16 on the financial statements:

Statements of Financial Position

	As previously reported RM	MFRS 16 adjustments RM	As restated RM
Group			
Assets			
Property, plant and equipment	107,477,136	(85,883,918)	21,593,218
Right-of-use assets	-	86,123,115	86,123,115
Liabilities			
Finance lease liabilities (non-current)	30,798,315	(30,798,315)	-
Finance lease liabilities (current)	10,165,768	(10,165,768)	-
Lease liabilities	-	41,211,841	41,211,841
Equity			
Retained earnings	51,456,300	(8,561)	51,447,739

2. Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

Adoption of new and amended standards (Cont'd)

The adoption of the new standards and amendments to standards did not have any significant impact on the financial statements of the Group and of the Company, except for: (Cont'd)

MFRS 16 *Leases* (Cont'd)

The following table explains the difference between operating lease commitments disclosed applying MFRS 117 at 31 December 2018, and lease liabilities recognised in the statements of financial position at 1 January 2019.

	Group RM
Operating lease commitments as at 31 December 2018	444,200
Discounted using the incremental borrowings rate at 1 January 2019	(40,821)
Add:Transfer from finance lease obligations upon initial application of MFRS 16	40,964,083
Less:Lease liabilities recognised upon initial adoption of lease definition under MFRS 16	(155,621)
Lease liability recognised as at 1 January 2019	41,211,841

The weighted average incremental borrowing rate applied to lease liabilities on 1 January 2019 ranged from 6.27% to 7.57%.

There is no financial impact on the Company's financial statements.

Standards issued but not yet effective

The Group and the Company have not applied the following new standards and amendments to standards that have been issued by the MASB but are not yet effective for the Group and for the Company:

		Effective dates for financial periods beginning on or after
Amendments to References to the Conceptual Framework in MFRS Standards		1 January 2020
Amendments to MFRS 3	Definition of a Business	1 January 2020
Amendments to MFRS 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
MFRS 17	Insurance Contracts	1 January 2021
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current	1 January 2022
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

The Group and the Company intend to adopt the above new standards and amendments to standards when they become effective.

The initial application of the abovementioned new standards and amendments to standards are not expected to have any significant impacts on the financial statements of the Group and of the Company.

2. Basis of Preparation (Cont'd)

(b) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest RM except when otherwise stated.

(c) Significant accounting judgements, estimates and assumptions

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

Judgements

The following are the judgements made by management in process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements:

Satisfaction of performance obligations in relation to contracts with customers

The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method for recognising revenue. This assessment was made based on the terms and conditions of the contracts, and the provisions of relevant laws and regulations.

The Group recognises revenue over time in the following circumstances:

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

Where the above criteria are not met, revenue is recognised at a point in time. Where revenue is recognised at a point of time, the Group assesses each contract with customers to determine when the performance obligation of the Group under the contract is satisfied.

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group includes the renewal period as part of the lease term for leases of land and buildings with non-cancellable period included as part of the lease term as these are reasonably certain to be exercised because there will be a significant negative effect on operation if a replacement asset is not readily available. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

2. Basis of Preparation (Cont'd)

(c) Significant accounting judgements, estimates and assumptions (Cont'd)

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are set out below:

Useful lives of property, plant and equipment, investment properties and right-of-use ("ROU") assets

The Group regularly reviews the estimated useful lives of property, plant and equipment, investment properties and ROU assets based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment, investment properties and ROU assets would increase the recorded depreciation and decrease the value of property, plant and equipment, investment properties and ROU assets. The carrying amount at the reporting date for property, plant and equipment, right-of-use assets and investment properties are disclosed in Notes 4, 5 and 7 respectively.

Revaluation of property, plant and equipment and right-of use ("ROU") assets

The Group engaged an independent valuation specialist to assess fair value as at 31 December 2019 for revalued land and buildings. It measures land and buildings at revalued amounts with changes in fair value being recognised in other comprehensive income. Land was valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property. The fair value of buildings was determined using the cost approach that reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence. Details of revaluation of property, plant and equipment and ROU assets are disclosed in Notes 4 and 5 respectively.

The key assumptions used to determine the fair value of the properties are provided in Notes 4 and 5 respectively.

Impairment of goodwill on consolidation

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use amount requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The key assumptions used to determine the value in use is disclosed in Note 11.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the unused tax losses, unabsorbed capital allowances and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Details of deferred tax assets are disclosed in Note 26.

Inventories valuation

Inventories are measured at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on an assessment of expected sales prices. Demand levels and pricing competition could change from time to time. If such factors result in an adverse effect on the Group's products, the Group might be required to reduce the value of its inventories. Details of inventories are disclosed in Note 12.

2. Basis of Preparation (Cont'd)

(c) Significant accounting judgements, estimates and assumptions (Cont'd)

Key sources of estimation uncertainty (Cont'd)

Determination of transaction prices

The Group is required to determine the transaction price in respect of each of its contracts with customers. In making such judgement the Group assesses the impact of any variable consideration in the contract, due to discounts or penalties, the existence of any significant financing component and any non-cash consideration in the contract.

There is no estimation required in determining the transaction price, as revenue from sale of goods or rendering of services are based on invoiced values. Discounts are not considered as they are only given in rare circumstances.

Revenue from construction contracts

Construction revenue and costs are recognised over the period of the contract in the profit or loss by reference to the progress towards complete satisfaction of that performance obligation.

The progress towards complete satisfaction of performance obligation is measured based on the physical proportion of contract work-to-date certified by professional consultants. Significant judgement is required in determining the progress based on the certified work-to-date corroborated by the level of completion of the construction based on actual costs incurred to-date over the estimated total construction costs. The total estimated construction costs are based on approved budgets, which require assessments and judgements to be made on changes in, for example, work scope, changes in costs and costs to completion. In making the judgement, the Group evaluates based on past experience, the work of specialists and a continuous monitoring mechanism.

The contract assets and contract liabilities of the Group arising from construction activities are disclosed in Note 13.

Revenue from property development contracts

Revenue is recognised when the control of the asset is transferred to the customers and, depending on the terms of the contract and the applicable laws governing the contract, control of the asset may transfer over time or at a point in time.

If control of the asset transfers over time, the Group recognises property development revenue and costs over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation at the reporting date. This is measure based on the proportion of property development costs incurred for work performed up to the end of the reporting period as a percentage of the estimated total property development costs of the contract.

Significant judgement are used to estimate these total property development costs to complete the contracts. In making these estimates, management relies on past experience, the work of specialists and a continuous monitoring mechanism.

The contract assets of the Group arising from property development activities are disclosed in Note 13.

Provision for expected credit loss of financial assets at amortised cost

The Group reviews the recoverability of its receivables, include trade and other receivables, amounts due from subsidiary companies, associates and related companies at each reporting date to assess whether an impairment loss should be recognised. The impairment provisions for receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions at the end of each reporting period.

The carrying amounts at the reporting date for receivables are disclosed in Notes 14, 15, 16, 17 and 18 respectively.

2. Basis of Preparation (Cont'd)

(c) Significant accounting judgements, estimates and assumptions (Cont'd)

Key sources of estimation uncertainty (Cont'd)

Discount rate used in leases

Where the interest rate implicit in the lease cannot be readily determined, the Group uses the incremental borrowing rate to measure the lease liabilities. The incremental borrowing rate is the interest rate that the Group would have to pay to borrow over a similar term, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Therefore, the incremental borrowing rate requires estimation, particularly when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs when available and is required to make certain entity-specific estimates.

Income taxes

Judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these tax matters is different from the amounts that were initially recognised, such differences will impact the income tax and/or deferred tax provisions in the period in which such determination is made. As at 31 December 2019, the Group and the Company has tax recoverable and payable of RM1,809,324 and RMNil (2018: RM3,022,409 and RM367,847) and RM217,096 and RM214,746 (2018: RM2,046,022 and RMNil) respectively.

3. Significant Accounting Policies

The Group and the Company apply the significant accounting policies set out below, consistently throughout all periods presented in the financial statements unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiary companies

Subsidiary companies are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary companies are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary company is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed in profit or loss as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is re-measured at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss.

3. Significant Accounting Policies (Cont'd)

(a) Basis of consolidation (Cont'd)

(i) Subsidiary companies (Cont'd)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (which cannot exceed one year from the acquisition date), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date, if known, would have affected the amounts recognised at that date.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instruments and within the scope of MFRS 9 *Financial Instruments* is measured at fair value with the changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Unrealised losses are eliminated only if there is no indication of impairment. Where necessary, accounting policies of subsidiary companies have been changed to ensure consistency with the policies adopted by the Group.

In the Company's separate financial statements, investments in subsidiary companies are stated at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts are recognised in profit or loss. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(p)(i) on impairment of non-financial assets.

(ii) Changes in ownership interests in subsidiary companies without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary company is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiary companies

If the Group loses control of a subsidiary company, the assets and liabilities of the subsidiary company, including any goodwill, and non-controlling interests are derecognised at their carrying value on the date that control is lost. Any remaining investment in the entity is recognised at fair value. The difference between the fair value of consideration received and the amounts derecognised and the remaining fair value of the investment is recognised as a gain or loss on disposal in profit or loss. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

(iv) Goodwill on consolidation

The excess of the aggregate of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary company acquired (ie. a bargain purchase), the gain is recognised in profit or loss.

Following the initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment annually or more frequent when there is objective evidence that the carrying value may be impaired. See accounting policy Note 3(p)(i) on impairment of non-financial assets.

3. Significant Accounting Policies (Cont'd)

(b) Investment in associates

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.

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

An associate is accounted for either at cost or equity method as described in MFRS 128 from the date on which the investee becomes an associate. Under the equity method, on initial recognition the investment in an associate is recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of profit or loss and other comprehensive income of the associate after the date of acquisition. When the Group's share of losses in an associate equal or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

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

The financial statements of the associates are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The requirements of MFRS 136 *Impairment of Assets* are applied to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with MFRS 136 as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

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

In the Company's separate financial statements, investments in associates are stated at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts are recognised in profit or loss. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(p)(i) on impairment of non-financial assets.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2019

3. Significant Accounting Policies (Cont'd)

(c) Foreign currency transactions and balances

Transactions in foreign currency are recorded in the functional currency of the respective Group entities using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are included in profit or loss.

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

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 3(p)(i) on impairment of non-financial assets.

(i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

3. Significant Accounting Policies (Cont'd)

(d) Property, plant and equipment (Cont'd)

(iii) Depreciation

Depreciation is recognised in the profit or loss on straight-line basis to write off the cost or valuation of each asset to its residual value over its estimated useful life. Property, plant and equipment under construction are not depreciated until the assets are ready for its intended use.

Property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

Plant, machinery and equipment	3.33% - 33.33%
Furniture, fittings and office equipment	10% - 20%
Electrical installation and renovation	10%
Motor vehicles	20%

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the property, plant and equipment.

Leasehold land and buildings

The above accounting policies for property, plant and equipment applies to leasehold land and buildings until 31 December 2018. The leasehold land and buildings were depreciated over the remaining lease period.

Following the adoption of MFRS 16 *Leases* on 1 January 2019, the Group has reclassified the carrying amount of the leasehold land and building to ROU assets. The policy of recognition and measurement of right-of-use assets is in accordance with Note 3(f).

(iv) Revaluation

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity, usually every five years, to ensure that the carrying amount does not differ materially from the fair value of the land and buildings at the end of the reporting period.

As at the date of revaluation, accumulated depreciation, if any, is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Any revaluation surplus arising upon appraisal of land and buildings are recognised in other comprehensive income and credited to the revaluation reserve in equity. To the extent that any revaluation decreases or impairment loss has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase recognised in other comprehensive income. Downward revaluations of land and buildings are recognised upon appraisal or impairment testing, with the decrease being charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and any remaining decrease recognised in profit or loss. Any revaluation surplus remaining in equity on disposal of the asset is transferred to other comprehensive income.

(e) Capital work-in-progress

Capital work-in-progress consists of buildings under construction for intended use. The amount is stated at cost and includes capitalisation of interest incurred on borrowings related to property, plant and equipment under construction until the property, plant and equipment are ready for their intended use.

3. Significant Accounting Policies (Cont'd)

(f) Leases

Policy applicable from 1 January 2019

(i) As lessee

The Group and the Company recognise a ROU asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or site on which it is located, less any lease incentives received.

The ROU asset is subsequently measured at cost less any accumulated depreciation, accumulated impairment loss and, if applicable, adjusted for any remeasurement of lease liabilities. The policy of recognition and measurement of impairment losses is in accordance with Note 3(p)(i) on impairment of non-financial assets.

The ROU asset under cost model is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. ROU asset under construction are not depreciated until the assets are ready for its intended use. The estimated useful lives of the ROU assets are determined on the same basis as those of property, plant and equipment as follows:

Leasehold buildings	2%
Leasehold land and factory	Over remaining lease period
Hostel	Over remaining lease period
Plant, machinery and equipment	3.33% - 33.33%
Renovation	10%
Motor vehicles	20%

The ROU assets are subject to impairment.

The lease liability is initially measured at the present value of future lease payments at the commencement date, discounted using the respective Group entities' incremental borrowing rates. Lease payments included in the measurement of the lease liability include fixed payments, any variable lease payments, amount expected to be payable under a residual value guarantee, and exercise price under an extension option that the Group and the Company are reasonably certain to exercise.

Variable lease payments that do not depend on an index or a rate and are dependent on a future activity are recognised as expenses in profit or loss in the period in which the event or condition that triggers the payment occurs.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in rate, or if the Group or the Company changes its assessment of whether it will exercise an extension or termination option.

Lease payments associated with short-term leases and leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less and do not contain a purchase option. Low value assets are those assets valued at less than RM20,000 each when purchased new.

(ii) As lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. Leases in which the Group or the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases.

If the lease arrangement contains lease and non-lease components, the Group and the Company apply MFRS 15 *Revenue from Contracts with Customers* to allocate the consideration in the contract based on the stand-alone selling price.

3. Significant Accounting Policies (Cont'd)

(f) Leases (Cont'd)

Policy applicable from 1 January 2019 (Cont'd)

(ii) As lessor (Cont'd)

The Group and the Company recognise assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease. The Group and the Company use the interest rate implicit in the lease to measure the net investment in the lease.

The Group recognises lease payments under operating leases as income on a straight-line basis over the lease term unless another systematic basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished. The lease payment recognised is included as part of "Other income". 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.

Policy applicable before 1 January 2019

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

(a) As lessee

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as a property, plant and equipment.

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, the leased assets are not recognised on the statements of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

(b) As lessor

Leases in which the Group or the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. 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.

3. Significant Accounting Policies (Cont'd)

(g) Investment properties

Investment properties including right-of-use assets held by lessee are properties held either to earn rental income or for capital appreciation or for both. Investment properties are measured at cost, including transaction costs, less any accumulated depreciation and impairment losses.

The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day to-day servicing of an investment property.

Investment properties are depreciated on a straight-line basis to write down the cost of each asset to their residual values over their estimated useful lives. The principal annual depreciation rates of leasehold land and buildings are 2% (2018: 2%).

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(p)(i) on impairment of non-financial assets.

Investment properties are derecognised upon disposal or when they are permanently withdrawn from use and no future economic benefits are expected from their disposal. Upon disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the profit or loss.

(h) Intangible assets

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair values at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. An intangible assets is amortised over their estimated useful lives of 5 years.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

See accounting policy Note 3(p)(i) on impairment of non-financial assets for intangible assets.

(i) Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss ("FVTPL"), directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include trade and other receivables, amount due from subsidiary companies, related company and associate, fixed deposits with licensed banks, cash held under Housing Development Accounts and cash and bank balances.

