JIANKUN INTERNATIONAL BERHAD

[Registration No. 198301015973 (11365-U)]

ANNUAL REPORT 2019

CONTENTS

CORPORATE STRUCTURE

Our core business of Jiankun International Berhad ("the Group") is in properties development activities. The Group structure of the subsidiaries company are as follows:

** Incorporated in Hong Kong*

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Ir Lim Siang Chai
Executive Chairman

Foong Kah Heng
Executive Director

Lee Leong Kui
Executive Director

Datuk Lee Kian Seng
Non-Independent Non-Executive Director

Fathi Ridzuan Bin Ahmad Fauzi
Independent Non-Executive Director

Kamil Bin Abdul Rahman
Independent Non-Executive Director

Chan Fook Mun
Independent Non-Executive Director

COMPANY SECRETARIES

Tan Tong Lang
(MAICSA 7045482/ SSM PC No. 201908002253)
Thien Lee Mee
(LS0009760/ SSM PC No. 201908002254)

REGISTERED OFFICE

Suite 10.02, Level 10,
The Gardens South Tower,
Mid Valley City, Lingkaran Syed Putra,
59200 Kuala Lumpur
Tel No.: 03 – 22980263
Fax No.: 03 – 22980268

BOARD COMMITTEES

Audit Committee
Fathi Ridzuan Bin Ahmad Fauzi (Chairman)
Kamil Bin Abdul Rahman
Chan Fook Mun

Nomination Committee
Kamil Bin Abdul Rahman (Chairman)
Fathi Ridzuan Bin Ahmad Fauzi
Chan Fook Mun

Remuneration Committee
Chan Fook Mun (Chairman)
Dato' Ir Lim Siang Chai
Kamil Bin Abdul Rahman

Risk Management Committee
Dato' Ir Lim Siang Chai (Chairman)
Foong Kah Heng
Lee Leong Kui

SHARE REGISTRARS

Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A,
Vertical Business Suite, Avenue 3,
Bangsar South,
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel No.: 03 -27839299
Fax No.: 03 -27839222

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Sector: Properties
Stock Name: JIANKUN
Stock Code: 8923

WARRANTS

Main Market of Bursa Malaysia Securities Berhad
Stock Name : JIANKUN-WA
Stock Code : 8923WA

PRINCIPAL BANKERS

Malayan Banking Berhad
United Overseas Bank (Malaysia) Berhad
AmBank (Malaysia) Berhad
RHB Bank Berhad
Public Bank Berhad
Public Bank (Hong Kong) Ltd

AUDITORS

Messrs. UHY (AF 1411)
Suite 11.05, Level 11,
The Gardens South Tower,
Mid Valley City, Lingkaran Syed Putra,
59200 Kuala Lumpur
Tel No. : 603-22793088
Fax No.: 603-22793099

HEAD OFFICE

Unit 106, Block G,
Pusat Dagangan Phileo Damansara 1,
No. 9, Jalan 16/11,
Off Jalan Damansara,
46350 Petaling Jaya, Selangor
Tel No. : 03 -79323666
Fax No. : 03 -79322866

BOARD OF DIRECTORS' PROFILES

DATO' IR LIM SIANG CHAI
Executive Chairman
65 years of age, Malaysian, Male
Chairman of Risk Management Committee
Member of Remuneration Committee

Dato' Ir Lim Siang Chai was appointed to the Board on 1 July 2013 as Executive Chairman of the Company.

Dato' Ir Lim is a Chartered Engineer (C Eng) registered with the Engineering Council, United Kingdom and Professional Engineer (P Eng) registered with the Board of Engineers, Malaysia. He is a member of the Institution of Engineers Malaysia (MIEM), Institute of Engineering and Technology of United Kingdom (MIET), an Honorary Fellow of the ASEAN Federation of Engineering Organisation, and a member of the Malaysian Institute of Management. He also holds a Master of Business Administration from Deakin University, Australia and had undergone many technical and management training in Japan.

Dato' Ir Lim had also served the Malaysian Government in various capacities as follows:

- 2010 – 2013 Deputy Minister of Finance
- 2006 – 2008 Deputy Minister of Tourism
- 2003 – 2006 Deputy Minister of Information
- 1999 – 2003 Parliamentary Secretary, Ministry of Transport
- 1995 – 2008 Member of Parliament (Petaling Jaya South)

Dato' Ir Lim is the Past President of the Electrical and Electronic Association, Past President of the Subang National Golf Club and Chairman of the Ping Pong Association of Petaling District.

Dato' Ir Lim is actively involved in various NGOs and has held various key positions, like Adviser to The Federation of Malaysia Chinese Clans and Guilds Youth Association, the Lim Clan Association of Malaysia, Gerakan Belia Bersatu Malaysia, the Business and Commerce Association of Petaling District, as well as the Association of Hawkers and Small Traders of Petaling Jaya.

Apart from the Company, Dato' Ir Lim also the Non-Independent Non-Executive Chairman of Advance Information Marketing Berhad. He does not have any family relationship with any Director and/or major shareholder of the Company. He has no conflict of interest with the Company and has had no convictions for offences within the past five (5) years other than traffic offences, if any.

Board Of Directors' Profiles (Cont'd)

Foong Kah Heng
Executive Director
57 years of age, Malaysian, Male

Mr. Foong Kah Heng was appointed to the Board on 13 January 2015 as an Executive Director. He graduated with Diploma in Accountancy from Systematic College in Kuala Lumpur.

He is the Managing Director in Falcon Motorsports Sdn Bhd since year 2012 and Director of M & G Sdn Bhd since year 1984.

Mr Foong is not a director of any other public companies. He does not have any family relationship with any Director and/or major shareholder of the Company. He has no conflict of interest with the Company and has had no convictions for offences within the past five (5) years other than traffic offences, if any.

Lee Leong Kui
Executive Director
43 years of age, Malaysian, Male

Mr Lee Leong Kui was appointed to the Board on 13 January 2015 as an Executive Director. He graduated with Degree in Business Administration from Anglia Polytechnic University in United Kingdom.

He was an Executive Director in Solid Property Developments Sdn Bhd in year 2009. He continued his career as Head of Business Development Division in Newday Development Sdn Bhd in year 2011. He later joined Juara Gred Development Sdn Bhd in year 2014 as a Director.

Mr. Lee is not a director of any other public companies. He does not have any family relationship with any Director and/or major shareholder of the Company. He has no conflict of interest with the Company and has had no convictions for offences within the past five (5) years other than traffic offences, if any.

Board Of Directors' Profiles (Cont'd)

Datuk Lee Kian Seng
Non-Independent Non-Executive Director
58 years of age, Malaysian, Male

Datuk Lee Kian Seng was appointed to the Board on 1 November 2017 as a Managing Director and was re-designated as Non-Independent Non-Executive Director on 2 November 2018.

He graduated with Bachelor of Science in Business Administration, United States, majoring in Finance.

In year 1998, Datuk Lee was appointed as Executive Director of a public listed company named, SEAL Incorporated Berhad (SEAL). In the same year, he was also appointed as Managing Director of the Great Eastern Mill, a timber manufacturing mill wholly owned by SEAL.

In 8 December 2005, he was appointed to the Board of Magna Prima Berhad (MPB) as an Independent Non-Executive Director and was subsequently re-designed to Group Managing Director on 1 March 2006.

After 4 successful years with MPB, he resigned in mid of year 2009 to set up his own property development company, namely Wangsa Group.

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

Fathi Ridzuan Bin Ahmad Fauzi
Independent Non-Executive Director
55 years of age, Malaysian, Male
Chairman of Audit Committee
Member of Nomination Committee

En. Fathi Ridzuan Bin Ahmad Fauzi was appointed to the Board on 20 April 2012 as an Independent Non-Executive Director.

En. Fathi Ridzuan graduated with a Bachelor of Science Degree in Accounting and Financial Analysis from University of Warwick, Coventry, United Kingdom in 1989.

En. Fathi Ridzuan began his career in 1989 where he worked in various accounting and finance capacities. He has accumulated vast experience in financial, administrative, legal, information technology, risk management and stockbroking operations. Apart from being an independent consultant for Esperanza Management Advisors, presently, he is the Group Chief Executive Officer of Pradotec Corporation Sdn Bhd.

Currently, En. Fathi Ridzuan also sits on the Board of Advancecon Holdings Berhad and N2N Connect Berhad.

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

Board Of Directors' Profiles (Cont'd)

Kamil Bin Abdul Rahman
Independent Non-Executive Director
71 years of age, Malaysian, Male
Chairman of Nomination Committee
Member of Audit Committee and Remuneration Committee

Encik Kamil Bin Abdul Rahman was appointed to the Board on 29 January 2015 as an Independent Non-Executive Director. He graduated with a Bachelor of Commerce degree from the University of Otago, New Zealand and subsequently qualified as a Chartered Accountant of the Institute of Chartered Accountants of New Zealand.

He is also a Fellow Chartered Secretary of the Institute of Chartered Secretaries and Administrators, United Kingdom, and a Chartered Accountant of the Malaysian Institute of Accountants. He attended a Building Contractor Certificate Programme conducted by Universiti Putra Malaysia and Director Accreditation Programme by the Research Institute of Investment Analysts.

His area of specialisation is in corporate governance, corporate finance and risk management.

His previous senior positions were as Senior Vice President of the Bank of Commerce (M) Berhad and as Executive Director of Commerce International Merchant Bankers Berhad.

Currently, En Kamil is a Board member of Khind Holdings Berhad and Brahim's Holdings Berhad.

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

Board Of Directors' Profiles (Cont'd)

Chan Fook Mun
Independent Non-Executive Director
49 years of age, Malaysian, Male
Chairman of Remuneration Committee
Member of Audit Committee and Nomination Committee

Mr. Chan Fook Mun was appointed to the Board on 29 May 2015 as an Independent Non-Executive Director.

He graduated with Bachelor Architecture in Curtin University of Technology, Perth, Australia. He is also member of Lembaga Arkitek Malaysia and member of Persatuan Arkitek Malaysia.

In year 2002, he had established Redd Integrated Sdn Bhd with Tan Sri Lim Kok Wing. In year 2004, established RDO (Redd Design Office Sdn. Bhd.). In year 2007, he had established Chan & Rakan-rakan (Branch Abu Dhabi) in Abu Dhabi, UAE. In year 2009, he had established Redd Development Sdn. Bhd. In year 2010, work published in Architecture @ 10 The next generation of architecture in Asia + New building technologies and products, publisher: BCI Asia. In year 2014, work published in The Edge business and investment newspaper.

Mr. Chan does not hold any directorship in other public listed companies.

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

PROFILES OF KEY SENIOR MANAGEMENT

The Management team is headed by the Executive Chairman, Dato' Ir Lim Siang Chai and two (2) Executive Directors, Mr. Foong Kah Heng and Mr. Lee Leong Kui.

Their profiles are set out in page 4 to 8 in this Annual Report.

MANAGEMENT DISCUSSION AND ANALYSIS

On behalf of the Board of Directors of Jiankun International Berhad ("Jiankun", "the Company" or "the Group"), it gives me great pleasure to present the Annual Report together with the Audited Financial Statements of the Group and the Company for the financial year ended (FYE) 31 December 2019 together with the Management Discussion and Analysis ("MD&A").

The following MD&A of the operating performance and financial position of the Company and the Group for the FYE 31 December 2019, should be read in conjunction with the Audited Financial Statement and related notes thereto.

The information presented in the MD&A, including information relating to comparative periods in 2018, is presented in accordance with the Malaysian Financial Reporting Standards ("MFRS") unless otherwise stated.

Overview of Business and Operations

Jiankun is a company listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") under the Property category. The Company issued and fully paid up capital is RM44,655,645 represented by 166,845,219 ordinary shares.

For the FYE 31 December 2019, the development of Amani Residences Service Apartment remain as Jiankun's sole business project. As at 31 December 2019, the Group registered RM40.3 million in revenue [2018 : RM32.4 million] and profit before tax of RM4.6 million [2018: RM2.3 million].

The project has achieved RM187.8 million in sales value [2018 : RM140.2 million] representing a total 333 units [2018 : 273 units]

The Home Ownership Campaign ("HOC") in 2019, a government's incentive to encourage home ownership, has contributed positively to the sales of Amani Residences.

Meanwhile, for its investment properties in China, the Group appoints qualified independent valuer to conduct valuation exercise on the same on a yearly basis. The last valuation conducted on 12 December 2019 revealed consistent value for the properties in local currency of China' Renminbi (RMB). However, due to currency exchange, a net loss of RM0.6 million was registered and it has been included in the consolidated results.

Corporate Objective and Strategies

The Management is expected to complete and deliver Amani Residences to its buyers in year 2021.

The Board and the Management are actively seeking feasible project(s) moving forward. A numbers of land have been identified for purchase or joint venture consideration.

The Management will present such opportunity to the Board for their consideration and decision.

Management Discussion And Analysis (Cont'd)

Financial Highlights

The Group's key financial information for the year ended 31 December 2019 and 2018 are summarised as follows:

	2019 RM million	2018 RM million
Turnover	40.34	32.44
Earnings Before Interest, Depreciation, Armotisation and Taxation (EBITDA)	4.91	2.78
Profit /(Loss) Before Taxation	4.63	2.28
Taxation	(0.30)	(1.50)
Profit After Taxation and Minority Interest	4.33	0.78
Total Comprehensive Income / (Loss)	4.26	1.20
Net Tangible Assets	54.69	50.42

Turnover

For FYE 31 December 2019, the Group achieved a turnover of RM40.34 million (2018: RM32.44 million). The revenue breakdown as follows:

	2019 RM million	2018 RM million
Property development and construction	36.07	32.34
Trading	4.15	-
Rental	0.12	0.10
Total Revenue	40.34	32.44

The Group registered higher revenue in year 2019 due to improvement of sales take up rate up to RM187.8 million which represented 87.6% of the total development value and higher percentage of completion for Amani Residences.

The improvement of sales take up rate and higher percentage of completion has reduced the Group's borrowing significantly. The outstanding loan position of the Group is as follow:-

Results

Due to the sales take up rate of RM187.8 million and higher stage of completion, the Group recorded a profit of RM4.33 million (2018: RM0.78 million) and EDITDA of RM4.91 million (2018: RM2.78 million).

Financing Position

In order to continue support the construction and development of the project, continue financing from financial institution is essential for the Group. Due to higher stage of completion and take up rate, the Group borrowing has been reduced significantly. The financing position of Group is as follows:-

	2019 RM million	2018 RM million
Term Loan	-	5.49
Bridging Loan	17.57	17.82
	17.57	23.31

It has reduced from the total of RM23.31 million to RM17.57 million. The Group is expected to fully settle the borrowing in year 2020.

Management Discussion And Analysis (Cont'd)

Expansion and Strategic

Amani Residences is scheduled for completion and delivery to buyers in year 2021. For business sustainability, the Group is actively sourcing for suitable land(s) for purchase or joint-venture consideration.

The undertaking of future development will be funded via internal fund and/or external borrowing from financial institution(s).

Non-financial indicator

Non-financial indicators are equally important to the Group's performance. The Group will continue monitoring staff turnover rate, project's sales take up rate, sales loan conversion rate and project's construction rate to prevent unfavourable impact on the Group's performance.

The Group has also taken note to the political uncertainties in the country and economic uncertainties, domestically and globally, caused by the outbreak of Covid-19 worldwide which has resulted the imposition of Movement Control Order (MCO) by the government on 18 March 2020.

The challenging economic environment may affect the Group's performance. However, the Board has yet to assess fully such impact on the Group's performance.

Significant changes in performance, financial position and liquidity

For year 2020, the Board will not anticipate any significant changes in Company's performances, financial position and its liquidity as it will continue to focus on the development its current project.

In moving forward, the Group will secure necessary funding facilities to undertake future project(s) and enlarge the Company's project development portfolio.

In mitigation to the financial risk, the management would take reasonable care to safeguard the company's assets and will ensure future interest of shareholders and stakeholders are protected.

Capital expenditure

The Group will continue with its current business model in promoting participation of various vendors in the Group's project(s) to minimise its capital expenditure.

Unless the Group changes its business model, the Group is expecting a massive capital expenditure to be incurred in supporting the growth. In order to support this model, the Group may need to explore its financing model.

Business and industries trend

National Property Information Centre (NAPIC) reported that the number of inventories has increased National Property Information Centre (NAPIC), an agency under the Ministry of Finance, has reported that the property market remain challenging as overhang status remain high. By end of year 2019, total overhang properties stood at 56,988 units valued RM41.5 billion, an increase of 11.2% and 16.1% respectively from year 2018. (Source: Starbizweek 2 May 2020)

The Covid-19 outbreak will bring huge impact to the property market in short term due concern over business sustainability, unemployment and stringent loan approvals.

However, the government has taken necessary measurement under Pelan Jana Semula Ekonomi Negara (PENJANA) program post-MCO in re-introducing the Home Ownership Campaign to boost the property market.

With government incentive, it is expected that the take up rate of residential properties will improve in medium term particularly properties within affordable range.

Management Discussion And Analysis (Cont'd)

Associated risk and mitigation plans & strategies

Business Risk

a) Foreign currency risk

The Group's exposure to foreign currency risk is minimal except for investment properties in China. Management will continue to review the Group's exposure to foreign currency risks arising from turnover generated in currencies other than Ringgit Malaysia.

b) Interest rate risks

The property development businesses require external financing and the cost of financing are dependent on numerous factors, including general economic and capital market conditions, interest rates, credit availability from banks or other lenders, any restrictions imposed by the Government of Malaysia as well as political, social and economic conditions in Malaysia. The Group businesses may also be exposed to fluctuation in interest rate movements. Any significant increase in interest rate may also adversely affect the financial performance of the Group.

The Management will monitor the risk of interest rate fluctuation and take necessary mitigation action via prudent capital budgeting and the Board will be consulted for all major decision-makings in relation to any financing issues.

c) Competition risks

The Group's competitiveness is dependent on the ability of the management to price the product competitively, to provide quality and timely delivery of properties and to manage the sales of the properties.

The Management will continue to identify and undertake relevant measures and practices to ensure competitiveness in the property development market via pricing, product's quality and timely completion and delivery of its project.

d) Delays in commencement and completion

There are many factors that may impact the performance of a project. Delayed approval(s) by authorities, shortage of construction materials and underperformed contractor(s) will affect the smooth progress of a project.

The Management will closely monitor the work progress for early detection of any faults to mitigate the risk of delayed project completion and delivery.

Management Discussion And Analysis (Cont'd)

Forward looking statement

Possible trend, outlook & sustainability of each principal business segment

Despite the current economic conditions, expected weak property market sentiment and high inventory carry forward from 2019, demand for affordable residential properties remain higher demand. The management is fully cognizant of the current challenges and will continue to focus on opportunities to meet the market needs.

Since Amani Residences is expected to complete in year 2021, sourcing and securing new land for development will be the main target for the Group.

Prospects of new business or investments

There are numerous development opportunities that are being pursued by the management. The management will work closely with the Board to evaluate all potential new business or investments to optimise the interest of the Group as well as the shareholders and stakeholders.

Dividend/distribution policy & factors contributing

At this moment, the Company has not formalised any dividend/distribution policy in rewarding the shareholders. After taking into consideration of the Group's financial performance, cash flow position and fund needs for future expansion of the Group, the Board will act in best interest to continue growing the business as well as reward the shareholders who had given strong support to the Group.

Conclusion

The Management expected this year will be challenging year bearing all the unforeseen circumstances, the Management remain confident with the business opportunities identified and will proceed cautiously to ensure continued business growth.

CORPORATE SUSTAINABILITY STATEMENT

The Board of Directors acknowledges the importance of corporate social responsibility ("CSR") and strives to fulfill the expectation of its stakeholders by enhancing its social environmental and economical performance while ensuring the sustainability and operational success of the company.

Sustainability is an integral part of our business and the Group's to strike a balance between business objective and CSR. The Groups' CSR will be focus on four major areas, namely Workplace, Environmental, Market Place and Communities Services.

i. Workplace

The Management recognises that employees are asset to the Company. Its will provide a safe and working-conducive office premises to its employees.

