eastland

EASTLAND EQUITY BHD. 200001013359 (515965-A)

ANNUAL REPORT 2019

CONTENTS

FIVE-YEAR FINANCIAL HIGHLIGHTS

		FINANCIAL YEAR ENDED 31 DECEMBER				
		2019	2018	2017	2016	2015
Revenue	RM	18,074,088	21,304,532	17,741,751	24,155,672	31,660,137
EBITDA	RM	(4,444,439)	(1,726,051)	(2,143,018)	1,377,196	15,226,415
(Loss)/Profit before tax	RM	(13,333,287)	(7,975,905)	(8,220,099)	(4,591,109)	9,170,671
(Loss)/Profit from continuing operations	RM	(12,789,732)	(7,159,104)	(7,944,257)	(6,118,211)	8,764,144
Net (Loss)/Profit attributable to equity holders	RM	(12,789,732)	(7,159,104)	(7,944,257)	(6,118,211)	8,764,144
Total Assets	RM	273,029,364	280,498,925	279,928,760	285,574,535	285,809,373
Total Liabilities	RM	102,668,473	104,520,202	95,156,151	92,794,657	89,713,570
Total Net Assets/Total Equity	RM	170,360,891	175,978,723	184,772,609	192,779,878	196,095,803
Return on Equity (ROE)	%	(7.51)	(4.07)	(4.30)	(3.17)	4.47
Return on Total Assets (ROTA)	%	(4.68)	(2.55)	(2.84)	(2.14)	3.07
Gearing Ratio	Times	0.60	0.59	0.51	0.48	0.46
Interest Coverage Ratio	Times	(1.92)	(3.02)	(3.18)	(1.44)	5.65
Earnings per share (EPS)	SEN	(4.64)	(2.91)	(3.23)	(2.49)	3.57
Net Tangible Asset per share	RM	0.62	0.72	0.75	0.78	0.80
Price Earning (PE) Ratio	Times	(1.72)	(3.26)	(4.17)	(7.63)	8.68
Share Price as at the Financial Year End	RM	0.08	0.10	0.14	0.19	0.31

CORPORATE INFORMATION

BOARD OF DIRECTORS

Lee Chee Kiang
(Managing Director)

Tan Chin Hong
(Executive Director)

Eric Wee Ei-Mas
(Appointed on 20 August 2019)
(Executive Director)

Phang Kiew Lim
(Appointed on 20 February 2020)
(Executive Director)

Petrus Gimbad
(Tendered notice of resignation on 19 June 2020, effective from 20 June 2020)
(Independent Non-Executive Director)

Mohamed Akwal Bin Sultan Mohamad
(Independent Non-Executive Director)

Masleena Binti Zaid
(Appointed on 15 July 2019)
(Independent Non-Executive Director)

Mau Kam Wai
(Resigned on 28 February 2019)
(Executive Director)

Datuk Yunus @ Mohd Yunus Bin Awang Hashim
(Resigned on 20 April 2019)
(Deputy Chairman and Senior Independent Non-Executive Director)

AUDIT AND RISK MANAGEMENT COMMITTEE

Petrus Gimbad (Chairman)
(Tendered notice of resignation on 19 June 2020, effective from 20 June 2020)
Mohamed Akwal Bin Sultan Mohamad
Masleena Binti Zaid
(Appointed on 15 July 2019)
Datuk Yunus @ Mohd Yunus Bin Awang Hashim
(Resigned on 20 April 2019)

REMUNERATION COMMITTEE

Mohamed Akwal Bin Sultan Mohamad (Chairman)
Petrus Gimbad
(Tendered notice of resignation on 19 June 2020, effective from 20 June 2020)
Masleena Binti Zaid
(Appointed on 15 July 2019)
Datuk Yunus @ Mohd Yunus Bin Awang Hashim (Chairman)
(Resigned on 20 April 2019)

NOMINATING COMMITTEE

Masleena Binti Zaid (Chairman)
(Appointed on 15 July 2019 and Re-designated as Chairman on 20 February 2020)
Petrus Gimbad
(Tendered notice of resignation on 19 June 2020, effective from 20 June 2020)
Mohamed Akwal Bin Sultan Mohamad
Datuk Yunus @ Mohd Yunus Bin Awang Hashim (Chairman)
(Resigned on 20 April 2019)

COMPANY SECRETARIES

Tai Yit Chan (MAICSA 7009143)
Wong Siew Yeen (MAICSA 7018749)

PRINCIPAL PLACE OF BUSINESS

Suite 8-4, 4th Floor, Medan Makmur
Jalan 9/23A, Off Jalan Usahawan
53300 Setapak, Kuala Lumpur
Tel : +603-4149 8200
Fax : +603-4142 9788

REGISTERED OFFICE

12th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya, Selangor
Tel : +603-7890 4800
Fax : +603-7890 4650

SHARE REGISTRAR

Boardroom Share Registrars Sdn Bhd
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya, Selangor
Tel : +603-7890 4700
Fax : +603-7890 4670

AUDITORS

Baker Tilly Monteiro Heng PLT
Baker Tilly Tower
Level 10, Tower 1
Avenue 5, Bangsar South City
59200 Kuala Lumpur
Tel : +603-2297 1000
Fax : +603-2282 9980

PRINCIPAL BANKER

Bank Islam Malaysia Berhad
Menara Bank Islam
No. 22, Jalan Perak
50450 Kuala Lumpur
Tel : +603 2088 8000
Fax : +603-2088 8028

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
- Main Market (Consumer Products & Services)
Stock Name : EASTLND
Stock Code : 2097

PROFILE OF THE BOARD OF DIRECTORS

LEE CHEE KIANG
Managing Director, Malaysian, Aged 46, Male

Lee Chee Kiang was appointed as Chief Executive Officer (CEO) of the Company on 23 January 2018 and re-designated as Managing Director on 1 July 2018.

He has completed the Real Estate CEO's Advance Course with Tshinghua University in Beijing and has more than twenty (20) years of experience in the real estate industry.

He started from a very humble beginning as a Marketing Executive overseeing project worth RM171 million. Within the next ten (10) years timeframe he has successfully completed development worth RM215 million.

In 2007, with the vision to change the Skyline of Kota Kinabalu, he has set-up his own company which has completed project worth approximately RM340 million till to date. He is currently overseeing various projects worth RM640 million and will be managing upcoming project in the pipeline which is estimated to be worth RM4.7 billion. Currently, he also is a director of HS Global Development Berhad.

He has a direct interest of 25,236,200 ordinary shares in the Company. He does not have any conflict of the interest with the Company or any family relationship with any director and/or major shareholder. Other than traffic offences, he has not been convicted for any offences within the past five (5) years, nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2019.

He attended all nine (9) Board Meetings held during the financial year ended 31 December 2019.

TAN CHIN HONG
Executive Director, Malaysian, Aged 43, Male

Tan Chin Hong was appointed as an Executive Director of the Company on 17 July 2013.

He holds a Bachelor of Social Science, Major in Economics and Accounting, The Queen's University of Belfast. He joined Eastland Equity Bhd in 2004. Throughout his tenure with the Group, he is primarily based in the Finance Department. He is a meticulous and strong team member who is proficient in a wide range of accounting functions and operations. He readily adapts to new professional settings, acquires and applies new knowledge toward supporting Company goals. Being versatile and possessing multi-tasking skills, he has also been assigned to various duties involving internal audit, administrative as well as operative jobs in various subsidiaries within the Group during the tenure of his service.

His family member has interest in Prestige Pavilion Sdn Bhd, a substantial shareholder of the Company. He has an indirect interest of 17,670,000 ordinary shares and 488,700 ordinary shares in the Company via Prestige Pavilion Sdn Bhd and Danhwa Holding Sdn Bhd respectively. He also an indirect interest of 91,228 ordinary shares via his sister, Adeline Tan Wan Chen and 84,000 ordinary shares via his brother, Tan Chin Hao by virtue of section 8 of the Companies Act 2016.

He does not have any conflict of interest with the Company or any family relationship with any director and/or major shareholder (save for the above). Other than traffic offences, he has not been convicted for any offences within the past five (5) years, nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2019.

He attended all nine (9) Board meetings held in the financial year ended 31 December 2019.

PROFILE OF THE BOARD OF DIRECTORS

cont'd

PHANG KIEW LIM ("DEREK PHANG")
Executive Director, Malaysian, Aged 38, Male

Derek Phang was appointed as Executive Director of the Company on 20 February 2020.

Derek Phang holds a Bachelor Degree in Commence (major in Accounting and Finance) from University of Sydney, Australia. He was admitted as a member of Certified Practising Accountant ("CPA") Australia and the Malaysian Institute of Accountants, and is registered as an ASEAN Chartered Professional Accountant. He was also a holder of a Capital Markets Services Representative's License advising on corporate finance issued by the Securities Commission of Malaysia.

In his fifteen (15) years of working experience, Derek Phang has gained extensive experience in the field of corporate finance advisory in pertaining to the corporate transactions such as cross-border mergers and acquisitions, initial public offerings, capital raising as well as financing and restructuring. Derek Phang has travelled extensively to the People's Republic of China, Thailand, Indonesia, Cambodia, Laos and Hong Kong where he was exposed to the peculiar cultures and business practices in those countries.

He does not have any interest (direct or indirect) in the securities of the Company. He does not have any conflict of interest with the Company or any family relationship with any director and/or major shareholder. Other than traffic offences, he has not been convicted for any offences within the past five (5) years, nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2019.

He did not attend any Board meetings held in the financial year ended 31 December 2019 since his appointment as Executive Director on 20 February 2020.

ERIC WEE EI-MAS
Executive Director, Malaysian, Aged 41, Male

Eric Wee was appointed as a Project Manager of the Company on 1 July 2015 and re-designated as an Executive Director of the Company on 20 August 2019.

He trained for his Undergraduate studies in Bachelor of Engineering (Civil & Structure) from the University of Melbourne, Australia and has been registered with the Board of Engineers since 2011.

In his sixteen (16) years of working experience, Eric has worked in the real estate, property development and construction industries in Malaysia, UAE, Bahrain, Singapore, India and the Philippines.

In his pursuit of continual professional development, Eric has earned a Project Management Professional (PMP) Certification from the Project Management Institute of America. He has also completed courses for Negotiation, Marketing and Contracts Law with Yale, The Wharton School and Harvard respectively.

He has a direct interest of 41,000 ordinary shares in the Company. He does not have any conflict of interest with the Company or any family relationship with any director and/or major shareholder. Other than traffic offences, he has not been convicted for any offences within the past five (5) years, nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2019.

He attended all three (3) Board meetings held in the financial year ended 31 December 2019 since his appointment as Executive Director on 20 August 2019.

PROFILE OF THE BOARD OF DIRECTORS
cont'd

PETRUS GIMBAD
(Tendered notice of resignation on 19 June 2020, effective from 20 June 2020)
Independent Non-Executive Director, Malaysian, Aged 63, Male

Petrus Gimbad was appointed as an Independent Non-Executive Director of the Company on 17 July 2013. He also serves as Independent Director of Kwantas Corporation Berhad.

He is a Chartered Accountant, a Fellow of the Association of Chartered Certified Accountants, Associate of the Institute of Internal Auditors Malaysia, and holds Masters degrees in Business Administration and Advanced Business Practice. He was a partner of Ernst & Young and has acted as Quality Director of Ernst & Young advisory practices for the Far East region. Prior to Ernst & Young, he was an accountant with Petronas.

Petrus was appointed as Chairman of the Audit and Risk Management Committee and Remuneration Committee and Member of Nominating Committee on 31 July 2013. Subsequently, he was re-designated as Member of Remuneration Committee on 13 August 2013.

He does not have any interest (direct or indirect) in the securities of the Company. He does not have any conflict of interest with the Company or any family relationship with any director and/or major shareholder. Other than traffic offences, he has not been convicted for any offences within the past five (5) years, nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2019.

He attended all nine (9) Board meetings held in the financial year ended 31 December 2019.

MOHAMED AKWAL BIN SULTAN MOHAMAD
Independent Non-Executive Director, Malaysian, Aged 66, Male

Mohamed Akwal Bin Sultan Mohamad was retired at the Company 15th AGM held on 15 June 2015. He was subsequent re-appointed as an Independent Non-Executive Director of the Company on 20 August 2015.

Akwal has wide experience in corporate banking and debt recovery. He has extensive experience in SME lending, debt management and personal financial literacy, providing advisory services to corporates, SMEs and individuals.

He started his career with Citibank and has over thirty (30) years of experience in the financial sector with significant experience in debt resolution, having served the National Debt Management Agency (Danaharta, set up by the Government during the 1997 financial crisis) as a Deputy General Manager. Seconded to the Development Finance and Enterprise Department of the Central Bank in 2003, he also assisted in setting up the SME Special Unit and was instrumental in the setting up of Small Debt Resolution Scheme.

He was formerly the Chief Executive Officer of the Credit Counselling and Debt Management Agency (AKPK), a company owned by the Central Bank of Malaysia.

Akwal presently is the Chief Executive Officer of My Tech Division Sdn Bhd, a company involved in the Human Resource solution.

He was appointed as the Member of Audit and Risk Management Committee on 20 August 2015. Subsequently, he was appointed as Chairman of Remuneration Committee and Member of Nominating Committee on 20 February 2019.

He does not have any interest (direct or indirect) in the securities of the Company. He does not have any conflict of interest with the Company or any family relationship with any director and/or major shareholder. Other than traffic offences, he has not been convicted for any offences within the past five (5) years, nor any public sanctions or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2019.

He attended all nine (9) Board meetings held in the financial year ended 31 December 2019.

PROFILE OF THE BOARD OF DIRECTORS
cont'd

MASLEENA BINTI ZAID
Independent Non-Executive Director, Malaysian, Aged 45, Female

Masleena Binti Zaid was appointed as an Independent Non-Executive Director of the Company on 15 July 2019.

She is an L.L.B. (Hons) graduate from Sheffield Hallam University, United Kingdom. She was admitted to the High Court of Malaya as an advocate and solicitor in 2001. She is also a registered Trade Mark Agent. Her predominantly areas of practise are corporate, commercial and company law. Her portfolio includes providing advice to corporate clients which matters varies from liaising with relevant authorities for clients, dealing with human management issues, conveyancing matters and preparing agreements and on case-to-case basis.

Prior to founding Masleena, Yee & Partners, Masleena was with the Securities Commission of Malaysia as Senior Prosecuting Officer and subsequently with the Companies Commission of Malaysia (SSM) as Head of Interest Scheme Section and acting Head for the Insolvency Section.

Puan Masleena was appointed as member of Audit and Risk Committee, Remuneration Committee and Nominating Committee on 15 July 2019. She was recently re-designated as Chairman of Nominating Committee on 20 February 2020.

She does not have any interest (direct or indirect) in the securities of the Company. She does not have any conflict of interest with the Company or any family relationship with any director and/or major shareholder. Other than traffic offences, she has not been convicted for any offences within the past five (5) years, nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2019.

She attended all four (4) Board meetings held in the financial year ended 31 December 2019 since her appointment as Independent Non-Executive Director on 15 July 2019.

PROFILE OF KEY SENIOR MANAGEMENT

SAN TUCK HOE
Financial Controller, Malaysian, Aged 51, Male

San Tuck Hoe was appointed as a Financial Controller of the Company on 1 January 2014.

He was trained under the Malaysian Institute of Certified Public Accountants ("MICPA") professional accountant articleship programme with a Big Four accounting firm, obtained his MICPA professional qualification in 1998 and registered with the Malaysian Institute of Accountants in 2003.

In his more than twenty (20) years of working experience, Tuck Hoe is exposed to various industries during his career development with a Big Four accounting firm. Prior to joining the Company, he was a part of the finance and accounting team of one of the world's leading producer of high purity stevia ingredients which has offices, plants and other facilities in Asia Pacific, North America, South America, Europe and Africa regions.

He does not have:

1) any directorship in public companies and listed issuers;
2) any interest (direct or indirect) in the securities of the Company;
3) any conflict of interest with the Company or any family relationship with any director and/or major shareholder; and
4) other than traffic offences, he has not been convicted for any offences within the past five (5) years, nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATING ACTIVITIES IN 2019

The business activity of Eastland Equity Bhd ("Company" or "EEB") is that of investment holding, while EEB's subsidiaries are engaged in the businesses of hospitality, investment properties and property development (EEB and EEB's subsidiaries are hereinafter collectively referred to as the Group).

The Grand Renai Hotel ("The Hotel") and Kota Sri Mutiara Shopping Complex ("KSM") in Kota Bharu are the Group's main properties. During the financial year under review, the Group has one on-going property development project i.e. Bandar Tasek Raja commercial property development project ("BTR Project") in Pasir Mas, Kelantan, BTR Project is a joint venture project with the local council, Majlis Daerah Pasir Mas.

The Group had recorded losses for 4 consecutive financial years. The Group has been exploring new business ventures to improve its earnings. The management of the Group ("Management") had discussions with several parties on various business proposals, which include property development opportunities outside Kelantan in order to ensure geographic diversification into other more vibrant states, with focus on repositioning the Group to have a better product mix. During the financial year under review, the Company had completed 2 private placement exercises which raised a total of RM6.71mil as interim measures for the Group to address its impending cash flow requirements.

Hospitality

During the financial year under review, the Hotel has recorded a lower revenue as compared to the preceding year due to the soft market in Kelantan coupled with the intense competition from other hotels as well as the general cost-cutting measures by both private and public sector clients,. The Management had undertaken various marketing measures to promote the Hotel such as aggressive on-site sales visits, sales and marketing packages and promotional campaigns to retain key corporate clients and lobby for new accounts. As a result of these marketing strategies, the average monthly occupancy rate of the hotel in 2019 has improved to 38.6% from 33.2% in 2018. Despite an increase in room occupancy, the Group recorded marginally lower room sales revenue due to lower average room rate in response to the competitive environment.

Investment Properties

KSM is one of the pioneer shopping malls in Kota Bharu, Kelantan. It has been around for more than 20 years. Despite direct competition from a few shopping malls which have subsequently been built within its proximity, KSM is still able to be self-sustainable. As a result of its tenant retention effort, some key tenants (including the anchor tenant) which have been operating at KSM for more than 20 years have continued to stay on.

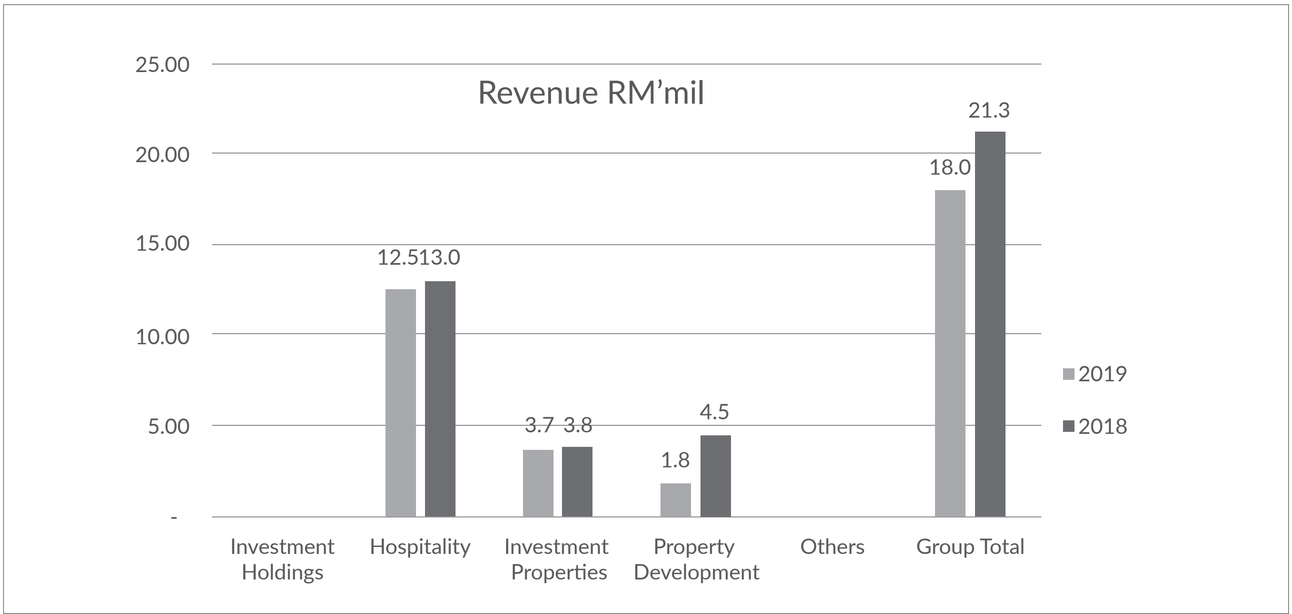
Property Development

During the financial year under review, the Group has one ongoing project, namely the phase 2 of BTR ("BTR2"). BTR2 entails the development of 154 units of shoplots. The Group has only launched the first batch of 30 units of which 14 units are close to completion while the construction work for the remaining 16 units is still in progress.