3. Significant Accounting Policies (Cont'd)

(i) Financial assets (Cont'd)

(a) Financial assets at amortised cost

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 method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

(b) Financial assets at fair value through other comprehensive income ("FVTOCI")

(i) Debt instruments

A debt security is measured at FVTOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(ii) Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group and the Company may irrevocably elect to present subsequent changes in fair value in other comprehensive income on an investment-by-investment basis.

Financial assets categorised as FVTOCI are subsequently measured at fair value, with unrealised gains and losses recognised directly in other comprehensive income and accumulated under fair value reserve in equity. For debt instruments, when the investment is derecognised or determined to be impaired, the cumulative gain or loss previously recorded in equity is reclassified to the profit or loss. For equity instruments, the gains or losses are never reclassified to profit or loss.

The Group and the Company have not designated any financial assets as FVTOCI.

3. Significant Accounting Policies (Cont'd)

(i) Financial assets (Cont'd)

(c) Financial assets at fair value through profit or loss

All financial assets not classified as measured at amortised cost or FVTOCI, as described above are measured at FVTPL. This includes derivative financial assets (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as FVTPL are subsequently measured at their fair value with gains or losses recognised in the profit or loss.

All financial assets, except for those measured at FVTPL and equity instruments measured at FVTOCI, are subject to impairment.

The Group and the Company have not designated any financial assets at FVTPL.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases or sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

A financial asset is derecognised where the contractual rights to receive cash flows from the asset has expire. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received for financial instrument is recognised in profit or loss.

(j) Financial liabilities

Financial liabilities are recognised when, and only when, the Group and the Company become a party to the contractual provisions of the financial instruments. All financial liabilities are recognised initially at fair value plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(k) 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 when the guaranteed debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as liabilities at fair value, net of transaction costs. Subsequent, the liability is 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 the principles of MFRS 15 *Revenue from Contracts with Customers.*

3. Significant Accounting Policies (Cont'd)

(l) Offsetting of financial instruments

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

(m) Inventories

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

(a) Land held for property development

Land held for property development consists of purchase price of land, professional fees, stamp duties, commissions, conversion fees, other relevant levies and direct development cost incurred in preparing the land for development.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated cost necessary to make the sale. If net realisable value cannot be determined reliably, these inventories will be stated at the lower of cost or fair value less costs to sell. Fair value is the amount the inventory can be sold in an arm's length transaction.

Land held for property development for which no significant development work has been undertaken or where development activities are not expected to be completed within the normal operating cycle, is classified as non-current asset.

Land held for property development is transferred to property development costs under current assets when development activities have commenced and are expected to be completed within the normal operating cycle.

(b) Property development costs and completed property

Property under development consists of the costs of land and all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities, including common costs such as the cost of constructing mandatory infrastructure, amenities and affordable houses (net of estimated approve selling prices) and other related costs. The asset is subsequently recognised as an expense in profit or loss when and as the control of the asset is transferred to the customer.

Property development costs attributable to unsold properties, upon completion, are transferred to completed properties held for sale.

The cost of completed properties includes costs of land and related development cost or its purchase costs are incident cost of acquisition. Cost is determined on a specific identification basis.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable selling expenses.

(c) Other inventories

Cost of raw material comprise cost of purchase and other costs incurred in bringing it to their present location and condition are determined on a first-in-first-out basis. Cost of finished goods consists of direct material, direct labour and an appropriate proportion of production overheads (based on normal operating capacity) are stated on a first-in-first-out basis.

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2019

3. Significant Accounting Policies (Cont'd)

(n) Construction contracts

Construction contracts are contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and functions or their ultimate purpose or use.

Cost incurred to fulfil the contracts, comprising cost of direct materials, direct labour, other direct costs, attributable overheads and payments to subcontractors are recognised as an asset and amortised over to profit or loss systematically to reflect the transfer of the contracted service to the customer.

The Group uses the efforts or inputs to the satisfaction of the performance obligations to determine the appropriate amount to recognise in a given period. This is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the financial year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature. When the carrying amount of the asset exceeds the remaining amount of consideration that the Group expects to receive in exchange of the contracted asset, an impairment loss is recognised in profit or loss.

The Group presents as an asset the gross amount due from customers for contract work-in-progress for which costs incurred plus recognised profits (less recognised losses) exceed contract liabilities. Contract liabilities not yet paid by customers and retention monies are included within receivables and contract assets. The Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which contract liabilities exceed costs incurred plus recognised profits (less recognised losses).

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdrafts and highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(p) Impairment of assets

(i) Non-financial assets

The carrying amounts of non-financial assets (except for inventories, deferred tax assets and asset held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives, or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows 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 or cash-generating unit.

3. Significant Accounting Policies (Cont'd)

(p) Impairment of assets (Cont'd)

(i) Non-financial assets (Cont'd)

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment loss is recognised in profit or loss, unless the asset is carried at a revalued amount, in which such impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (group of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

(ii) Financial assets

The Group and the Company recognise an allowance for expected credit losses ("ECL") for all debt instruments not held at FVTPL. 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 an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

For trade receivables, other receivables, contract assets and inter-company balances, 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 lifetime ECLs at each reporting date. The Group and the Company have established a provision matrix that is based on its historical credit loss experience and the economic environment.

3. Significant Accounting Policies (Cont'd)

(q) Share capital

(i) Ordinary shares

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of its liabilities. Ordinary shares are equity instruments. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity.

Dividend distribution to the Company's shareholders is recognised as a liability in the period they are approved by the Board of Directors except for the final dividend which is subject to approval by the Company's shareholders.

(ii) Preference shares

Preference share capital is classified as equity if it is non-redeemable, or is redeemable but only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity. Preference share capital is classified as financial liability if it is redeemable on a specific date or at the option of the equity holders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

(r) Provisions

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

Provisions are reviewed at the end of each reporting period 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.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. The expense relating to any provision is presented in the statements of profit or loss and other comprehensive income net of any reimbursement.

(s) Employee benefits

(i) Short-term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the reporting period in which the associated services are rendered by employees of the Group. 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 and medical leave are recognised when the absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

(ii) Defined contribution plans

As required by law, companies in Malaysia contribute to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the profit or loss as incurred. Once the contributions have been paid, the Group has no further payment obligations.

3. Significant Accounting Policies (Cont'd)

(t) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(u) Contract assets and contract liabilities

Contract asset is the right to consideration for goods or services transferred to the customers. The Group's contract asset is the excess of revenue recognised over the billings to-date and deposits or advances received from customers.

Where there is objective evidence of impairment, the amount of impairment losses is determined by comparing the contract asset's carrying amount and the present value of estimated future cash flows to be generated by the contract assets.

Contract asset is reclassified to trade receivables at the point at which invoices have been billed to customers.

Contract liability is the obligation to transfer goods or services to customer for which the Group has received the consideration or has billed the customer. The Group contract liability is the excess of the billings to-date over the revenue recognised. Contract liabilities are recognised as revenue when the Group performs its obligation under the contracts.

(v) Revenue recognition

(i) Revenue from contracts with customers

Revenue is recognised when the Group satisfied a performance obligation ("PO") by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A PO may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied PO.

The Group recognises revenue from the following major sources:

(a) Revenue from construction contracts

The Group recognises revenue from construction contracts over time when control over the asset has been transferred to the customers. The assets have no alternative use to the Group due to contractual restriction and the Group has an enforceable right to payment for performance completed to date. Revenue from construction contracts is measured at the transaction price agreed under the construction contracts.

Revenue is recognised over the period of the contract using the output method to measure the progress towards complete satisfaction of the performance obligations under the construction contract, i.e. based on the level of completion of the physical proportion of contract work todate, certified by professional consultants.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2019

3. Significant Accounting Policies (Cont'd)

(v) Revenue recognition (Cont'd)

(i) Revenue from contracts with customers (Cont'd)

(a) Revenue from construction contracts (Cont'd)

The Group becomes entitled to invoice customers for construction of promised asset based on achieving a series of performance-related milestones (i.e. progress billing). The Group previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the progress billing exceeds the revenue recognised to-date, the Group recognises a contract liability for the difference. There is not considered to be a significant financing component in contracts with customers as the period between the recognition of revenue and the progress billing is always less than one year.

The Group provides warranties for general repairs of defects existed at the time of sale. These assurance-type warranties are accounted for under MFRS 137 *Provision, contingent Liabilities and Contingent Assets*.

(b) Revenue from property development

The Group recognises revenue from property development over time when control over the property has been transferred to the customers. The properties have no alternative use to the Group due to contractual restriction and the Group has an enforceable right to payment for performance completed to date. Revenue from property development is measured at the fixed transaction price agreed under the sales and purchase agreement.

Revenue is recognised over the period of the contract using input method to measure the progress towards complete satisfaction of the performance obligations under the sale and purchase agreement, i.e. based on the proportion of property development costs incurred for work performed up to the end of the reporting period as a percentage of the estimated total costs of development of the contract.

The Group becomes entitled to invoice customers for construction of promised properties based on achieving a series of performance-related milestones (i.e. progress billing). The Group will previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the progress billing exceeds the revenue recognised todate, the Group recognises a contract liability for the difference. There is not considered to be a significant financing component in contracts with customers as the period between the recognition of revenue and the progress billing is always less than one year.

Revenue from sale of completed properties is recognised at a point in time, being when the control of the properties has been passed to the purchasers. And, it is probable that the Group will collect the considerations to which it will be entitled to in exchange for the properties sold.

The Group provides warranties for general repairs of defects as required by law. These assurance-type warranties are accounted for under MFRS 137 *Provision, contingent Liabilities and Contingent Assets.*

3. Significant Accounting Policies (Cont'd)

(v) Revenue recognition (Cont'd)

(i) Revenue from contracts with customers (Cont'd)

(c) Rendering of services

Revenue from services and management fees are recognised in the reporting period in which the services are rendered, which simultaneously received and consumes the benefits provided by the Group, and the Group has a present right to payment for the services.

(d) Hotel room rental and food and beverages revenue

Room rental revenue is accrued on a daily basis on customer-occupied rooms. Revenue from the sale of food and beverage is recognised when the customer received and consumes and the Group has a present right to payment for the food and beverage product. Hotel room rental and food and beverages revenue are recorded based on the published rates, net of discounts.

(ii) 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.

(iii) Interest income

Interest income is recognised on accruals basis using the effective interest method.

(w) Income taxes

Tax expense in profit or loss comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the financial year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method for all temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither accounting nor taxable profit nor loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

3. Significant Accounting Policies (Cont'd)

(w) Income taxes (Cont'd)

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(x) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-makers are responsible for allocating resources and assessing performance of the operating segments and make overall strategic decisions. The Group's operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

(y) Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

(z) Assets held for sale

Assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Such assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

4. Property, Plant and Equipment

	At Valuation	At Cost					
	Leasehold Land and Buildings RM	Plant, Machinery and Equipment RM	Furniture, Fittings and Office Equipment RM	Electrical Installation and Renovation RM	Motor Vehicles RM	Work-In-Progress RM	Total RM
Group							
2019							
Cost/Valuation							
At 1 January	32,076,635	73,966,268	4,810,111	7,624,144	6,038,884	6,284,246	130,800,288
Effect of adoption of MFRS 16	(32,076,635)	(52,728,337)	-	(5,940)	(4,504,944)	(6,284,246)	(95,600,102)
As restated	-	21,237,931	4,810,111	7,618,204	1,533,940	-	35,200,186
Additions	-	5,538,934	490,129	2,558,500	-	-	8,587,563
Disposals	-	(160,000)	-	-	(663,953)	-	(823,953)
Written off	-	-	(9,130)	-	-	-	(9,130)
At 31 December	-	26,616,865	5,291,110	10,176,704	869,987	-	42,954,666
Accumulated depreciation							
At 1 January	4,489,352	9,249,603	3,070,122	2,504,462	2,619,781	-	21,933,320
Effect of adoption of MFRS 16	(4,489,352)	(1,936,592)	-	(300)	(1,900,108)	-	(8,326,352)
As restated	-	7,313,011	3,070,122	2,504,162	719,673	-	13,606,968
Charge for the financial year	-	4,115,915	547,526	771,950	240,815	-	5,676,206
Disposals	-	(45,333)	-	-	(500,573)	-	(545,906)
Written off	-	-	(8,671)	-	-	-	(8,671)
At 31 December	-	11,383,593	3,608,977	3,276,112	459,915	-	18,728,597
Accumulated impairment losses							
At 1 January	1,389,832	-	-	-	-	-	1,389,832
Effect of adoption of MFRS 16	(1,389,832)	-	-	-	-	-	(1,389,832)
As restated/At 31 December	-	-	-	-	-	-	-
Carrying amount							
At 31 December	-	15,233,272	1,682,133	6,900,592	410,072	-	24,226,069

4. **Property, Plant and Equipment (Cont'd)**

	At Valuation	At Cost					
	Leasehold Land and Buildings RM	Plant, Machinery and Equipment RM	Furniture, Fittings and Office Equipment RM	Electrical Installation and Renovation RM	Motor Vehicles RM	Work-In-Progress RM	Total RM
Group							
2018 (restated)							
Cost/Valuation							
At 1 January	32,076,635	25,978,584	3,895,588	4,024,693	4,478,138	-	70,453,638
Additions	-	56,277,993	981,520	4,022,693	1,578,746	6,284,246	69,145,198
Disposals	-	(7,930,426)	(38,371)	-	(18,000)	-	(7,986,797)
Written off	-	(359,883)	(8,626)	(423,242)	-	-	(791,751)
Discount received	-	-	(20,000)	-	-	-	(20,000)
At 31 December	32,076,635	73,966,268	4,810,111	7,624,144	6,038,884	6,284,246	130,800,288
Accumulated depreciation							
At 1 January	3,707,983	9,861,382	2,407,513	2,020,588	1,615,468	-	19,612,934
Charge for the financial year	781,369	4,244,074	709,146	830,465	1,022,312	-	7,587,366
Disposals	-	(4,799,139)	(38,368)	-	(17,999)	-	(4,855,506)
Written off	-	(56,714)	(8,169)	(346,591)	-	-	(411,474)
At 31 December	4,489,352	9,249,603	3,070,122	2,504,462	2,619,781	-	21,933,320
Accumulated impairment losses							
At 1 January/31 December	1,389,832	-	-	-	-	-	1,389,832
Carrying amount							
At 31 December	26,197,451	64,716,665	1,739,989	5,119,682	3,419,103	6,284,246	107,477,136

4. Property, Plant and Equipment (Cont'd)

	Furniture, Fittings and Office Equipment RM	Electrical Installation and Renovation RM	Total RM
Company			
2019			
Cost			
At 1 January/31 December	683,336	247,328	930,664
Accumulated depreciation			
At 1 January	562,426	97,636	660,062
Charge for the financial year	46,437	24,733	71,170
At 31 December	608,863	122,369	731,232
Carrying amount			
At 31 December	74,473	124,959	199,432
2018			
Cost			
At 1 January	728,717	648,930	1,377,647
Disposals	(25,381)	-	(25,381)
Written off	-	(401,602)	(401,602)
Discount received	(20,000)	-	(20,000)
At 31 December	683,336	247,328	930,664
Accumulated depreciation			
At 1 January	543,215	377,451	920,666
Charge for the financial year	44,592	61,546	106,138
Disposals	(25,381)	-	(25,381)
Written off	-	(341,361)	(341,361)
At 31 December	562,426	97,636	660,062
Carrying amount			
At 31 December	120,910	149,692	270,602

(a) As at 31 December 2018, leasehold land and buildings with carrying amount of RM26,197,451 have been pledged to licensed banks as security for banking facilities granted to the Group as disclosed in Note 24.

Following the adoption of MFRS 16 on 1 January 2019, the Group had reclassified the carrying amount of leased assets to ROU assets as disclosed in Note 5.

(b) The net carrying amount of property, plant and equipment of the Group held under finance lease arrangement are as follows:

	Group 2019 RM	2018 RM
Motor vehicles	-	2,798,315
Plant and machinery	-	51,655,818
	-	54,454,133

Leased assets are pledged as security for the related finance lease liabilities.

