MALAYSIAN
RESOURCES
CORPORATION
BERHAD

FINANCIAL REPORT **2019**

Innovate

www.mrcb.com

to Create

Value

FOR ALL

COVER RATIONALE

At MRCB, we make efforts to ensure what we do fulfills a higher purpose – the houses we build become homes for families to live and grow together, the highways we construct connect communities and catalyses economic growth, and the stadiums we erect become arenas where nations meet and records are broken.

However, simply meeting the needs of our stakeholders is not the end game. How we get there matters. And so we invest in innovating new solutions and ensure we create value in a responsible manner; a philosophy that led to the innovation of our MRCB Building System.

When we look back at our legacy and look forward to plan for the future, we are reminded that every project we undertake impacts individuals, communities and Malaysia as a whole. And this drives us to continuously Innovate to Create Value for All.

ANNUAL REPORT

CONTENTS
Provides a comprehensive assessment of the Group's performance for 2019 and outlook for 2020.

REPORTING FRAMEWORK
- Bursa Malaysia Main Market Listing Requirements.
- Malaysian Code on Corporate Governance.

FINANCIAL REPORT

CONTENTS
Presents the full set of the Group's audited financial statements.

REPORTING FRAMEWORK
- Malaysian Financial Reporting Standards.
- Companies Act 2016.

MRCB

PRINTED SECTION
The printed section of the Annual Report and Financial Report aims to provide concise, relevant and reliable information addressing the Group's issues and activities.

CORPORATE GOVERNANCE REPORT
The Annual Report and Financial Report should be read in conjunction with our Corporate Governance Report, which is available on the Group's website, www.mrcb.com

The Annual Report is also on our App. Download the MRCB Investor App on Google Play.

Google play

INSIDE THIS REPORT

THE FINANCIALS

2019 AT A GLANCE

*All Figures as at 31st December 2019

GROUP REVENUE
RM1.3
billion

NET GEARING
0.27
times

PROFIT BEFORE TAX
RM53
million

SHAREHOLDERS' FUNDS
RM4.8
billion

DIVIDEND
1.00
sen

EARNINGS PER SHARE
0.54
sen

NET ASSETS PER SHARE
RM1.09

Scan this QR code for a direct link to our Annual Report online.
Or log on to https://www.mrcb.com.my/investor-relations/financial-reports/#annual-reports

DIRECTORS' REPORT

The Directors are pleased to submit their annual report to the members together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

DIRECTORS

The Directors in office during the financial year and during the period from the end of the financial year to the date of this report are:

Tan Sri Azlan Bin Mohd Zainol (Chairman)
Mohd Imran Bin Mohamad Salim (Group Managing Director)
Rohaya Binti Mohammad Yusof
Dato' Mohamad Nasir Bin Ab Latif
Jamaludin Bin Zakaria
Hasman Yusri Bin Yusoff
To' Puan Looi Lai Heng

The names of the Directors of subsidiaries are set out in the respective subsidiaries' financial statements and the information is deemed incorporated herein by such reference and made a part thereof.

In accordance with Articles 101 and 102 of the Company's Constitution, Rohaya Binti Mohammad Yusof retires from office at the forthcoming Annual General Meeting and, being eligible, offer herself for re-election.

Jamaludin Bin Zakaria who retires under Articles 101 and 102 of the Company's Constitution has opted not to offer himself for re-election at the forthcoming Annual General Meeting.

PRINCIPAL ACTIVITIES

The Company is principally an investment holding company. The Company also engages in property development, property investment, engineering and construction related activities, environmental engineering and provision of management services to its subsidiaries.

The Group is principally engaged in property development, property investment, engineering and construction related activities, environmental engineering, facilities management and parking services. Details of subsidiaries are set out in Note 43 to the financial statements.

There has been no significant change in the nature of these activities of the Group and of the Company during the financial year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit before tax	**52,955**	**37,397**
Taxation	**(34,263)**	**(5,757)**
Profit for the financial year	**18,692**	**31,640**
Profit for the financial year attributable to:		
Equity holders of the Company	**23,739**	**31,640**
Non-controlling interests	**(5,047)**	**–**
Profit for the financial year	**18,692**	**31,640**

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

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

ISSUE OF SHARES

During the financial year, 16,993,400 new ordinary shares were issued by the Company arising from the allotment of ordinary shares to eligible executives and employees, pursuant to the terms of the following Offer Letters of the Restricted Share Plan, in accordance with the By-Laws governing the Long-term Incentive Plan of the Company:

(1) 3,091,700 shares at a fair value of RM1.030 per share pursuant to the terms of the Offer Letter of the Restricted Share Plan dated 20 December 2017;

(2) 4,815,500 shares at a fair value of RM0.650 per share and 4,368,400 at a fair value of RM0.635 per share pursuant to the terms of the Offer Letter of the Restricted Share Plan dated 12 December 2018; and

(3) 4,717,800 shares at a fair value of RM0.930 per share pursuant to the terms of the Offer Letter of the Restricted Share Plan dated 31 May 2019.

The new ordinary shares issued during the financial year ranked equally in all respects with the existing ordinary shares of the Company.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate except for options over shares granted by the Company to Executive Directors of the Group pursuant to the Restricted Share Plan ("RSP") granted by the Company to Executive Directors of the Group pursuant to the Long Term Incentive Plan ("LTIP").

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than the benefits shown under Directors' Remuneration) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, particulars of the interests of the Directors who held office at the end of the financial year in shares, options and warrants over shares in the Company or its related corporations during the financial year were as follows:

Company

	No. of ordinary shares			
	As at 1.1.2019	**Granted/ Acquired**	**Sold**	**As at 31.12.2019**
Direct				
Tan Sri Azlan Bin Mohd Zainol	**240,000**	–	–	**240,000**
Mohd Imran Bin Mohamad Salim*	**266,400**	661,100	(459,300)	**468,200**
Indirect				
Tan Sri Azlan Bin Mohd Zainol**	**60,000**	–	–	**60,000**

DIRECTORS' REPORT

DIRECTORS' BENEFITS (CONTINUED)

	No. of warrants B over ordinary shares			
	As at 1.1.2019	**Granted**	**Sold**	**As at 31.12.2019**
Direct				
Tan Sri Azlan Bin Mohd Zainol	**24,000**	–	–	**24,000**
Indirect				
Tan Sri Azlan Bin Mohd Zainol**	**6,000**	–	–	**6,000**

* Granted by virtue of RSP
** Deemed interest by virtue of his shareholding in Edenview Projects Sdn. Bhd.

As at 31 December 2019, Mohd Imran Bin Mohamad Salim also had interest over 479,000 unissued shares in the Company pursuant to the RSP of the Company.

The other Directors in office at the end of the financial year did not hold any interest in shares and warrants over shares or debentures of the Company and its related corporations during the financial year.

DIVIDENDS

The Company paid a first and final single tier dividend in respect of the financial year ended 31 December 2018 of 1.75 sen per ordinary share, amounting to RM77,210,817 on 23 August 2019.

The Directors recommend the payment of a first and final single tier dividend in respect of the financial year ended 31 December 2019 of 1.00 sen per ordinary share, amounting to approximately RM44,121,000 at the date of this report. The payment will be made on 20 May 2020.

DIRECTORS' REMUNERATION

The aggregate amounts of remuneration received/receivable by Directors of the Group and of the Company for the financial year are disclosed in Note 11 to the financial statements.

LONG-TERM INCENTIVE PLAN

The Company established a Long-Term Incentive Plan ("LTIP or the Plan"), which was approved by the shareholders at the Extraordinary General Meeting held on 30 November 2016 and came into effect on 20 December 2017. An eligible executive or employee who accepts an offer under the Share Awards ("Grantee") shall pay a sum of RM1.00 as consideration for acceptance of that offer. Subject to the terms and conditions of the By-Laws governing the LTIP, the Grantees shall be entitled to receive new ordinary shares to be issued pursuant to the Share Awards, on the scheduled vesting dates without further payment, subject to meeting the vesting conditions as set out in their respective letters of offer for their Share Awards, which comprise the performance target stipulated by the Remuneration Committee of the Company.

The LTIP shall be in force for a period of 10 years commencing from the date on which the Share Scheme became effective and no share under a share award shall vest beyond the expiry of the duration of the Share Scheme. The LTIP consists of two types of share awards namely, Restricted Share Plan and Performance Share Plan.

The details of the LTIP are contained in the By-Laws and the salient features thereof are set out in Note 31 to the financial statements.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

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

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

(b) to ensure that any current assets, other than debts, which were unlikely to be realised in the ordinary course of business including the values of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

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

(a) which would render the amounts written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; or

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

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

At the date of this report:

(a) there are no charges on the assets of the Group or of the Company which have arisen since the end of the financial year which secures the liabilities of any other person; or

(b) there are no contingent liabilities of the Group or of the Company which have arisen since the end of the financial year.

No contingent or other liability of any company in the Group has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group or of the Company to meet their obligations when they fall due.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

In the opinion of the Directors:

(a) the results of the operation 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

(b) except as disclosed in Note 49 to the financial statements, 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 or of the Company for the financial year in which this report is made.

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 9 to the financial statements.

DIRECTORS' REPORT

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to continue in office.

In accordance with a resolution of the Board of Directors dated 6 May 2020.

MOHD IMRAN BIN MOHAMAD SALIM
Group Managing Director

HASMAN YUSRI BIN YUSOFF
Director

STATEMENTS BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Mohd Imran Bin Mohamad Salim and Hasman Yusri Bin Yusoff, two of the Directors of Malaysian Resources Corporation Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 12 to 141 are drawn up 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 financial performance of the Group and of the Company for the financial year ended on that date in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

In accordance with a resolution of the Board of Directors dated 6 May 2020.

MOHD IMRAN BIN MOHAMAD SALIM
Group Managing Director

HASMAN YUSRI BIN YUSOFF
Director

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016

I, Ann Wan Tee, the Officer primarily responsible for the financial management of Malaysian Resources Corporation Berhad, do solemnly and sincerely declare that the financial statements set out on pages 12 to 141 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

ANN WAN TEE
MIA membership no. 19497

Subscribed and solemnly declared by the above named Ann Wan Tee in the state of Wilayah Persekutuan, Kuala Lumpur, Malaysia on 6 May 2020.

Before me,

PESURUHJAYA SUMPAH
No W538
Nama: YM TENGKU FARIDDUDIN BIN TENGKU SULAIMAN
1 JAN 2019 - 31 DIS 2021
MALAYSIA

COMMISSIONER FOR OATHS

205, Bangunan Loke Yew
4, Jln Mahkamah Persekutuan
50050 Kuala Lumpur (W.P.)

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MALAYSIAN RESOURCES CORPORATION BERHAD
(Incorporated in Malaysia)
Registration No. 196801000388 (7994-D)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Malaysian Resources Corporation Berhad ("the Company") and its subsidiaries ("the Group") 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.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 12 to 141.

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.

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of Group and of the Company. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

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.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

<table>
<tr><th>Key audit matters</th><th>How our audit addressed the key audit matters</th></tr>
<tr><td>

Revenue recognition – Property development and construction contracts – (Group: RM1,135,851,140; Company: RM420,313,706)

Refer to page 41 (Note 2.19 (i)(a) – Summary of Significant Accounting Policies – Sales of Development Properties), page 43 (Note 2.19 (ii)(a) – Summary of Significant Accounting Policies – Construction Contracts), page 52 (Note 3 – Critical accounting estimates and judgements) and page 59 (Note 6 – Revenue)

The Group and the Company recognise property development and construction contracts revenue in the statements of comprehensive income by using the input method. The input method is measured by reference to the proportion of actual costs incurred for work performed to date to the estimated total costs for the project.

Property development and construction contracts accounting is inherently complex and we focused on this area because there are significant estimates and judgements involved in the following areas:

- Determination of stage of completion
- Extent of construction costs incurred to date
- Estimation of total budgeted costs
- Estimation of provision due to liquidated ascertained damages as a reduction of revenue

</td><td>

We performed the following audit procedures:

- We tested the operating effectiveness of key controls in respect of the budgeting process of total estimated property development and construction costs and the continuous review process of these budgets. In addition, controls over the accounting process of costs incurred for work done to date were also tested.
- We tested reasonableness of the estimated total construction costs based on approved budgets to supporting documentation such as sub-contractors contracts, quotations and change order documentation with main or sub-contractors. We also sought appropriate evidence including the Group's and the Company's expert opinions (including contract claim consultants and lawyers) to assess the reasonableness of estimates made by management on the project costs on a sample basis, particularly around disputes or unresolved negotiations with employers and subcontractors.
- We tested a sample of costs incurred to date on significant projects to relevant documents such as sub-contractor claim certificates, verified by the Group's and Company's internal quantity surveyor or the employers.
- In respect of completed construction contracts, we also tested key judgments by management in estimating the total construction costs and accruals for costs to complete through the reading of executive committee meeting minutes, reading correspondences with employers and sub-contractors, and obtaining audit evidence on employers or sub-contractors disputes from in-house or external legal counsel. We obtained an understanding of the basis of accruals recognised by management on instances of material uncertified value of costs submitted and the level of accruals held against these amounts.
- We tested actual sales of development properties to signed sales and purchase agreements.
- We agreed total construction contract project revenue on a sample basis to supporting documentation comprising construction contracts, approved variation orders and correspondences with employers. In instances where projects have been delayed, we have tested management's estimates of the liquidated ascertained damages provisions required to supporting documentation such as construction contracts, correspondences with employers or claim consultants, extension of time approvals and work progress reports indicating reasons for delays.
- On a test basis we checked the mathematical calculation of the percentage of completion and we tested that the percentage of revenue and costs recognised in the statements of comprehensive income is mathematically accurate. We also tested the journal entries to ensure the revenue and costs are recorded appropriately.

Based on our procedures, we noted no material exception in the revenue recognition of property development and construction contracts.

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INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MALAYSIAN RESOURCES CORPORATION BERHAD
(Incorporated in Malaysia)
Registration No. 196801000388 (7994-D)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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 Directors' Report and contents in 2019 Annual Reports, 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 the 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:

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

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 43 to the financial statements.

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.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

JAYARAJAN A/L U. RATHINASAMY
02059/06/2020 J
Chartered Accountant

Kuala Lumpur
6 May 2020

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Group		Company	
	Note	**2019 RM'000**	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Continuing operations					
Revenue	6	**1,319,393**	1,870,705	**568,008**	742,978
Cost of sales	7	**(1,021,838)**	(1,498,121)	**(425,758)**	(545,094)
Gross profit		**297,555**	372,584	**142,250**	197,884
Other income	8	**81,189**	29,068	**49,245**	278
Selling and distribution costs		**(30,331)**	(25,017)	**(838)**	(985)
Administrative expenses		**(201,377)**	(193,101)	**(75,047)**	(77,751)
Other operating expenses		**(74,642)**	(62,634)	**(58,994)**	(37,097)
Finance income	8	**19,590**	20,589	**1,488**	10,111
Finance costs	12	**(45,599)**	(43,975)	**(20,707)**	(69,435)
Share of results of associates	20	**11,188**	18,171	**–**	–
Share of results of joint ventures	21	**(4,618)**	7,302	**–**	–
Profit before income tax	9	**52,955**	122,987	**37,397**	23,005
Income tax expense	13	**(34,263)**	(46,086)	**(5,757)**	(936)
Profit from continuing operations		**18,692**	76,901	**31,640**	22,069
Discontinued operations					
Profit from discontinued operations (net of tax) (attributable to equity holders of the Company)	47	**–**	25,754	**–**	–
Profit for the financial year		**18,692**	102,655	**31,640**	22,069

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Profit for the financial year		**18,692**	102,655	**31,640**	22,069
Other comprehensive income/(loss) for the financial year, net of tax:					
Item that may be reclassified subsequently to profit or loss					
– currency translation differences		**(195)**	(1,479)	**–**	–
– share of associate's gain on re-measurement of financial derivatives	20	**29**	66	**–**	–
Total comprehensive income for the financial year, net of tax		**18,526**	101,242	**31,640**	22,069
Profit for the financial year attributable to:					
Equity holders of the Company					
– from continuing operations		**23,739**	75,413	**31,640**	22,069
– from discontinued operations		**–**	25,754	**–**	–
		23,739	101,167	**31,640**	22,069
Non-controlling interests	19	**(5,047)**	1,488	**–**	–
		18,692	102,655	**31,640**	22,069
Total comprehensive income for the financial year attributable to:					
Equity holders of the Company					
– from continuing operations		**23,573**	74,000	**31,640**	22,069
– from discontinued operations		**–**	25,754	**–**	–
		23,573	99,754	**31,640**	22,069
Non-controlling interests	19	**(5,047)**	1,488	**–**	–
		18,526	101,242	**31,640**	22,069
Earnings per share attributable to the ordinary equity holders of the Company during the financial year (sen)					
Basic	14				
– from continuing operations		**0.54**	1.71		
– from discontinued operations		**–**	0.59		
		0.54	2.30		
Diluted	14				
– from continuing operations		**0.54**	1.71		
– from discontinued operations		**–**	0.59		
		0.54	2.30		

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	15	**600,431**	665,361	**373**	755
Investment properties	16	**1,419,633**	1,313,971	**–**	–
Right-of-use assets	17	**77,207**	–	**25,587**	–
Inventories	18(a)	**1,686,165**	1,660,923	**–**	–
Subsidiaries	19	**–**	–	**3,344,526**	3,354,653
Associates	20	**467,541**	547,712	**368,174**	436,529
Joint ventures	21	**295,148**	300,367	**24,090**	24,090
Long term loan and receivables	22	**242,767**	247,233	**–**	–
Intangible assets	24	**224,259**	226,700	**–**	–
Deferred tax assets	25	**84,394**	86,874	**174**	–
Amounts due from subsidiaries	26	**–**	–	**1,025,479**	803,207
Amount due from joint ventures	26	**79,086**	69,870	**–**	–
		5,176,631	5,119,011	**4,788,403**	4,619,234
Current assets					
Inventories	18(b)&(c)	**963,153**	1,043,726	**4,622**	4,622
Trade and other receivables	26	**868,095**	776,015	**178,313**	169,136
Amounts due from subsidiaries	26	**–**	–	**313,093**	210,372
Amounts due from associates and joint ventures	26	**139,472**	130,765	**123,000**	129,437
Contract assets	28	**719,107**	702,396	**336,126**	209,777
Tax recoverable		**19,060**	17,817	**540**	227
Financial assets at fair value through profit or loss	29	**889**	950	**889**	950
Deposits, cash and bank balances	30	**516,945**	551,634	**74,911**	83,814
		3,226,721	3,223,303	**1,031,494**	808,335
Assets held for sale	23	**77,679**	–	**–**	–
Total assets		**8,481,031**	8,342,314	**5,819,897**	5,427,569

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
EQUITY					
Equity attributable to the equity holders of the Company					
Share capital	31	**4,331,702**	4,318,225	**4,331,702**	4,318,225
Retained earnings		**460,716**	515,134	**341,948**	387,519
Other reserves		**(844)**	(910)	**3,477**	3,245
		4,791,574	4,832,449	**4,677,127**	4,708,989
Non-controlling interests	19	**31,901**	68,004	**–**	–
Total equity		**4,823,475**	4,900,453	**4,677,127**	4,708,989
LIABILITIES					
Non-current liabilities					
Deferred tax liabilities	25	**76,953**	70,025	**–**	–
Contract liabilities	28	**140,258**	140,258	**–**	–
Lease liabilities	17	**58,118**	–	**14,043**	–
Post-employment benefit obligations	33	**20,673**	19,508	**7,855**	7,375
Long term borrowings	34	**1,003,314**	765,520	**336,877**	–
Long term liabilities	35	**367,918**	349,578	**–**	–
Government grant	36	**131,541**	131,805	**–**	–
		1,798,775	1,476,694	**358,775**	7,375
Current liabilities					
Contract liabilities	28	**37,628**	104,888	**–**	–
Lease liabilities	17	**20,979**	–	**12,270**	–
Other liabilities and charges	32	**18,016**	34,042	**–**	–
Trade and other payables	37	**952,868**	1,084,991	**380,181**	291,071
Amounts due to subsidiaries	37	**–**	–	**216,749**	47,112
Current tax liabilities		**4,265**	15,392	**–**	–
Short term borrowings	39	**824,799**	725,854	**174,795**	373,022
		1,858,555	1,965,167	**783,995**	711,205
Liabilities associated with assets held for sale	23	**226**	–	**–**	–
Total liabilities		**3,657,556**	3,441,861	**1,142,770**	718,580
Total equity and liabilities		**8,481,031**	8,342,314	**5,819,897**	5,427,569

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Attributable to equity holders of the Company					
	Share capital (Note 31) RM'000	**Other reserves (Note(a)) RM'000**	**Retained earnings RM'000**	**Total RM'000**	**Non-controlling interests RM'000**	**Total equity RM'000**
As at 1 January 2019	**4,318,225**	**(910)**	**515,134**	**4,832,449**	**68,004**	**4,900,453**
Comprehensive income						
– Profit for the financial year	–	–	**23,739**	**23,739**	**(5,047)**	**18,692**
Other comprehensive income/(loss)						
– Currency translation differences	–	**(195)**	–	**(195)**	–	**(195)**
– Share of associate's gain on re-measurement of financial derivatives	–	**29**	–	**29**	–	**29**
Total comprehensive income/(loss)	–	**(166)**	**23,739**	**23,573**	**(5,047)**	**18,526**
Transactions with owners						
Issuance of ordinary shares pursuant to Restricted Share Plan (Note 31)	**13,477**	**(13,477)**	–	–	–	–
Acquisition of additional equity interest in a subsidiary (Note 45(c))	–	–	**(946)**	**(946)**	**196**	**(750)**
Share-based payment transaction	–	**13,709**	–	**13,709**	–	**13,709**
Dividends paid for financial year ended						
– 31 December 2018 (Note 46)	–	–	**(77,211)**	**(77,211)**	–	**(77,211)**
– 31 December 2019 (Note 19)	–	–	–	–	**(31,252)**	**(31,252)**
Total transactions with owners	**13,477**	**232**	**(78,157)**	**(64,448)**	**(31,056)**	**(95,504)**
As at 31 December 2019	**4,331,702**	**(844)**	**460,716**	**4,791,574**	**31,901**	**4,823,475**

	Attributable to equity holders of the Company					
	Share capital (Note 31) RM'000	**Other reserves (Note(a)) RM'000**	**Retained earnings RM'000**	**Total RM'000**	**Non-controlling interests RM'000**	**Total equity RM'000**
As at 1 January 2018	4,309,422	28,729	479,039	4,817,190	104,493	4,921,683
Comprehensive income						
– Profit for the financial year	–	–	101,167	101,167	1,488	102,655
Other comprehensive income/(loss)						
– Currency translation differences	–	(1,479)	–	(1,479)	–	(1,479)
– Share of associate's gain on re-measurement of financial derivatives	–	66	–	66	–	66
– Post-employment benefit obligations upon resignation of employees	–	(711)	711	–	–	–
Total comprehensive income/(loss)	–	(2,124)	101,878	99,754	1,488	101,242
Transactions with owners						
Issuance of ordinary shares						
– pursuant to Restricted Share Plan (Note 31)	8,794	(8,794)	–	–	–	–
– conversion of warrant A	9	–	–	9	–	9
Acquisition of additional equity interest in a subsidiary	–	–	(17,300)	(17,300)	–	(17,300)
Acquisition of a subsidiary	–	–	–	–	0	0
Dilution of equity of a subsidiary	–	–	–	–	1	1
Share-based payment transaction	–	9,634	–	9,634	–	9,634
Redemption of redeemable preference shares	–	–	–	–	(8,578)	(8,578)
Expiry of warrants A on 14 September 2018	–	(28,355)	28,355	–	–	–
Dividends paid for financial year ended						
– 31 December 2017	–	–	(76,838)	(76,838)	–	(76,838)
– 31 December 2018	–	–	–	–	(29,400)	(29,400)
Total transactions with owners	8,803	(27,515)	(65,783)	(84,495)	(37,977)	(122,472)
As at 31 December 2018	4,318,225	(910)	515,134	4,832,449	68,004	4,900,453

"0" denotes as amount less than RM1,000.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Note (a)

Other reserves

	Other reserves RM'000	Currency translation differences RM'000	Share scheme reserve RM'000	Warrant reserve RM'000	Retirement benefit reserve RM'000	Total RM'000
As at 1 January 2019	**1,305**	**(949)**	**5,150**	**–**	**(6,416)**	**(910)**
Other comprehensive income/(loss)						
– Currency translation differences	**–**	**(195)**	**–**	**–**	**–**	**(195)**
– Share of associate's gain on re-measurement of financial derivatives	**29**	**–**	**–**	**–**	**–**	**29**
Total other comprehensive income/ (loss)	**29**	**(195)**	**–**	**–**	**–**	**(166)**
Transactions with owners						
Issuance of ordinary shares pursuant to Restricted Share Plan (Note 31)	**–**	**–**	**(13,477)**	**–**	**–**	**(13,477)**
Share-based payment transaction	**–**	**–**	**13,709**	**–**	**–**	**13,709**
Total transactions with owners	**–**	**–**	**232**	**–**	**–**	**232**
As at 31 December 2019	**1,334**	**(1,144)**	**5,382**	**–**	**(6,416)**	**(844)**
As at 1 January 2018	1,239	530	4,310	28,355	(5,705)	28,729
Other comprehensive income/(loss)						
– Currency translation differences	–	(1,479)	–	–	–	(1,479)
– Share of associate's gain on re-measurement of financial derivatives	66	–	–	–	–	66
– Post-employment benefits obligations	–	–	–	–	(711)	(711)
Total other comprehensive income/ (loss)	66	(1,479)	–	–	(711)	(2,124)
Transactions with owners						
Issuance of ordinary shares pursuant to Restricted Share Plan	–	–	(8,794)	–	–	(8,794)
Share-based payment transaction	–	–	9,634	–	–	9,634
Expiry of warrants A on 14 September 2018	–	–	–	(28,355)	–	(28,355)
Total transactions with owners	–	–	840	(28,355)	–	(27,515)
As at 31 December 2018	1,305	(949)	5,150	–	(6,416)	(910)

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Share capital (Note 31) RM'000	Other reserve (Note(b)) RM'000	Retained earnings RM'000	Total RM'000
As at 1 January 2019	**4,318,225**	**3,245**	**387,519**	**4,708,989**
Comprehensive income				
– Profit for the financial year	**–**	**–**	**31,640**	**31,640**
Total comprehensive income	**–**	**–**	**31,640**	**31,640**
Transactions with owners				
Issuance of ordinary shares pursuant to Restricted Share Plan (Note 31)	**13,477**	**(13,477)**	**–**	**–**
Share-based payment transaction	**–**	**13,709**	**–**	**13,709**
Dividends paid for financial year ended 31 December 2018	**–**	**–**	**(77,211)**	**(77,211)**
Total transactions with owners	**13,477**	**232**	**(77,211)**	**(63,502)**
As at 31 December 2019	**4,331,702**	**3,477**	**341,948**	**4,677,127**
As at 1 January 2018	4,309,422	30,760	413,933	4,754,115
Comprehensive income				
– Profit for the financial year	–	–	22,069	22,069
Total comprehensive income	–	–	22,069	22,069
Transactions with owners				
Issuance of ordinary shares				
– Pursuant to Restricted Share Plan	8,794	(8,794)	–	–
– Conversion of warrants A	9	–	–	9
Share-based payment transaction	–	9,634	–	9,634
Expiry of warrants A	–	(28,355)	28,355	–
Dividends paid for financial year ended 31 December 2017	–	–	(76,838)	(76,838)
Total transactions with owners	8,803	(27,515)	(48,483)	(67,195)
As at 31 December 2018	4,318,225	3,245	387,519	4,708,989

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Note (b)

Other reserves

	Share scheme reserve RM'000	Warrant reserve RM'000	Retirement benefit reserve RM'000	Total RM'000
As at 1 January 2019	**5,150**	**–**	**(1,905)**	**3,245**
Transactions with owners				
Issuance of ordinary shares				
– Pursuant to Restricted Share Plan (Note 31)	**(13,477)**	**–**	**–**	**(13,477)**
Share-based payment transaction	**13,709**	**–**	**–**	**13,709**
Total transactions with owners	**232**	**–**	**–**	**232**
As at 31 December 2019	**5,382**	**–**	**(1,905)**	**3,477**
As at 1 January 2018	4,310	28,355	(1,905)	30,760
Transactions with owners				
Issuance of ordinary shares				
– Pursuant to Restricted Share Plan (Note 31)	(8,794)	–	–	(8,794)
Share-based payment transaction	9,634	–	–	9,634
Expiry of warrants A on 14 September 2018	–	(28,355)	–	(28,355)
Total transactions with owners	840	(28,355)	–	(27,515)
As at 31 December 2018	5,150	–	(1,905)	3,245