MANAGEMENT DISCUSSION AND ANALYSIS
cont'd

FINANCIAL PERFORMANCE

Revenue



The Group's revenue for the financial year under review was RM18.1mil as compared to RM21.3mil in the preceding year. The decrease was mainly attributed to the lower revenue recorded from the segments of property development and hospitality. The performance review of the three key segments of the Group were as follows:

Hospitality

During the financial year under review, revenue from the Hotel was RM12.5mil as compared to RM12.9mil in the preceding year. The decrease was mainly due to the drop in revenue from both food & beverage and banquet functions in 2019 which is attributed to the combined effect of intense competition and the soft market condition.

Property Development

The property development segment recorded a lower revenue during the financial year under review, a decline of RM2.7mil, mainly due to the inclusion of a sale of a project land for the same amount in 2018.

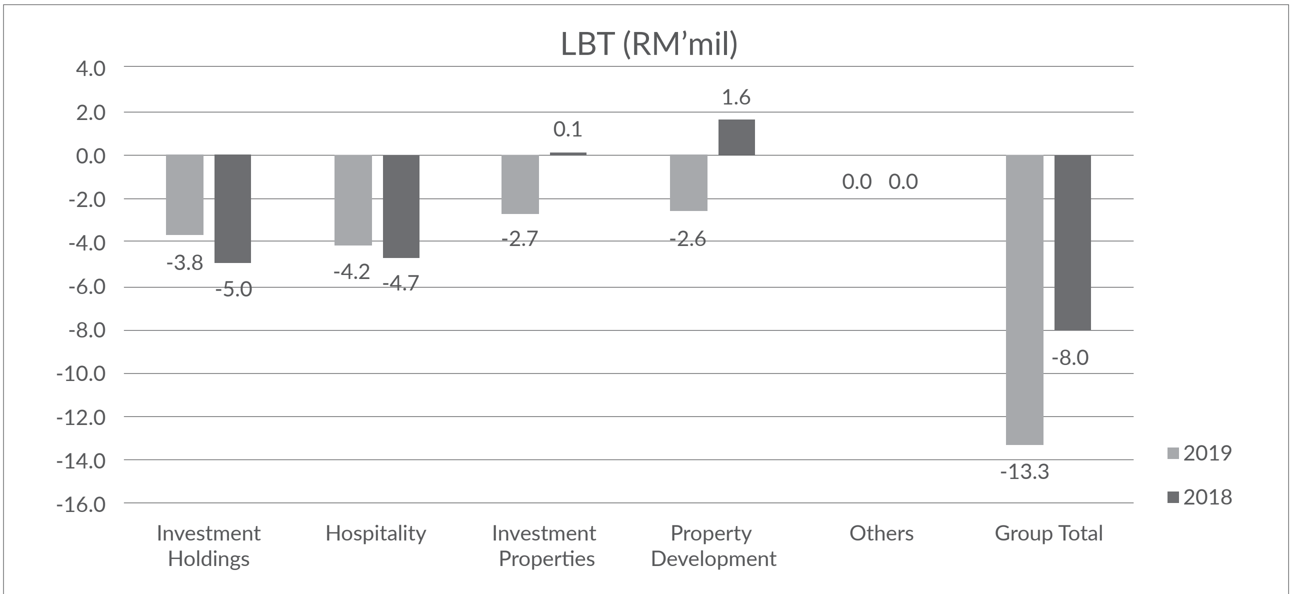
Investment Properties

The revenue from investment properties segment dropped marginally from RM3.8mil in 2018 to RM3.7mil in 2019 due to a loss of tenants.

MANAGEMENT DISCUSSION AND ANALYSIS
cont'd

FINANCIAL PERFORMANCE *(cont'd)*

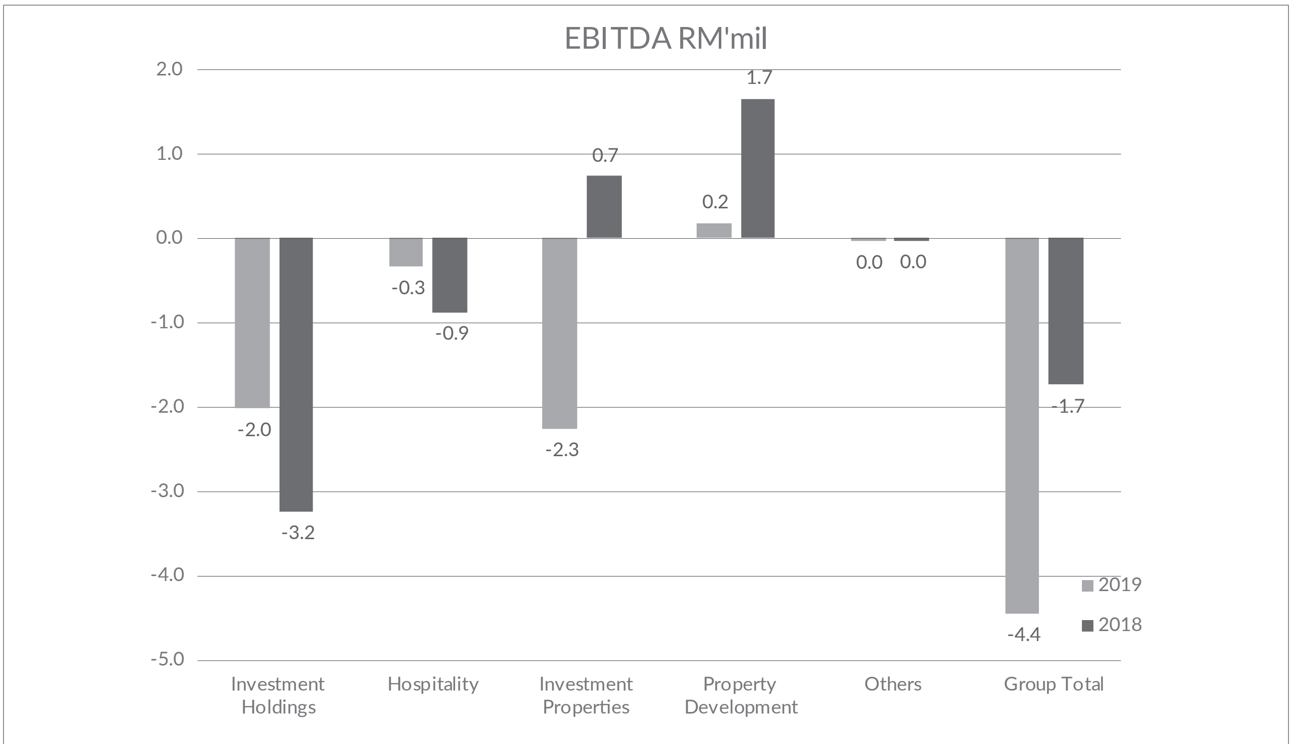
Profitability



The Group registered a loss before tax of RM13.3mil in 2019 as compared to a loss before tax of RM8.0mil in the preceding year. The higher loss before tax was mainly attributed to the following:

(i) RM2.5mil fair value loss from the valuation of investment properties;
(ii) RM1.1mil impairment loss from the hotel building; and
(iii) RM2.6mil increase in finance costs as a result of the cessation of capitalisation of finance costs in property development expenditure starting from January 2019 in accordance with the Group's accounting policy.

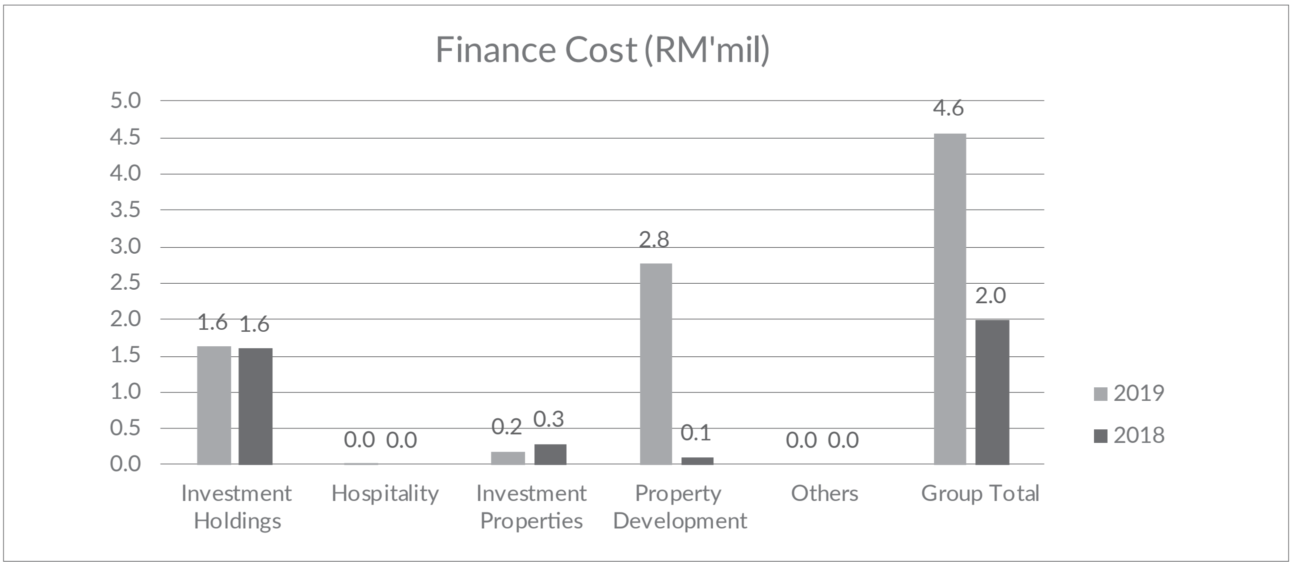
Earnings before interest, tax, depreciation and amortization (EBITDA)



MANAGEMENT DISCUSSION AND ANALYSIS
cont'd

FINANCIAL PERFORMANCE *(cont'd)*

Finance cost



Finance cost relates to the Islamic term loans and overdraft facilities utilised for project development and working capital purposes.

ASSET CHANGES

Property, Plant and Equipment

Property, plant and equipment reduced from RM108.9mil in 2018 to RM104.8mil in 2019 mainly due to depreciation charges on the hotel offsetting by land revaluation surplus and addition of fittings and equipment.

Investment Properties

The decrease in investment properties was attributed to the fair value loss of RM2.5mil from the yearly valuation in 2019.

Inventories

Inventories decreased from RM75.5mil in 2018 to RM74.6mil in 2019 mainly due to sales of shoplots of BTR Project.

Tax Assets

Tax assets decreased by RM0.5mil due to refund of prior years' tax overpayment.

Trade and Other Receivables

Trade and other receivables decreased by RM1.4mil to RM1.0mil in 2019 mainly due to collection from debtors of BTR Project and the Hotel.

MANAGEMENT DISCUSSION AND ANALYSIS
cont'd

ASSET CHANGES *(cont'd)*

Liquidity

The cash and bank balance as at 31 December 2019 was RM3.2mil, a 51% higher from the preceding year. The increase was mainly due to the 2 private placements completed during the financial year under review.

Capital Requirement, Structure and Resources

Total loans and borrowings increased from RM59.3mil in 2018 to RM59.6mil in 2019, mainly due to payments made for BTR2 construction cost and operational expenditure. The overdraft utilisation coupled with advances from directors, trade and other payables and progress billings for BTR2 have resulted in a slight increase in the Group's gearing ratio from 0.49 in 2018 to 0.50 in 2019.

KNOWN TRENDS AND MOVING FORWARD

Financial liquidity and uncertainties in domestic demand pose challenges to the Group. The Covid-19 pandemic and the countermeasure of Movement Control Order ("MCO") are unprecedented in nature and adversely affecting the domestic economy. In the interim, since the implementation of MCO on 18 March 2020, it has affected our business operation primarily in the hospitality and investment property segments. Although the MCO was relaxed in June 2020, the responses by the Government and businesses are still precautionary. Accordingly, while we expect that the performance of the Group will be affected, the financial impact on the Group for financial year 2020 and beyond could not be quantified at this stage. The impact will hopefully be clearer by next year and will be reflected in the 2020 financial statements.

In addition to the above challenges, the Hospitality segment is also facing competition from other hotels in Kota Bharu. Apart from maintaining its existing clients, the management is exploring other revenue streams to offer products with higher hygiene standard and convenience to adapt to the business environment post-Covid-19.

For the investment properties segment, despite the surrounding competition, we have successfully negotiated extension of contract with our anchor tenant. Apart from actively pursuing tenant retention, the Management is working with relevant parties to ensure appropriate health and safety standards to address the challenges of Covid-19 to give priority to safety and comfort assurance to the patrons.

For property development segment, BTR2 is intended to be developed in stages in accordance to the prevailing market condition. The expected dates of commencement and completion of the construction works cannot be determined at this juncture as further construction works will only commence when the Group has secured more sales for the construction works.

The Management has continued with the efforts put in the preceding year to pursue the Group's direction to venture into affordable housing in strategic and more vibrant areas. The Group recognises that society and businesses will have to adjust to a new norm which is still unfolding following the Covid-19 pandemic. While the Group will remain focus on its core business, the management will continue to monitor the economic development post Covid-19 and remain cautious when looking out for new business opportunities.

DIVIDEND

The Board does not recommend any dividend for the financial year 2019.

SUSTAINABILITY STATEMENT

SCOPE OF REPORT

Eastland is committed to empowering sustainable decisions throughout our organisation and reporting our sustainable development activities in accordance with the Global Reporting Initiative (GRI). This report discloses the impacts of our activities across economic, environmental and social aspects and is the first sustainability report by the Group.

The Grand Renai Hotel Kota Bharu ("TGR") is the main operation of the group, contributing 69% of the group revenue for the financial year ended 31 December 2019 and has been used as the case study for the Sustainability Report 2019. Property development is not considered as the activity has slowed down.

SUSTAINABILITY GOVERNANCE

The following sections report our sustainability performance under the three principles of our sustainability mission ie. Economic, Environmental and Social Sustainability.

STAKEHOLDER ENGAGEMENT

Eastland recognises that stakeholders form an integral part of our ecosystem and therefore we are committed to take a proactive measure to engage stakeholders with a sense of mutual respect to identify, manage and communicate with these stakeholders to ensure all facets are taken into consideration in our decision making process. This approach helps us develop long lasting partnerships within our community.

Stakeholders	Engagement Methods	Frequency	Stakeholder Interests	How We Deliver Value
Shareholders and Investors	• Annual General Meeting • Extraordinary General Meeting	• Annually • When Required	• Higher financial return	• Financial performance • Return on Investment (ROI)
Board of Directors	• Board Meetings	• Bi monthly • When Required	• Corporate Governance • Regulatory Compliance • Sustainability	• Corporate Governance Policy • Sustainability Report
Employees	• Employee engagement programmes • Training • Townhall sessions	• Throughout the year	• Career development • Benefits • Communication	• Training programmes • Townhall sessions • Annual reviews • Family days
Business Partners • Financiers	• Periodic reviews as required	• As specified in agreements	• Transparency	• Ethical and fair management policies and practices
Customers	• Roadshows • Events and Activities • Social media • Courtesy calls • Sales visits	• Throughout the year	• Value for money • Quality product • Up to date information • Effective complaints resolution	• Ethical pricing • Exceptional service • Quality measures • Online and offline communication channels
Local Communities and NGOs	• Community engagement • Social activities	• Throughout the year	• Community care and support • Good corporate governance	• CSR activities

SUSTAINABILITY STATEMENT
cont'd

STAKEHOLDER ENGAGEMENT *(cont'd)*

Stakeholders	Engagement Methods	Frequency	Stakeholder Interests	How We Deliver Value
Suppliers • Contractors • Material suppliers	• Tender and Bidding • Request for Quotation • Request for Proposal	• Throughout the year	• Ethical management and procurement	• Online and offline communication channels • Clear and fair procurement policies and practices
Local Government Authorities and Agencies • Bursa • Ministries • Local Authorities • Bomba • Utility Bodies • JKR • JAKIM • Etc	• Compliance with Government legislative framework	• Annually • As required on activity basis	• Transparency • Regulatory compliance and disclosures • Accountability • Policy alignment	• Annual Report • Certifications and Registrations • Public Disclosure • Compliance • Sustainability report

ANALYSIS OF MATERIALITY

In our pursuit to identify, quantify and rationalise key concern areas of our stakeholders, Eastland had conducted a workshop involving TGR Heads of Departments ("HOD") on 18 February 2020. Although external stakeholders were not involved in the workshop, these HOD were selected on the basis of their operational interaction with these stakeholders and their knowledge of their concerns.

The workshop discussed and presented the general framework for TGR sustainability report.

Above: Participants at The Grand Renai Sustainability Workshop.

SUSTAINABILITY STATEMENT

cont'd

THE PROCESS

During the process, the relevant HOD's highlighted matters of importance within their respective field and matters which were important to stakeholders.

The issues were subsequently categorised broadly into the 3 principles of sustainability ie. Economic, Environmental and Social. From the broad categories the list was expanded and ranked by "Importance to Stakeholders" and "Relevance to Eastland" on a scale of 1-5. 1 being of low importance and 5 being high importance.

Subsequently, the stakeholders were mapped out according to a Power/Interest Grid in order to identify those which are in the high interest-high power category, which requires adequate mitigation measures be put in place to address critical issues.

The Result

Stakeholders	Important Issues	Mitigation Measures	Status
Shareholders	Profit	Business Plan	In Place
Owner	Profit Reduce Wastage Employee and Customer Loyalty	Business Plan Go Green Campaign Engagement	In Place Ongoing Ongoing
Hotel Management	Achieving Budget Better Product Proper Organisation Structure Recognition Leisure	KPI Maintenance and Renovation Plan Organisational Chart Awards and Remuneration Leisure Benefits	In SOP Ongoing In Place In Place Ongoing
Customers	Low Prices Good value Experience Safety Comfort Parking	Market Research Market Research Enggagement and Renovation Plan Health and Safety Plan Engagement/Renovation Plan Valet Services/Renovation Plan	Ongoing Ongoing Ongoing In Place Ongoing Ongoing

A major recurring issue was the age of the property which required that an effective maintenance plan be in place coupled with progress upgrading and renovation so as to maintain relevance within the local marketspace.

The Board recognises that the business plan will need to be revisited in view of Covid-19 pandemic which will affect all business sectors. At the point of preparation of this report, the full extent of the impact due to the pandemic is not able to be established. However, as a sustainability measure, the management of TGR seeks to enhance the Food & Beverage ("F&B") division to reduce reliance on room revenue.

SUSTAINABILITY GOALS

Economic

Economic sustainability is achieved when there is optimum allocation of human capital, financial and natural resources. Economic sustainability is a critical aspect which is addressed in all levels of the group and projects undertaken by Eastland. Apart from revenue maximation measures, strategies such as Life Cycle Cost Analysis (LCCA) is adopted to ensure that cost of acquisition, operation, maintenance and disposal are considered during initiation stage.

Focus will also be given to employment creation and local income generation. Where possible, materials and workforce will be sourced locally. For the year 2019, 89% of staff were of local Kelantanese.