Following the adoption of MFRS 16 on 1 January 2019, the Group had reclassified the carrying amount of leased assets to ROU assets as disclosed in Note 5.

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4. Property, Plant and Equipment (Cont'd)

(c) The aggregate additional costs for the property, plant and equipment of the Group under finance lease financing, other payables and cash payments are as follows:

	Group 2019 RM	Group 2018 RM
Aggregate costs	8,587,563	69,145,198
Less: Finance lease financing	-	(37,161,805)
Less: Other payables	-	(1,277,997)
Cash payments	8,587,563	30,705,396

(d) As at 31 December 2018, the remaining period of leasehold land and buildings are 28 to 91 years.

Following the adoption of MFRS 16 on 1 January 2019, the Group had reclassified the carrying amount of leased assets to ROU assets as disclosed in Note 5.

(e) In the previous financial year, the leasehold land and buildings of the Group were revalued by Raine & Horne International Zaki + Partners Sdn. Bhd., an independent professional qualified valuer.

The fair value of land is within level 2 of the fair value hierarchy. The fair value was determined by based on market comparable approach that reflects recent transaction price for similar properties.

The fair value of buildings is within level 3 of the fair value hierarchy. The fair value was determined using the cost approach that reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence.

As at 31 December 2018, had the leasehold land and buildings been carried at historical cost less accumulated depreciation and impairment losses, the carrying amount would have been RM21,597,955.

Following the adoption of MFRS 16 on 1 January 2019, the Group had reclassified the carrying amount of leased assets to ROU assets as disclosed in Note 5.

5. Right-of-use Assets

	At Valuation	At Cost					
	Leasehold Land and Buildings RM	Work-In-Progress RM	Renovation RM	Hostel RM	Plant, Machinery and Equipment RM	Motor Vehicles RM	Total RM
Group							
2019							
Cost/Valuation							
At 1 January	-	-	-	-	-	-	-
Effect of adoption of MFRS 16	32,076,635	6,284,246	5,940	403,379	52,728,337	4,504,944	96,003,481
As restated	32,076,635	6,284,246	5,940	403,379	52,728,337	4,504,944	96,003,481
Additions	1,618,716	-	-	33,563	5,655,408	501,308	7,808,995
Reclassification	6,284,246	(6,284,246)	-	-	-	-	-
At 31 December	39,979,597	-	5,940	436,942	58,383,745	5,006,252	103,812,476
Accumulated depreciation							
At 1 January	-	-	-	-	-	-	-
Effect of adoption of MFRS 16	4,489,352	-	300	164,182	1,936,592	1,900,108	8,490,534
As restated	4,489,352	-	300	164,182	1,936,592	1,900,108	8,490,534
Charge for the financial year	1,005,596	-	742	163,179	4,556,905	865,146	6,591,568
At 31 December	5,494,948	-	1,042	327,361	6,493,497	2,765,254	15,082,102
Accumulated impairment losses							
At 1 January	-	-	-	-	-	-	-
Effect of adoption of MFRS 16	1,389,832	-	-	-	-	-	1,389,832
As restated/At 31 December	1,389,832	-	-	-	-	-	1,389,832
Carrying amount							
At 31 December	33,094,817	-	4,898	109,581	51,890,248	2,240,998	87,340,542

5. Right-of-use Assets (Cont'd)

(a) The Group had entered into five non-cancellable operating lease agreements for the use of residential hostel and sales gallery. The leases are for a period of one year plus one year extension with renewal option included in the agreements. The leases do not allow the Group to assign, transfer or sublease or create any charge, lien or trust in respect of or dispose of the whole or any part of the residential hostel and sales gallery.

(b) As at 31 December 2019, leasehold land and buildings with carrying amount of RM33,094,817 have been pledged to licensed banks as security for banking facilities granted to the Group as disclosed in Note 24.

(c) The net carrying amount of right-of-use assets of the Group acquired under lease arrangement are as follows:

	Group	
	2019 RM	**2018 RM**
Motor vehicles	2,240,998	-
Plant and machinery	51,890,248	-
	54,131,246	-

Leased assets are pledged as security for the related lease liabilities.

(d) The aggregate additional costs for the right-of-use assets of the Group under term loan financing, lease financing, other payables and cash payments are as follows:

	Group	
	2019 RM	**2018 RM**
Aggregate costs	7,808,995	-
Less: Term loan	(857,671)	-
Less: Lease financing	(5,393,775)	-
Less: Other payables	(404,251)	-
Cash payments	1,153,298	-

(e) As at 31 December 2019, the remaining period of leasehold land and buildings are 27 to 90 years.

(f) In the previous financial year, the leasehold land and buildings of the Group were revalued by Raine & Horne International Zaki + Partners Sdn. Bhd., an independent professional qualified valuer.

The fair value of land is within level 2 of the fair value hierarchy. The fair value was determined by based on market comparable approach that reflects recent transaction price for similar properties.

The fair value of buildings is within level 3 of the fair value hierarchy. The fair value was determined using the cost approach that reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence.

As at 31 December 2019, had the leasehold land and buildings been carried at historical cost less accumulated depreciation and impairment losses, the carrying amount would have been RM28,829,795.

6. Intangible Assets

	Group 2019 RM	2018 RM
Cost		
At 1 January	10,732,993	8,400,000
Effect of completion of Purchase Price Allocation ("PPA")	-	2,332,993
At 31 December	10,732,993	10,732,993
Accumulated amortisation		
At 1 January	6,746,014	4,068,979
Charge for the financial year	2,159,257	2,677,035
At 31 December	8,905,271	6,746,014
Carrying amount		
At 31 December	1,827,722	3,986,979

In the previous financial year, the Group completed the PPA exercise to determine the fair value of the net assets of Multi Court Developers Sdn. Bhd. within the stipulated time period, i.e. twelve (12) months from the acquisition date of 5 January 2018 in accordance with MFRS 3 *Business Combination*. The intangible assets, deferred tax liabilities arising from the intangible assets and goodwill on consolidation have been reflected accordingly in the statements of financial position.

7. Investment Properties

	Group 2019 RM	2018 RM
Leasehold land and buildings		
Cost		
At 1 January/31 December	62,224,743	62,224,743
Accumulated depreciation		
At 1 January	3,681,812	2,437,316
Charge for the financial year	1,244,494	1,244,496
At 31 December	4,926,306	3,681,812
Carrying amount		
At 31 December	57,298,437	58,542,931
Fair value		
At 31 December	62,883,000	62,487,327

(a) Investment properties of the Group with carrying amount of RM56,618,979 (2018: RM57,849,296) have been pledged to licensed banks as security for banking facilities granted to the Group as disclosed in Note 24.

(b) Investment properties of the Group are leasehold properties with remaining lease periods range from 70 to 95 (2018: 71 to 96) years.

(c) Fair value of investment properties is arrived at by reference to market evidence of transaction prices for similar properties and are performed by registered valuers. The fair values are within Level 2 of the fair value hierarchy.

There were no transfers between levels during current and previous financial year.

(d) During the current financial year, certain investment properties have generated rental income and incurred direct operating expenses amounting to RM2,521,013 and RM792,565 (2018: RM2,281,136 and RM475,615) respectively by carrying out hospitality business.

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8. Capital Work-In-Progress

	Group 2019 RM	Group 2018 RM
At 1 January	1,300,410	1,300,410
Additions	2,600,819	-
At 31 December	3,901,229	1,300,410

Capital-work-in-progress comprise of vacant bungalow lands which have been pledged to licensed banks as security for banking facility granted to the Group as disclosed in Note 24.

9. Investment in Subsidiary Companies

	Company 2019 RM	Company 2018 RM
Unquoted shares, at cost		
In Malaysia	361,977,053	361,977,053
Less: Accumulated impairment losses	(61,977,053)	(61,977,053)
	300,000,000	300,000,000

Movements in the allowance for impairment losses of investment in subsidiary companies are as follows:

	Company 2019 RM	Company 2018 RM
At 1 January	61,977,053	61,976,998
Impairment losses recognised	-	55
At 31 December	61,977,053	61,977,053

Details of the subsidiary companies are as follows:

Name of company	Place of business/ Country of incorporation	Effective interest 2019 %	Effective interest 2018 %	Principal activities
Direct Holding:				
MGB Construction Sdn. Bhd.	Malaysia	100	100	Civil engineering, design and build and general construction activities
MGB Land Sdn. Bhd.	Malaysia	100	100	Investment holding
Vintage Roofing & Construction Sdn. Bhd.	Malaysia	100	100	Dormant
Newsteel Building Systems Sdn. Bhd.	Malaysia	80	80	Dormant

9. Investment in Subsidiary Companies (Cont'd)

Details of the subsidiary companies are as follows: (Cont'd)

Name of company	Place of business/ Country of incorporation	Effective interest 2019 %	Effective interest 2018 %	Principal activities
Direct Holding:				
Vintage Tiles Holdings Sdn. Bhd.	Malaysia	100	100	Dormant
MGB Construction & Engineering Sdn. Bhd. ("MGBCE") *(formerly known as MITC Engineering Sdn. Bhd.)*	Malaysia	100	100	Civil engineering, design and build, general construction activities, trading of construction materials and investment holding
Alunan Warta Sdn. Bhd.	Malaysia	51	51	Dormant
Indirect Holding: **Subsidiary companies of MGBCE**				
Prisma Craft Sdn. Bhd.	Malaysia	100	100	Dormant
Prisma Kasturi Sdn. Bhd.	Malaysia	100	100	Hospitality
Top Ace Solutions Sdn. Bhd.	Malaysia	100	100	Trading of building materials and general construction activities
MGB Geotech Sdn. Bhd.	Malaysia	100	70	Piling and foundation construction works
MGB SANY (M) IBS Sdn. Bhd.	Malaysia	81	51	Manufacturing of Industrialised Building System precast products
Indirect Holding: **Subsidiary companies of MGB Land Sdn. Bhd.**				
Delta Gallery Sdn. Bhd.	Malaysia	100	100	Property development
Multi Court Developers Sdn. Bhd.	Malaysia	100	100	Property development
Sinaran Kencana Sdn. Bhd. ("SKSB") *(formerly known as VTI Consortium Sdn. Bhd.)*	Malaysia	100	-	Dormant
Idaman Kukuh Sdn. Bhd.	Malaysia	100	100	Dormant
Idaman Aktif Sdn. Bhd. ("IASB")	Malaysia	100	-	Dormant
Idaman Elegan Sdn. Bhd. ("IESB")	Malaysia	100	-	Dormant
Idaman Living Sdn. Bhd. ("ILSB")	Malaysia	100	-	Dormant

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31 DECEMBER 2019

9. Investment in Subsidiary Companies (Cont'd)

Details of the subsidiary companies are as follows: (Cont'd)

Name of company	Place of business/ Country of incorporation	Effective interest 2019 %	Effective interest 2018 %	Principal activities
Indirect Holding: **Subsidiary company of Vintage Roofing & Construction Sdn. Bhd.**				
Sinaran Kencana Sdn. Bhd. ("SKSB") *(formerly known as VTI Consortium Sdn. Bhd.)*	Malaysia	-	100	Dormant

(a) Internal re-organisation

On 17 June 2019, MGB Land Sdn. Bhd. ("MGB Land") entered into a Share Sale Agreement with Vintage Roofing & Construction Sdn. Bhd. for acquisition of 2 ordinary shares, representing 100% equity interest in SKSB for a cash consideration of RM2. Upon completion of the acquisition, SKSB became a direct wholly-owned subsidiary company of MGB Land.

(b) Acquisition of subsidiary companies

2019

(i) On 28 June 2019, MGB Land subscribed 1 ordinary share in newly incorporated subsidiary companies of IASB and IESB respectively, representing entire equity interest in IASB and IESB for cash consideration of RM1 respectively, resulting in IASB and IESB became indirect wholly-owned subsidiary companies of the Company.

(ii) On 28 August 2019, MGB Land subscribed 1 ordinary share in a newly incorporated subsidiary company of ILSB, representing entire equity interest in ILSB for cash consideration of RM1, resulting in ILSB became indirect wholly-owned subsidiary company of the Company.

2018

(i) On 5 January 2018, MGB Land acquired 300,000 ordinary shares in Multi Court Developers Sdn. Bhd. ("MCDSB"), representing entire equity interest in MCDSB for cash consideration of RM2,800,000, resulting in MCDSB became an indirect wholly-owned subsidiary company of the Company.

During the financial year, the MGB Land completed its PPA exercise within stipulated time period. The following summarises the major classes of consideration transferred and the recognised amount of assets acquired and liabilities assumed for the acquisition of MCDSB.

	Group 2018 RM
Fair value of identifiable assets acquired and liabilities assumed	
Intangible assets	2,332,993
Inventories	19,667,007
Other receivables	416,200
Cash and bank balances	28,835
Other payables	(20,089,644)
Deferred tax liabilities	(559,918)
Net identifiable assets and liabilities	1,795,473

9. Investment in Subsidiary Companies (Cont'd)

Details of the subsidiary companies are as follows: (Cont'd)

(b) Acquisition of subsidiary companies (Cont'd)

2018 (Cont'd)

	Group 2018 RM
Net cash outflow arising from the acquisition of MCDSB	
Purchase consideration settled in cash	(2,800,000)
Cash and bank balances acquired	28,835
	(2,771,165)
Goodwill arising from business combination	
Goodwill was recognised as a result of the acquisition as follows:	
Fair value of consideration transferred	2,800,000
Fair value of identifiable assets acquired and liabilities assumed	(1,795,473)
	1,004,527

(c) Acquisition of non-controlling interest

On 7 November 2019, MGBCE acquired 225,000 ordinary shares in MGB Geotech Sdn. Bhd. ("MGB Geotech"), representing 30% of equity interest, for cash consideration of RM225,000, resulting in MGB Geotech became a wholly-owned subsidiary company of MGBCE.

The effect of changes in the equity interest that is attributable to the owner of the parent:

	Group 2019 RM
Carrying amount of non-controlling interest acquired	(601,218)
Consideration paid to non-controlling interest	(225,000)
Net decreased in parent's equity	(826,218)

(d) Changes of equity interest

(i) On 31 January 2019, Multi Court Developers Sdn. Bhd., a subsidiary company of MGB Land had increased its paid-up share capital from 300,000 to 1,000,000 ordinary shares. MGB Land had subscribed for an additional of 700,000 new ordinary shares in MCDSB for cash consideration of RM700,000. Subsequent to the subscription of shares, MCDSB remain as wholly-owned subsidiary of MGB Land.

(ii) On 23 December 2019, MGB SANY (M) IBS Sdn. Bhd. ("MGB SANY"), a direct-owned subsidiary company of MGBCE had increased its paid-up share capital from 4,000,000 to 10,120,000 ordinary shares. MGBCE hads subscribed for an additional 6,120,000 new ordinary shares for cash consideration of RM6,120,000. Consequently, MGBCE's equity interest increased from 51% to 81% in MGB SANY.

(e) Disposal of a subsidiary company

In the previous financial year, Vintage Roofing & Construction Sdn. Bhd., a wholly-owned subsidiary company of the Company, disposed 2 ordinary shares in Tirai Impresif Sdn. Bhd. ("TISB"), representing entire equity interest in TISB to Mr. Toh Chau Keong and Ms. Go Siok Hong for cash consideration of RM2, resulting in TISB ceased to be an indirect subsidiary company of the Company.

9. Investment in Subsidiary Companies (Cont'd)

(e) Disposal of a subsidiary company (Cont'd)

The effect of the disposal of TISB on the financial position of the Group as at the date of disposal was as follows:

	Group 2018 RM
Other payables	(1,517,760)
Accruals	(3,208)
Net liabilities	(1,520,968)
Gain on disposal	1,520,970
Proceeds from disposal	2
Less: Cash and bank balances disposed	-
Net cash inflow from disposal	2

(f) The Group's subsidiary companies which have non-controlling interests are not material individually or in aggregate to the financial position, financial performance and cash flows of the Group.