The Management also acknowledges that its multi-racial employees, who came from different cultures and religions, have contributed to the success of the Company's business operation. To ensure business sustainability, the Management will continue in practising merit-based recruitment policy where selection of incoming employee(s) will be based on their competency, skill and experience.

To upskill its employees, the Management will provide employees with necessary training programmes and exposure to seminars in their respective field.

ii. Environmental

The Group recognises the importance of having healthy day to day operation's environment. The Group will continue to ensure its day to day operations are in compliance with relevant authority's guidelines and regulations to promote a safe and healthy working environment.

iii. Market Place

The Group emphasizes transparent, accountable and good corporate governance practices to meet the shareholder's expectation. The Group will also continue to uphold good business relationship with bankers, customers, suppliers, contractors, authorities, real estate agencies, valuers and analysts and the public.

iv. Community

The Group recognises the co-relationship between business growth, social well-being and public welfare. Therefore the Group will extend all necessary contributions to the vulnerable and less fortunate groups to improve their living environment.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("Board") of Jiankun values the importance of good corporate governance and upholds the principles and good practices contained in the Malaysian Code on Corporate Governance ("MCCG"), where applicable.

MCCG serves as a fundamental guide to the Board in discharging its duty to act in the best interest of the Group while enhancing long-term shareholders' value and interests of other stakeholders.

This overview statement is prepared in compliance with the Main Market Listing Requirements ("MMLR") of Bursa Securities and is to be read together with the Corporate Governance Report of the Company for the financial year ended 31 December 2019, which is available on the Company's website at www.jki.com.my.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

Principle A: Part 1 – Board Responsibilities

Intended Outcome 1.0
- **Every company is headed by a Board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.**

The Board is responsible for the leadership, oversight and overall management of the Company. An effective Board is the one that made up of a combination of Executive Director with intimate knowledge of the business and Non-Executive Directors from diversified industry/business background to bring broad business and commercial experience to the Group.

The Board has the overall responsibility for corporate governance, establishing goals, strategies and direction, reviewing the Group's performance and critical business issues and ultimately the enhancement of long-term shareholders' value. It monitors and delegates the implementation of the strategic direction to the management.

The Directors collectively, with their different background and specialisation, bring with them a diverse wealth of experience and expertise in areas such as business, finance, legal, regulatory and operations which is relevant to the Group. A brief profile of each individual Directors is set out in this Annual Report.

The Board reviews the strategic plan of the Company tabled by Management at its meeting. The review would cover the performance targets and long-term plans of the Company to be met by Management. The Board is satisfied with the strategic plan of the Company as presented by the Management.

The Board would continue to review the plan to ensure its implementation. The Board's role is to oversee the performance of the Management to determine whether the business is properly managed.

The Board gets updates from Management at the quarterly Board meetings when reviewing the unaudited quarterly results. During Board meetings, the Board participated actively in the discussion on the performance of the Company and assessed the performance of the Management.

As part of its efforts to ensure the effective discharge of its duties, the Board has delegated certain functions and responsibilities to the following respective Board Committees:-

- Audit Committee;
- Nomination Committee;
- Remuneration Committee; and
- Risk Management Committee.

The Chairman of each Board Committee will report to the Board on the outcome of the Committee's meetings which also include the key issues deliberated at the Committee's meetings. The Board Committees discharge their duties in accordance to the Terms of Reference approved by the Board.

Corporate Governance Overview Statement (Cont'd)

1.1 The Chairman of the Board

The Board is led by an experienced Executive Chairman, who is accountable for ensuring the integrity and effectiveness of the governance process of the Board.

The Executive Chairman is primarily responsible for the orderly conduct of the Board meetings and ensure effectiveness of the Board as well as to ensure that all strategic and critical issues are discussed by the Board in a timely manner.

The responsibilities of the Chairman are clearly defined in the Board Charter, which is available on the Company's website at www.jki.com.my.

1.2 Separation of position of the Chairman and Executive Directors

The Chairman, Dato' Ir Lim Siang Chai and the Executive Directors, Mr Foong Kah Heng and Mr Lee Leong Kui, both holds separate position. There is a clear division of responsibilities between the Chairman and the Executive Directors to ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making.

The Chairman is responsible in leading the Board in its collective oversight of Management and ensure effectiveness of the Board matters whilst the Executive Directors are responsible to implement the policies and strategies approved by the Board for the purposes of running the business and the day-to-day management of the Company.

1.3 Qualified and Competent Company Secretaries

In compliance with Practice 1.4 of the MCCG, the Board is supported by two (2) External Secretaries. The Company Secretaries of the Company are qualified to act as Company Secretary under Section 235 of the Companies Act, 2016 ("the Act"). The Company Secretaries provides the required support to the Board in carrying out its duties and stewardship role, providing the necessary advisory role with regard to the Company's constitution, Board's policies and procedures as well as compliance with all regulatory requirements, MCCG, guidance and legislation.

The Board has ready and unrestricted access to the advice and services of the Company Secretaries, who are considered capable of carrying out the duties to which the post entails. The Directors may seek advice from the management on issues under their respective purview. The Directors may also interact directly with the management, or request further explanation, information or updates on any aspect of the Company's operations or business concerns from them.

The Company Secretaries keep the Board abreast with the latest regulatory updates and ensure that deliberations at Board and Board Committee meetings are well documented.

The Board is satisfied with the performance and support rendered by the two (2) qualified and experienced Company Secretaries to the Board in discharge of its functions.

The Company Secretaries are accountable to the Board on all matters connected with the proper functioning of the Board and responsibility includes:

- assisting the Chairman and the Chairmen of the Board Committees in developing the agendas for the meetings;
- administering, attending and preparing the minutes of meetings of the Board, Board Committees and shareholders,
- acting as liaison to ensure good information flow within the Board, between the Board and its Committees as well as between management and the Directors;
- advising on statutory and regulatory requirements and the resultant implication of any changes that have bearing on the Company and the Directors;
- advising on matters of corporate governance and ensuring Board policies and procedures are adhered to;
- monitoring compliance with the Act, the MMLR and the Constitution of the Company;
- facilitating orientation of new director;
- disseminating suitable training courses and arranging for Directors to attend such courses when requested.

Corporate Governance Overview Statement (Cont'd)

1.4 Access of Information and Advice

Unless otherwise agreed, notice of each meeting confirming the venue, time, date and agenda of the meeting together with relevant Board papers shall be forwarded to each director no later than seven (7) days before the date of the meeting. This is to ensure that Board papers comprising of due notice of issues to be discussed and supporting information and documentations were provided to the Board sufficiently in advance. Furthermore, Directors are given sufficient time to read the Board paper and seek any clarification as and when they may need advisers or further explanation from management and Company Secretaries. The deliberations of the Board in terms of the issues discussed during the meetings and the Board's conclusions in discharging its duties and responsibilities are recorded in the minutes of meetings by the Company Secretaries.

The Board has access to all information within the Company as a full Board to enable them to discharge their duties and responsibilities and is supplied in a timely basis with information and reports on financial, regulatory and audit matters by way of Board papers for informed decision making and meaningful discharge of its duties.

In addition, all Directors have direct access to the advice and services of the Company Secretaries who is responsible for ensuring the Board's meeting procedures are adhered to and that applicable rules and regulatory are complied with. External advisers are invited to attend meetings to provide insights and professional views, advice and explanation on specific items on the meeting agenda, when required. Senior management team from different business units will also be invited to participate in the Board meetings to enable all Board members to have equal access to the latest updates and developments of business operations of the Group presented by the senior management team.

When necessary, the Directors may whether as a full Board or in their individual capacity, seek independent professional advice, including the internal and external auditors, at the Company's expense to enable the directors to discharge their duties with adequate knowledge on the matters being deliberated, subject to approval by the Chairman of the Board, and depending on the quantum of the fees involved.

Senior Management staff may be invited to attend Board meetings to provide the Board detailed explanations and clarifications on certain matters that are tabled to the Board.

Each Board member is expected to achieve at least 50% attendance of total Board Meetings in any applicable financial year with appropriate leave of absence be notified to the Chairman and/or Company Secretaries, where applicable.

The Directors have demonstrated their ability to devote sufficient time and commitment to their roles and responsibilities as Directors of the Company. The Board is satisfied with the level of time and commitment given by the Directors of the Company towards fulfilling their duties and responsibilities.

During the financial year under review, five (5) Board meetings were held and the record of attendance of each Board Member as follows: -

Name of Directors	No. of Meetings Attended	%
Dato' Ir Lim Siang Chai	5/5	100%
Foong Kah Heng	5/5	100%
Lee Leong Kui	5/5	100%
Datuk Lee Kian Seng	4/5	80%
Fathi Ridzuan Bin Ahmad Fauzi	5/5	100%
Kamil Bin Abdul Rahman	4/5	80%
Chan Fook Mun	5/5	100%

All the Directors have complied with the minimum 50% attendance requirement in respect of Board Meeting as stipulated in the MMLR. In the intervals between Board Meetings, for any matters requiring Board's decisions, the Board's approvals are obtained through circular resolutions. The resolutions passed by way of such circular resolutions are then noted at the next Board Meeting.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

Principle A: Part 1 – Board Responsibilities

Intended Outcome 2.0
- **There is demarcation of responsibilities between the board, board committees and management.**
- **There is clarity in the authority of the board, its committees and individual directors.**

2.1 Board Charter

The Board understands the importance of the roles and responsibilities between the Board and Management. As part of the good corporate governance process, the Board has documented these roles and responsibilities in the Board Charter to ensure accountability of both parties and to provide reference for directors in relation to the Board's role, powers, duties and functions.

The Board reviewed the Board Charter on 16 April 2019 to re-align the existing governance policies in the Company with the good standard of corporate governance practices prescribed by MCCG and MMLR, where possible or relevant.

The Board reviews the Board Charter, where necessary, to ensure it remains relevant and effective at the prevailing time and business environment. The Board Charter clearly set outs the functions, responsibilities, and processes of the Board and ensures that all Board members are aware of their roles and duties. In order to ensure that the direction and control of the Group are in the hands of the Board, it had adopted a formal schedule of matters reserved for the Board's deliberation and decision which is set out in the Board Charter. The Board Charter is available on the Company's website at www.jki.com.my.

Intended Outcome 3.0
- **The Board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.**
- **The Board, management, employees and other stakeholders are clear on what is considered acceptable behavior and practice.**

3.1 Code of Ethics and Conduct

The Board is committed in maintaining a corporate culture, which engenders ethical conduct. The Board has formalised the Code of Conducts and Ethics that summarizes what the Company must endeavour to do proactively in order to increase corporate value, and which describes the areas in daily activities that require caution in order to minimize any risks that may occur. The Code of Conduct and Ethics provides guidance for Directors regarding ethical and behavioral considerations and/or actions as they address their duties and obligations during the appointment.

The Board will review the Code of Conduct and Ethics when necessary to ensure it remains relevant and appropriate. The details of the Code of Conduct and Ethics are available for reference at the Company's website at www.jki.com.my.

Corporate Governance Overview Statement (Cont'd)

3.2 Whistle Blowing Policy and Procedures

The Board has formalised a Whistle-blowing Policy, with the aim to provide an avenue for raising concerns related to possible breach of business conduct, non-compliance of laws and regulatory requirements as well as other malpractices.

The main objectives of the policy are:

i) Be committed to the Company's business ethics of Honesty, Integrity and Transparency;

ii) To provide a transparent and confidential process for all parties to give information on non compliances to the Code of Conduct and Ethics, or any misconduct regardless of his or her position, to an independent party to investigate the allegations and take the appropriate actions; and

iii) To uphold the moral duty being a Company by protecting the interest of all its stakeholders. The details of the Whistle-blowing Policy are available for reference at the Company's website at www.jki.com.my.

Stakeholders, who have suspected fraud, misconduct or any integrity concerns, are encouraged to fill up a Whistle Blowing Report Form and email to:

Attention : Encik Fathi Ridzuan Bin Ahmad Fauzi
Designation : Chairman of Audit Committee
Email : fathi.ridzuan@gmail.com

As of the date of this Statement, the Board in the midst of finalising the Whistleblowing Policy and Procedures to be incorporated with Anti-Bribery and Corruption Manual which governs the prevention of corruption and unethical practices within the Group.

Principle A: Part 2 – Board Composition

Intended Outcome 4.0
- **Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.**

4.1 Board Composition

During the financial year under review, the Board of Jiankun currently comprises of seven (7) members which includes the following:

a) one (1) Executive Chairman;
b) two (2) Executive Directors;
c) one (1) Non-Independent Non-Executive Director; and
d) three (3) Independent Non-Executive Directors.

The Board is of the opinion that the current size and composition constitute an effective Board in view of the nature of business and the scale of its Group's business operation.

The composition of the Board complies with Paragraph 15.02(1) of the MMLR of Bursa Securities. The profile of each Director is presented separately in Board of Directors' Profile of this Annual Report 2019.

The current composition of the Board provides an effective Board with a mix of industry specific knowledge, broad based business and commercial experience together with independent judgement on matters of strategy, operations, resources and business conduct. This wide spectrum of skills and experience provide the strength that is needed to lead the Company to meet its objectives. The Board is of the opinion that the directors, with their different background and specialisations, collectively bring with them a wide range of experience and expertise required to discharge the Board's duties and responsibilities.

The Board, through the Nomination Committee, having reviewed the size and complexity of the Group's operations, is of the view that the number of members in the Board is appropriate. Nevertheless, the Board is receptive to revamp the composition of members to ensure that the Board can function more effectively.

Corporate Governance Overview Statement (Cont'd)

4.2 Tenure of Independent Director

The tenure of Independent Directors of the Company is as follows:-

As at 31 December 2019	> 1 - 3	> 3 - 5	> 5 - 7
Independent Non-Executive Directors	-	2	1

Under the MCCG, the tenure of an Independent Director should not exceed a cumulative term of nine years. Upon completion of the nine years, an Independent Director may continue to serve on the Board subject to the director's re-designation as a non-independent Director.

Currently, the Board does not have a policy in place on the tenure for Independent Directors in the Board Charter as the Board is of the view that a cumulative term of more than nine years may not necessary impair independence and judgement of an Independent Director and therefore the Board does not deem it appropriate to impose a fixed term limit for Independent Directors in the Board Charter at this juncture.

Nevertheless, in the event where any Independent Director has served the Board for a cumulative term of nine years, the Nomination Committee, will access and decide whether he/she can remain as an Independent Director. In such situation, the Board will make a recommendation and provide strong justification to the shareholders in a general meeting to provide the shareholders with sufficient insight to enable them to assess the merits of the Board's decision to retain the services of the Independent Directors beyond the nine-year tenure.

In the event where an Independent Director has served the Board for a cumulative term of twelve years, the Nomination Committee will access and decide whether he/she can remain as an Independent Director. In such situation, the Board will make a recommendation and provide strong justification to the shareholders in a general meeting to provide the shareholders with sufficient insight to enable them to assess the merits of the Board's decision to retain the services of the Independent Directors beyond the twelve-year tenure. Under these circumstances, the Board will seek shareholders' approval under a two-tier voting process.

Where the Board has determined that the said Independent Director shall not remain as an Independent Director, then he/she will be re-designated as a Non-Independent Director accordingly.

During the financial year under review, none of the Independent Non-Executive Director have served on the Board for more than nine years.

4.3 Diversity of the Board and Senior Management

The Company does not practice any form of gender, ethnicity and age group biasness as all candidates for either Board or Senior Management team shall be given fair and equal treatment.

The Board believes that there is no detriment to the Company in not adopting a formal gender, ethnicity and age group diversity policy as the Company is committed to provide fair and equal opportunities and nurturing diversity within the Group.

Notwithstanding with the above, the Board affirms its commitment to boardroom diversity as a truly diversified board can enhance the board's effectiveness, perspective, creativity and capacity to thrive in good times and to weather the tough times. In identifying suitable candidates for appointment to the Board, the Nomination Committee will consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board.

Corporate Governance Overview Statement (Cont'd)

4.4 Boardroom and Gender Diversity

The Board does not have a policy on board composition having regard to the mix of skills, independence and diversity (including gender diversity) required to meet the needs of the Group. However, the Board Charter specifies that, as a matter of policy, the Board shall consist of qualified individuals with diverse experience, background, and perspective and the Board has taken into consideration the varied mix of board diversity, skill-set and qualification of candidates chosen to be members of the Board.

4.5 Appointments to the Board

The Nomination Committee makes independent recommendations for appointments to the Board. In making these recommendations, the Nomination Committee assesses the suitability of candidates, taking into account the character, integrity, competence, time commitment and other qualities of the candidates, before recommending their appointment to the Board for approval.

The Nomination Committee is also empowered to bring to the Board, recommendation as to the appointment of any new Director or to fill board vacancies as and when they arise. In making its recommendation, the Nomination Committee will consider the required mix of skills, knowledge, expertise, experience and other qualities, including core competencies which Directors of the Company should bring to the Board.

In fulfilling its primary objectives, the Nomination Committee shall undertake, amongst others, the following duties and responsibilities:

i) to regularly review the structure, size and composition of the Board and make recommendations to the Board with regards to any adjustments that are deemed necessary;
ii) to evaluate the effectiveness of the Board as a whole, the various Committees and each individual Director's contribution to the effectiveness on the decision-making process of the Board;
iii) give full consideration to succession planning for Directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the company, and the skills and expertise needed on the Board in the future;
iv) prepare a description of the role and capabilities required for a particular appointment;
v) identifying and nominating for the approval of the Board, candidates to fill board vacancies as and when they arise;
vi) in determining the process for the identification of suitable new candidates, the Nomination Committee will ensure that an appropriate review or search is undertaken by an independent third party to ensure the requirement and qualification of the candidate nominated;
vii) to make recommendations to the Board on candidates it considers appropriate for appointment; and
viii) to recommend to the Board concerning the re-election by shareholders of any director under the "retirement by rotation" provisions in the Company's Constitution.

4.6 Criteria for Recruitment

The appointment of new Directors is the responsibility of the full Board after considering the recommendations of the Nomination Committee. As a whole, the Company maintains a very lean number of Board members. The Board appoints its members through a formal and transparent selection process which is consistent with Constitution of the Company. This process has been reviewed, approved and adopted by the Board. New appointees will be considered and evaluated by the Nomination Committee. The Nomination Committee will then recommend the candidates to be approved and appointed by the Board. The Company Secretary will ensure that all appointments are properly made, and that legal and regulatory obligations are met.

Generally, the Board adopts a flexible approach when selecting and appointing new directors depending upon the circumstances and timing of the appointment. The Nomination Committee will help assess and recommend to the Board, the candidature of directors, appointment of directors to board committees, review of Board's succession plans and training programme for the Board.

Corporate Governance Overview Statement (Cont'd)

In assessing suitability of candidates, consideration will be given to the core competencies, commitment, contribution and performance of the candidates to ensure that there is a range of skills, experience and diversity (including gender diversity) represented in addition to an understanding of the Business, the Markets and the Industry in which the Group operates and the accounting, finance and legal matters.

In general, the process for the appointment of director to the Board is as follows:

(i) The Nomination Committee reviews the Board's composition through Board assessment/ evaluation;
(ii) The Nomination Committee determines skills matrix;
(iii) The Nomination Committee evaluates and matches the criteria of the candidates, and will consider diversity, including gender, where appropriate;
(iv) The Nomination Committee recommends to the Board for appointment; and
(v) The Board approves the appointment of the candidates.

Factors considered by the Nomination Committee when recommending a person for appointment as a director include:

(i) the merits and time commitment required for a Non-Executive Director to effectively discharge his or her duties to the Company;
(ii) the outside commitments of a candidate to be appointed or elected as a Non-Executive Director and the need for that person to acknowledge that they have sufficient time to effectively discharge their duties; and
(iii) the extent to which the appointee is likely to work constructively with the existing directors and contribute to the overall effectiveness of the Board.