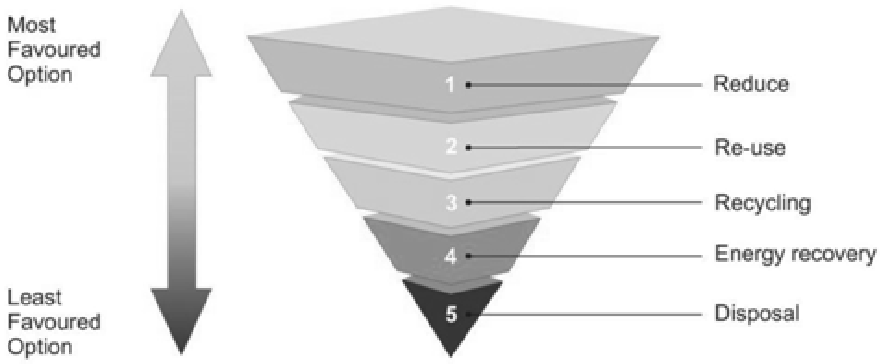
During the operations and implementation stages, quality is maintained via Quality Control measures. For instance, SOP in hotel operations ensure that quality is maintained and thereby minimising rework and wastages.

SUSTAINABILITY STATEMENT
cont'd

SUSTAINABILITY GOALS *(cont'd)*

Environmental

To ensure environmental sustainability, 4Rs Strategy needs to be adopted.

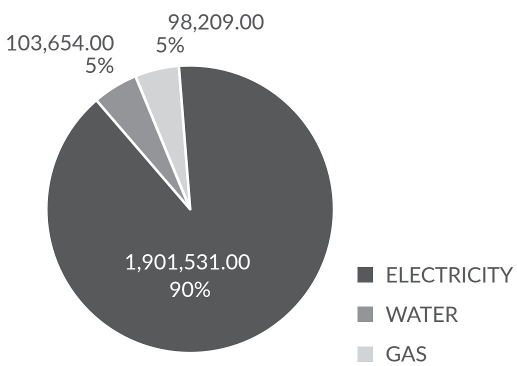


A large portion of environmental sustainability is derived from the ability to reduce consumption and wastages. This will be the focus in the early adoption of Eastland's Sustainable Development journey.

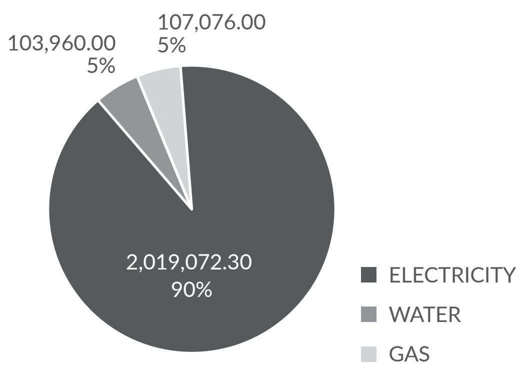
Energy consumption reduction practices have been applied by the use of automatic keycard power switches so that power is switched on only when guests are in the rooms. During off peak seasons, air-conditioning is switched off at unutilised floors. Dual flush toilets are used and flush capacity of tanks are reduced to conserve water consumption.

A Go-Green campaign is carried out to replace towels and linens every alternate days unless otherwise requested by the guests. Old filament light bulbs are being replaced with LED lighting in stages. Close coordination is carried out between sales and F&B to ensure optimum quantity of food is prepared during buffet services and thereby minimising wastage.

UTILITIES CONSUMPTION 2018 (RM)



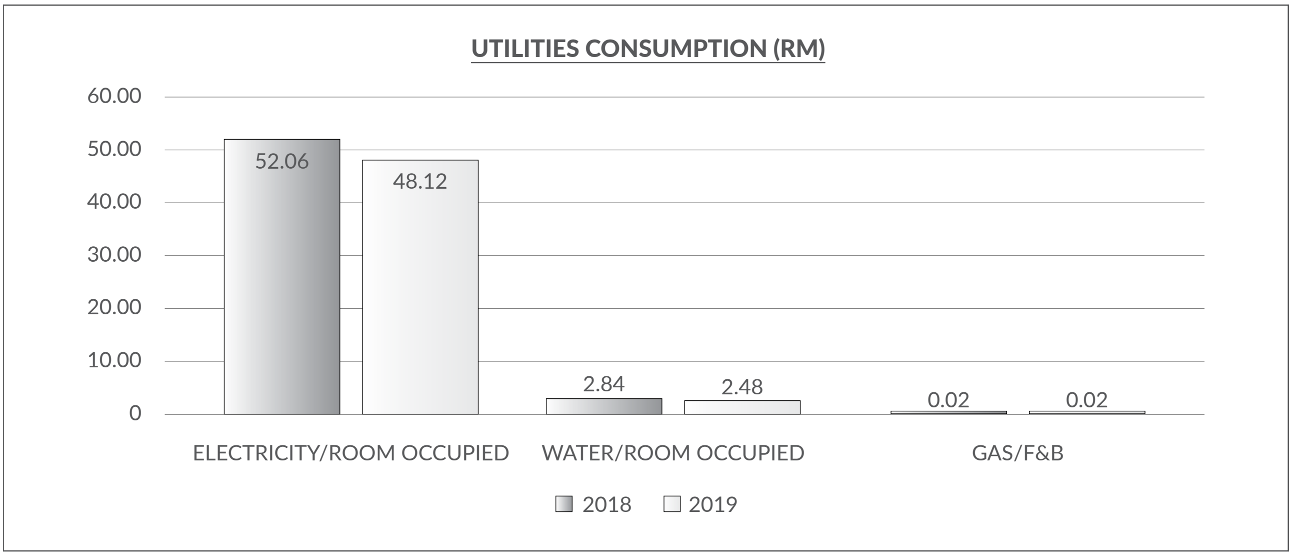
UTILITIES CONSUMPTION 2019 (RM)



SUSTAINABILITY STATEMENT
cont'd

SUSTAINABILITY GOALS *(cont'd)*

Environmental *(cont'd)*



Generally utilities consumption was inline with prior year trend but with a moderate reduction of 7.60% and 12.70% reduction for electricity and water consumption per room occupied respectively.

Social

Social sustainability is about identifying and managing business impacts, both positive and negative, on people. Directly or indirectly, companies affect what happens to employees, workers in the value chain, customers and local communities, and it is important to manage these impacts proactively. Eastland seeks built quality relationships within it's organisation and to all stakeholders alike. We seek to carry out business responsibly by aligning our strategies on human rights, labour, environment and anti-corruption.

We believe that welfare begins at home. The management meets with staff on a quarterly basis in the attempt to listen and foster a better working environment for all. During annual dinners, the management awards staff in recognition for excellent service and long employment.

Safe Working Environment

Anticipation of Health & Safety Risks is paramount in our daily operations. We seek to consistently meet industry standards of safety at each of our workplace. TGR adopts safety measures in standard operating procedures which are enforced diligently. This includes the use of suitable personal protective equipment and having sufficient first aid kits in each department. This will minimise incidents, accidents and loss time injuries, which in turn will ensure higher productivity and efficiency in our property. In 2019 no loss time incidents were reported.

In response to the Covid-19 pandemic, TGR has developed specific response guidelines and sanitisation measures in collaboration with the Ministry of Health to ensure a safe environment for our employees and patrons.

Quality Education

Training Events conducted in 2019 by the Group include:

- Orientation for new employees
- Majlis Perbandaran Kota Bharu Lecture
- Supervisory Management Development Training
- Income Audit
- Service Sequence Training
- First aid & CPR Training
- Science of Hygiene

SUSTAINABILITY STATEMENT
cont'd

CORPORATE SOCIAL RESPONSIBILITY ("CSR") EVENTS

Some of the CSR activities conducted by the Group in 2019 include:

- May 2019 Bubur Lambuk distribution during fasting month

- June 2019 – Road Safety Campaign

SUSTAINABILITY STATEMENT
cont'd

CORPORATE SOCIAL RESPONSIBILITY ("CSR") EVENTS *(cont'd)*

- June 2019 – Hari Raya Celebration with Peka Yatim Orphanage

- August 2019 – Blood Donation

As this is an initial attempt on sustainability reporting by Eastland, it will build on the lessons learned from assessment of the effectiveness of the proposed measures for the purpose of continual improvement of this Sustainability Report in future editions.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

COMPOSITION AND ATTENDANCE OF MEETINGS

The Audit and Risk Management Committee ("ARMC") comprises three (3) members who are wholly Independent Non-Executive Directors. All members of the ARMC have no family relationship with any of the Executive Directors, officers and major shareholders of the Company and also met the other criteria of an Independent Director defined in the Main Market Listing Requirements ("MMLR").

The ARMC Chairman, Mr Petrus Gimbad is a Chartered Accountant of the Malaysia Institute of Accountants, a Fellow of the Association of Chartered Certified Accountants and an Associate of Internal Auditors Malaysia. However, he had tendered notice of resignation on 19 June 2020, effective from 20 June 2020.

All the present members of the Committee are financially literate, with diverse background and experience in accountancy, corporate banking and legal practice. None of the members of the ARMC were a partner of the current Auditors of the Company.

During the financial year ended 31 December 2019, there were seven (7) ARMC Meetings held. Details of attendance by the members are as follows:

Director	Number of Meetings Attended during Tenure of Office	Percentage of Attendance (%)
Petrus Gimbad Chairman *Independent Non-Executive Director* *(Tendered notice of resignation on 19 June 2020, effective from 20 June 2020)*	7/7	100%
Mohamed Akwal Bin Sultan Mohamad Member *Independent Non-Executive Director*	7/7	100%
Masleena Binti Zaid Member *Independent Non-Executive Director* *(Appointed on 15 July 2019)*	3/3	100%
Datuk Yunus @ Mohd Yunus Bin Awang Hashim Member *Senior Independent Non-Executive Director* *(Resigned on 20 April 2019)*	2/3	67%

As the members of the ARMC are also the members of the Nominating Committee ("NC"), the Board therefore oversees the conduct of peer performance review on the ARMC and its members carried out by the NC. For the financial year ended 31 December 2019, the Board is satisfied that the ARMC and its members had discharged their functions, duties and responsibilities in accordance with the ARMC's Terms of Reference.

TERMS OF REFERENCE

The ARMC has reviewed its terms of reference during the financial year. The updated terms of reference are published on the corporate website of the Company at http://www.eeb.com.my/.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT
cont'd

SUMMARY OF ACTIVITIES

The activities undertaken by the ARMC in discharging its duties and functions with respect to their responsibilities during the financial year are summarised as follows:

a. **Ensuring Financial Statements Comply with Applicable Financial Reporting Standards**

The review process carried out by the ARMC in ensuring the financial statements of the Company comply with the Financial Reporting Standards are consistent with the previous year.

When reviewing the quarterly financial results, the Executive Directors and Financial Controller were invited to be present in the ARMC meeting to respond to questions on financial performance, cash flows and significant financial reporting issues concerning compliance with applicable approved accounting standards and treatments, MMLR and other regulatory requirements. The clarifications and answers provided by the Executive Directors and Financial Controller were deliberated in the meeting before the financial results and statements were formally presented to the Board for consideration and approval for announcement to Bursa Malaysia Securities Berhad ("Bursa Securities").

The ARMC also reviewed the annual audited financial statements with the presence of the External Auditors. Besides ensuring the financial statements prepared by management complied with the financial reporting standards, the ARMC also deliberated on the cash flows projection and positions and the Group's ability to meet its financial obligations.

As part of the review process, the ARMC also had private sessions with the External Auditors without the presence of the Executive Directors and management to ensure that issues were being objectively brought up to the attention of the ARMC.

b. **Reviewing the Audit Findings of the External Auditors and Assessing their Performance, Suitability and Independence**

Prior to the commencement of the current financial year audit, the ARMC reviewed and discussed with the External Auditors on their audit planning memorandum covering the audit risk areas, audit approach and audit emphasis, and their independence.

Subsequent to the completion of audit, the External Auditors had presented and briefed the ARMC on the audit status, the new financial reporting standards and their impact on the Group's financial reporting, general regulatory development and changes, and key audit matters to be included in the Auditors' Report.

The ARMC had evaluated and assessed the External Auditors' performance and independence and conducted private sessions with the External Auditors without the presence of the Executive Directors and management as mentioned earlier.

During the financial year, the audit fee and non-audit fees for services provided by the External Auditors to the Group and the Company respectively for the financial year ended 31 December 2019 are as follows:

Fees incurred	Audit Fee RM'000	Non-Audit Service Fees RM'000
The Company	95	6
The Group	174	6

Based on the confirmation of the External Auditors, the ARMC concurred that the provision of non-audit services covering Statement on Risk Management and Internal Control to the Group did not impair or was not perceived to impair the independence and objectivity of the External Auditors.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT
cont'd

SUMMARY OF ACTIVITIES *(cont'd)*

b. Reviewing the Audit Findings of the External Auditors and Assessing their Performance, Suitability and Independence *(cont'd)*

The ARMC also reviewed the external audit fee based on fee comparison performed by Financial Controller. The fee comparison was made against certain selected public listed companies with similar principal activities, revenue and categories of audit firm with the Company. It was noted that the audit fee charged was reasonable. The external audit fee was then recommended to the Board for consideration and approval.

Separately, the ARMC had also evaluated the External Auditors and was satisfied with their performance and proposed their re-appointed to the Board for recommendation to the shareholder for approval at the Annual General Meeting of the Company.

c. Reviewing the Audit Findings of the Internal Auditors and Assessing the Effectiveness and Adequacy of the Systems of Risk Management and Internal Control in the Key Operating Processes of the Group

Internal Auditors' findings are the source of information for the ARMC to assess the state of risk management and internal control systems in the Group.

When reviewing the Internal Audit Reports, the ARMC considered the impact of the audit issues and the effectiveness and adequacy of the risk management and internal control processes in the present management systems. Executive Directors and management were also invited to attend the ARMC meetings during the deliberation of internal audit findings. The presence of management ensured that the ARMC received a fair and balance view of the audit findings and issues reported by the Internal Auditors.

The cash flow risk and decline in revenue in the hospitality business segment remain as the primary challenges of the Group. Accordingly, the ARMC had directed the Internal Auditors to review the Sales and Marketing and Front Office Operation in The Grand Renai Hotel and to conduct the follow up audit status reviews of the previous audit findings on Kota Sri Mutiara Complex and Bandar Tasek Raja project. As part of the ARMC deliberations on the internal audit findings, the Executive Directors and management were invited to attend and respond to the ARMC queries on the status of material payments and actions taken to recover these debts.

The ARMC had conducted an annual review of the Internal Auditors' performance based on their scope of work, competency, staff resources, authority to carry out their work, independence, due professional care, and on-going engagement with the ARMC Chairman. Overall, the performance of the Internal Auditors was satisfactory.

The ARMC also hold private sessions with the Internal Auditors without the presence of the Executive Directors and management annually.

d. Review on any Related Party Transaction

Related party transaction was one of the important review agenda of the ARMC. The ARMC's objective in reviewing related party transactions is to ensure that related party transactions were made on arm's length as well as it been feasible and beneficial to the Company financially, operationally and commercially. As part of this review, the ARMC also consulted the Company Secretaries to ensure that all related party transactions complied with the MMLR.

e. Overseeing Governance Practices

Besides reviewing its Terms of Reference, the ARMC had also assisted the Board in reviewing the Board Charter, terms of reference of other Board Committees, i.e. Remuneration and Nominating Committees and the Company's Code of Conduct and Ethics. The comments from the ARMC were subsequently incorporated and updated in these documents.

The ARMC continues to play an important role in ensuring the integrity, clarity and relevance of the information disclosed in the Annual Report. Before finalising the various governance disclosures in the Annual Report, the ARMC together with all other Board Members and management, reviewed the Corporate Governance ("CG") Report, CG Overview Statement, ARMC Report, Statement on Risk Management and Internal Control, Management Discussion and Analysis, Sustainability Statement and Directors' Responsibility Statement.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

cont'd

INTERNAL AUDIT FUNCTION

Functionally, the Internal Auditors report directly to the ARMC. The primary responsibility of the Internal Auditors is to assist the Board and the ARMC in reviewing and assessing management systems of internal control and procedures and providing recommendations to strengthen these systems.

The Company had outsourced its internal audit function to a third-party internal audit firm, BPS Advisor Sdn. Bhd.. The internal audit firm did not provide other form of services to the Company that may create conflict of interest or impair their objectivity and independence.

The internal audit function is headed by a Manager and supported by a team of audit executives who are accounting graduates. The Manager in charge, Chen Pei Ping is an Associate Member of the Institute of Internal Auditors Malaysia and an honour degree holder in Accounting on 2015 from UTAR.

In discharging her responsibilities, she reports to and is guided by Mr. Chong Kian Soon who is the Director of the firm overseeing the engagement. Kian Soon is a member of Chartered Accountants Australia and New Zealand, the Malaysia Institute of Certified Public Accountants and the Institute of Internal Auditors Malaysia.

The Internal Auditors have conducted their work based on the broad principles of the International Professional Practice Framework of the Institute of Internal Auditors covering the conduct of the audit planning, execution, documentations, communication of findings and consultation with key stakeholders on the audit concerns.

During the financial year, the Internal Auditors had conducted their review on Sales and Marketing and the Front Office functions of The Grand Renai Hotel. The internal audit reports containing the audit findings, recommendations and management's responses, including target implementation dates, were circulated to the ARMC. These reports were also provided to management for implementation of corrective actions. Follow-up review was also performed to ascertain the status of management's implementation of the recommended actions.

The ARMC had deliberated the internal audit fee vis a vis their scope of work and assessment of the independence and objectivity of the Internal Auditors. The fee incurred for the internal audit function in respect of the financial year ended 31 December 2019 was RM30,000 (2018: RM60,000).

NOMINATING COMMITTEE STATEMENT

The Board has established and maintained its Nominating Committee ("NC") to ensure that there are formal and transparent procedures for the appointment and appraisal of director and key officers.

During the financial year, NC has conducted four (4) meetings. Details of the attendance by the members of the NC are as follows:

Director	Number of Meetings Attended during Tenure of Office
Masleena Binti Zaid *(Independent Non-Executive Director)* *(Appointed on 15 July 2019)* *(Re-designated as Chairman of NC on 20 February 2020)*	1/1
Petrus Gimbad *(Independent Non-Executive Director)* *(Tendered notice of resignation on 19 June 2020, effective from 20 June 2020)*	4/4
Mohamed Akwal Bin Sultan Mohamad *(Independent Non-Executive Director)* *(Appointed on 20 February 2019)*	3/3
Datuk Yunus @ Mohd Yunus Bin Awang Hashim Chairman *(Senior Independent Non-Executive Director)* *(Resigned on 20 April 2019)*	2/2

The Terms of Reference of the NC are available at the Company's website at http://www.eeb.com.my/ for shareholders' reference.

Paragraph 2.20A of the Main Market Listing Requirement ("MMLR") on the qualification of directors and other key officers provides that every listed corporation must ensure that each of its directors, Chief Executive or Chief Financial Officer has the character, experience, integrity, competence and time commitment to effectively discharge his or her role.

In order to address the above requirement that the directors and officers of the Company possess the character, experience, integrity, competence and time commitment, the NC has:

a) Aligned and considered the criteria for the appointment of directors and senior management with the above provisions;
b) Evaluated candidates for director and senior management appointments based on the criteria thereof;
c) Recommended the establishment of a formal key performance indicator framework for key officers;
d) Evaluated the annual performance of directors and key officers and the re-election of directors; and
e) Promoted board diversity by giving priority for appointment of female director in the Board.

Following are the detailed explanation of the activities conducted by the NC during the financial year in discharging its responsibilities for each of the above tasks.

a) Aligned and considered the Paragraph 2.20A criteria for the appointment of directors and senior management; and

b) Evaluated candidates for director and senior management appointments based on the criteria thereof

During the financial year, the NC has reviewed and recommended the following appointments to the Board:

i. Puan Masleena Binti Zaid as the New Independent Non-Executive Director ("INED") and Member of NC, Remuneration Committee ("RC") and Audit and Risk Management Committee ("ARMC") of the Group;
ii. Mr Eric Wee Ei-Mas as the Executive Director;
iii. Encik Mohamed Akwal bin Sultan Mohamad as Chairman of the RC and Member of the NC; and
iv. Encik Khairil Nizam Othman as the Grand Renai Hotel's General Manager.