(g) There are no significant restrictions on the ability of the subsidiary companies to transfer funds to the Group in the form of cash dividends or repayment of loans and advances. Generally, for all subsidiary companies which are not wholly-owned by the Company, non-controlling shareholders hold protective rights restricting the Company's ability to use the assets of the subsidiary companies and settle the liabilities of the Group, unless approval is obtained from non-controlling shareholders.

10. Investment in Associates

	Group	
	2019 RM	2018 RM
At cost		
Arising from acquisition of associates		
- unquoted shares in Malaysia	60,000	60,000
- share of post acquisition reserve	69,897	(10,685)
	129,897	49,315
Share of current year profit	55,276	80,582
Less: Accumulated impairment losses	(34,315)	(34,315)
	150,858	95,582

Movements in the allowance for impairment losses of investment in associates are as follows:

	Group	
	2019 RM	2018 RM
At 1 January/At 31 December	34,315	34,315

10. Investment in Associates (Cont'd)

Details of the associates are as follows:

Name of company	Place of business/ Country of incorporation	Effective interest 2019 %	Effective interest 2018 %	Principal activities
Associates of MGBCE				
YLT Consultancy Sdn. Bhd. *	Malaysia	30	30	Engineering consultancy services
MGB JPC Consultancy Sdn. Bhd.	Malaysia	30	30	Engineering consultancy services

* Associate not audited by UHY

The summarised financial information of the associates, not adjusted for the percentage held by the Group is as follows:

(a) Summarised statements of financial position

	Group 2019 RM	Group 2018 RM
Assets and liabilities		
Non-current assets	1,092,932	1,127,064
Current assets	695,621	704,019
Total assets	1,788,553	1,831,083
Non-current liabilities	(793,763)	(828,389)
Current liabilities	(467,681)	(571,263)
Total net assets	527,109	431,431

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

	Group 2019 RM	Group 2018 RM
Revenue	895,365	748,580
Profit before tax	260,935	404,141
Taxation	(76,682)	(103,905)
Profit for the financial year	184,253	300,236

(c) The group has not recognised the following losses since the Group has no obligation in respect of these losses:

	Group 2019 RM	Group 2018 RM
At 1 January	469	9,956
Share of profit during the financial year	(469)	(9,487)
At 31 December	-	469

11. Goodwill on Consolidation

	Group 2019 RM	2018 RM
At 1 January	254,694,909	253,690,382
Acquisition of a subsidiary company - effect of completion of PPA	-	1,004,527
At 31 December	254,694,909	254,694,909

Included in the goodwill on consolidation recognised as the effect of completion of PPA in the previous financial year, is deferred tax liabilities of RM559,918 arising from the intangible assets recognised as disclosed in Note 6.

Goodwill on consolidation arose upon the acquisition of subsidiary companies principally engaged in civil engineering, design and build, trading activities and property development.

The goodwill on consolidation recognised on the acquisitions are attributable mainly to the skills and technical talent of the acquired business's work force and the synergies expected to be achieved from integrating the subsidiary companies into the Group's existing construction business.

(a) Recoverable amount on value in use

For the purpose of impairment testing, the recoverable amount of goodwill as at the end of the reporting period was determined based on a value in use calculation by discounting the future cash flows generated from the continuing use of the cash-generating unit ("CGU") and was based on the following assumptions:

(i) Pre-tax cash flow projections based on the most recent financial budgets covering a five (5) years period.

(ii) The anticipated annual revenue growth rate used in the cash flow budgets and plans of the CGU is 5% to 15% (2018: 10% to 15%).

(iii) Pre-tax discount rate of 7% (2018: 8%) per annum has been applied in determining the recoverable amount of the CGU. The discount rate was estimated based on the Group's weighted average cost of capital plus a reasonable risk premium.

The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external sources and internal sources.

(b) Sensitivity to changes in assumptions

The management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU.

12. Inventories

	Note	Group 2019 RM	2018 RM
Land held for development	(a)	-	3,000,000
Property development costs	(b)	16,971,094	53,323,158
Completed properties	(c)	1,498,699	-
Other inventories	(d)	1,237,527	1,295,228
		19,707,320	57,618,386

12. Inventories (Cont'd)

(a) Land held for development

	Note	Group 2019 RM	Group 2018 RM
Freehold land, at cost			
At 1 January		3,000,000	3,000,000
Transfer to asset held for sale	21	(3,000,000)	-
At 31 December		-	3,000,000

The land has been pledged to a licensed bank as security for banking facilities granted to the Group as disclosed in Note 24.

(b) Property development costs

	Note	Group 2019 RM	Group 2018 RM
Development lands, at cost			
At 1 January		46,461,847	28,771,358
Arising from acquisition of a subsidiary company		-	17,587,500
Additions		423,756	102,989
Transfer to completed properties	(c)	(323,221)	-
Completed development units		(10,615,752)	-
At 31 December		35,946,630	46,461,847
Cumulative property development costs			
At 1 January		116,066,996	64,273,143
Arising from acquisition of a subsidiary company		-	2,079,507
Additions		74,520,363	49,714,346
Transfer to completed properties	(c)	(1,175,478)	-
Completed development units		(38,606,935)	-
At 31 December		150,804,946	116,066,996
Cumulative cost recognised in profit or loss			
At 1 January		109,205,685	41,925,660
Additions		109,797,484	67,280,025
Completed development units		(49,222,687)	-
At 31 December		169,780,482	109,205,685
Carrying amount			
At 31 December		16,971,094	53,323,158

Included in property development costs incurred during the financial year are as follows:

	Note	Group 2019 RM	Group 2018 RM
Sale commissions		6,871,978	2,492,833
Finance costs	31	3,317,355	1,888,760

The development lands have been pledged to a licensed banks as security for banking facilities granted to the Group as disclosed in Note 24.

The Group capitalised sales commission in relation to the property development contracts entered into as incremental costs of obtaining contracts with customers in property development costs. These costs are expected to be recoverable and are amortised to profit or loss as cost of sales when the related revenue are recognised.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2019

12. Inventories (Cont'd)

(c) Completed properties

	Note	Group 2019 RM
At cost:		
At 1 January		-
Transfer from property development costs	(b)	1,498,699
At 31 December		1,498,699

(d) Other inventories

	Group 2019 RM	2018 RM
At cost		
Raw materials	1,226,211	1,054,528
Spare parts and consumables	11,316	240,700
	1,237,527	1,295,228
Recognised in profit or loss		
Inventories recognised as cost of sales	16,947,608	9,476,466

13. Contract Assets/(Liabilities)

The Group's contract assets and contract liabilities relating to construction activities and property development activities at the end of the reporting period are as follows:

	Note	Group 2019 RM	2018 RM
Contract assets			
Construction activities	(a)	72,521,989	61,202,989
Property development activities	(b)	73,873,985	59,239,534
		146,395,974	120,442,523
Contract liabilities			
Construction activities	(a)	(40,648,464)	(24,458,009)

(a) Construction activities

	Group 2019 RM	2018 RM
Contract costs incurred to-date	2,471,301,300	1,929,781,315
Attributable profits	287,928,574	229,355,892
	2,759,229,874	2,159,137,207
Less: Progress billings	(2,727,199,185)	(2,122,392,227)
Less: Accumulated impairment losses	(157,164)	-
	31,873,525	36,744,980
Presented as:		
Contract assets	72,521,989	61,202,989
Contract liabilities	(40,648,464)	(24,458,009)
	31,873,525	36,744,980

13. Contract Assets/(Liabilities) (Cont'd)

(a) Construction activities (Cont'd)

Movements in the allowance for impairment losses of contract assets are as follows:

	Group 2019 RM
At 1 January	-
Impairment losses recognised	157,164
At 31 December	157,164

The contract assets represent the unbilled amount for work completed as at the reporting date. This amount will be transferred to trade receivables when the right to bill becomes unconditional.

The contract liabilities consist of advance billings in excess of revenue recognised overtime during the construction period.

(b) Property development activities

	Group 2019 RM	Group 2018 RM
At 1 January	59,239,534	34,474,502
Property development revenue recognised during the financial year	122,602,828	77,232,177
Less: Progress billings	(107,968,377)	(52,467,145)
At 31 December	73,873,985	59,239,534
Presented as:		
Contract assets	73,873,985	59,239,534

Contract assets in relation to property development activities is the excess of revenue recognised in profit or loss over billings to purchasers as at the reporting date. This unbilled amount for work completed will be transferred to trade receivables when the right to bill becomes unconditional.

(c) Contract value yet to be recognised as revenue

The Group applies the practical expedient in MFRS 15 on not disclosing the aggregate amount of the revenue expected to be recognised in the future as the Group recognises revenue from the satisfaction of the performance obligation using output methods in accordance with paragraph B16 of MFRS 15.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2019

14. Trade Receivables

	Group 2019 RM	Group 2018 RM
Trade receivables	57,348,787	151,112,962
Retention sum receivables	10,202,356	14,690,977
	67,551,143	165,803,939
Less: Accumulated impairment losses	(292,680)	(333,886)
	67,258,463	165,470,053

The Group's normal trade credit terms are generally from 14 to 180 days (2018: 14 to 180 days) term. Other credit terms are assessed and approved on a case to case basis. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Movements in the allowance for impairment losses of trade receivables are as follows:

	Lifetime allowance RM	Credit impaired RM	Total allowance RM
Group			
2019			
At 1 January	299,145	34,741	333,886
Impairment losses recognised	36,278	-	36,278
Impairment losses reversed	(77,484)	-	(77,484)
At 31 December	257,939	34,741	292,680
2018			
At 1 January	197,793	34,741	232,534
Impairment losses recognised	101,970	-	101,970
Impairment losses reversed	(618)	-	(618)
At 31 December	299,145	34,741	333,886

Analysis of the trade receivables ageing as at the end of the reporting period are as follows:

	Gross amount RM	Loss allowance RM	Net amount RM
Group			
2019			
Not past due	28,952,616	(19,586)	28,933,030
Past due			
Less than 30 days	6,780,822	(8,399)	6,772,423
31 to 60 days	4,616,156	(23,874)	4,592,282
61 to 90 days	3,874,394	(16,147)	3,858,247
More than 90 days	23,292,414	(189,933)	23,102,481
	38,563,786	(238,353)	38,325,433
Credit impaired			
Individually impaired	34,741	(34,741)	-
	67,551,143	(292,680)	67,258,463

14. Trade Receivables (Cont'd)

Analysis of the trade receivables ageing as at the end of the reporting period are as follows: (Cont'd)

	Gross amount RM	Loss allowance RM	Net amount RM
Group			
2018			
Not past due	104,883,566	(44,208)	104,839,358
Past due			
Less than 30 days	14,244,543	(51,177)	14,193,366
31 to 60 days	4,920,297	(9,498)	4,910,799
61 to 90 days	40,744,824	(11,293)	40,733,531
More than 90 days	975,968	(182,969)	792,999
	60,885,632	(254,937)	60,630,695
Credit impaired			
Individually impaired	34,741	(34,741)	-
	165,803,939	(333,886)	165,470,053

Trade receivables that are not past due are creditworthy receivables with good payment records with the Group.

At 31 December 2019, trade receivables of RM38,325,433 (2018: RM60,630,695) were past due. These mainly arose from active corporate clients with healthy business relationship but slower repayment records, in which the management is of the view that the amount are recoverable based on past payment history. The trade receivables that are past due are unsecured in nature.

Trade receivables of the Group that are individually assessed to be impaired amounting to RM34,741 (2018: RM34,741), relate to customers that are in financial difficulties. These balances are expected to be recovered through the debts recovery process.

At the end of the reporting period, the Group has 4 (2018: 4) customers that owed to the Group for approximately 62% (2018: 75%) of total outstanding receivables.

15. Other Receivables

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Other receivables	2,922,238	7,763,292	51,100	58,895
Less: Accumulated impairment losses	(1,148,037)	(1,106,388)	-	-
	1,774,201	6,656,904	51,100	58,895
Deposits				
- Third parties	12,917,025	3,654,061	2,039,500	17,500
- Related party	-	13,350	-	-
Prepayments	3,202,044	4,815,857	2,262	990
GST receivables	1,523,925	1,456,628	257,288	273,717
	19,417,195	16,596,800	2,350,150	351,102

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2019

15. Other Receivables (Cont'd)

Movements in the allowance for impairment losses of other receivables are as follows:

	Group	
	2019 RM	2018 RM
At 1 January	1,106,388	942,383
Impairment losses recognised	41,649	164,005
At 31 December	1,148,037	1,106,388

Other receivables that are individually determined to be impaired at the reporting date relate to receivables that are in significant financial difficulties and have defaulted on payments.

Included in deposits is an amount of RM7,860,000 (2018: RMNil) represents deposits paid for joint development of lands.

16. Amount Due from/(to) Subsidiary Companies

	Company	
	2019 RM	2018 RM
Amount due from subsidiary companies		
Non-trade related		
Non-interest bearing	21,193,133	21,443,683
Interest bearing	57,009,856	54,835,060
	78,202,989	76,278,743
Less: Accumulated impairment losses	(11,834,190)	(11,834,190)
	66,368,799	64,444,553

	Company	
	2019 RM	2018 RM
Amount due to subsidiary companies		
Non-trade related		
Non-interest bearing	6,371,116	6,387,582

Movements in the allowance for impairment losses of amount due from subsidiary companies are as follows:

	Company	
	2019 RM	2018 RM
At 1 January	11,834,190	11,651,216
Impairment losses recognised	-	478,256
Impairment losses reversed	-	(295,282)
At 31 December	11,834,190	11,834,190

Amount due from subsidiary companies are unsecured, non-interest bearing advances and repayable on demand except for an amount of RM57,009,856 (2018: RM54,835,060) which bears interest at a rate of 6.32% (2018: 6.65%) per annum.

Amount due to subsidiary companies are unsecured, non-interest bearing advances and repayable on demand.

17. Amount Due from/(to) Related Companies

	Group 2019 RM	2018 RM
Amount due from related companies		
Trade related		
Non-interest bearing	162,199,844	174,355,636
Retention sum receivables	86,385,972	60,641,505
	248,585,816	234,997,141
Less: Accumulated impairment losses	(146,526)	(139,754)
	248,439,290	234,857,387
Non-trade related		
Non-interest bearing	-	536
	248,439,290	234,857,923

	Group 2019 RM	2018 RM
Amount due from related companies		
Trade related		
Non-interest bearing	10,352,424	18,250,646

Movements in the allowance for impairment losses of amount due from related companies are as follows:

	Group 2019 RM	2018 RM
At 1 January	139,754	72,454
Impairment losses recognised	6,772	69,427
Impairment losses reversed	-	(2,127)
At 31 December	146,526	139,754

Amount due from/(to) related companies are unsecured, non-interest bearing and repayable on demand.

18. Amount Due from/(to) an Associate

Amount due from/(to) an associate is trade in nature, unsecured, non-interest bearing and repayable on demand.

19. Fixed Deposits with Licensed Banks

The interest rates of fixed deposits of the Group are ranging from 2.90% to 3.15% (2018: 2.95% to 3.15%) per annum and the maturity of deposits is 365 days (2018: 365 days).

The fixed deposits of the Group have been pledged to licensed banks as security for banking facilities granted to the Group as disclosed in Note 24.

20. Cash Held under Housing Development Accounts and Cash and Bank Balances

Cash held under the Housing Development Accounts which are not freely available for use represents monies received from purchasers of residential properties less payments or withdrawals in accordance with the Housing Development (Controls and Licensing) Act, 1966.

The interest rates of cash held under Housing Development Accounts at the reporting date bearing interest ranging from 1.20% to 1.39% (2018: 1.90% - 1.95%) per annum.