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
OPERATING ACTIVITIES					
Profit attributable to equity holders of the Company from continuing operations		**23,739**	75,413	**31,640**	22,069
Adjustments for:					
Taxation		**34,263**	46,086	**5,757**	936
Non-controlling interests		**(5,047)**	1,488	**–**	–
Share of results of					
– associates	20	**(11,188)**	(18,171)	**–**	–
– joint ventures	21	**4,618**	(7,302)	**–**	–
Dividend income	6	**(26)**	(28)	**(70,340)**	(124,830)
Finance income	8	**(19,590)**	(20,589)	**(1,488)**	(10,111)
Gain on disposal					
– a subsidiary	8	**–**	(4)	**–**	–
– an associate	8	**(58,767)**	–	**(48,918)**	–
Share based payments	10	**13,709**	9,501	**6,462**	5,143
Finance costs	12	**45,599**	43,975	**20,707**	69,435
Impairment on investment in subsidiaries	19	**–**	–	**39,467**	25,307
Fair value loss on financial assets at fair value through profit or loss		**61**	1,272	**61**	1,272
Provision for/(write back of) receivables and amount due from subsidiaries		**2,096**	(1,175)	**(7,587)**	(48,147)
Property, plant and equipment					
– depreciation		**23,891**	19,226	**447**	722
– written off		**4**	4	**–**	–
– net gain on disposal		**(140)**	(74)	**–**	–
Depreciation of					
– investment properties		**11,853**	6,532	**–**	–
– right-of-use assets		**20,967**	–	**11,258**	–
Amortisation of intangible assets					
– order book	24	**3,882**	5,536	**–**	–
– patents	24	**828**	201	**–**	–
Amortisation of contract cost assets	27	**8,012**	6,051	**–**	–
Amortisation of government grant	36	**(264)**	(44)	**–**	–
Provision for					
– liquidated ascertained damages	32	**17,535**	10,462	**–**	–
– post-employment benefits	33	**1,901**	1,705	**694**	694
Unrealised loss on currency translation differences		**995**	5,389	**651**	3,621
Realised loss/(gain) on transactions with associates and jointly controlled entities		**318**	(622)	**–**	–
Operating profit/(loss) from continuing operations before changes in working capital		**119,249**	184,832	**(11,189)**	(53,889)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Group		Company	
	Note	**2019 RM'000**	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
OPERATING ACTIVITIES (CONTINUED)					
Changes in working capital:					
Inventories		**2,553**	181,924	**–**	–
Receivables		**82**	909,189	**(13,074)**	7,919
Contract assets		**(16,711)**	45,116	**(126,349)**	(131,252)
Amounts due from subsidiaries (net)		**–**	–	**(72,012)**	249,650
Amounts due from associates and joint ventures (net)		**(17,923)**	(35,884)	**6,437**	412
Payables		**(125,686)**	(31,422)	**89,285**	130,998
Contract liabilities		**(67,260)**	74,316	**–**	(8,659)
Net cash flow (used in)/generated from operations		**(105,696)**	1,328,071	**(126,902)**	195,179
Interest income received		**13,691**	13,217	**1,485**	5,332
Dividends received from					
– subsidiaries		**–**	–	**37,148**	79,622
– financial assets at fair value through profit or loss		**26**	28	**26**	28
Tax refunded		**11,207**	2,799	**–**	1,997
Tax paid		**(48,465)**	(85,492)	**(6,244)**	(4,406)
Finance cost paid		**(82,811)**	(157,075)	**(22,655)**	(49,051)
Other liabilities and charges paid	32	**(33,561)**	(518)	**–**	–
Retirement benefits paid	33	**(736)**	(921)	**(214)**	(759)
Net cash flow (used in)/generated from continuing operations		**(246,345)**	1,100,109	**(117,356)**	227,942
Net cash flow used in discontinued operations	47(b)	**–**	(112,588)	**–**	–
Net cash flow (used in)/generated from operations activities		**(246,345)**	987,521	**(117,356)**	227,942

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
INVESTING ACTIVITIES					
Proceed from disposal of subsidiaries in prior year		**8,000**	71,012	**8,000**	71,012
Proceed from disposal of an associate		**117,273**	–	**117,273**	–
Redemption of redeemable preference shares by subsidiaries		**–**	–	**–**	153,527
Net cash flow from disposal of subsidiaries	5	**–**	(98)	**–**	–
Proceeds from disposal of property, plant and equipment		**145**	238	**–**	–
Purchase of property, plant and equipment		**(29,774)**	(49,652)	**(65)**	(437)
Purchase of investment properties		**(92,725)**	(54,774)	**–**	–
Purchase of land held for property development and related costs		**(21,162)**	(388,086)	**–**	–
Purchase of patents	24	**(4,649)**	(6,038)	**–**	–
Subscription of shares in					
– subsidiaries		**–**	0	**–**	(601)
– joint venture		**–**	0	**–**	0
Dividends received from associates and a joint venture		**29,066**	25,404	**29,066**	25,404
Acquisition of remaining equity interest in a subsidiary	45(c)	**(525)**	(17,300)	**–**	(17,300)
Proceed from government grant		**–**	51,663	**–**	–
Financial assets					
– disposal of unit trusts		**–**	54,110	**–**	54,110
Repayment of advances by subsidiaries		**–**	–	**326,494**	982,965
Advances to subsidiaries		**–**	–	**(424,994)**	(609,584)
Net cash flow generated from/(used in) investing activities from continuing operations		**5,649**	(313,521)	**55,774**	659,096
Net cash flow generated from investing activities from discontinued operations		**–**	1,325,800	**–**	–
Net cash flow generated from/(used in) investing activities		**5,649**	1,012,279	**55,774**	659,096

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
FINANCING ACTIVITIES					
Proceeds from term loans		**1,274,122**	1,479,067	**432,161**	45,594
Repayment of term loans		**(935,175)**	(2,313,964)	**(289,713)**	(860,378)
Proceeds from conversion of warrants A		**–**	9	**–**	9
Dividend paid to shareholders		**(77,211)**	(76,838)	**(77,211)**	(76,838)
Dividend paid to non-controlling interest		**(31,252)**	(29,400)	**–**	–
Lease payments		**(24,477)**	–	**(12,558)**	–
Redemption of redeemable preferences shares		**–**	(187,277)	**–**	–
Redemption of redeemable preferences shares by a discontinued operations		**–**	82,000	**–**	–
Repayment of inter-company advances from discontinued operations		**–**	124,382	**–**	–
(Pledged)/released of bank balances and fixed deposits as security for financing		**(134,200)**	128,119	**10,081**	(347)
Net cash flow generated from/(used in) financing activities from continuing operations		**71,807**	(793,902)	**62,760**	(891,960)
Net cash flow used in financing activities from discontinued operations		**–**	(1,200,124)	**–**	–
Net cash flow generated from/(used in) financing activities		**71,807**	(1,994,026)	**62,760**	(891,960)
CHANGES IN CASH AND CASH EQUIVALENTS		**(168,889)**	5,774	**1,178**	(4,922)
CASH AND CASH EQUIVALENT AT BEGINNING OF THE FINANCIAL YEAR		**469,815**	464,041	**62,663**	67,585
CASH AND CASH EQUIVALENT AT END OF THE FINANCIAL YEAR	30	**300,926**	469,815	**63,841**	62,663

"0" denotes as amount less than RM1,000.

A. Non-cash transactions other than those disclosed elsewhere in the financial statements

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Subscription of shares in:				
Subsidiaries:				
– ordinary shares	**–**	–	**26,000**	–
– redeemable convertible and cumulative preference shares	**–**	–	**3,340**	–
An associate (Note 5):				
– ordinary shares	**–**	2,000	**–**	–
– redeemable preference shares A	**–**	266,649	**–**	–
	–	268,649	**29,340**	–

1 GENERAL INFORMATION

The Company is principally an investment holding company. The Company also engages in property development, property investment, engineering and construction related activities, environmental engineering and provision of management services to its subsidiaries.

The Group is principally engaged in property development, property investment, engineering and construction related activities, environmental engineering, facilities management and parking services.

The principal activities of the subsidiaries, joint ventures and associates are described in Note 43 to the financial statements.

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

The address of the registered office and principal place of business of the Company is as follows:

Level 33A, Menara NU 2
No. 203, Jalan Tun Sambanthan
Kuala Lumpur Sentral
50470 Kuala Lumpur

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 6 May 2020.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently in dealing with items that are considered material in relation to the financial statements. These policies have been consistently applied to all the financial years presented, unless otherwise stated.

2.1 BASIS OF PREPARATION

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

The financial statements have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. It also requires Directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 BASIS OF PREPARATION (CONTINUED)

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 to the financial statements.

(a) Standards, amendments to published standards and interpretations that are effective

The Group and the Company have applied the following amendments for the first time for the financial year beginning on 1 January 2019:

- MFRS 16 'Leases'
- Amendments to MFRS 128 'Long-term Interests in Associates and Joint Ventures'
- Amendments to MFRS 9 'Prepayment features with negative compensation'
- Amendments to MFRS 119 'Plan Amendment, Curtailment or Settlement'
- IC Interpretation 23 'Uncertainty over Income Tax Treatments'
- Annual Improvements to MFRSs 2015 – 2017 Cycle

The Group and the Company have adopted MFRS 16 for the first time in the 2019 financial statements with the date of initial application ("DIA") of 1 January 2019 by applying the simplified retrospective transition method. The practical expedients elected and the detailed impacts of the changes in accounting policies on leases are disclosed in Note 48.

Other than that, the adoption of other amendments listed above did not have any impact on the current year or any prior period and is not likely to affect future periods.

(b) Standards early adopted by the Group and the Company

There are no standards early adopted by the Group and the Company.

(c) Standards and amendments that have been issued but not yet effective

A number of new standards and amendments to standards and interpretations are effective for financial year beginning from 1 January 2020. None of these is expected to have a significant effect on the consolidated financial statements of the Group and of the Company, except the following set out below:

- Amendments to MFRS 3 'Definition of a Business' (effective 1 January 2020) revise the definition of a business. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs.

  The amendments provide guidance to determine whether an input and a substantive process are present, including situation where an acquisition does not have outputs. To be a business without outputs, there will now need to be an organised workforce. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

  In addition, the revised definition of the term "outputs' is narrower, focusses on goods or services provided to customers, generating investment returns and other income but exclude returns in the form of cost savings.

  The amendments introduce an optional simplified assessment known as "concentration test" that, if met, eliminates the need for further assessment. Under this concentration test, if substantially all of the fair value of gross assets acquired is concentrated in a single identifiable assets (or a group of similar assets), the assets acquired would not represent a business.

  The amendments shall be applied prospectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 BASIS OF PREPARATION (CONTINUED)

(d) IFRIC Agenda Decision

In March 2019, IFRIC published an agenda decision on borrowings costs confirming, receivables, contract assets and inventories for which revenue is recognised over time are non-qualifying assets. On 20 March 2019, the Malaysian Accounting Standards Board decided an entity shall apply the change in accounting policy as a results of the IFRIC Agenda Decision to financial statements of annual periods beginning on or after 1 July 2020.

The Group is assessing the impact on the change in accounting policy pursuant to IFRIC agenda decision on borrowing costs incurred on property under construction where control is transferred over time.

2.2 ECONOMIC ENTITIES IN THE GROUP

(a) Subsidiaries

Subsidiaries 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 to direct the relevant activity of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Subsidiaries are consolidated using the acquisition method of accounting.

Under the acquisition method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Acquisition related costs are recognised as expenses when incurred.

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to the fair value at the acquisition date, any gains or losses arising from such re-measurement are recognised in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired at the date of acquisition is reflected as goodwill. See accounting policy Note 2.7 on intangible assets. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit or loss.

Non-controlling interest represents that portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent. It is measured at the non-controlling interests' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the non-controlling interests' share of changes in the subsidiaries' equity since that date.

All earnings and losses of the subsidiaries are attributable to the parent and the non-controlling interest, even if the attributable losses to the non-controlling interest results in a debit balance in the shareholders' equity. Profit and loss attributable to non-controlling interests for prior financial year is not restated.

Intragroup transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTES TO THE FINANCIAL STATEMENTS
– 31 DECEMBER 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 ECONOMIC ENTITIES IN THE GROUP (CONTINUED)

(a) Subsidiaries (continued)

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statements of comprehensive income, statement of changes in equity and statements of financial position respectively.

The Group had adopted MFRS 10 "Consolidated Financial Statements" with effect from financial year beginning 1 January 2013 and resulted in changes to the following policies:

- Control exists when the Group is expected, or has rights, to variable from its involvement with the entity and has the ability to the effect those returns through its power over the entity. In the previous financial years, control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.
- Potential voting rights are considered when assessing control only when such right are substantive. In the previous financial years, potential voting rights are considered with assessing control when such rights are presently exercisable.
- The Group considers it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return. In the previous financial years, the Group did not consider *de facto* power in its assessment of control.

The change in accounting policy had been made retrospectively and in accordance with the transitional provision of MFRS 10. The adoption of MFRS 10 had no significant impact to the financial statements of the Group.

Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when the control is lost, with the change in carrying amount for the purpose of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, 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 and liabilities. This may mean that amount previously recognised in other comprehensive income are reclassified to profit or loss.

Gains or losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the subsidiaries disposed.

(b) Transactions with non-controlling interests

Transactions with non-controlling interests that do not result in loss of control are accounted for as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in equity attributable to owners of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 ECONOMIC ENTITIES IN THE GROUP (CONTINUED)

(c) Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment in an associate is initially recognised at cost, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the associate in profit or loss, and the Group's share of movements in other comprehensive income of the associate in other comprehensive income. Dividends received or receivable from an associate are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interests in the associate, including any long-term interests that, in substance, form part of the Group's net investment 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. The Group's investment in associates includes goodwill identified on acquisition.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. An impairment loss is recognised for the amount by which the carrying amount of the associate exceeds its recoverable amount.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, in applying the equity method, adjustments are made to the financial statements of associates to ensure consistency of accounting policies with the Group.

When the Group ceases to equity account its associate because of a loss of significant influence, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as a financial asset. In addition, any amount previously recognised in other comprehensive income in respect of the entity is accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Dilution gains or losses arising in investments in associates are recognised in the profit or loss.

(d) Joint arrangements

Joint arrangements are arrangement of which the Group has joint control, establishment by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

The Group had adopted MFRS 11 "Joint Arrangements" with effect from 1 January 2013. As a result, joint arrangement are classified and accounted for as follows:

- A joint arrangement is classified as "joint operation" when the Group or the Company has rights to assets and obligations for the liabilities relating to the arrangement. The Group and the Company account for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation.
- A joint arrangement is classified as "joint venture" when the Group has rights only to the net assets of the arrangement. The Group accounts for its interest in the joint venture using the equity method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 ECONOMIC ENTITIES IN THE GROUP (CONTINUED)

(d) Joint arrangements (continued)

Investments in joint ventures are stated at cost in the separate financial statements. Where an indication of impairment exists, the carrying value of the investment is assessed and written down immediately to its recoverable amount. Refer to accounting policy on impairment of non-financial assets as set out in Note 2.17 to the financial statements.

Results and interests in joint venture are equity accounted in the venturer's financial statements of the Group.

Equity accounting involves recognising the venturer's share of the post-acquisition results of joint ventures in the profit or loss and its share of post-acquisition movements within reserves in reserves. The cumulative post acquisition movements are adjusted against the cost of the investment and include goodwill on acquisition (net of accumulated impairment losses).

The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other venturer. The Group does not recognise its share of profits or losses from the joint venture that result from the purchase of assets by the Group from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

Where necessary, adjustments have been made to the financial statements of joint ventures to ensure consistency of accounting policies with those of the Group.

2.3 FOREIGN CURRENCIES

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

All foreign exchange gains and losses are presented in the statement of comprehensive income within other expenses.

The principal closing rates used in translation of foreign currency amounts were as follows:

	31.12.2019 RM	**31.12.2018 RM**
Foreign currency		
100 Thai Baht	**13.58**	12.58
1 Australian Dollar	**2.86**	2.90
1 UK Pound	**5.37**	5.26
1 Singapore Dollar	**3.04**	3.03
1 US Dollar	**4.09**	4.14
1 HK Dollar	**0.53**	–

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 FOREIGN CURRENCIES (CONTINUED)

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the date of that statement of financial position;
- income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.4 INVESTMENTS

In the Company's separate financial statements, investments in subsidiaries, joint ventures and associates are carried at cost less accumulated impairment losses. On disposal of investments in subsidiaries, joint ventures and associates, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

The amounts due from subsidiaries of which the Company does not expect repayment in the foreseeable future are considered as part of the Company's investments in the subsidiaries.

2.5 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses except for freehold land which is not depreciated. Freehold land is not depreciated as it has an infinite life. Construction in progress are also not depreciated as these assets are not available for use. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial year in which they are incurred.

Other property, plant and equipment are depreciated on the straight line basis to write off the cost of the assets, or their revalued amounts to their residual values over their estimated useful lives summarised as follows:

Buildings	50 years
Plant and machinery	5 to 10 years
Furniture, fittings, office equipment and computers	3 to 20 years
Motor vehicles	3 to 5 years

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at the end of each reporting date.

NOTES TO THE FINANCIAL STATEMENTS
– 31 DECEMBER 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount. Refer to accounting policy on impairment of non-financial assets as set out in Note 2.17 to the financial statements.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are credited or charged to other expenses in the profit or loss.

2.6 INVESTMENT PROPERTIES

Investment properties, comprising land and buildings, are held for long term rental yields or for capital appreciation or both, and are not occupied by the Group.

Investment properties are stated at cost less any accumulated depreciation and accumulated impairment losses. Investment properties are depreciated on the straight line basis to write off the cost of the assets to their residual values over their estimated useful lives.

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it is derecognised from the statements of financial position. The difference between the net disposal proceeds and the carrying amount is credited or charged to the profit or loss in the financial year of the retirement or disposal.

Investment properties also include properties that are under construction for future use as investment properties. These investments are also carried at cost.

Leasehold land are amortised over the period of the respective leases ranging from 66 years to 99 years. Amortisation is computed on the straight line method to write off the cost of each asset over its estimated useful life. The principal annual depreciation rate for related building is 2% per annum.

2.7 INTANGIBLE ASSETS

(a) Goodwill

Goodwill arises from a business combination and represents the excess of the aggregate of fair value of consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed on the acquisition date. If the fair value of consideration transferred, the amount of non-controlling interest and the fair value of previously held interest in the acquiree are less than the fair value of the net identifiable assets of the acquiree, the resulting gain is recognised in profit or loss.

Goodwill is not amortised but tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arose. See accounting policy Note 2.17 to the financial statements on impairment of non-financial assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 INTANGIBLE ASSETS (CONTINUED)

(b) Order book – finite life

The order book with finite useful life is carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated over the estimated construction period related to the relative order book values. Where an impairment indication exists, the carrying amount of the order book is assessed and written down immediately to its recoverable amount.

(c) Patents

Separately acquired patents are shown at historical cost. Patents have a finite useful life and are carried at cost less accumulated amortisation and accumulated losses. Amortisation is calculated using the straight-line method to allocate the cost of patents over their estimated useful lives of 10 years.

2.8 LEASES

(a) Accounting by lessee

Accounting policies applied from 1 January 2019

From 1 January 2019, leases are recognised as right-of-use ("ROU") assets and a corresponding liability at the date on which the leased assets are available for use by the Group and the Company (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Group and the Company allocate the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of properties for which the Group and the Company are lessees, it have elected the practical expedient provided in MFRS 16 not to separate lease and non-lease components. Both components are accounted for as a single lease component and payments for both components are included in the measurement of lease liability.

Lease term

In determining the lease term, the Group and the Company consider all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Group and the Company reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and the Company and affects whether the Group and the Company are reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities. See accounting policy below on reassessment of lease liabilities.

ROU assets

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group and the Company are reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 LEASES (continued)

(a) Accounting by lessee (continued)

Accounting policies applied from 1 January 2019 (continued)

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Group and the Company under residual value guarantees;
- The exercise price of a purchase and extension options if the Group and the Company are reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group and the Company exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group and the Company, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

The Group and the Company present the lease liabilities as a separate line item in the statements of financial position. Interest expense on the lease liability is presented within the finance cost in profit or loss in the statements of comprehensive income.

Reassessment of lease liabilities

The Group and the Company are also exposed to potential future increases in variable lease payments that depend on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is remeasured and adjusted against the ROU assets.

Short term leases and leases of low value assets

Short-term leases are leases with a lease term of 12 months or less. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line bases as an expense in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 LEASES (continued)

(a) Accounting by lessee (continued)

Accounting policies applied until 31 December 2018

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

Finance Lease

Leases of property, plant and equipment where the Group and the Company assume substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a periodic constant rate of interest on the balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance charges is charged to the profit or loss over the lease period.

Property, plant and equipment acquired under finance leases are depreciated over the shorter of the estimated useful life of the assets and the lease term.

Operating Lease

Leases of assets where a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives from the lessor) are charged to the profit or loss on the straight-line basis over the lease period.

(b) Accounting by lessor

Operating leases

When assets are leased out under an operating lease, the asset is included in the statement of financial position based on the nature of the asset. Lease income is recognised over the term of the lease on a straight-line basis.

2.9 INVENTORIES

(a) Land held for property development

Land held for property development consists of land or such portion thereof on which no significant development work has been undertaken or where development activities is not expected to be completed within the normal operating cycle. Such land is classified as inventories in non-current asset and is stated at the lower of cost and net realisable value.

Cost associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies. Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount. Refer to accounting policy on impairment of non-financial assets as set out in Note 2.17 to the financial statements.

Land held for property development is transferred to inventories – property development costs (under current assets) (Note 2.9(b)) when development activities have commenced and can be completed within the Group's and the Company's normal development cycle.

Borrowing costs are capitalised in accordance with Note 2.18 to the financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 INVENTORIES (CONTINUED)

(b) Property development costs

Property development costs comprise costs associated with the acquisition of land or such portion thereof and all costs directly attributable to development activities or that can be allocated on a reasonable basis to these activities.

Property development costs are transferred from land held for property development (Note 2.9(a)) when physical development activities have commenced and can be completed within the Group's and the Company's normal development cycle.

Property development costs are recognised when incurred.

When the outcome of the development activity can be estimated reliably and the sale of the development unit is effected (i.e. upon the signing of the individual sales and purchase agreements and satisfaction of respective performance obligations), property development revenue and costs are recognised as revenue and expenses respectively by reference to the stage of completion of development activity at the reporting date in accordance with MFRS 15 'Revenue from Contracts with Customers'. The stage of completion is determined based on the proportion that the property development costs incurred to-date bear to the estimated total costs for the property development.

When the outcome of a development activity cannot be estimated reliably, property development revenue is recognised only to the extent of property development costs incurred that is probable to be recoverable and the property development costs on the development units sold are recognised as an expense when incurred.

Irrespective of whether the outcome of a property development activity can be estimated reliably, when it is probable that total property development costs will exceed total property development revenue (including expected defect liability expenditure), the expected loss is recognised as an expense immediately.

Property development costs not recognised as an expense are recognised as an asset and are stated at the lower of cost and net realisable value.

Borrowing costs are capitalised in accordance with Note 2.18 to the financial statements.

Where revenue recognised in the profit or loss exceed billings to purchasers, the balance is shown as contract assets (within current assets). Where billings to purchasers exceed revenue recognised in the profit or loss, the balance is shown as contract liabilities (within current liabilities).

(c) Unsold properties

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

The cost of unsold properties comprises cost associated with the acquisition of land, direct costs and related allocation costs attributable to property development activities.

(d) Construction materials

Costs of construction materials is determined after deducting rebates and discounts valued using weighted average cost method.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 RECEIVABLES

Receivables are recognised initially at fair value. Receivables is subsequently measured at amortised cost using the effective interest method, less loss allowance. The loss allowance is established using expected credit loss approach as disclose in Note 2.20. Receivables are classified as current assets if at the time the amount is due in one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current assets.

2.11 EMPLOYEE BENEFITS

(a) Short term employee benefits

The Group and the Company recognise a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group and the Company recognise a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the financial year in which the associated services are rendered by employees of the Group and the Company.

(b) Post-employment benefits

The Group and the Company have various post-employment benefit schemes in accordance with local conditions and practices. These benefits plans are either defined contribution or defined benefit plans.

Defined contribution plan

A defined contribution plan is a pension plan under which the Group and the Company pay fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior financial years. A defined contribution plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors, such as age, years of service or compensation.

The Group's and the Company's contributions to defined contribution plan are charged to the profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group and the Company have no further payment obligations. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Defined benefit plan

The Group and the Company provide for unfunded retirement benefits to eligible employees that have been in the service of the Group and the Company for a continuous period of at least ten (10) years.

This scheme is closed to new employees since 1 September 2002.

The Group determines the present value of the defined benefit obligation with sufficient regularity such that the liability recognised in the financial statements does not differ materially from the amount that would have been determined as at that date. The defined benefit obligation, calculated using the projected unit credit method, is determined by a qualified independent actuary after considering the estimated future cash outflows using the market yields at the valuation date of high quality corporate bonds. The latest actuarial valuation was carried out on 30 November 2017.

The current service cost recognised in the profit or loss is calculated based on the present value of the benefits accruing over the financial year following the valuation date with reference to the number of eligible employees and projected final salaries.

NOTES TO THE FINANCIAL STATEMENTS
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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 EMPLOYEE BENEFITS (CONTINUED)

(b) Post-employment benefits (continued)

Defined benefit plan (continued)

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

(c) Share-based compensation

The Group and the Company operate an equity-settled, share-based long term incentive plan ("LTIP" or "the Plan") following the expiry of the Employee Share Option Scheme ("ESOS"), which comprises the compensation plan for the eligible employees of the Group and eligible executive directors of the Company. The LTIP comprises of Restricted Share Plan ("RSP") and Performance Share Plan ("PSP") as consideration for services rendered. The fair value of the employee services received in exchange for the RSP and PSP is recognised as an employee cost in the profit or loss over the vesting periods of the grant with a corresponding increase in equity.

The total amount to be expensed over the vesting period is determined by reference to the fair value, which is measured at grant date, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of shares that are expected to vest. At each reporting date, the Group and the Company revise its estimates of the number of shares that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the profit or loss, with a corresponding adjustment to equity.

2.12 PROVISIONS

Provisions are recognised when the Group and the Company have a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made. Where the Group and the Company expect a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

The Group provides for estimated liability on projects still under progress at the reporting date. This provision is calculated based on contract agreements/past histories.

2.13 PAYABLES

Payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Payables are initially recognised at fair value. Payables is subsequently measured at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 CASH AND CASH EQUIVALENTS

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash in hand, bank balances, demand deposits, short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts and exclude the designated bank balances of which have been charged as security for borrowings.

Bank overdrafts are presented within borrowings in current liabilities on the statements of financial position.

2.15 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Group and the Company do not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare circumstance where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Company. The Group and the Company do not recognise contingent assets but disclose its existence where inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under a business combination, the contingent liabilities assumed are measured initially at their fair value at the acquisition date, irrespective of the extent of any non-controlling interests.

The Group recognises separately the contingent liabilities of the acquirees as part of allocating the cost of a business combination where their fair values can be measured reliably. Where the fair values cannot be measured reliably, the resulting effect will be reflected in the goodwill arising from the acquisitions and the information about the contingent liabilities acquired are disclosed in the financial statements.

2.16 INCOME TAX

The income tax expense or credit for the financial year is the tax payable on the current financial year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the country where the Group and the Company operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

NOTES TO THE FINANCIAL STATEMENTS
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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 INCOME TAX (CONTINUED)

Deferred tax is provided in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.17 IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to the profit or loss. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in the profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus reserve.

2.18 BORROWING COSTS

Interest incurred on general and specific borrowings to finance the construction of property, plant and equipment and investment properties is capitalised as part of the cost of the asset during the period of time that is required to complete and prepare the assets for its intended use. Interests relating to property development activities and construction contracts are accounted for in a similar manner. All other borrowings costs are expensed on an effective interest rate method.