The above appointments were assessed based on the consideration of the criteria under the provision of Paragraph 2.20A of the MMLR.

NOMINATING COMMITTEE STATEMENT
cont'd

Following are the detailed explanation of the activities conducted by the NC during the financial year in discharging its responsibilities for each of the above tasks. *(cont'd)*

c) **Recommended the establishment of a formal key performance indicator framework for key officers**

NC has deliberated the implementation of Key Performance Indicators ("KPI") for the key officers in the Group and advised the Board to revisit the plan for establishing a formal KPI framework for its key officers once the Group's project plans are in place and performance improved. Meanwhile, the performance of the key officers shall continue to be evaluated based on the overall financial performance of the Group.

d) **Evaluated the annual performance of directors and key officers and the re-election of directors**

The performance appraisal of the board, board committee and individual directors are conducted by way of self and peer reviews and coordinated by NC.

Based on the assessments, it was concluded that:

i) **Effectiveness of the Board and the Committee of the Board as a Whole**

In the view, area of improvement for board information was identified and the dissolution of the Executive Committee was deliberated.

ii) **Time Commitment, Character, Experience, Integrity, Competence and Contribution of Each Individual Director Including Independent Non-Executive Directors, Managing Director, Executive Directors and Chief Financial Officer**

All Board members and Chief Financial Officer possess relevant qualification, knowledge, experience and ability to understand the technical requirements, risks and management of the Group's business. Also, all Board members and Chief Financial Officer discharged their duties and responsibilities in a commendable manner and demonstrated their commitment and effort to the affairs of the Company and Group.

iii) **Mix of Skills and Experience of Each Individual Director Including the Core Competencies of the Non-Executive Directors**

The overall mix of skills and experience of the Directors including the core competencies of the Non-Executive Directors and size of the Board was satisfactory.

iv) **Level of Independence of Directors**

All Independent Directors have complied with the criteria of independence as set out in the MMLR of Bursa Securities and carried out their duties and responsibilities independently and objectively.

v) **Terms of Office and Performance of the ARMC and Each of its Members Pursuant to Paragraph 15.20 of the MMLR of Bursa Securities**

The performance of the ARMC and its individual members were satisfactory and have carried out their duties in accordance with their terms of reference.

vi) **Retirement of Directors**

Based on the result of these assessments, the NC also recommended the directors standing for re-election to the Board in order for the Board to propose the re-appointment of these directors for shareholders' approval.

e) **Promoted board diversity by giving priority for appointment of female director on the Board**

As reported in the previous financial year NC Statement, the Board will take necessary steps to ensure that more women candidates are sought when considering appointment of new directors.

During the financial year, the NC has recommended the appointment of a female director, Puan Masleena Binti Zaid as Independent Non-Executive Director of the Company and member of NC, RC and ARMC. Subsequently, on 20 February 2020, Puan Masleena Binti Zaid was re-designated as Chairman of the NC.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board is mindful of its accountability to shareholders and other stakeholders and to ensure that the highest standards of corporate governance are practiced by the Group at all times and all level. The Board also views this as a fundamental part of discharging its roles and responsibilities.

This corporate governance ("CG") overview statement is presented in accordance to the provisions in the Practice Note 9 of the Main Market Listing Requirement ("MMLR") and provides an overview of the key corporate governance practices of the Group during the financial year with reference to the principles of (a) board leadership and effectiveness; (b) effective audit and risk management; (c) integrity in corporate reporting and meaningful relationship with stakeholders; and highlight the Board's focus areas and future priorities in relation to its corporate governance practices.

In addition to this CG overview statement, the Board has also provided specific disclosures on the application of each Practice in its Corporate Governance Report ("CG Report"). The CG Report was announced together with the Annual Report of the Company on 29 June 2020. Shareholders may obtain this CG Report by accessing this link http://www.eeb.com.my/ for further details and are advised to read this CG overview statement together with the CG Report.

Board Key Focus Areas

The key focus areas and objectives of the Board during the financial year are to make the best out of the resources available in the Group from its board members, management team and assets; and to continue leading and guiding the management to turnaround the performance of the Group.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

Board Composition

During the financial year, the Board consists of six (6) members; comprising three (3) Independent Non-Executive Directors, two (2) Executive Directors and one (1) Managing Director. The Board had conducted its annual appraisal through self-assessment and was satisfied with the effectiveness of the composition of the Board.

The Nominating Committee ("NC") has performed an annual peer review of the independence of Independent Directors based on the requirements and definition of "independent director" as set out in the MMLR, the confirmation of independence declared by Independent Directors as well as their objectivity in carrying out their duties and responsibilities. None of the Independent Directors has exceeded a cumulative term of nine (9) years.

A description of the background of each director is presented in their respective profile in page 4 to 7 of this report.

The Board has yet to appoint a new Board Chairman after the resignation of the Chairman on 31 December 2018 and Deputy Chairman on 20 April 2019. On interim basis, Encik Mohamed Akwal Bin Sultan Mohamad and Mr Petrus Gimbad who are Independent Non-Executive Directors have presided as board meeting's Chairman.

With the previous size of four (4) board members, the Board acknowledges the need to increase its size and have a better composition of relevant mix of skills, experience and qualifications, in order to ensure effective functioning of the board. The Board had addressed the board diversity by appointing Puan Masleena Binti Zaid. Puan Masleena Binti Zaid, a corporate lawyer by profession specialises in capital market, trust, corporate and commercial laws as an Independent Director of the Company.

To address management succession, the Board has promoted Mr. Eric Wee Ei-Mas, the present Project Director of the Group who has served the Group for more than 4 years to become one of the Executive Directors in the Board.

With these new directors' appointment, the Board had enhanced its size, competency and capability; balanced the composition of executive and independent directors at the board; and maintained adequate number of Executive Directors to ensure effective board deliberation of issues and board's instructions are effectively communicated, disseminated and executed at management level.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *(cont'd)*

Board Responsibilities

The Board is responsible for overseeing the control and management of the Company to protect the interest of its shareholders and stakeholders. They also play an active role in guiding and advising the management on strategic business plan and direction of the Group to ensure proper management and business continuity.

At every board meeting during the financial year, the Board has performed reviews and deliberated with management on the Group's performance, which covered the business operations and risks, operational performance, financial results, cash flow position, and on the potential projects and turnaround plan for the Group.

Clear role and Responsibilities

In cognisance of the Board and the Management's accountability to the Company and its shareholders, the Board has established clear functions reserved for the Board and those delegated to the Management. The Board operates under a Board Charter and Board Policy Manual, which provides a formal schedule of matters and outlines the types of information required for the Board's attention and deliberation at the Board meetings. The Board Charter is available on the Company's website at http://www.eeb.com.my/.

Board Committees

The Board has established three (3) committees of the Board, namely the Audit Risk Management Committee ("ARMC"), Nominating Committee ("NC") and Remuneration Committee ("RC"), which operate within clearly defined written Terms of Reference ("TOR"). The Board Committees deliberate issues on a broad and in-depth basis before putting up any recommendation to the Board for decision. The composition of the Board and details of the respective Board Committees are presented in page 3 of this Annual Report.

Notwithstanding the existence of the Board Committees and the relevant authorities granted to a committee under its TOR, the ultimate responsibility for the affairs of the Company and decision-making lies with the Board. The Board keeps itself abreast of the significant matters and resolutions deliberated by each Board Committee through the reports by the Chairman of the relevant Board Committees and the tabling of the Minutes of the Board Committees meetings and circular resolutions passed by each Board Committee at the immediate subsequent Board meeting.

The Board is satisfied that the ARMC, NC and RC have effectively and efficiently discharged their roles and responsibilities with respect to their functions as defined in the respective TOR.

The duties and responsibilities of the ARMC, NC and RC are set out in the TOR of the respective committees which is available at the Company's website at http://www.eeb.com.my/.

The attendance record of the RC is as follows and the attendance records of ARMC and NC are presented in page 21 and page 25 respectively of this Annual Report:

Director	Number of Meetings Attended During Tenure of Office
Mohamed Akwal Bin Sultan Mohamad Chairman *(Independent Non-Executive Director)* *(Appointed on 20 February 2019)*	**3/3**
Petrus Gimbad *(Independent Non-Executive Director)* *(Tendered notice of resignation on 19 June 2020, effective from 20 June 2020)*	**4/4**
Masleena Binti Zaid *(Independent Non-Executive Director)* *(Appointed on 15 July 2019)*	**1/1**
Datuk Yunus @ Mohd Yunus Bin Awang Hashim *(Independent Non-Executive Director)* *(Resigned on 20 April 2019)*	**2/2**

CORPORATE GOVERNANCE OVERVIEW STATEMENT
cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *(cont'd)*

Board Meeting Attendance and Training

The underlying factors of Directors' commitment to the Group are devotion of time and continuous improvement of knowledge and skill sets. During the financial year, nine (9) Board meetings were held and details of attendance of the Board members are set out below.

Director	Number of Meetings Attended During Tenure of Office
Lee Chee Kiang *Managing Director*	9/9
Tan Chin Hong *Executive Director*	9/9
Eric Wee Ei-Mas *Executive Director* *(Appointed on 20 August 2019)*	3/3
Petrus Gimbad *Independent Non-Executive Director* *(Tendered notice of resignation on 19 June 2020, effective from 20 June 2020)*	9/9
Mohamed Akwal Bin Sultan Mohamad *Independent Non-Executive Director*	9/9
Masleena Binti Zaid *Independent Non-Executive Director* *(Appointed on 15 July 2019)*	4/4
Mau Kam Wai *Executive Director* *(Resigned on 28 February 2019)*	1/1
Datuk Yunus @ Mohd Yunus Bin Awang Hashim *Deputy Chairman and Senior Independent Non-Executive Director* *(Resigned on 20 April 2019)*	1/3

The Board was updated regularly by the Company Secretary and management on the training programme available by regulators and professional bodies. Board members are advised by the Nominating Committee to attend the relevant trainings based on their needs.

During the financial year, the Board members had attended the following trainings:

Director	Training Attended	Training Date	Duration
Lee Chee Kiang *Managing Director*	• National Tax Conference by Chartered Tax Institute of Malaysia	05/08/19 – 06/08/19	16 Hours
Tan Chin Hong *Executive Director*	• MFRS Conference 2019 - Applications in Your Practice by Malaysian Institute of Accountants	25/06/19	8 Hours
	• MFRS 15 Revenue from Contracts with Customers & Application to Construction Contracts and Property Development Activities	29/04/19	8 Hours
	• Strata Property Seminar 2019 by FIABCI Malaysia	11/07/19	8 Hours
	• Transfer Pricing Conference 2019 by Malaysian Institute of Accountants	15/07/19	8 Hours

CORPORATE GOVERNANCE OVERVIEW STATEMENT
cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *(cont'd)*

Board Meeting Attendance and Training *(cont'd)*

Director	Training Attended	Training Date	Duration
	• Directors' Dialogue with Jonathan Labrey on Integrated Reporting by Malaysian Institute of Accountants • Baker Tilly 2019 Business & Tax Seminar by Baker Tilly Malaysia Sdn Bhd	11/09/19 24/10/19	2 Hours 7.5 Hours
Eric Wee Ei-Mas *Executive Director*	• Strata Property Management Seminar 2019 by FIABCI Malaysia • Corporate Liability Provision Section 17A of the Malaysian Anti-Corruption Commission ("MACC") Act 2009 (Amended 2018) • Mandatory Accreditation Programme (MAP) by The ICLIF Leadership and Governance Centre	11/07/19 08/08/19 21/11/19 – 22/11/19	8 Hours 4 Hours 12 Hours
Petrus Gimbad *Independent Non-Executive Director (Tendered notice of resignation on 19 June 2020, effective from 20 June 2020)*	• Malaysian Tax Conference by Malaysian Institute of Accountants • FRS 15 Revenue from Contracts with Customers & Application to Construction Contracts and Property Development Activities • Transfer Pricing Conference 2019 by Malaysian Institute of Accountants • Sustainability Reporting Workshop for Practitioners conducted by Bursa Malaysia Securities Berhad ("Bursa Securities") • Workshop for Palm Oil Mills in preparation for MSPO Certification • MIA International Accountants Conference 2019 • Market Forum - Gearings towards 2020: Challenges and Opportunities • Integrated Reporting: Communicating Value Creation • The Securities Commission Malaysia Audit Oversight Board Conversation with Audit Committees	03/04/19 – 04/04/19 29/04/19 15/07/19 26/08/19 – 27/08/19 10/10/19 22/10/19 – 23/10/19 01/11/19 04/11/19 08/11/19	16 Hours 8 Hours 8 Hours 16 Hours 6 Hours 16 Hours 4 Hours 8 Hours 4 Hours
Mohamed Akwal Bin Sultan Mohamad *Independent Non-Executive Director*	• Case Study Workshop for Independent Directors by Securities Industry Development Corporation (SIDC) • Evaluating Effective Internal Audit Function - Audit Committee's Guide on How to by The Institute of Internal Auditors Malaysia	09/10/19 15/10/19	8 Hours 8 Hours
Masleena Binti Zaid *Independent Non-Executive Director*	• Mandatory Accreditation Programme (MAP) by The ICLIF Leadership and Governance Centre	11/11/19 – 12/11/19	12 Hours

Annual Board Evaluation

The Board, through the NC conducts an annual assessment of the Board as a whole and on each individual Directors' performance. This includes a review of the desirable mix of competencies, qualification, knowledge, skills, expertise and personal characteristics of Directors and any gaps that exist in the optimum mix of skills required for the Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *(cont'd)*

Annual Board Evaluation *(cont'd)*

It is tasked with assessing the effectiveness of the Board and Board Committees and the performance of individual directors to ensure that the appropriate mix of skills and experience are present on the Board. In the course of assessing the effectiveness of the Board and the Board Committees and the contributions of each individual Director, the NC also evaluates and determines the training needs for each of the Directors in order to equip them with the necessary skills and knowledge to keep up with industry developments and trends in meeting the challenges of the Board and aid them in the discharge of their duties as Directors.

The NC together with the CEO, representing the Management, collectively conduct annual assessments of the effectiveness of the Board and its Committees and the performance of each individual Director. The assessments consider the qualification, contribution and performance of Directors which take into account their competencies, character, commitment, integrity, experience and time expended in meeting the needs of the Group. The Board was assessed internally through peer reviews and are properly documented, summarised and reported to the Board.

Remuneration

The remuneration of the Executive Directors and Non-Executive Directors were reviewed by the RC and the Board respectively. All directors played no part in the decision of their own remuneration.

Broadly, the remuneration policy of the Executive Directors of the Board is based on the individual and Group performance as well as the market conditions, industry practice and individual responsibilities. For the Non-Executive Directors, remuneration is determined in accordance with their experience and the level of responsibilities assumed.

The terms of reference of the RC and the board policy on remuneration which is stated in the Board Charter are disclosed in the Company's website.

Pursuant to Section 230(1) of the Companies Act 2016, the fees of the directors and any benefits payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting.

The detail disclosure of the Directors and Senior Management's remunerations for the financial year ended 31 December 2019 are reported in Practice 7.1 and 7.2 in the CG Report.

The Directors' fees and benefits payable for the financial period from the 20th Annual General Meeting ("AGM") until the next AGM of the Company proposed for the shareholders' approval at the forthcoming AGM is RM650,000 (2019: RM650,000).

Code of Conduct and Ethics

In discharging its duties and responsibilities, the Board is also guided by the Corporate Code of Conduct and Ethics of the Group which provides the framework to ensure that the Group conduct itself in compliance with laws and ethical values. The appropriateness and effectiveness of the Code of Conduct of the Group are continuously monitored, and appropriate agreed improvements and reporting procedures will be adopted where necessary.

The Corporate Code of Conduct and Ethics is available on the Company's website at http://www.eeb.com.my/.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *(cont'd)*

Whistle Blowing Policy and Procedures

The Group is committed to openness, probity and accountability. An important aspect of accountability and transparency is the existence of a mechanism to enable employees of the Group to voice their concerns in a responsible and effective manner.

Towards this end, the Group has formalised and established a "Whistle Blowing Policy and Procedure" as published in the website, to provide an avenue for employees to raise genuine concerns internally or report any breach or suspected breach of any law or regulation, including the Group's policies and procedures, to the Disclosure Officer in a safe and confidential manner, thereby ensuring that employees may raise concerns without fear of reprisals.

The Whistle Blower Policy is available on the Company's website at http://www.eeb.com.my/.

Access to Information

Every Director has full, free and unrestricted access to information within the Group. Where required, the Board and its Committees are provided with independent professional advice or other advice in furtherance of their duties, the cost of which is borne by the Company.

The Board may also seek advice from the Management or request further explanation, information or update on any aspect of the Group's operations or business concerns. The Board is supplied with quality and timely information, which allows it to discharge its responsibilities effectively and efficiently. The agenda for each meeting together with a set of comprehensive Board Papers for each agenda item are delivered to each Director in advance of meetings, to enable the Board sufficient time to review the matters to be deliberated for effective discussion and decision making during the meeting, and where necessary, to obtain supplementary information before the meeting.

In addition, the Directors have full and unrestricted access to the advice and dedicated support services of the Company Secretary appointed by the Board. The Company Secretary, who is qualified, experienced and competent, advises the Board on procedural and regulatory requirements to ensure that the Board adheres to the Company's constitution, board policies, procedures and regulatory requirements in carrying out its roles and responsibilities effectively.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit and Risk Management Committee

The Group is grateful to the Managing Director who has contributed not only his knowledge and expertise but also financial support and business opportunities to the Group. Nonetheless, the Board is mindful of its stewardship responsibility and continues to exercise rigorous oversight on the management and business affairs in the Group.

The team of Executive Directors had proposed various business proposals to the Board to turnaround the Group. In reviewing these proposals, the Board through the ARMC thoroughly scrutinised each proposal in order to ensure that these proposals are feasible and beneficial to the Group financially, operationally and commercially. When reviewing proposals involving the interest of related party, the Board through the ARMC further deliberated the arm's length basis of the proposals and consulted corporate advisors and the Company Secretaries on the issue of compliance with the MMLR requirements on significant and related party transactions as well as balanced the timeliness of making announcement and securing the confidentiality of the information of the business proposals to avoid unusual market activity.

The ARMC continues to play an important role in ensuring the integrity, clarity and relevance of the information disclosed in the Annual Report. Before finalising the various governance disclosures in the Annual Report, the ARMC together with the Executive Board Members and management, reviewed the CG Report, CG Overview Statement, ARMC Report, Statement on Risk Management and Internal Control, Management Discussion and Analysis, Sustainability Statement and Directors' Responsibility Statement.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
cont'd

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT *(cont'd)*

Audit and Risk Management Committee *(cont'd)*

In addition to the above, the ARMC also assisted the Board in reviewing the Board Charter, terms of reference of the Board Committees and the Company's Code of Conduct and Ethics. This review helps the Board to refresh their understanding of their existing responsibilities and to keep abreast of any new responsibilities. The comments from this review were subsequently incorporated and updated on those documents.

Proportionate with the level of business activities of the Group especially the slowdown in property development activity, the ARMC has reviewed and decided to scale down on the scope of internal audit review during the financial year to cover only the hotel operation. Details on the internal audit function and their review activities are reported in the ARMC Report of this Annual Report.

The membership of ARMC, TOR, roles and relationship with both Internal Auditors and External Auditors and activities during the financial year ended 31 December 2019 are set out on the ARMC Report of this Annual Report.

Risk Management and Internal Control

The Board acknowledges that risk management is an integral part of governance practices and had put in place a Risk Management Policy which covers the risk management responsibilities of the Board and management. In accordance to this policy, the Managing Director, Executive Directors and management assist the Board in executing business plan, reviewing, monitoring and tracking operational challenges as well as implementing action plans in order to achieve the desired financial performance.

Cash flow and low revenue remain as the primary challenges faced by the Group. Information of the Group's risk management and internal control framework are presented in the Statement on Risk Management and Internal Control of this Annual Report.