4.7 Nomination Committee

The Company has established the Nomination Committee comprising exclusively of Non-Executive Directors, with the responsibilities of assessing the balance composition of Board members, nominate the proposed Board member by looking into his skills and expertise for contribution to the Company on an ongoing basis. The present Nomination Committee members are as follows:

Chairman	:	Kamil Bin Abdul Rahman (Independent Non-Executive Director)
Member	:	Fathi Ridzuan Bin Ahmad (Independent Non-Executive Director)
Member	:	Chan Fook Mun (Independent Non-Executive Director)

The Nomination Committee had undertaken the following activities for the financial year ended 31 December 2019:

(i) Reviewed the effectiveness of the Board, as a whole, Board Committees and individual Directors and make appropriate recommendation to the Board;
(ii) Reviewed the Independence of Independent Directors;
(iii) Reviewed and recommended to the Board, the re-election of the Directors who will be retiring at the forthcoming Annual General Meeting ("AGM") of the Company; and
(iv) Reviewed of the Terms of Reference of the Nomination Committee.

In line with the amendment of MMLR and MCCG, the Terms of Reference of Nomination Committee has been reviewed on 16 April 2019.

Corporate Governance Overview Statement (Cont'd)

4.8 Directors' Training

Due to the ever-increasing complexities in doing business, Directors are expected to upgrade their skill sets and keep themselves abreast with the developments in the business environment as well as with any new relevant regulatory and statutory requirements to maximise their effectiveness as members of the Board.

All Directors have attended the Mandatory Accreditation Programme ("MAP") prescribed by Listing Requirements.The Directors shall be committed to continuous education to equip themselves with the knowledge and understanding of various provisions, rules, regulations and the latest development in the industries to effectively discharge their duties and obligations.

The Directors are briefed by the Company Secretary on the letters and circulars issued by Bursa Securities during Board meeting. The Directors also will continue to undergo training and education programmes in order to keep themselves abreast on the various issues facing the changing business environment within which the Company operates in order to discharge their duties and responsibilities more effectively.

Updates on the MCCG, the Act and the MMLR were given by the Company Secretary to all Directors to facilitate knowledge enhancement in the areas of the Corporate Governance and relevant compliance areas.

All Directors have full opportunity to attend seminars, trainings, workshops and conference to update their knowledge and skills to contribute and to carry out their roles and duties in line with the directors' responsibility.

All Directors have complied with the Continuous Training Programme prescribed by Bursa Securities. Training programmes, courses, seminars, conferences, talks, briefings attended by the Directors during the financial year ended 31 December 2019 were as follows: -

Director	Title	Date
Dato' Ir. Lim Siang Chai	• Dealing In Listed Securities, closed Period & Insider Trading	9 December 2019
Foong Kah Heng	• Dealing In Listed Securities, closed Period & Insider Trading	9 December 2019
Lee Leong Kui	• The Role Of The Board In Risk Management Of Legal Issues During Mergers And Acquisitions	5 September 2019
Datuk Lee Kian Seng	• Case Study Workshop For Independent Directors – Independent Directors: Towards Boardroom Excellence	18 April 2019
Fathi Ridzuan Bin Admad Fauzi	• Board Composition: Nominating Committee's Role To Achieve Effective Stewardship • Enhancing Corporate Governance By Imposing Legal Liabilities, Act or Resign • Session On Corporate Governance & Anti-Corruption	10 September 2019 26 September 2019 31 October 2019
Kamil Bin Abdul Rahman	• Advanced Financial Analysis For Effective Business Management • Macroeconomic Forces In The Financial Market • Building Corporate Longevity • MAICSA Annual Governance Conference	20 June 2019 24 June 2019 26 June 2019 2-3 July 2019
Chan Fook Mun	• Shift: 2019 International Architecture Conference • The Road To Business Excellence • MIA International Conference • Cross-Border Mergers And Acquisition • Conversation With audit Oversight Board	22-23 June 2019 15 August 2019 22-23 October 2019 5 November 2019 8 November 2019

Corporate Governance Overview Statement (Cont'd)

Intended Outcome 5.0

- **Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.**

5.1 Annual assessment of the Directors, Board as a whole and Board Committees

The Nomination Committee would conduct an assessment of the performance of the Board, as a whole, Board Committees and individual Directors, based on a self-assessment approach on an annually basis. From the results of the assessment, including the mix of skills and experience possessed by Directors, the Board will consider and approve the recommendations on the re-election and re-appointment of Directors at the Company's forthcoming Annual General Meeting, with a view to meeting current and future requirements of the Group.

Under the MMLR of Bursa Securities, the directorships in other public listed companies in Malaysia held by any Board member at any one time shall not exceed any number as may be prescribed by the relevant authorities. In addition, at the time of appointment, the Board shall obtain the Director's commitment to devote sufficient time to carry out his responsibilities. Directors are required to notify the Chairman before accepting any new directorship(s). The notification would include an indication of time that will be spent on the new appointment(s). Any Director is, while holding office, at liberty to accept other Board appointment in other companies so long as the appointment is not in conflict with the Company's business and does not affect the discharge of his/her duty as a Director of the Company. To ensure the Directors have the time to focus and fulfill their roles and responsibilities effectively, one (1) criterion as agreed by the Board is that they must not hold directorships at more than five (5) public listed companies as prescribed in Paragraph 15.06 of the MMLR of Bursa Securities.

The criteria used by the Nomination Committee in evaluating the performance of individual, including contribution to interaction, integrity, competency and time commitment of the members of the Board and Board Committees in discharging their duties, are in a set of questionnaires. Each of the Directors will perform a self-assessment on an annually basis. The Board did not engage any external party to undertake an independent assessment of the Directors.

During the financial year ended 31 December 2019, the Nomination Committee conducted an annual assessment of its Directors and the effectiveness of the Board of Directors as a whole in terms of board mix and composition, boardroom activities and board's relationship with management.

Upon recommendation by the Nomination Committee of the proposed re-election of the relevant directors, the Board had recommended the re-election of the relevant Directors to be tabled at the forthcoming 36th AGM for shareholders' approval.

Principle A: Part 3 – Remuneration

Intended Outcome 6.0

- **The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.**
- **Remuneration policies and decisions are made through a transparent and independent process.**

6.1 Directors' remuneration procedures and policies

Directors' remuneration is generally benchmarked against the market average of comparable companies to attract talent and retain the Directors to run the Company. It has established a Remuneration Committee to review and ensure that the remuneration of its members fairly reflect the Board's and members' responsibilities, the expertise required by the Company and the complexity of its operations. The said remuneration should also be in line with the business strategy and long-term objectives of the Company.

Corporate Governance Overview Statement (Cont'd)

6.2 Remuneration Committee

In line with the best practices of the MCCG, the Board has set up a Remuneration Committee which would comprise majority of Independent Non-Executive Directors to assist the Board for determining the Director's remuneration. The present members of the Remuneration Committee are as follow: -

Chairman	:	Chan Fook Mun (Independent Non-Executive Director)
Member	:	Dato' Ir Lim Siang Chai (Executive Chairman)
Member	:	Kamil Bin Abdul Rahman (Independent Non-Executive Director)

The Remuneration Committee is primarily responsible for recommending the policy and framework of the remuneration of the directors and senior management, including the terms and remuneration of the executive director(s), to the Board in order to align with the business strategy and long-term objectives of the Company.

The remuneration of Directors and Senior Management is determined at levels which enable the Company to attract and retain Directors and senior management with the relevant experience and expertise to govern the Group effectively.

In line with the amendment of MMLR and MCCG, the Terms of Reference of Remuneration Committee has been reviewed on 16 April 2019.

Intended Outcome 7.0

- **Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance**

7.1 Details of the remuneration of Directors

The Board collectively determines the remuneration for the Non-Executive Directors to ensure the same is appropriately reflective of experience and the level of responsibilities and contributions including the number of the scheduled meetings for the Board, board of subsidiaries and Board committees; and competitive compared with the prevalent market practices. Each of the Non-Executive Directors abstains from deliberating and voting on their own remuneration.

A summary of the remuneration of the Directors (including benefit-in-kind) in the Company for services rendered to the Group for the financial year ended 31 December 2019 is analysed as follows:-

Directors	Fees (RM)	Salary (RM)	Allowance* (RM)	Statutory contribution (RM)	Total (RM)
Dato' Ir Lim Siang Chai	-	240,000	60,000	13,200	313,200
Foong Kah Heng	-	180,000	60,000	31,500	271,500
Lee Leong Kui	-	180,000	60,000	31,500	271,500
Datuk Lee Kian Seng	36,000	-	2,000	-	38,000
Fathi Ridzuan Bin Ahmad Fauzi	42,000	-	2,500	-	44,500
Kamil Bin Abdul Rahman	36,000	-	2,000	-	38,000
Chan Fook Mun	36,000	-	2,500	-	38,500

* *Allowance include the meeting allowance for the Directors' attendance in Board and Board's Committee Meetings.*

Corporate Governance Overview Statement (Cont'd)

7.2 Remuneration of Top Five Senior Management

Senior Management staff are those primarily responsible for managing the business operations and corporate divisions of the Group. The remuneration paid to the top five Senior Management including salary, bonus, benefits-in-kind and other emoluments in band of RM50,000 is as follows:

Range of Remuneration	Total
Below RM50,000	-
RM50,000 – RM150,000	-
RM150,001 – RM250,000	-
RM250,001 – RM350,000	3
RM350,001 – RM450,000	-
RM450,001 – RM550,000	-

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

Principle B: Part 1 – Audit Committee

Intended Outcome 8.0
- **There is an effective and independent Audit Committee.**
- **The board is able to objectively review the Audit Committee's findings and recommendations.**
- **The company's financial statement is a reliable source of information**

8.1 The Chairman of the Audit Committee is not the Chairman of the Board

The Company complied with the Practice 8.1 of the MCCG which stipulates that the Chairman of the Audit Committee is not the Chairman of the Board.

The Audit Committee is chaired by En. Fathi Ridzuan Bin Ahmad Fauzi, Independent Non-Executive Director, who is not the Chairman of the Board.

8.2 Former audit key partner

Practice 8.2 of the MCCG requires the Audit Committee to have a policy that requires a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as member of the Audit Committee.

As of 31 December 2019, none of the members of the Board, including the members of the Audit Committee, are former key audit partners of the external auditors appointed by the Group.

8.3 Suitability, objectivity and independent of the external auditors

The Company has established a transparent arrangement with the External Auditors to meet their professional requirements. From time to time, the External Auditors highlight to the Audit Committee and Board of Directors on matters that require the Board's attention.

The Audit Committee is responsible for reviewing the audit, recurring audit-related and non-audit services provided by the External Auditors. The Audit Committee has been explicitly accorded the power to communicate directly with both the External Auditors and Internal Auditors. The terms of engagement for services provided by the External Auditors are reviewed by the Audit Committee prior to submission to the Board for approval. The effectiveness and performance of the External Auditors are reviewed annually by the Audit Committee.

Corporate Governance Overview Statement (Cont'd)

In assess or determine the suitability and independence of the External Auditors, the Audit Committee has taken into consideration of the following:

i) the adequacy of the experience and resources of the External Auditors;

ii) the External Auditor's ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;

iii) the nature of the non-audit services provided by the External Auditors and fees paid for such services relative to the audit fee; and

iv) whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit arising from the provision of non-audit services or tenure of the External Auditors.

Annual appointment or re-appointment of the External Auditors is via shareholders' resolution at the Annual General Meeting on the recommendation of the Board. The External Auditors are being invited to attend the Annual General Meeting of the Company to response and reply to the shareholders' enquiries on the conduct of the statutory audit and the preparation and contents of the audited financial statement.

Where necessary, the Audit Committee will meet with the External Auditors without the presence of Executive Director and members of management to ensure that the independence and objectivity of the External Auditors are not compromised and matters of concerns expressed by the Audit Committee are duly recorded by the Company Secretaries.

In presenting the Audit Planning Memorandum to the Audit Committee, the External Auditors have highlighted their internal policies and procedures with respect to their audit independence and objectivity which include safeguards and procedures and independent policy adopted by the External Auditors. The External Auditors have also provided the required independence declaration to the Audit Committee and the Board for the financial year ended 31 December 2019.

The Audit Committee is satisfied with the competence and independence of the External Auditors for the financial year under review. Having regard to the outcome of the annual assessment of the External Auditors, the Board approved the Audit Committee's recommendation for the shareholders' approval to be sought at the Annual General Meeting on the re-appointment of Messrs UHY as the External Auditors of the Company for the financial year ending 31 December 2019.

8.4 Qualification of the Audit Committee

All Audit Committee members are financially literate, and its composition and performance are reviewed by the Nomination Committee annually and recommended to the Board for its approval.

Audit Committee members acknowledge the need for continuous education trainings, however, for the year under review, some members of the Audit Committee attended training on the developments in accounting and auditing standards, practices and rules.

8.5 Composition of the Audit Committee

This is in compliance with Paragraph 15.09(1)(b) of the MMLR of Bura Securities, which stipulates that all the audit committee members must be non-executive directors, with a majority of them being independent directors.

The Audit Committee comprises three (3) Independent Non-Executive Directors, of whom all are Independent Directors. The Audit Committee is headed by En. Fathi Ridzuan Bin Ahmad Fauzi, who is an Independent Non-Executive Director.

All Audit Committee members are financially literate, and its composition and performance are reviewed by the Nomination Committee annually and recommended to the Board for its approval. The duties, functions and responsibilities of the Audit Committee is clearly spelt out in their Terms of Reference.

Corporate Governance Overview Statement (Cont'd)

Intended Outcome 9.0
- **Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.**
- **The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.**

9.1 Establishment of risk management and internal control framework

The Board is entrusted with the overall responsibility of continually maintaining a sound system of internal control, which covers not only financial controls but also operational and compliance controls as well as risk management, and the need to review its effectiveness regularly in order to safeguard shareholders' investments and the Company's assets. The internal control system is designed to access current and emerging risks, respond appropriate to risks of the Group.

As an effort to enhance the system of internal control, the Board together with the assistance of external professional Internal Audit firm adopted on-going monitoring and review to the existing risk management process in place within the various business operations, with the aim of formalising the risk management functions across the Group. This function also acts as a source to assist the Audit Committee and the Board to strengthen and improve current management and operating style in pursuit of best practices.

As an ongoing process, significant business risks faced by the Group are identified and evaluated and consideration is given on the potential impact of achieving the business objectives. This includes examining principal business risks in critical areas, assessing the likelihood of material exposures and identifying the measures taken to mitigate, avoid or eliminate these risks.

The Board of Directors acknowledges its responsibilities for the Company to maintain a sound system of internal controls covering financials, operations and compliance controls and to safeguard shareholders' investments as well as the Group's assets. While every effort is made to manage the significant risk, by its nature, the system can only provide reasonable but not absolute assurance against material misstatement or loss. Ongoing reviews are carried out by the Board, with the assistance of the Audit Committee, Internal Auditors and External Auditors, to safeguard the Group's assets.

9.2 Features of its risk management and internal control framework

The details of the Company's internal control system and framework are set out in the Statement on Risk Management and Internal Control on pages 34 to 35 of this Annual Report.

Intended Outcome 10.0
- **Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.**

10.1 Internal Audit Function

The Group has out-sourced the Internal Audit Function to an independent consulting firm to provide an independent assessment of the adequacy, efficiency, effectiveness of the Group's internal control system. The Internal Auditors reports directly to the Audit Committee on its activities based on approved annual Internal Audit plan.

The principal responsibility of the Internal Audit Function is to undertake regular and systematic review of the systems of internal control, risk management process and compliance with the Group's established policies and procedures so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively in the Group. Functionally, the Internal Auditors reviews and assesses the Group's systems of internal control and report to the Audit Committee directly.

Before the commencement of audit reviews for the financial year, an audit plan is produced and presented to the Committee for review and approval. This ensures that the audit direction is in line with the Committee's expectations.

Further details of the activities of the internal audit function are set out in the Audit Committee Report on pages 32 to 33 of this Annual Report 2019.

Corporate Governance Overview Statement (Cont'd)

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

Principle C: Part 1 – Communication with Stakeholder

Intended Outcome 11.0
- **There is continuous communication between the company and stakeholder to facilitate mutual understanding of each other's objectives and expectations.**
- **Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.**

11.1 Effective, transparent and regular communication with its stakeholders

Along with good corporate governance practices, the Group is committed to provide to investors and the public with comprehensive, accurate and material information on a timely basis. The Board recognises the importance of keeping the shareholders informed and updated of development concerning the Group. In this regard, the Group strictly adheres to the disclosure requirements of Bursa Securities. The Group practices open communication with its investors.

In order to maintain its commitment of effective communication with shareholders, the Group embrace the practice of comprehensive, timely and continuing disclosures of information to its shareholders as well as the general investing public.

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

The Group also endeavour to provide additional disclosures of information on a voluntary basis, where necessary. The management believes that consistently maintaining a high level of disclosure and extensive communication is vital to shareholders and investors in making informed investment decisions.

11.2 Leverage on Information Technology for Effective Dissemination of Information

The Company's website at www.jki.com.my incorporates an Investor Relations section which provides all relevant information on the Company accessible to the public. This section enhances the Investor Relations function by including all announcements made by the Company and its annual reports.

The quarterly financial results are announced via Bursa LINK after the Board's approval. This is important in ensuring equal and fair access to information by the investing public.

Shareholders and investors may also forward their queries to the Company via the Company's website, www.jki.com.my.

Intended Outcome 12.0
- **Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.**

12.1 Notice for an Annual General Meeting

General meeting serves as a principal platform for the Board and Senior Management to engage with shareholders and encourage effective shareholders' communication on the Company's performance, corporate and business developments and any other matters affecting shareholder interests.

The Company Secretaries, by order of the Board, served a notice of AGM to all shareholders of the Company at least 28 days prior to its forthcoming 36th AGM to provide the shareholders sufficient time to consider the proposed resolutions that will be discussed and decided at the 36th AGM. Notice of the 36th AGM clearly sets out details of the resolutions proposed accompanying with explanatory notes on the rationale of each resolution to enable the shareholders to make informed decision in exercising their voting rights.

The Notice of an AGM also provides information to the shareholders with regard to, amongst others their entitlement to attend the AGM, the right to appoint a proxy and also the qualifications of a proxy.

Corporate Governance Overview Statement (Cont'd)

12.2 Attendance of Directors at General Meetings

The general meeting also serves as an avenue for the Chairman and the Board members to engage in a two-way communication with shareholders where the shareholders are encouraged to participate in the question-and-answer session with the Board personally and exercise their right to vote on the proposed resolutions.

The Board will ensure that all Board members, particularly the Chairman of each Board committee will make their endeavours to attend general meeting to facilitate engagement with shareholders and to address any relevant questions and concerns raised by the shareholders.

The external auditors will be present at the AGM to respond to any queries from shareholders on the audit conducted, the preparation and content of the auditors' report, the accounting policies adopted by the Company, and the independent audit review of the Company's financial position.

12.3 Poll Voting

The Company's General Meeting is not held in a remote location. The Company has adopted manual polling for 2019 AGM held on 13 June 2019 in line with Paragraph 8.29A of the MMLR of Bursa Securities. At the same time, the Company will appoint at least one (1) scrutineer to validate the votes cast at the general meeting.

As for voting in absentia and remote shareholders' participation, the existing proxy form authorizing proxies or Chairman of meeting is an alternative measure adopted by the Company. Shareholders are allowed to appoint any person(s) as their proxies to attend, participate, speak and vote in his/her stead at a general meeting.

Practice 12.3 of MCCG encouraged listed companies with a large number of shareholders of which have meetings in remote locations should leverage technology to facilitate: -

- Voting in absentia; and
- Remote shareholders' participation at General Meetings.

As a listed entity on Bursa Securities in Malaysia, the Board noted that majority of the shareholders of the Company reside in Malaysia and predominantly in Kuala Lumpur. Therefore, the general meetings of the Company have always been held in Kuala Lumpur.

COMPLIANCE STATEMENT

The Board is satisfied that to the best of its knowledge, the Company is substantially in compliance with the principles and practices set out in the MCCG as well as the relevant MMLR of Bursa Securities for the financial year ended 31 December 2019. Any practices in the MCCG which have not been implemented during the financial year will be reviewed by the Board and implemented where possible and relevant to the Group's business.