2.19 REVENUE RECOGNITION

Revenue from contracts with customers

Revenue which represents income arising in the course of the Group's and the Company's ordinary activities is recognised by reference to each distinct performance obligation promised in the contract with customer when or as the Group and the Company transfer the control of the goods and services promised in a contract and the customer obtains control of the goods or services. Depending on the substance of the respective contract with customer, the control of the promised goods or services may transfer over time or at point in time.

A contract with customer exists when the contract has commercial substance, the Group, the Company and their customers have approved the contract and intend to perform their respective obligations, the Group's, the Company's and the customer's rights regarding the goods or services to be transferred and the payment terms can be identified, and it is probable that the Group and the Company will collect the consideration to which it will be entitled to in exchange of those goods or services.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 REVENUE RECOGNITION (CONTINUED)

Revenue from contracts with customers (continued)

Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties such as sales and service taxes or goods and service tax. If the amount of consideration varies due to discounts, rebates, penalties or other similar items, the Group and the Company estimate the amount of consideration that it expects to be entitled based on the expected value method or the most likely outcome but the estimation is constrained up to the amount that is highly probable of no significant reversal in the future. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or service promised in the contract.

Performance obligations by segment are as follows:

i. Property development & investment

Property revenue consists of sales of development properties, sales of services and revenue from hotel operation.

(a) Sales of development properties

Contracts with customers may include multiple promises to customers and therefore accounted for as separate performance obligations. In this case, the transaction price will be allocated to each performance obligation based on the standalone selling prices. When these are not directly observable, they are estimated based on expected cost plus margin.

The revenue from property development is measured at the fixed transaction price agreed under the sales and purchase agreement net of expected liquidated ascertained damages ("LAD") payment, based on the expected value method.

The transaction price is adjusted for the effects of time value of money if the timing of payments provides the customer or the Group and the Company with a significant benefit of financing the transfer of goods or services to the customer. For contracts with advance payment from customer at the beginning of the contract prior to the transfer of developed properties which will take more than one year to complete, a contract liability will be recognised when the advance payment is received, and the contract liability balance is accreted over the contract period to reflect the effects of financing received from the customer, with a corresponding interest expense recognised in statements of comprehensive income. For contracts with deferred payment scheme, the Group and the Company adjust the promised consideration for the effects of the significant financing component using the discount rate that would be reflected in a separate financing transaction between the Group and the Company and its customer at contract inception. The significant financing component is recognised as finance income in statements of comprehensive income over the credit period using the effective interest rate applicable at the inception date.

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

NOTES TO THE FINANCIAL STATEMENTS

– 31 DECEMBER 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 REVENUE RECOGNITION (CONTINUED)

Revenue from contracts with customers (continued)

i. Property development & investment (continued)

(a) Sales of development properties (continued)

The promised properties are specifically identified by its lot and unit number and its attributes (such as its size and location) in the sale and purchase agreements and the attached layout plan. The purchasers could enforce its rights to the promised properties if the Group and the Company seek to sell the unit to another purchaser. The contractual restriction on the Group's and the Company's ability to direct the promised property for another use is substantive and the promised properties sold to the purchasers do not have an alternative use to the Group and the Company. The Group and the Company have the right to payment for performance completed to date. The Group and the Company are entitled to continue to transfer to the customer the development units promised and has the rights to complete the construction of the properties and enforce its rights to full payment.

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

The Group and the Company recognise revenue over time using the input method, which is based on the level the proportion that the property development costs incurred to date bear to the estimated total costs for the property development.

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

When the Group and the Company are not able to determine the probability that the Group and the Company will collect the consideration to which the Group and the Company will be entitled to in exchange of development properties, the Group and the Company will defer the recognition of revenue from sales of the development properties. Consideration received from the customer is recognised as contract liability.

(b) Sales of services

The Group and the Company provide maintenance services for some of the development properties. The Group and Company also provide other services, including facilities management services, general administration management services, building consultancy management services, financial management services, leasing and tenant acquisition services, lessee and tenant monitoring services, facility management technical advisory services, financial modelling (feasibility study) services, project management and consultancy services, and sales and marketing consultancy services. The Group and the Company recognise revenue from sales of services upon performance of services.

(c) Revenue from hotel operation

Hotel revenue represents income derived from room rentals, sales of food and beverage and other hotel related income. Room rental income is accrued on a daily basis on customer-occupied rooms. Sales of food and beverage are recognised upon delivery to customers. Hotel revenue is recognised net of sales tax and discounts.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 REVENUE RECOGNITION (CONTINUED)

Revenue from contracts with customers (continued)

ii. Engineering, construction & environment

Engineering, construction & environment revenue consists of services provided for construction contracts and project management services.

(a) Construction contracts

The Group and the Company provide various construction contract services, including design and build commercial building, commission of transmission lines and substations, and rehabilitation and improvement of beaches and rivers.

Construction contracts with customers may include multiple promises to customers and therefore accounted for as separate performance obligations. In this case, the transaction price will be allocated to each performance obligation based on the standalone selling prices. When these are not directly observable, they are estimated based on expected cost plus margin.

The revenue from construction contracts is measured at the fixed transaction price agreed net of expected liquidated ascertained damages ("LAD") payment, based on the expected value method.

Revenue from construction contracts is recognised as and when the control of the asset is transferred to the customer and it is probable that the Group and the Company will collect the consideration to which it will be entitled in exchange for the asset that will be transferred to the customer. Control of the asset is transferred over time as the Group's and the Company's performance create or enhance an asset that the customer controls as the asset is created or enhanced. Revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. The Group and the Company recognise revenue over time using the input method, which is based on the level the proportion that the construction costs incurred to date bear to the estimated total costs for the construction contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as recoverables, prepayments or other assets, depending on their nature.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable. Irrespective of whether the outcome of a construction contract can be estimated reliably when it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The aggregate of the costs incurred and the attributable profit/loss recognised on each contract is compared against the progress billings up to the end of the financial year. Where costs incurred and recognised profit (less recognised losses) exceed progress billings, the balance is shown as contract assets. Conversely, where progress billings exceed costs incurred and attributable profit, the balance is shown as contract liabilities.

(b) Project management services

Revenue from project management fee is recognised upon performance of services.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 REVENUE RECOGNITION (CONTINUED)

Revenue from contracts with customers (continued)

iii. Facilities management & parking

Facilities management & parking revenue consists of rental income for parking spaces, provision of management services and security guard services.

The Group and the Company recognise revenue from sales of management services and security guard services upon performance of services.

iv. Others

Revenue from others segment consists of sales of construction materials, management services to subsidiaries and revenue from other sources.

(a) Sales of construction materials

The Group and the Company recognise sales of construction materials at a point in time, when the control of the construction materials has been transferred to the customers, being when the construction materials have been delivered to the customers and it is probable that the Group and the Company will collect the considerations to which it will be entitled to in exchange for the construction materials sold.

(b) Management services

The Company provides management services to its subsidiaries. The Company recognises revenue from sales of management services upon performance of services.

(c) Patents

Patents revenue is recognised on a straight-line basis over the tenure of the license agreement.

Revenue from other sources

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

Interest income is recognised using the effective interest method.

Rental income is recognised on a straight-line basis over the tenure of the lease as stated in Note 2.8 to the financial statements.

2.20 FINANCIAL INSTRUMENTS

Financial instruments are contracts that give rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets

Classification

The Group and the Company classify their financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss); and
- those to be measured at amortised cost.

The Group and the Company reclassify debt investments when and only when their business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group and the Company commit to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company have transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group and the Company measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest ("SPPI").

Debt instruments

Subsequent measurement of debt instruments depends on the Group's and the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group and the Company classify their debt instruments:

(a) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other operating expenses together with foreign exchange gains and losses. Impairment losses are presented in other operating expenses in the statements of profit or loss.

(b) Fair value through other comprehensive income ("FVOCI")

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other operating expenses. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other operating expenses and impairment expenses are presented in other operating expenses in the statements of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets (continued)

Debt instruments (continued)

(c) Fair value through profit or loss ("FVTPL")

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. The Group and the Company may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes is recognised in profit or loss and presented net within other operating expenses in the period which it arises.

Equity instruments

The Group and the Company subsequently measure all equity investments at fair value. Where the Group's and the Company's management have elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's and the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other operating expenses in the statements of profit or loss as applicable.

Impairment for debt instruments and financial guarantee contracts

The Group and the Company assess on a forward looking basis the expected credit loss ("ECL") associated with its debt instruments carried at amortised cost and at FVOCI and financial guarantee contracts issued. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group and the Company have seven types of financial instruments that are subject to the ECL model:
- Trade receivables;
- Non-trade receivables;
- Amount due from subsidiaries;
- Amount due from joint ventures/associates;
- Contract assets; and
- Financial guarantee contracts issued.

While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

ECL represent a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Group and the Company expect to receive, over the remaining life of the financial instrument. For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Company expects to receive from the holder, the debtor or any other party.

The measurement of ECL reflects:
- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets (continued)

Impairment for debt instruments and financial guarantee contracts (continued)

(a) General 3-stage approach for non-trade receivables, amount due from subsidiaries, amount due from joint ventures/associates and financial guarantee contracts issued

At each reporting date, the Group and the Company measure ECL through loss allowance at an amount equal to 12 months ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required.

Note 26 sets out the measurement details of ECL.

(b) Simplified approach for trade receivables and contract assets

The Group and the Company apply the MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and contract assets.

Note 26 sets out the measurement details of ECL.

Significant increase in credit risk

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group and the Company compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information. The following indicators are incorporated:

- external credit rating (as far as available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements; and
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the Group and changes in the operating results of the debtor.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

Definition of default and credit-impaired financial assets

The Group and the Company define a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria

The Group and the Company define a financial instrument as default, when the counterparty fails to make contractual payment 90 days after the payment term.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets (continued)

Definition of default and credit-impaired financial assets (continued)

Qualitative criteria

The debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty. The Group and the Company consider the following instances:

- the debtor is in breach of financial covenants;
- concessions have been made by the lender relating to the debtor's financial difficulty;
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- the debtor is insolvent.

Financial instruments that are credit-impaired are assessed on individual basis.

Groupings of instruments for ECL measured on collective basis

(a) Collective assessment

To measure ECL, trade receivables and contract assets arising from property development & investment, facilities management & parking businesses have been grouped based on shared credit risk characteristics by specific projects and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group and the Company have therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

(b) Individual assessment

Trade receivables and contract assets arising from engineering, construction & environment and sales of construction materials businesses have been assessed individually.

In addition, all trade receivables and contract assets which are in default or credit-impaired are assessed individually.

Loans to subsidiaries in the Company's separate financial statements are assessed on individual basis for ECL measurement, as credit risk information is obtained and monitored based on each loan to subsidiary.

Write-off

(a) Trade receivables and contract assets

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group and the Company, and a failure to make contractual payments for a period of greater than 60 days past due. Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

(b) Other receivables

The Group and the Company write off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Group and the Company may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the financial year ended 31 December 2019 was Nil (2018: Nil). Subsequent recoveries of amounts previously written off will result in impairment gains.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 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 maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the Board of Directors that makes strategic decisions.

Segment reporting is presented for enhanced assessment of the Group's and of the Company's risks and returns. Business segments provide products or services that are subject to risk and returns that are different from those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those components operating in other economic environments.

Segment revenue, expense, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expense, assets and liabilities are determined before intragroup balances and intragroup transactions are eliminated as part of the consolidation process, except to the extent that such intragroup balances and transactions are between group enterprises within a single segment.

2.22 SHARE CAPITAL

(a) Classification

Ordinary shares and non-redeemable preference shares with discretionary dividends are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the contractual arrangement. See accounting policy Note 2.23 on borrowings.

(b) Share issue costs

Incremental costs directly attributable to the issue of new shares are deducted against equity.

(c) Dividend distribution

Distributions to holders of an equity instrument is debited directly to equity, net of any related income tax benefit and the corresponding liability is recognised in the period in which the dividends are approved.

(d) Warrants reserve

Proceeds from the issuance of warrants, net of issuance costs, are credited to warrants reserve which is non-distributable. Warrants reserve are transferred to share capital upon the exercise of warrants. Warrants reserve in relation to unexercised warrants at the expiry of the warrants period is transferred to retained earnings.

Issuance of free warrants is not recognised in the financial statements, except for the warrants issued in a business combination in which case the warrants are fair valued as part of the purchase consideration.

(e) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares; and
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 SHARE CAPITAL (CONTINUED)

(e) Earnings per share (continued)

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.23 BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred.

Borrowings are subsequently carried at amortised cost; any difference between initial recognised amount and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method, except for borrowing costs incurred for the construction of any qualifying asset.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised as finance cost in profit or loss.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs.

When borrowings measured at amortised cost is modified without this resulting in derecognition, any gain or loss, being the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate, shall be recognised immediately in profit or loss in finance cost.

2.24 FAIR VALUE MEASUREMENTS

The Group adopted MFRS 13 “Fair Value Measurement” which prescribed that fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into accounts a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the assets in its highest and best use.

2.25 GOVERNMENT GRANT

Grant from the Government are recognised at their fair values where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grant relating to the acquisition of assets are classified as non-current are amortised to the profit or loss over the expected lives of the related assets, on basis consistent with the depreciation of the related assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 LOAN TO SUBSIDIARIES

Loans to subsidiaries are recognised initially at fair value. If there are any difference between cash disbursed and fair value on initial recognition, the difference would be accounted as additional investment in the subsidiary as it reflects the substance of the transaction.

Loans to subsidiaries are subsequently measured at amortised cost using the effective interest method. The provision for impairment is established using expected credit loss approach as disclosed in Note 2.20.

2.27 CONTRACT COST ASSETS

The Group and the Company recognise incremental costs of obtaining a contract with a customer as contract cost assets if the Group and the Company expect to recover those costs. The incremental costs of obtaining a contract are those costs that the Group and the Company would not have incurred if the contract had not been obtained, including sales commission, agent fees in concluding sales and stamp duty incurred for project management contract agreements.

Contract cost assets are amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates to.

The Group and the Company recognise an impairment loss in statements of comprehensive income to the extent that the carrying amount of contract cost asset exceeds:

(a) the remaining amount of consideration that the Group and the Company expect to receive in exchange for the goods or services to which the asset relates; less

(b) the costs that relate directly to providing those goods or services and that have not been recognised as expenses.

The Group and the Company recognise in statements of comprehensive income a reversal of impairment loss previously recognised when the impairment conditions no longer exist or have improved. The increased carrying amount of the contract cost asset shall not exceed the amount that would have been determined (net of amortisation) if no impairment loss had been recognised.

2.28 CONTRACT ASSETS AND CONTRACT LIABILITIES

Contract asset is the right to consideration for goods or services transferred to the customers. In the case of property development and construction contracts, contract asset is the excess of cumulative revenue earned over the billings to-date.

The Group and the Company assess a contract asset for impairment at each reporting period and the loss allowance is measured at an amount equal to lifetime expected credit losses for the contract asset.

Contract liability is the obligation to transfer goods or services to customer for which the Group and the Company have received the consideration or has billed the customer. In the case of property development and construction contracts, contract liability is the excess of the billings to-date over the cumulative revenue earned. Contract liabilities include down payments received from customers other deferred income where the Group and the Company have billed or have collected the payment before the goods are delivered or services are provided to the customers.

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3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group and the Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, not necessary equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Group's and the Company's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

(a) Revenue from contracts with customers from property development activities and construction contracts activities

The Group and the Company recognise revenue from contracts with customers from property development activities and construction contract activities in the profit or loss by using the input method. The input method is measured by reference to the proportion of property development and contract costs incurred for work performed to date to the estimated total costs for the property development and construction contract.

Significant judgement is required in determining the stage of completion, the extent of the property development and construction costs incurred and the estimated total property development and construction costs, the potential liquidated ascertained damages ("LAD") payment, as well as the recoverability of the contracts.

Total contract revenue also includes an estimation of the recoverable variation works that are recoverable from the customers. In making the judgement, the Group and the Company evaluate the claims and stage of the project based on its industry knowledge, past experience and work of specialist.

(b) Goodwill

The Group tests at least annually whether goodwill have suffered any impairment, in accordance with the accounting policy stated in Notes 2.7 and 2.17. The recoverable amounts of cash generated units have been determined based on value-in-used and/or fair value less cost to sell calculations as appropriate. These calculations require the use of estimates. Refer to Note 24 for details of impairment testing of goodwill and other intangible assets with definite or indefinite useful lives.

4 FINANCIAL RISK MANAGEMENT

(a) The Group's activities expose it to a variety of financial risks, including interest rate risk, foreign currency risk, liquidity and cash flow risks, credit risk and capital risk. The Group's overall financial risk management objective is to ensure that the Group creates value for its shareholders. The Group focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Financial risk management is carried out through risk reviews, internal control systems and adherence to Group financial risk management policies. The Group does not trade in financial instruments.

(i) Interest rate risk

Interest rate risks arise mainly from the Group's and the Company's short-term deposits and borrowings. The Group's and the Company's short-term deposits are placed at prevailing interest rates.

Borrowings issued at variable rates expose the Group and the Company to cash flow interest rate risk. The Group manages this risk through the use of fixed and floating rate debt.

The Group's and the Company's outstanding borrowings as at year end at variable rates on which hedges have not been entered into, are denominated in RM. If the annual interest rates of these borrowings increase/decrease by 1% respectively (2018: 1%) with all other variables being held constant, the result before tax of the Group and the Company will be lower/higher by 21.7% (2018: 5.0%) and 13.8% (2018: 9.7%) as a result of higher/lower interest expense on these borrowings.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Foreign currency risk

The Group and the Company are not exposed to significant foreign currency risk.

(iii) Liquidity and cash flow risk

The Group manages its liquidity risk by maintaining sufficient levels of cash or cash convertible investments and available credit facilities to meet its working capital requirements.

The table below analyses the financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period from the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 1 year RM'000	Between 1 and 5 years RM'000	Over 5 years RM'000	Total RM'000
The Group				
As at 31.12.2019				
Trade and other payables	**952,030**	**–**	**–**	**952,030**
Borrowings	**909,885**	**1,113,451**	**3,672**	**2,027,008**
Lease liabilities	**25,329**	**48,277**	**20,128**	**93,734**
Hire purchase creditors	**862**	**54**	**–**	**916**
Long term liabilities	**–**	**45,000**	**555,000**	**600,000**
Other liabilities and charges	**18,016**	**–**	**–**	**18,016**
	1,906,122	**1,206,782**	**578,800**	**3,691,704**
As at 31.12.2018				
Trade and other payables	1,084,133	–	–	1,084,133
Borrowings	798,014	869,769	5,737	1,673,520
Hire purchase creditors	928	916	–	1,844
Long term liabilities	–	45,000	555,000	600,000
Other liabilities and charges	34,042	–	–	34,042
	1,917,117	915,685	560,737	3,393,539

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4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Liquidity and cash flow risk (continued)

	Within 1 year RM'000	Between 1 and 5 years RM'000	Over 5 years RM'000	Total RM'000
The Company				
As at 31.12.2019				
Trade and other payables	**380,181**	**–**	**–**	**380,181**
Amounts due to subsidiaries	**216,749**	**–**	**–**	**216,749**
Borrowings	**200,528**	**392,555**	**–**	**593,083**
Lease liabilities	**13,717**	**14,874**	**–**	**28,591**
Financial guarantee contract	**709,357**	**720,896**	**3,672**	**1,433,925**
	1,520,532	**1,128,325**	**3,672**	**2,652,529**
As at 31.12.2018				
Trade and other payables	291,071	–	–	291,071
Amounts due to subsidiaries	47,112	–	–	47,112
Borrowings	385,602	–	–	385,602
Financial guarantee contract	412,412	869,769	5,737	1,287,918
	1,136,197	869,769	5,737	2,011,703

(iv) Credit risk

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, setting of counterparty limits and monitoring procedures. The Group seeks to invest cash assets safely and profitably. Credit risks are minimised given the Group's policy of selecting only counterparties with high creditworthiness.

The Group has no significant concentrations of credit risk, notwithstanding that all of its deposits are placed with financial institutions in Malaysia. The likelihood of non-performance by these financial institutions is remote based on their high credit ratings.

Measurement of ECL

Trade receivables and contract assets using simplified approach

The expected loss rates are based on the payment profiles of sales over a period of 24 months before reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group and the Company have not identified any forward-looking assumptions to be the most relevant factors, and accordingly have not adjusted the historical loss rates based on expected changes in these factors. No significant changes to estimation techniques or assumptions were made during the reporting period.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iv) Credit risk (continued)

Non-trade receivables, amounts due from subsidiaries and amounts due from joint ventures/associates using general 3-stage approach

The Group and the Company use three categories for the above which reflect their credit risk and how the loss allowance is determined for each of those categories. A summary of the assumptions underpinning the Group's and the Company's ECL model is as follows:

Category	Group's and Company's definition of category	Basis for recognising ECL
Performing	Debtors have a low risk of default and a strong capacity to meet contractual cash flows	12 months ECL
Underperforming	Debtors for which there is a significant increase in credit risk or significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due	Lifetime ECL
Non-performing	Interest and/or principal repayments are 90 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL (credit impaired)
Write-off	There is evidence indicating that there is no reasonable expectation of recovery based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount	Asset is written off

Based on the above, loss allowance is measured on either 12 months ECL or lifetime ECL using a PD x LGD x EAD methodology as follows:

* PD ("probability of default") – the likelihood that the debtor would not be able to repay during the contractual period;
* LGD ("loss given default") – the percentage of contractual cash flows that will not be collected if default happens; and
* EAD ("exposure at default") – the outstanding amount that is exposed to default risk.

In deriving the PD and LGD, the Group and the Company consider historical data by each debtor by category and adjusts for forward-looking macroeconomic data. The Group and the Company have identified the industry and geographical area which the debtor operates in, to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors. Loss allowance is measured at a probability-weighted amount that reflects the possibility that a credit loss occurs and the possibility that no credit loss occurs. No significant changes to estimation techniques or assumptions were made during the reporting period.

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4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(v) Capital risk

The Group's and the Company's objectives when managing capital are to safeguard the Group's and the Company's ability to continue as a going concern in order to provide returns for the shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

As part of its capital management plan, the Group and the Company may adjust the amount of dividends paid to the shareholder, return capital to shareholder or sell assets to reduce debt.

Management monitors capital based on the Group's gearing ratio. The gearing ratio is calculated as total debt divided by total equity. Total debts is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statements of financial position).

The gearing ratios as at 31 December 2019 and 31 December 2018 were as follows:

	Group	
	2019 RM'000	**2018 RM'000**
Total debt	**1,828,113**	1,491,374
Total equity	**4,823,475**	4,900,453
Total capital	**6,651,588**	6,391,827
Gearing ratio	**0.38**	0.30

(b) Fair values

The carrying amounts of the following financial assets and liabilities approximate their fair values due to the relatively short term maturity of these financial instruments: deposits, cash and bank balances, receivables and payables (including non-trade amounts due to/from related companies) and short term borrowings.

Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

* Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
* Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2);
* Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Fair values (continued)

The following table presents the Group's and the Company's assets and liabilities that are measured at fair value at 31 December 2019 and 31 December 2018.

Assets

	Group and Company	
	2019 RM'000	**2018 RM'000**
Level 1		
Financial assets at fair value through profit or loss	**889**	950

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.

Specific valuation techniques used to value financial instruments include:

* Quoted market prices or dealer quotes for similar instruments.
* Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The fair value of the Group's and of the Company's assets and liabilities that are not measured at fair value as at 31 December 2019 are disclosed in the respective notes to the financial statements.

5 ACQUISITION AND DISPOSAL OF SUBSIDIARIES

Financial year ended 31 December 2018

Bukit Jalil Sentral Property Sdn. Bhd.

On 31 May 2017, the Company, Rukun Juang Sdn. Bhd. ("RJSB"), an 85% equity owned subsidiary of the Company, Tanjung Wibawa Sdn. Bhd. ("TWSB"), a wholly owned subsidiary of the Employees Provident Fund Board, and the RJSB's wholly owned subsidiary, Bukit Jalil Sentral Property Sdn. Bhd. ("BJSP") entered into a subscription and shareholders' agreement ("SSA").

The arrangement will result in RJSB and TWSB to co-invest in a special purpose company, namely Bukit Jalil Sentral Property Sdn. Bhd., for the purpose of jointly developing the three ("3") parcels of leasehold land located in Bukit Jalil, Kuala Lumpur measuring approximately 76.14 acres ("Lands"), which were transferred by The Government of Malaysia via Syarikat Tanah dan Harta Sdn. Bhd. on 17 April 2018 to the BJSP as consideration to RJSB for undertaking the Privatisation Project at the National Sport Complex in Bukit Jalil.

The SSA was approved by the Company's shareholders at the Extraordinary General Meeting held on 21 May 2018 and completed on 19 December 2018. With this, the BJSP became a 20% equity owned associate of RJSB.

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5 ACQUISITION AND DISPOSAL OF SUBSIDIARIES (CONTINUED)

Financial year ended 31 December 2018 (continued)

Bukit Jalil Sentral Property Sdn. Bhd. (continued)

The effects of the above disposal to the financial position of the Group as at the date of disposal is as follows:

	As at 19.12.2018 RM'000
Consideration received from TWSB	1,074,598
Fair value of retained investment	268,649
	1,343,247
Less: Net assets disposed (a)	(1,343,243)
Gain on disposal	4

(a) Net assets disposed represented by the following:

Inventories	1,363,706
Bank balance	98
Other payables	(20,462)
Amount owing to RJSB	(100)
Non-controlling interest	1
Total net assets disposed	1,343,243

(b) Net cash flow represented by the following:

Total consideration from disposal of 80% equity interest	–
Less: Bank balance	(98)
Net cash outflow from disposal	(98)

In addition to the above, the SSA also included a Call Option Notice, First Put Option Notice and Second Put Option Notice.

The Call Option Notice represents duly executed and completed notice from the Company and/or RJSB to TWSB in respect of the exercise of the Call Option, which can be immediately exercised after the completion of the SSA and ending on the day falling 24 months (i.e. 18 December 2020) thereafter to purchase 29% of TWSB's shares in BJSB.

The First Put Option Notice represents duly executed and completed notice from TWSB to RJSB in respect of the exercise of the Put Option, which can be immediately exercised after the expiry of the Call Option Period and ending on the day falling 12 months thereafter to sell 29% of BJSB's shares held by TWSB. In the event that TWSB shall not have issued the First Put Option Notice to the Company and/or RJSB before the last day of the First Put Option Period, TWSB shall, notwithstanding such failure, be deemed to have automatically exercised the First Put Option on the last day of the First Put Option Period without the requirement of the issuance of the First Put Option Notice to the Company and/or RJSB.

5 ACQUISITION AND DISPOSAL OF SUBSIDIARIES (CONTINUED)

Financial year ended 31 December 2018 (continued)

Bukit Jalil Sentral Property Sdn. Bhd. (continued)

The Second Put Option Notice represents duly executed and completed notice from TWSB and RJSB in respect of the exercise of the Put Option, which can be immediately exercised on the Business Day falling immediately after the 7th anniversary date of the completion of the First Tranche Subscription and ending on the day falling 12 months thereafter to sell remaining shares held by TWSB as at the date of the Second Put Option Notice.

The Call Option and Put Option rights in the SSA are derivative financial instruments. The derivatives had been classified as fair value through profit or loss. As at 31 December 2018, the fair value of the derivatives had been assessed as immaterial.