The Board is assisted by an Internal Audit function, which is currently outsourced to a professional firm. Functionally, the Internal Auditors report to the ARMC directly and is responsible for conducting periodic reviews and appraisals on governance, risk management and internal controls of the Group. The ARMC reviews the internal audit plan to ensure the scope of work are aligned to key risk areas. Further details on the internal audit activities are reported in the ARMC Report of this Annual Report.

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

Communication with Stakeholders

The Board recognises the importance of keeping shareholders and investors informed of the Group's business and corporate developments. Such information is disseminated via the Company's annual reports, various disclosures to Bursa Securities including quarterly financial results and various announcements made from time to time.

When reviewing proposals involving the interest of related parties, besides ensuring that the business proposals complied with the MMLR requirements on significant and related party transactions, the Board endeavoured to balance the timeliness of making announcement and secure the confidentiality of the information of the business proposals to avoid unusual market activity.

Conduct of General Meetings

In order to promote shareholders' participation in the general meetings, the Board would ensure that the Notice of the AGM is sent to shareholders at least 28 days ahead of the date of general meeting and provide sufficient time and opportunity to the shareholders to prepare and seek clarification during general meetings on any matters pertaining to the business activities and financial performance of the Group.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS *(cont'd)*

Conduct of General Meetings *(cont'd)*

General meetings empower shareholders to exercise their rights. Shareholders are provided with opportunity to participate in the question and answer session in which shareholders may raise questions regarding the proposed resolutions at the general meeting and matters relating to the Group's businesses and affairs. The Chairman, Chairmen of the respective Board Committees as well as other Board members will be present at the general meetings to respond to shareholders' queries.

Shareholders who are unable to attend the AGM are advised that they can appoint proxies to attend and vote on the behalf by completing the proxy form enclosed in the Annual Report and depositing it at the Registrars' Office at least forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

In line with Paragraph 8.29A(1) of the MMLR, all resolutions set out in the Notice of AGM were put to vote by poll. The Company also appointed an independent scrutineer to validate the vote cast in the AGM. The outcome of the AGM was announced to the Bursa Securities on the same meeting day.

The Board will respond and meet the institutional shareholders, analysts and members of the press to convey information regarding the Group's performance and strategic direction as and when requested.

Way Forward

Going forward, the Board will ensure that the Group establishes adequate preventive procedures to prevent the occurrence of corrupt practices and to defend against legal liabilities under Section 17A of the Malaysia Anti-Corruption Commission Act. These procedures will include putting in place structured policies and procedures on anti-corruption and whistleblowing; and assess the corruption risk as part of the Group's annual risk assessment.

This CG Overview Statement is presented pursuant to Paragraph 15.25(1) of the MMLR of the Bursa Securities and was approved by Board.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for ensuring that:

i. The annual audited financial statements of the Group and of the Company are drawn up in accordance with applicable Malaysian Financial Reporting Standards, the provisions of the Companies Act 2016 and the MMLR so as to give a true and fair view of the financial statements and state of affairs of the Group and of the Company for the financial year, and

ii. Proper accounting and other records are kept which enable the preparation of the financial statements with reasonable accuracy and taking reasonable steps to ensure that appropriate systems are in place to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

In the preparation of the financial statements for the financial year ended 31 December 2019, the Directors have adopted appropriate accounting policies and have applied them consistently in the financial statements with reasonable and prudent judgments and estimates. The Directors are also satisfied that all relevant approved accounting standards have been followed in the preparation of the financial statements.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board is pleased to present its Statement on Risk Management and Internal Control for the financial year ended 31 December 2019. The disclosure in this Statement is presented pursuant to Paragraph 15.26 (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and is guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

BOARD RESPONSIBILITY

The Board understands the principal risks of the business faced by the Group. Functionally, risk management is the responsibility of all Executive Directors and management staff who manage the business risks in the Group and ensure that business risks of the Group and ensure that it is under control. Notwithstanding, the Board has established the following mechanism in overseeing the conduct of the risk management and internal control systems in the Group:

- The Audit and Risk Management Committee ("ARMC") review and consult with management on financial results, annual reports and audited financial statements;

- Board discussions with management during the board meetings on business and operational issues as well as the measures taken by management to mitigate and manage the business and operational issues;

- Upon completion of audit, the External Auditors will report to the ARMC on their audit findings. ARMC will review with External Auditors and obtain their feedback on risk and control issues noted by them in the course of their statutory audit; and

- The ARMC reviews the report issued by Internal Auditor on the adequacy and effectiveness on internal control.

RISK MANAGEMENT

The Board has defined the Group Risk Policy which outlined the principles of risk management; the Board's and management's risk management responsibilities; and the objectives that the Board expects to achieve by putting in place a formal, structured documented and integrated risk management framework for the Group. The risk management thought process align with general principles of the international risk management framework are being applied by the Board when deliberating business agenda during the Board and ARMC Meetings. This thought process involves the identification of issues, consideration of the impact of the identified issues as well as effectiveness and adequacy of management actions.

Similar thought processes on risk management are applied and embedded by management into the operating and business processes. The responsibilities for the execution of business plan and control and monitoring of the risks are led by Managing Director assisted by the Executive Directors and Financial Controller. They report and assist the Board in deliberation on key financial, operation and compliance matters.

Similar to the past years, the cash flow position remains the primary challenge of the Group. The Board recognises the urgent need for injection of new business to turn around the cash flows of the Group and the Group is presently exploring various corporate proposals.

The property market in Kelantan has been in the doldrums for the past few years causing decline in revenue of the property investment business segment of the Group. In order to diversify its exposure, the Board is exploring property development opportunities including joint venture focusing on strategic locations in other parts of Malaysia.

In respect of investment property and hospitability business segments, the Group has been facing competition from the surrounding existing and newer properties and hotels in Kota Bharu. In order to stay competitive in the market, the management is exploring new revenue streams by offering hotel services with higher hygiene standard and convenience post Covid-19 pandemic as well as strengthening tenancy extension negotiation with the existing tenants.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
cont'd

COVID-19 PANDEMIC

The outbreak of Covid-19 has affected the global health and economy significantly.

Effective 17 March 2020, the Malaysian government had implemented Movement Control Order ("MCO") to curb Covid-19 pandemic in the country. The government has also introduced several short term fiscal and monetary measures to sustain businesses in the country and to reduce the adverse effect of the pandemic to the economy.

At the date of this report, the pandemic situation is still evolving. The Board and management as explained in the above, are endeavouring to manage the impact arising from this pandemic on the performance and operations of the Group's hospitality, property investment and property development businesses.

INTERNAL CONTROLS

In addition to the risk management process, the Board derives its comfort on the state of internal control and risk management in the Group through the following processes, information and review mechanisms:

- Delegation and separation of responsibilities between the Board and management. The Managing Director and Executive Directors report to the Board on the performance of the operations while the Board scrutinises the management performance in order to ensure objectivity in assessing its effectiveness;

- Periodic discussion and review of the Group's cash flows, financial and business units' performances, funding and operational issues in order to ensure that challenges and risks are addressed timely and appropriately;

- The ARMC also discusses with the External Auditors on key concerns and findings on financial and internal control matters at the audit planning, interim and final stage of the audit including any follow-up action required by management, and Internal Auditors;

- External professional advices are sought when needed to ensure that contractual risks are appropriately addressed and managed before entering into material contracts or agreements;

- Management assurance that the Group's risk management and internal control systems are adequate and effective, in all material respects, through discussion with Managing Director, Executive Directors and Financial Controller on operational matters; and

- The Internal Audit function assists the ARMC and the Board to carry out independent assessment on the internal control systems and the governance practices. The internal audit reports are issued to highlight significant findings and deficiency requiring management's attention and improvement. Follow-up review would subsequently be conducted to ensure that appropriate corrective action plans are implemented.

MANAGEMENT RESPONSIBILITIES AND ASSURANCE

In accordance with the Bursa's Guidelines, management is responsible to the Board for:

- Identifying risks relevant to the Group's business objectives, and the achievement of its objectives and strategies;

- Designing, implementing and monitoring the risk management actions in accordance with the Group's objective and risk appetite;

- Providing assurance on the effectiveness and adequacy of the risk management and internal control systems in managing risks; and

- Monitoring and reporting to the Board on significant control deficiencies and changes in risks that could significantly affect the Group's achievement of its objective and strategies.

When producing this Statement, the Board has received assurance from the Managing Director, Executive Director and the Financial Controller that to the best of their knowledge that the Group's risk management and internal control systems are adequate and effective, in all material aspects.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

BOARD ASSURANCE AND LIMITATION

The Board recognises that the system of risk management and internal control should be continuously improved, consistent with the evolving business and operating environment. Nonetheless, it should be noted that all risk management and internal control systems could only manage rather than eliminate risks of failure to achieve business objectives. Therefore, the systems of risk management and internal control in the Group can only provide reasonable but not absolute assurance against material misstatements, frauds and losses.

For the financial year under review, the Board is satisfied that the existing level of risk management and internal control systems are adequate and effective under the present business and cash flow positions of the Group.

REVIEW OF STATEMENT ON INTERNAL CONTROL BY EXTERNAL AUDITORS

Pursuant to Paragraph 15.23 of Main Market Listing Requirement of Bursa Securities and AAPG 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control, issued by Malaysia Institute of Accountants, the External Auditors have performed a limited assurance engagement on the Statement on Risk Management and Internal Control for the inclusion in this Annual Report for the financial year ended 31 December 2019. The External Auditors reported that nothing has come to their attention that could cause them to believe that the Statement is not prepared, in all material aspects, in accordance with the disclosures required by paragraphs 41 and 42 of the Guidelines to be set out, or is factually inaccurate.

This Statement on Risk Management and Internal Control is made in accordance with a resolution of the Board dated 19 June 2020.

ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

1. UTILISATION OF PROCEEDS

(i) On 24 April 2019, the Company announced a proposed private placement of up to 25,000,000 new ordinary shares of RM0.0861 each, representing approximately 20% of the issued and paid up Share Capital ("Proposal"). The proposal was submitted to Bursa Malaysia Securities Berhad and obtained its approval on 9 May 2019.

On 14 June 2019, the Proposal was tabled and approved by the shareholders at the Extraordinary General Meeting held on 14 June 2019 and the private placement was completed on 26 June 2019 following the listing of and quotation for 49,133,595 new ordinary shares on the Main Market of Bursa Malaysia Securities Berhad.

A total of RM 4,230,402 was raised. The fund was fully utilised as of 6 November 2019, the breakdown of the utilisation is as follow:

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Utilisation Timeframe	Balance to be utilised RM'000
Repayment of bank borrowings	3,091	3,091	Within 4 months	-
Working capital	889	889	Within 3 months	-
Expenses relating to the private placement	250	250	Within 1 month	-
	4,230	**4,230**		**-**

(ii) On 3 October 2019, the Company announced a proposed private placement of up to 29,480,000 new ordinary shares of RM0.0841 each, representing approximately 10% of the issued and paid up Share Capital, to independent third party investors pursuant the General Mandate granted by the shareholders during the Annual General Meeting held on 27 May 2019.

The proposal was submitted to Bursa Malaysia Securities Berhad and obtained its approval on 4 October 2019. The private placement was completed on 6 November 2019 following the listing of and quotation for 29,480,000 shares on the Main Market of Bursa Malaysia Securities Berhad.

A total of RM 2,479,268 was raised. As of 19 May 2020, the breakdown of the utilisation is as follow:

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Utilisation Timeframe	Balance to be utilised RM'000
Repayment of bank borrowings	772	772	Within 3 months	-
Working capital	327	327	Within 3 months	-
Property development activities	1,280	461	Within 12 months	819
Expenses relating to the private placement	100	100	Within 1 months	-
	2,479	**1,660**		**819**

2. SHARE BUY-BACKS

There was no share buy-backs effected during the financial year ended 31 December 2019.

3. OPTIONS OR CONVERTIBLE SECURITIES

There were no options or convertible securities issued by the Company during the financial year ended 31 December 2019.

ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

cont'd

4. DEPOSITORY RECEIPT PROGRAMME

There were no depository receipt programme sponsored by the Company during the financial year ended 31 December 2019.

5. **SANCTIONS AND/OR PENALTIES**

There were no sanctions and/or penalties imposed on the Company, its subsidiaries, Directors and management by the relevant regulatory bodies which have material impact on the operations or financial position of the Group during the financial year ended 31 December 2019.

6. NON-AUDIT FEES

The non-audit fees paid or payable to the external Auditors and its affiliates by the Group during the financial year ended 31 December 2019 is amounted to RM6,000.

7. VARIATION IN RESULTS

There was no variation in the financial results of 10% or more from unaudited results announced.

8. MATERIAL CONTRACTS

In the financial year ended 31 December 2017, FBO Land (Setapak) Sdn Bhd ("FBO"), a wholly-owned subsidiary of Eastland, entered into a conditional sale and purchase agreement and subsequently a supplemental agreement in financial year 2018 ("SPA") with P.C.K. Properties Sdn Bhd ("The Vendor") for the acquisition of a parcel of leasehold development land situated at Jalan Pantai, Kota Kinabalu, Sabah measuring approximately 2,181.80 square meters, for a purchase consideration of RM23,265,000 to be satisfied in full via cash ("Proposed Acquisition").

The Vendor had, on 16 January 2019, informed the Board that it is not able to fulfil a representation and warranty in the SPA as the Planning Approval for the Proposed Development granted by Dewan Bandaraya Kota Kinabalu has lapsed on 9 January 2019. As there is much uncertainty as to when the extension of the Planning Approval may be obtained, FBO and The Vendor had, on 18 January 2019, entered into a deed of mutual termination to terminate the SPA in relation to the Proposed Acquisition.

9. PROFIT GUARANTEES

The Group did not provide or receive any profit guarantee during the financial year ended 31 December 2019.

10. CONTRACTS RELATING TO LOANS

There were no material contracts relating to loans by the Group involving the interests of Directors and major shareholders during the financial year ended 31 December 2019.

11. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

The Company did not enter into any recurrent related party transactions during the financial year ended 31 December 2019.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are disclosed in Note 14 to the financial statements.

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

RESULTS

	Group RM	Company RM
Loss for the financial year	(12,789,732)	(11,592,773)
Attributable to:		
Owners of the Company	(12,789,732)	(11,592,773)

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year.

The directors do not recommend the payment of any dividends in respect of the financial year ended 31 December 2019.

RESERVES OR PROVISIONS

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

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps 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 had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

DIRECTORS' REPORT
cont'd

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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

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

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

In the opinion of the directors, no contingent or other liability of the Group or of the Company has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

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

ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors,

(i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company:

(i) issued 49,133,595 new ordinary shares at a price of RM0.0861 per ordinary share pursuant to private placement.
(ii) issued 29,480,000 new ordinary shares at a price of RM0.0841 per ordinary share pursuant to private placement.

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

There were no issue of debentures during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

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

DIRECTORS' REPORT
cont'd

DIRECTORS

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

Lee Chee Kiang*	
Mohamed Akwal Bin Sultan Mohamad	
Tan Chin Hong*	
Eric Wee Ei-Mas*	(Appointed on 20 August 2019)
Masleena Binti Zaid	(Appointed on 15 July 2019)
Phang Kiew Lim*	(Appointed on 20 February 2020)
Petrus Gimbad	(Tendered notice of resignation on 19 June 2020, effective from 20 June2020)
Datuk Yunus @ Mohd Yunus Bin Awang Hashim	(Resigned on 20 April 2019)
Mau Kam Wai	(Resigned on 28 February 2019)

* Directors of the Company and certain subsidiaries

Other than as stated above, the names of the directors of the subsidiaries of the Company in office during the financial year and during the period from the end of the financial year to the date of the report are:

Dato' Tan Kok Hooi
Tan Chin Hao

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings required to be kept by the Company under Section 59 of the Companies Act 2016 in Malaysia, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

Interest in the Company

	Number of ordinary shares			
	At 1.1.2019/ date of appointment	**Subscribed**	**Sold**	**At 31.12.2019**
Direct interest :				
Lee Chee Kiang	236,200	25,000,000	-	25,236,200
Eric Wee Ei-Mas	41,000	-	-	41,000
Indirect interest :				
Tan Chin Hong *	18,333,928	-	-	18,333,928

* Share held through corporations and siblings

Other than as stated above, none of the other directors in office at the end of the financial year had any interest in ordinary shares or debentures of the Company and its related corporations during the financial year.

DIRECTORS' REPORT
cont'd

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 benefits included in the aggregate amount of emoluments received or due and receivable, by the directors as disclosed in Note 8(a) 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.

Neither during, nor at the end of the financial year, was the Company a party to any arrangements where the object is 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.

INDEMNITY TO DIRECTORS AND OFFICERS

During the financial year, there was no indemnity given to or insurance effected for any directors and officers of the Company.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 14 to the financial statements.

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

Details of significant event during the financial year are disclosed in Note 32 to the financial statements.

SIGNIFICANT EVENT SUBSEQUENT TO THE END OF FINANCIAL YEAR

Details of significant event subsequent to the end of the financial year are disclosed in Note 33 to the financial statements.

AUDITORS' REMUNERATION

The details of the auditors' remuneration are disclosed in Note 8 to the financial statements.

INDEMNITY TO AUDITORS

The Company has agreed to indemnify the auditors of the Company up to RM174,000 as permitted under Section 289 of the Companies Act 2016 of Malaysia.

DIRECTORS' REPORT
cont'd

AUDITORS

The auditors, Messrs Baker Tilly Monteiro Heng PLT, have expressed their willingness to continue in office.

This report was approved and signed on behalf of the Board of Directors in accordance with a resolution of the directors:

....

LEE CHEE KIANG
Director

....