This Statement is made in accordance with the resolution of the Board dated 15 June 2020.

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

The Directors are responsible for the preparation of financial statements prepared for each financial year to give a true and accurate view of the state of the Group and the Company of the results and cash flows of the Group and the Company for the financial year then ended.

In ensuring the preparation of these financial statements, the Directors have observed the following criteria:

i) Overseeing the overall conduct of the Company's business and that of the Group;
ii) Identifying principal risks and ensuring that an appropriate system of internal control exists to manage these risks;
iii) Reviewing the adequacy and integrity of Internal Controls System and Management Information System in the Company and within the Group;
iv) Adopting suitable accounting policies and apply them consistently;
v) Making judgments and estimates that are reasonable and prudent; and
vi) Ensuring compliance with application Approved Accounting Standards in Malaysia.

The Directors are responsible for ensuring that proper accounting and other records which are closed with reasonable accuracy at any time the financial position of the Group and ensuring that the financial statements comply with the MMLR, the provisions of the Companies Act, 2016 and applicable Approved Accounting Standards in Malaysia. The Directors are also responsible for taking such reasonable steps to safeguard the assets of the Group and to minimise fraud and other irregularities.

The Directors are satisfied that in preparing the financial statements of the Group for the financial year ended 31 December 2019, the Group has used the appropriate accounting policies and applied them consistently and supported by reasonable and prudent judgments and estimates. The Directors also consider that all applicable approved accounting standards have been complied with and further confirm that the financial statements have been prepared on a going concern basis.

AUDIT COMMITTEE REPORT

The Audit Committee ("AC") of Jiankun is pleased to present the Audit Committee Report for the financial year ended 31 December 2019.

COMPOSITION

The AC presently comprises the following members:

Chairman	:	Fathi Ridzuan Bin Ahmad Fauzi	(Independent Non-Executive Director)
Member	:	Kamil Bin Abdul Rahman	(Independent Non-Executive Director)
Member	:	Chan Fook Mun	(Independent Non-Executive Director)

The Committee has clear written Terms of Reference ("TOR") defining its functions, qualifications for membership, scope of duties and responsibilities, governing the manner in which the Committee is to operate and how decisions are to be made.

TERMS OF REFERENCE

The TOR has been reviewed on 16 April 2019 to reflect the requirements of the applicable practices and recommendation of the MCCG and which is available on the Company's website at www.jki.com.my.

ATTENDANCE

During the financial year under review, five (5) meetings were held and the details of the attendance of each member at the AC meeting are as follows:-

Name of Members	Designation	No. of Meetings Attended	%
Fathi Ridzuan Bin Ahmad Fauz	Chairman	5/5	100%
Kamil Bin Abdul Rahman	Member	4/5	80%
Chan Fook Mun	Member	5/5	100%

Other Board members, Financial Controller and representatives of the External Auditors and Internal Auditors were present by invitation to brief the Committee on specific issues, as and when necessary, with the Company Secretaries in attendance.

SUMMARY OF ACTIVITIES OF THE AC

The activities of the AC during the financial year ended 31 December 2019 include the following:

a) Reviewed the unaudited quarterly financial of the Group and the Company including the announcements pertaining thereto, before recommending to the Board for their approval and release of the Group's results to Bursa Securities;

b) Reviewed with external auditors on their audit planning memorandum on the statutory audit of the Group for the financial year ended 31 December 2019;

c) Reviewed the annual audited financial statements of the Group before recommending to the Board for their approval and release of the Group's results to Bursa Securities;

d) Reviewed and discussed with the external auditors of their audit findings inclusive of system evaluation, audit fees, issues raised, audit recommendations and management's response to these recommendations;

e) Evaluated the performance of the external auditors for the financial year ended 31 December 2019 covering areas such as calibre, quality processes, audit team, audit scope, audit communication, audit governance and independence and considered and recommended the re-appointment of the external auditors;

Audit Committee Report (Cont'd)

f) Reviewed and assessed the adequacy of the scope and functions of the internal audit plan;

g) Reviewed the internal audit reports presented and considered the findings of internal audit through the review of the internal audit reports tabled and management responses thereof;

h) Reviewed the effectiveness of the Group's system of internal control;

i) Reviewed the proposed fees for the external auditors and internal auditors in respect of their audit of the Company and the Group;

j) Reviewed related party transactions and conflict of interest situation that may arise within the Company or the Group;

k) Reviewed the Company's compliance with the MMLR, applicable Approved Accounting Standards and other relevant legal and regulatory requirements;

l) Reviewed the Audit Committee Report and Statement on Risk Management and Internal Control before recommending to the Board for approval and inclusion in the Annual Report; and

m) Report to the Board on its activities and significant findings and results.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

Paragraph 15.26(b) of the MMLR of Bursa Securities requires the Board of Directors of the Company to make a statement in this Annual Report about the state of risk management and internal control in the Company as a Group. The Board recognise the importance of the good practice of corporate governance and is committed to maintain a sound system of internal control to safeguard shareholders' investments and Group's assets. The Board is pleased to provide the following Statement on Risk Management and Internal Control which has been prepared in accordance with the "Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers".

BOARD RESPONSIBILITY

The Board acknowledges its overall responsibility for the Group's system of internal control and maintaining a sound risk management framework and reviewing its adequacy and integrity to safeguard shareholders' investment and the Company's assets. The review of the Group's risk management and system of internal control is a concerted and continuing process. In view of the inherent in any system of internal control, the system of internal control is designed to manage risks to tolerable levels rather than eliminate the risk of failure to achieve business objectives, Hence, the Directors can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has received assurance from the Financial Controller and Executive Chairman that the Group's risk management and internal control is operating adequately and effectively, in all material aspects based on the risk management and internal control system of the Group.

KEY ELEMENTS OF INTERNAL CONTROL

CONTROL ENVIROMENT AND CONTROL ACTIVITIES

- Organisation structure with clearly defined lines of responsibility, authority and accountability;
- Clearly defined authorisation limits at appropriate levels are set out in an authority matrix for controlling and managing business operations;
- Experienced and competent staffs are placed in areas of responsibility to support and continuously monitor the effectiveness of the Group's system of internal control;
- Policies and procedures for key business processes are formalised and documented for implementation and continuous improvements. These policies are subject to regular reviews to meet new business requirements.

MONITORING AND COMMUNICATION

- Regular Management meetings are held covering financial, business development and operations and to identify, assess and mitigate any potential risk face by the Group;
- Regular Board meetings are held to deliberate the information covering financial, operation and business strategic;
- Operation site visits by Senior Management and members of the Board whenever appropriate;
- Regular review of business processes to assess the effectiveness of internal controls by the independent internal auditor. Reports on findings of the internal audit are presented to the Audit Committee and subsequent recommendation to the Board for consideration for necessary action to be carried out by Management.
- Management Accounts and reports are prepared regularly for monitoring of actual performance.
- Review of financial and non-financial indicator to determine the performance of the Group.

RISK MANAGEMENT

The Board and the Management practice significant risks identification in the processes and activities of the Group particular to proceed with the major new proposed transaction, changes in the nature of activities and changes in the regulatory requirement to the industry which may entail to different risks in carrying out Group activities.

The Executive Chairman and Financial Controller will be responsible to update the Audit Committee and the Board on any new material risk changes.

Statement on Risk Management and Internal Control
(Cont'd)

INTERNAL AUDIT FUNCTIONS

Independent reviews of internal control are essential in order to provide an objective assurance to the Board. At present, the review mechanism is under the purview of the Audit Committee. Functionally, the internal auditor report directly to the Audit Committee and are responsible to conduct reviews on the operation systems on risk management and internal control; report the weaknesses of the systems on risk management and internal control; and to provide essential recommendations for improvement to the management.

During the financial year, the internal auditors have performed the internal audit according to the revised plan approved by the Audit Committee.

For the financial year ended 31 December 2019, the internal audit reviews and follow up internal audit reviews had been carried out as follow:-

Audit Period	Reporting Month	Audited Areas
1st Quarter (Jan 2019 – Mar 2019)	May 2019	Internal audit reviews on: • Sales and Marketing • Project Management and Contract Management
2nd Quarter (Apr 2019 – Jun 2019)	Aug 2019	Follow up report on: • Sales and Marketing • Project Management and Contract Management • Material Handling and Quality Control Management • Human Resource Management and Administration • Safety and Health • Management Information System
3rd Quarter (Jul 2019 – Sep 2019)	Nov 2019	Internal audit review on finance and accounts
4th Quarter (Oct 2019 – Dec 2019)	Feb 2020	Internal audit review on Management Information System Follow up report on: • Finance and accounts • Sales and Marketing • Project Management and Contract Management

For the financial year ended 31 December 2019, the total fee incurred for the outsourced internal audit function were RM20,000.00

CONCLUSION

For the year under review and up to the date of issuance of the statement in the Annual Report, the Board is of the opinion that current internal control system is in place, adequate and effective to safeguard the interests and assets of the Group. The Board will continually assess the adequacy and effectiveness of the Group's risk management and internal control system. The Board will strengthen the risk management and internal control system as necessary.

REVIEW OF STATEMENT BY THE EXTERNAL AUDITORS

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

ADDITIONAL COMPLIANCE INFORMATION

1. AUDIT AND NON AUDIT FEES PAID TO EXTERNAL AUDITORS

During the financial year under review, the amount of audit and non-audit fees paid/payable to the external auditors by the Company and the Group respectively for the financial year ended 31 December 2019 were as follows:

	Company (RM)	Group (RM)
Audit Services Rendered	33,000	115,805
Non-Audit Services Rendered		
(a) Review of Statement on Risk Management and Internal Control	5,000	5,000

2. REVALUATION POLICY

The Company does not have a revaluation policy on landed properties.

3. MATERIAL CONTRACTS AND CONTRACTS RELATING TO LOAN

During the financial year under review, there was no other material contract and/or contracts relating to loan entered into by the Company and/or its subsidiary companies involving Directors and Major Shareholders' interests.

FINANCIAL STATEMENT

DIRECTORS' REPORT

The Directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

Principal Activities

The principal activities of the Company consist of the provision of management services and investment holding. The principal activities of its subsidiary companies are disclosed in Note 8 to the financial statements.

Financial Results

	Group RM	Company RM
Profit/(Loss) for the financial year	4,334,813	(487,113)
Attributable to:		
Owners of the parent	4,334,813	(487,113)

Reserves and Provisions

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

Dividends

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

Issue of Shares and Debentures

There was no issuance of shares or debentures during the financial year.

Warrants

The Warrants 2014/2021 were constituted under the Deed Poll dated 2 December 2014.

As at 31 December 2019, the total number of Warrants that remained unexercised was 75,586,889.

The salient terms of the Warrants are disclosed in Note 16(a) to the financial statements.

Options Granted Over Unissued Shares

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

Directors

The Directors in office during the financial year until the date of this report are:

Dato' Ir Lim Siang Chai *
Fathi Ridzuan Bin Ahmad Fauzi
Foong Kah Heng *
Lee Leong Kui *
Kamil Bin Abdul Rahman
Chan Fook Mun
Datuk Lee Kian Seng

* *Director of the Company and its subsidiary companies*

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

Directors' Report (Cont'd)

Directors' Interests in Shares

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

	Number of ordinary shares			
	At 1.1.2019	**Bought**	**Sold**	**At 31.12.2019**
Interests in the Company				
Direct interests				
Dato' Ir Lim Siang Chai	15,160,000	-	-	15,160,000
Datuk Lee Kian Seng	15,367,300	-	-	15,367,300
Foong Kah Heng	12,650,000	-	-	12,650,000
Indirect interests				
Datuk Lee Kian Seng*	17,863,600	-	-	17,863,600
Foong Kah Heng#	16,882,450	-	-	16,882,450

	Number of Warrants 2014/2021			
	At 1.1.2019	**Bought**	**Sold**	**At 31.12.2019**
Direct interest				
Dato' Ir Lim Siang Chai	2,750,000	-	-	2,750,000
Datuk Lee Kian Seng	6,207,900	-	-	6,207,900
Foong Kah Heng	6,405,000	-	-	6,405,000
Indirect interests				
Datuk Lee Kian Seng*	7,653,200	-	-	7,653,200
Foong Kah Heng#	9,661,837	-	-	9,661,837

* *Deemed interest for the shares/warrants held by his family members pursuant to Section 8, 59(11) and 197(1)(a) of the Companies Act 2016.*
\# *Deemed interest held through FS Motorsports Sdn. Bhd. by virtue of Section 8 of the Companies Act 2016.*

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

Directors' Benefits

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors as shown in Note 29(c) to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than Director who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 29(b) to the financial statements.

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

Indemnity and Insurance Costs

During the financial year, the total amount of indemnity coverage and insurance premium paid for the Directors and certain officers of the Company were RM5 million and RM15,000 respectively. No indemnity was given to or insurance effected for auditors of the Company.

Other Statutory Information

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

   (i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there were no bad debts to be written off and no allowance for doubtful debts was required; and

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

Directors' Report (Cont'd)

Other Statutory Information (Cont'd)

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

(i) which would render it necessary to write off any bad debts or to make any allowance for doubtful debts in the financial statements of the Group and of the Company; or

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

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

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

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

(i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(d) In the opinion of the Directors:

(i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet its obligations as and when they fall due;

(ii) 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; and

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

Subsidiary Companies

The details of the subsidiary companies are disclosed in Note 8 to the financial statements.

Auditors

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

The details of auditors' remuneration are disclosed in Note 24 to the financial statements.

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

DATO' IR LIM SIANG CHAI	LEE LEONG KUI

KUALA LUMPUR

STATEMENT BY DIRECTORS

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

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 53 to 145 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of their financial performance and cash flows for the financial year then ended.

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

DATO' IR LIM SIANG CHAI	LEE LEONG KUI

KUALA LUMPUR

STATUTORY DECLARATION

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

I, WONG KOK FONG (MIA Membership No: 28396), being the officer primarily responsible for the financial management of Jiankun International Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 53 to 145 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

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

WONG KOK FONG

Before me,

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

To The Members of Jiankun International Berhad

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Jiankun International Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 53 to 145.

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

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Independent Auditors' Report

To The Members of Jiankun International Berhad (Cont'd)

Key Audit Matters

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

Key Audit Matters	How we addressed the key audit matters
1. Investment properties	
Investment properties are measured initially at cost and subsequently at fair value with any changes therein recognised in profit or loss for the period in which they arise. The fair value of the investment properties was determined by the Directors based on valuations advised by the independent valuers by reference to market evidence of transaction prices of similar properties or comparable available market data.	We reviewed and discussed with management on the carrying amount of investment properties in accordance with MFRS 140 *Investment Properties*. We evaluated the independent valuer's competence, capabilities, independence and objectivity. We assessed the methodologies used and the appropriateness of the key assumptions of the valuation report based on our knowledge and also considered the work done by component auditors.

Independent Auditors' Report

To The Members of Jiankun International Berhad (Cont'd)

Key Audit Matters (Cont'd)

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

Key Audit Matters (Cont'd)

Key Audit Matters	How we addressed the key audit matters
2. Revenue and cost recognition for property development activities (Cont'd) Changes in these judgements could lead to a material change in the value of revenue recognised.	We have considered the adequacy of the Group's disclosures regarding this revenue stream and whether they are in accordance with MFRS 15 *Revenue from Contracts with Customers*.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Independent Auditors' Report

To The Members of Jiankun International Berhad (Cont'd)

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:

- 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.

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

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also: (Cont'd)

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

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

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

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

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

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

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

Independent Auditors' Report

To The Members of Jiankun International Berhad (Cont'd)

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

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiary companies of which we have not acted as auditors, are disclosed in Note 8 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.

UHY
Firm Number: AF 1411
Chartered Accountants

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

KUALA LUMPUR
15 June 2020

STATEMENTS OF FINANCIAL POSITION

As At 31 December 2019

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	143,813	166,595	10,193	28,721
Goodwill	5	-	-	-	-
Investment properties	6	27,571,868	28,193,140	-	-
Right-of-use assets	7	196,532	-	-	-
Investment in subsidiary companies	8	-	-	18,392,161	18,392,161
Other receivables	9	3,964,832	3,964,832	-	-
		31,877,045	32,324,567	18,402,354	18,420,882
Current assets					
Inventories	10	33,150,215	38,945,233	-	-
Contract assets	11	15,613,843	14,636,037	-	-
Trade receivables	12	6,588,109	3,900,409	-	-
Other receivables	9	2,277,414	1,630,446	29,029	85,114
Amount due from subsidiary companies	13	-	-	22,306,956	24,876,341
Tax recoverable		537,903	264,807	-	-
Deposits, bank and cash balances	14	11,421,254	12,206,957	240,376	23,537
		69,588,738	71,583,889	22,576,361	24,984,992
Total assets		101,465,783	103,908,456	40,978,715	43,405,874
EQUITY					
Share capital	15	44,655,645	44,655,645	44,655,645	44,655,645
Reserves	16	10,032,186	5,768,380	(7,489,818)	(7,002,705)
Total equity		54,687,831	50,424,025	37,165,827	37,652,940

Statements of Financial Position

As At 31 December 2019 (Cont'd)

		Group		Company	
		2019	**2018**	**2019**	**2018**
	Note	**RM**	**RM**	**RM**	**RM**
LIABILITIES					
Non-current liabilities					
Bank borrowings	17	-	3,932,023	-	-
Deferred tax liabilites	18	6,303,908	6,578,976	-	-
		6,303,908	10,510,999	-	-
Current liabilities					
Trade payables	19	6,119,851	6,548,464	-	-
Other payables	20	16,405,008	17,047,240	63,778	88,581
Bank borrowings	17	17,570,872	19,377,728	-	-
Lease liabilities	21	200,070	-	-	-
Amount due to subsidiary companies	13	-	-	3,749,110	5,664,353
Provision for taxation		178,243	-	-	-
		40,474,044	42,973,432	3,812,888	5,752,934
Total liabilities		46,777,952	53,484,431	3,812,888	5,752,934
Total equity and liabilities		101,465,783	103,908,456	40,978,715	43,405,874

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Financial Year Ended 31 December 2019

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
Revenue	22	40,343,970	32,442,925	-	-
Cost of sales		(32,055,684)	(25,816,560)	-	-
Gross profit		8,288,286	6,626,365	-	-
Other income		693,337	1,290,930	3,527	12,445
Administrative expenses		(4,104,639)	(4,817,967)	(490,640)	(585,354)
Distribution costs		(232,994)	(376,523)	-	-
Other expenses		-	(1,004)	-	-
Net gain on impairment of financial instruments		-	2,020	-	-
Profit/(Loss) from operations		4,643,990	2,723,821	(487,113)	(572,909)
Finance costs	23	(11,006)	(443,741)	-	-
Profit/(Loss) before tax	24	4,632,984	2,280,080	(487,113)	(572,909)
Taxation	25	(298,171)	(1,504,910)	-	-
Profit/(Loss) for the financial year		4,334,813	775,170	(487,113)	(572,909)

Statements of Profit or Loss and Other Comprehensive Income

For the Financial Year Ended 31 December 2019 (Cont'd)

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or loss					
Exchange translation differences for foreign operations		(71,007)	421,519	-	-
Total comprehensive income/(loss) for the financial year		4,263,806	1,196,689	(487,113)	(572,909)
Profit/(Loss) for the financial year attributable to owners of the parent		4,334,813	775,170	(487,113)	(572,909)
Total comprehensive income/(loss) attributable to owners of the parent		4,263,806	1,196,689	(487,113)	(572,909)
Earning per share (sen)					
Basic	26(a)	2.60	0.46		
Diluted	26(b)	-	0.32		