6 REVENUE

Revenue comprises the following:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Revenue from contracts with customers				
Sales of development properties	**469,172**	975,201	**–**	–
Construction contracts	**666,679**	756,978	**420,314**	543,119
Sales of services	**67,538**	61,004	**–**	–
Hotel operations	**14,589**	14,198	**–**	–
Sales of construction materials	**16,353**	7,305	**–**	–
Management services	**12,015**	5,576	**60,355**	58,620
	1,246,346	1,820,262	**480,669**	601,739
Revenue from other sources				
Rental income	**73,021**	50,415	**16,999**	16,409
Dividend income (gross)	**26**	28	**70,340**	124,830
	1,319,393	1,870,705	**568,008**	742,978

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6 REVENUE (CONTINUED)

Disaggregation of the Group's revenue:

	Property development & investment RM'000	Engineering, construction & environment RM'000	Facilities management & parking RM'000	Others RM'000	Total RM'000
2019					
Contract with customers					
Sales of development properties	**469,172**	**–**	**–**	**–**	**469,172**
Construction contracts	**–**	**666,679**	**–**	**–**	**666,679**
Sales of services	**10,593**	**849**	**53,436**	**2,660**	**67,538**
Hotel operation	**14,589**	**–**	**–**	**–**	**14,589**
Sales of construction materials	**–**	**–**	**–**	**16,353**	**16,353**
Management services	**–**	**12,015**	**–**	**–**	**12,015**
	494,354	**679,543**	**53,436**	**19,013**	**1,246,346**
Timing of revenue recognition					
At point in time	**98,334**	**–**	**–**	**16,353**	**114,687**
Over time	**396,020**	**679,543**	**53,436**	**2,660**	**1,131,659**
	494,354	**679,543**	**53,436**	**19,013**	**1,246,346**
Other sources					
Rental income	**72,338**	**–**	**203**	**480**	**73,021**
Dividend income	**–**	**–**	**–**	**26**	**26**
	566,692	**679,543**	**53,639**	**19,519**	**1,319,393**
2018					
Contract with customers					
Sales of development properties	975,201	–	–	–	975,201
Construction contracts	–	756,978	–	–	756,978
Sales of services	4,696	–	53,323	2,985	61,004
Hotel operation	14,198	–	–	–	14,198
Sales of construction materials	–	–	–	7,305	7,305
Management services	–	1,600	–	3,976	5,576
	994,095	758,578	53,323	14,266	1,820,262
Timing of revenue recognition					
At point in time	504,800	–	–	7,305	512,105
Over time	489,295	758,578	53,323	6,961	1,308,157
	994,095	758,578	53,323	14,266	1,820,262
Other sources					
Rental income	48,575	–	–	1,840	50,415
Dividend income	–	–	–	28	28
	1,042,670	758,578	53,323	16,134	1,870,705

6 REVENUE (CONTINUED)

Disaggregation of the Company's revenue:

	Company	
	2019 **RM'000**	**2018** **RM'000**
Contract with customers		
Construction contracts	**420,314**	543,119
Management services	**60,355**	58,620
	480,669	601,739
Timing of revenue recognition		
At point in time	**–**	–
Over time	**480,669**	601,739
	480,669	601,739
Other sources		
Rental income	**16,999**	16,409
Dividend income	**70,340**	124,830
	568,008	742,978

7 COST OF SALES

	Group		Company	
	2019 **RM'000**	**2018** **RM'000**	**2019** **RM'000**	**2018** **RM'000**
Sale of development properties	**379,663**	763,015	**–**	–
Construction contracts	**530,418**	621,040	**413,288**	532,202
Sale of services	**41,597**	42,826	**–**	–
Hotel operations	**9,078**	9,860	**–**	–
Sale of construction materials	**10,386**	5,844	**–**	–
Rental income	**50,696**	55,536	**12,470**	12,892
	1,021,838	1,498,121	**425,758**	545,094

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8 OTHER INCOME AND FINANCE INCOME

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Gain on disposal of:				
– subsidiaries	**–**	4	**–**	–
– an associate (Note 45(d))	**58,767**	–	**48,918**	–
Building maintenance services	**15,866**	17,262	**–**	–
Rental income from land and buildings	**677**	994	**195**	195
Multimedia Super Corridor charges	**–**	4,411	**–**	–
Administration charges	**–**	1,189	**–**	–
Forfeiture of security deposits	**–**	1,023	**–**	–
Others	**5,879**	4,185	**132**	83
	81,189	29,068	**49,245**	278
Finance income from				
– fixed deposits	**13,851**	10,681	**1,281**	2,105
– advances granted to:				
– a foreign subsidiary	**–**	–	**–**	4,779
– a jointly controlled entity *	**5,081**	4,554	**–**	–
– late payments charges	**451**	5,102	**–**	2,909
– others	**207**	252	**207**	318
	19,590	20,589	**1,488**	10,111

* Finance income from advances granted to a jointly controlled entity was recognised as others in the previous financial year.

9 PROFIT BEFORE INCOME TAX

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Profit before income tax is arrived at after charging/ (crediting):				
Auditors' remuneration				
– statutory audit	**1,100**	1,043	**213**	203
– other services				
– audit related	**149**	159	**88**	14
– non audit related	**558**	1,215	**105**	534
Staff costs (including remuneration of Executive Directors) (Note 10)	**245,549**	220,400	**64,702**	69,204
Depreciation of:				
– investment properties (Note 16)	**11,853**	6,532	**–**	–
– right-of-use assets (Note 17)	**20,967**	–	**11,258**	–
Property, plant and equipment (Note 15)				
– depreciation	**23,891**	19,226	**447**	722
– written off	**4**	4	**–**	–
– net gain on disposal	**(140)**	(74)	**–**	–
Amortisation of:				
– order book (Note 24)	**3,882**	5,536	**–**	–
– patents (Note 24)	**828**	201	**–**	–
– contract cost asset (Note 27)	**8,012**	6,051	**–**	–
– government grant (Note 36)	**(264)**	(44)	**–**	–
Impairment losses on investment in subsidiaries (Note 19)	**–**	–	**39,467**	25,307
Provision for/(write back of) impairment on receivables and amount due from subsidiaries	**2,096**	(1,175)	**(7,587)**	(47,871)*
Fair value loss of financial assets at fair value through profit or loss	**61**	1,272	**61**	1,272
Low value and short term rental of (Note 17)				
– premises	**11,937**	19,862	**6,568**	18,462
– motor vehicles	**9**	187	**8**	1
– office equipment	**1,316**	865	**239**	99
– plant and machinery	**282**	5	**–**	–
Bad debts (recovered)/written off	**–**	(8)	**5**	4
Loss from settlement of guaranteed contract	**–**	–	**–**	30,652
Realised loss/(gain) on foreign exchange	**107**	(1)	**0**	–
Unrealised loss on foreign exchange	**995**	5,389	**651**	3,621
Legal and professional fees	**29,397**	30,897	**12,912**	8,784

* Includes gain arising from restructuring of inter-company loans (Note 26)

Included in cost of sales were direct operating expenses from investment properties that generated rental income of the Group and of the Company during the financial year which amounted to RM12,706,125 (2018: RM13,146,249) and Nil (2018: Nil) respectively.

"0" denotes as amount less than RM1,000.

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10 STAFF COSTS

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Wages, salaries and bonus	**179,839**	160,162	**43,179**	48,174
Defined contribution plan	**24,159**	23,466	**6,814**	7,762
Defined benefit plan (Note 33)	**1,901**	1,705	**694**	694
Share based payment (Note 31)	**13,709**	9,501	**6,462**	5,143
Other employee benefits	**25,941**	25,566	**7,553**	7,431
	245,549	220,400	**64,702**	69,204

The number of persons employed by the Group and the Company at the end of the financial year were 2,130 (2018: 2,013) and 355 (2018: 331) respectively.

11 DIRECTORS' REMUNERATION

The Directors of the Company in office during the financial year are as follows:

Non-executive Directors

Tan Sri Azlan Bin Mohd Zainol (Chairman)
Rohaya Binti Mohammad Yusof
Dato' Mohamad Nasir Bin Ab Latif
Jamaludin Bin Zakaria
Hasman Yusri Bin Yusoff
To' Puan Looi Lai Heng

Executive Directors

Mohd Imran Bin Mohamad Salim (Group Managing Director)

The aggregate amounts of remuneration received/receivable by Directors of the Group and of the Company for the financial year were as follows:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Non-executive Directors				
The Company				
Directors' fees	**950**	949	**950**	949
Other emoluments	**633**	587	**633**	587
	1,583	1,536	**1,583**	1,536
The subsidiaries				
Directors' fees	**435**	52	**–**	–
Other emoluments	**–**	–	**–**	–
	2,018	1,588	**1,583**	1,536

11 DIRECTORS' REMUNERATION (CONTINUED)

The aggregate amounts of remuneration received/receivable by Directors of the Group and of the Company for the financial year were as follows: (continued)

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Executive Directors				
The Company				
Salaries	**1,320**	6,082	**1,320**	6,082
Defined contribution plan	**288**	1,299	**288**	1,299
Other employee benefits	**197**	226	**197**	226
Share based payments	**485**	1,315	**485**	1,315
	2,290	8,922	**2,290**	8,922
The subsidiaries				
Salaries	**3,394**	3,582	**–**	–
Defined contribution plan	**494**	617	**–**	–
Other employee benefits	**664**	463	**–**	–
Share based payments	**535**	405	**–**	–
	7,377	13,989	**2,290**	8,922
	9,395	15,577	**3,873**	10,458
Benefits-in-kind				
The Company				
Non-executive Directors	**19**	179	**19**	179
Executive Directors	**51**	86	**51**	86
	70	265	**70**	265
The subsidiaries				
Non-executive Directors	**18**	24	**–**	–
Executive Directors	**50**	70	**–**	–
	138	359	**70**	265

Included in the analysis above is remuneration for Directors of the Company and its subsidiaries in accordance with the requirement of Companies Act 2016. Expenses incurred on the indemnity given or insurance effected for any Director and the officer of the Company and its subsidiaries during the financial year amounted to RM103,951 (2018: RM97,177).

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12 FINANCE COSTS

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Finance cost on term loans	**36,352**	30,090	**17,849**	58,456
Finance cost on lease liabilities (Note 17)	**5,400**	–	**2,027**	–
Amortisation of loan issuance costs	**1,982**	12,578	**815**	10,884
Arrangement fees for borrowings	**1,436**	252	**16**	95
Others	**429**	1,055	**–**	–
	45,599	43,975	**20,707**	69,435

13 INCOME TAX EXPENSE

(a) Tax charged/(credited) for the financial year

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
In Malaysia				
Current tax	**25,237**	60,559	**5,603**	440
(Over)/under provision in prior financial years	**(435)**	(464)	**328**	496
	24,802	60,095	**5,931**	936
Deferred tax	**13,449**	(8,737)	**(174)**	–
	38,251	51,358	**5,757**	936
Foreign				
Current tax	**86**	20	**–**	–
Over provision in prior financial years	**–**	(1,793)	**–**	–
	86	(1,773)	**–**	–
Deferred tax	**(4,074)**	(3,499)	**–**	–
	(3,988)	(5,272)	**–**	–
Income tax expense	**34,263**	46,086	**5,757**	936
Current tax:				
– income tax	**21,066**	60,579	**1,346**	440
– real property gain tax (Note 45(d))	**4,257**	–	**4,257**	–
(Over)/under provision in prior financial years	**(435)**	(2,257)	**328**	496
	24,888	58,322	**5,931**	936
Deferred tax:				
Origination net of reversal of temporary differences (Note 25)	**9,375**	(12,236)	**(174)**	–
Income tax expense	**34,263**	46,086	**5,757**	936

13 INCOME TAX EXPENSE (CONTINUED)

(b) Numerical reconciliation of taxation and the product of accounting profit multiplied by the Malaysia tax rate

The explanation of the relationship between income tax expense and profit before income tax is as follows:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Profit before income tax (excluding share of results of associates and joint ventures)	**46,385**	97,514	**37,397**	23,005
Tax calculated at the Malaysian tax rate of 24% (2018: 24%)	**11,132**	23,403	**8,975**	5,521
Tax effects of:				
Income not subject to tax	**(759)**	(2,734)	**(12,190)**	(25,748)
Expenses not deductible for tax purposes	**25,799**	24,173	**16,907**	21,523
Deductible temporary differences and tax losses not recognised	**5,852**	2,570	**(780)**	(856)
Income subject to different tax rate	**(12,345)**	(4,746)	**(7,483)**	–
Taxable dividend from associate	**5,019**	5,677	**–**	–
(Over)/under provision of tax in prior financial years	**(435)**	(2,257)	**328**	496
Income tax expense	**34,263**	46,086	**5,757**	936

14 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share of the Group is calculated by dividing the profit attributable to equity holders of the Company for the financial year by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2019	**2018**
Profit for the financial year attributable to the equity holders of the Company (RM'000)		
– from continuing operations	**23,739**	75,413
– from discontinued operations	**–**	25,754
	23,739	101,167
Weighted average number of ordinary shares in issue ('000)	**4,405,901**	4,391,814
Basic earnings per share (sen)		
– from continuing operations	**0.54**	1.71
– from discontinued operations	**–**	0.59
	0.54	2.30

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14 EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share

	Group	
	2019	**2018**
Profit for the financial year attributable to the equity holders of the Company (RM'000)		
– from continuing operations	**23,739**	75,413
– from discontinued operations	**–**	25,754
	23,739	101,167
Weighted average number of ordinary shares in issue ('000)	**4,405,901**	4,391,814
Adjustment for warrants B ('000)	**–**	–
Adjusted weighted average number of ordinary shares in issue ('000)	**4,405,901**	4,391,814
Diluted earnings per share (sen)		
– from continuing operations	**0.54**	1.71
– from discontinued operations	**–**	0.59
	0.54	2.30

Warrants B was not included in the calculation for the financial year because the fair value of the issued ordinary shares as at 31 December 2019 was lower than warrant B's exercise price. Accordingly, there is no bonus element in the outstanding shares for the purpose of computing the dilution.

15 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and buildings RM'000	Plant and machinery RM'000	Furniture, fittings, office equipment and computers RM'000	Motor vehicles RM'000	Construction in progress RM'000	Total RM'000
2019						
Cost						
As at 1.1.2019	**505,001**	**77,600**	**70,820**	**12,217**	**111,795**	**777,433**
Additions	**11,397**	**3,520**	**6,533**	**1,249**	**13,950**	**36,649**
Disposals	**–**	**(43)**	**(1,298)**	**(975)**	**–**	**(2,316)**
Transferred to assets held for sale (Note 23)	**(97,587)**	**(2,336)**	**(9,911)**	**(168)**	**–**	**(110,002)**
Written off	**–**	**–**	**(1,396)**	**–**	**–**	**(1,396)**
As at 31.12.2019	**418,811**	**78,741**	**64,748**	**12,323**	**125,745**	**700,368**

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold land and buildings RM'000	Plant and machinery RM'000	Furniture, fittings, office equipment and computers RM'000	Motor vehicles RM'000	Construction in progress RM'000	Total RM'000
2019						
Accumulated depreciation						
As at 1.1.2019	**33,119**	**19,238**	**52,119**	**7,596**	**–**	**112,072**
Charge for the financial year	**9,053**	**4,343**	**8,703**	**1,792**	**–**	**23,891**
Disposals	**–**	**(43)**	**(1,293)**	**(975)**	**–**	**(2,311)**
Transferred to assets held for sale (Note 23)	**(21,550)**	**(2,122)**	**(8,483)**	**(168)**	**–**	**(32,323)**
Written off	**–**	**–**	**(1,392)**	**–**	**–**	**(1,392)**
As at 31.12.2019	**20,622**	**21,416**	**49,654**	**8,245**	**–**	**99,937**
2018						
Cost						
As at 1.1.2018	306,883	25,182	62,626	12,897	301,534	709,122
Additions	1,693	189	4,167	1,206	65,886	73,141
Disposals	–	–	(332)	(1,744)	–	(2,076)
Transferred to investment properties (Note 16)	–	(2,590)	–	–	–	(2,590)
Reclassification	196,425	54,841	4,359	–	(255,625)	–
Written off	–	(22)	–	(142)	–	(164)
As at 31.12.2018	505,001	77,600	70,820	12,217	111,795	777,433
Accumulated depreciation						
As at 1.1.2018	26,561	17,667	42,822	7,832	–	94,882
Charge for the financial year	6,558	1,589	9,494	1,603	–	19,244
Disposals	–	–	(197)	(1,697)	–	(1,894)
Written off	–	(18)	–	(142)	–	(160)
As at 31.12.2018	33,119	19,238	52,119	7,596	–	112,072
Net book value						
As at 31.12.2019	**398,189**	**57,325**	**15,094**	**4,078**	**125,745**	**600,431**
As at 31.12.2018	471,882	58,362	18,701	4,621	111,795	665,361

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15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Details of the freehold land and buildings of the Group are as follows:

Group	Freehold land RM'000	Buildings RM'000	Total RM'000
2019			
Cost			
As at 1.1.2019	**205,420**	**299,581**	**505,001**
Additions	**–**	**11,397**	**11,397**
Transferred to assets held for sale (Note 23)	**(14,955)**	**(82,632)**	**(97,587)**
As at 31.12.2019	**190,465**	**228,346**	**418,811**
Accumulated depreciation			
As at 1.1.2019	**–**	**33,119**	**33,119**
Charge for the financial year	**–**	**9,053**	**9,053**
Transferred to assets held for sale (Note 23)	**–**	**(21,550)**	**(21,550)**
As at 31.12.2019	**–**	**20,622**	**20,622**
2018			
Cost			
As at 1.1.2018	203,304	103,579	306,883
Additions	–	1,693	1,693
Reclassification	2,116	194,309	196,425
As at 31.12.2018	205,420	299,581	505,001
Accumulated depreciation			
As at 1.1.2018	–	26,561	26,561
Charge for the financial year	–	6,558	6,558
As at 31.12.2018	–	33,119	33,119
Net book value			
As at 31.12.2019	**190,465**	**207,724**	**398,189**
As at 31.12.2018	205,420	266,462	471,882

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Furniture, fittings, office equipment and computers RM'000	Motor vehicles RM'000	Total RM'000
2019			
Cost			
As at 1.1.2019	**7,348**	**172**	**7,520**
Additions	**65**	**–**	**65**
As at 31.12.2019	**7,413**	**172**	**7,585**
Accumulated depreciation			
As at 1.1.2019	**6,593**	**172**	**6,765**
Charge for the financial year	**447**	**–**	**447**
As at 31.12.2019	**7,040**	**172**	**7,212**
2018			
Cost			
As at 1.1.2018	6,911	172	7,083
Additions	437	–	437
As at 31.12.2018	7,348	172	7,520
Accumulated depreciation			
As at 1.1.2018	5,871	172	6,043
Charge for the financial year	722	–	722
As at 31.12.2018	6,593	172	6,765
Net book value			
As at 31.12.2019	**373**	**–**	**373**
As at 31.12.2018	755	–	755

Included in property, plant and equipment of the Group are the net book values of the following assets acquired under hire purchase terms:

	Net book value	
	2019 RM'000	**2018 RM'000**
Group		
Motor vehicles	**1,427**	2,621

The property, plant and equipment of the Group with net book value of RM126,932,034 (2018: RM126,932,034) have been charged as security for term loan facilities of the Group.

Borrowings costs of RM6,874,811 (2018: RM23,488,949) for the Group have been capitalised to the asset under construction during the financial year. To the extent the general borrowing cost is capitalised, a capitalised rate of 4.3% (2018: 5.5%) is applied.

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16 INVESTMENT PROPERTIES

Group	Land & building RM'000	Construction in progress RM'000	Total RM'000
2019			
Cost			
As at 1.1.2019	**1,317,783**	**124,206**	**1,441,989**
Additions	**27,071**	**82,625**	**109,696**
Transfer from inventories (Note 18(b))	**–**	**7,819**	**7,819**
As at 31.12.2019	**1,344,854**	**214,650**	**1,559,504**
Accumulated depreciation			
As at 1.1.2019	**84,179**	**–**	**84,179**
Charge for the financial year	**11,853**	**–**	**11,853**
As at 31.12.2019	**96,032**	**–**	**96,032**
Accumulated impairment loss			
As at 1.1.2019/31.12.2019	**43,839**	**–**	**43,839**
2018			
Cost			
As at 1.1.2018	850,102	482,682	1,332,784
Additions	484	106,131	106,615
Transferred from property, plant and equipment (Note 15)	–	2,590	2,590
Reclassification	467,197	(467,197)	–
As at 31.12.2018	1,317,783	124,206	1,441,989
Accumulated depreciation			
As at 1.1.2018	77,647	–	77,647
Charge for the financial year	6,532	–	6,532
As at 31.12.2018	84,179	–	84,179
Accumulated impairment loss			
As at 1.1.2018/31.12.2018	43,839	–	43,839
Net book value			
As at 31.12.2019	**1,204,983**	**214,650**	**1,419,633**
As at 31.12.2018	1,189,765	124,206	1,313,971

16 INVESTMENT PROPERTIES (CONTINUED)

The investment properties of the Group with net book value of RM397,208,852 (2018: RM403,301,100) have been charged as security for term loan facilities of the Group and of the Company (Notes 34 and 39).

Borrowings costs of RM2,374,936 (2018: RM37,410,867) for the Group has been capitalised in the construction in progress for the investment properties during the financial year. To the extent the general borrowing cost is capitalised, a capitalised rate of 4.3% (2018: 5.5%) is applied.

At 31 December 2019, there were no contractual obligations for future repairs and maintenance (2018: Nil).

The leasehold lands of the Group have lease periods ranging from 57 years to 96 years.

Fair value information

The fair value of the investment properties excluding those being constructed as at financial year end are categorised as follows:

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2019				
Land and Building	**–**	**584,085**	**124,566**	**708,651**
2018				
Land and Building	–	–	729,530	729,530

The fair value of investment properties under construction including lands amounting to RM874,198,179 (2018: RM758,178,056) cannot be reliably and separately determined until the construction is completed or the fair value becomes reliably determined, whichever is earlier.

Level 2 fair value

Level 2 fair value is measured by reference either to the valuation by independent professionally qualified valuers or the open market value of properties in the vicinity. The key input under this approach is the price per square foot from the sale of comparable properties.

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the investment property.

The following table shows a reconciliation of Level 2 and Level 3 fair values for investment properties excluding those being constructed as at financial year end.

	2019 RM'000	2018 RM'000
Group		
As at 1 January	**729,530**	208,468
(Reduction)/Increase *	**(20,879)**	521,062
As at 31 December	**708,651**	729,530

* Increase during the previous financial year is mainly due to completed construction in progress.

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16 INVESTMENT PROPERTIES (CONTINUED)

The following table shows the valuation techniques used in determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models:

Valuation Technique	Significant Unobservable Inputs	Inter-relationship Between Significant Unobservable Inputs and Fair Value Measurement
Discounted cash flow	– Expected market rental growth: 3% per every 3 years – Yield: 5% to 6% – Discount rate: 6.5%	The estimated fair value would increase/(decrease) if – Expected market rental growth were higher/(lower) – Yield rate were higher/(lower) – Discount rates were lower/(higher)

Valuation process applied by the Group for Level 3 fair value

The fair value of the investment properties above were based on management's estimates.

The fair value of the investment properties above excludes investment properties that are under construction as the fair value of these properties are not expected to be reliably measurable until construction completed.

The fair value of the investment properties is determined based on income approach using Level 3 inputs in the fair value hierarchy of MFRS 13 "Fair Value Measurement". The fair value of the investment properties is derived from an estimate of the market rental which the investment properties can reasonably be let for. Outgoings are deducted from the annual rental income and thereafter, the net annual rental income is capitalised at an appropriate current market yield to arrive at its fair value.

17 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The statement of financial position shows the following amounts relating to leases:

Group	Building RM'000	Plant & machinery RM'000	Motor vehicles RM'000	Total RM'000
2019				
Cost				
As at 1.1.2019/31.12.2019	**91,749**	**5,993**	**432**	**98,174**
Accumulated depreciation				
As at 1.1.2019	–	–	–	–
Charge for the financial year	**17,781**	**2,997**	**189**	**20,967**
As at 31.12.2019	**17,781**	**2,997**	**189**	**20,967**
Net book value	**73,968**	**2,996**	**243**	**77,207**

17 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

Company	Building RM'000	Plant & machinery RM'000	Motor vehicles RM'000	Total RM'000
2019				
Cost				
As at 1.1.2019/31.12.2019	**36,845**	–	–	**36,845**
Accumulated depreciation				
As at 1.1.2019	–	–	–	–
Charge for the financial year	**11,258**	–	–	**11,258**
As at 31.12.2019	**11,258**	–	–	**11,258**
Net book value	**25,587**	–	–	**25,587**

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Lease liabilities				
Current	**20,979**	–	**12,270**	–
Non-current	**58,118**	–	**14,043**	–
	79,097	–	**26,313**	–
Finance cost on lease liabilities (Note 12)	**5,400**	–	**2,027**	–
Cash outflow during the financial year				
– long term leases	**24,477**	–	**12,558**	–
– low value and short term leases (Note 9)	**13,544**	–	**6,815**	–
	38,021	–	**19,373**	–

The Group and the Company leases various buildings, plant & machinery and motor vehicles. Rental contracts are typically made for fixed period of 2 to 4 years, but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The lease agreements do not impose any covenants and leased assets may not be used as security for borrowings purpose.

Until the financial year 2018, leases of building, plant & machinery and motor vehicles were classified as operating leases. From 1 January 2019, leases are recognised as right-of-used assets and with corresponding liabilities at the date at which the leased assets are available for used by the Group and the Company.

17 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

Extension options and termination options

Extension options and termination options are included in the leases. Extension and termination options are included, when possible, to provide management with greater flexibility to align its needs. The majority of extension and termination options held are exercisable by both parties.

In cases in which the Group and the Company are not reasonably certain to exercise an optional extended lease term, payments associated with the optional period are not included within lease liabilities.

During the financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was an increase in recognised lease liabilities of RM36,570,309.

18 INVENTORIES

18(a) Land held for property development

	Group	
	2019 RM'000	**2018 RM'000**
At cost:		
Freehold land	**488,629**	485,285
Leasehold land	**643,421**	649,859
Development expenditure	**585,241**	556,905
	1,717,291	1,692,049
Less: Accumulated impairment losses	**(31,126)**	(31,126)
	1,686,165	1,660,923
At start of financial year	**1,660,923**	1,557,440
Development expenditure incurred	**24,826**	114,769
Transfer (to)/from property development cost (Note 18(b))		
– leasehold land, at cost	**(6,438)**	(14,018)
– development costs	**3,510**	20,661
Acquisition of freehold land	**3,344**	349,368
Disposal of land	**–**	(367,297)
At end of the financial year	**1,686,165**	1,660,923

The freehold lands of certain subsidiaries are pledged as security for term loan facilities (Note 34 and 39).

The interest capitalised and loan issuance costs were in relation to loan specifically obtained for property development activities.

18 INVENTORIES (CONTINUED)

18(b) Property development costs

	Group	
	2019 RM'000	**2018 RM'000**
At start of the financial year		
– land, at cost	**237,886**	532,583
– development costs	**1,409,534**	1,610,995
– accumulated costs charged to profit or loss	**(698,211)**	(1,396,967)
	949,209	746,611
Costs incurred during the financial year		
– transfer from/(to) land held for property development (Note 18(a))		
– land, at cost	**6,438**	14,018
– development costs	**(3,510)**	(20,661)
	2,928	(6,643)
– land, at cost	**–**	474
– development costs	**402,240**	624,175
	405,168	618,006
Development cost transferred to		
– other receivables	**(96,030)**	–
– investment properties (Note 16)	**(7,819)**	–
	(103,849)	–
Transfer to inventories		
– land, at cost	**(25,122)**	–
– development costs	**(260,376)**	–
	(285,498)	–
Costs charged to profit or loss	**(437,609)**	(415,408)
Reversal upon completion of projects		
– land, at cost	**(30,576)**	(309,189)
– development costs	**(471,028)**	(804,975)
– accumulated costs charged to profit or loss	**501,604**	1,114,164
At end of the financial year	**527,421**	949,209
Analysed as follows:		
– land, at cost	**188,626**	237,886
– development costs	**973,011**	1,409,534
– accumulated costs charged to profit or loss	**(634,216)**	(698,211)
	527,421	949,209

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18 INVENTORIES (CONTINUED)

18(b) Property development costs (continued)

Included in development expenditure are the following charges made during the financial year:

	Group	
	2019 RM'000	**2018 RM'000**
Interest capitalised	**22,901**	24,788

The freehold and leasehold lands of certain subsidiaries are pledged as security for term loan facilities (Notes 34 and 39).

18(c) Inventories

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Completed properties for sale	**435,253**	93,479	**4,622**	4,622
Construction materials	**479**	1,038	**–**	–
	435,732	94,517	**4,622**	4,622

Inventories where the net realisable values are expected to be below the carrying value have been written down. No allowance for inventories obsolescence was provided during the financial year. (2018: Nil). Inventories charged out to costs of sales amounted to RM57.5 million (2018: RM52.0 million).