TAN CHIN HONG
Director

Kuala Lumpur

Date: 19 June 2020

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
Revenue	5	18,074,088	21,304,532	419,623	461,372
Other operating income		1,096,365	124,327	956,905	-
Gain on disposal of:					
- prepaid land lease payments		-	1,559,976	-	-
- property, plant and equipment		36,000	10,033	36,000	10,033
Consumables used		(1,589,143)	(1,610,967)	-	-
Cost of sales of completed properties	17(b)	(775,429)	(1,515,400)	-	-
Cost of sales of property development units	17(a)	(667,006)	(2,429,615)	-	-
Depreciation of property, plant and equipment	11	(4,318,866)	(4,254,264)	(144,448)	(159,304)
Directors' remuneration	29(c)	(1,183,511)	(1,250,677)	(988,855)	(1,250,677)
Fair value loss on investment properties	12	(2,520,000)	-	-	-
Finance costs, net of finance income	7	(4,335,588)	(1,893,961)	(1,623,655)	(1,596,455)
Impairment losses on:					
- amount owing by subsidiaries	19(c)	-	-	(628,153)	(33,461)
- investment in subsidiaries	14	-	-	(7,196,863)	(5,702)
- property, plant and equipment	11	(1,138,152)	-	-	-
- trade receivables	19(a)	(19,617)	(185,910)	-	-
- other receivables	19(b)	(7,410)	(25,372)	-	-
Inventories written off		-	(133,453)	-	-
Reversal of impairment loss on:					
- trade receivables	19(a)	102,597	71,849	-	-
- other receivables	19(b)	8,488	-	-	-
- amount owing by subsidiaries		-	-	-	1,467,924
Reversal of provision for:	26				
- furniture, fittings and equipments		158,447	-	-	-
- liquidated and ascertained damages		-	79,748	-	-
Staff costs:					
- hotel operations		(4,755,441)	(5,323,896)	-	-
- others		(1,585,443)	(1,705,819)	(854,127)	(890,087)
Write-back of payables		212,077	-	-	-
Other operating expenses		(10,125,743)	(10,797,036)	(1,569,200)	(1,550,770)
Loss before tax	8	(13,333,287)	(7,975,905)	(11,592,773)	(3,547,127)
Income tax credit	9	543,555	816,801	-	-
Loss for the financial year		(12,789,732)	(7,159,104)	(11,592,773)	(3,547,127)

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

cont'd

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Other comprehensive income/(loss), net of tax					
Items that will not be reclassified subsequently to profit or loss					
Revaluation of property, plant and equipment		488,814	-	-	-
Fair value loss on equity instrument designated at fair value through other comprehensive income		(26,584)	(1,634,782)	(26,584)	(1,634,782)
Other comprehensive income/(loss) for the financial year		462,230	(1,634,782)	(26,584)	(1,634,782)
Total comprehensive loss for the financial year		(12,327,502)	(8,793,886)	(11,619,357)	(5,181,909)
Loss attributable to:					
Owners of the Company		(12,789,732)	(7,159,104)	(11,592,773)	(3,547,127)
Total comprehensive loss attributable to:					
Owners of the Company		(12,327,502)	(8,793,886)	(11,619,357)	(5,181,909)
Loss per share attributable to owners of the Company (sen)					
Basic loss per share	10	(4.64)	(2.91)		
Diluted loss per share	10	(4.64)	(2.91)		

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

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	11	104,828,521	108,964,980	140,082	284,402
Investment properties	12	82,592,000	85,112,000	-	-
Prepaid land lease payments	13	-	-	-	-
Investment in subsidiaries	14	-	-	190,294,611	197,491,474
Investment in an associate	15	-	-	-	-
Other investment	16	1,537,818	1,564,402	1,537,818	1,564,402
Total non-current assets		188,958,339	195,641,382	191,972,511	199,340,278
Current assets					
Inventories	17	74,640,043	75,465,525	-	-
Tax assets		572,189	1,033,854	-	-
Financing receivables - secured	18	-	-	-	-
Trade and other receivables	19	1,014,512	2,419,182	46,603	44,247
Deposits placed with licensed banks	20	4,627,629	3,812,818	-	-
Cash and bank balances	21	3,216,652	2,126,164	949,944	298,941
Total current assets		84,071,025	84,857,543	996,547	343,188
TOTAL ASSETS		273,029,364	280,498,925	192,969,058	199,683,466

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

cont'd

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	22	129,878,659	123,168,989	129,878,659	123,168,989
Other reserves	23	112,329,553	111,867,323	111,315,945	111,342,529
Accummulated losses		(71,847,321)	(59,057,589)	(70,613,291)	(59,020,518)
TOTAL EQUITY		170,360,891	175,978,723	170,581,313	175,491,000
Non-current liabilities					
Loans and borrowings	24	26,205,068	28,800,730	19,822	97,539
Deferred tax liabilities	25	11,015,824	11,506,031	-	-
Total non-current liabilities		37,220,892	40,306,761	19,822	97,539
Current liabilities					
Loans and borrowings	24	33,354,906	30,524,998	74,675	108,602
Provisions for liabilities	26	2,441,836	2,704,315	-	-
Trade and other payables	27	25,671,404	26,417,639	22,293,248	23,986,325
Contract liabilities	28	3,979,435	4,566,489	-	-
Total current liabilities		65,447,581	64,213,441	22,367,923	24,094,927
TOTAL LIABILITIES		102,668,473	104,520,202	22,387,745	24,192,466
TOTAL EQUITY AND LIABILITIES		273,029,364	280,498,925	192,969,058	199,683,466

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Attributable to Owners of the Company					
	Note	Share Capital RM	Capital Reserve RM	Revaluation Reserve RM	Fair Value Reserve of Financial Assets at FVOCI RM	Accumulated Losses RM	Total Equity RM
Group							
At 31 December 2018		123,168,989	110,238,037	524,794	1,104,492	(59,057,589)	175,978,723
Total comprehensive loss for the financial year							
Loss for the financial year		-	-	-	-	(12,789,732)	(12,789,732)
Other comprehensive income/(loss) for the financial year		-	-	488,814	(26,584)	-	462,230
Total comprehensive loss		-	-	488,814	(26,584)	(12,789,732)	(12,327,502)
Transactions with owners							
Issue of ordinary shares	22	6,709,670	-	-	-	-	6,709,670
Total transactions with owners		6,709,670	-	-	-	-	6,709,670
At 31 December 2019		129,878,659	110,238,037	1,013,608	1,077,908	(71,847,321)	170,360,891
At 1 January 2018		123,168,989	110,238,037	524,794	2,739,274	(51,898,485)	184,772,609
Total comprehensive loss for the financial year							
Loss for the financial year		-	-	-	-	(7,159,104)	(7,159,104)
Other comprehensive loss for the financial year		-	-	-	(1,634,782)	-	(1,634,782)
Total comprehensive loss		-	-	-	(1,634,782)	(7,159,104)	(8,793,886)
At 31 December 2018		123,168,989	110,238,037	524,794	1,104,492	(59,057,589)	175,978,723

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

cont'd

		Attributable to Owners of the Company				
	Note	Share Capital RM	Capital Reserve RM	Fair Value Reserve of Financial Assets at FVOCI RM	Accumulated Losses RM	Total Equity RM
Company						
At 31 December 2018		123,168,989	110,238,037	1,104,492	(59,020,518)	175,491,000
Total comprehensive loss for the financial year						
Loss for the financial year		-	-	-	(11,592,773)	(11,592,773)
Other comprehensive loss for the financial year		-	-	(26,584)	-	(26,584)
Total comprehensive loss		-	-	(26,584)	(11,592,773)	(11,619,357)
Transactions with owners						
Issue of ordinary shares	22	6,709,670	-	-	-	6,709,670
Total transactions with owners		6,709,670	-	-	-	6,709,670
At 31 December 2019		129,878,659	110,238,037	1,077,908	(70,613,291)	170,581,313
At 1 January 2018		123,168,989	110,238,037	2,739,274	(55,473,391)	180,672,909
Total comprehensive loss for the financial year						
Loss for the financial year		-	-	-	(3,547,127)	(3,547,127)
Other comprehensive loss for the financial year		-	-	(1,634,782)	-	(1,634,782)
Total comprehensive loss		-	-	(1,634,782)	(3,547,127)	(5,181,909)
At 31 December 2018		123,168,989	110,238,037	1,104,492	(59,020,518)	175,491,000

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

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

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
Cash flows from operating activities:					
Loss before tax		(13,333,287)	(7,975,905)	(11,592,773)	(3,547,127)
Adjustments for:					
Amortisation of prepaid land lease payments		-	9,320	-	-
Deposits written off		-	44,716	-	-
Depreciation of property, plant and equipment		4,318,866	4,254,264	144,448	159,304
Fair value loss on investment properties		2,520,000	-	-	-
Finance costs		4,569,982	1,986,270	1,623,655	1,596,455
Finance income		(234,394)	(92,309)	-	-
Gain on disposal of:					
- property, plant and equipment		(36,000)	(10,033)	(36,000)	(10,033)
- prepaid land lease payments		-	(1,559,976)	-	-
Impairment losses on:					
- amount owing by subsidiaries		-	-	628,153	33,461
- investments in subsidiaries		-	-	7,196,863	5,702
- other receivables		7,410	25,372	-	-
- trade receivables		19,617	185,910	-	-
- property, plant and equipment		1,138,152	-	-	-
Inventories written off		-	133,453	-	-
Property, plant and equipment written off		-	899	-	899
Reversal of impairment losses:					
- amount owing by subsidiaries		-	-	-	(1,467,924)
- trade receivables		(102,597)	(71,849)	-	-
- other receivables		(8,488)	-	-	-
Reversal of provision for furnitures, fittings and equipments		(158,447)	-	-	-
Reversal of provision for liquidated ascertained damages		-	(79,748)	-	-
Write-back of payables		(212,077)	-	-	-
Operating loss before changes in working capital		(1,511,263)	(3,149,616)	(2,035,654)	(3,229,263)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

cont'd

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Cash flows from operating activities: *(cont'd)*					
Changes in Working Capital:					
Contract assets		-	36,000	-	-
Contract liabilities		(587,054)	3,156,602	-	-
Inventories		825,482	(4,613,913)	-	-
Provision for liabilities		-	28,697	-	-
Trade and other receivables		1,488,728	(243,442)	(2,356)	(23,774)
Trade and other payables		(526,768)	2,294,943	65,623	862,950
Net cash used in operations		(310,875)	(2,490,729)	(1,972,387)	(2,390,087)
Interest paid		(181,437)	(289,086)	-	-
Provision for liabilities paid		(104,032)	(1,452,674)	-	-
Income tax refunded		461,665	287,887	-	-
Net cash used in operating activities		(134,679)	(3,944,602)	(1,972,387)	(2,390,087)
Cash flows from investing activities:					
Advances from directors		-	5,680,000	-	5,680,000
Advances to subsidiaries		-	-	(2,386,853)	(1,300,662)
Placements of deposits pledged with licensed banks		(814,811)	(758,456)	-	-
Income received		234,394	92,309	-	-
Proceeds from disposal of prepaid land lease payments		-	2,300,000	-	-
Proceeds from disposal of property, plant and equipment		36,000	10,310	36,000	10,310
Purchase of property, plant and equipment	(a)	(410,406)	(1,272,622)	(128)	(21,138)
Net cash (used in)/from investing activities		(954,823)	6,051,541	(2,350,981)	4,368,510
Cash flows from financing activities:	(b)				
Drawdown of term loans		659,941	4,419,168	-	-
Interest paid		(4,395,935)	(1,596,455)	(1,623,655)	(1,596,455)
Proceeds from issuance of shares		6,709,670	-	6,709,670	-
Repayments of term loans		(3,252,498)	(905,094)	-	-
Repayments of lease liabilities/finance lease liabilities		(167,840)	(103,415)	(111,644)	(103,415)
Net cash (used in)/from financing activities		(446,662)	1,814,204	4,974,371	(1,699,870)
Net (decrease)/increase in cash and cash equivalents		(1,536,164)	3,921,143	651,003	278,553
Cash and cash equivalents at the beginning of the financial year		(25,017,473)	(28,938,616)	298,941	20,388
Cash and cash equivalents at the end of the financial year		(26,553,637)	(25,017,473)	949,944	298,941

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
Analysis of cash and cash equivalents					
Cash and bank balances	21	2,971,704	1,886,550	949,944	298,941
Cash held under Housing Development Account	21	244,948	239,614	-	-
Deposits placed with licensed banks	20	4,627,629	3,812,818	-	-
		7,844,281	5,938,982	949,944	298,941
Bank overdrafts	24	(29,770,289)	(27,143,637)	-	-
		(21,926,008)	(21,204,655)	949,944	298,941
Less: Deposits pledged	20	(4,627,629)	(3,812,818)	-	-
		(26,553,637)	(25,017,473)	949,944	298,941

(a) Purchase of property, plant and equipment:

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Purchase of property, plant and equipment	778,397	1,272,622	128	21,138
Financed by way of lease arrangements	(367,991)	-	-	-
Cash payments on purchase of property, plant and equipment	410,406	1,272,622	128	21,138

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

cont'd

(b) Reconciliation of liabilities arising from financing activities:

	1 January 2019 RM	Cash Flows RM	Non-cash Acquisition RM	31 December 2019 RM
Group				
Term loans	31,975,950	(2,592,557)	-	29,383,393
Lease liabilities	206,141	(167,840)	367,991	406,292
	32,182,091	(2,760,397)	367,991	29,789,685
Company				
Lease liabilities	206,141	(111,644)	-	94,497

	1 January 2018 RM	Cash Flows RM	Non-cash RM	31 December 2018 RM
Group				
Term loans	28,461,876	3,514,074	-	31,975,950
Finance lease liabilities	309,556	(103,415)	-	206,141
	28,771,432	3,410,659	-	32,182,091
Company				
Finance lease liabilities	309,556	(103,415)	-	206,141

(c) Total cash outflows for leases

During the financial year, the Group and the Company had total cash outflows for leases of RM188,547 and RM119,164 respectively.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Eastland Equity Bhd. ("the Company") is a public limited company, incorporated and domiciled in Malaysia and listed on the Main Market of the Bursa Malaysia Securities Berhad. The registered office of the Company is located at 12th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia. The principal place of business of the Company is located at Suite 8-4, 4th Floor, Medan Makmur, Jalan 9/23A, Off Jalan Usahawan, Setapak, 53300 Kuala Lumpur, Malaysia. The Company is principally involved in investment holding.

The principal activities of its subsidiaries are disclosed in Note 14. There have been no significant changes in the nature of these principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 19 June 2020.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Interpretation ("IC Int")

The Group and the Company have adopted the following new MFRS, amendments/improvements to MFRSs and new IC Int that are mandatory for the current financial year:

<u>New MFRS</u>	
MFRS 16	Leases
<u>Amendments/Improvements to MFRSs</u>	
MFRS 3	Business Combinations
MFRS 9	Financial Instruments
MFRS 11	Joint Arrangements
MFRS 112	Income Taxes
MFRS 119	Employee Benefits
MFRS 123	Borrowing Costs
MFRS 128	Investments in Associates and Joint Ventures
<u>New IC Int</u>	
IC Int 23	Uncertainty over Income Tax Treatments

The adoption of the above new MFRS, amendments/improvements to MFRSs and new IC Int did not have any significant effect on the financial statements of the Group and of the Company, and did not result in significant changes to the Group's and the Company's existing accounting policies, except for those as discussed below.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. BASIS OF PREPARATION *(cont'd)*

2.2 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") *(cont'd)*

MFRS 16 Leases

Effective 1 January 2019, MFRS 16 has replaced MFRS 117 *Leases and IC Int 4 Determining whether an Arrangement contains a Lease*.

Under MFRS 117, leases are classified either as finance leases or operating leases. A lessee recognises on its statement of financial position assets and liabilities arising from finance leases. For operating leases, lease payments are recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

MFRS 16 eliminates the distinction between finance and operating leases for lessees. Instead, all leases are brought onto the statements of financial position except for short-term and low value asset leases.

The Group and the Company have applied MFRS 16 using the modified retrospective approach with an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statements of financial position immediately before the date of initial application (i.e. 1 January 2019). As such, the comparative information was not restated and continues to be reported under MFRS 117 and IC Int 4.

Definition of a lease

MFRS 16 changes the definition of a lease mainly to the concept of control. MFRS 16 defines that a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group and the Company have elected the practical expedient not to reassess whether a contract contains a lease at the date of initial application. Accordingly, the definition of a lease under MFRS 16 was applied only to contracts entered or changed on or after 1 January 2019. Existing lease contracts that are still effective on 1 January 2019 will be accounted for as lease contracts under MFRS 16.

Impact of the adoption of MFRS 16

The application of MFRS 16 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements as at the date of initial application. Other than the enhanced new disclosures relating to leases, which the Group and the Company have complied with in the current financial year, the application of this standard does not have any significant effect on the financial statements of the Group and the Company, except for those as discussed below.

(i) Classification and measurement

As a lessee, the Group and the Company previously classified leases as operating or finance leases based on their assessment of whether the lease transferred significantly all the risks and rewards incidental to ownership of the underlying asset to the Group and to the Company.

On adoption of MFRS 16, for all their leases other than short-term and low value asset leases, the Group and the Company:

- recognised the right-of-use assets and lease liabilities in the statements of financial position as at the date of initial application;
- recognised depreciation of right-of-use assets and interest on lease liabilities in profit or loss for the current financial year; and
- separated the total amount of cash paid for leases into principal and interest portions (presented within financing activities) in the statements of cash flows for the current financial year.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. BASIS OF PREPARATION *(cont'd)*

2.2 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") *(cont'd)*

MFRS 16 Leases *(cont'd)*

Impact of the adoption of MFRS 16 *(cont'd)*

(i) Classification and measurement *(cont'd)*

For leases that were classified as operating lease under MFRS 117

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group's and the Company's incremental borrowing rate at the date of initial application.

The right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Group and the Company applied this approach to all other leases.

The Group and the Company also applied the following practical expedients wherein they:
(a) applied a single discount rate to a portfolio of leases with similar characteristics;
(b) adjusted the right-of-use assets by the amount of MFRS 137 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review;
(c) applied the exemption not to recognise right-to-use assets and liabilities for leases which the lease term ends within 12 months of the date of initial application;
(d) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
(e) used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

For leases that were classified as finance lease under MFRS 117

The Group and the Company recognised the carrying amount of the lease assets and finance lease liabilities under MFRS 117 immediately before transition as the carrying amount of the right-of-use assets and the lease liabilities at the date of initial application. The measurement requirements of MFRS 16 are applied after that date.

(ii) Short-term lease and low value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Amendments to MFRS 123 Borrowing Costs

Amendments to MFRS 123 clarify that when a qualifying asset is ready for its intended use or sale, an entity treats any outstanding borrowing made specifically to obtain that qualifying asset as part of general borrowings.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. BASIS OF PREPARATION *(cont'd)*

2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective

The Group and the Company have not adopted the following new MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective:

		Effective for Financial Periods beginning on or after
New MFRS		
MFRS 17	Insurance Contracts	1 January 2023
Amendments/Improvements to MFRSs		
MFRS 3	Business Combinations	1 January 2020/ 1 January 2022/ 1 January 2023#
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2023#
MFRS 7	Financial Instruments: Disclosures	1 January 2020/ 1 January 2023#
MFRS 9	Financial Instruments	1 January 2020/ 1 January 2022^/ 1 January 2023#
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2023#
MFRS 16	Leases	1 June 2020*/ 1 January 2022^
MFRS 101	Presentation of Financial Statements	1 January 2020/ 1 January 2023#
MFRS 107	Statements of Cash Flows	1 January 2023#
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Error	1 January 2020
MFRS 116	Property, Plant and Equipment	1 January 2022/ 1 January 2023#
MFRS 119	Employee Benefits	1 January 2023#
MFRS 128	Investments in Associates and Joint Ventures	Deferred/ 1 January 2023#
MFRS 132	Financial instruments: Presentation	1 January 2023#
MFRS 136	Impairment of Assets	1 January 2023#
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2022/ 1 January 2023#
MFRS 138	Intangible Assets	1 January 2023#
MFRS 139	Financial Instruments: Recognition and Measurement	1 January 2020
MFRS 140	Investment Property	1 January 2023#
MFRS 141	Agriculture	1 January 2020^

^ *The Annual Improvements to MFRS Standards 2018-2020*
* *Earlier application is permitted, including in financial statements not authorised for issue at 28 May 2020*
# *Amendments as to the consequence of effective of MFRS 17 Insurance Contracts*

2.3.1 The Group and the Company plan to adopt the above applicable new MFRS and amendments/improvements to MFRSs when they become effective.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. BASIS OF PREPARATION *(cont'd)*

2.4 IFRS Interpretations Committee ("IFRIC")'s Agenda Decision on IAS 23 Borrowing Costs ("Agenda Decision")

In March 2019, the IFRIC has concluded that receivable, contract asset and inventory (work-in-progress) for unsold units under construction are not qualifying assets.

The Malaysian Accounting Standards Board ("MASB") announced that non-private entities in the real estate industry might need to change their accounting policy as a result of the IFRIC Agenda Decision. In ensuring consistent application of the MFRS, which are word-for-word the IFRS Standards, the MASB decided that an entity shall apply the change in accounting policy as a result of the Agenda Decision to financial statements of annual periods beginning on or after 1 July 2020 ("Mandatory Date").

The Group and the Company plan to adopt the change in accounting policy on borrowing costs once the impact is quantified. The Group and the Company are currently still in the midst of assessing the financial impact of the application.

2.5 Functional and presentation currency

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

2.6 Basis of measurement

The financial statements of the Group and of the Company have been prepared on the historical cost basis, except as otherwise disclosed in Note 3.

2.7 Use of estimates and judgement

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

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates that are significant to the Group's and the Company's financial statements are disclosed in Note 4.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently to all the financial years presented in the financial statements of the Group and of the Company.

3.1 Basis of consolidation

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

NOTES TO THE FINANCIAL STATEMENTS
cont'd

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.1 Basis of consolidation *(cont'd)*

(a) Subsidiaries and business combination

Subsidiaries are entities (including structured entities) over which the Group is exposed, or has rights, to variable returns from its involvement with the acquirees and has the ability to affect those returns through its power over the acquirees.

The financial statements of subsidiaries are included in the consolidated financial statements from the date the Group obtains control of the acquirees until the date the Group loses control of the acquirees.

The Group applies the acquisition method to account for business combinations from the acquisition date.