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

STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2019

	Attributable to the owners of the parent				
	Non-Distributable				
	Share Capital RM	Foreign Currency Translation Reserve RM	Warrants Reserve RM	Accumulated Losses RM	Total Equity RM
Group					
At 1 January 2019	44,655,645	4,379,150	13,605,640	(12,216,410)	50,424,025
Profit for the financial year	-	-	-	4,334,813	4,334,813
Other comprehensive loss for the financial year	-	(71,007)	-	-	(71,007)
Total comprehensive income for the financial year	-	(71,007)	-	4,334,813	4,263,806
At 31 December 2019	44,655,645	4,308,143	13,605,640	(7,881,597)	54,687,831

Statements of Changes in Equity

For the Financial Year Ended 31 December 2019 (Cont'd)

		Attributable to the owners of the parent				
		Non-Distributable				
	Note	Share Capital RM	Foreign Currency Translation Reserve RM	Warrants Reserve RM	Accumulated Losses RM	Total Equity RM
Group						
At 1 January 2018, as previously reported		44,655,645	3,765,902	13,605,640	(18,265,611)	43,761,576
Effect of adopting MFRS 9 and MFRS 15	10, 11, 12	-	-	-	5,274,031	5,274,031
At 1 January 2018, as restated		44,655,645	3,765,902	13,605,640	(12,991,580)	49,035,607
Profit for the financial year		-	-	-	775,170	775,170
Other comprehensive income for the financial year		-	421,519	-	-	421,519
Total comprehensive income for the financial year		-	421,519	-	775,170	1,196,689
Exchange translation differences reclassified to profit or loss relating to the disposal of subsidiary companies		-	191,729	-	-	191,729
At 31 December 2018		44,655,645	4,379,150	13,605,640	(12,216,410)	50,424,025

Statements of Changes in Equity

For the Financial Year Ended 31 December 2019 (Cont'd)

	Attributable to the owners of the parent			
	Non-Distributable			
	Share Capital RM	Warrants Reserve RM	Accumulated Losses RM	Total Equity RM
Company				
At 1 January 2019	44,655,645	13,605,640	(20,608,345)	37,652,940
Loss for the financial year, representing total comprehensive loss for the financial year	-	-	(487,113)	(487,113)
At 31 December 2019	44,655,645	13,605,640	(21,095,458)	37,165,827
At 1 January 2018	44,655,645	13,605,640	(20,035,436)	38,225,849
Loss for the financial year, representing total comprehensive loss for the financial year	-	-	(572,909)	(572,909)
At 31 December 2018	44,655,645	13,605,640	(20,608,345)	37,652,940

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

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 December 2019

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Cash flows from operating activities				
Profit/(Loss) before tax	4,632,984	2,280,080	(487,113)	(572,909)
Adjustments for:				
Bad debts written off	-	21,272	-	-
Depreciation of:				
- property, plant and equipment	69,227	53,452	18,528	17,016
- right-of-use assets	196,532	-	-	-
Reversal of allowance for expected credit losses on trade receivables	-	(2,020)	-	-
Fair value gain on investment properties	-	(1,089,326)	-	-
(Gain)/Loss on disposal of:				
- property, plant and equipment	-	(960)	-	-
- subsidiary companies	-	1,362,421	-	(12,000)
Property, plant and equipment written off	1,811	-	-	-
Finance costs	11,006	443,741	-	-
Finance income	(133,152)	(277,748)	(3,527)	(445)
Waiver of liabilities	-	-	-	90,190
Operating profit/(loss) before working capital changes	4,778,408	2,790,912	(472,112)	(478,148)

Statements of Cash Flows

For the Financial Year Ended 31 December 2019 (Cont'd)

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
Operating profit/(loss) before working capital changes (Cont'd)		4,778,408	2,790,912	(472,112)	(478,148)
Change in working capital:					
Inventories		5,795,018	7,149,173	-	-
Trade receivables		(2,687,700)	625,541	-	-
Other receivables		(646,968)	(262,055)	56,085	32,017
Trade payables		(428,613)	(2,455,562)	-	-
Other payables		(642,232)	(3,981,123)	(24,803)	(31,314)
Contract assets/liabilities		(977,806)	(1,821,748)	-	-
Subsidiary companies		-	-	-	283,610
Cash generated from/(used in) operations		5,190,107	2,045,138	(440,830)	(193,835)
Interest received		133,152	277,748	3,527	445
Interest paid		(11,006)	(443,741)	-	-
Tax refund		337,500	80,699	-	-
Tax paid		(975,903)	(1,250,197)	-	-
Net cash from/(used in) operating activities		4,673,850	709,647	(437,303)	(193,390)
Cash flows from investing activities					
Acquisition of property, plant and equipment		(48,256)	(44,070)	-	(3,189)
Proceeds from disposal of property, plant and equipment		-	62,000	-	-
Proceeds from disposal of subsidiary companies	8	-	-	-	12,000
Net cash inflow from disposal of subsidiary companies	8	-	12,000	-	-
Net cash (used in)/from investing activities		(48,256)	29,930	-	8,811

Statements of Cash Flows

For the Financial Year Ended 31 December 2019 (Cont'd)

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
Cash flows from financing activities					
Advances from subsidiary companies		-	-	654,142	-
Payment of lease liabilities		(192,994)	-	-	-
Proceeds from borrowings		9,978,535	10,886,310	-	-
Repayment of borrowings		(15,717,414)	(2,984,352)	-	-
Repayment of finance lease liabilities		-	(64,044)	-	-
Net cash (used in)/from financing activities		(5,931,873)	7,837,914	654,142	-
Net (decrease)/increase in cash and cash equivalents		(1,306,279)	8,577,491	216,839	(184,579)
Cash and cash equivalents at the beginning of the financial year		12,206,957	3,659,842	23,537	208,116
Effect of exchange translation differences		520,576	(30,376)	-	-
Cash and cash equivalents at the end of the financial year		11,421,254	12,206,957	240,376	23,537
Cash and cash equivalents at the end of the financial year comprises:					
Cash and bank balances	14	1,618,480	11,173,234	240,376	23,537
Housing Development Accounts	14	6,266,150	1,033,723	-	-
Fixed deposits with licensed banks	14	3,536,624	-	-	-
		11,421,254	12,206,957	240,376	23,537

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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2019

1. Corporate Information

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

The principal place of business of the Company was located at Unit 106, Block G, Pusat Dagangan Phileo Damansara 1, No. 9, Jalan 16/11, Off Jalan Damansara, 46350 Petaling Jaya, Selangor Darul Ehsan.

The registered office of the Company was located at Suite 10.02, Level 10, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur.

The principal activities of the Company consist of the provision of management services and investment holding. The principal activities of its subsidiary companies are disclosed in Note 8 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

2. Basis of Preparation

(a) Statement of compliance

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

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

2. Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

Adoption of new and amended standards

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

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

Annual Improvements to MFRSs 2015 - 2017 Cycle:

- Amendments to MFRS 3
- Amendments to MFRS 11
- Amendments to MFRS 112
- Amendments to MFRS 123

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

<u>MFRS 16 *Leases*</u>

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

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

2. Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

Adoption of new and amended standards (Cont'd)

MFRS 16 *Leases* *(Cont'd)*

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

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

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

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

The adoption of MFRS 16 has no material impact to the financial statements of the Group and of the Company, and the standard has thus been implemented without adjusting the opening balance at 1 January 2019.

Notes To The Financial Statements

31 December 2019 (Cont'd)

2. Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

Standards issued but not yet effective

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

		Effective dates for financial periods beginning on or after
Amendments to References to the Conceptual Framework in MFRS Standards		1 January 2020
Amendments to MFRS 3	Definition of a Business	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7	Interest Rate Benchmark Reform	1 January 2020
Amendments to MFRS 101 and MFRS 108	Definition of Material	1 January 2020
Amendments to MFRS 16	Covid-19 - Related Rent Concessions	1 June 2020
MFRS 17	Insurance Contracts	1 January 2021
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current	1 January 2022
Amendments to MFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137	Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to MFRSs Standards 2018 - 2020 • Amendments to MFRS 1 • Amendments to MFRS 9 • Amendments to MFRS 16 • Amendments to MFRS 141		1 January 2022
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

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

The initial application of the above-mentioned new MFRSs and amendments to MFRSs are not expected to have any significant impacts on the financial statements of the Group and of the Company.

2. Basis of Preparation (Cont'd)

(b) Functional and presentation currency

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

(c) Significant accounting judgements, estimates and assumptions

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

Judgements

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

<u>Satisfaction of performance obligations in relation to contracts with customers</u>

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

The Group recognises revenue over time in the following circumstances:

(a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

(b) the Group does not create an asset with an alternative use to the Group and has an enforceable right to payment for performance completed to date; and

(c) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

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

Notes To The Financial Statements
31 December 2019 (Cont'd)

2. Basis of Preparation (Cont'd)

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

Judgements (Cont'd)

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

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

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

The Group excludes the renewal period as part of the lease term for leases of buildings with non-cancellable period included as part of the lease term as these are reasonably certain not to be exercised because there will not be a significant effect on operation and a replacement asset can be readily available.

2. Basis of Preparation (Cont'd)

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

Key sources of estimation uncertainty

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

<u>Useful lives of property, plant and equipment and right-of-use ("ROU") assets</u>

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

<u>Revaluation of investment properties</u>

The Group carries its investment properties at fair value, with changes in fair value being recognised in profit or loss. The Group engaged an independent valuation specialist to assess fair value as at 31 December 2019 for investment properties. For investment properties, a valuation methodology based on sales comparison approach was used. The investment properties were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

The key assumptions used to determine the fair value of the properties are provided in Note 6.

<u>Deferred tax assets</u>

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the unused tax losses, unabsorbed capital allowances and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of recognised and unrecognised deferred tax assets are disclosed in Note 18.

2. Basis of Preparation (Cont'd)

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

Key sources of estimation uncertainty (Cont'd)

Inventories valuation

Inventories are measured at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on an assessment of expected sales prices. Demand levels and pricing competition could change from time to time. If such factors result in an adverse effect on the Group's products, the Group might be required to reduce the value of its inventories. Details of inventories are disclosed in Note 10.

Revenue from property development contracts

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

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

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

The carrying amount of assets and liabilities of the Group arising from property development activities are disclosed in Notes 10(a) and 11 respectively.

2. Basis of Preparation (Cont'd)

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

Key sources of estimation uncertainty (Cont'd)

Determination of transaction prices

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

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

Discount rate used in leases

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

Income taxes

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

The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. As at 31 December 2019, the Group has tax recoverable and payable of RM537,903 (2018: RM264,807) and RM178,243 (2018: RMNil) respectively.

3. Significant Accounting Policies

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

(a) Basic of consolidation

(i) Subsidiary companies

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

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

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

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

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

3. Significant Accounting Policies (Cont'd)

(a) Basic of consolidation (Cont'd)

(i) Subsidiary companies (Cont'd)

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

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

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

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

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

3. Significant Accounting Policies (Cont'd)

(a) Basic of consolidation (Cont'd)

(iii) Disposal of subsidiary companies

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

(iv) Goodwill on consolidation

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

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

(b) Foreign currency translation

(i) Foreign currency transactions and balances

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

3. Significant Accounting Policies (Cont'd)

(b) Foreign currency translation (Cont'd)

(i) Foreign currency transactions and balances (Cont'd)

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are included in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

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

(ii) Foreign operations

The assets and liabilities of foreign operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at the rate of exchange prevailing at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve ("FCTR") in equity. However, if the operation is a non-wholly owned subsidiary company, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed off such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

Notes To The Financial Statements
31 December 2019 (Cont'd)

3. Significant Accounting Policies (Cont'd)

(b) Foreign currency translation (Cont'd)

(ii) Foreign operations (Cont'd)

When the Group disposes of only part of its interest in a subsidiary company that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

(c) Property, plant and equipment

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

(i) Recognition and measurement

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

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

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

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

3. Significant Accounting Policies (Cont'd)

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

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is recognised in the profit or loss on straight-line basis to write off the cost of each asset to its residual value over its estimated useful life.

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

Computer and software	20%
Motor vehicles	20%
Office equipment and fixtures	10% - 20%
Renovation	25%

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

(d) Leases

Policy applicable from 1 January 2019

(i) As lessee

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

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

3. Significant Accounting Policies (Cont'd)

(d) Leases (Cont'd)

Policy applicable from 1 January 2019 (Cont'd)

(i) As lessee (Cont'd)

The ROU asset under cost model is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. The estimated useful lives of the ROU assets are determined on the same basis as those of property, plant and equipment as follows:

Buildings	Over the remaining lease period

The ROU assets are subject to impairment.

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

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

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

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

3. Significant Accounting Policies (Cont'd)

(d) Leases (Cont'd)

Policy applicable from 1 January 2019 (Cont'd)

(ii) As lessor

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

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

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

The Group recognises lease payments under operating leases as income on a straight-line basis over the lease term unless another systematic basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished. The lease payment recognised is included as part of "Other income". Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Policy applicable before 1 January 2019

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

<u>As lessee</u>

(i) Finance lease

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

Notes To The Financial Statements
31 December 2019 (Cont'd)

3. Significant Accounting Policies (Cont'd)

(d) Leases (Cont'd)

Policy applicable before 1 January 2019 (Cont'd)

As lessee (Cont'd)

(i) Finance lease (Cont'd)

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

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

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

As lessor

Leases in which the Group or the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3. Significant Accounting Policies (Cont'd)

(e) Investment properties

Investment properties, including right-of-use assets held by lease, are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured initially at cost, including transaction costs. Subsequently, investment properties are measured at fair value which reflects market conditions at the reporting date. Gains and losses arising from changes in the fair values of investment properties are recognised in profit or loss for the period in which they arise. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Investment properties are valued by independent professionally qualified valuers, having appropriate recognised professional qualifications and recent experience in the locations and segments of the investment properties valued. The management team reviewed and discussed the valuations, including valuation processes, performed by the independent valuers for financial reporting purposes.

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

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Notes To The Financial Statements
31 December 2019 (Cont'd)

3. Significant Accounting Policies (Cont'd)

(f) Financial assets

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

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

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include trade and other receivables, amount due from subsidiary companies and deposits, bank and cash balances.

(a) Financial assets at amortised cost

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

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

Debt instruments

A debt security is measured at fair value through other comprehensive income ("FVTOCI") if it meets both of the following conditions and is not designated as at FVTPL:

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

3. Significant Accounting Policies (Cont'd)

(f) Financial assets (Cont'd)

(b) Financial assets at fair value through other comprehensive income (Cont'd)

Equity instruments

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

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

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

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

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

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

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

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

3. Significant Accounting Policies (Cont'd)

(f) Financial assets (Cont'd)

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

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

(g) Financial liabilities

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

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

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

(h) Offsetting the financial instruments

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

3. Significant Accounting Policies (Cont'd)

(i) Financial guarantee contracts

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

Financial guarantee contracts are recognised initially as financial liabilities at fair value, net of transaction costs. Subsequently, the liability is measured at the higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of MFRS 15 *Revenue from Contracts with Customers*.

(j) Inventories

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

Property under development and completed property

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

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

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

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

3. Significant Accounting Policies (Cont'd)

(k) Contract assets and contract liabilities

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

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

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

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

(l) Cash and cash equivalents

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

(m) Impairment of assets

(i) Non-financial assets

The carrying amounts of non-financial assets (except for inventories and investment property measured at fair value) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill the recoverable amount is estimated each period at the same time.

3. Significant Accounting Policies (Cont'd)

(m) Impairment of assets (Cont'd)

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

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment loss is recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (group of cash-generating units) on a pro rata basis.

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

3. Significant Accounting Policies (Cont'd)

(m) Impairment of assets (Cont'd)

(ii) Financial assets

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

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

For trade receivables, other receivables, contract assets and inter-company balances, the Group and the Company apply a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group and the Company have established a provision matrix that is based on its historical credit loss experience and the economic environment.

3. Significant Accounting Policies (Cont'd)

(n) Share capital

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

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

(o) Provisions

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

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

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

(p) Employee benefits

(i) Short-term employee benefits

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

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

Notes To The Financial Statements
31 December 2019 (Cont'd)

3. Significant Accounting Policies (Cont'd)

(p) Employee benefits (Cont'd)

(ii) Defined contribution plans

As required by law, companies in Malaysia contribute to the state pension scheme, the Employee Provident Fund ("EPF"). Some of the Group's foreign subsidiary companies also make contributions to their respective countries' statutory pension schemes. Such contributions are recognised as an expense in the profit or loss as incurred. Once the contributions have been paid, the Group has no further payment obligations.

(q) Revenue recognition

(i) Revenue from contracts with customers

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

The Group recognises revenue from the following major sources:

(a) Revenue from property development

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

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

3. Significant Accounting Policies (Cont'd)

(q) Revenue recognition (Cont'd)

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

(a) Revenue from property development (Cont'd)

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

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

The Group provides warranties for general repairs of defects as required by law. These assurance-type warranties are accounted for under MFRS 137 *Provision, contingent Liabilities and Contingent Assets*, please refer to accounting policy on warranty provisions in Note 3(o) to the financial statements.

(b) Rendering of services

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

(ii) Rental income

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

(iii) Interest income

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

Notes To The Financial Statements

31 December 2019 (Cont'd)

3. Significant Accounting Policies (Cont'd)

(r) Borrowing costs

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

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

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

(s) Income taxes

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the financial year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method for all temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

3. Significant Accounting Policies (Cont'd)

(s) Income taxes (Cont'd)

The measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, at the end of the reporting period, except for investment properties carried at fair value model. Where investment properties measured using fair value model, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying amounts at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(t) Segments reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-makers are responsible for allocating resources and assessing performance of the operating segments and make overall strategic decisions. The Group's operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Notes To The Financial Statements
31 December 2019 (Cont'd)

4. Property, Plant and Equipment

	Computer and software RM	Moter vehicles RM	Office equipment and fixtures RM	Renovation RM	Total RM
Group					
2019					
At cost					
At 1 January 2019	184,557	6,302	130,019	61,776	382,654
Additions	3,300	-	29,936	15,020	48,256
Written off	-	-	(3,055)	-	(3,055)
At 31 December 2019	187,857	6,302	156,900	76,796	427,855
Accumulated depreciation					
At 1 January 2019	154,601	1,470	37,027	22,961	216,059
Charge for the financial year	20,952	1,260	26,299	20,716	69,227
Written off	-	-	(1,244)	-	(1,244)
Reclassification	(2,950)	-	(150)	3,100	-
At 31 December 2019	172,603	2,730	61,932	46,777	284,042
Carrying amount					
At 31 December 2019	15,254	3,572	94,968	30,019	143,813
2018					
At cost					
At 1 January 2018	178,447	93,502	112,404	41,431	425,784
Additions	3,130	-	20,595	20,345	44,070
Disposals	-	(87,200)	-	-	(87,200)
Reclassification	2,980	-	(2,980)	-	-
At 31 December 2018	184,557	6,302	130,019	61,776	382,654
Accumulated depreciation					
At 1 January 2018	134,209	23,463	19,345	11,750	188,767
Charge for the financial year	18,704	4,167	19,370	11,211	53,452
Disposals	-	(26,160)	-	-	(26,160)
Reclassification	1,688	-	(1,688)	-	-
At 31 December 2018	154,601	1,470	37,027	22,961	216,059
Carrying amount					
At 31 December 2018	29,956	4,832	92,992	38,815	166,595

4. Property, Plant and Equipment (Cont'd)

	Computer and software RM	Office equipment and fixtures RM	Renovation RM	Total RM
Company				
2019				
At cost				
At 1 January 2019/ At 31 December 2019	167,272	7,511	450	175,233
Accumulated depreciation				
At 1 January 2019	144,660	1,852	-	146,512
Charge for the financial year	17,494	1,034	-	18,528
At 31 December 2019	162,154	2,886	-	165,040
Carrying amount				
At 31 December 2019	5,118	4,625	450	10,193
2018				
At cost				
At 1 January 2018	165,980	6,064	-	172,044
Additions	1,292	1,447	450	3,189
At 31 December 2018	167,272	7,511	450	175,233
Accumulated depreciation				
At 1 January 2018	128,464	1,032	-	129,496
Charge for the financial year	16,196	820	-	17,016
At 31 December 2018	144,660	1,852	-	146,512
Carrying amount				
At 31 December 2018	22,612	5,659	450	28,721

Notes To The Financial Statements
31 December 2019 (Cont'd)

5. Goodwill

	Group 2019 RM	Group 2018 RM
Cost		
At 1 January/31 December	68,195	68,195
Accumulated impairment losses		
At 1 January/31 December	68,195	68,195
Carrying amounts		
At 1 January/31 December	-	-

The recoverable amount of goodwill is assessed by discounting the future cash flows projected based on actual operating results and management's assessment of future trends in respective industries of the subsidiary companies.