Included in the cash and bank balances of the Group and of the Company is an amount of RM789,502 and RM67,000 respectively (2018: RM722,502 and RMNil) which have been pledged to licensed banks for banking facilities granted to the Group as disclosed in Note 24.

21. Asset Held for Sale

In December 2019, the Directors of a subsidiary company decided to sell a piece of freehold vacant agricultural land. Purchaser is confirmed and the sale is expected to be completed in second quarter of financial year ending 2020. The asset is classified as held for sale as at 31 December 2019, amounted to RM3,000,000.

22. Share Capital

	Group and Company			
	Number of shares		Amount	
	2019 Units	2018 Units	2019 RM	2018 RM
Issued and fully paid				
Ordinary shares				
At 1 January	496,886,552	491,845,773	325,502,680	322,982,290
Issued during the financial year	4,766,053	5,040,779	2,383,026	2,520,390
At 31 December	501,652,605	496,886,552	327,885,706	325,502,680
Irredeemable Convertible Preference Shares ("ICPS")				
At 1 January/31 December	90,000,000	90,000,000	60,300,000	60,300,000
Total	591,652,605	586,886,552	388,185,706	385,802,680

Ordinary shares

During the financial year, the Company increased its issued and paid-up share capital from 496,886,552 to 501,652,605 by way of conversion of 4,766,053 Warrants 2014/2019 into 4,766,053 new ordinary shares at the exercise price of RM0.50 per warrant for a total cash consideration of RM2,383,026.

In the previous financial year, the Company increased its issued and paid-up share capital from 491,845,773 to 496,886,552 by way of conversion of 5,040,779 Warrants 2014/2019 into 5,040,779 new ordinary shares at the exercise price of RM0.50 per warrant for a total cash consideration of RM2,520,390.

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

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regards to the Company's residual assets.

22. Share Capital (Cont'd)

ICPS

The salient features of the ICPS are as follows:

(i) The ICPS were issued at RM0.67 each (par value of RM0.50) and the maturity date of ICPS is the day immediately preceding the fifth anniversary from the date of issue of the ICPS.

(ii) The ICPS holders shall have the right to convert one (1) ICPS into one (1) ordinary share with no additional cash payment, at the option of the ICPS holders, in the following manner:

(a) first fifty percent (50%) of the ICPS at any time on any Market Day from the first (1^{st}) anniversary of the date of issue of the ICPS; and

(b) remaining fifty percent (50%) of the ICPS at any time on any Market Day from the second (2^{nd}) anniversary of the date of issue of the ICPS, up to and including the Maturity Date.

(iii) The conversion of the ICPS into new ordinary share shall be exercised by the ICPS holders by delivering a duly completed and signed conversion notice in the form and manner to be set out in the Company's Constitution.

(iv) All the ICPS that remain outstanding on the Market Day immediately after the Maturity Date will be automatically converted into new ordinary share at the conversion price or conversion ratio.

(v) The ICPS are not redeemable.

(vi) The Company shall have the sole discretion to decide whether to declare any non-cumulative dividend and the quantum of such dividend, provided always that if dividends are declared to its ordinary shareholders, then an equivalent amount of dividend per ICPS shall be paid to the ICPS holders in preference.

(vii) The ICPS holders shall not have the right to vote at any general meeting of the Company except with regard to:

(a) when the dividend or part of the dividend payable on the ICPS is in arrears for more than six (6) months;

(b) on any proposal to wind-up the Company or during the winding-up of the Company;

(c) on any proposal that affects the rights and privileges attached to the ICPS;

(d) on any proposal to reduce the share capital of the Company; or

(e) on any proposal for the disposal of the whole or a substantial part of the property, business and undertaking of the Company, in which case, the ICPS holders shall be entitled to vote together with the holders of ordinary share by way of poll and each ICPS holder shall be entitled to one (1) vote for each ICPS held.

(viii) The ICPS are unsecured and shall upon allotment and issue, rank pari passu in all respect amongst themselves, and any such class of shares ranking pari passu with the ICPS which may be issued by the Company in the future.

The ICPS shall rank in priority to the ordinary shares and any other securities which by their terms rank junior to the ICPS.

23. Reserves

	Note	2019 RM	2018 RM
Group			
Non-distributable			
Other reserve	(a)	(1,683,809)	-
Warrant reserves	(b)	-	525,764
Asset revaluation reserve	(c)	4,591,705	4,747,375
		2,907,896	5,273,139
Company			
Non-distributable			
Warrant reserves	(b)	-	525,764

(a) Other reserve

Other reserve represents the difference between the Group's share of net assets before and after the acquisition of equity interest from its non-controlling interests.

(b) Warrant reserves

This represents the fair values of the warrants issued and is non-distributable. When the warrants are exercised or expire, the warrant reserve will be transferred to retained earnings within equity.

During the financial year 2014, the Company issue the followings:

(i) private placement shares of 17,000,000 new ordinary shares of RM0.50 each together with 8,500,000 free detachable warrants on the basis of 1 placement warrant for every 2 placement shares; and

(ii) renounceable right issue of 36,497,200 new ordinary shares of RM0.50 each on the basis of 1 right share for every 1 existing ordinary share held together with 18,248,600 free detachable warrants on the basis of 1 right warrant for every 2 right shares.

The Warrants are constituted under a Deed Poll executed on 22 July 2014 and each warrant entitles the registered holder the right at any time during the exercise period from 28 October 2014 to 27 October 2019 to subscribe in cash for one new ordinary share of RM0.50 each of the Company at an exercise price of RM0.50 each. The rights attached to the Warrants which are not exercised during the exercise period will thereafter lapse.

On 28 November 2016, the warrant holders have approved the amendments to the Deed Poll dated 22 July 2014 by way of a Supplemental Deed Poll dated 28 November 2016.

The Warrants 2014/2019 has expired in October 2019. Any warrant not exercised during the exercise period has lapse and thereafter ceased to be valid for any purpose.

Movements of the warrant reserves is as follows:

	Group/Company	
	2019 RM	2018 RM
At 1 January	525,764	1,029,842
Realisation of warrant reserves	(476,605)	(504,078)
Expiration of warrant reserves	(49,159)	-
At 31 December	-	525,764

(c) Asset revaluation reserves

The revaluation reserves represent increases in the fair value of land and buildings, and decrease to the extent that such decreases relate to an increase on the same asset previously recognised in other comprehensive income.

23. Reserves (Cont'd)

(c) Asset revaluation reserves (Cont'd)

	Group 2019 RM	Group 2018 RM
At 1 January	4,747,375	4,903,045
Realisation of revaluation reserve of leasehold land and buildings	(155,670)	(155,670)
At 31 December	4,591,705	4,747,375

24. Loans and Borrowings

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Secured					
Floating rate					
Bank overdrafts	(a)	12,281,822	13,780,977	-	-
Term loans	(b)	50,855,758	65,486,634	-	-
Trade services	(c)	25,752,902	76,389,720	-	-
Revolving credits	(d)	35,018,856	35,017,650	15,000,000	15,000,000
		123,909,338	190,674,981	15,000,000	15,000,000
Fixed rate					
Finance lease liabilities	(e)	-	40,964,083	-	-
		123,909,338	231,639,064	15,000,000	15,000,000
Current					
Bank overdrafts	(a)	12,281,822	13,780,977	-	-
Term loans	(b)	15,219,615	3,520,252	-	-
Trade services	(c)	25,752,902	76,389,720	-	-
Revolving credits	(d)	35,018,856	35,017,650	15,000,000	15,000,000
Finance lease liabilities	(e)	-	10,165,768	-	-
		88,273,195	138,874,367	15,000,000	15,000,000
Non-current					
Term loans	(b)	35,636,143	61,966,382	-	-
Finance lease liabilities	(e)	-	30,798,315	-	-
		35,636,143	92,764,697	-	-
		123,909,338	231,639,064	15,000,000	15,000,000

(a) Bank overdrafts

The bank overdrafts are secured by the following:

(i) fixed charges over the property, plant and equipment as disclosed in Note 4(a);
(ii) fixed charges over the ROU assets as disclosed in Note 5(b);
(iii) fixed charge on certain investment properties as disclosed Note 7(a);
(iv) fixed charge on the freehold development land as disclosed in Note 12(a);
(v) corporate guaranteed by the Company; and
(vi) corporate guaranteed by immediate holding company, LBS Bina Group Berhad.

24. Loans and Borrowings (Cont'd)

(b) Term loans

The term loans are secured by the following:

(i) fixed charges over the property, plant and equipment as disclosed in Note 4(a);
(ii) fixed charges over the ROU assets as disclosed in Note 5(b);
(iii) fixed charge on certain investment properties as disclosed Note 7(a);
(iv) fixed charges over the freehold development land as disclosed in Note 12(a);
(v) fixed charge on the freehold and leasehold development lands as disclosed in Note 12(b);
(vi) a debenture by way of fixed and floating charge over all present and future assets belonging to subsidiary companies;
(vii) legal assignment of cash flows or insurance proceeds in relation to project developed by subsidiary companies;
(viii) deed of assignment of cash flows over finance service reserve account maintained with a licensed bank as disclosed in Note 20;
(ix) corporate guaranteed by the Company; and
(x) corporate guaranteed by immediate holding company, LBS Bina Group Berhad.

(c) Trade services

The trade services are secured by the following:

(i) legal assignment of all rights, title and benefit in and under a bank guarantee issued by a licensed bank;
(ii) legal assignment of contract proceeds in relation to a project constructed by a subsidiary company;
(iii) certain fixed deposits of subsidiary company as disclosed in Note 19; and
(iv) corporate guaranteed by immediate holding company, LBS Bina Group Berhad.

(d) Revolving credits

The revolving credits are secured by the following:

(i) fixed charge on certain investment properties as disclosed in Note 7(a);
(ii) fixed charge on capital work-in-progress as disclosed in Note 8; and
(iii) corporate guaranteed by the Company.

(e) Finance lease liabilities

	Group	
	2019 RM	2018 RM
Minimum lease payments		
Within one year	-	12,456,185
Later than one year and not later than two years	-	12,103,536
Later than two years and not later than five years	-	21,814,281
Later than five years	-	250,840
	-	46,624,842
Less: Future finance charges	-	(5,660,759)
Present value of minimum lease payments	-	40,964,083

24. Loans and Borrowings (Cont'd)

(e) Finance lease liabilities (Cont'd)

	Group 2019 RM	2018 RM
Present value of minimum lease payments		
Within one year	-	10,165,768
Later than one year and not later than two years	-	10,490,364
Later than two years and not later than five years	-	20,067,644
Later than five years	-	240,307
	-	40,964,083
Analysed as:		
Repayable within twelve months	-	10,165,768
Repayable after twelve months	-	30,798,315
	-	40,964,083

In the previous financial year, the Group leases motor vehicles and plant and machinery under finance lease [Note 4(b)]. There are no restrictive covenants imposed by the lease agreement and no arrangements have been entered into for contingent rental payments.

The average effective interest rates per annum at the end of the reporting period are as follows:

	Group 2019 %	2018 %
Bank overdrafts	6.81	6.90
Term loans	5.23	6.82
Trade services	6.30	5.95
Revolving credits	5.99	6.18
Finance lease liabilities	-	4.58 - 7.17

25. Lease Liabilities

	Group 2019 RM
At 1 January	-
Effect of adoption of MFRS 16	41,211,841
As restated	41,211,841
Additions	5,941,359
Interest expense recognised in profit or loss	2,537,075
Payments	(14,224,578)
At 31 December	35,465,697
Analysed as :	
Repayable within twelve months	11,902,788
Repayable after twelve months	23,562,909
	35,465,697

25. Lease Liabilities (Cont'd)

The maturity analysis of lease liabilities of the Group at the end of the reporting period:

	Group 2019 RM
Minimum lease payments	
Within one year	13,752,883
Later than one year and not later than two years	11,198,398
Later than two years and not later than five years	14,143,942
Later than five years	210,194
	39,305,417
Less: Future finance charges	(3,839,720)
Present value of minimum lease payments	35,465,697
Present value of minimum lease payments	
Within one year	11,902,788
Later than one year and not later than two years	10,044,961
Later than two years and not later than five years	13,313,924
Later than five years	204,024
	35,465,697

The Group leases various land, buildings, plant and machineries and motor vehicles. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The average effective interest rates per annum at the end of the reporting period for lease liabilities is 4.12% - 7.57%.

26. Deferred Tax Liabilities

	Group 2019 RM	Group 2018 RM
At 1 January	3,626,009	2,265,303
Arising from acquisition of a subsidiary company		
- effect of completion of PPA	-	559,918
Recognised in profit or loss	(894,554)	741,005
(Over)/Under provision in prior years	(820,009)	59,783
At 31 December	1,911,446	3,626,009

The net deferred tax liabilities and assets shown on the statements of financial position after appropriate offsetting are as follows:

	2019 RM	2018 RM
Group		
Deferred tax liabilities	5,288,758	6,892,616
Deferred tax assets	(3,377,312)	(3,266,607)
	1,911,446	3,626,099
Company		
Deferred tax liabilities	8,694	13,591
Deferred tax assets	(8,694)	(13,591)
	-	-

26. Deferred Tax Liabilities (Cont'd)

The components and movements of deferred tax liabilities and assets are as follows:

	Accelerated capital allowances RM	Revaluation of assets RM	Intangible assets RM	Total RM
Group				
2019				
Deferred tax liabilities				
At 1 January	4,417,182	1,490,693	984,741	6,892,616
Recognised in profit or loss	(1,006,594)	(2,827)	(518,222)	(1,527,643)
Crystallisation of deferred tax	-	(49,159)	-	(49,159)
Under provision in prior years	1,382	-	(28,438)	(27,056)
At 31 December	3,411,970	1,438,707	438,081	5,288,758
2018				
At 1 January	2,340,518	1,544,562	1,031,195	4,916,275
Recognised in profit or loss	2,679,485	-	(606,372)	2,073,113
Arising from acquisition of a subsidiary company	-	-	559,918	559,918
Crystallisation of deferred tax	-	(53,869)	-	(53,869)
Over provision in prior years	(602,821)	-	-	(602,821)
At 31 December	4,417,182	1,490,693	984,741	6,892,616

	Unutilised capital allowances RM	Unused tax losses RM	Others RM	Total RM
Group				
2019				
Deferred tax assets				
At 1 January	(2,994,254)	(272,353)	-	(3,266,607)
Recognised in profit or loss	401,241	159,492	121,515	682,248
Under provision in prior years	-	(302)	(792,651)	(792,953)
At 31 December	(2,593,013)	(113,163)	(671,136)	(3,377,312)
2018				
At 1 January	(904,340)	(1,020,081)	(726,551)	(2,650,972)
Recognised in profit or loss	(2,850,105)	744,564	827,302	(1,278,239)
Over/(Under) provision in prior years	760,191	3,164	(100,751)	662,604
At 31 December	(2,994,254)	(272,353)	-	(3,266,607)

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31 DECEMBER 2019

26. Deferred Tax Liabilities (Cont'd)

The components and movements of deferred tax liabilities and assets are as follows: (Cont'd)

	Accelerated capital allowances RM
Company	
2019	
Deferred tax liabilities	
At 1 January	13,591
Recognised in profit or loss	(4,897)
At 31 December	8,694
2018	
At 1 January	39,449
Recognised in profit or loss	(2,885)
Over provision in prior years	(22,973)
At 31 December	13,591

	Unutilised capital allowances RM
Company	
2019	
Deferred tax assets	
At 1 January	(13,591)
Recognised in profit or loss	4,897
At 31 December	(8,694)
2018	
At 1 January	(39,449)
Recognised in profit or loss	2,885
Over provision in prior years	22,973
At 31 December	(13,591)

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Unutilised capital allowances	668,576	430,468	134,420	83,682
Unused tax losses	8,283,950	5,806,700	2,665,557	2,665,557
	8,952,526	6,237,168	2,799,977	2,749,239

With effect from year of assessment 2019, unused tax losses are allowed to be carried forward up to a maximum of seven consecutive years of assessment under the current tax legislation. The other temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items as they may not have sufficient taxable profits to be used to offset or they have arisen in subsidiary companies that have a recent history of losses.