For a new acquisition, goodwill is initially measured at cost, being the excess of the following:
- the fair value of the consideration transferred, calculated as the sum of the acquisition-date fair value of assets transferred (including contingent consideration), the liabilities incurred to former owners of the acquiree and the equity instruments issued by the Group. Any amounts that relate to pre-existing relationships or other arrangements before or during the negotiations for the business combination, that are not part of the exchange for the acquiree, will be excluded from the business combination accounting and be accounted for separately; plus
- the recognised amount of any non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date (the choice of measurement basis is made on an acquisition-by-acquisition basis); plus
- if the business combination is achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree; less
- the net fair value of the identifiable assets acquired and the liabilities (including contingent liabilities) assumed at the acquisition date.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

If the business combination is achieved in stages, the Group remeasures the previously held equity interest in the acquiree to its acquisition-date fair value, and recognises the resulting gain or loss, if any, in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss or transferred directly to retained earnings on the same basis as would be required if the acquirer had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Group uses provisional fair value amounts for the items for which the accounting is incomplete. The provisional amounts are adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date, including additional assets or liabilities identified in the measurement period. The measurement period for completion of the initial accounting ends as soon as the Group receives the information it was seeking about facts and circumstances or learns that more information is not obtainable, subject to the measurement period not exceeding one year from the acquisition date.

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any gain or loss arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an associate or a financial asset.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.1 Basis of consolidation *(cont'd)*

(a) Subsidiaries and business combination *(cont'd)*

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the Group's share of net assets before and after the change, and the fair value of the consideration received or paid, is recognised directly in equity.

(b) Associates

Associates are entities over which the Group has significant influence, but not control, to the financial and operating policies.

Investment in associates are accounted for in the consolidated financial statements using the equity method.

Associates are entities over which the Group has significant influence, but not control, to the financial and operating policies.

Investment in associates are accounted for in the consolidated financial statements using the equity method.

Under the equity method, the investment in associates are initially recognised at cost. The cost of investment includes transaction costs. Subsequently, the carrying amount is adjusted to recognise changes in the Group's share of net assets of the associate.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

(c) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.2 Separate financial statements

In the Company's statement of financial position, investment in subsidiaries and associates are measured at cost less any accumulated impairment losses, unless the investment is classified as held for sale or distribution. The policy for the recognition and measurement of impairment losses shall be applied on the same basis as would be required for impairment of non-financial assets as disclosed in Note 3.14(b).

Contributions to subsidiaries are amounts for which the settlement is neither planned nor likely to occur in the foreseeable future is, in substance, considered as part of the Company's investment in the subsidiaries.

3.3 Revenue and other income

The Group and the Company recognise revenue that depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group and the Company expect to be entitled in exchange for those goods or services.

Revenue recognition of the Group and the Company are applied for each contract with a customer or a combination of contracts with the same customer (or related parties of the customer). For practical expedient, the Group and the Company applied revenue recognition to a portfolio of contracts (or performance obligations) with similar characteristics in the property development business if the Group and the Company reasonably expect that the effects on the financial statements would not differ materially from recognising revenue on the individual contracts (or performance obligations) within that portfolio.

(a) Revenue from hotel operations

Hotel room revenue is recognised when service is rendered to the customer over their stay at the hotel. The transaction price is the net amount collected from the customer. Advance deposits on hotel rooms are recorded as customer deposits until services are provided to the customer.

Revenue from the sale of goods or services is recognised when the food and beverage, entertainment and retail goods is delivered, rendered or control transferred to the customer. Payment of the transaction price is due immediately when the customer purchases the food and beverage or retail goods.

(b) Rental income

Rental income from investment properties is recognised on a straight-line basis over the term of the lease.

(c) Property development

The Group develops and sell residential and commercial properties. Contracts with customers may include multiple distinct promises to customers and therefore accounted for as separate performance obligations. In the contract with customer contains more than one performance obligation, when the stand-alone selling price are not directly observable, they are estimated based on expected cost plus margin approach.

Revenue from residential and commercial properties are recognised as and when the control of the asset is transferred to the customer. Based on the terms of the contract and the laws that apply to the contract, control of the asset is transferred over time as the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. The progress towards complete satisfaction of a performance obligation is determined by the proportion of property development costs incurred for work performed to date bear to the estimated total property development costs (an input method).

NOTES TO THE FINANCIAL STATEMENTS
cont'd

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.3 Revenue and other income *(cont'd)*

(c) Property development *(cont'd)*

Revenue from commercial properties are recognised as and when the control of the asset is transferred to the customer. Based on the terms of the contract and the laws that apply to the contract, control of the asset is transferred at a point in time as the Group's performance does not create an asset with an alternative use to the Group but the Group does not have an enforceable right to payment for performance completed to date. Revenue is recognised at a point in time when the legal title has passed to the customer.

The consideration is due based on the scheduled payments in the contract, therefore, no element of financing is deemed present. When a particular milestone is reached in excess of the scheduled payments, a contract asset will be recognised for the excess of revenue recognised to date under the input method over the progress billings to-date and include deposits or advances received from customers. When the progress billings to-date and include deposits or advances received from customers exceeds revenue recognised to date then the Group recognises a contract liability for the difference.

Consistent with market practice, the Group collects deposit from customers for sale of properties. A contract liability is recognised for the customer deposits as the Group has obligations to transfer the goods or services to the customer in respect of deposits received. Customer deposits would be recognised as revenue upon transfer of goods or services to the customer.

(d) Other income

- Administrative charges receivable is recognised on an accrual basis.
- Interest income is recognised using the effective interest method.

(e) Management fee

Management fee is recognised upon completion of services rendered in accordance with the terms of the agreement entered into.

3.4 Employee benefits

(a) Short-term employee benefits

Short-term employee benefit obligations in respect of wages, salaries, social security contributions, annual bonuses, paid annual leave, sick leave and non-monetary benefits are recognised as an expense in the financial year where the employees have rendered their services to the Group and the Company.

(b) Defined contribution plan

As required by law, the Group and the Company contribute to the Employees Provident Fund ("EPF"), the national defined contribution plan. Such contributions are recognised as an expense in the profit or loss in the period in which the employees render their services.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.5 Borrowing costs

Borrowing costs are interests and other costs that the Group and the Company incur in connection with borrowing of funds.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

The Group and the Company begin capitalising borrowing costs when the Group and the Company have incurred the expenditures for the asset, incurred related borrowing costs and undertaken activities that are necessary to prepare the asset for its intended use or sale.

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.

3.6 Income tax

Income tax expense in profit or loss comprises current and deferred tax. Current 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.

(a) Current tax

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

(b) Deferred tax

Deferred tax is recognised using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the statements of financial position. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary differences arise from the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal timing of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.6 Income tax *(cont'd)*

(b) Deferred tax *(cont'd)*

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

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

Where investment properties are carried at fair value in accordance with the accounting policy as disclosed in Note 3.9, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within the business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

(c) Sales and services tax

Revenue, expenses and assets are recognised net of the amount of sales and services tax except:

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

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

3.7 Property, plant and equipment

(a) Recognition and measurement

Property, plant and equipment were initially stated at cost. Land and building were subsequently shown at market value, based on valuations of external independent valuers, less subsequent accumulated depreciation and impairment losses, if any. All other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment loss, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.14(b).

Cost of assets includes expenditures that are directly attributable to the acquisition of the asset and any other costs that are directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.7 Property, plant and equipment *(cont'd)*

(a) Recognition and measurement *(cont'd)*

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

(b) Subsequent costs

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

(c) Depreciation

Freehold land has an unlimited useful life and therefore is not depreciated.

All other property, plant and equipment are depreciated on straight-line basis by allocating their depreciable amounts over their remaining useful lives.

Building	2%
Plant and machinery	5% to 10%
Motor vehicles	10%
Furniture, fittings and renovations	5% to 20%
Computers and office equipment	5% to 20%

The residual values, useful lives and depreciation methods are reviewed at the end of each reporting period and adjusted as appropriate.

(d) Derecognition

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

Property, plant and equipment (other than land and building) are measured at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.14(b).

Freehold land and building are measured at fair value, based on valuations by external independent valuers, less accumulated depreciation on building and any accumulated impairment losses recognised after the date of revaluation. Valuations are performed with sufficient regularity to ensure that the fair value of the freehold land and building does not differ materially from the carrying amount. Any accumulated depreciation as at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(cont'd)*

3.7 Property, plant and equipment *(cont'd)*

(d) Derecognition *(cont'd)*

A revaluation surplus is recognised in other comprehensive income and credited to the revaluation reserve. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in profit or loss. However, the decrease shall be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of that asset.

The revaluation reserve is transferred to retained earnings as the assets are used. The amount of revaluation reserve transferred is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

3.8 Leases

(a) Definition of lease

Accounting policies applied from 1 January 2019

At inception of a contract, the Group and the Company assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group and the Company assess whether:

- the contract involves the use of an identified asset;
- the Group and the Company have the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group and the Company have the right to direct the use of the asset.

Accounting policies applied until 31 December 2018

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases that do not meet this criterion are classified as operating leases.

(b) Lessee accounting

Accounting policies applied from 1 January 2019

At the lease commencement date, the Group and the Company recognise a right-of-use asset and a lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

The Group and the Company present right-of-use assets that do not meet the definition of investment property in Note 11 and lease liabilities in Note 24.

Right-of-use asset

The right-of-use asset is initially recognised 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 the site on which it is located, less any lease incentives received.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.8 Leases *(cont'd)*

(b) Lessee accounting *(cont'd)*

Accounting policies applied from 1 January 2019 *(cont'd)*

Right-of-use asset *(cont'd)*

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, and adjust for any remeasurement of the lease liabilities. The right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The depreciation starts from the commencement date of the underlying asset. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.14(b).

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group and the Company use their incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:
- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The Group and the Company remeasure the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Group and the Company have elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Short-term leases

The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for short-term leases. The Group and the Company recognise the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.8 Leases *(cont'd)*

(b) Lessee accounting *(cont'd)*

Accounting policies applied until 31 December 2018

If an entity in the Group is a lessee in a finance lease, it capitalises the leased asset and recognises the related liability. The amount recognised at the inception date is the fair value of the underlying leased asset or, if lower, the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are charged as expenses in the periods in which they are incurred.

The capitalised leased asset is classified by nature as property, plant and equipment or investment property.

For operating leases, the Group and the Company do not capitalise the leased asset or recognise the related liability. Instead lease payments under an operating lease are recognised as an expense on the straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

Any upfront lease payments are classified as land use rights within intangible assets.

(c) Lessor accounting

Accounting policies applied from 1 January 2019

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases that do not meet this criterion are classified as operating leases.

If an entity in the Group is a lessor in a finance lease, it derecognises the underlying asset and recognises a lease receivable at an amount equal to the net investment in the lease. Finance income is recognised in profit or loss based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

If an entity in the Group is a lessor in an operating lease, the underlying asset is not derecognised but is presented in the statements of financial position according to the nature of the asset. Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

When a contract includes lease and non-lease components, the Group and the Company apply MFRS 15 to allocate the consideration under the contract to each component.

Accounting policies applied until 31 December 2018

If an entity in the Group is a lessor in a finance lease, it derecognises the underlying asset and recognises a lease receivable at an amount equal to the net investment in the lease. Finance income is recognised in profit or loss based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

If an entity in the Group is a lessor in an operating lease, the underlying asset is not derecognised but is presented in the statement of financial position according to the nature of the asset. Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.9 Investment properties

Investment properties are properties held to earn rental income or for capital appreciation or both.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. 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.

Cost includes purchase price and any directly attributable costs incurred to bring the property to its present location and condition intended for use as an investment property.

An investment property is derecognised on its disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gains and losses arising from derecognition of the asset is recognised in the profit or loss.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property carried at fair value to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, any difference arising on the date of change in use between the carrying amount of the item immediately prior to the transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment.

3.10 Inventories

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

Costs of food and beverages include purchase price and the incidental expenses incurred. Costs of completed properties comprises all direct construction cost and land cost, and direct development expenditure which is determined by the specific identification basis.

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

<u>Property under development</u>

Cost includes:
- leasehold rights for land
- amounts paid to contractors for construction
- borrowing costs, planning and design costs, costs for site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs

The cost of inventory recognised in profit or loss is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative sale value of the property sold.

3.11 Contract assets/(liabilities)

Contract asset is the right to consideration in exchange for goods or services transferred to the customers when that right is conditioned on something other than the passage of time (for example, the Group's future performance). The policy for the recognition and measurement of impairment losses is in accordance with Note 3.14(a).

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.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.12 Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand, bank balances and deposits and other short-term, highly liquid investments with a maturity of three months or less, that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are presented net of bank overdrafts.

3.13 Financial instruments

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

Except for the trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the financial instruments are recognised initially at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset and financial liability. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price determined under MFRS 15.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract; it is a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

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

(a) Subsequent measurement

The Group and the Company categorise the financial instruments as follows:

(i) Financial assets

For the purposes of subsequent measurement, financial assets are classified in two categories:
- Financial assets at amortised cost
- Financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition

The classification depends on the entity's business model for managing the financial assets and the contractual cash flows characteristics of the financial assets.

The Group and the Company reclassify financial assets when and only when their business models for managing those assets change.

<u>Debt instruments</u>

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

NOTES TO THE FINANCIAL STATEMENTS
cont'd

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.13 Financial instruments *(cont'd)*

(a) Subsequent measurement *(cont'd)*

The Group and the Company categorise the financial instruments as follows: *(cont'd)*

(i) Financial assets *(cont'd)*

Debt instruments *(cont'd)*

- Amortised cost
  Financial assets that are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. The policy for the recognition and measurement of impairment is in accordance with Note 3.14(a). Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

Equity instruments

The Group and the Company subsequently measure all equity investments at fair value. Upon initial recognition, the Group and the Company can make an irrevocable election to classify its equity investments that is not held for trading as equity instruments designated at FVOCI. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are not recycled to profit or loss. Dividends are recognised as other income in the profit or loss when the right of payment has been established, except when the Group and the Company benefit from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at FVOCI are not subject to impairment assessment.

(ii) Financial liabilities

The Group and the Company classify their financial liabilities at amortised cost.

Financial liabilities at amortised cost

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using effective interest method. Gains and losses are recognised in profit or loss when the financial liabilities are derecognised and through the amortisation process.

(b) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the amount of the loss allowance determined in accordance with Section 5.5 of MFRS 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of MFRS 15.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.13 Financial instruments *(cont'd)*

(c) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting (i.e. the date the Group and the Company commit themselves to purchase or sell an asset).

Trade date accounting refers to:
(i) the recognition of an asset to be received and the liability to pay for it on the trade date; and
(ii) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Generally, interest does not start to accrue on the asset and corresponding liability until the settlement date when title passes.

(d) Derecognition

A financial asset or a part of it is derecognised when, and only when:
(i) the contractual rights to receive cash flows from the financial asset expire, or
(ii) the Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party; and either (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

The Group and the Company evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of their continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

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

On derecognition of a financial asset, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(e) Offsetting of financial instruments

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

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity shall not offset the transferred asset and the associated liability.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.14 Impairment of assets

(a) Impairment of financial assets and contract assets

Financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income (FVOCI), contract assets, and financial guarantee contracts will be subject to the impairment requirement in MFRS 9 which is related to the accounting for expected credit losses on the financial assets. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

The Group and the Company measure loss allowance at an amount equal to lifetime expected credit losses, except for the following, which are measured as 12-month expected credit losses:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

For trade receivables and contract assets, the Group and the Company apply the simplified approach permitted by MFRS 9 to measure the loss allowance at an amount equal to lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Company's historical experience and informed credit assessment and including forward-looking information.

The Group and the Company assume that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group and the Company consider a financial asset to be in default when:

- the borrower is unable to pay its credit obligations to the Group and the Company in full, without taking into account any credit enhancements held by the Group and the Company; or
- the contractual payment of the financial asset is more than 90 days past due unless the Group and the Company have reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

Expected credit losses are discounted at the effective interest rate of the financial assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.14 Impairment of assets *(cont'd)*

(a) Impairment of financial assets and contract assets *(cont'd)*

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the issuer or the debtor;
- a breach of contract, such as a default of past due event;
- the lender(s) of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

The amount of impairment losses (or reversal) shall be recognised in profit or loss, as an impairment gain or loss. For financial assets measured at FVOCI, the loss allowance shall be recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statements of financial position.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have assets or source of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's and the Company's procedure for recovery of amounts due.

(b) Impairment of non-financial assets

The carrying amounts of non-financial assets (except for inventories, contract assets and investment properties 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 Group and the Company make an estimate of the asset's recoverable amount.

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 non-financial assets or cash-generating units ("CGUs").

The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and its value-in-use. 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 CGU. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Where the carrying amount of an asset exceed its recoverable amount, the carrying amount of asset is reduced to its recoverable amount.

Impairment losses are recognised in profit or loss, except for assets that were previously revalued with the revaluation surplus recognised in other comprehensive income. In the latter case, the impairment is recognised in other comprehensive income up to the amount of any previous revaluation.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.14 Impairment of assets *(cont'd)*

(b) Impairment of non-financial assets *(cont'd)*

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. Reversal of impairment loss is restricted by the asset's carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

3.15 Share capital

Ordinary shares are equity instruments. An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

3.16 Provisions

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

If the effect of the time value of money is material, provisions that are determined based on the expected future cash flows to settle the obligation are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provisions due to passage of time is recognised as finance costs.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

3.17 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. All Executives Directors of the Company, who are responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief operating decision maker that makes strategic decisions.

3.18 Fair value measurements

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

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

NOTES TO THE FINANCIAL STATEMENTS
cont'd

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.18 Fair value measurements *(cont'd)*

When measuring the fair value of an asset or a liability, the Group and the Company use observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group and the Company can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

The Group and the Company recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3.19 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

3.20 Contingencies

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

Contingent liability is also referred as a present obligation that arises from past events but is not recognised because:

(a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(b) the amount of the obligation cannot be measured with sufficient reliability.

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect in determining the amount recognised in the financial year include the following:

(a) Funding requirements and ability to meet short-term obligations

The Group's and the Company's financial statements have been prepared on a going concern basis after having prepared a cash flow projection and considering the availability of funds to support the assertion that the Group and the Company will have sufficient resources to continue for a period of at least 12 months from the end of the financial year. Significant assumptions and judgements are used in the preparation of the cash flow projection.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS *(cont'd)*

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect in determining the amount recognised in the financial year include the following: *(cont'd)*

(b) Fair value of investment properties

The Group carries its investment properties at fair value, with changes in fair values being recognised in profit or loss. The Group engaged external valuer to determine the fair values. The valuation methods adopted by the valuer include sales comparison method, being comparison of current prices in an active market for similar properties in the same location and condition and where necessary, adjusting for location, accessibility, visibility, time, terrain, size, present market trends and other differences, income approach, being the projected net income and other benefits that are the subject property can generate over the life of the property capitalised at market derived yields to arrive at the present value of the property. Judgement is made in determining the appropriate valuation methods and the key assumptions used in the valuations. Any changes in these assumptions will have an impact on the carrying amounts of the investment properties.

The carrying amounts of the investment properties are disclosed in Note 12.

(c) Valuation of property, plant and equipment

Freehold land, and building are carried at revalued amount. Revaluation of these assets is based on valuation performed by independent professional property valuers. The independent professional property valuers may exercise judgement in determining discount rates, estimates of future cash flows, capitalisation rate, terminal year value, market freehold rental and other factors used in their valuation process. Judgement has been applied in estimating prices for less readily observable external parameters. Other factors such as model assumptions, market dislocations and unexpected correlations may materially affect these estimates and the resulting valuation estimates.

The carrying amounts of the property, plant and equipment are disclosed in Note 11.

(d) Property development revenue and expenses

The Group recognised property development revenue and expenses in profit or loss by using the progress towards complete satisfaction of performance obligation. The progress towards complete satisfaction of performance obligation is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Significant judgement is required in determining the progress towards complete satisfaction of performance obligation, the extent of the property development costs incurred, the estimated total property development revenue and expenses, as well as the recoverability of the development projects. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists.