6. Investment Properties

	Group 2019 RM	Group 2018 RM
At fair value		
At 1 January	28,193,140	26,558,154
Change in fair value recognised in profit or loss	-	1,089,326
Foreign currency translation differences	(621,272)	545,660
At 31 December	27,571,868	28,193,140
Included in the above are:		
At fair value		
Commercial properties	27,571,868	28,193,140

(a) Investment properties under leases

Investment properties comprise a number of leasehold commercial properties that are leased to third parties. Each of the leases contains a cancellable period ranging from 4 to 10 years. Subsequent renewals are negotiated with the lessee. No contingent rents are charged.

6. Investment Properties (Cont'd)

(b) Fair value basis of investment properties

The investment properties are valued annually at fair value based on market values determined by independent qualified valuer amounting to RMB46,868,400 (2018: RMB46,868,400). The fair values are within level 2 of the fair value hierarchy. The fair values have been derived using the sales comparison approach. Sales prices of comparable commercial properties in close proximity are adjusted for differences in key attributes such as property size.

There were no transfers between levels during current and previous financial year.

The increase in the fair values of RMNil (2018: RM1,089,326) has been recognised in the profit or loss in the previous financial year.

(c) Income and expenses recognised in profit or loss

The following are recognised in profit or loss in respect of investment properties:

	Group	
	2019	**2018**
	RM	**RM**
Rental income	120,692	102,059
Direct operating expenses:		
- Income generating investment properties	10,147	42,781
- Non-income generating investment properties	15,753	16,401

Notes To The Financial Statements
31 December 2019 (Cont'd)

7. Right-of-use Assets

	Buildings RM
Group	
2019	
At cost	
Addition/At 31 December	393,064
Accumulated depreciation	
Charge for the financial year/At 31 December	196,532
Carrying amount	
At 31 December	196,532

8. Investment in Subsidiary Companies

	Company	
	2019 RM	2018 RM
In Malaysia		
At cost		
Unquoted shares	10,750,004	10,750,004
Less: Accumulated impairment losses	(920,843)	(920,843)
	9,829,161	9,829,161
Outside Malaysia		
At cost		
Unquoted shares	8,563,000	8,563,000
	18,392,161	18,392,161

8. Investment in Subsidiary Companies (Cont'd)

Movements in the allowance for impairment losses of investment in subsidiary companies are as follows:

	Company 2019 RM	Company 2018 RM
At 1 January	920,843	2,385,641
Disposal of subsidiary companies	-	(1,464,798)
At 31 December	920,843	920,843

Details of the subsidiary companies are as follows:

Name of company	Place of business /Country of incorporation	Equity interest 2019 %	Equity interest 2018 %	Principal activities
Nagamas Venture Sdn. Bhd.	Malaysia	100	100	Project management and consultation
Nagamas Bizworks Sdn. Bhd.	Malaysia	100	100	Property development and construction
JKI Construction Sdn. Bhd.	Malaysia	100	100	General contractor of and for all buildings
JKI Development Sdn. Bhd.	Malaysia	100	100	Property development and construction
Nadi Pancar Sdn. Bhd.	Malaysia	100	100	General trading, real property holding and investment holding
Key Success Development Sdn. Bhd.	Malaysia	100	100	Property development and investment
Nagamas International (HK) Ltd*	Hong Kong	100	100	Property development and investment

** Subsidiary companies not audited by UHY Malaysia*

Notes To The Financial Statements
31 December 2019 (Cont'd)

8. Investment in Subsidiary Companies (Cont'd)

Disposals of subsidiary companies

In the previous financial year, on 9 August 2018, the Company disposed of its 100% equity interest in Mas-Be Travel Services Sdn. Bhd., Nagamas Aviation Services Sdn. Bhd. and Nagamas Enterprise (HK) Ltd for a cash consideration of RM10,000, RM1,000 and RM1,000 respectively. The proposed disposals have been completed on 27 September 2018.

The effect of the disposal of subsidiary companies on the financial position of the Group as at the date of disposal was as follows:

	RM
Other receivables	1,376,182
Other payables	(1,761)
Total net assets disposed	1,374,421
Loss on disposal	(1,362,421)
Proceeds from disposal	12,000
Less: Cash and bank balances disposed	-
Net cash inflows from disposal	12,000

There are no significant restrictions on the ability of the subsidiary companies to transfer funds to the Group in the form of cash dividends or repayment of loans and advances.

9. Other Receivables

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Non-current				
Other receivables (a)	3,964,832	3,964,832	-	-
Current				
Other receivables	908,227	332,844	14,808	27,786
Less: Accumulated impairment losses	(20,000)	(20,000)	-	-
	888,227	312,844	14,808	27,786
Deposits	1,162,000	1,085,518	1,150	38,500
Prepayments	227,187	232,084	13,071	18,828
	2,277,414	1,630,446	29,029	85,114
Presented as:				
Non-current	3,964,832	3,964,832	-	-
Current	2,277,414	1,630,446	29,029	85,114
	6,242,246	5,595,278	29,029	85,114

(a) This represents deposit paid by a wholly-owned subsidiary company, Nagamas Venture Sdn. Bhd. to Silverland Capital Sdn. Bhd. in which the amount will converted to properties once the Silverlake's project have been completed.

Movements in the allowance for impairment losses of other receivables are as follows:

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
At 1 January	20,000	465,162	-	445,162
Disposal of subsidiary companies	-	(445,162)	-	(445,162)
	20,000	20,000	-	-

Other receivables that are individually assessed to be impaired at the reporting date relate to receivables that are in significant financial difficulties and have defaulted on payments.

Notes To The Financial Statements
31 December 2019 (Cont'd)

10. Inventories

	Group 2019 RM	Group 2018 RM
Property development costs (a)	33,150,215	38,302,263
Completed properties (b)	-	642,970
	33,150,215	38,945,233

(a) Property development costs

	Freehold land RM	Development expenditure RM	Total RM
Group			
2019			
Cumulative property development costs			
At the beginning of the financial year	37,481,624	28,266,426	65,748,050
Costs incurred during the financial year	-	24,374,303	24,374,303
At the end of the financial year	37,481,624	52,640,729	90,122,353
Less: Cumulative costs recognised in profit or loss			
At the beginning of the financial year	(6,159,814)	(21,285,973)	(27,445,787)
Recognised during the financial year	(6,512,723)	(23,013,628)	(29,526,351)
At the end of the financial year	(12,672,537)	(44,299,601)	(56,972,138)
Carrying amount			
At 31 December 2019	24,809,087	8,341,128	33,150,215

10. Inventories (Cont'd)

(a) Property development costs (Cont'd)

	Freehold land RM	Development expenditure RM	Total RM
Group			
2018			
Cumulative property development costs			
At the beginning of the financial year, as previously reported	61,063,055	33,622,859	94,685,914
Effect of adopting MFRS 15	-	5,693,464	5,693,464
At the beginning of the financial year, as restated	61,063,055	39,316,323	100,379,378
Costs incurred during the financial year	(1,081,431)	19,493,111	18,411,680
Transfer to completed properties	(277,798)	(365,172)	(642,970)
Reversal of completed projects	(22,222,202)	(30,177,836)	(52,400,038)
At the end of the financial year	37,481,624	28,266,426	65,748,050
Less: Cumulative costs recognised in profit or loss			
At the beginning of the financial year, as previously reported	(18,248,699)	(30,084,087)	(48,332,786)
Effect of adopting MFRS 15	(1,183,185)	(4,769,000)	(5,952,185)
At the beginning of the financial year, as restated	(19,431,884)	(34,853,087)	(54,284,971)
Recognised during the financial year	(8,950,132)	(16,610,722)	(25,560,854)
Reversal of completed projects	22,222,202	30,177,836	52,400,038
At the end of the financial year	(6,159,814)	(21,285,973)	(27,445,787)
Carrying amount			
At 31 December 2018	31,321,810	6,980,453	38,302,263

10. Inventories (Cont'd)

(a) Property development costs (Cont'd)

During the financial year, the following costs are capitalised to property development costs:

	Group 2019 RM	Group 2018 RM
Sales commission	788,089	87,658
Staff costs (Note 27)	554,404	375,412
Finance costs (Note 23)	1,907,071	1,448,165

The Group capitalised sales commission in relation to the property development contracts entered into as incremental costs of obtaining contracts with customers in property development costs. These costs are expected to be recoverable and are amortised to profit or loss as cost of sales when the related revenue are recognised. In the comparative period, such commissions were recognised as selling and marketing expenses when incurred. In the current financial year, RM2,059,034 was amortised and no impairment was recorded.

Freehold land with an aggregate carrying amount of RM24,809,087 (2018: RM31,321,810) was pledged as securities for bank borrowings as disclosed in Note 17 to the financial statements.

(b) Completed properties

	Group 2019 RM	Group 2018 RM
At the beginning of the financial year	642,970	-
Transfer from property development costs	-	642,970
Disposal during the financial year	(642,970)	-
At the end of the financial year	-	642,970

11. Contract Assets

	Group 2019 RM	Group 2018 RM
Current		
Contract assets		
Property development activities (a)	15,613,843	14,636,037
	15,613,843	14,636,037
At 31 December:		
Contract assets	15,613,843	14,636,037

	Group 2019 RM	Group 2018 RM
Increase/(Decrease) in contract liabilities balances during the financial year:		
Change in measure of progress	-	(2,450,706)

(a) Property development activities

	Group 2019 RM	Group 2018 RM
At 1 January, as previously reported	14,636,037	6,386,546
Effect of adopting MFRS 15	-	5,540,054
Balance at 1 January, as restated	14,636,037	11,926,600
Property development revenue recognised during the financial year	36,072,763	31,445,584
Less: Billings during the financial year	(35,094,957)	(28,736,147)
At 31 December	15,613,843	14,636,037
Presented as:		
Contract assets	15,613,843	14,636,037

Notes To The Financial Statements
31 December 2019 (Cont'd)

11. Contract Assets (Cont'd)

(a) Property development activities (Cont'd)

The contract assets primarily relate to the Group's rights to consideration for work performed but not yet billed at the reporting date for its property development activities. The contract assets will be transferred to trade receivables when the rights become unconditional.

(b) Contract value yet to be recognised as revenue

As at the reporting date, revenue expected to be recognised in the future relating to performance obligations that are unsatisfied (or partially unsatisfied) is RM127,815,843. The Group expects to recognise this revenue as the construction contracts are completed, which is expected to occur over the next 1 - 15 months.

12. Trade Receivables

	Group	
	2019	2018
	RM	RM
Trade receivables	6,593,391	3,905,691
Less: Accumulated impairment losses	(5,282)	(5,282)
	6,588,109	3,900,409

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2018: 30 to 90 days) term. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Movements in the allowance for impairment losses of trade receivables are as follows:

	Group	
	2019	2018
	RM	RM
At 1 January, as previously reported	5,282	292,061
Effect of adopting MFRS 9	-	7,302
At 1 January, as restated	5,282	299,363
Reversal of impairment losses recognised	-	(2,020)
Disposal of a subsidiary company	-	(292,061)
At 31 December	5,282	5,282

The loss allowance account in respect of trade receivables is used to record loss allowance. Unless the Group are satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

12. Trade Receivables (Cont'd)

The aged analysis of trade receivables as at the end of the reporting period are as follow:

Group	Gross amount RM	Loss allowance RM	Net amount RM
2019			
Not past due	4,883,863	-	4,883,863
Past due:			
61 to 90 days	1,709,528	(5,282)	1,704,246
	6,593,391	(5,282)	6,588,109
2018			
Not past due	370,792	-	370,792
Past due:			
Less than 30 days	3,342,654	(4,734)	3,337,920
31 to 60 days	192,083	(548)	191,535
61 to 90 days	162	-	162
	3,534,899	(5,282)	3,529,617
	3,905,691	(5,282)	3,900,409

Trade receivables that are not past due are creditworthy receivables with good payment records with the Group.

As at 31 December 2019, trade receivables of RM1,704,246 (2018: RM3,529,617) were past due. These relate to a number of independent customers from whom there is no recent history of default.

Notes To The Financial Statements
31 December 2019 (Cont'd)

13. Amount Due from/(to) Subsidiary Companies

	Company 2019 RM	Company 2018 RM
Amount due from subsidiary companies		
Non-trade related		
Non-interest bearing	22,446,242	25,015,627
Less: Accumulated impairment losses	(139,286)	(139,286)
	22,306,956	24,876,341
Amount due to subsidiary companies		
Non-trade related		
Non-interest bearing	(3,749,110)	(5,664,353)

Movements in the allowance for impairment losses of amount due from subsidiary companies are as follows:

	Company 2019 RM	Company 2018 RM
At 1 January	139,286	1,333,676
Amount written off	-	(1,194,390)
At 31 December	139,286	139,286

The Company determines the probability of default for these advances individually using internal information available. Table below provide information about the exposure to credit risk and ECLs:

2019	Gross amount RM	Loss allowances RM	Net amount RM
Low credit risk	22,446,242	-	22,446,242
Credit impaired	(139,286)	-	(139,286)
	22,306,956	-	22,306,956

13. Amount Due from/(to) Subsidiary Companies (Cont'd)

The Company determines the probability of default for these advances individually using internal information available. Table below provide information about the exposure to credit risk and ECLs: (Cont'd)

2018	Gross amount RM	Loss allowances RM	Net amount RM
Low credit risk	25,015,627	-	25,015,627
Credit impaired	(139,286)	-	(139,286)
	24,876,341	-	24,876,341

Amount due from/(to) subsidiary companies are unsecured and repayable on demand.

14. Deposits, Bank and Cash Balances

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Cash and bank balances	1,618,480	11,173,234	240,376	23,537
Housing Development Accounts	6,266,150	1,033,723	-	-
Deposits with license banks	3,536,624	-	-	-
Total deposits, bank and cash balances	11,421,254	12,206,957	240,376	23,537

Housing Development Accounts pursuant to Housing Development (Control and Licensing) Act 1966 and are restricted from use in other operations.

The effective interest rates and maturity period of deposits with licensed banks of the Group as at the end of the reporting period is 2.9% (2018: Nil) per annum and 1 month (2018: 1 month) respectively.

Notes To The Financial Statements
31 December 2019 (Cont'd)

15. Share Capital

	Group and Company			
	Number of Shares		Amount	
	2019	2018	2019	2018
	Units	Units	RM	RM
Issued and fully paid:				
At 1 January/ At 31 December	166,845,219	166,845,219	44,655,645	44,655,645

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regards to the Company's residual assets.

16. Reserves

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
Group					
Warrants reserve	(a)	13,605,640	13,605,640	13,605,640	13,605,640
Foreign currency translation reserve	(b)	4,308,143	4,379,150	-	-
Accumulated losses		(7,881,597)	(12,216,410)	(21,095,458)	(20,608,345)
		10,032,186	5,768,380	(7,489,818)	(7,002,705)

(a) Warrants reserve

On 24 December 2014, 75,586,889 units of Warrants 2014/2021 were issued for free by the Company to the subscribers of the rights issue of the Company's ordinary shares. The Warrants are constituted by a deed poll dated 2 December 2014. The Warrants were listed on Bursa Malaysia on 31 December 2014. During the financial year, no share has been issued pursuant to the exercise of the Warrants.

Salient features of the Warrants are as follows:

(i) Each warrant entitles the registered holder at any time during the exercise period to subscribe for one (1) new ordinary share of RM0.25 in the Company at the exercise price of RM0.32 per ordinary share.

(ii) The exercise price and the number of Warrants are subject to adjustment in the event of alteration to the share capital by the Company in accordance with the conditions provided in the deed poll.

16. Reserves (Cont'd)

(a) Warrants reserve (Cont'd)

Salient features of the Warrants are as follows: (Cont'd)

(iii) The Warrants shall be exercisable at any time within the period commencing on and including the date of issue on 24 December 2014 of the Warrants and ending on the date preceding the seventh anniversary of the date of issue of the Warrants.

(iv) Upon exercise of the Warrants into new ordinary shares, such shall rank pari passu in all respects with the existing shares of the Company in issue at the time of exercise except that they shall not be entitled to any dividend or other distributions declared in respect of a financial period prior to the financial period in which the Warrants are exercised or any interim dividend declared prior to the date of exercise of the Warrants.

(v) At the expiry of the exercise period, any Warrants which have not been exercised will lapse and cease to be valid for any purpose.

(b) Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

17. Bank Borrowings

	Group	
	2019	**2018**
	RM	**RM**
Secured		
Term loans	-	5,492,081
Bridging loans	17,570,872	17,817,670
	17,570,872	23,309,751
Non-current		
Term loans	-	3,932,023
Current		
Term loans	-	1,560,058
Bridging loans	17,570,872	17,817,670
	17,570,872	19,377,728
	17,570,872	23,309,751

Notes To The Financial Statements

31 December 2019 (Cont'd)

17. Bank Borrowings (Cont'd)

(a) The banking facilities are secured by the following:

(i) Third party legal charge over the freehold commercial land held under title HS(D) 298325 PT81833, Mukim Petaling, Daerah Petaling, Negeri Selangor Darul Ehsan of the subsidiary company as disclosed in Note 10 to the financial statements;
(ii) Corporate guarantee by the Company;
(iii) Jointly and several guaranteed by Directors of the Company; and
(iv) Individual guarantee by a Director of the Company.

(b) The average effective interest rates per annum are as follow:

	Group	
	2019	2018
	RM	RM
Term loans	-	8.15%
Bridging loans	8.10%	8.15%

18. Deferred Tax Liabilities

	Group	
	2019	2018
	RM	RM
At 1 January	6,578,976	5,905,176
Recognised in profit or loss (Note 25)	(245,379)	558,726
Effect of changes in exchange rates	(29,689)	115,074
At 31 December	6,303,908	6,578,976

The net deferred tax assets and liabilities shown on the statements of financial position after appropriate offsetting are as follows:

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Deferred tax liabilities	6,313,073	6,592,359	588	4,368
Deferred tax assets	(9,165)	(13,383)	(588)	(4,368)
	6,303,908	6,578,976	-	-

18. Deferred Tax Liabilities (Cont'd)

The components and movements of deferred tax assets and liabilities prior to offsetting are as follows:

	Revaluation of investment property RM	Accelerated capital allowances RM	Total RM
Group			
Deferred tax liabilities			
At 1 January 2019	6,578,976	13,383	6,592,359
Recognised in profit or loss	(245,379)	(3,317)	(248,696)
Effect on changes in exchange rate	(29,689)	-	(29,689)
Over provision in prior years	-	(901)	(901)
At 31 December 2019	6,303,908	9,165	6,313,073
At 1 January 2018	5,905,176	17,096	5,922,272
Recognised in profit or loss	558,726	(3,713)	555,013
Effect on changes in exchange rate	115,074	-	115,074
At 31 December 2018	6,578,976	13,383	6,592,359

	Unutilised tax losses RM	Unabsorbed capital allowances RM	Total RM
Group			
Deferred tax assets			
At 1 January 2019	-	(13,383)	(13,383)
Recognised in profit or loss	(559)	3,876	3,317
Over provision in prior years	(7,995)	8,896	901
At 31 December 2019	(8,554)	(611)	(9,165)
At 1 January 2018	-	(17,096)	(17,096)
Recognised in profit or loss	-	3,713	3,713
At 31 December 2018	-	(13,383)	(13,383)

Notes To The Financial Statements

31 December 2019 (Cont'd)

18. Deferred Tax Liabilities (Cont'd)

The components and movements of deferred tax assets and liabilities prior to offsetting are as follows: (Cont'd)

	Accelerated capital allowances RM
Company	
Deferred tax liabilities	
At 1 January 2019	4,368
Recognised in profit or loss	(3,760)
Over provision in prior years	(20)
At 31 December 2019	588
At 1 January 2018	7,747
Recognised in profit or loss	(3,379)
At 31 December 2018	4,368

	Unabsorbed capital allowances RM
Company	
Deferred tax assets	
At 1 January 2019	(4,368)
Recognised in profit or loss	3,760
Over provision in prior years	20
At 31 December 2019	(588)
At 1 January 2018	(7,747)
Recognised in profit or loss	3,379
At 31 December 2018	(4,368)

18. Deferred Tax Liabilities (Cont'd)

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Unabsorbed capital allowances	128,243	109,547	127,407	109,503
Unutilised tax losses	9,265,919	11,105,304	3,757,725	3,517,947
	9,394,162	11,214,851	3,885,132	3,627,450

With effect from year of assessment 2019, unutilised tax losses are allowed to be carried forward up to a maximum of seven consecutive years of assessment under the current tax legislation. The other temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items as they may not have sufficient taxable profits to be used to offset or they have arisen in subsidiary companies that have a recent history of losses.