19 SUBSIDIARIES

	Company	
	2019 RM'000	**2018 RM'000**
Cost of investment	**3,664,975**	3,635,635
Less: Accumulated impairment losses		
– At start of financial year	**(280,982)**	(255,675)
– Charge for the financial year (Note 9)	**(39,467)**	(25,307)
	(320,449)	(280,982)
As at 31 December	**3,344,526**	3,354,653

Impairment charge was determined subsequent to considering the recoverable amount of the subsidiaries using the value in use approach.

The impairment charge in previous financial year was mainly pursuant to the termination of the concession of the Eastern Dispersal Link Expressway.

19 SUBSIDIARIES (CONTINUED)

Non-cash transaction

The cost of investment includes the conversion of receivables to cost of investment in subsidiaries in the form of redeemable preference shares ("RPS"), redeemable preference shares-A ("RPS-A") and redeemable preference shares-B ("RPS-B) of RM29,340,000 during the financial year (2018: RM6,560,000).

During the previous financial year, the cost of investment in the form of redeemable preference shares of RM153,526,570 was redeemed.

Terms of the RPS, RPS-A and RPS-B include the followings:

(a) RPS, RPS-A and RPS-B are unsecured and shall rank in priority in all respects to the holders of any other class of shares;

(b) The dividend shall be declared and paid when there are sufficient profit and at the discretion of the Directors of the issuers;

(c) The holders of RPS, RPS-A and RPS-B shall not be entitled to attend and/or to have any voting rights at a general meeting;

(d) In the event of winding up, RPS, RPS-A and RPS-B holders shall participate in surplus profits and assets of the issuers;

(e) The RPS, RPS-A and RPS-B shares shall have no right of conversion to ordinary shares; and

(f) Subject to provisions of the Companies Act 2016, the subsidiaries shall be entitled at any time after the issue date redeem any or all RPS, RPS-A and RPS-B in cash at RM1.00, RM100.00 and RM1.00 per share respectively from its holders.

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19 SUBSIDIARIES (CONTINUED)

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

	Cosy Bonanza Sdn Bhd RM'000	Prema Bonanza Sdn Bhd RM'000	Seri Iskandar Development Corporation Sdn Bhd RM'000	Metro Spectacular Sdn Bhd RM'000	Rukun Juang Sdn Bhd RM'000	Kwasa Sentral Sdn Bhd RM'000	Other Individual Immaterial Subsidiaries RM'000	Total RM'000
Group – 2019								
NCI percentage of ownership interest and voting interest	34.3%	49.0%	30.0%	49.0%	0%	30.0%		
Accumulated NCI as at 31 December	3,836	46,232	1,569	(19,769)	–	771	(738)	31,901
(Loss)/profit allocated to NCI during the financial year	(451)	5,162	562	(9,285)	(385)	–	(650)	(5,047)
Other comprehensive income	–	–	–	–	–	–	–	–
	(451)	5,162	562	(9,285)	(385)	–	(650)	(5,047)
Summarised financial information before intra-group elimination								
As at 31 December								
Non-current assets	–	359	50,880	362,903	–	1,221,771	9,658	1,645,571
Current assets	11,484	115,504	10,675	498	–	689	1,241	140,091
Non-current liabilities	–	–	(477)	–	–	–	–	(477)
Current liabilities	(301)	(24,071)	(74,603)	(403,747)	–	(36,498)	(9,422)	(548,642)
Net assets/(liabilities)	11,183	91,792	(13,525)	(40,346)	–	1,185,962	1,477	1,236,543

* As part of a put option agreement dated 3 December 2015, the Group was granted by the NCI a put option for the Group to sell to the NCI all of the Group's shares in Metro Spectacular Sdn. Bhd. upon the non-occurrence of certain events by an agreed date, at a specific price. The put option is a derivative financial instrument. The derivative had been classified as fair value through profit or loss. As at 31 December 2019, the fair value of the derivative had been assessed as immaterial.

19 SUBSIDIARIES (CONTINUED)

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows: (continued)

	Cosy Bonanza Sdn Bhd RM'000	Prema Bonanza Sdn Bhd RM'000	Seri Iskandar Development Corporation Sdn Bhd RM'000	Metro Spectacular Sdn Bhd RM'000	Rukun Juang Sdn Bhd RM'000	Kwasa Sentral Sdn Bhd RM'000	Other Individual Immaterial Subsidiaries RM'000	Total RM'000
Group – 2019								
Year ended 31 December								
Revenue	**(880)**	**57,739**	**2,798**	**–**	**1**	**–**	**1,158**	**60,816**
(Loss)/profit for the financial year	**(1,315)**	**8,931**	**1,874**	**(15,720)**	**(2,197)**	**(1,206)**	**(2,169)**	**(11,802)**
Total comprehensive (loss)/income	**(1,315)**	**8,931**	**1,874**	**(15,720)**	**(2,197)**	**(1,206)**	**(2,169)**	**(11,802)**
Dividend paid	**(15,400)**	**(53,000)**	**–**	**–**	**–**	**–**	**–**	**(68,400)**
Net cash generated from/(used in) operating activities	**92**	**82,891**	**1,306**	**13,852**	**–***	**(5,491)**	**2,093**	**94,743**
Net cash used in investing activities	**–**	**–**	**–**	**–**	**–***	**(4,175)**	**(1,228)**	**(5,403)**
Net cash (used in)/ generated from financing activities	**(10,118)**	**(27,030)**	**268**	**(13,857)**	**–***	**8,030**	**–**	**(42,707)**
Dividend paid to NCI	**(5,282)**	**(25,970)**	**–**	**–**	**–***	**–**	**–**	**(31,252)**
Net (decrease)/increase in cash and cash equivalents	**(15,308)**	**29,891**	**1,574**	**(5)**	**–***	**(1,636)**	**865**	**15,381**
Cash and cash equivalents								
– at beginning of the financial year	**22,729**	**31,459**	**7,373**	**21**	**111,910**	**1,711**	**1**	**175,204**
– at end of the financial year	**7,421**	**61,350**	**8,947**	**16**	**–***	**75**	**866**	**78,675**

* Not applicable as Rukun Juang Sdn. Bhd. is a wholly owned subsidiary as at 31 December 2019.

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19 SUBSIDIARIES (CONTINUED)

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows: (continued)

	Cosy Bonanza Sdn Bhd RM'000	Prema Bonanza Sdn Bhd RM'000	Seri Iskandar Development Corporation Sdn Bhd RM'000	Metro Spectacular Sdn Bhd RM'000	Rukun Juang Sdn Bhd RM'000	Kwasa Sentral Sdn Bhd RM'000	Other Individual Immaterial Subsidiaries RM'000	Total RM'000
Group – 2018								
NCI percentage of ownership interest and voting interest	34.3%	49.0%	30.0%	49.0%	15.0%	30.0%		
Accumulated NCI as at 31 December	9,569	67,040	1,007	(10,484)	188	771	(87)	68,004
Profit/(loss) allocated to NCI during the financial year	2,678	7,445	(79)	(9,700)	1,232	–	(88)	1,488
Other comprehensive income	–	–	–	–	–	–	–	–
	2,678	7,445	(79)	(9,700)	1,232	–	(88)	1,488
Summarised financial information before intra-group elimination								
As at 31 December								
Non-current assets	–	2	48,540	356,934	271,671	1,191,501	5,837	1,874,485
Current assets	28,333	153,959	15,084	21,458	216,362	2,647	–	437,843
Non-current liabilities	–	(1,219)	(598)	–	(140,258)	–	–	(142,075)
Current liabilities	(436)	(18,485)	(78,425)	(399,788)	(346,656)	(26,159)	(5,527)	(875,476)
Net assets/(liabilities)	27,897	134,257	(15,399)	(21,396)	1,119	1,167,989	310	1,294,777

* As part of a put option agreement dated 3 December 2015, the Group was granted by the NCI a put option for the Group to sell to the NCI all of the Group's shares in Metro Spectacular Sdn. Bhd. upon the non-occurrence of certain events by an agreed date, at a specific price. The put option is a derivative financial instrument. The derivative had been classified as fair value through profit or loss. As at 31 December 2018, the fair value of the derivative had been assessed as immaterial.

19 SUBSIDIARIES (CONTINUED)

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows: (continued)

	Cosy Bonanza Sdn Bhd RM'000	Prema Bonanza Sdn Bhd RM'000	Seri Iskandar Development Corporation Sdn Bhd RM'000	Metro Spectacular Sdn Bhd RM'000	Rukun Juang Sdn Bhd RM'000	Kwasa Sentral Sdn Bhd RM'000	Other Individual Immaterial Subsidiaries RM'000	Total RM'000
Group – 2018								
Year ended 31 December								
Revenue	29,075	46,405	17,744	–	10,601	–	–	103,825
Profit/(loss) for the financial year	7,808	15,195	(265)	(19,796)	8,216	(2,112)	(294)	8,752
Total comprehensive income/(loss)	7,808	15,195	(265)	(19,796)	8,216	(2,112)	(294)	8,752
Dividend paid	–	(60,000)	–	–	–	–	–	(60,000)
Redemption of redeemable preference shares	(25,010)	–	–	–	–	–	–	(25,010)
Net cash generated from/(used in) operating activities	21,698	56,298	(3,450)	(340,612)	1,121,614	19,747	6,038	881,333
Net cash used in investing activities	–	–	(110)	–	(268,549)	(28,448)	(6,038)	(303,145)
Net cash (used in)/ generated from financing activities	(25,010)	(30,600)	(5,646)	338,581	(746,401)	(168,699)	1	(637,774)
Dividend paid to NCI	–	(29,400)	–	–	–	–	–	(29,400)
Net (decrease)/increase in cash and cash equivalents	(3,312)	(3,702)	(9,206)	(2,031)	106,664	(177,400)	1	(88,986)
Cash and cash equivalents								
– at beginning of the financial year	26,041	35,161	16,579	2,052	5,246	179,111	–	264,190
– at end of the financial year	22,729	31,459	7,373	21	111,910	1,711	1	175,204

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20 ASSOCIATES

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
In Malaysia				
Quoted investment at cost	**362,036**	362,036	**362,036**	362,036
Unquoted investments at cost *	**274,789**	349,789	**6,138**	81,138
Share of post-acquisition accumulated losses	**(20,185)**	(5,741)	**–**	–
Unrealised gains **	**(149,099)**	(158,372)	**–**	–
	467,541	547,712	**368,174**	443,174
Less: Accumulated impairment losses				
At start of financial year	**–**	–	**(6,645)**	(6,645)
Reversed during financial year ***	**–**	–	**6,645**	–
At end of financial year	**–**	–	**–**	(6,645)
	467,541	547,712	**368,174**	436,529

Analysis of associates are as follows:

Group's share of net tangible assets	**464,462**	544,633
Goodwill of acquisition	**3,079**	3,079
	467,541	547,712

* The decrease is mainly attributable to the disposal of One IFC Sdn. Bhd. for a cash consideration of RM117,273,000 (Note 45(d)).

** Unrealised gains comprise unrealised profits mainly arising from the disposal of assets to an associate company.

*** The reversal of impairment was recognised upon disposal of One IFC Sdn. Bhd.

The fair value of the quoted investment as at 31 December 2019 is RM298,297,000 (2018: RM316,194,820), based on quoted market prices at the reporting date included within Level 1 of the fair value hierarchy.

20 ASSOCIATES (CONTINUED)

The following table summarises the information of the Group's material associates and reconciliation of the information to the carrying amount of the Group's interest in the associates.

	MRCB-Quill REIT RM'000	One IFC Sdn Bhd RM'000	UEMB-MRCB JV Sdn Bhd RM'000	MRCB Quill Management Sdn Bhd RM'000	Bukit Jalil Sentral Property Sdn Bhd RM'000	Other Individual Immaterial Associates RM'000	Total RM'000
Group – 2019							
Summarised financial information							
Percentage of ownership interest and voting interest	**27.9%**	**30.0%**	**49.0%**	**41.0%**	**20%**		
As at 31 December							
Non-current assets	**2,076,075**	**–**	**206**	**3,771**	**1,363,706**	**–**	**3,443,758**
Current assets	**69,567**	**–**	**11,741**	**19,684**	**3,996**	**7,109**	**112,097**
Non-current liabilities	**(523,727)**	**–**	**(206)**	**(1)**	**–**	**–**	**(523,934)**
Current liabilities	**(354,118)**	**–**	**(3,113)**	**(13,108)**	**(28,837)**	**(6,205)**	**(405,381)**
Net assets	**1,267,797**	**–**	**8,628**	**10,346**	**1,338,865**	**904**	**2,626,540**
Year ended 31 December							
Profit/(loss) from operations	**50,810**	**(11,518)**	**476**	**4,170**	**(4,360)**	**(297)**	**39,281**
Over recognition in prior financial year	**–**	**–**	**(1,031)**	**–**	**(3)**	**–**	**(1,034)**
Other comprehensive income	**104**	**–**	**–**	**–**	**–**	**–**	**104**
Total comprehensive income/(loss)	**50,914**	**(11,518)**	**(555)**	**4,170**	**(4,363)**	**(297)**	**38,351**
Included in total comprehensive income is:							
Revenue	**160,992**	**45,760**	**–**	**13,472**	**–**	**965**	**221,189**
Reconciliation of net assets to carrying amount							
As at 31 December							
Group's share of net assets	**336,947**	**–**	**4,227**	**4,243**	**267,774**	**370**	**613,561**
Goodwill	**–**	**–**	**1**	**3,078**	**–**	**–**	**3,079**
Elimination of unrealised profit	**(149,099)**	**–**	**–**	**–**	**–**	**–**	**(149,099)**
Carrying amount in the statements of financial position	**187,848**	**–**	**4,228**	**7,321**	**267,774**	**370**	**467,541**

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20 ASSOCIATES (CONTINUED)

The following table summarises the information of the Group's material associates and reconciliation of the information to the carrying amount of the Group's interest in the associates. (continued)

	MRCB-Quill REIT RM'000	One IFC Sdn Bhd RM'000	UEMB-MRCB JV Sdn Bhd RM'000	MRCB Quill Management Sdn Bhd RM'000	Bukit Jalil Sentral Property Sdn Bhd RM'000	Other Individual Immaterial Associates RM'000	Total RM'000
Group – 2019							
Group's share of results							
Year ended 31 December							
Group's share of profit/(loss) from operations							
– current financial year	**12,483**	**(3,455)**	**233**	**1,710**	**(872)**	**(118)**	**9,981**
– over recognition in prior financial year	**1,713**	**–**	**(505)**	**–**	**(1)**	**–**	**1,207**
	14,196	**(3,455)**	**(272)**	**1,710**	**(873)**	**(118)**	**11,188**
Group's share of associate's other comprehensive gain	**29**	**–**	**–**	**–**	**–**	**–**	**29**
Group's share of total comprehensive income/(loss)	**14,225**	**(3,455)**	**(272)**	**1,710**	**(873)**	**(118)**	**11,217**
Group – 2018							
Summarised financial information							
Percentage of ownership interest and voting interest	27.9%	30.0%	49.0%	41.0%	17%		
As at 31 December							
Non-current assets	2,101,891	317,143	206	3,627	1,363,706	–	3,786,573
Current assets	92,114	197,586	144,676	15,908	98	15,142	465,524
Non-current liabilities	(867,127)	(210,685)	(206)	(4)	–	–	(1,078,022)
Current liabilities	(31,969)	(67,547)	(120,493)	(3,354)	(20,579)	(13,941)	(257,883)
Net assets	1,294,909	236,497	24,183	16,177	1,343,225	1,201	2,916,192
Year ended 31 December							
Profit/(loss) from operations	51,152	8,787	673	4,535	(21)	41	65,167
Over recognition in prior financial year	–	–	(1,612)	(377)	–	(71)	(2,060)
Other comprehensive income	238	–	–	–	–	–	238
Total comprehensive income/(loss)	51,390	8,787	(939)	4,158	(21)	(30)	63,345
Included in total comprehensive income is:							
Revenue	172,527	108,960	35,907	13,852	–	1,137	332,383

20 ASSOCIATES (CONTINUED)

The following table summarises the information of the Group's material associates and reconciliation of the information to the carrying amount of the Group's interest in the associates. (continued)

	MRCB-Quill REIT RM'000	One IFC Sdn Bhd RM'000	UEMB-MRCB JV Sdn Bhd RM'000	MRCB Quill Management Sdn Bhd RM'000	Bukit Jalil Sentral Property Sdn Bhd RM'000	Other Individual Immaterial Associates RM'000	Total RM'000
Group – 2018							
Reconciliation of net assets to carrying amount							
As at 31 December							
Group's share of net assets	344,438	70,949	11,849	6,633	268,647	488	703,004
Goodwill	–	–	1	3,078	–	–	3,079
Elimination of unrealised profit	(149,099)	(9,272)	–	–	–	–	(158,371)
Carrying amount in the statements of financial position	195,339	61,677	11,850	9,711	268,647	488	547,712
Group's share of results							
Year ended 31 December							
Group's share of profit/(loss) from operations							
– current financial year	14,285	2,636	330	1,859	(4)	44	19,150
– over recognition in prior financial year	–	–	(790)	(154)	–	(35)	(979)
	14,285	2,636	(460)	1,705	(4)	9	18,171
Group's share of associate's other comprehensive gain	66	–	–	–	–	–	66
Group's share of total comprehensive income/(loss)	14,351	2,636	(460)	1,705	(4)	9	18,237

MRCB-Quill REIT ("MQ REIT") is a real estate investment trust listed on the Main Market of Bursa Malaysia Securities Berhad. The principal activity of MQ REIT includes the acquisition of and investment in commercial properties, primarily in Malaysia. The Group's 41% equity interest associate, MRCB Quill Management Sdn. Bhd. is the Manager of MQ REIT.

One IFC Sdn. Bhd. ("One IFC") is involved in the development of St. Regis Hotel and Residences in Kuala Lumpur Sentral. One IFC is a strategic partnership for the Group, enhancing the Group's involvement in the property development and property investment business.

UEMB-MRCB JV Sdn. Bhd. is a strategic partnership for the Group to undertake the RM1.4 billion PLUS contract awarded to construct a fourth lane from Shah Alam to Rawang/Jalan Duta Toll Plaza interchanges and from Nilai Utara to Seremban, enhancing the Group's involvement in the construction of highway.

Bukit Jalil Sentral Property Sdn. Bhd. is the property developer for the three (3) parcels of leasehold lands located in Bukit Jalil, Kuala Lumpur measuring approximately 76.14 acres. The development will be carried out with the Employee Provident Fund.

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20 ASSOCIATES (CONTINUED)

The results of associates are accounted for using the equity method.

The Group and the Company had the following dividend received from associates during the financial year:

	Group and Company	
	2019 RM'000	**2018 RM'000**
MQ REIT	**21,716**	24,995
MRCB Quill Management Sdn. Bhd.	**4,100**	820
UEM-MRCB JV Sdn. Bhd.	**7,350**	–
	33,166	25,815

The Group and the Company do not have any capital commitments or contingent liabilities in relation to its interest in the associates as at 31 December 2019 (2018: Nil).

21 JOINT VENTURES

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
In Malaysia				
Unquoted investments at cost	**279,117**	279,117	**24,090**	24,090
Share of post-acquisition reserves	**16,031**	21,250	**–**	–
	295,148	300,367	**24,090**	24,090

The following table summarises the information of the Group's joint ventures and reconcile the information to the carrying amount of the Group's interest in the joint ventures.

Summarised financial information

2019	**MRCB George Kent Sdn Bhd RM'000**	**MRCB Gamuda Sdn Bhd RM'000**	**CSB Development Sdn Bhd RM'000**	**59 INC Sdn Bhd RM'000**	**Total RM'000**
Percentage of ownership interest and voting interest	**50%**	**50%**	**70%**	**30%**	
As at 31 December					
Non-current assets	**13,295**	**–**	**293,954**	**287,887**	**595,136**
Current assets *	**681,569**	**–**	**102,176**	**314**	**784,059**
Non-current liabilities					
financial liabilities (excluding trade payables)	**(5,801)**	**–**	**–**	**–**	**(5,801)**
other non-current liabilities	**(362)**	**–**	**–**	**–**	**(362)**
Current liabilities					
financial liabilities (excluding trade payables)	**(2,982)**	**(2)**	**(75,044)**	**(132,476)**	**(210,504)**
– other current liabilities	**(613,946)**	**(2)**	**(11,237)**	**(13,252)**	**(638,437)**
Net assets/(liabilities)	**71,773**	**(4)**	**309,849**	**142,473**	**524,091**

21 JOINT VENTURES (CONTINUED)

Summarised financial information (continued)

2019	MRCB George Kent Sdn Bhd RM'000	MRCB Gamuda Sdn Bhd RM'000	CSB Development Sdn Bhd RM'000	59 INC Sdn Bhd RM'000	Total RM'000
Percentage of ownership interest and voting interest	**50%**	**50%**	**70%**	**30%**	
* Included in current assets consist of cash and cash equivalent as follows:					
Cash and cash equivalent	**46,019**	**–**	**1,061**	**10**	**47,090**
Year ended 31 December					
Profit/(loss) from operations	**1,254**	**(3)**	**(7,288)**	**(503)**	**(6,540)**
(Over)/under recognition in prior financial year	**(3)**	**–**	**–**	**36**	**33**
Other comprehensive income/(loss)	**–**	**–**	**–**	**–**	**–**
Total comprehensive income	**1,251**	**(3)**	**(7,288)**	**(467)**	**(6,507)**
Included in total comprehensive income are as follows:					
Revenue	**524,547**	**–**	**–**	**–**	**524,547**
Depreciation	**(3,503)**	**–**	**(1)**	**–**	**(3,504)**
Interest income	**3,746**	**–**	**4**	**0**	**3,750**
Interest expense	**–**	**–**	**(5,102)**	**–**	**(5,102)**
Income tax expenses	**(878)**	**–**	**(1)**	**–**	**(879)**
Reconciliation of net assets to carrying amount					
As at 31 December					
Group's share of net assets/(liabilities)	**35,887**	**(2)**	**217,123**	**42,138**	**295,146**
Loss allowance	**–**	**2**	**–**	**–**	**2**
	35,887	**–**	**217,123**	**42,138**	**295,148**
Carrying amount in statements of financial position	**35,887**	**–**	**217,123**	**42,138**	**295,148**
Group's share of results					
Year ended 31 December					
Group's share of profit/(loss) from operations	**627**	**(2)**	**(5,101)**	**(151)**	**(4,627)**
(Over)/under recognition in prior financial year	**(2)**	**–**	**–**	**11**	**9**
Group's share of other comprehensive income	**–**	**–**	**–**	**–**	**–**
Group's share of total comprehensive income	**625**	**(2)**	**(5,101)**	**(140)**	**(4,618)**

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21 JOINT VENTURES (CONTINUED)

Summarised financial information (continued)

2018	**MRCB George Kent Sdn Bhd RM'000**	**MRCB Gamuda Sdn Bhd RM'000**	**CSB Development Sdn Bhd RM'000**	**59 INC Sdn Bhd RM'000**	**Total RM'000**
Percentage of ownership interest and voting interest	50%	50%	70%	30%	
As at 31 December					
Non-current assets	8,466	–	293,796	274,098	576,360
Current assets *	1,460,186	0	101,001	978	1,562,165
Current liabilities					
– financial liabilities (excluding trade payables)	(1,213)	–	(70,165)	(124,417)	(195,795)
– other current liabilities	(1,396,915)	(2)	(7,496)	(7,719)	(1,412,132)
Net assets/(liabilities)	70,524	(2)	317,136	142,940	530,598

* Included in current assets consist of cash and cash equivalent as follows:

Cash and cash equivalent	69,198	–	1,002	457	70,657
Year ended 31 December					
Profit from operations	28,471	(2)	(8,154)	(115)	20,200
Under/(over) recognition in prior financial year	819	–	(2,285)	–	(1,466)
Other comprehensive income	–	–	–	–	–
Total comprehensive income	29,290	(2)	(10,439)	(115)	18,734
Included in total comprehensive income are as follows:					
Revenue	1,514,751	–	–	–	1,514,751
Depreciation	(1,819)	–	(1)	–	(1,820)
Interest income	3,907	–	7	48	3,962
Interest expense	–	–	(3,895)	–	(3,895)
Income tax expenses	(10,002)	–	(250)	–	(10,252)

"0" denotes as amount less than RM1,000.

21 JOINT VENTURES (CONTINUED)

Summarised financial information (continued)

2018	MRCB George Kent Sdn Bhd RM'000	MRCB Gamuda Sdn Bhd RM'000	CSB Development Sdn Bhd RM'000	59 INC Sdn Bhd RM'000	Total RM'000
Percentage of ownership interest and voting interest	50%	50%	70%	30%	
Reconciliation of net assets to carrying amount					
As at 31 December					
Group's share of net assets/(liabilities)	35,262	(1)	222,224	42,882	300,367
Carrying amount in statements of financial position	35,262	(1)	222,224	42,882	300,367
Group's share of results					
Year ended 31 December					
Group's share of profit from operations	14,236	(1)	(5,709)	(34)	8,492
Under/(over) recognition in prior financial year	409	–	(1,599)	–	(1,190)
Group's share of other comprehensive income	–	–	–	–	–
Group's share of total comprehensive income/(loss)	14,645	(1)	(7,308)	(34)	7,302

MRCB George Kent Sdn. Bhd. ("MRCBGK") is a 50%:50% joint venture between MRCB Builders Sdn. Bhd., a wholly owned subsidiary of the Company and George Kent (Malaysia) Berhad ("The JV"). The principal activity of the JV is to undertake the design and construction work of the Light Rail Transit Line 3 from Bandar Utama to Johan Setia.

CSB Development Sdn. Bhd. ("CSB") is a 70% equity interest owned joint venture between MRCB Land Sdn. Bhd., a wholly owned subsidiary of the Company and Cyberview Sdn. Bhd.. The purpose of setting up the joint venture is to undertake the development of Cyberjaya City Centre. CSB has been treated as a joint venture as all substantive matters concerning the development of Cyberjaya City Centre require unanimous approval by both shareholders.

59 INC Sdn. Bhd. ("59 INC") is a 30% equity interest owned joint venture between the Company and TH Properties Sdn. Bhd.. The purpose of the setting up of the joint venture is to undertake the development of Semarak City. 59 INC has been treated as a joint venture as all the substantive matters concerning the development of Semarak City require unanimous approval by both shareholders.

The results of joint ventures are accounted for by using equity method.

There were no dividend received from joint ventures during the financial year ended 31 December 2019 (2018: Nil).

The Group does not have any capital commitments or performance guarantee extended to third party in relation to its interest in the joint ventures except for the following:

The Company issued a joint and several corporate guarantees to guarantee the due performance and obligations of MRCBGK in relation to the design and construction works of the Light Rail Transit Line 3.

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22 LONG TERM LOAN AND RECEIVABLES

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Trade receivables	**2,903**	2,208	**–**	–
Less: Loss allowances	**(257)**	–	**–**	–
	2,646	2,208	**–**	–
Prepayment for infrastructure cost *	**240,121**	245,025	**–**	–
	242,767	247,233	**–**	–

* The prepayment for the infrastructure cost is in relation to the Kwasa Sentral development at the Kwasa Damansara Town.

23 ASSETS HELD FOR SALES AND LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE

	Group 2019 RM'000
Assets held for sale	
– Property, plant and equipment (Note 15)	**77,679**
Liabilities associated with assets held for sale:	
– Refundable deposits	**118**
– Advanced billing on room rental	**108**
	226

The property, plant and equipment ("Ascott Sentral") and its related tenants' deposits and advanced billing on room rental have been presented as assets held for sale and liabilities associated with assets held for sale following the Group's proposal to dispose the property, plant and equipment.

24 INTANGIBLE ASSETS

The carrying amount of goodwill, order book and patents are as follows:

	Group	
	2019 **RM'000**	**2018** **RM'000**
Goodwill		
As at 1 January	**154,101**	154,101
Accumulated impairment loss		
As at 1 January	**(69,209)**	(69,209)
As at 31 December	**84,892**	84,892
Order Book		
As at 1 January	**135,971**	140,741
Amortisation charge (Note 9)	**(3,882)**	(5,536)
Amortisation charge capitalised in		
– investment properties under construction	**–**	(597)
– property development costs	**(2,380)**	1,363
As at 31 December	**129,709**	135,971
Patent		
As at 1 January	**5,837**	–
Acquisition during the financial year	**4,649**	6,038
Amortisation charge (Note 9)	**(828)**	(201)
As at 31 December	**9,658**	5,837
Total	**224,259**	226,700

Goodwill – Gapurna group of companies (RM81,969,755)

The goodwill of RM71,951,084 arising from the acquisition of Gapurna group of companies which is allocated to the engineering & construction business segment (i.e. Cash Generating Units ("CGU")) was tested for impairment using the value in use ("VIU") method.