27. Trade Payables

	Group 2019 RM	Group 2018 RM
Trade payables	193,727,878	215,513,867
Retention sum		
- third parties	62,163,456	64,485,148
- related parties	-	243,000
	255,891,334	280,242,015

The normal trade credit term granted to the Group ranged from 30 to 60 (2018: 30 to 60) days depending on the terms of the contracts. Included in the current trade payables is an amount of RM511,945 (2018: RM2,958,813) represents payable for the acquisition and joint venture of project development land.

28. Other Payables

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Other payables		19,738,619	9,285,737	228,395	248,082
Accruals	(a)	17,534,057	21,907,802	408,895	432,113
Advance payments		-	1,860,116	-	-
Amount due to a shareholder	(b)	4,996,821	5,523,626	-	-
Deposits received		135,889	208,384	-	-
		42,405,386	38,785,665	637,290	680,195

(a) Included in accruals consist of accrued project cost of RM8,722,073 (2018: RM15,276,887).

(b) The amount due to a shareholder is unsecured, non-interest bearing advances and repayable on demand.

29. Revenue

	Construction and trading RM	Property development RM	Other RM	Total RM
Group				
2019				
Revenue from contracts with customers				
Sales of goods	35,928,595	-	-	35,928,595
Construction contracts	595,093,093	-	-	595,093,093
Property development	-	122,602,828	-	122,602,828
Hospitality	-	-	2,521,013	2,521,013
Total revenue	631,021,688	122,602,828	2,521,013	756,145,529
Geographical market:				
Malaysia	631,021,688	122,602,828	2,521,013	756,145,529
Timing of reveue recognition				
At a point in time	35,928,595	-	2,521,013	38,449,608
Over time	595,093,093	122,602,828	-	717,695,921
	631,021,688	122,602,828	2,521,013	756,145,529

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29. Revenue (Cont'd)

	Construction and trading RM	Property development RM	Other RM	Total RM
2018				
Revenue from contracts with customers				
Sales of goods	55,413,415	-	-	55,413,415
Construction contracts	616,110,049	-	-	616,110,049
Project management fee	234,561	-	-	234,561
Property development	-	77,232,177	-	77,232,177
Hospitality	-	-	2,281,136	2,281,136
Total revenue	671,758,025	77,232,177	2,281,136	751,271,338
Geographical market:				
Malaysia	671,758,025	77,232,177	2,281,136	751,271,338
Timing of reveue recognition				
At a point in time	55,413,415	-	2,281,136	57,694,551
Over time	616,344,610	77,232,177	-	693,576,787
	671,758,025	77,232,177	2,281,136	751,271,338

30. Cost of Sales

	Group 2019 RM	Group 2018 RM
Sales of goods	35,160,408	52,246,332
Construction contracts	530,002,973	534,636,258
Project management fee	-	726
Property development	109,797,484	67,280,025
Hospitality	792,565	475,615
	675,753,430	654,638,956

31. Finance Costs

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Interest expenses on:					
Term loans		5,990,714	4,530,121	-	-
Bank overdrafts		878,335	823,255	-	-
Finance lease liabilities		-	745,338	-	-
Lease liabilities		2,537,075	-	-	-
Trade services		1,467,268	77,244	-	-
Revolving credits		2,145,154	1,524,104	957,379	892,825
		13,018,546	7,700,062	957,379	892,825
Less: Interest expense capitalised in property development costs	12(b)	(3,317,355)	(1,888,760)	-	-
		9,701,191	5,811,302	957,379	892,825

32. Profit before Tax

Profit before tax is derived after changing/(crediting):

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Auditors' remuneration				
- statutory audit				
- current year	236,000	234,000	80,000	80,000
- under provision in prior year	2,000	5,000	-	5,000
- non statutory audit	29,500	23,000	23,000	23,000
Amortisation of intangible assets	2,159,257	2,677,035	-	-
Depreciation of:				
- property, plant and equipment	5,676,206	7,587,366	71,170	106,138
- investment properties	1,244,494	1,244,496	-	-
- right-of-use assets	6,591,568	-	-	-
Impairment losses on:				
- contract assets	157,164	-	-	-
- investment in subsidiary companies	-	-	-	55
- trade receivables	36,278	101,970	-	-
- other receivables	41,649	164,005	-	-
- amount due from subsidiary companies	-	-	-	478,256
- amount due from related companies	6,772	69,427	-	-
Non-executive Directors' remuneration				
- fees	152,650	275,500	152,650	275,500
- other emoluments	13,986	53,775	13,986	53,775
Property, plant and equipment written off	459	380,277	-	60,241
Rental expenses on:				
- hostel	-	52,900	-	-
- motor vehicle	-	13,500	-	-
- copier machine	-	12,924	-	-
- plant, machinery and equipment	-	2,362,631	-	-
Lease expense relating to low-value asset				
- rental of copier machine	13,968	-	-	-
Interest income	(155,825)	(125,402)	(3,663)	(11,123)
Interco interest income	-	-	(3,573,979)	(3,256,276)
Rental income	(123,761)	(234,797)	-	-
Gain on disposal of property, plant and equipment	(207,053)	(23,421)	-	(110)
Gain on disposal of subsidiary company	-	(1,520,970)	-	-
Gain on unrealised foreign exchange	-	(129,232)	-	-
Reversal of impairment losses on:				
- trade receivables	(77,484)	(618)	-	-
- amount due from subsidiary companies	-	-	-	(295,282)
- amount due from related companies	-	(2,127)	-	-

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33. Taxation

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Tax expenses recognised in profit or loss				
Malaysian income tax:				
Current tax provision	9,487,269	14,480,889	595,746	488,671
Under provision in prior years	652,154	157,756	9,256	6,860
	10,139,423	14,638,645	605,002	495,531
Deferred tax:				
Relating to origination and reversal of temporary differences	(845,395)	794,874	-	-
Crystallisation of deferred tax	(49,159)	(53,869)	-	-
(Over)/Under provision in prior years	(820,009)	59,783	-	-
	(1,714,563)	800,788	-	-
Tax expense for the financial year	8,424,860	15,439,433	605,002	495,531

Malaysian income tax is calculated at the statutory tax rate of 24% (2018: 24%) of the estimated assessable profits for the financial year.

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company are as follows:

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Profit before tax	20,905,460	45,848,890	1,772,271	947,791
At Malaysian statutory tax rate of 24% (2018: 24%)	5,017,310	11,003,734	425,345	227,470
Expenses not deductible for tax purposes	3,720,738	4,120,457	158,224	251,039
Income not subject to tax	(229,638)	(603,753)	-	-
Deferred tax assets not recognised	651,686	1,392,714	12,177	10,162
Crystallisation of deferred tax	(49,159)	(53,869)	-	-
Deferred tax arising from intangible assets	(518,222)	(637,389)	-	-
Under provision in prior years				
- income tax	652,154	157,756	9,256	6,860
- deferred tax	(820,009)	59,783	-	-
Tax expense for the financial year	8,424,860	15,439,433	605,002	495,531

The Group and the Company have the following unutilised capital allowances and unused tax losses carry forward, available to offset against future taxable profits. The said amounts are subject to approval by the tax authorities.

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Unutilised capital allowances	11,472,797	12,906,526	170,643	140,311
Unused tax losses	8,755,463	6,942,763	2,665,557	2,665,557
	20,228,260	19,849,289	2,836,200	2,805,868

34. Earnings Per Share

(a) Basic earnings per share

The basic earnings per share are calculated based on the consolidated profit for the financial year attributable to owners of the parent and the weighted average number of ordinary shares in issue during the financial year as follows:

	Group 2019 RM	2018 RM
Profit attributable to owners of the parent	13,490,653	32,188,078
	Units	**Units**
Weighted average number of ordinary shares in issue:		
Issued ordinary shares at 1 January	496,886,552	491,845,773
Effect of ordinary shares issued during the financial year	1,153,197	4,203,165
Weighted average number of ordinary shares at 31 December	498,039,749	496,048,938
Basic earnings per ordinary share (in sen)	2.71	6.49

(b) Diluted earnings per share

Diluted earnings per share are calculated based on the adjusted consolidated profit for the financial year attributable to owners of the parent and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of all potential ordinary shares as follows:

	Group 2019 RM	2018 RM
Profit attributable to owners of the parent	13,490,653	32,188,078
	Units	**Units**
Weighted average number of ordinary shares in issue in the calculation of basic earnings per share	498,039,749	496,048,938
Effect of conversion of warrants	-	2,804,621
Effect of conversion of ICPS	90,000,000	90,000,000
Weighted average number of ordinary shares at 31 December	588,039,749	588,853,559
Diluted earnings per ordinary share (in sen)	2.29	5.47

35. Staff Costs

	Group	
	2019 RM	**2018 RM**
Salaries, wages and other emoluments	25,777,381	23,767,962
Defined contribution plans	2,631,230	2,381,088
Social security contributions	255,816	217,269
Other staff related expenses	1,111,093	1,051,759
	29,775,520	27,418,078

The Group's staff costs do not include the estimated non-monetary value of benefits-in-kind amounting to RM602,489 (2018: RM668,757).

Included in staff costs is aggregate amount of remuneration received and receivable by the Executive Directors of the Company and of the subsidiary companies during the financial year as below:

	Group	
	2019 RM	**2018 RM**
Executive Directors of the Company		
Salaries and other emoluments	2,633,945	2,591,009
Defined contribution plans	247,776	240,575
Social security contributions	3,363	3,363
	2,885,084	2,834,947
Executive Director of the subsidiary company		
Salaries and other emoluments	242,038	341,523
Defined contribution plans	27,099	31,681
Social security contributions	770	923
	269,907	374,127
Total remuneration of the Executive Directors		
Salaries and other emoluments	2,875,983	2,932,532
Defined contribution plans	274,875	272,256
Social security contributions	4,133	4,286
	3,154,991	3,209,074

The Group's aggregate amount of remuneration received and receivable by the Executive Directors do not include the estimated non-monetary value of benefits-in-kind amounting to RM112,563 (2018: RM115,210).

36. Reconciliation of Liabilities Arising from Financing Activities

The table below show the details changes in liabilities of the Group and of the Company arising from financing activities, including both cash and non-cash changes:

	Note	At 1 January RM	Financing cash flow (i) RM	New lease [Notes 4(c) and 5(d)] RM	Effect of adoption of MFRS 16 RM	At 31 December RM
Group						
2019						
Term loans	24	65,486,634	(14,630,876)	-	-	50,855,758
Finance lease liabilities		40,964,083	-	-	(40,964,083)	-
Lease liabilities	25	-	(11,139,919)	5,393,775	41,211,841	35,465,697
Other bank borrowings	(ii)	111,407,370	(50,635,612)	-	-	60,771,758
		217,858,087	(76,406,407)	5,393,775	247,758	147,093,213
2018						
Term loans	24	64,572,266	914,368	-	-	65,486,634
Finance lease liabilities	24	8,436,881	(4,634,603)	37,161,805	-	40,964,083
Other bank borrowings	(ii)	19,845,230	91,562,140	-	-	111,407,370
		92,854,377	87,841,905	37,161,805	-	217,858,087

36. Reconciliation of Liabilities Arising from Financing Activities (Cont'd)

The table below show the details changes in liabilities of the Group and of the Company arising from financing activities, including both cash and non-cash changes: (Cont'd)

	Note	At 1 January RM	Financing cash flow (i) RM	At 31 December RM
Company				
2019				
Other bank borrowings	(ii)	15,000,000	-	15,000,000
2018				
Other bank borrowings	(ii)	-	15,000,000	15,000,000

(i) The cash flows from term loans, lease liabilities and other bank borrowings make up the net amount of proceeds from or repayments of borrowings in the statements of cash flows.

(ii) Other bank borrowings represent loans and borrowings other than as disclosed above.

37. Financial Guarantees

	Group 2019 RM	Group 2018 RM
Secured		
Bank guarantee issued in favour of the local authorities and developers for the performance of the construction works	5,713,203	9,970,676

	Company 2019 RM	Company 2018 RM
Unsecured		
Corporate guarantees given to licensed banks for credit facilities granted to subsidiary companies	61,447,908	84,370,245
Corporate guarantees issued to third parties in respect of trade facilities of subsidiary companies	38,593,258	25,067,000
	100,041,166	109,437,245

38. Commitment

	Group 2019 RM	Group 2018 RM
Capital expenditure		
Authorised and contracted for:		
- Capital work-in-progress	9,102,867	11,703,685
- Property, plant and equipment	1,029,077	-
	10,131,943	11,703,685
Authourised but not contracted for:		
- Property, plant and equipment	2,561,800	-

39. Related Party Disclosures

(a) Identifying related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel comprise the Directors and management personnel of the Group, having authority and responsibility for planning, directing and controlling the activities of the Group entities directly or indirectly.

(b) Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms. In addition to the related party balances disclosed elsewhere in the financial statements, the significant related party transactions of the Group and of the Company are as follows:

	Group	
	2019 RM	2018 RM
Transactions with related companies		
Income		
Contract revenue	511,570,077	480,922,390
Expenses		
Purchase of materials	23,433,822	37,521,435
Purchase of property, plant and equipment	-	736,532
Rental paid/payable	45,100	64,980

	Company	
	2019 RM	2018 RM
Transactions with subsidiary companies		
Interest income	3,573,979	3,256,276

(c) Compensation of key management personnel

Remuneration of Directors and key management are as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Salaries, fees and other emoluments	5,344,130	5,625,927	166,636	329,275
Defined contribution plans	517,578	503,542	-	-
Social security contributions	11,503	10,904	-	-
	5,873,211	6,140,373	166,636	329,275

40. Segment Information

The Group has three major reporting segments, as described below, which are the Group's strategic business units. Segment information is primarily presented in respect of the Group's business segment which is based on the Group's management and internal reporting structure. For each of the strategic business units, the Group's Chief Executive Officer reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

Construction and trading	Design and build, civil engineering, general construction, piling activities, trading of construction materials and manufacturing of Industrialised Building System ("IBS") precast products.
Property development	Development of residential and commercial properties
Others	Investment holding, providing of management services, hospitality and dormant

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

Transactions between segments are carried out on agreed terms between both parties. The effects of such inter-segment transactions are eliminated on consolidation. The measurement basis and classification are consistent with those adopted in the previous financial year.

The total segment assets are measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer. Segment total assets are used to measure the return of assets of each segment.

Segment liabilities information is neither included in the internal management reports nor provided regularly to the Group's Chief Executive Officer. Hence no disclosure is made on segment liabilities.