19. Trade Payables

	Group	
	2019	**2018**
	RM	**RM**
Third parties	6,119,851	6,548,464

Credit terms of trade payables of the Group ranged from 30 to 90 days (2018: 30 to 90 days) depending on the terms of the contracts.

Notes To The Financial Statements
31 December 2019 (Cont'd)

20. Other Payables

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Other payables	15,682,931	15,372,148	16,478	42,281
Accruals	722,077	1,675,092	47,300	46,300
	16,405,008	17,047,240	63,778	88,581

Included in other payables are RM12,030,639 (2018: RM13,275,355) being the balance of land owner entitlement payable to Fivestar Development (Puchong) Sdn. Bhd..

21. Lease Liabilities

	2019
	RM
Group	
At 1 January	-
Additions	393,064
Payments	(204,000)
Interest expense recognised in profit or loss	11,006
At 31 December	200,070
Presented as:	
Current	200,070

The maturity analysis of lease liabilities of the Group at the end of the reporting period:

	2019
	RM
Group	
Within one year	204,000
Less: Future finance charges	(3,930)
Present value of lease liabilities	200,070

The Group leases a building. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

22. Revenue

	Group 2019 RM	Group 2018 RM
Revenue from contracts with customers:		
- Project management and advisory	-	108,367
- Property development	40,223,278	32,232,499
	40,223,278	32,340,866
Revenue from other sources:		
- Rental income from investment properties	120,692	102,059
	40,343,970	32,442,925
Timing of revenue recognition:		
At a point in time	-	108,367
Over time	40,223,278	32,232,499
Total revenue from contracts with customers	40,223,278	32,340,866

Breakdown of the Group's revenue from contracts with customers:

	Property development and construction RM	Project management and advisory RM
2019		
Major goods and services:		
Property development, representing total revenue from contracts with customers	40,223,278	-
Geographical market:		
Malaysia, representing total revenue from contracts with customers	40,223,278	-
Timing of revenue recognition:		
Over time, representing total revenue from contracts with customers	40,223,278	-

22. Revenue (Cont'd)

Breakdown of the Group's revenue from contracts with customers: (Cont'd)

	Property development and construction RM	Project management and advisory RM
2018		
Major goods and services:		
Project management and advisory	-	108,367
Property development	32,232,499	-
Total revenue from contracts with customers	32,232,499	108,367
Geographical market:		
Malaysia, representing total revenue from contracts with customers	32,232,499	108,367
Timing of revenue recognition:		
At a point in time	-	108,367
Over time	32,232,499	-
Total revenue from contracts with customers	32,232,499	108,367

23. Finance Costs

	Group 2019 RM	Group 2018 RM
Interest expenses on:		
- Bridging loans	1,686,264	995,327
- Finance lease liabilities	-	756
- Lease liabilities	11,006	-
- Term loans	220,807	452,838
- Other receivables	-	442,985
	1,918,077	1,891,906
Less: Finance costs capitalised in property development costs (Note 10)	(1,907,071)	(1,448,165)
	11,006	443,741

24. Profit/(Loss) before Tax

Profit/(Loss) before tax is determined after charging/(crediting) amongst other, the following items:

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Auditors' remuneration				
- Statutory audit				
- Current year provision	115,805	129,671	33,000	32,000
- Over provision in prior years	-	(6,900)	-	-
- Non-audit services	5,000	10,000	5,000	10,000
Bad debts written off	-	21,272	-	-
Depreciation of:				
- property, plant and equipment	69,227	53,452	18,528	17,016
- right-of-use assets	196,532	-	-	-
Fair value gain on investment properties	-	(1,089,236)	-	-
Gain on disposal of property, plant and equipment	-	(960)	-	-
Loss/(Gain) on disposal of subsidiary companies	-	1,362,421	-	(12,000)
Interest income				
- Late payment interest charge	-	(224,285)	-	-
- Others	(133,152)	(53,463)	(3,527)	(445)
Lease expenses relating to short-term leases	120,000	-	-	-
Non-executive Directors' remuneration				
- Fees	150,000	120,000	150,000	120,000
- Other emoluments	9,000	11,000	9,000	11,000
Property, plant and equipment written off	1,811	-	-	-

Notes To The Financial Statements
31 December 2019 (Cont'd)

24. Profit/(Loss) before Tax (Cont'd)

Profit/(Loss) before tax is determined after charging/(crediting) amongst other, the following items: (Cont'd)

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Realised loss on foreign exchange	621,272	-	-	-
Rental expenses				
- Premises	-	254,800	-	-
- Sales gallery	-	95,500	-	-
Reversal of allowance for expected credit losses on trade receivables	-	(2,020)	-	-
Waiver of liabilities	-	-	-	90,190

25. Taxation

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Tax expenses recognised in profit or loss				
Current tax provision				
- Malaysia income tax	475,318	915,773	-	-
Under provision in prior years	68,232	30,411	-	-
	543,550	946,184	-	-
Deferred tax (Note 18)				
Origination and reversal of temporary differences	(245,379)	558,726	-	-
	298,171	1,504,910	-	-

Malaysian income tax is calculated at the statutory tax rate of 24% (2018: 24%) of the estimated assessable profits for the financial year. Taxation for other jurisdiction is calculated at the rates prevailing in the respective jurisdictions.

Notes To The Financial Statements
31 December 2019 (Cont'd)

25. Taxation (Cont'd)

A reconciliation of income tax expenses applicable to profit/(loss) before tax at the statutory income tax rate to income tax expenses at the effective income tax rate of the Group and of the Company are as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Profit/(Loss) before tax	4,632,984	2,280,080	(487,113)	(572,909)
At Malaysian statutory tax rate of 24% (2018: 24%)	1,111,916	547,219	(116,907)	(137,498)
Effects of different tax rates in other jurisdictions	36,946	423,057	-	-
	1,148,862	970,276	(116,907)	(137,498)
Expenses not deductible for tax purposes	219,629	320,894	55,063	41,048
Income not subject to tax	(456,208)	(487,043)	-	(2,880)
Deferred tax movement arising from investment property	(245,379)	558,726	-	-
Deferred tax assets not recognised during the financial year	64,872	113,751	61,844	99,330
Utilisation of previously unrecognised deferred tax assets	(501,837)	(2,105)	-	-
Under provision of income tax in prior years	68,232	30,411	-	-
	298,171	1,504,910	-	-

Notes To The Financial Statements
31 December 2019 (Cont'd)

25. Taxation (Cont'd)

The Group and the Company have the following estimated unutilised tax losses and unabsorbed capital allowances available to carry forward to offset against future taxable profit. The said amounts are subject to approval by the tax authorities.

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Unabsorbed capital allowances	130,788	128,239	129,858	127,619
Unutilised tax losses	9,301,564	11,138,617	3,757,725	3,517,947
	9,432,352	11,266,856	3,887,583	3,645,566

26. Earnings Per Share

(a) Basic earnings per share

The basic earnings per share are calculated based on the consolidated profit for the financial year attributable to owners of the parent and the weighted average number of ordinary shares in issue during the financial year as follows:

	Group	
	2019	2018
	RM	RM
Profit attributable to owners of the parent	4,334,813	775,170
Weighted average number of ordinary shares in issue	166,845,219	166,845,219
Basic earnings per shares (in sen)	2.60	0.46

26. Earnings Per Share (Cont'd)

(b) Diluted earnings per share

Diluted earnings per share are calculated based on the adjusted consolidated profit for the financial year attributable to owners of the parent and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of all potential ordinary shares as follows:

	Group	
	2019	2018
	RM	RM
Profit attributable to owners of the parent	4,334,813	775,170
Weighted average number of ordinary shares in issue	166,845,219	166,845,219
Effect of potential exercise of warrants	- *	75,586,889
Weighted average number of ordinary shares at 31 December	166,845,219	242,432,108
Basic earnings per ordinary shares (in sen)	-	0.32

* Diluted earnings per share is not applicable as the exercise price of warrants is higher than the average market price of the Company's ordinary share during the current financial year.

27. Staff Costs

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Salaries and other emoluments	2,521,086	2,633,197	-	-
Social security contributions	11,718	17,034	-	-
Defined contribution plans	202,876	289,128	-	-
Other employee benefits	1,327	63,057	-	-
	2,737,007	3,002,416	-	-
Less: Staff costs capitalised in property development costs (Note 10)	(554,404)	(375,412)	-	-
	2,182,603	2,627,004	-	-

Notes To The Financial Statements
31 December 2019 (Cont'd)

27. Staff Costs (Cont'd)

Included in staff costs is aggregate amount of remuneration received and receivable by the Executive Directors of the Company and of the subsidiary companies during the financial year as below:

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Executive Directors				
Existing Directors of the Company				
Salaries and other emoluments	855,720	1,080,000	-	-
Social security contributions	1,779	2,617	-	-
Defined contribution plans	76,200	96,000	-	-
	933,699	1,178,617	-	-

28. Financial Guarantee

	Company	
	2019	2018
	RM	RM
Unsecured		
Corporate guarantee		
Corporate guarantee given to licensed banks for credit facilities granted to subsidiary companies	20,915,694	27,450,438
Corporate guarantee given to the suppliers of goods for credit terms granted to subsidiary companies	1,976,572	-
	22,892,266	27,450,438

29. Related Party Disclosures

(a) Identifying related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel comprise the Directors and management personnel of the Group, having authority and responsibility for planning, directing and controlling the activities of the Group entities directly or indirectly.

(b) Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms. In addition to the related party balances disclosed elsewhere in the financial statements, the significant related party transactions of the Group and of the Company are as follows:

	Group		**Company**	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Transactions with companies in which the Directors of the Company have substantial financial interest				
- Project management services income	-	108,367	-	-
- Construction revenue	-	(534,546)	-	-

(c) Compensation of key management personnel

The remuneration of key management personnel is same as the Directors' remuneration as disclosed in Notes 24 and 27 respectively.

Notes To The Financial Statements
31 December 2019 (Cont'd)

30. Reconciliation of Liabilities Arising from Financing Activities

The table below show the details changes in the liabilities of the Group and of the Company arising from financing activities, including both cash and non-cash changes:

	At 1 January 2019 RM	Financing cash flows (i) RM	Non-cash changes New lease (Note 21) RM	At 31 December 2019 RM
Group				
Lease liabilities	-	(192,994)	393,064	200,070
Bank borrowings	23,309,751	(5,738,879)	-	17,570,872
	23,309,751	(5,931,873)	393,064	17,770,942

	At 1 January 2018 RM	Financing cash flows (i) RM	At 31 December 2018 RM
Group			
Finance lease liabilities	64,044	(64,044)	-
Bank borrowings	15,407,793	7,901,958	23,309,751
	15,471,837	7,837,914	23,309,751

	At 1 January 2019 RM	Financing cash flows (i) RM	At 31 December 2019 RM
Company			
Amount due (from)/to subsidiary companies	(19,211,988)	654,142	(18,557,846)

(i) The net amount of the financing cash flows were make-up from the followings:

(a) proceeds from and repayment of borrowings;

(b) repayment of finance lease liabilities and lease liabilities; and

(c) proceeds from and repayment of amount owing (from)/to subsidiary companies

31. Segment Information

For management purposes, the Group is organised into business units based on their products and services, and has three reportable segments as follows:

Property development and construction	Develop and provides construction services for residential, industrial and commercial property
Project management and advisory	Provides project management services for residential, industrial and commercial property development
Property management and investment holding	Provision of management, marketing and consultancy services

The Group Executive Committee assesses the performance of the operating segments based on operating profit or loss which is measured differently from those disclosed in the consolidated financial statements.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

Transactions between segments are carried out on agreed terms between both parties. The effects of such inter-segment transactions are eliminated on consolidation. The measurement basis and classification are consistent with those adopted in the previous financial year.

Notes To The Financial Statements
31 December 2019 (Cont'd)

31. Segment Information (Cont'd)

Group	Property development and construction RM	Property management and investment holding RM	Total segments RM	Adjustments and elimination RM	Consolidated RM
2019					
Revenue					
External customers					
- Property development	40,223,278	-	40,223,278	-	40,223,278
- Rental income from investment properties	-	120,692	120,692	-	120,692
	40,223,278	120,692	40,343,970	-	40,343,970
Inter-segment	19,411,867	-	19,411,867	(19,411,867)	-
Total revenue	59,635,145	120,692	59,755,837	(19,411,867)	40,343,970
Results					
Segment result	3,743,513	(999,261)	2,744,252	1,766,586	4,510,838
Finance costs	(11,006)	-	(11,006)	-	(11,006)
Finance income	129,625	3,527	133,152	-	133,152
Profit/(Loss) before tax	3,862,132	(995,734)	2,866,398	1,766,586	4,632,984
Taxation	(543,550)	245,379	(298,171)	-	(298,171)
Profit/(Loss) for the financial year	3,318,582	(750,355)	2,568,227	1,766,586	4,334,813

31. Segment Information (Cont'd)

Group	Property development and construction RM	Property management and investment holding RM	Total segments RM	Adjustments and elimination RM	Consolidated RM
2019					
Segment assets	74,080,362	28,295,323	102,375,685	(909,902)	101,465,783
Including in the measurement of assets are:					
Capital expenditure relating to:					
- property, plant and equipment	48,256	-	48,256	-	48,256
- right-of-use assets	393,064	-	393,064	-	393,064
Segment liabilities	40,098,491	6,679,461	46,777,952	-	46,777,952
Other non-cash items					
Depreciation of:					
- property, plant and equipment	(50,519)	(18,708)	(69,227)	-	(69,227)
- right-of-use assets	(196,532)	-	(196,532)	-	(196,532)
Property, plant and equipment written off	(1,811)	-	(1,811)	-	(1,811)

Notes To The Financial Statements
31 December 2019 (Cont'd)

31. Segment Information (Cont'd)

Group	Property development and construction RM	Project management and advisory RM	Property management and investment holding RM	Total segments RM	Adjustments and elimination RM	Consolidated RM
2018						
Revenue						
External customers						
- Project management and advisory	-	108,367	-	108,367	-	108,367
- Property development	32,232,499	-	-	32,232,499	-	32,232,499
- Rental income from investment properties	-	-	102,059	102,059	-	102,059
	32,232,499	108,367	102,059	32,442,925	-	32,442,925
Inter-segment	16,493,400	-	-	16,493,400	(16,493,400)	-
Total revenue	48,725,899	108,367	102,059	48,936,325	(16,493,400)	32,442,925
Results						
Segment result	2,545,709	1,644,810	519,053	4,709,572	(2,263,499)	2,446,073
Finance costs	(331,101)	(112,640)	-	(443,741)	-	(443,741)
Finance income	277,303	-	445	277,748	-	277,748
Profit/(Loss) before tax	2,491,911	1,532,170	519,498	4,543,579	(2,263,499)	2,280,080
Taxation	(946,184)	-	(558,726)	(1,504,910)	-	(1,504,910)
Profit/(Loss) for the financial year	1,545,727	1,532,170	(39,228)	3,038,669	(2,263,499)	775,170

Notes To The Financial Statements
31 December 2019 (Cont'd)

31. Segment Information (Cont'd)

Group	Property development and construction RM	Project management and advisory RM	Property management and investment holding RM	Total segments RM	Adjustments and elimination RM	Consolidated RM
2018						
Segment assets	77,877,333	-	28,707,611	106,584,944	(2,676,488)	103,908,456
Including in the measurement of assets are:						
Capital expenditure relating to:						
- property, plant and equipment	43,620	-	450	44,070	-	44,070
Liabilities						
Segment liabilities	46,607,703	-	6,876,728	53,484,431	-	53,484,431

Notes To The Financial Statements
31 December 2019 (Cont'd)

31. Segment Information (Cont'd)

Group	Property development and construction RM	Project management and advisory RM	Property management and investment holding RM	Total segments RM	Adjustments and elimination RM	Consolidated RM
2018						
Other non-cash items						
Bad debts written off	(21,272)	-	-	(21,272)	-	(21,272)
Depreciation of property, plant and equipment	(36,436)	-	(17,016)	(53,452)	-	(53,452)
Fair value gain on investment properties	-	-	1,089,326	1,089,326	-	1,089,326
Gain on disposal of property, plant and equipment	960	-	-	960	-	960
Loss on disposal of subsidiary companies	-	-	12,000	12,000	(1,374,421)	(1,362,421)
Reversal of allowance for expected credit losses on trade receivables	2,020	-	-	2,020	-	2,020
	(54,728)	-	1,084,310	1,029,582	(1,374,421)	(344,839)

Notes To The Financial Statements
31 December 2019 (Cont'd)

31. Segment Information (Cont'd)

Geographic information

Revenue information based on the geographical location of customers are as follow:

Group	Property development and construction RM	Project management and advisory RM	Property management and investment properties RM	Total segments RM	Adjustments and elimination RM	Consolidated RM
Revenue						
Geograhical market:						
2019						
Malaysia						
- Property development	59,635,146	-	-	59,635,146	(19,411,868)	40,223,278
People's Republic of China	-	-	120,692	120,692	-	120,692
	59,635,146	-	120,692	59,755,838	(19,411,868)	40,343,970
2018						
Malaysia						
- Project management and advisory	-	108,367	-	108,367	-	108,367
- Property development	48,725,899	-	-	48,725,899	(16,493,400)	32,232,499
	48,725,899	108,367	-	48,834,266	(16,493,400)	32,340,866
People's Republic of China	-	-	102,059	102,059	-	102,059
	48,725,899	108,367	102,059	48,936,325	(16,493,400)	32,442,925

Notes To The Financial Statements
31 December 2019 (Cont'd)

31. Segment Information (Cont'd)

Geographic information (Cont'd)

Non-current assets information based on the geographical location of assets are as follow:

	Group	
	2019	2018
	RM	RM
Non-current assets		
Malaysia	4,305,177	4,131,427
People's Republic of China	27,571,868	28,193,140
	31,877,045	32,324,567

32. Financial Instruments

(a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 3 describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised.

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

	At Amortised cost
Group	RM
2019	
Financial assets	
Trade receivables	6,588,109
Other receivables	6,015,059
Deposits, bank and cash balances	11,421,254
	24,024,422
Financial liabilities	
Bank borrowings	17,570,872
Trade payables	6,119,851
Other payables	16,405,008
Lease liabilities	200,070
	40,295,801

32. Financial Instruments (Cont'd)

(a) Classification of financial instruments (Cont'd)

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis: (Cont'd)

	At Amortised cost RM
Group	
2018	
Financial assets	
Trade receivables	3,900,409
Other receivables	5,363,194
Deposits, bank and cash balances	12,206,957
	21,470,560
Financial liabilities	
Bank borrowings	23,309,751
Trade payables	6,548,464
Other payables	17,047,240
	46,905,455
Company	
2019	
Financial assets	
Other receivables	15,958
Amount due from subsidiary companies	22,306,956
Cash and bank balances	240,376
	22,563,290
Financial liabilities	
Other payables	63,778
Amount due to subsidiary companies	3,749,110
	3,812,888

32. Financial Instruments (Cont'd)

(a) Classification of financial instruments (Cont'd)

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis: (Cont'd)

	At Amortised cost RM
Company	
2018	
Financial assets	
Other receivables	66,286
Amount due from subsidiary companies	24,876,341
Cash and bank balances	23,537
	24,966,164
Financial liabilities	
Other payables	88,581
Amount due to a subsidiary company	5,664,353
	5,752,934

(b) Financial risk management objectives and policies

The Group's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's operations whilst managing its credit, liquidity, foreign currency and interest rate risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

The following sections provide details regarding the Group's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

32. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(i) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and deposits with licensed banks. The Company's exposure to credit risk arises principally from advances to subsidiary companies and financial guarantees given to banks for credit facilities granted to subsidiary companies. There are no significant changes as compared to previous financial year.