Based on the impairment assessment performed by the Group, no impairment is required for the goodwill.

The recoverable amount of the CGUs in respect of the goodwill was determined based on VIU calculations. Cash flow projections used in these calculations were based on financial budgets approved by the Board of Directors covering a three (3) year period (financial years 2020 to 2022).

Key assumptions used in the VIU calculations for the goodwill impairment assessment is as follows:

	2019	**2018**
Gross margin	**7%-12%**	6%-7%
Discount rate (pre-tax)	**6.00%**	8.48%
Terminal growth rate	**1.00%**	1.00%

A reasonable possible change in the key assumptions would not result in any impairment.

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25 DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Deferred tax assets	**84,394**	86,874	**174**	–
Deferred tax liabilities	**(76,953)**	(70,025)	**–**	–
	7,441	16,849	**174**	–
The movements during the financial year relating to deferred tax are as follows:				
At start of the financial year	**16,849**	55,385	**–**	–
(Charged)/credit to statements of comprehensive income (Note 13)				
Continuing operations				
Property, plant and equipment	**(5,347)**	1,055	**25**	109
Investment properties	**6,485**	(8,896)	**–**	–
Right-of-use assets	**(19,839)**	–	**(6,141)**	–
Property development cost	**(4,544)**	562	**–**	–
Contract assets	**(10,643)**	(708)	**–**	–
Contract liabilities	**(7,979)**	7,122	**–**	–
Provisions	**29**	16,344	**(25)**	(109)
Lease liabilities	**21,118**	–	**6,315**	–
Order book	**922**	1,339	**–**	–
Tax losses	**10,679**	(3,470)	**–**	–
Others	**(256)**	(1,112)	**–**	–
	(9,375)	12,236	**174**	–
Discontinued operations				
Property, plant and equipment	**–**	355	**–**	–
Service concession asset	**–**	(42,669)	**–**	–
Tax losses	**–**	(8,404)	**–**	–
Provisions	**–**	(7)	**–**	–
	–	(50,725)	**–**	–
Exchange differences				
– tax losses	**(33)**	(47)	**–**	–
At end of the financial year	**7,441**	16,849	**174**	–

25 DEFERRED TAX (CONTINUED)

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Subject to income tax				
Deferred tax assets (before offsetting)				
Property, plant and equipment	**6,652**	11,816	**–**	–
Property development cost	**20,741**	20,476	**–**	–
Contract liabilities	**89**	8,068	**–**	–
Provisions	**31,684**	31,655	**–**	25
Lease liabilities	**21,118**	–	**6,315**	–
Tax losses	**27,008**	16,362	**–**	–
Investment properties	**11,941**	4,914	**–**	–
Others	**1,374**	1,374	**–**	–
	120,607	94,665	**6,315**	25
Offsetting	**(36,213)**	(7,791)	**(6,141)**	(25)
Deferred tax assets (after offsetting)	**84,394**	86,874	**174**	–
Deferred tax liabilities (before offsetting)				
Property, plant and equipment	**(8,082)**	(7,899)	**–**	(25)
Investment properties	**(9,840)**	(9,298)	**–**	–
Right-of-use assets	**(19,839)**	–	**(6,141)**	–
Property development cost	**(36,507)**	(31,698)	**–**	–
Contract assets	**(14,272)**	(3,629)	**–**	–
Order book	**(22,764)**	(23,686)	**–**	–
Others	**(1,862)**	(1,606)	**–**	–
	(113,166)	(77,816)	**(6,141)**	(25)
Offsetting	**36,213**	7,791	**6,141**	25
Deferred tax liabilities (after offsetting)	**(76,953)**	(70,025)	**–**	–

25 DEFERRED TAX (CONTINUED)

The amounts of deductible temporary differences and unused tax losses for which no deferred tax assets are recognised in the statements of financial position are as follows:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Deductible temporary differences	**69,015**	69,670	**9,764**	13,016
Tax losses	**192,836**	167,797	**1,540**	1,540
Unutilised tax losses				
– expiring in 2025	**158,265**	167,797	**1,540**	1,540
– expiring in 2026	**34,571**	–	**–**	–
	192,836	167,797	**1,540**	1,540
Deductible temporary differences				
– no expiry period	**69,015**	69,670	**9,764**	13,016
	261,851	237,467	**11,304**	14,556

26 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Trade receivables	**314,346**	369,240	**110,788**	95,985
Less: Loss allowance	**(7,458)**	(6,033)	**–**	–
	306,888	363,207	**110,788**	95,985
Contract cost assets (Note 27)	**47,591**	37,471	**–**	–
Amounts due from related parties	**17,282**	–	**–**	–
Deposits	**30,043**	28,283	**4,399**	4,347
Prepayments	**1,885**	15,550	**–**	–
Other receivables *	**468,689**	335,373	**63,126**	68,804
Less: Provision for impairment of other receivables	**(4,283)**	(3,869)	**–**	–
	496,334	375,337	**67,525**	73,151
	868,095	776,015	**178,313**	169,136

* Includes an amount to be billed to a related party of RM56,638,904 (2018: RM17,413,046)

26 TRADE AND OTHER RECEIVABLES (CONTINUED)

(i) Trade receivables

Exposure to credit risk, credit quality and collateral

Given the varied nature of the Group and of the Company's customer base, the following analysis of trade receivables by type of customer is considered the most appropriate disclosure of credit concentration.

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Property development	**99,913**	98,191	**–**	–
Property investment	**17,435**	18,244	**–**	239
Engineering, construction & environment	**192,813**	249,072	**110,788**	95,746
Facilities management & parking	**4,153**	3,225	**–**	–
Others	**32**	508	**–**	–
	314,346	369,240	**110,788**	95,985
Trade receivable include retention sum for contract, under engineering, construction & environment	**131,912**	114,601	**83,485**	58,763

(a) Property development

Generally, property units sold are progressively invoiced and settled by end-buyers' financiers posing minimal credit risk.

The Group experiences a low risk of default from its property development activities as sale of development units are made to large number of property purchasers with end financing facilities from reputable end-financiers, and the ownership and rights to the properties revert to the Group in the event of default.

(b) Property investment

Property investment entails the rental property sub-segment which poses a certain degree of collection risk. The segment also includes hospitality sub-segment for which sales are generally cash settled.

Credit risk arising from the Group's rental property sub-segment is limited as all tenants of its investment properties are subjected to deposits requirement averaging three (3) months rental.

Credit granted for corporate clients in the hospitality sub-segment are duly assessed and selectively approved with established limits. Credit risk arising from the Group's hospitality sub-segment is limited and are subjected to the collateral of cash deposits/advances.

(c) Engineering, construction & environment

The Group and the Company are exposed to significant concentration of credit risk to a few customers, mainly consisting of Government-linked Companies ("GLCs") of which the Group and the Company consider the risk of default as low. The expected credit loss rate on the amounts outstanding from GLCs are considered low as they have low risk of default, they have strong capacity to meet their contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of GLCs to fulfil their contractual cash flow obligations.

(d) Facilities management & parking

Credit risk with respect to trade receivables of this segment is also limited as a result of the nature of business, as it is primarily rental related and cash-based. Historically, the Group's experience in the collection of trade receivables falls within the recorded allowances and are subjected to the collateral of cash deposits/advances.

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26 TRADE AND OTHER RECEIVABLES (CONTINUED)

(i) Trade receivables (continued)

Impairment losses

Considering the above, the Group and the Company have not recognised any impairment losses in respect of trade receivables arising from its property development and engineering, construction and environment segments.

The Group and the Company apply MFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for trade receivables of property investment and facilities management & parking segments.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of revenue earned over a period of 24 months before 31 December 2019 or 1 January 2019 respectively and the corresponding historical credit losses experienced within this period. In arriving at the expected loss rates, forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables have been considered. In addition to this, the Group has also considered the deposits being received from the property investment and facilities management & parking customers in determining the loss allowance rates.

On that basis, the loss allowance at the end of the reporting date was determined as follows for trade receivables of property investment and facilities management & parking segments are reflected in the tables below.

The ageing of trade receivables arising from property investment and facilities management and parking segments as at the end of the financial year were as follows:

Group	Gross RM'000	Individual impairment RM'000	Expected loss rate %	Collective impairment RM'000	Net RM'000
2019					
Not past due	**1,814**	**–**	**–**	**–**	**1,814**
Past due					
– less than three months	**3,966**	**–**	**–**	**–**	**3,966**
– between three to six months	**1,157**	**–**	**–**	**–**	**1,157**
– between six months and one year	**2,105**	**(2)**	**–**	**–**	**2,103**
– more than one year	**12,546**	**(7,039)**	**–**	**–**	**5,507**
	21,588	**(7,041)**	**–**	**–**	**14,547**
2018					
Not past due	4,208	–	–	–	4,208
Past due					
– less than three months	4,227	–	–	–	4,227
– between three to six months	1,043	–	–	–	1,043
– between six months and one year	1,516	(2)	–	–	1,514
– more than one year	10,475	(5,613)	–	–	4,862
	21,469	(5,615)	–	–	15,854

26 TRADE AND OTHER RECEIVABLES (CONTINUED)

(i) Trade receivables (continued)

Impairment losses (continued)

The ageing of trade receivables arising from property investment segment as at the end of the financial year were as follows:

Company	Gross RM'000	Individual impairment RM'000	Expected loss rate %	Collective impairment RM'000	Net RM'000
2018					
Not past due	137	–	–	–	137
Past due					
Past due less than three months	102	–	–	–	102
	239	–	–	–	239

The closing allowances for trade receivables of property investment and facilities management & parking segments as at 31 December 2019 reconcile to the opening loss allowances as follows:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
As at the beginning of the financial year	**5,615**	5,614	**–**	–
Impairment loss recognised	**1,599**	66	**–**	–
Impairment loss reversed	**(173)**	(65)	**–**	–
As at the end of the financial year	**7,041**	5,615	**–**	–

(ii) Non-trade receivables

Exposure to credit risk, credit quality and collateral

Credit risk on non-trade receivables are mainly arising from amounts recoverable from subcontractors on back charges or liquidated ascertained damages claimable for specific construction and engineering contracts. The expected credit loss rate is expected to be low in connection to these amounts as the amounts are owed by existing subcontractors which are managed on a regular basis.

The non-trade receivables also consist of an amount outstanding for previously disposed subsidiary to a government linked investment company for which credit risk is considered low.

In addition, the non-trade receivables also consist of an amount outstanding from the Government of Malaysia ("GoM") in respect of an infrastructure project for which credit risk is considered low.

The amounts due from related parties relate to amounts outstanding from subsidiaries of the Employee Provident Fund for construction and engineering contracts for which credit risk is considered low.

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26 TRADE AND OTHER RECEIVABLES (CONTINUED)

(ii) Non-trade receivables (continued)

Amounts due from subsidiaries

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

As at the end of the financial year, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

Loans and advances are only provided to the subsidiaries by the Company.

The total amounts due from subsidiaries and impairment provided are as follows:

	Company	
	2019 RM'000	2018 RM'000
Non-current		
Amounts due from subsidiaries	**1,025,479**	813,543
Less: Provision for impairment of amounts due from subsidiaries	**–**	(10,336)
	1,025,479	803,207
Current		
Amounts due from subsidiaries	**328,842**	223,372
Less: Provision for impairment of amounts due from subsidiaries	**(15,749)**	(13,000)
	313,093	210,372

Amounts due from joint ventures/associates

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-current				
Amount due from joint ventures	**79,086**	69,870	**–**	–
Current				
Amounts due from joint ventures	**130,890**	123,000	**123,000**	123,000
Amounts due from associates	**8,582**	7,765	**–**	6,437
	139,472	130,765	**123,000**	129,437

The amount due from a joint venture of RM79,085,905 (2018: RM69,869,491) is unsecured and carries interest rate of 7% (2018: 7%) per annum.

26 TRADE AND OTHER RECEIVABLES (CONTINUED)

(ii) Non-trade receivables (continued)

Impairment losses – amounts due from subsidiaries

As the Company is able to determine the timing of payments of the subsidiaries' loans and advances when they are payable, the Company considers the loans and advances to be in default when the subsidiaries are not able to pay when demanded. The Company considers a subsidiary's loans or advances to be impaired when:

- The subsidiary is unlikely to repay its loans and advances to the Company in full;
- The subsidiary is having a negative operating cash flows and is in a net tangible liabilities position; or
- The subsidiary is a dormant entity or has a history of default.

As at the end of the financial year, there was no indication that the loans and advances to the subsidiaries are not recoverable other than those which have already been impaired. The Company does not specifically monitor the ageing of current advances to the subsidiaries.

The loss allowance for intercompany balances as at 31 December 2019 as follows:

	Company	
	2019 RM'000	**2018 RM'000**
As at 1 January	**23,336**	71,207
Impairment loss recognised	**3,328**	4,703
Impairment loss reversed	**(10,915)**	–
Impairment loss written off *	**–**	(52,574)
As at 31 December	**15,749**	23,336
– Non-current	**–**	10,336
– Current	**15,749**	13,000
	15,749	23,336

* Represents impairment loss written off arising from restructuring of inter-company loans.

The loss allowance for intercompany loans/advances using the general 3-stage approach as at 31 December 2019 reconciles to opening loss allowance for that provision as follows:

	Performing Stage 1 RM'000	**Under Performing Stage 2 RM'000**	**Not Performing Stage 3 RM'000**	**Total RM'000**
As at 1.1.2019	**–**	**23,178**	**158**	**23,336**
Current year movements	**–**	**(7,441)**	**(146)**	**(7,587)**
Closing as at 31.12.2019	**–**	**15,737**	**12**	**15,749**
As at 1.1.2018	–	68,784	2,423	71,207
Current year movements	–	(45,606)	(2,265)	(47,871)
Closing as at 31.12.2018	–	23,178	158	23,336

26 TRADE AND OTHER RECEIVABLES (CONTINUED)

(ii) Non-trade receivables (continued)

Impairment losses – amounts due from subsidiaries (continued)

The impact on the carrying value of the intercompany loans/advances presented by the stages are as follows:

	Performing Stage 1 RM'000	Under Performing Stage 2 RM'000	Not Performing Stage 3 RM'000	Total RM'000
As at 31.12.2019				
Gross carrying amount	**1,332,952**	**21,357**	**12**	**1,354,321**
Less: Loss allowance	**–**	**(15,737)**	**(12)**	**(15,749)**
Net carrying amount	**1,332,952**	**5,620**	**–**	**1,338,572**
As at 31.12.2018				
Gross carrying amount	994,558	42,199	158	1,036,915
Less: Loss allowance	–	(23,178)	(158)	(23,336)
Net carrying amount	994,558	19,021	–	1,013,579

Impairment losses – amounts due from joint ventures/associates

The credit risk on amounts due from joint ventures/associates are mainly arising from amounts recoverable from 59 INC Sdn. Bhd. and CSB Development Sdn. Bhd.. The expected credit loss rate is expected to be low after considering the quality of assets being owned by these companies.

27 CONTRACT COST ASSETS

Group	Agent fee & sales commission RM'000	Stamp duty RM'000	Total RM'000
2019			
As at 1 January 2019	**20,047**	**17,424**	**37,471**
Addition during the financial year	**18,132**	**–**	**18,132**
Amortised during the financial year	**(8,012)**	**–**	**(8,012)**
As at 31 December 2019	**30,167**	**17,424**	**47,591**
2018			
As at 1 January 2018	14,882	–	14,882
Addition during the financial year	11,216	17,424	28,640
Amortised during the financial year	(6,051)	–	(6,051)
As at 31 December 2018	20,047	17,424	37,471

28 CONTRACT ASSSETS AND CONTRACT LIABILITIES

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Contract assets				
Property development contracts (a)	**193,343**	156,678	**–**	–
Construction contracts (b)	**525,764**	545,718	**336,126**	209,777
	719,107	702,396	**336,126**	209,777
Contract liabilities				
Current				
Property development contracts (a)	**2,895**	2,361	**–**	–
Construction contracts (b)	**21,655**	30,319	**–**	–
Collection not probable (c)	**12,358**	71,611	**–**	–
Deferred income	**720**	597	**–**	–
	37,628	104,888	**–**	–
Non-current				
Deferred income (d)	**140,258**	140,258	**–**	–

Property development and construction contracts

The Group and the Company are entitled to a percentage of payment over the sale price based on construction milestones stipulated in the sale and purchase agreements and issue of progress billings to purchasers when construction milestones are satisfied.

The aggregate of the costs incurred and the attributable profit or loss recognised over property development and construction contracts is compared against the progress billings up to the end of the financial year. Where the revenue recognised in profit or loss exceeds billings to purchasers, the balance is presented as contract assets. Where billings to purchasers exceed revenue recognised in profit or loss, the balance is presented as contract liabilities.

(a) Property development contracts

The movement of contract assets and contract liabilities in relation to property development contracts are as follows:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
As at 1 January	**154,317**	441,939	**–**	–
Property development revenue recognised during the financial year	**420,913**	483,215	**–**	–
Progress billings during the financial year	**(384,782)**	(770,837)	**–**	–
As at 31 December	**190,448**	154,317	**–**	–
Represented by:				
Contract assets	**193,343**	156,678	**–**	–
Contract liabilities	**(2,895)**	(2,361)	**–**	–
	190,448	154,317	**–**	–

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28 CONTRACT ASSETS AND LIABILITIES (CONTINUED)

(b) Construction contracts

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Aggregate costs incurred to date	**3,181,433**	6,283,597	**1,690,710**	1,277,238
Attributable profits on contract works performed to date	**561,289**	486,070	**27,529**	21,881
Less: Provision for foreseeable losses	**(18,196)**	(18,196)	**–**	–
	3,724,526	6,751,471	**1,718,239**	1,299,119
Less: Progress billings	**(3,220,417)**	(6,236,072)	**(1,382,113)**	(1,089,342)
	504,109	515,399	**336,126**	209,777
Represented by:				
Contract assets	**525,764**	545,718	**336,126**	209,777
Contract liabilities	**(21,655)**	(30,319)	**–**	–
	504,109	515,399	**336,126**	209,777

(c) Contract liabilities-collection not probable

This represents partial cash consideration received from the customer but no revenue was recognised as the Group has determined that the collection of full consideration is not probable.

(d) Deferred income

This represents consideration received in advance in respect of project 2 pursuant to a Privatisation Agreement entered by a wholly owned subsidiary of Company, Rukun Juang Sdn. Bhd., with the Ministry of Youth and Sports and Syarikat Tanah and Harta Sdn. Bhd. for the refurbishment and upgrading facilities located at the National Sports Complex in Bukit Jalil.

(e) Unsatisfied long-term contracts

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied or partially satisfied as at the reporting date was approximately RM2.66 billion (2018: RM1.95 billion), of which the Group expects to be recognised as revenue from FY2020 to FY2040 (2018: FY2019 to FY2022). The Company's unsatisfied performance obligations as at the reporting date was RM602 million (2018: RM863 million) which is expected to be recognised as revenue from FY2020 to FY2022 (2018: FY2019 to FY2021).

Impairment losses of contract assets

The remaining contractual billings to customers from property development and construction activities will be billed progressively upon the fulfilment of contractual milestones. Management concluded that the probability of default is trivial after taking into consideration the credit standing and payment trends of the customers.

29 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Shares in corporations, quoted in Malaysia	**889**	950	**889**	950

Financial assets at fair value through profit or loss are presented within 'operating activities' as part of changes in working capital in the statements of cash flows.

Changes in fair values of financial assets at fair value through profit or loss are recorded in 'other gain/(losses) – net' in the profit or loss.

The fair value of all equity securities is based on their current bid prices in an active market.

30 DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deposits with licensed banks	**93,686**	50,789	**515**	8,904
Cash held under Housing Development Accounts	**33,828**	40,845	**–**	–
Cash and bank balances	**389,431**	460,000	**74,396**	74,910
	516,945	551,634	**74,911**	83,814

Included in the Group's and the Company's cash and bank balances and deposits with licensed banks are restricted monies amounting to RM216,019,366 (2018: RM81,819,235) and RM11,069,781 (2018: RM21,150,975) respectively, representing collateral pledged with licensed banks and/or licensed financial institutions by the Group and the Company for credit facilities granted and bank guarantee facilities issued to third parties.

Cash held under Housing Development Accounts represents receipts from purchasers of residential properties less payments or withdrawals provided under the Housing Developers (Control and Licensing) Act, 1966.

Cash and cash equivalents of the Group and of the Company comprise:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deposits, cash and bank balances	**516,945**	551,634	**74,911**	83,814
Less:				
Cash and bank balances and fixed deposits held as security value	**(216,019)**	(81,819)	**(11,070)**	(21,151)
	300,926	469,815	**63,841**	62,663

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30 DEPOSITS, CASH AND BANK BALANCES (CONTINUED)

The currency denomination of the deposits, cash and bank balances of the Group and of the Company are as follows:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Ringgit Malaysia	**501,641**	544,357	**74,881**	83,783
Australian Dollar	**13,484**	6,338	**30**	31
Thai Baht	**1,018**	939	**–**	–
Hong Kong Dollar	**291**	–	**–**	–
United States Dollar	**511**	–	**–**	–
	516,945	551,634	**74,911**	83,814

The weighted average period effective interest rates per annum of deposits with licensed banks that were effective at the end of the financial year were as follows:

	Group		Company	
	2019 %	**2018 %**	**2019 %**	**2018 %**
Deposits with licensed banks	**2.80**	2.32	**3.00**	3.94

The maturity periods of deposits with licensed banks as at the financial year end were as follows:

	Group		Company	
	2019 days	**2018 days**	**2019 days**	**2018 days**
Deposits with licensed banks	**1 – 365**	1 – 365	**7 – 365**	7 – 365

Bank balances are held at call except for the restricted monies.

Impairment losses

For deposits, cash and bank balances, the Group and the Company seek to ensure that cash assets are invested safely and profitably by assessing counterparty risks and allocating placement limits for various creditworthy financial institutions.

While deposits, cash and bank balances are also subject to the impairments requirements of MFRS 9, the identified impairment loss was immaterial.

31 SHARE CAPITAL

Issued and fully paid:

	Group and Company			
	Number of shares 2019 '000	**Amount 2019 RM'000**	**Number of shares 2018 '000**	**Amount 2018 RM'000**
As at 1 January	**4,395,053**	**4,318,225**	4,386,746	4,309,422
Issuance of new shares under the Restricted Share Plan – (a)	**16,993**	**13,477**	8,302	8,794
Conversion of Warrants A – (b)	**–**	**–**	5	9
As at 31 December	**4,412,046**	**4,331,702**	4,395,053	4,318,225

(a) Represents 16,993,400 (2018: 8,301,800) shares granted to eligible executives and employees, pursuant to the terms of the offer letters of the Restricted Share Plan dated 20 December 2017, 12 December 2018 and 31 May 2019 in accordance with the By-Laws governing the Long-term Incentive Plan of the Company.

(b) Represents 5,014 shares issued via conversion of warrant A at RM1.68 per warrant. Warrant A expired on 14 September 2018.

The new ordinary shares issued during the financial year ranked equally in all respects with the existing ordinary shares of the Company.

Long-Term Incentive Plan

The Group has implemented a Long-Term Incentive Plan ("LTIP or the Plan") of up to 10% of the issue and paid up share capital of the Company (excluding treasury shares), to eligible employees of the Group and eligible executive directors of the Company who fulfil the eligibility criteria. The LTIP was approved by the shareholders at an Extraordinary General Meeting held on 30 November 2016.

The LTIP is intended to allow the Group and the Company to attract, motivate, reward and/or retain the Eligible Persons through the grant/award of the Company ordinary shares as determined by the LTIP Committee in accordance with the By-Laws. The LTIP Committee shall have the discretion to determine and change any criteria or basis of making the offers of the share awards from time to time.

The LTIP will allow the Company to award ordinary shares to eligible persons by means of a Restricted Share Plan ("RSP") and a Performance Share Plan ("PSP") as follows;

(i) RSP – a restricted share plan designed to reward selected employees of the Group; and

(ii) PSP – a performance share plan designed to reward selected senior management employees of the Group and the Executive Directors of the Company.

The share awards to the eligible persons will not require any payment to the Company by the eligible persons.

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31 SHARE CAPITAL (CONTINUED)

Long-Term Incentive Plan (continued)

The details of the LTIP are contained in the By-Laws and the salient features thereof are as follows:

(a) The aggregate maximum number of ordinary shares made available under the LTIP shall not exceed ten percent (10%) of the issued and paid up shares (excluding treasury shares) of the Company at any point of time during the duration of the LTIP, which shall be in force for a period of five (5) years commencing 28 November 2017.

(b) Eligible employees (including Executive Directors) are those who are confirmed full time employees within our Group.

(c) The LTIP is administered by a LTIP Committee which consists of such persons duly appointed by the Board from time to time.

(d) The LTIP may be terminated by the Board at any time before the date of expiry provided that the Company makes an announcement to Bursa Malaysia Securities Berhad.

(e) The LTIP Committee may (but shall not be obliged) establish a Trust to be administered by the Trustee(s), if required, to enable the Trustee to subscribe for new ordinary shares and/or acquire existing ordinary shares for the purpose of the LTIP and to pay expenses in relation to the administration of the Trust.

(f) All the new ordinary shares, upon allotment and issue, shall rank pari passu in all respects with the existing ordinary shares of the Company.

Set out below are details of RSP over the ordinary shares of the Company granted under the LTIP:

				No. of ordinary shares covered under RSP			
Tranche	**Date**	**Fair value RM**	**As at 1.1.2019**	**Granted**	**Shares Allotted**	**Cancelled**	**As at 31.12.2019**
2017	20 Dec 2017	1.030	**3,445,400**	–	**(3,091,700)**	**(353,700)**	–
2018	12 Dec 2018	0.650	**4,800,100**	**15,400**	**(4,815,500)**	–	–
2018	12 Dec 2018	0.635	**4,800,100**	**15,400**	**(4,368,400)**	**(447,100)**	–
2018	12 Dec 2018	0.619	**4,946,000**	**15,900**	–	**(460,700)**	**4,501,200**
2019	31 May 2019	0.930	–	**4,717,800**	**(4,717,800)**	–	–
2019	31 May 2019	0.914	–	**4,717,800**	–	–	**4,717,800**
2019	31 May 2019	0.897	–	**4,862,400**	–	–	**4,862,400**
			17,991,600	**14,344,700**	**(16,993,400)**	**(1,261,500)**	**14,081,400**

The fair value of the grants were determined after taking into account the terms and conditions which the RSP over the ordinary shares were granted. The significant assumptions used in the Binomial model are as follows:

	2017	**2018**	**2019**
Closing market price (RM)	1.070	0.650	**0.930**
Expected volatility (%)	0.28%	0.33%	**0.32%**
Expected dividend yield (%)	1.61%	2.17%	**1.44%**

31 SHARE CAPITAL (CONTINUED)

Warrants B

Pursuant to the renounceable Right Issue undertaken by the Company during the financial year ended 31 December 2017, 438,518,657 warrants B of the Company were issued. On 3 November 2017, the Company listed and quoted the warrants B and the warrants B are constituted by a deed poll dated 19 September 2017.

At financial year end, the outstanding warrants B included 438,518,157 units which are exercisable. No warrants B were exercised during the financial year (2018: Nil) and the warrants outstanding at the financial year end have remaining contractual life until 29 October 2027.

The salient terms of the warrant B are as follows:

(a) Each warrant B entitles the registered holder to subscribe for one (1) new ordinary share of the Company at any time during the ten (10) years period commencing on and including 30 October 2017 ("First Issue Date"), to 29 October 2027 ("Exercise Period") at RM1.25 per new share of the Company ("Exercise Price") subject to adjustments in accordance with the provisions of the deed poll dated 19 September 2017 constituting the warrants;

(b) Any warrants B not exercised during the Exercise Period shall thereafter lapse and cease to be valid for any purpose; and

(c) The new shares of the Company allotted and issued upon exercise of the warrants B shall rank equally in all aspects with the existing shares of the Company, and shall be entitled to any dividends, rights, allotments and/or other distributions after the issue and allotment thereof.