40. Segment Information (Cont'd)

	Construction and trading RM	Property development RM	Others RM	Total segments RM	Adjustment and eliminations RM	Consolidated RM
Group						
2019						
Revenue						
Revenue from external customers	631,021,689	122,602,828	2,521,012	756,145,529	-	756,145,529
Inter-segment revenue	134,637,615	-	10,306	134,647,921	(134,647,921)	-
Total revenue	765,659,304	122,602,828	2,531,318	890,793,450	(134,647,921)	756,145,529
Results						
Interest income	84,102	68,059	3,664	155,825	-	155,825
Finance costs	(7,468,078)	(8,075)	(2,225,038)	(9,701,191)	-	(9,701,191)
Depreciation and amortisation	(12,309,484)	(105,722)	(1,097,062)	(13,512,268)	-	(13,512,268)
Amortisation of intangible assets	-	-	(2,159,257)	(2,159,257)	-	(2,159,257)
Share of profit of associates	55,276	-	-	55,276	-	55,276
Segment profit/(loss) before tax	14,885,718	11,456,114	(5,436,372)	20,905,460	-	20,905,460
Taxation	(7,419,685)	(787,897)	(217,278)	(8,424,860)	-	(8,424,860)
Segment profit/(loss) after tax	7,466,033	10,668,217	(5,653,650)	12,480,600	-	12,480,600

40. Segment Information (Cont'd)

	Construction and trading RM	Property development RM	Others RM	Total segments RM	Adjustment and eliminations RM	Consolidated RM
Group						
2019						
Other non-cash items						
Impairment losses on:						
- contract assets	157,164	-	-	157,164	-	157,164
- trade receivables	1,131	35,147	-	36,278	-	36,278
- other receivables	41,649	-	-	41,649	-	41,649
- amount due from related companies	6,772	-	-	6,772	-	6,772
Property, plant and equipment written off	459	-	-	459	-	459
Gain on disposal of property, plant and equipment	(207,053)	-	-	(207,053)	-	(207,053)
Reversal of impairment losses on:						
- trade receivables	(41,168)	(36,316)	-	(77,484)	-	(77,484)
Segment assets						
Additions to non-current assets	18,886,840	81,904	28,633	18,997,377	-	18,997,377
Segment assets	564,638,212	116,052,089	287,889,386	968,579,687	-	968,579,687

40. Segment Information (Cont'd)

	Construction and trading RM	Property development RM	Others RM	Total segments RM	Adjustment and eliminations RM	Consolidated RM
Group						
2018						
Revenue						
Revenue from external customers	671,758,025	77,232,177	2,281,136	751,271,338	-	751,271,338
Inter-segment revenue	100,010,633	-	13,902	100,024,535	(100,024,535)	-
Total revenue	771,768,658	77,232,177	2,295,038	851,295,873	(100,024,535)	751,271,338
Results						
Interest income	107,747	6,531	11,124	125,402	-	125,402
Finance costs	(3,527,623)	-	(2,283,679)	(5,811,302)	-	(5,811,302)
Depreciation and amortisation	(7,806,924)	(5,400)	(1,019,538)	(8,831,862)	-	(8,831,862)
Amortisation of intangible assets	-	-	(2,677,035)	(2,677,035)	-	(2,677,035)
Share of profit of associates	80,582	-	-	80,582	-	80,582
Segment profit/(loss) before tax	42,553,541	8,123,655	(4,828,306)	45,848,890	-	45,848,890
Taxation	(13,951,171)	(1,629,537)	141,275	(15,439,433)	-	(15,439,433)
Segment profit/(loss) after tax	28,602,370	6,494,118	(4,687,031)	30,409,457	-	30,409,457

40. Segment Information (Cont'd)

	Construction and trading RM	Property development RM	Others RM	Total segments RM	Adjustment and eliminations RM	Consolidated RM
Group						
2018						
Other non-cash items						
Impairment losses on:						
- trade receivables	23,237	78,733	-	101,970	-	101,970
- other receivables	164,005	-	-	164,005	-	164,005
- amount due from related companies	69,427	-	-	69,427	-	69,427
Property, plant and equipment written off	320,037	-	60,240	380,277	-	380,277
Gain on disposal of a subsidiary company	-	-	(1,520,970)	(1,520,970)	-	(1,520,970)
Gain on disposal of property, plant and equipment	(23,311)	-	(110)	(23,421)	-	(23,421)
Gain on unrealised foreign exchange	(129,232)	-	-	(129,232)	-	(129,232)
Reversal of impairment losses on:						
- trade receivables	(618)	-	-	(618)	-	(618)
- amount due from related companies	(2,127)	-	-	(2,127)	-	(2,127)
Segment assets						
Additions to non-current assets	68,001,218	-	1,143,980	69,145,198	-	69,145,198
Segment assets	623,288,649	130,024,940	288,875,078	1,042,188,667	-	1,042,188,667

Additions to non-current assets refer to capital expenditure of property, plant and equipment, right-of-use assets and capital work-in-progress.

Inter-segment revenues are eliminated on consolidation.

No disclosure on geographical information for revenue and non-current assets as the Group operates predominantly in Malaysia.

Major customers

The following are major customers with revenue equal to or more than 10% of the Group revenue:

	Segment	Revenue 2019 RM	Revenue 2018 RM
Related companies	Construction	518,312,556	513,887,828

41. Financial Instruments

(a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 3 describe how the classes of the financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised.

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

	Financial assets measured at amortised cost RM	Financial liabilities measured at amortised cost RM	Total RM
Group			
2019			
Financial assets			
Trade receivables	67,258,463	-	67,258,463
Other receivables	14,691,226	-	14,691,226
Amount due from related companies	248,439,290	-	248,439,290
Amount due from an associate	12,296	-	12,296
Fixed deposits with licensed banks	2,999,691	-	2,999,691
Cash held under Housing Development Accounts	1,895,608	-	1,895,608
Cash and bank balances	28,204,760	-	28,204,760
	363,501,334	-	363,501,334
Financial liabilities			
Trade payables	-	255,891,334	255,891,334
Other payables	-	42,405,386	42,405,386
Amount due to related companies	-	10,352,424	10,352,424
Amount due to an associate	-	7,200	7,200
Lease liabilities	-	35,465,697	35,465,697
Loans and borrowings	-	123,909,338	123,909,338
	-	468,031,379	468,031,379
Group			
2018			
Financial assets			
Trade receivables	165,470,053	-	165,470,053
Other receivables	10,324,315	-	10,324,315
Amount due from related companies	234,857,923	-	234,857,923
Amount due from an associate	40,000	-	40,000
Fixed deposits with licensed banks	2,361,330	-	2,361,330
Cash held under Housing Development Accounts	682,760	-	682,760
Cash and bank balances	14,998,536	-	14,998,536
	428,734,917	-	428,734,917
Financial liabilities			
Trade payables	-	280,242,015	280,242,015
Other payables	-	38,785,665	38,785,665
Amount due to related companies	-	18,250,646	18,250,646
Loans and borrowings	-	231,639,064	231,639,064
	-	568,917,390	568,917,390

41. Financial Instruments (Cont'd)

(a) Classification of financial instruments (Cont'd)

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis: (Cont'd)

	Financial assets measured at amortised cost RM	Financial liabilities measured at amortised cost RM	Total RM
Company			
2019			
Financial assets			
Other receivables	2,090,600	-	2,090,600
Amount due from subsidiary companies	66,368,799	-	66,368,799
Cash and bank balances	482,849	-	482,849
	68,942,248	-	68,942,248
Financial liabilities			
Other payables	-	637,290	637,290
Amount due to subsidiary companies	-	6,371,116	6,371,116
Loans and borrowings	-	15,000,000	15,000,000
	-	22,008,406	22,008,406
Company			
2018			
Financial assets			
Other receivables	76,395	-	76,395
Amount due from subsidiary companies	64,444,553	-	64,444,553
Cash and bank balances	261,456	-	261,456
	64,782,404	-	64,782,404
Financial liabilities			
Other payables	-	680,195	680,195
Amount due to subsidiary companies	-	6,387,582	6,387,582
Loan and borrowings	-	15,000,000	15,000,000
	-	22,067,777	22,067,777

(b) Financial risk management objectives and policies

The Group's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's operations whilst managing its credit, liquidity, foreign currency and interest rate risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

The following sections provide details regarding the Group's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

(i) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers, amount due from related companies and deposits with banks. The Company's exposure to credit risk arises principally from advances to subsidiary companies and financial guarantees given to licensed banks for credit facilities granted to subsidiary companies. There are no significant changes as compared to previous financial year.

41. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(i) Credit risk (Cont'd)

The Group has adopted a policy of only dealing with creditworthy counterparties. Management has a credit policy in place to control credit risk by dealing with creditworthy counterparties and deposits with banks with good credit rating. The exposure to credit risk is monitored on an ongoing basis and action will be taken for long outstanding debts.

At each reporting date, the Group and the Company assess whether any if the receivables and contract assets are credit impaired.

The gross carrying amounts of credit impaired trade receivables and contract assets are written off (either partial or full) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables and contract assets that are written off could still be subject to enforcement activities.

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the financial year represents the Group's and the Company's maximum exposure to credit risk.

The Group's has no significant concentration to credit risk except as disclosed in Note 14. The Company has no significant concentration of credits risks except for advances to its subsidiary companies where risks of default have been assessed to be low.

The Company provides unsecured advances to subsidiary companies. It also provides unsecured financial guarantees to banks for banking facilities granted to certain subsidiary companies. The Company monitors on an ongoing basis the results of the subsidiary companies and repayments made by the subsidiary companies.

The Company's maximum exposure to credit risk amounting to RM100,041,166 (2018: RM109,437,245), representing the outstanding banking facilities of the subsidiary companies as at the end of the reporting period. There was no indication that any subsidiary company would default on repayment as at the end of the reporting period.

(ii) Liquidity risk

Liquidity risk refers to 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 maturities of financial assets and liabilities.

The Group's and the Company's funding requirements and liquidity risk are managed with the objective of meeting business obligations on a timely basis. The Group finances its liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available.

41. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

The following table analyses the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

	On demand or within 1 year RM	1 to 2 years RM	2 to 5 years RM	After 5 years RM	Total contractual cash flows RM	Total carrying amount RM
Group						
2019						
Non-derivative financial liabilities						
Trade payables	255,891,334	-	-	-	255,891,334	255,891,334
Other payables	42,405,386	-	-	-	42,405,386	42,405,386
Amount due to related companies	10,352,424	-	-	-	10,352,424	10,352,424
Amount due to an associate	7,200	-	-	-	7,200	7,200
Bank overdrafts	12,281,822	-	-	-	12,281,822	12,281,822
Lease liabilities	13,752,883	11,198,398	14,143,942	210,194	39,305,417	35,465,697
Term loans and trade services and revolving credits	80,465,952	6,362,067	16,462,436	23,298,605	126,589,060	111,627,516
	415,157,001	17,560,465	30,606,378	23,508,799	486,832,643	468,031,379
Group						
2018						
Non-derivative financial liabilities						
Trade payables	280,242,015	-	-	-	280,242,015	280,242,015
Other payables	38,785,665	-	-	-	38,785,665	38,785,665
Amount due to related companies	18,250,646	-	-	-	18,250,646	18,250,646
Bank overdrafts	13,780,977	-	-	-	13,780,977	13,780,977
Finance lease liabilities	12,456,185	12,103,536	21,814,281	250,840	46,624,842	40,964,083
Term loans and trade services and revolving credits	109,528,719	8,038,069	43,349,219	28,667,831	189,583,838	176,894,004
	473,044,207	20,141,605	65,163,500	28,918,671	587,267,983	568,917,390

41. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

The following table analyses the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. (Cont'd)

	On demand or within 1 year RM	Total contractual cash flows RM	Total carrying amount RM
Company			
2019			
Non-derivative financial liabilities			
Other payables	637,290	637,290	637,290
Amount due to subsidiary companies	6,371,116	6,371,116	6,371,116
Revolving credit	15,000,000	15,000,000	15,000,000
Financial guarantees *	100,041,166	100,041,166	-
	122,049,572	122,049,572	22,008,406
2018			
Non-derivative financial liabilities			
Other payables	680,195	680,195	680,195
Amount due to subsidiary companies	6,387,582	6,387,582	6,387,582
Revolving credit	15,000,000	15,000,000	15,000,000
Financial guarantees *	109,437,245	109,437,245	-
	131,505,022	131,505,022	22,067,777

* *Based on the maximum amount that can be called for under the financial guarantee contract.*

The Company provides unsecured financial guarantee to banks in respect of credit facilities granted to certain subsidiary companies and monitors on an ongoing basis the performance of the subsidiary companies. At the end of the financial year, there was no indication that the subsidiary companies would default on repayment.

Financial guarantees have not been recognised since the fair value on initial recognition was deemed not material and the probability of the subsidiary companies defaulting on their credit facilities is remote.

(iii) Market risks

(a) Interest rate risk

The Group's and the Company's fixed rate deposits placed with banks and borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's and the Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

The Group manages the interest rate risk of its deposits with banks by placing them at the most competitive interest rates obtainable, which yield better returns than cash at bank and maintaining a prudent mix of short and long-term deposits.

The Group manages its interest rate risk exposure from interest bearing borrowings by obtaining financing with the most favourable interest rates in the market. The Group constantly monitors its interest rate risk by reviewing its debts portfolio to ensure favourable rates are obtained. The Group does not utilise interest swap contracts or other derivative instruments for trading or speculative purposes.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2019

41. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risks (Cont'd)

(a) Interest rate risk (Cont'd)

The interest rate profile of the Group's and of the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	2019 RM	2018 RM
Group		
Fixed rate instruments		
Financial assets	2,999,691	2,361,330
Financial liabilities	(35,465,697)	(40,964,083)
	(32,466,006)	(38,602,753)
Floating rate instruments		
Financial liabilities	(123,909,338)	(190,674,981)
Company		
Floating rate instruments		
Financial assets	57,009,856	54,835,060
Financial liabilities	(15,000,000)	(15,000,000)
	42,009,856	39,835,060

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for floating rate instruments

A change in 1% interest rate at the end of the reporting period would have increased/(decreased) the Group's and the Company's profit before tax by RM1,239,093 and RM420,099 (2018: RM1,906,750 and RM398,351), arising mainly as a result of higher/lower interest expense on floating rate loans and borrowings. This analysis assumes that all other variables remain constant. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(b) Foreign currency risk

The Group is exposed to foreign currency risk on transactions that are denominated in currencies other than the respective functional currencies of Group entities. The currencies giving rise to this risk are United States Dollar ("USD") and Chinese Renminbi ("RMB").

The Group has not entered into any derivative instruments for hedging or trading purposes as the net exposure to foreign currency risk is not significant. Where possible, the Group will apply natural hedging by selling and purchasing in the same currency. However, the exposure to foreign currency risk is monitored from time to time by management.

41. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risks (Cont'd)

(b) Foreign currency risk (Cont'd)

The carrying amounts of the Group's foreign currency denominated financial liabilities at the end of the reporting period are as follows:

	Denominated in		
	USD	**RMB**	**Total**
	RM	**RM**	**RM**
Group			
2019			
Trade payables	-	579,990	579,990
Other payables	1,275,442	-	1,275,442
	1,275,442	579,990	1,855,432
2018			
Other payables	1,266,763	651,558	1,918,321

The Group has minimal purchases denominated in foreign currencies. As such, the Group is not sensitive to foreign currency risk.

(c) Fair value of financial instruments

The carrying amounts of short-term receivables and payables, cash and cash equivalents and short-term borrowings approximate their fair value due to the relatively short-term nature of these financial instruments and insignificant impact of discounting.

The carrying amount of long-term floating rate loans approximate their fair value as the loans will be re-priced to market interest rate on or near reporting date.

It was not practicable to estimate the fair value of investment in unquoted equity due to the lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

42. Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital using a gearing ratio. The Group's policy is to maintain a prudent level of gearing ratio that complies with debt covenants and regulatory requirements.

42. Capital Management (Cont'd)

The gearing ratios at end of the reporting period are as follows:

	2019 RM	2018 RM
Group		
Bank overdrafts	12,281,822	13,780,977
Lease liabilities	35,465,697	-
Finance lease liabilities	-	40,964,083
Term loans	50,855,758	65,486,634
Trade services	25,752,902	76,389,720
Revolving credits	35,018,856	35,017,650
	159,375,035	231,639,064
Less:		
Fixed deposits with licensed banks	(2,999,691)	(2,361,330)
Cash held under Housing Development Accounts	(1,895,608)	(682,760)
Cash and bank balances	(28,204,760)	(14,998,536)
Net debt	126,274,976	213,596,438
Total equity	457,771,302	443,141,237
Net gearing ratio	0.28	0.48
Company		
Revolving credit	15,000,000	15,000,000
Less:		
Cash and bank balances	(482,849)	(261,456)
Net debt	14,517,151	14,738,544
Total equity	347,178,078	343,627,783
Net gearing ratio	0.04	0.04

There were no changes in the Group's and the Company's approach to capital management during the financial year.