The Group has adopted a policy of only dealing with creditworthy counterparties. Management has a credit policy in place to control credit risk by dealing with creditworthy counterparties and deposits with licensed banks with good credit rating. The exposure to credit risk is monitored on an ongoing basis and action will be taken for long outstanding debts.

The Company provides unsecured advances to subsidiary companies. It also provides unsecured financial guarantees to banks for banking facilities granted to certain subsidiary companies. The Company monitors on an ongoing basis the results of the subsidiary companies and repayments made by the subsidiary companies.

At each reporting date, the Group and the Company assess whether any if the receivables and contract assets are credit impaired.

The gross carrying amounts of credit impaired trade receivables and contract assets are written off (either partial or full) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables and contract assets that are written off could still be subject to enforcement activities.

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the financial year represent the Group's and the Company's maximum exposure to credit risk except for financial guarantees provided to banks for banking facilities granted to certain subsidiary companies.

The Company's maximum exposure in this respect is RM22,892,266 (2018: RM27,450,438), representing the outstanding banking facilities to the subsidiary companies as at the end of the reporting period. There was no indication that any subsidiary company would default on repayment as at the end of the reporting period.

Notes To The Financial Statements
31 December 2019 (Cont'd)

32. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(i) Credit risk (Cont'd)

There are no significant changes as compared to previous financial year.

The Group has no significant concentration of credit risk as its exposure spread over a large number of customers. The Company has no significant concentration of credits risks except for advances to its subsidiary companies where risks of default have been assessed to be low.

(ii) Liquidity risk

Liquidity risk refers to the risk that the Group or the Company will encounter difficulty in meeting its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group's and the Company's funding requirements and liquidity risk are managed with the objective of meeting business obligations on a timely basis. The Group finances its liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available.

32. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

The following table analyses the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

	On demand or within 1 year RM	1 to 2 years RM	2 to 5 years RM	Total contractual cash flows RM	Total carrying amount RM
Group					
2019					
Non-derivative financial liabilities					
Bank borrowings	18,783,678	-	-	18,783,678	17,570,872
Trade payables	6,119,851	-	-	6,119,851	6,119,851
Other payables	16,405,008	-	-	16,405,008	16,405,008
Lease liabilities	204,000	-	-	204,000	200,070
	41,512,537	-	-	41,512,537	40,295,801
2018					
Non-derivative financial liabilities					
Bank borrowings	21,074,694	1,938,252	2,347,707	25,360,653	23,309,751
Trade payables	6,548,464	-	-	6,548,464	6,548,464
Other payables	17,047,240	-	-	17,047,240	17,047,240
	44,670,398	1,938,252	2,347,707	48,956,357	46,905,455

Notes To The Financial Statements
31 December 2019 (Cont'd)

32. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

The following table analyses the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

	On demand or within 1 year RM	Total contractual cash flows RM	Total carrying amount RM
Company			
2019			
Non-derivative financial liabilities			
Other payables	63,778	63,778	63,778
Amount due to subsidiary companies	3,749,110	3,749,110	3,749,110
Financial guarantee liabilities*	22,892,266	22,892,266	-
	26,705,154	26,705,154	3,812,888
2018			
Non-derivative financial liabilities			
Other payables	88,581	88,581	88,581
Amount due to subsidiary companies	5,664,353	5,664,353	5,664,353
Financial guarantee liabilities*	27,450,438	27,450,438	-
	33,203,372	33,203,372	5,752,934

* Based on the maximum amount that can be called for under the financial guarantee contract.

The Company provides unsecured financial guarantee to banks in respect of credit facilities granted to certain subsidiary companies and monitors on an ongoing basis the performance of the subsidiary companies. At end of the financial year, there was no indication that the subsidiary companies would default on repayment.

Financial guarantee have not been recognised since the fair value on initial recognition was deemed not material and the probability of the subsidiary companies defaulting on their credit facilities is remote.

32. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risks

(a) Foreign currency risk

The Group's exposure to foreign currency risk is minimal.

(b) Interest rate risks

The Group's fixed rate deposits placed with licensed banks and borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

The Group manages the interest rate risk of its deposits with licensed banks by placing them at the most competitive interest rates obtainable, which yield better returns than cash at bank and maintaining a prudent mix of short and long-term deposits.

The Group manages its interest rate risk exposure from interest bearing borrowings by obtaining financing with the most favourable interest rates in the market. The Group constantly monitors its interest rate risk by reviewing its debts portfolio to ensure favourable rates are obtained. The Group does not utilise interest swap contracts or other derivative instruments for trading or speculative purposes.

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group	
	2019	**2018**
	RM	**RM**
Fixed rate instruments		
Financial assets	3,536,624	-
Financial liabilities	200,070	-
Floating rate instrument		
Financial liabilities	17,570,872	23,309,751

32. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risks (Cont'd)

(b) Interest rate risks (Cont'd)

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for floating rate instruments

A change in 1% interest rate at the end of the reporting period would have increased/(decreased) the Group' profit/(loss) before tax by RM175,709 (2018: RM233,098), arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. This analysis assumes that all other variables remain constant. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(c) Fair value of financial instruments

The carrying amounts of short-term receivables and payables, cash and cash equivalents and short-term borrowings approximate their fair value due to the relatively short-term nature of these financial instruments and insignificant impact of discounting.

It was not practicable to estimate the fair value of investment in unquoted equity due to the lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

32. Financial Instruments (Cont'd)

(c) Fair value of financial instruments (Cont'd)

(i) Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

There were no transfers between levels during current and previous financial years.

(ii) Level 1 fair value

Level 1 fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

(iii) Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

(iv) Level 3 fair value

Level 3 fair value for the financial assets and liabilities are estimated using unobservable inputs.

33. Capital Management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Notes To The Financial Statements

31 December 2019 (Cont'd)

33. Capital Management (Cont'd)

The Group monitors capital using a gearing ratio. The Group's policy is to maintain a prudent level of gearing ratio that complies with debt covenants and regulatory requirements. The gearing ratios at end of the reporting period are as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Total bank borrowings	17,570,872	23,309,751	-	-
Lease liabilities	200,070	-	-	-
	17,770,942	23,309,751	-	-
Less: Deposits, bank and cash balances	(11,421,254)	(12,206,957)	(240,376)	(23,537)
Net debts	6,349,688	11,102,794	(240,376)	(23,537)
Total equity	54,687,831	50,424,025	37,165,827	37,652,940
Gearing ratio	0.12	0.22	- *	- *

* the gearing ratio is not applicable as the Company has sufficient cash and bank balances.

There were no changes in the Group's and the Company's approach to capital management during the financial year.

The Group and the Company are not subject to any externally imposed capital requirements.

34. Significant Events during the Financial Year

On 7 March 2019, a wholly-owned subsidiary company of the Group, JKI Construction Sdn. Bhd. ("JKIC") had received a Writ of Summons and Statement of Claim both dated 4 March 2019 from Messrs KH Lim & Co, the solicitor for MKDB Sdn. Bhd. claiming that JKI Construction Sdn. Bhd. (another wholly-owned subsidiary company of the Group) failed, refused and/or neglected to pay the balance sum of RM377,982.58 (being the retention sum) pursuant to the Settlement Agreement dated 20 September 2018. The retention sum was included in trade payables.

On 24 May 2019, the Company announced that the Court recorded that the Plaintiff has agreed to withdraw the case against JKIC with no liberty to file afresh and without cost and also ordered two parties do not have any further action in relation to or arise from the matter here against each other.

35. Subsequent Events

<u>Effect of outbreak of coronavirus pandemic</u>

The Directors of the Company have closely monitored the development of the outbreak of coronavirus pandemic ("COVID-19") infection in Malaysia that may affect the business performance, financial performance and financial position of the Group and of the Company mainly due to travel and movement restriction and other precautionary measures imposed by relevant local authorities that affected the Group and the Company business operations. As at the date of this report, the financial impact of the COVID-19 outbreak to the Group and to the Company cannot be reasonably estimated due to the inherent unpredictable nature and rapid development relating to COVID-19, the extent of the impact depends on the ongoing precautionary measures introduced by each country to address this pandemic and the durations of the pandemic. As such, the Directors of the Company will continue to closely monitor the situations and respond proactively to mitigate the impact on the Group's and the Company's financial performance and financial position.

36. Date of Authorisation for Issue

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 15 June 2020.

LIST OF PROPERTIES

Location	Description, Built-Up Area & Usage	Age of Building	Tenure	Net Book Value (RM)	Date of Revaluation (Acquisition Date)
Unit No. 3,4,5 & 6 on Level 1 and Unit No. 2,3,4,5,6 & 7 on Level 2 of Block 1 (Long Xian Ge) and Unit No. 2 & 3 on Level 1 and Unit No. 3 & 4 on Level 2 of Block 2 (Long He Ge), Dragon Mall, Danshui, Bai Yun 2nd Road, Huiyang District, Huizhou City, Guangdong Province, the People's Republic of China	The properties comprise 14 shops in two buildings completed in 2010 The properties have a total gross floor area of approximately 1,467.39 square meter The properties are partial rented	8 years	The land use rights were granted for a term of 70 years commencing from 1 December 2004 until 1 December 2074 for commercial and residential uses	27,571,868	12 December 2019 / 29 December 2009

ANALYSIS OF SHAREHOLDINGS
AS AT 11 JUNE 2020

SHARE CAPITAL

Total Number of Issued Shares	:	166,845,219
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote for each ordinary share held

DISTRIBUTION OF SHAREHOLDINGS AS AT 11 JUNE 2020

Size of Holding	No. of shareholders	%	No. of Shares	%
1 – 99	93	4.668	3,623	0.002
100 - 1,000	1,114	55.923	592,692	0.355
1,001 - 10,000	516	25.903	1,995,350	1.195
10,001 - 100,000	200	10.040	6,648,875	3.985
100,001 - 8,342,259*	65	3.263	93,825,329	56.234
8,342,260 - 5% and above of Issued Shares**	4	0.200	63,779,350	38.226
Total	**1,992**	**100.000**	**166,845,219**	**100.000**

** Less than 5% of Issued Shares*
** 5% and above of Issued Shares*

DIRECTORS' SHAREHOLDINGS

The Directors' Shareholdings based on the Register of Directors' Shareholdings of the Company are as follows: -

No.	Name of Directors	No. of Shares held Direct	%	No. of Shares held Indirect	%
1	Dato' Ir Lim Siang Chai	15,160,000	9.086	-	-
2	Datuk Lee Kian Seng	15,367,300	9.210	17,863,600@	10.710@
3	Foong Kah Heng	12,650,000	7.580	16,882,450#	10.118#
4	Lee Leong Kui	-	-	-	-
5	Fathi Ridzuan Bin Ahmad Fauzi	-	-	-	-
6	Kamil Bin Abdul Rahman	-	-	-	-
7	Chan Fook Mun	-	-	-	-

Remark:-
@ Deemed interest for the shares held by his family members pursuant to Section 8, 59(11) and 197(1)(a) of the Companies Act, 2016 ("the Act")
 # Deemed interest through FS Motorsports Sdn. Bhd. by virtue of Section 8 of the Act.

SUBSTANTIAL SHAREHOLDERS

The substantial shareholders (holding 5% or more of the issued capital) based on the Register of Substantial Shareholders of the Company and their shareholdings are as follows: -

No.	Name of Substantial Shareholders	No. of Shares held Direct	%	No. of Shares held Indirect	%
1	FS Motorsports Sdn. Bhd.	16,882,450	10.118	-	-
2	Advance Information Marketing Berhad	16,369,600	9.811	-	-
3	Datuk Lee Kian Seng	15,367,300	9.210	17,863,600@	10.710@
4	Dato' Lim Siang Chai	15,160,000	9.086	-	-
5	Foong Kah Heng	12,650,000	7.580	16,882,450#	10.118#
6	Lee Sue Wen	3,375,800	2.020	29,855,100@	17.890@
7	Lee Cheng Yee	249,900	0.150	32,981,000@	19.770@
8	Lee Tzy Yang	327,000	0.200	32,903,900@	19.720@
9	Lee Ynh Tyng	249,600	0.150	32,981,300@	19.770@
10	Chuah Lee Hong	12,526,300	7.510	20,704,600@	12.410@
11	Chua Lee Huat	-	-	33,230,900@	19.920@
12	Chuah Lee Yong @Betty Chua	250,000	0.150	32,980,900@	19.770@
13	Chua Hee Hoey	885,000	0.530	32,345,900@	19.390@
14	Kee Lang Huan	-	-	33,230,900@	19.920@

Remark:-
 # Deemed interest through FS Motorsports Sdn. Bhd. by virtue of Section 8 of the Companies Act, 2016 ("the Act")
@ Deemed interest for the shares held by his family members pursuant to Section 8, 59(11) and 197(1)(a) of the Act.

Analysis Of Shareholdings (Cont'd)
AS AT 11 JUNE 2020

LIST OF TOP 30 LARGEST SECURITIES ACCOUNTS HOLDERS
(According to the Record of Depository as at 11 June 2020)

No.	Name of Shareholders	No. of Shares	%
1	FS Motorsports Sdn. Bhd.	16,882,450	10.118
2	Advance Information Marketing Berhad	16,369,600	9.811
3	Datuk Lee Kian Seng	15,367,300	9.210
4	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Dato' Ir Lim Siang Chai	15,160,000	9.086
5	Ang Huat Keat	8,238,500	4.937
6	RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Chuah Lee Hong (CEB)	7,988,500	4.787
7	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Foong Kah Heng (001)	7,530,000	4.513
8	Capital Day Holdings Sdn Bhd	6,976,600	4.181
9	Che Abdullah @ Rashidi Bin Che Omar	6,667,700	3.996
10	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chew Hian Tat (7006414)	5,500,000	3.296
11	Chan Siut Har	5,280,000	3.164
12	Foong Kah Heng	5,120,000	3.068
13	Lee Yee Thian	4,726,400	2.832
14	Chua Lee Hong	4,537,800	2.719
15	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lee Mun Yin (7007731)	3,673,200	2.201
16	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chew Hian Tat	3,000,000	1.798
17	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lee Sue Wen (6000052)	2,812,500	1.685
18	Chan Wan Soon	1,805,500	1.082
19	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB For Lai Ming Chun @ Lai Poh Lin (PB)	1,500,000	0.899
20	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Tan Peng Lam	1,413,400	0.847
21	Tan Ban Leong	1,000,000	0.599
22	Chua Lee Heng	885,000	0.530
23	Cheong Bee Lee	842,000	0.504
24	Chu Poi Tee	828,000	0.496
25	CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Su Kim Ding (MY3082)	814,700	0.488
26	Yip Kum Fook	800,200	0.479
27	Sharifah Asiah Binti Syed Aziz Baftim	752,950	0.451
28	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Ang He Yam	701,000	0.420
29	Lam Mohn Yan	656,300	0.393
30	Yip Kum Fook	649,000	0.388

ANALYSIS OF WARRANTS HOLDINGS
AS AT 11 JUNE 2020

Issued Size	:	75,586,889 detachable warrants issued pursuant to the Rights Issue
Number of Warrants Holders	:	345

DISTRIBUTION OF WARRANTS HOLDINGS AS AT 11 JUNE 2020

Size of Holding warrants	No. of warrants	%	No. of holders	%
1 – 99	16	4.637	729	0.000
100 - 1,000	50	14.492	31,223	0.041
1,001 - 10,000	121	35.072	458,423	0.606
10,001 - 100,000	98	28.405	3,887,015	5.142
100,001 -3,779,343*	57	16.521	50,110,562	66.295
3,779,344 and 5% and above of Issued Warrants **	3	0.869	21,098,937	27.913
Total	**345**	**100.000**	**75,586,889**	**100.000**

** Less than 5% of Issued Warrants*
*** 5% and above of Issued Warrants*

DIRECTORS' INTERESTS IN WARRANTS AS AT 11 JUNE 2020

No.	Name of Directors	No. of Warrants held Direct	%	No. of Warrants held Indirect	%
1	Dato' Ir Lim Siang Chai	2,750,000	3.638	-	-
2	Datuk Lee Kian Seng	6,207,900	8.212	7,653,200@	10.130@
3	Foong Kah Heng	6,405,000	8.473	9,661,837*	12.780*
4	Lee Leong Kui	-	-	-	-
5	Kamil Bin Abdul Rahman	-	-	-	-
6	Fathi Ridzuan Bin Ahmad Fauzi	-	-	-	-
7	Chan Fook Mun	-	-	-	-

Remark:
@ Deemed interest for the shares held by his family members pursuant to Section 8, 59(11) and 197(1)(a) of the of the Companies Act, 2016 ("the Act")
** Deemed interest through FS Motorsports Sdn Bhd by virtue of Section 8 of the Act*

SUBSTANTIAL WARRANTS HOLDERS IN WARRANTS AS AT 11 JUNE 2020

No.	Name of Substantial Warrants Holders	No. of Warrants held Direct	%	No. of Warrants held Indirect	%
1	FS Motorsports Sdn. Bhd.	9,661,837	12.782	-	-
2	Datuk Lee Kian Seng	6,207,900	8.212	-	-
3	CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Su Kim Ding (MY3082)	5,229,200	6.918	-	-

Analysis Of Warrants Holdings (Cont'd)
AS AT 11 JUNE 2020

LIST OF TOP 30 LARGEST WARRANTS HOLDERS AS AT 11 JUNE 2020
(According to the Record of Depository as at 11 June 2020)

No.	Name of Warrants Holders	No. of Warrants Held	%
1	FS Motorsports Sdn. Bhd.	9,661,837	12.782
2	Datuk Lee Kian Seng	6,207,900	8.212
3	CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Su Kim Ding (MY3082)	5,229,200	6.918
4	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Foong Kah Heng (001)	3,765,000	4.981
5	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Chuah Lee Hong (CEB)	2,801,250	3.705
6	Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lim Siang Chai	2,750,000	3.638
7	Foong Kah Heng	2,640,000	3.492
8	Ang Huat Keat	2,634,500	3.485
9	Lee Boon Koon	2,498,200	3.305
10	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Wong Thiew Wah	2,274,900	3.009
11	Chuah Lee Hong	2,268,900	3.001
12	Kwaan Wei Wei	1,553,000	2.054
13	Ang Lay Mooi	1,500,000	1.984
14	HLIB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Chang Ai Ling (CCTS)	1,410,900	1.866
15	Lee Leong	1,406,300	1.860
16	Alliancegroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Lee Sue Wen (6000052)	1,406,250	1.860
17	Chai Koon Khow	1,397,600	1.848
18	Wong Mei Tien	1,356,500	1.794
19	Advance Information Marketing Berhad	1,328,400	1.757
20	Siak Wen Cheng	1,259,800	1.666
21	Secepat Mutiara Sdn Bhd	1,226,000	1.621
22	Soo Hong Lin	1,200,000	1.587
23	Ng Weei Keong	1,000,000	1.322
24	Cheong Bee Lee	978,000	1.293
25	Goh Chwee Lan	900,000	1.190
26	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB For Lai Ming Chun @ Lai Poh Lin (PB)	750,000	0.992
27	Lee Yee Thian	580,000	0.767
28	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Ang He Yam	555,000	0.734
29	Kwok Tong Leng	500,000	0.661
30	Yong Yee Mooi	500,000	0.661

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