The movement of the warrants B are as follows:

	No. of ordinary shares of RM1.00 each covered under warrants B			
	As at 1.1.2019	**Granted**	**Exercised**	**As at 31.12.2019**
Number of unexercised warrants B	**438,518,157**	**–**	**–**	**438,518,157**

32 OTHER LIABILITIES AND CHARGES

	Group	
	2019 RM'000	**2018 RM'000**
As at 1 January	**34,042**	24,098
Charge to profit or loss	**21,264**	26,291
Unutilised amount reversed	**(3,729)**	(15,829)
Utilised during the financial year	**(33,561)**	(518)
As at 31 December	**18,016**	34,042

Other liabilities and charges represents liquidated ascertained damages ("LAD") which is recognised for expected LAD claims based on the contract with customers indicating daily LAD rates and estimated completion dates of respective projects.

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33 POST-EMPLOYMENT BENEFIT OBLIGATIONS

The Group and the Company provide for unfunded retirement benefits to eligible employees, those permanent employees who joined before 1 September 2002, and have been in the service of the Group and of the Company for a continuous period of at least ten (10) years.

The liability in respect of the defined benefit plan is the present value of the defined benefit obligation at the statements of financial position. The defined benefit obligation, calculated using the projected unit credit method, is determined by a qualified actuary on the basis of a triennial valuation and after considering the estimated future cash outflows using the market yields at the valuation date of high quality corporate bonds. The latest actuarial valuation was carried out on 30 November 2017.

The defined benefit plan exposed the Group and the Company to actuarial risk such as interest rate risk and salary inflation risk.

Defined benefit plan

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
As at 1 January	**19,508**	18,626	**7,375**	7,440
Charged to profit or loss				
– continuing operations	**1,901**	1,725	**694**	694
– discontinuing operations	**–**	98	**–**	–
Utilised during the financial year	**(736)**	(921)	**(214)**	(759)
Provision no longer required	**–**	(20)	**–**	–
As at 31 December	**20,673**	19,508	**7,855**	7,375

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Current	**–**	–	**–**	–
Non-current	**20,673**	19,508	**7,855**	7,375
	20,673	19,508	**7,855**	7,375

The amounts recognised in the Group's and the Company's statements of financial position are analysed as follows based on valuation carried out on 30 November 2017:

	Group RM'000	**Company RM'000**
Present value of unfunded obligations		
As at 31 December 2019	**20,673**	**7,855**
As at 31 December 2018	19,508	7,375
As at 31 December 2017	18,626	7,440
As at 31 December 2016	16,312	6,953
As at 31 December 2015	16,307	6,537

33 POST-EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

The expenses recognised in the Group's and the Company's profit or loss are analysed as follows:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Continuing operations				
Current service cost	**997**	883	**338**	347
Interest cost	**904**	842	**356**	347
Discontinued operations				
Current service cost	**–**	52	**–**	–
Interest cost	**–**	46	**–**	–
	1,901	1,823	**694**	694
Write back of provision no longer required	**–**	(20)	**–**	–
As at 31 December	**1,901**	1,803	**694**	694

The above charge to the profit or loss was included in administrative expenses of the financial year.

As at 31 December 2019, the weighted average duration of the defined benefit obligation was 5.3 years (2018: 6.3 years).

The principal actuarial assumptions used by the valuer in the valuation carried out on 30 November 2017 in respect of the Group's and the Company's defined benefit plan is as follows:

	Group and Company %
Discount rate	4.8
Expected rate of salary increases	8.0

There is no material effect to the defined benefit obligations should there be a 1% (2018: 1%) movement in the above assumed discounted rate and expected rate of salary increases.

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34 LONG TERM BORROWINGS

(a)

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Term loans	**1,510,202**	1,114,473	**365,030**	148,800
Less: Unamortised cost of issue	**(9,713)**	(8,244)	**(4,076)**	(277)
	1,500,489	1,106,229	**360,954**	148,523
Less: Due within 12 months (Note 39)	**(497,175)**	(340,709)	**(24,077)**	(148,523)
	1,003,314	765,520	**336,877**	–
Term loans	**1,510,202**	1,114,473	**365,030**	148,800
Less: Issuance expenses	**(14,149)**	(10,991)	**(4,615)**	(1,330)
Net proceeds	**1,496,053**	1,103,482	**360,415**	147,470
Accumulated amortisation of issuance expenses	**4,436**	2,747	**539**	1,053
	1,500,489	1,106,229	**360,954**	148,523
Less: Due within 12 months (Note 39)	**(497,175)**	(340,709)	**(24,077)**	(148,523)
	1,003,314	765,520	**336,877**	–

(b) The repayment period of the term loans (before issuance cost) are as follows:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Analysis of term loans:				
Payable within one year	**501,087**	344,572	**24,077**	148,800
Payable between one and two years	**367,955**	100,699	**25,923**	–
Payable between two and five years	**637,672**	663,698	**315,030**	–
Payable after five years	**3,488**	5,504	**–**	–
	1,510,202	1,114,473	**365,030**	148,800
Representing term loans:				
Due within 12 months	**501,087**	344,572	**24,077**	148,800
Due after 12 months	**1,009,115**	769,901	**340,953**	–
	1,510,202	1,114,473	**365,030**	148,800

(c)

	Group		Company	
	2019 %	**2018 %**	**2019 %**	**2018 %**
Weighted average year end effective interest rates per annum	**5.54**	6.13	**5.05**	–

34 LONG TERM BORROWINGS (CONTINUED)

(d) The secured term loans includes borrowings denominated in Australian Dollars of AUD54,787,417 (2018: AUD14,360,210), equivalent to RM156,828,982 (2018: RM40,558,382).

Other than the above, the balance of the long term borrowings were denominated in Ringgit Malaysia.

A. Effective interest rate and maturity profile of borrowings

The exposure of borrowings to interest rate and cash flow risk and the periods in which the borrowings mature are as follows:

The Group	Effective interest rate as at year end % p.a	Total Carrying Amount RM'000	< 1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000	> 5 years RM'000
				Floating interest rate		
2019						
Secured						
Revolving credit 1	**4.75**	**176,906**	**176,906**	–	–	–
Unsecured						
Revolving credit and short term credit facilities 2	**4.85**	**150,718**	**150,718**	–	–	–
		327,624	**327,624**	–	–	–
				Fixed interest rate		
Secured						
Term loan 1	**4.18**	**200,000**	**200,000**	–	–	–
				Floating interest rate		
Term loan 1	**5.51**	**209,259**	**3,510**	**205,749**	–	–
Term loan 2	**5.05**	**360,954**	**24,077**	**25,923**	**310,954**	–
Term loan 3	**5.62**	**200,841**	–	**36,896**	**160,000**	**3,945**
Term loan 4	**5.37**	**48,899**	**48,899**	–	–	–
Term loan 5	**6.71**	**299,473**	**61,843**	**94,219**	**143,411**	–
Term loan 6	**4.46**	**156,829**	**156,829**	–	–	–
Term loan 7	**5.28**	**24,234**	**2,017**	**4,415**	**14,314**	**3,488**
		1,300,489	**297,175**	**367,202**	**628,679**	**7,433**
		1,828,113	**824,799**	**367,202**	**628,679**	**7,433**

34 LONG TERM BORROWINGS (CONTINUED)

A. Effective interest rate and maturity profile of borrowings (continued)

The exposure of borrowings to interest rate and cash flow risk and the periods in which the borrowings mature are as follows: (continued)

The Group	Effective interest rate as at year end % p.a	Total Carrying Amount RM'000	< 1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000	> 5 years RM'000
				Floating interest rate		
2018						
Secured						
Revolving credit 1	5.04	103,390	103,390	–	–	–
Revolving credit 3	5.07	38,873	38,873	–	–	–
Revolving credit 4	5.89	3,000	3,000	–	–	–
Revolving credit 5	4.86	1,074	1,074	–	–	–
Term loan 8	6.50	73,884	73,884	–	–	–
Unsecured						
Revolving credit 2	4.85	150,615	150,615	–	–	–
Revolving credit 6	4.78	14,309	14,309	–	–	–
		385,145	385,145	–	–	–
				Fixed interest rate		
Secured						
Term loan 1	4.50	155,000	155,000	–	–	–
Term loan 9	6.50	148,523	148,523	–	–	–
				Floating interest rate		
Term loan 1	5.65	204,537	2,017	31,688	170,832	–
Term loan 3	6.00	197,488	–	–	197,488	–
Term loan 4	5.53	21,742	21,742	–	–	–
Term loan 5	6.76	298,720	–	61,843	236,877	–
Term loan 6	4.93	40,559	–	–	40,559	–
Term loan 7	5.38	26,250	2,016	4,416	14,314	5,503
Term loan 10	4.88	4,610	4,611	–	–	–
Term loan 11	5.11	8,800	6,800	2,000	–	–
		802,706	37,186	99,947	660,070	5,503
		1,491,374	725,854	99,947	660,070	5,503

34 LONG TERM BORROWINGS (CONTINUED)

A. Effective interest rate and maturity profile of borrowings (continued)

The exposure of borrowings to interest rate and cash flow risk and the periods in which the borrowings mature are as follows: (continued)

The Company	Effective interest rate as at year end % p.a	Total Carrying Amount RM'000	< 1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000	> 5 years RM'000
				Floating interest rate		
2019						
Unsecured						
Revolving credit and short term credit facilities 2	**4.85**	**150,718**	**150,718**	**–**	**–**	**–**
Secured						
Term loan 2	**5.05**	**360,954**	**24,077**	**24,077**	**312,800**	**–**
		511,672	**174,795**	**24,077**	**312,800**	**–**
2018						
Secured						
Term loan 8	6.50	73,884	73,884	–	–	–
Term loan 9	6.50	148,523	148,523	–	–	–
Unsecured						
Revolving credit 4	4.67	150,615	150,615	–	–	–
		373,022	373,022	–	–	–

B. Principal features of borrowings

Term Loan 1

Term loan 1 of RM409,259,053 (2018: RM359,536,657) is secured by way of:

(i) Fixed charge over a leasehold land and the investment property with total carrying amount of RM397,208,852 (2018: RM403,301,100) (Note 16);

(ii) Master Deed of Assignment in respect of Assigned property as follows:
   (a) The Agreement to Build and Lease;
   (b) The Lease Agreement or the Tenancy Agreement;
   (c) The Construction Contract;
   (d) The Performance Bond; and
   (e) The Insurances.

(iii) Memorandum of Deposit of the shares of the subsidiary;

(iv) Assignment and charge over Shared Designated Accounts;

(v) Debentures by the subsidiary;

(vi) Corporate Guarantee and undertaking by the Company; and

(vii) Priority and Security Sharing Agreement.

34 LONG TERM BORROWINGS (CONTINUED)

B. Principal features of borrowings (continued)

Term Loan 2

Term loan 2 of RM360,953,810 is secured by way of:

(i) Open all monies third party legal charge over two pieces of freehold land and a hotel with total carrying amount of RM294,472,362 (Note 15 and Note 23);

(ii) Open all monies first party legal charge over units in an associate ("the Pledged Shares");

(iii) Assignment of all dividends and distributions from the Pledged Shares; and

(iv) Charge and assignment over Designated Accounts;

Term Loan 3

Term loan 3 of RM200,840,778 (2018: RM197,488,156) is secured by way of:

(i) A first party legal charge over certain part of the project land of the Group held for development with carrying value of RM126,932,034 (2018: RM126,932,034);

(ii) A corporate guarantee by the Company;

(iii) Assignment of all future and future rental receivables;

(iv) A first legal charge and assignment over all rights of Designated Accounts;

(v) Debenture by the Group; and

(vi) Assignment of the insurance policies.

Term Loan 4

Term loan 4 of RM48,899,151 (2018: RM21,742,369) is secured by way of:

(i) First legal charge over the leasehold land with carrying value of RM171,521,479 (2018: RM171,521,479) of the subsidiary;

(ii) First fixed and floating charges over existing and future assets of the subsidiary;

(iii) A Corporate Guarantee from the Company;

(iv) Assignment over sale proceeds of the project;

(v) Assignment over all takaful plan/insurance policies; and

(vi) Irrevocable Letter of Undertaking from the Company to fund any cost overrun during the construction, development and until completion of the development project.

Term Loan 5

Term loan 5 of RM299,472,765 (2018: RM298,720,187) is secured by way of:

(i) A third party first legal charge over the freehold land with carrying value of RM349,367,603 (2018: RM349,367,603) purchased by a subsidiary (through the Advances/Loan by MRCB Land Sdn. Bhd. ("MLSB"));

(ii) A corporate guarantee from the Company;

(iii) A first legal charge and assignment over present and future rights of MLSB on the Designated Accounts and all monies standing to the credit of the Designated Accounts;

(iv) First charge over all MLSB's ordinary shares in MSSB;

(v) Placement of cash deposit of up to RM67,100,000 million to be built up within 24 months to be places in PSRA II on-lien with profit to be capitalised with Memorandum of Deposit and Letter of Set-Off to be executed in favour of the Bank;

34 LONG TERM BORROWINGS (CONTINUED)

B. Principal features of borrowings (continued)

Term Loan 5 (continued)

(vi) Assignment of Proceeds by MRCB Builders Sdn Bhd ("MBSB") in favour of the Bank:
- (a) Project Delivery Partner Fees ("PDP Fees") received by MBSB with respect to the construction and completion of common infrastructure for the Majlis Bandaraya Petaling Area at the proposed Kwasa Damansara Township;
- (b) Dividend received by MBSB from MRCB George Kent JV Sdn Bhd in connection with the LRT3 Project; and
- (c) Any other project to be mutually agreed by the parties.

(vii) Letter of Undertaking from MBSB undertaking to credit the following into RCA:
- (a) The PDP Fees received by MBSB with respect to the construction and completion of common infrastructure for the Majlis Bandaraya Petaling Area at the proposed Kwasa Damansara Township;
- (b) Dividend received by MBSB from MRCB George Kent JV Sdn Bhd in connection with the LRT3 Project; and
- (c) Any other project to be mutually agreed by the parties.

Term Loan 6

Term loan 6 of AUD54,787,417 (2018: AUD14,360,210), equivalent to RM156,828,982 (2018: RM40,558,382) is secured by way of:

(i) Legal mortgage over the development land for amount due and payable under the facility;

(ii) Unconditional and irrevocable guarantee from the Company for amount due and payable under the facility;

(iii) Fixed and floating charge over the present and future assets of the subsidiary;

(iv) Assignment and charge over Finance Service Reserve Account;

(v) Assignment and charge over Sale and Purchase Account;

(vi) Assignment over sale proceeds of the development project;

(vii) Assignment of the subsidiary's right, benefits and interest in relation to all contracts' performance bond (if any) in relation to the development project;

(viii) Assignment of the subsidiary's right, title and beneficiaries arising from all takaful plan/insurance policies taken by the subsidiary whereby the financier is to be endorsed as the loss payee; and

(ix) Any other security (ies) as may be required by the financier and as advised by the financier's panel solicitors.

Term Loan 7

Term loan 7 of RM24,234,000 (2018: RM26,250,000) is secured by way of:

(i) First party legal charge over the Proceed Account opened by the subsidiary;

A minimum balance of 3 months of profit payment (on the amount disbursed) and the next principal payment ("Minimum Required Balance") due shall be maintained at all times during the entire tenure of the facility;

In the event there is a shortfall from the Minimum Required Balance, the subsidiary must top up within 10 business days of the shortfall to maintain the Minimum Required Balance;

(ii) First party legal charge over the Operating Account open by the subsidiary;

(iii) Third party legal charge over the Operating Account opened by another subsidiary; and

(iv) Corporate Guarantee of the Company.

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34 LONG TERM BORROWINGS (CONTINUED)

B. Principal features of borrowings (continued)

Term Loan 8

Term loan 8 of RM73,884,263 was secured by way of:

(i) Commodity Murabahah Facility Agreement;

(ii) Memorandum of deposit over 700,000 ordinary shares of a subsidiary acquired, including all right, titles, interest, benefits, entitlements, distributions and dividends arising there from;

(iii) Letter of Undertaking from a subsidiary to channel at least RM737.9 million proceed into the Proceeds Accounts upon receipt of the same from the subsidiary's shares allotment monies;

(iv) Assignment of all present and future dividend income from a subsidiary to the Company;

(v) Assignment of all Designated Accounts; and

(vi) Such other documents as may be deemed necessary by the Financier at any time or as advised by the solicitors.

Term Loan 9

Term loan 9 of RM148,522,814 was secured by way of:

(i) Master Facility Agreement;

(ii) Pledge of subsidiary shares;

(iii) Assignment of designated Accounts;

(iv) Assignment of Finance Service reserve Accounts; and

(v) First Party Charge over Charged Units.

Term Loan 10

Term loan 10 of RM4,610,443 was secured by way of:

(i) Assignment of the Group's rights, title and interest in material construction contracts in respect of a Group's project;

(ii) Assignment of the insurance/Takaful policies;

(iii) Security Agreement over Designated Accounts;

(iv) A corporate guarantee by the Company;

(v) Letter of Negative Pledge by the Group in favour of the bank; and

(vi) Subordination of shareholders' loan/financing.

Term Loan 11

Term loan 11 of RM8,800,000 was secured by way of:

(i) A first party first legal charge over a freehold land of the Group held for development with carrying value of 23,684,000;

(ii) A corporate guarantee by the Company;

(iii) Assignment and charge over the surpluses of Designated Accounts/Fixed Deposit;

(iv) Debentures by the Group; and

(v) Assignment over any bank guarantees and insurances.

Term loans 8 to 11 were settled during the financial year.

34 LONG TERM BORROWINGS (CONTINUED)

The reconciliation of movement of liabilities to cash flows arising from financing activities are as follows:

	Short term borrowings RM'000	Long term borrowings RM'000	Total RM'000
Group			
Balance as at 1 January 2019	725,854	765,520	1,491,374
Changes from financing cash flow			
Proceed from borrowings	761,964	512,158	1,274,122
Repayment of borrowings	(918,846)	(16,329)	(935,175)
Issuance cost paid	–	(4,613)	(4,613)
Total changes from financing cash flows	(156,882)	491,216	334,334
Other changes of liabilities – related			
Amortisation of issuance cost	703	1,702	2,405
Total other changes of liabilities – related	703	1,702	2,405
Reclassification from long term to short term	255,124	(255,124)	–
Balance as at 31 December 2019	824,799	1,003,314	1,828,113
Company			
Balance as at 1 January 2019	373,022	–	373,022
Changes from financing cash flow			
Proceed from borrowings	67,131	365,030	432,161
Repayment of borrowings	(289,713)	–	(289,713)
Issuance cost paid	–	(4,613)	(4,613)
Total changes from financing cash flows	(222,582)	360,417	137,835
Other changes of liabilities – related			
Amortisation of issuance cost	278	537	815
Total other changes of liabilities – related	278	537	815
Reclassification from long term to short term	24,077	(24,077)	–
Balance as at 31 December 2019	174,795	336,877	511,672

34 LONG TERM BORROWINGS (CONTINUED)

	Short term borrowings RM'000	Long term borrowings RM'000	Senior and Junior Sukuk RM'000	Total RM'000
Group				
Balance as at 1 January 2018	1,432,107	891,248	1,058,500	3,381,855
Changes from financing cash flow				
Proceed from borrowings	635,714	843,353	–	1,479,067
Repayment of borrowings	(2,043,897)	(270,067)	(1,044,000)	(3,357,964)
Issuance cost paid	–	(9,660)	–	(9,660)
Total changes from financing cash flows	(1,408,183)	563,626	(1,044,000)	(1,888,557)
Other changes of liabilities – related				
Amortisation of issuance cost	10,217	2,359	9,587	22,163
Unwinding of premium	–	–	(24,087)	(24,087)
Total other changes of liabilities – related	10,217	2,359	(14,500)	(1,924)
Reclassification from long term to short term	691,713	(691,713)	–	–
Balance as at 31 December 2018	725,854	765,520	–	1,491,374
Company				
Balance as at 1 January 2018	994,666	182,258	–	1,176,924
Changes from financing cash flow				
Proceed from borrowings	45,594	–	–	45,594
Repayment of borrowings	(825,978)	(34,400)	–	(860,378)
Issuance cost paid	–	–	–	–
Total changes from financing cash flows	(780,384)	(34,400)	–	(814,784)
Other changes of liabilities – related				
Amortisation of issuance cost	10,217	665	–	10,882
Total other changes of liabilities – related	10,217	665	–	10,882
Reclassification from long term to short term	148,523	(148,523)	–	–
Balance as at 31 December 2018	373,022	–	–	373,022

35 LONG TERM LIABILITIES

	Group	
	2019 **RM'000**	**2018** **RM'000**
Guaranteed return to a non-controlling interest	**367,865**	348,687
Hire purchase creditors due after 12 months (Note 38)	**53**	891
	367,918	349,578

The guaranteed return is a contractual obligation made by the Company to a non-controlling interest in Kwasa Sentral Sdn. Bhd. ("KSSB"), a 70% owned subsidiary of the Company to guarantee the minimum return to their investment in the development project undertaken by KSSB which is payable based on certain milestone of the development project. As at the financial year end, the net present value of this guaranteed sum is RM367,865,000 (2018: RM348,687,000). The repayment period of the guaranteed return is as follows:

	Group	
	2019 **RM'000**	**2018** **RM'000**
Payable within one year	**–**	–
Payable between one and two years	**–**	–
Payable between two and five years	**38,323**	36,325
Payable after five years	**329,542**	312,362
	367,865	348,687

36 GOVERNMENT GRANT

	Group	
	2019 **RM'000**	**2018** **RM'000**
Facilitation fund	**131,805**	131,849
Amortised during the financial year	**(264)**	(44)
	131,541	131,805

The facilitation fund represents grant received from the Malaysian Government for the planning, designing, financing, development, construction, equipping, installation, completion, testing and commissioning of the Penang Sentral transport terminal currently being constructed by a subsidiary of the Company.

37 TRADE AND OTHER PAYABLES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Trade payables	**737,677**	857,449	**364,640**	268,622
Amounts due to related parties	**5,400**	3,000	**–**	–
Hire purchase creditors due within 12 months (Note 38)	**838**	858	**–**	–
Other payables	**144,007**	161,251	**8,575**	9,715
Accruals	**64,946**	62,433	**6,966**	12,734
	952,868	1,084,991	**380,181**	291,071

	Company	
	2019 RM'000	2018 RM'000
Amounts due to subsidiaries	**216,749**	47,112

The amounts due to related parties are unsecured, interest free and have no fixed terms of repayment.

Credit terms of trade payables for the Group and the Company range from 14 days to 90 days (2018: 14 days to 90 days).

Credit terms of other payables for the Group and the Company range from 14 days to 90 days (2018: 14 days to 90 days).

The currency exposure profile of the trade and other payables is as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Ringgit Malaysia	**924,404**	1,052,400	**380,181**	291,071
Australian Dollar	**28,425**	32,572	**–**	–
Thai Baht	**33**	19	**–**	–
Hong Kong Dollar	**6**	–	**–**	–
	952,868	1,084,991	**380,181**	291,071

38 HIRE PURCHASE CREDITORS

	Group	
	2019 RM'000	**2018 RM'000**
Analysis of hire purchase creditors:		
Payable within one year	**862**	928
Payable between two and four years	**54**	916
	916	1,844
Less: Finance charges	**(25)**	(95)
	891	1,749
Present value of hire purchase creditors:		
Payable within one year	**838**	858
Payable between two and four years	**53**	891
	891	1,749
Representing hire purchase creditors:		
Due within 12 months (Note 37)	**838**	858
Due after 12 months (Note 35)	**53**	891
	891	1,749

(a) The weighted average year end effective interest rates of hire purchase creditors was 5.21% per annum (2018: 5.21%).

(b) The hire purchase creditors are denominated in Ringgit Malaysia.

(c) Hire purchase liabilities are effectively secured as the rights to the assets under hire purchase revert to the hire purchase creditors in the event of default.

(d) The carrying amounts of the hire purchase creditors approximate its fair values as at reporting date.

39 SHORT TERM BORROWINGS

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Secured short term borrowings and other credit facilities	**176,907**	220,221	**–**	73,884
Secured term loans due within 12 months (Note 34)	**497,175**	340,709	**24,077**	148,523
Unsecured short term borrowings (Note 34)	**150,717**	164,924	**150,718**	150,615
Total	**824,799**	725,854	**174,795**	373,022

39 SHORT TERM BORROWINGS (CONTINUED)

The principal features for the short term borrowings (term loan) of the Group and of the Company have been disclosed in Note 34 to the financial statements.

	Group		Company	
	2019 %	**2018** %	**2019** %	**2018** %
Weighted average year end effective interest rates				
Secured short term borrowings and other credit facilities	**4.60**	5.50	**–**	6.50
Secured term loans	**5.07**	5.46	**5.05**	6.50
Unsecured short term borrowings	**4.65**	4.84	**4.65**	4.85

Included in secured term loans due within 12 months was a Australian Dollar borrowings of RM156,828,982 (2018: Nil).

Other than the above, the balance of the short term borrowings were denominated in Ringgit Malaysia.

40 RELATED PARTY DISCLOSURES

The related parties with whom the Group and the Company transacted with during the financial year include the followings:

Related parties	Nature of relationship
Kumpulan Wang Simpanan Berhad ("KWSP")	KWSP has significant influence over the Company. Significant shareholder of the Company and related by virtue of Dato' Mohamad Nasir Bin Ab Latif being common Board members of both KWSP and the Company and Puan Rohaya Mohammad Yusof is nominee of KWSP. KWSP is also an Agency of Government of Malaysia.
59 INC Sdn. Bhd. ("59 INC")	Related by virtue the Company is owning 30.00% equity interest in 59 INC.
MRCB-Quill REIT ("MQ-REIT")	Related by virtue the Company is owning 27.94% equity interest in MQ-REIT.
Sistem Televisyen Malaysia Berhad ("STMB")	A subsidiary of Media Prima Berhad ("MPB") and related by virtue of Datuk Shahril Ridza Ridzuan being common Director of both MPB and the Company in the previous financial year.

40 RELATED PARTY DISCLOSURES (CONTINUED)

The related party transactions were carried out based on terms and conditions negotiated and agreed upon between the parties. The significant related party transactions and balances other than mentioned elsewhere in the financial statements are as follows:

(a) Transactions with related parties

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Rental income from STMB	**–**	1,729	**–**	–
Legal fee charged by a legal firm of which its partner also a director of the Company	**61**	346	**–**	–
Management fees from subsidiaries	**–**	–	**60,115**	54,644
Management fees charged to an associate	**5,463**	5,576	**–**	3,976
Project management fees charged to a joint venture	**3,022**	1,417	**–**	–
Security service fees charged to an associate	**225**	183	**–**	–
Progress billings charged to the Directors and key management of the Group and of the Company	**1,520**	3,589	**–**	–
Progress billings charged by subsidiaries				
– MRCB Builders Sdn. Bhd.	**–**	–	**304,433**	225,755
– MRCB Environmental Services Sdn. Bhd.	**–**	–	**–**	56,348
Repayment of advances by subsidiaries	**–**	–	**326,494**	982,965
Advances to subsidiaries	**–**	–	**(424,994)**	(609,584)

As at 31 December 2019 the outstanding amount arising from the progress billings to the Directors and key management was RM Nil (2018: RM803,579).