43. Significant Events

(a) On 27 May 2019, the Company together with PNSB Construction Sdn. Bhd. (collectively referred to as "the Consortium") has entered into a Development Rights Agreement ("DRA") with Must Ehsan Development Sdn. Bhd. for the development on 3 parcels of leasehold lands all situated in Seksyen 7, Bandar Shah Alam, Daerah Petaling, Negeri Selangor subject to and upon the terms and conditions of the DRA. This DRA has not been completed as the conditions precedent therein have not been complied.

(b) On 5 August 2019, the Company indirect wholly-owned subsidiary, Sinaran Kencana Sdn. Bhd. (formerly known as VTI Consortium Sdn. Bhd.) has entered into a Joint Venture Agreement ("JVA") with Aset AZG Sdn. Bhd. to jointly develop all that piece and parcel of 99 years leasehold land expiring on 10 April 2104 held under PN 21282, Lot 15303, Mukim Tanah Rata, Daerah Cameron Highlands, Negeri Pahang measuring approximately 7,626 square meters/1.884 acres into a block of serviced apartment. This JVA has not been completed as the conditions precedent therein have not been complied.

44. Subsequent Events

(a) On 24 January 2020, the Consortium together with Idaman Living Sdn. Bhd., an indirect wholly-owned subsidiary of the Company had entered into a Development Rights Agreement with Solid Benefit Sdn. Bhd. and Eco Green City Sdn. Bhd. to develop all that piece of 99 years leasehold land expiring on 1 February 2104 held under PN 116631 Lot 120760 (previously held under H.S.(D) 43589, PT 54535) in Mukim Dengkil, Daerah Sepang, Negeri Selangor measuring approximately 4.882 hectares into affordable homes under Rumah Selangorku Idaman scheme ("Proposed DRA"). The Proposed DRA has not been completed as the conditions precedent therein have not been complied.

(b) On 24 January 2020, the Consortium together with Idaman Aktif Sdn. Bhd., an indirect wholly owned subsidiary of the Company have entered into a Joint Venture Agreement with Abadi Man Nien Sdn Bhd to jointly develop all that two (2) pieces of leasehold lands of ninety (99) years, both expiring on 14 May 2091 held under H.S.(M) 22704, PT 49907, Mukim Dengkil, Daerah Sepang, Negeri Selangor measuring approximately 8,743 square meters and H.S.(M) 22705, PT 49908, Mukim Dengkil, Daerah Sepang, Negeri Selangor measuring approximately 15,769 square meters into affordable housing homes under Rumah Selangorku Idaman scheme ("Proposed JVA"). The Proposed JVA has not been completed as the conditions precedent therein have not been complied.

(c) On 29 January 2020, MGBCE has entered into Sales and Purchase Agreement with a third party for the disposal of the asset held for sale at a consideration of RM3,000,000.

(d) On 27 February 2020, MGBCE entered into Sale and Purchase Agreements with Seribu Baiduri Sdn. Bhd. for the acquisition of 2 units of double storey intermediate shop office for consideration of RM1,280,900 each unit.

(e) Effect of outbreak of coronavirus pandemic

The Directors of the Company have closely monitored the development of the outbreak of coronavirus pandemic ("COVID-19") infection in Malaysia that may affect the business performance, financial performance and financial position of the Group and of the Company mainly due to travel and movement restriction and other precautionary measures imposed by relevant local authorities that affected the Group and the Company business operations. As at the date of this report, the financial impact of the COVID-19 outbreak to the Group and to the Company cannot be reasonably estimated due to the inherent unpredictable nature and rapid development relating to COVID-19, the extent of the impact depends on the on-going precautionary measures introduced by each country to address this pandemic and the durations of the pandemic. As such, the Directors of the Company will continue to closely monitor the situations and respond proactively to mitigate the impact on the Group's and the Company's financial performance and financial position.

45. Date of Authorisation for Issue

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 15 May 2020.

LIST OF MAJOR PROPERTIES

HELD AS AT 31 DECEMBER 2019

Location	Description	Tenure	Net Book Value (RM'000)	Approximately Land Area / Built Up Area	Date of Acquisition	Approximately Age of Building (Years)
HS(D) 43658, PT 633/ LOT 12021, Kawasan Perindustrian Nilai FASA 1, 71800 Nilai, Negeri Sembilan, Malaysia.	*Industrial land with a single storey detached factory building and ancillary buildings*	*Leasehold 60 years expiring on 27 September 2045*	*19,054*	*348,741 sq ft / 124,399 sq ft*	*8 March 2002*	*17*
HS(D) LP6762-6771 No. PT 2539-2548, Langkap Light Industrial Park, Jalan Chui Chak, 36700 Langkap, Perak, Malaysia.	*Industrial land with a single storey detached factory, single storey office block and ancillary buildings*	*Leasehold 60 years expiring on 29 November 2053*	*4,692*	*236,739 sq ft / 97,721 sq ft*	*4 June 2002*	*23*
H-G, Block H, Sunway PJ@51A, Jalan SS9A/19, Seksyen 51A, 47300 Petaling Jaya, Selangor, Malaysia.	*Office suite*	*Leasehold 99 years expiring on 1 July 2109*	*1,877*	*221 sq metre*	*18 June 2015*	*9*
H-7, Block H, Sunway PJ@51A, Jalan SS9A/19, Seksyen 51A, 47300 Petaling Jaya, Selangor, Malaysia.	*Office suite*	*Leasehold 99 years expiring on 1 July 2109*	*1,276*	*280 sq metre*	*18 April 2011*	*9*
H-3A, Block H, Sunway PJ@51A, Jalan SS9A/19, Seksyen 51A, 47300 Petaling Jaya, Selangor, Malaysia.	*Office suite*	*Leasehold 99 years expiring on 1 July 2109*	*1,259*	*271 sq metre*	*24 June 2015*	*9*
H-2, Block H, Sunway PJ@51A, Jalan SS9A/19, Seksyen 51A, 47300 Petaling Jaya, Selangor, Malaysia.	*Office suite*	*Leasehold 99 years expiring on 1 July 2109*	*1,232*	*271 sq metre*	*19 October 2015*	*9*
H-6, Block H, Sunway PJ@51A, Jalan SS9A/19, Seksyen 51A, 47300 Petaling Jaya, Selangor, Malaysia.	*Office suite*	*Leasehold 99 years expiring on 1 July 2109*	*1,229*	*271 sq metre*	*2 August 2012*	*9*
I-7, Block I, Sunway PJ@51A, Jalan SS9A/19, Seksyen 51A, 47300 Petaling Jaya, Selangor, Malaysia.	*Office suite*	*Leasehold 99 years expiring on 1 July 2109*	*816*	*180 sq metre*	*20 April 2011*	*9*
I-6, Block I, Sunway PJ@51A, Jalan SS9A/19, Seksyen 51A, 47300 Petaling Jaya, Selangor, Malaysia.	*Office suite*	*Leasehold 99 years expiring on 1 July 2109*	*798*	*176 sq metre*	*28 March 2014*	*9*
No 19, Jalan SP 7/7, Bandar Saujana Putra, Lebuhraya Elite, 42610 Jenjarom, Kuala Langat, Selangor, Malaysia.	*Double storey terrace house*	*Leasehold 99 years expiring on 5 February 2094*	*394*	*112 sq metre*	*25 February 2013*	*6*

ANALYSIS OF SHAREHOLDINGS

AS AT 4 MAY 2020

A. SHARE CAPITAL

Number of Issued Shares	:	501,652,605
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote for each ordinary share held

B. DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Holders	%	No. of Shares	%
1 – 99	4,272	67.26	50,834	0.01
100 - 1,000	984	15.49	467,946	0.09
1,001 - 10,000	702	11.05	2,872,072	0.57
10,001 - 100,000	283	4.46	9,484,905	1.89
100,001 – 25,082,629 (*)	104	1.64	171,332,150	34.16
25,082,630 AND ABOVE (**)	6	0.10	317,444,698	63.28
TOTAL	**6,351**	**100.00**	**501,652,605**	**100.00**

Remark : * - less than 5% of issued shares
** - 5% and above of issued shares

C. SUBSTANTIAL SHAREHOLDERS AND DIRECTORS' SHAREHOLDINGS

Substantial Shareholders based on the Register of Substantial Shareholders

		Direct		Indirect	
	Name	No. of Shares Held	Percentage (%) Held	No. of Shares Held	Percentage (%) Held
1	LBS Bina Group Berhad	300,217,129	59.85	-	-
2	Gaterich Sdn Bhd	3,000,000	0.60	300,217,129[(a)]	59.85
3	Tan Sri Dato' Sri Lim Hock San, *JP*	830,800	0.17	303,217,129[(b)]	60.44
4	Datuk Wira Lim Hock Guan, *JP*	1,520,000	0.30	303,217,129[(b)]	60.44
5	Datuk Lim Lit Chek	61,894,698	12.34	1,500,000[(c)]	0.30

Directors' Shareholdings based on the Register of Directors' Shareholdings

		Direct		Indirect	
	Name	No. of Shares Held	Percentage (%) Held	No. of Shares Held	Percentage (%) Held
1	Dato' Abdul Majit bin Ahmad Khan	-	-	-	-
2	Tan Sri Dato' Sri Lim Hock San, *JP*	830,800	0.17	303,217,129[(b)]	60.44
3	Datuk Wira Lim Hock Guan, *JP*	1,520,000	0.30	303,217,129[(b)]	60.44
4	Datuk Lim Lit Chek	61,894,698	12.34	1,500,000[(c)]	0.30
5	Mr Lim Kim Hoe	-	-	-	-
6	Mr Chin Sui Yin	-	-	-	-
7	Dato' Beh Hang Kong	3,147,385	0.63	-	-
8	Puan Nadhirah binti Abdul Karim	-	-	-	-

(a) Deemed interested pursuant to Section 8 of the Companies Act, 2016 by virtue of shareholdings in LBS Bina Group Berhad.

(b) Deemed interested pursuant to Section 8 of the Companies Act, 2016 by virtue of shareholdings in LBS Bina Group Berhad through Gaterich Sdn Bhd.

(c) Deemed interested by virtue of Section 59(11)(c) of the Companies Act, 2016.

ANALYSIS OF SHAREHOLDINGS

AS AT 4 MAY 2020

D. LIST OF TOP 30 LARGEST SECURITIES ACCOUNTS HOLDERS

No.	Name	Shares Held	Percentage (%)
1	KENANGA NOMINEES (TEMPATAN) SDN BHD LBS BINA GROUP BERHAD (3RD PARTY EDSP)	115,100,000	22.94
2	LIM LIT CHEK	61,894,698	12.34
3	RHB NOMINEES (TEMPATAN) SDN BHD INDUSTRIAL AND COMMERCIAL BANK OF CHINA (MALAYSIA) BERHAD PLEDGED SECURITIES ACCOUNT FOR LBS BINA GROUP BERHAD	52,550,000	10.48
4	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LBS BINA GROUP BERHAD (SSA)	33,400,000	6.66
5	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK ISLAMIC BERHAD FOR LBS BINA GROUP BERHAD	27,800,000	5.54
6	KENANGA CAPITAL SDN BHD PLEDGED SECURITIES ACCOUNT FOR LBS BINA GROUP BERHAD	26,700,000	5.32
7	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LBS BINA GROUP BERHAD (TMI)	12,000,000	2.39
8	LBS BINA GROUP BERHAD	11,667,129	2.33
9	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB COMMERCE TRUSTEE BERHAD - KENANGA GROWTH FUND	11,083,000	2.21
10	RHB NOMINEES (TEMPATAN) SDN BHD OSK CAPITAL SDN BHD FOR LBS BINA GROUP BERHAD	11,000,000	2.19
11	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR LBS BINA GROUP BERHAD	10,000,000	1.99
12	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (KENANGA)	9,871,800	1.97
13	MAYBANK NOMINEES (TEMPATAN) SDN BHD MTRUSTEE BERHAD FOR PRINCIPAL DALI EQUITY GROWTH FUND (UT-CIMB-DALI) (419455)	9,221,900	1.84
14	MAYBANK NOMINEES (TEMPATAN) SDN BHD NATIONAL TRUST FUND (IFM KENANGA)	6,847,400	1.36
15	CIMB ISLAMIC NOMINEES (TEMPATAN) SDN BHD CIMB ISLAMIC TRUSTEE BERHAD - KENANGA SYARIAH GROWTH FUND	6,330,900	1.26
16	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR ALLIANZ LIFE INSURANCE MALAYSIA BERHAD (P)	5,794,300	1.16
17	YAYASAN GURU TUN HUSSEIN ONN	5,100,000	1.02
18	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (CIMB PRIN)	4,110,500	0.82
19	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR ALLIANZ LIFE INSURANCE MALAYSIA BERHAD (MEF)	3,921,000	0.78
20	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR PRINCIPAL DALI OPPORTUNITIES FUND	3,705,800	0.74
21	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GATERICH SDN BHD	3,000,000	0.60

D. LIST OF TOP 30 LARGEST SECURITIES ACCOUNTS HOLDERS (CONT'D)

No.	Name	Shares Held	Percentage (%)
22	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB COMMERCE TRUSTEE BERHAD - KENANGA MALAYSIAN INC FUND	2,560,600	0.51
23	CITIGROUP NOMINEES (TEMPATAN) SDN BHD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LGF)	2,554,800	0.51
24	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD KENANGA ISLAMIC FUND	2,516,800	0.50
25	MAYBANK NOMINEES (TEMPATAN) SDN BHD ETIQA LIFE INSURANCE BERHAD (PREM EQUITY)	2,415,100	0.48
26	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB COMMERCE TRUSTEE BERHAD - KENANGA PREMIER FUND	1,901,600	0.38
27	MAYBANK NOMINEES (TEMPATAN) SDN BHD ETIQA LIFE INSURANCE BERHAD (DANA EKT PRIMA)	1,865,000	0.37
28	LEMBAGA TABUNG HAJI	1,864,400	0.37
29	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR BEH HANG KONG	1,861,404	0.37
30	MAYBANK NOMINEES (TEMPATAN) SDN BHD ETIQA LIFE INSURANCE BERHAD (GROWTH)	1,689,400	0.34
Total		**450,327,531**	**89.77**

ANALYSIS OF IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES HOLDINGS

AS AT 4 MAY 2020

A. IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES ("ICPS")

Number of Issued ICPS	:	180,000,000
Number of ICPS Exercised	:	90,000,000
Number of ICPS Not Exercised	:	90,000,000
Number of ICPS Holders	:	2

B. DIRECTORS' ICPS HOLDINGS

	Name	Direct No. of ICPS Held	Direct Percentage (%) Held	Indirect No. of ICPS Held	Indirect Percentage (%) Held
1	Dato' Abdul Majit bin Ahmad Khan	-	-	-	-
2	Tan Sri Dato' Sri Lim Hock San, *JP*	-	-	67,500,000[(a)]	75.000
3	Datuk Wira Lim Hock Guan, *JP*	-	-	67,500,000[(a)]	75.000
4	Datuk Lim Lit Chek	22,500,000	25.000	-	-
5	Mr Lim Kim Hoe	-	-	-	-
6	Mr Chin Sui Yin	-	-	-	-
7	Dato' Beh Hang Kong	-	-	-	-
8	Puan Nadhirah binti Abdul Karim	-	-	-	-

(a) Deemed interested pursuant to Section 8 of the Companies Act, 2016 by virtue of shareholdings in LBS Bina Group Berhad through Gaterich Sdn Bhd.

C. LIST OF ICPS HOLDERS

No.	Name	ICPS Held	Percentage (%)
1	LBS Bina Group Berhad	67,500,000	75.000
2	Datuk Lim Lit Chek	22,500,000	25.000
	Total	**90,000,000**	**100.000**

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