(b) Key management compensation (including Executive Directors)

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Salaries and other short term employee benefits	**22,525**	27,744	**14,315**	18,388
Post-employment benefits	**3,382**	4,574	**2,227**	3,056
Share based payments	**4,163**	4,107	**3,103**	2,951

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40 RELATED PARTY DISCLOSURES (CONTINUED)

(c) The Group's and the Company's significant transactions with government and government-related entities on terms and conditions negotiated and agreed upon are as follows:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Progress billings charged to/(from) customers on contracts:				
– Desaru Convention Centre Sdn. Bhd.	–	7,897	–	7,897
– Desaru Corniche Hotel Sdn. Bhd.	**1,473**	72,562	**1,473**	72,562
– Desaru Estate Sdn. Bhd.	**238**	64,058	**238**	64,058
– Desaru Peace Holdings Club Sdn. Bhd.	–	959	–	959
– Jabatan Pengairan Dan Saliran Malaysia	**434**	59,597	**434**	59,597
– Johor Land Berhad	**39,709**	42,463	**39,709**	42,463
– Perbadanan PR1MA Malaysia	**72,115**	83,238	**29,501**	–
– Syarikat Prasarana Negara Berhad	**75,898**	61,886	–	–
– Tenaga Nasional Berhad	**39,688**	61,461	**30,140**	8,618
– Turnpike Synergy Sdn. Bhd.	**96,546**	29,983	**96,546**	29,983
– Kwasa Utama Sdn. Bhd.	**64,316**	37,491	–	–
– Kwasa Land Sdn. Bhd.	**(4,904)**	(20,839)	–	–
Progress billings charged to purchasers				
– MBSB Bank Berhad	**32,929**	125,289	–	–
– Perbadanan Harta Intelek Berhad	**93,449**	3,296	–	–
– Pertubuhan Keselamatan Sosial	–	333,634	–	–
Rental income received from:				
– Jabatan Penilaian dan Perkhidmatan Harta	**2,481**	2,565	**2,481**	2,565
– Pelaburan Mara Berhad	**2,597**	3,115	**2,597**	3,115
Project management and building maintenance service fees received from:				
– Keretapi Tanah Melayu Berhad	**3,514**	3,584	–	–
Rental charged by:				
– Lembaga Tabung Haji	**15,088**	14,010	**13,596**	12,452
– Pertubuhan Keselamatan Sosial	**5,667**	6,631	–	–
– Suruhanjaya Komunikasi dan Multimedia Malaysia	**2,662**	2,580	–	–
Purchase of freehold land from:				
– Dewan Bandaraya Kuala Lumpur	–	349,368	–	–

41 CONTINGENT LIABILITIES

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Performance guarantees extended to third parties *	**1,077,514**	576,885	**490,973**	544,501
Disputed claims from sub-contractor arising from business transaction	**–**	4,371	**–**	–
	1,077,514	581,256	**490,973**	544,501

* Included in the performance guarantees extended to third parties is an amount of RM31.3 million that had been called on previously by third parties. The Group has instituted injunction proceedings against the third parties. During the financial year under review, the Group and the third parties entered into a Dispute Resolution Agreement whereby the third parties agreed to an interim injunction to preserve status quo on the performance guarantees pending determination of the dispute between the parties via Arbitration. On this basis, the performance guarantees have not been provided in the financial statements.

42 CAPITAL COMMITMENT

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Authorised capital expenditure for property, plant and equipment				
– contracted for	**6,095**	11,781	**6,095**	4,542
– not contracted for	**48,790**	47,701	**2,475**	3,411
	54,885	59,482	**8,570**	7,953

43 SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

The Group's effective equity interest in the subsidiaries, joint ventures and associates as at 31 December 2019, their respective principal activities and country of incorporation are as follows:

			Effective equity interest	
Name of enterprise	**Principal activities**	**Country of incorporation**	**2019 %**	**2018 %**
SUBSIDIARIES:				
348 Sentral Sdn. Bhd.	Leasing of office and service residence space and provision of interior design fit out consultancy work and services	Malaysia	**100.00**	100.00
Held through 100% ownership by 348 Sentral Sdn. Bhd.				
– 348 Sentral Service Residence Sdn. Bhd.	Pre-operating	Malaysia	**100.00**	100.00
Country Annexe Sdn. Bhd.	Construction and property development	Malaysia	**100.00**	100.00
Cosy Bonanza Sdn. Bhd.	Property development	Malaysia	**65.70**	65.70

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43 SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Name of enterprise	Principal activities	Country of incorporation	Effective equity interest 2019 %	Effective equity interest 2018 %
Excellent Bonanza Sdn. Bhd.	Property development, leasing of office space and provision of interior design fit out consultancy work and services	Malaysia	**100.00**	100.00
MRCB Spectrum Sdn. Bhd.	Construction and development of property	Malaysia	**100.00**	100.00
MRCB Global Solutions Sdn. Bhd.	Property and investment holding	Malaysia	**100.00**	100.00
MRCB Seputeh Land Sdn. Bhd.	Property development	Malaysia	**100.00**	100.00
Kuala Lumpur Sentral Sdn. Bhd.	Sale of land, property development and property management	Malaysia	**100.00**	100.00
Held through 100% ownership by Kuala Lumpur Sentral Sdn. Bhd.				
– Unity Portfolio Sdn. Bhd.	Provision of management and maintenance services	Malaysia	**100.00**	100.00
Kwasa Sentral Sdn. Bhd.	Property development and investment holding	Malaysia	**70.00**	70.00
MRCB Builders Sdn. Bhd.	Engineering, construction services and investment holding	Malaysia	**100.00**	100.00
Held through 100% ownership by MRCB Builders Sdn. Bhd.				
– Milmix Sdn. Bhd. *	Civil and infrastructure building contractor	Malaysia	**100.00**	100.00
– Region Resources Sdn. Bhd.	Engineering and construction services	Malaysia	**100.00**	100.00
– Sanjung Sepang Sdn. Bhd.	Trading in construction material	Malaysia	**100.00**	100.00
– Transmission Technology Sdn. Bhd.	Engineering, construction and commissioning of transmission lines and substations	Malaysia	**100.00**	100.00
– MRCB Environmental Services Sdn. Bhd.	Provision of project management and consultancy services and engaged in the design, construction, operation, management and maintenance of beaches and rivers for rehabilitation and improvement purposes	Malaysia	**100.00**	100.00
– MRCB Engineering Sdn. Bhd.	Engineering and construction services	Malaysia	**100.00**	100.00

43 SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Name of enterprise	Principal activities	Country of incorporation	Effective equity interest 2019 %	Effective equity interest 2018 %
Held through 100% ownership by MRCB Environmental Services Sdn. Bhd.				
– MRCB Environment Sdn. Bhd. *	Infrastructure and environmental engineering	Malaysia	**100.00**	100.00
Held through 100% ownership by MRCB Engineering Sdn. Bhd.				
– MRCB (Thailand) Co.,Ltd. β	Pre-operating	Thailand	**100.00**	100.00
MRCB Land Sdn. Bhd.	Investment holding	Malaysia	**100.00**	100.00
Held through 100% ownership by MRCB Land Sdn. Bhd.				
– Rukun Juang Sdn. Bhd.	Construction and property development	Malaysia	**100.00**	85.00
– Efficient Class Sdn. Bhd.	Property development	Malaysia	**100.00**	100.00
– Esquire Moments Sdn. Bhd.	Property development	Malaysia	**100.00**	100.00
– Crystal Hallmark Sdn. Bhd.	Property development	Malaysia	**100.00**	100.00
– Legasi Azam Sdn. Bhd.	Property development	Malaysia	**100.00**	100.00
– Nilaitera Sdn. Bhd.	Property development	Malaysia	**100.00**	100.00
– Pinnacle Paradise Sdn. Bhd.	Property development	Malaysia	**100.00**	100.00
– Subang Sentral Sdn. Bhd.	Pre-operating	Malaysia	**100.00**	100.00
– Stigma Tiara Sdn. Bhd.	Pre-operating	Malaysia	**100.00**	100.00
– Lot F Residence Sdn. Bhd.	Pre-operating	Malaysia	**100.00**	100.00
– Lot F Hotel Sdn. Bhd.	Pre-operating	Malaysia	**100.00**	100.00
– Ipoh Sentral Development Sdn. Bhd. (formerly known as 348 Sentral Office Sdn. Bhd.)	Pre-operating	Malaysia	**100.00**	100.00
– MRCB Ventures Sdn. Bhd. (formerly known as MRCB Rasma JV Sdn. Bhd.)	Pre-operating	Malaysia	**100.00**	100.00
Held through 51% ownership by MRCB Land Sdn. Bhd.				
– Metro Spectacular Sdn. Bhd.	Property development	Malaysia	**51.00**	51.00
MRCB Prasarana Sdn. Bhd.	Operation, management and maintenance of the EDL Expressway and investment holding	Malaysia	**100.00**	100.00

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43 SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Name of enterprise	Principal activities	Country of incorporation	Effective equity interest 2019 %	Effective equity interest 2018 %
Held through 100% ownership by MRCB Prasarana Sdn. Bhd.				
– MRCB Lingkaran Selatan Sdn. Bhd. *	Design, development, construction, project management, operations and maintenance of EDL Expressway	Malaysia	**100.00**	100.00
Held through 100% ownership by MRCB Lingkaran Selatan Sdn. Bhd.				
– MRCB Southern Link Berhad *	Design, development, construction, project management and financing of expressway and infrastructure related project	Malaysia	**100.00**	100.00
MRCB Putra Sdn. Bhd.	Property development, property management and investment holding	Malaysia	**100.00**	100.00
Malaysian Resources Development Sdn. Bhd.	Property development and investment holding	Malaysia	**100.00**	100.00
Held through 100% ownership by Malaysian Resources Development Sdn. Bhd.				
– MRCB International Sdn. Bhd.	Investment holding	Malaysia	**100.00**	100.00
Held through 100% ownership by MRCB International Sdn. Bhd.				
– MRCB Australia Holding Company Pty. Ltd. β *	Investment holding	Australia	**100.00**	100.00
Held through 100% ownership by MRCB Australia Holding Company Pty. Ltd.				
– MRCB Project Carnegie Pty. Ltd. β	Property development	Australia	**100.00**	100.00
– MRCB Land (Australia) Pty. Ltd. β	Property development	Australia	**100.00**	100.00
– MRCB Project Incorporated Pty. Ltd. β *	Property development	Australia	**100.00**	100.00
– MRCB Docklands Pty. Ltd. β *	Property development	Australia	**100.00**	–

43 SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Name of enterprise	Principal activities	Country of incorporation	Effective equity interest 2019 %	Effective equity interest 2018 %
Held through 100% ownership by Malaysian Resources Development Sdn. Bhd.				
– Golden East Corporation Sdn. Bhd. *	Property development and management	Malaysia	**100.00**	100.00
– Sunrise Properties Sdn. Bhd. *	Property development	Malaysia	**100.00**	100.00
– MRCB Property Development Sdn. Bhd. *	Investment holding	Malaysia	**100.00**	100.00
Held through 70% ownership by Malaysian Resources Development Sdn. Bhd.				
– Seri Iskandar Development Corporation Sdn. Bhd.	Property development	Malaysia	**70.00**	70.00
Malaysian Resources Sentral Sdn. Bhd.	Provision of facility management	Malaysia	**100.00**	100.00
MRCB Sentral Properties Sdn. Bhd.	Property development and property management	Malaysia	**100.00**	100.00
MRCB Utama Sdn. Bhd.	Property development	Malaysia	**100.00**	100.00
Onesentral Park Sdn. Bhd.	Property development	Malaysia	**100.00**	100.00
Penang Sentral Sdn. Bhd.	Property development and management of a transport terminal	Malaysia	**100.00**	100.00
P.J Sentral Development Sdn. Bhd.	Construction and property development	Malaysia	**100.00**	100.00
Prema Bonanza Sdn. Bhd.	Property development	Malaysia	**51.00**	51.00
Puncak Wangi Sdn. Bhd.	Property investment and property management	Malaysia	**100.00**	100.00
Semasa Sentral Sdn. Bhd.	Operation, management and maintenance of the Kuala Lumpur Sentral Station	Malaysia	**100.00**	100.00
Semasa Parking Sdn. Bhd.	Operation and management of car park and parking areas	Malaysia	**100.00**	100.00
Semasa Sentral (Penang) Sdn. Bhd. *	Operation, management and maintenance of Penang Sentral	Malaysia	**100.00**	100.00
Sooka Sentral Sdn. Bhd.	Provision of management services	Malaysia	**100.00**	100.00
Synargym Sdn. Bhd.	Leasing of office space and sub-lease to tenants and also leasing of machinery	Malaysia	**100.00**	100.00

43 SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Name of enterprise	Principal activities	Country of incorporation	Effective equity interest 2019 %	Effective equity interest 2018 %
Landas Utama Sdn. Bhd. *	Investment holding	Malaysia	**100.00**	100.00
Mafira Holdings Sdn. Bhd. *	Investment holding	Malaysia	**100.00**	100.00
MRCB Ceramics Sdn. Bhd. *	Manufacturing, distribution and sale of ceramic tiles	Malaysia	**100.00**	100.00
MRCB Green Energy Sdn. Bhd.	Pre-operating	Malaysia	**100.00**	100.00
MRCB Property Management Sdn. Bhd. *	Property investment and management	Malaysia	**100.00**	100.00
MR Securities Sdn. Bhd. *	Investment holding	Malaysia	**100.00**	100.00
Held through 100% ownership by MR Securities Sdn. Bhd.				
– Semasa Security Sdn. Bhd.	Security guard services	Malaysia	**100.00**	100.00
Seleksi Untung Sdn. Bhd.	Modular building design system	Malaysia	**100.00**	100.00
Malaysian Resources Construction System Sdn. Bhd.	Develop modular construction system	Malaysia	**100.00**	100.00
MRCB Innovations Sdn. Bhd.	Investment holding	Malaysia	**70.00**	70.00
Held through 100% ownership by MRCB Innovations Sdn. Bhd.				
– MRCB Innovations (HK) Pte Limited	Investment Holding	Hong Kong	**100.00**	–
MRCB DCS Holding Sdn. Bhd.	Investment holding	Malaysia	**100.00**	100.00
Held through 100% ownership by MRCB DCS Holding Sdn. Bhd.				
– Semasa District Cooling Sdn. Bhd.	Supply chilled water	Malaysia	**100.00**	100.00
– DCS Operation & Maintenance Sdn. Bhd.	Pre-operating	Malaysia	**100.00**	100.00
– KL Sentral DCS Sdn. Bhd.	Pre-operating	Malaysia	**100.00**	100.00
– PJ Sentral DCS Sdn. Bhd.	Provision of cooling system services	Malaysia	**100.00**	100.00
– Penang Sentral DCS Sdn. Bhd.	Pre-operating	Malaysia	**100.00**	100.00
– KD District Cooling System Sdn. Bhd.	Pre-operating	Malaysia	**100.00**	100.00

43 SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Name of enterprise	Principal activities	Country of incorporation	Effective equity interest 2019 %	Effective equity interest 2018 %
Geometrik Dinamik Sdn. Bhd.	Pre-operating	Malaysia	**100.00**	100.00
Inovasi Kristal Sdn. Bhd.	Pre-operating	Malaysia	**100.00**	100.00
Iris Nova Sdn. Bhd.	Pre-operating	Malaysia	**100.00**	100.00
Superview Development Sdn. Bhd. α	Property development, management and shares trading	Malaysia	**100.00**	100.00
MRCB Tekad Sdn. Bhd. ^	Pre-operating	Malaysia	**100.00**	100.00
ASSOCIATES:				
One IFC Sdn. Bhd. β	Investment holding	Malaysia	**–**	30.00
MRCB-Quill REIT β	Acquisition of land investment in commercial properties	Malaysia	**27.94**	27.94
MRCB Quill Management Sdn. Bhd. β	Manage real estate investment trust	Malaysia	**41.00**	41.00
Suasana Sentral Two Sdn. Bhd.	Property development	Malaysia	**30.00**	30.00
UEMB-MRCB JV Sdn. Bhd. β	Project management	Malaysia	**49.00**	49.00
Held through 49% ownership by MRCB Land Sdn. Bhd.				
– Compass PM (Sentral) Sdn. Bhd. β	Property management	Malaysia	**49.00**	49.00
Held through 20% ownership by Rukun Juang Sdn. Bhd.				
– Bukit Jalil Sentral Property Sdn. Bhd.	Property development and property investment	Malaysia	**20.00**	17.00

43 SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Name of enterprise	Principal activities	Country of incorporation	Effective equity interest 2019 %	Effective equity interest 2018 %
JOINT VENTURES:				
Held through 70% ownership by MRCB Land Sdn. Bhd.				
– CSB Development Sdn. Bhd.	Property development	Malaysia	**70.00**	70.00
Held through 50% ownership by MRCB Builders Sdn. Bhd.				
– MRCB George Kent Sdn. Bhd.	To undertake the construction and completion of the Light Rail Transit Line 3	Malaysia	**50.00**	50.00
59 INC Sdn. Bhd.	Property development	Malaysia	**30.00**	30.00
MRCB Gamuda Sdn. Bhd.	Pre-operating	Malaysia	**50.00**	50.00

* Dormant
^ The subsidiary was under members' voluntary liquidation and dissolved
α The subsidiaries are under creditors' voluntary liquidation
β Companies not audited by PricewaterhouseCoopers PLT

44 SEGMENT REPORTING

Management has determined the operating segments based on the various reports prepared for the Board of Directors that are used to make strategic decisions.

The reportable operating segments derive their revenue primarily from the property development and investment, engineering, construction and environment, facilities management and parking and others.

Segment results are defined as operating income before unallocated corporate expenses, finance income, finance cost and share of results from joint ventures and associates.

Segment assets consist primarily of current and non-current assets.

Segment liabilities comprises of current and non-current liabilities.

The Group is domiciled in Malaysia. The results of its revenue from external customers in Malaysia is RM1,311,152,604 (2018: RM1,852,006,910) and the total of revenue from external customers from other countries is RM8,240,703 (2018: RM18,698,171).

Inclusive in the Group's non-current assets is RM9,254,193 (2018: RM1,501,510) located in countries other than Malaysia.

The revenue derived from transactions with a single external customer that amounted to 10% or more of the Group's revenue for the financial year was derived from the engineering, construction and environment segment amounting to RM283,539,509 (2018: RM323,000,000).

44 SEGMENT REPORTING (CONTINUED)

	Property development & investment RM'000	Engineering, construction & environment RM'000	Facilities management & parking RM'000	Others RM'000	Group RM'000
Year ended 31.12.2019					
Revenue					
Total revenue	678,207	999,292	57,499	281,448	2,016,446
Inter-segment revenue	(111,515)	(319,749)	(3,860)	(261,929)	(697,053)
External revenue	566,692	679,543	53,639	19,519	1,319,393
Results					
Segment results	76,800	23,058	5,965	(3,725)	102,098
Unallocated corporate expenses					(29,704)
Finance income					19,590
Finance costs					(45,599)
Share of results of joint ventures and associates	6,218	352	–	–	6,570
Profit before income tax					52,955
Income tax expense					(34,263)
Profit after tax					18,692
Non-controlling interests					5,047
Net profit for the financial year attributable to the equity holders of the Company					23,739
As at 31.12.2019					
Assets					
Segment assets	6,098,982	1,042,655	169,282	303,969	7,614,888
Joint ventures and associates	722,573	40,116	–	–	762,689
Tax recoverable and deferred tax assets					103,454
Total assets					8,481,031
Liabilities					
Segment liabilities	901,156	689,982	22,295	133,901	1,747,334
Interest bearing instruments					1,829,004
Current and deferred tax liabilities					81,218
Total liabilities					3,657,556
Other disclosures					
Capital expenditure	55,879	1,265	86,402	2,799	146,345
Depreciation and amortisation	32,046	8,680	2,598	25,845	69,169

44 SEGMENT REPORTING (CONTINUED)

	Property development & investment RM'000	Engineering, construction & environment RM'000	Facilities management & parking RM'000	Others RM'000	Group RM'000	Discontinued operations RM'000	Total RM'000
Year ended 31.12.2018							
Revenue							
Total revenue	1,050,343	1,401,263	56,430	265,533	2,773,569	–	2,773,569
Inter-segment revenue	(7,673)	(642,685)	(3,107)	(249,399)	(902,864)	–	(902,864)
External revenue	1,042,670	758,578	53,323	16,134	1,870,705	–	1,870,705
Results							
Segment results	97,848	56,228	6,390	(5,280)	155,186	110,214	265,400
Unallocated corporate expenses					(34,285)	–	(34,285)
Finance income					20,589	24,562	45,151
Finance costs					(43,976)	(59,161)	(103,137)
Share of results of joint ventures and associates	11,289	14,184	–	–	25,473	–	25,473
Profit before income tax					122,987	75,615	198,602
Income tax expense					(46,086)	(49,861)	(95,947)
Profit after tax					76,901	25,754	102,655
Non-controlling interests					(1,488)	–	(1,488)
Net profit for the financial year attributable to the equity holders of the Company					75,413	25,754	101,167

Discontinued operations represent infrastructure and concession segment.

44 SEGMENT REPORTING (CONTINUED)

	Property development & investment RM'000	Engineering, construction & environment RM'000	Facilities management & parking RM'000	Others RM'000	Group RM'000
As at 31.12.2018					
Assets					
Segment assets	6,057,227	988,280	78,809	265,228	7,389,544
Joint ventures and associates	800,968	47,111	–	–	848,079
Tax recoverable and deferred tax assets					104,691
Total assets					8,342,314
Liabilities					
Segment liabilities	952,567	813,564	21,090	76,100	1,863,321
Interest bearing instruments					1,493,123
Current and deferred tax liabilities					85,417
Total liabilities					3,441,861
Other disclosures					
Capital expenditure	174,800	3,142	1,014	800	179,756
Depreciation and amortisation					
– continuing operations	20,998	10,262	2,738	3,505	37,503
– discontinued operations	–	–	–	18	18

Capital expenditure consists of additions to property, plant and equipment and investment properties (Notes 15 and 16).

The Group's business segments mainly operate in Malaysia.

45 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) On 23 January 2019, MRCB Australia Holding Company Pty. Ltd., the Company's wholly owned subsidiary, incorporated a new subsidiary in Australia, namely MRCB Docklands Pty. Ltd. The issued and paid up share capital of MRCB Docklands Pty. Ltd. is AUD2 comprising 2 ordinary shares.

(b) On 19 February 2019, MRCB Innovations Sdn. Bhd., the Company's 70% equity interest owned subsidiary, incorporated a new wholly owned subsidiary in Hong Kong, namely MRCB Innovations (HK) Pte Limited.

The principal activity of MRCB Innovations (HK) Pte Limited is investment holding with an issued and paid up share capital of HKD2 comprising 2 ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS
– 31 DECEMBER 2019

45 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(c) On 19 April 2018, MRCB Land Sdn. Bhd. ("MLSB"), the Company's wholly owned subsidiary, entered into a Share Sale Agreement with Rasma Contractors Sdn. Bhd. to acquire its entire 750,000 ordinary shares which represent 15% equity interest in Rukun Juang Sdn. Bhd. ("RJSB") for a cash consideration of RM750,000. RJSB is a subsidiary of MLSB.

The acquisition was completed on 15 November 2019. With this, RJSB became the Company's wholly owned subsidiary.

(d) On 23 May 2019, the Company entered into a Share Purchase Agreement with CMY Capital Sdn. Bhd. for the disposal of its entire 30% equity interest in ONE IFC Sdn. Bhd., represented by 3,000,000 ordinary shares and 72,000,000 redeemable convertible preference shares, all issued and fully paid, for a cash consideration of RM117,273,000.

The disposal was completed on the same day and generated a net disposal gain of approximately RM54.5 million to the Group as below:

	RM'000
Sale proceeds	**117,273**
Less: Cost of investment	**(75,000)**
Add: Accumulated provision for diminution of investment	**6,645**
Gain at the Company level (Note 8)	**48,918**
Less: Accumulated provision for diminution of investment	**(6,645)**
Add: Post acquisition losses	**7,506**
Add: Unrealised profit on Lot C land sales	**8,988**
Gain before tax on disposal of investment (Note 8)	**58,767**
Less: Real property gains tax (Note 13)	**(4,257)**
Net gain on disposal of investment	**54,510**

46 DIVIDENDS

	2019		2018	
	Dividend per share sen	Amount of dividend RM'000	Dividend per share sen	Amount of dividend RM'000
Proposed first and final single tier dividend	**1.00**	**44,121**	1.75	77,211

The Directors approved and declared the payment of a first and final single tier dividend in respect of the financial year ended 31 December 2019 of 1.00 sen per ordinary share, amounting to approximately RM44,121,000. The payment will be made on 20 May 2020.

47 DISCONTINUED OPERATIONS

The discontinued operations is in respect of the Concession Termination of the toll collection from the EDL Expressway was discontinued on 1 January 2018, and contributed no revenue during the previous financial year.

a. Results

	2018 RM'000
Revenue	–
Direct operating expenses	19
Other income *	111,228
Selling and distribution costs	(4)
Administrative expenses	(551)
Other operating expenses	(478)
Net finance costs	(34,599)
Profit before income tax	75,615
Income tax expense	
– current tax	864
– deferred tax (Note 25)	(50,725)
	(49,861)
Profit from discontinued operations	25,754

* Other income during the financial year mainly represents effects of the concession termination.

The profit before income tax is arrived at after charging:

Auditors' remuneration	
– statutory audit	43
– other services	
– audit related	28
– non-audit related	103
Staff cost	174
Property, plant and equipment	
– depreciation of property, plant and equipment	18

NOTES TO THE FINANCIAL STATEMENTS
– 31 DECEMBER 2019

47 DISCONTINUED OPERATIONS (CONTINUED)

b. Cash flows

	2018 RM'000
Net cash flow used in operation activities	(112,588)
Net cash flow generated from investing activities	1,325,800
Net cash used in financing activities	(1,200,124)
Changes in cash and cash equivalents	13,088
Cash and cash equivalent at the beginning of the financial year	8,992
Cash and cash equivalent at the end of the financial year	22,080

48 CHANGES IN ACCOUNTING POLICIES

The Group and the Company have adopted MFRS 16 "Leases" for the first time in the 2019 financial statements with the date of initial application ("DIA") of 1 January 2019 by applying the simplified retrospective transition method. During the financial year, the Group and the Company changed its accounting policies on leases upon adoption of MFRS 16. The Group and the Company have elected to use the simplified retrospective transition method and to apply a number of practical expedients as provided in MFRS 16.

Under the simplified retrospective transition method, the 2018 comparative information was not restated and the cumulative effects of initial application of MFRS 16 where the Group and the Company are lessees were recognised as an adjustment to the opening balance of retained earnings as at 1 January 2019. The comparative information continued to be reported under the previous accounting policies governed under MFRS 117 "Leases" and IC Int. 4 "Determining whether an Arrangement Contains a Lease". As a lessor, the Group and the Company are not required to make any adjustment on transition, except for the reassessment of existing operating subleases at the DIA.

In addition, the Group and the Company have elected not to reassess whether a contract is, or contains a lease at the DIA. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying MFRS 117 and IC Int. 4.

The Group and the Company as a lessees

Leases classified as operating leases under MFRS 117

On adoption of MFRS 16, the Group and the Company recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of MFRS 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

The associated right-of-use ("ROU") assets for property leases were measured on a retrospective basis as if the new requirements has always been applied. Other ROU assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statements of financial position as at 31 December 2018.

48 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

The Group and the Company as a lessees (continued)

In applying MFRS 16 for the first time, the Group and the Company have applied the following practical expedients permitted by the standard to leases previously classified as operating leases under MFRS 117:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the ROU asset at the DIA; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.5% per annum.

The reconciliation between the operating lease commitments disclosed applying MFRS 117 as at 31 December 2018 to the lease liabilities as at 1 January 2019 is as follows:

	Group As at 1.1.2019 RM'000	Company As at 1.1.2019 RM'000
Operating lease commitments as at 31 December 2018	**89,400**	**41,249**
Discounted using the incremental borrowing rate of 5.5%	**(20,037)**	**(4,304)**
Low value and short term leases recognised on straight line basis	**(7,759)**	**(100)**
Adjustment as a result of extension option	**36,570**	**–**
Lease liabilities as at 1 January 2019	**98,174**	**36,845**
Of which are:		
Current lease liabilities	**19,077**	**10,532**
Non-current lease liabilities	**79,097**	**26,313**
	98,174	**36,845**

49 SIGNIFICANT EVENT SUBSEQUENT TO THE FINANCIAL YEAR

The wide spread of the Covid-19 since the beginning of 2020 is a fluid and challenging situation faced by all industries. At this juncture, the Group is in the process of performing a detailed assessment of the overall impact of the situation on the Group's operations in the next financial year, including the recoverability of the carrying amount of assets, measurements of its assets and liabilities as well as implications to its loan covenants. Based on the ongoing assessment to date, it is foreseen that the Covid-19 pandemic may have financial implications to the Group, including the results of the Group and measurement of its assets and liabilities of the Group for the next financial year. The Board of Directors of the Company has also performed a preliminary assessment of its cash flows for the next twelve months. The Group will continue to monitor the situation, take appropriate and timely actions as required.

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