The carrying amounts of property development costs and contract liabilities are disclosed in Notes 17 and 28.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

5. REVENUE

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Revenue from contract customers:				
Timing of revenue recognition:				
Over time				
Property development	771,139	-	-	-
At a point in time				
Property development	-	2,700,000	-	-
Sale of completed properties	1,056,604	1,844,000	-	-
Revenue from other source:				
Rental income from:				
- hotel operations	7,205,912	6,975,727	-	-
- property investment	3,747,755	3,775,768	-	-
Other income from hotel operations	5,292,678	6,009,037	-	-
Management fees	-	-	419,623	461,372
	18,074,088	21,304,532	419,623	461,372

Transaction price allocated to the remaining performance obligations

As of 31 December 2019, the aggregate amount of the transaction price allocated to the remaining performance obligation is RM604,861 and the entity will recognise this revenue as the building is completed, which is expected to occur over the next 12–18 months.

6. SEGMENTAL INFORMATION

The Group prepared the following segment information in accordance with MFRS 8 *Operating Segments* based on the internal reports of the Group's strategic business units which are regularly reviewed by all executive directors for the purpose of making decisions about resource allocation and performance assessment.

(a) General information

The Group's operating business is classified according to the following operating divisions:

(i) Investment holding;
(ii) Leasing and financing;
(iii) Hospitality;
(iv) Investment properties;
(v) Property development; and
(vi) Others - inactive companies

NOTES TO THE FINANCIAL STATEMENTS
cont'd

6. SEGMENTAL INFORMATION *(cont'd)*

(b) Measurement of reportable segments

Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the consolidated financial statements.

Inter-segment pricing is determined on negotiated basis.

Segment profit

Segment results is measured based on segment profit before tax that are reviewed by all executive directors. There are no significant changes from prior financial year in the measurement methods used to determine reported segment results.

Segment assets

The total of segment assets are measured based on all assets of a segment other than current and deferred tax assets.

Segment liabilities

The total of segment liabilities are measured based on all liabilities of a segment other than current and deferred tax liabilities.

(c) Geographical Information

No segmental information by geographical segment has been presented as the Group principally operates in Malaysia.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

6. SEGMENTAL INFORMATION *(cont'd)*

The segmental information of the Group are as follows:

Group 2019	Note	Investment holding RM	Leasing and financing RM	Hospitality RM	Investment properties RM	Property development RM	Others RM	Adjustments and elimination RM	Total RM
Revenue:									
Revenue from external customers		-	-	12,498,590	3,747,755	1,827,743	-	-	18,074,088
Inter-segment revenue	(a)	419,623	-	13,000	33,667	-	-	(466,290)	-
		419,623	-	12,511,590	3,781,422	1,827,743	-	(466,290)	18,074,088
Results:									
Included in the measure of segment loss are:									
Finance income		-	-	-	-	234,394	-	-	234,394
Gain on disposal of property, plant and equipment		36,000	-	-	-	-	-	-	36,000
Reversal of impairment losses:									
- trade receivables		-	-	6,717	93,000	2,880	-	-	102,597
- other receivables		-	-	-	-	8,488	-	-	8,488
Depreciation of property, plant and equipment		(144,448)	-	(3,853,775)	(267,931)	(52,712)	-	-	(4,318,866)
Expense relating to short-term leases		(113,300)	-	-	-	-	-	-	(113,300)
Finance costs		(1,623,655)	-	(5,104)	(181,437)	(2,759,786)	-	-	(4,569,982)
Fair value loss on investment properties		-	-	-	(2,520,000)	-	-	-	(2,520,000)
Impairment losses on:									
- amounts owing by subsidiaries		(628,153)	-	-	-	-	-	628,153	-
- investment in subidiaries		(7,196,863)	-	-	-	-	-	7,196,863	-
- trade receivables		-	-	(19,617)	-	-	-	-	(19,617)
- other receivables		-	-	-	-	(7,410)	-	-	(7,410)
- property, plant and equipment		-	-	(1,138,152)	-	-	-	-	(1,138,152)
Reversal of provision for furniture, fittings and equipments		-	-	158,447	-	-	-	-	158,447
Write back of payables		-	-	212,077	-	-	-	-	212,077
Unallocated corporate expenses		(2,358,439)	(13,664)	(12,061,857)	(3,609,119)	(1,881,152)	(14,110)	466,290	(19,472,051)
Segment loss		(11,609,235)	(13,664)	(4,189,674)	(2,704,065)	(2,627,555)	(14,110)	7,825,016	(13,333,287)

NOTES TO THE FINANCIAL STATEMENTS

cont'd

6. SEGMENTAL INFORMATION *(cont'd)*

Group 2019	Note	Investment holding	Leasing and financing	Hospitality	Investment properties	Property development	Others	Adjustments and elimination	Total
		RM	RM	RM	RM	RM	RM	RM	RM
Income tax credit		-	-	543,555	-	-	-	-	543,555
Loss for the financial year		(11,609,235)	(13,664)	(3,646,119)	(2,704,065)	(2,627,555)	(14,110)	7,825,016	(12,789,732)
Assets:									
Additions to non-current assets		128	-	199,160	-	579,109	-	-	778,397
Segment assets	(b)	193,003,522	11,729	105,894,059	114,108,642	64,393,158	26,823	(204,980,758)	272,457,175
Liabilities:									
Segment liabilities	(c)	22,463,722	15,133,474	3,635,061	34,936,885	77,194,016	56,425	(61,766,934)	91,652,649
2018									
Revenue:									
Revenue from external customers		-	-	12,929,976	3,830,556	4,544,000	-	-	21,304,532
Inter-segment revenue	(a)	461,372	-	54,788	37,737	-	-	(553,897)	-
		461,372	-	12,984,764	3,868,293	4,544,000	-	(553,897)	21,304,532
Results:									
Included in the measure of segment profit/(loss) are:									
Finance income		-	-	-	5,853	86,456	-	-	92,309
Gain on disposal of									
- prepaid land lease payments		-	-	-	-	1,559,976	-	-	1,559,976
- property, plant and equipment		10,033	-	-	-	-	-	-	10,033
Realised gain on foreign exchange		-	-	20,942	-	-	-	-	20,942
Reversal of impairment losses:									
- amounts owing by subsidiaries		1,467,924	-	-	-	-	-	(1,467,924)	-
- trade receivables		-	-	21,118	50,731	-	-	-	71,849
Reversal of provision for liquidated ascertain damages		-	-	-	-	79,748	-	-	79,748

NOTES TO THE FINANCIAL STATEMENTS
cont'd

6. SEGMENTAL INFORMATION *(cont'd)*

Group 2018	Note	Investment holding RM	Leasing and financing RM	Hospitality RM	Investment properties RM	Property development RM	Others RM	Adjustments and elimination RM	Total RM
Included in the measure of segment profit/(loss) are: (cont'd)									
Amortisation of prepaid land lease payments		-	-	-	-	(9,320)	-	-	(9,320)
Deposits written off		-	-	-	-	(44,716)	-	-	(44,716)
Depreciation of property, plant and equipment		(159,304)	-	(3,822,240)	(271,069)	(1,651)	-	-	(4,254,264)
Finance costs		(1,596,455)	-	-	(289,086)	(100,729)	-	-	(1,986,270)
Impairment losses on:									
- amounts owing by subsidiaries		(33,461)	-	-	-	-	-	33,461	-
- investment in subidiaries		(5,702)	-	-	-	-	-	5,702	-
- trade receivables		-	-	(83,631)	-	(102,279)	-	-	(185,910)
- other receivables		-	-	-	-	(25,372)	-	-	(25,372)
Inventories written off		-	-	(133,453)	-	-	-	-	(133,453)
Property, plant and equipment written off		(899)	-	-	-	-	-	-	(899)
Rental of office premises		(77,558)	-	-	-	(6,400)	-	-	(83,958)
Unallocated corporate expenses		(3,628,877)	(13,241)	(13,682,002)	(3,187,056)	(4,421,849)	(12,004)	553,897	(24,391,132)
Segment (loss)/profit		(3,562,927)	(13,241)	(4,694,502)	177,666	1,557,864	(12,004)	(1,428,761)	(7,975,905)
Income tax credit		-	-	818,016	-	(1,215)	-	-	816,801
(Loss)/Profit for the financial year		(3,562,927)	(13,241)	(3,876,486)	177,666	1,556,649	(12,004)	(1,428,761)	(7,159,104)
Assets:									
Additions to non-current assets		21,138	-	1,251,484	-	-	-	-	1,272,622
Segment assets	(b)	199,725,143	11,749	110,852,684	105,261,249	76,560,716	33,187	(212,979,657)	279,465,071
Liabilities:									
Segment liabilities	(c)	24,259,194	15,119,830	4,160,510	66,082,746	45,284,029	48,680	(61,940,818)	93,014,171

NOTES TO THE FINANCIAL STATEMENTS
cont'd

6. SEGMENTAL INFORMATION *(cont'd)*

Reconciliation of reportable segment revenue is as follow:

(a) Inter-segment revenue

Inter-segment revenues are eliminated on consolidation.

(b) Reconciliation of assets

	Group	
	2019	2018
	RM	RM
Tax assets	572,189	1,033,854
Segment assets	272,457,175	279,465,071
	273,029,364	280,498,925

(c) Reconciliation of liabilities

	Group	
	2019	2018
	RM	RM
Deferred tax liabilities	11,015,824	11,506,031
Segment liabilities	91,652,649	93,014,171
	102,668,473	104,520,202

7. FINANCE COSTS, NET OF FINANCE INCOME

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
Finance income:					
- Housing development account		5,339	4,932	-	-
- Deposits placed with licensed banks		224,443	86,456	-	-
- Overdue interests on trade receivables		4,612	921	-	-
		234,394	92,309	-	-

NOTES TO THE FINANCIAL STATEMENTS
cont'd

7. FINANCE COSTS, NET OF FINANCE INCOME *(cont'd)*

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
Finance costs:					
- Term loans	(a)	(4,367,968)	(1,583,878)	-	-
- Bank overdrafts		(181,437)	(289,086)	-	-
- Lease liabilities		(20,577)	-	(7,390)	-
- Finance lease liabilities		-	(12,577)	-	(12,577)
- Trade payable		-	(100,729)	-	-
- Amount owing to a subsidiary		-	-	(1,616,265)	(1,583,878)
		(4,569,982)	(1,986,270)	(1,623,655)	(1,596,455)
		(4,335,588)	(1,893,961)	(1,623,655)	(1,596,455)

(a) During the financial year, there are no term loan interest expenses (2018: RM2,858,265) being capitalised as property development cost as disclosed in Note 17 in accordance with the accounting policies adopted by the Group.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

8. LOSS BEFORE TAX

Other than disclosed elsewhere in the financial statements, the following items have been credited/(charged) in arriving at loss before tax:

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
After crediting:				
Gain on disposal of:				
- prepaid land lease payments	-	1,559,976	-	-
- property, plant and equipment	36,000	10,033	36,000	10,033
Realised gain on foreign exchange	-	20,942	-	-
Reversal of impairment loss:				
- amount owing by subsidiaries	-	-	-	1,467,924
- trade receivables	102,597	71,849	-	-
- other receivables	8,488	-	-	-
Reversal of provision for furniture, fittings and equipments	158,447	-	-	-
Reversal of provision for liquidated ascertained damages	-	79,748	-	-
Write-back of payables	212,077	-	-	-
and charging:				
Amortisation of prepaid land lease payments	-	(9,320)	-	-
Auditor's remuneration:				
- Statutory audit				
- current year	(174,000)	(164,000)	(95,000)	(89,800)
- prior year	-	(16,200)	-	(4,800)
- Non-statutory audit	(6,000)	(61,000)	(6,000)	(61,000)
Deposits written off	-	(44,716)	-	-
Depreciation of property, plant and equipment	(4,318,866)	(4,254,264)	(144,448)	(159,304)
Employee benefits expense (Note a)	(7,524,395)	(8,280,392)	(1,842,982)	(2,140,764)
Expense relating to short-term leases	(113,300)	-	(113,300)	-
Impairment losses on:				
- amount owing by subsidiaries	-	-	(628,153)	(33,461)
- investment in subsidiaries	-	-	(7,196,963)	(5,702)
- trade receivables	(19,617)	(185,910)	-	-
- other receivables	(7,410)	(25,372)	-	-
- property, plant and equipment	(1,138,152)	-	-	-
Inventories written off	-	(133,453)	-	-
Fair value loss on investment properties	(2,520,000)	-	-	-
Property, plant and equipment written off	-	(899)	-	(899)
Rental of office premises	-	(83,958)	-	(77,558)

NOTES TO THE FINANCIAL STATEMENTS
cont'd

8. LOSS BEFORE TAX *(cont'd)*

Other than disclosed elsewhere in the financial statements, the following items have been credited/(charged) in arriving at loss before tax: (cont'd)

(a) Employee benefits expense

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Wages and salaries	5,268,613	5,835,443	728,394	756,560
Defined contribution plan	653,180	708,163	86,954	91,137
Defined benefit plans	85,791	90,555	7,151	7,499
Other staff related costs	333,300	395,554	31,628	34,891
	6,340,884	7,029,715	854,127	890,087
Directors' fees	132,430	360,000	132,430	360,000
Directors' other emolument	1,051,081	890,677	856,425	890,677
	1,183,511	1,250,677	988,855	1,250,677
Total	7,524,395	8,280,392	1,842,982	2,140,764

9. INCOME TAX CREDIT

The major components of income tax credit for the financial years ended 31 December 2019 and 31 December 2018 are as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Current income tax				
- over provision in prior years	-	(21,021)	-	-
Deferred tax liabilities: (Note 25)				
- reversal of temporary differences	(1,219,921)	(700,944)	-	-
- under/(over) provision in prior years	676,366	(94,836)	-	-
	(543,555)	(795,780)	-	-
	(543,555)	(816,801)	-	-

Domestic income tax is calculated at the Malaysian statutory income tax rate of 24% (2018: 24%) of the estimated assessable profit for the financial year.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

9. INCOME TAX CREDIT *(cont'd)*

The reconciliations from the tax amount at the statutory income tax rate to the Group's and the Company's tax expense are as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Loss before tax	(13,333,287)	(7,975,905)	(11,592,773)	(3,547,127)
Taxation at applicable statutory tax rate of 24% (2018: 24%)	(3,199,989)	(1,914,217)	(2,782,266)	(851,310)
Tax effects arising from:				
- non-deductible expenses	1,663,041	1,055,223	2,522,845	706,466
- non-taxable income	(27,665)	(399,606)	-	(352,302)
- deferred tax assets not recognised during the financial year	344,692	557,656	259,421	497,146
- under/(over) provision in prior year				
- current income tax	-	(21,021)	-	-
- deferred tax	676,366	(94,836)	-	-
Tax credit for the financial year	(543,555)	(816,801)	-	-

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Deductible temporary differences	15,378,543	15,374,990	-	-
Unutilised business losses	204,352,993	202,906,768	34,915,333	33,813,096
Unutilised capital allowances	612,268	625,830	604,513	625,830
Net deferred tax assets	220,343,804	218,907,588	35,519,846	34,438,926
Potential deferred tax assets not recognised at 24% (2018: 24%)	52,882,513	52,537,821	8,524,763	8,265,342

The availability of unused business losses for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to requirements under the Income Tax Act, 1967 and guidelines issued by the tax authority.

Pursuant to Section 11 of the Finance Act 2018 (Act 812), special provision relating to Section 43 & 44 of Income Tax Act 1967, a time limit has been imposed on the unutilised business losses, to be carried forward for a maximum of 7 consecutive years of assessment, this section has effect from the year of assessment 2019 and subsequent year of assessment.

Any unutilised business losses brought forward from year of assessment 2018 can be carried forward for another 7 consecutive years of assessment (i.e. from years of assessment 2019 to 2025).

NOTES TO THE FINANCIAL STATEMENTS
cont'd

9. INCOME TAX CREDIT *(cont'd)*

The unused business losses are available for offset against future taxable profits of the Group which will expire in the following financial years:

	Group 2019 RM
2025	202,906,768
2026	1,446,225

10. LOSS PER SHARE

Basic loss per ordinary share

Basic loss per share are based on the loss for the financial year attributable to owners of the Company and the weighted average number of ordinary shares during the financial year, calculated as follows:

	Group 2019 RM	Group 2018 RM
Loss attributable to owners of the Company		
Loss for the financial year	(12,789,732)	(7,159,104)
Weighted average number of ordinary shares for basic loss per share	275,417,334	245,667,975
Basic loss per ordinary share (sen)	(4.64)	(2.91)

The basic and diluted earnings per ordinary share are equal as the Company has no dilutive potential ordinary share.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

11. PROPERTY, PLANT AND EQUIPMENT

Group 2019	Note	Freehold land RM	Building RM	Plant and machinery RM	Motor vehicles RM	Furniture, fittings and renovation RM	Computers and office equipment RM	Right-of-use assets RM	Total RM
Cost/Valuation									
At 1 January 2019									
- As previously reported									
- At cost		-	-	3,335,598	1,976,906	5,002,249	1,453,949	-	11,768,702
- At valuation		4,441,261	116,558,739	-	-	-	-	-	121,000,000
		4,441,261	116,558,739	3,335,598	1,976,906	5,002,249	1,453,949	-	132,768,702
- Effect of adoption of MFRS 16		-	-	-	(684,185)	-	-	684,185	-
Adjusted balance at 1 January 2019		4,441,261	116,558,739	3,335,598	1,292,721	5,002,249	1,453,949	684,185	132,768,702
Additions		-	-	-	-	358,922	51,483	367,992	778,397
Disposals		-	-	-	(270,873)	-	-	-	(270,873)
Written off		-	-	-	(2,350)	-	-	-	(2,350)
Reclassification		-	-	-	182,960	-	-	(182,960)	-
Adjustment on revaluation		542,162	-	-	-	-	-	-	542,162
At 31 December 2019		4,983,423	116,558,739	3,335,598	1,202,458	5,361,171	1,505,432	869,217	133,816,038

NOTES TO THE FINANCIAL STATEMENTS
cont'd

11. PROPERTY, PLANT AND EQUIPMENT *(cont'd)*

Group 2019	Note	Freehold land RM	Building RM	Plant and machinery RM	Motor vehicles RM	Furniture, fittings and renovation RM	Computers and office equipment RM	Right-of-use assets RM	Total RM
Cost/Valuation *(cont'd)*									
Accumulated Depreciation									
At 1 January 2019									
- As previously reported		-	15,336,675	2,595,613	1,718,613	3,836,743	316,078	-	23,803,722
- Effect of adoption of MFRS 16		-	-	-	(425,892)	-	-	425,892	-
Adjusted balance at 1 January 2019		-	15,336,675	2,595,613	1,292,721	3,836,743	316,078	425,892	23,803,722
Depreciation charge for the financial year	8	-	3,067,335	191,330	-	694,229	161,599	204,373	4,318,866
Disposals		-	-	-	(270,873)	-	-	-	(270,873)
Written off		-	-	-	(2,350)	-	-	-	(2,350)
Reclassification		-	-	-	182,960	-	-	(182,960)	-
At 31 December 2019		-	18,404,010	2,786,943	1,202,458	4,530,972	477,677	447,305	27,849,365
Accumulated Impairment Loss									
At 1 January 2019		-	-	-	-	-	-	-	-
Charge for the financial year	8	-	1,138,152	-	-	-	-	-	1,138,152
At 31 December 2019		-	1,138,152	-	-	-	-	-	1,138,152
Carrying Amount									
At 1 January 2019 (Adjusted)									
- At cost		-	-	739,985	-	1,165,506	1,137,871	258,293	3,301,655
- At valuation		4,441,261	101,222,064	-	-	-	-	-	105,663,325
		4,441,261	101,222,064	739,985	-	1,165,506	1,137,871	258,293	108,964,980
At 31 December 2019									-
- At cost		-	-	548,655	-	830,199	1,027,755	421,912	2,828,521
- At valuation		4,983,423	97,016,577	-	-	-	-	-	102,000,000
		4,983,423	97,016,577	548,655	-	830,199	1,027,755	421,912	104,828,521

NOTES TO THE FINANCIAL STATEMENTS
cont'd

11. PROPERTY, PLANT AND EQUIPMENT *(cont'd)*

Group 2018	Freehold land RM	Building RM	Plant and machinery RM	Motor vehicles RM	Furniture, fittings and renovation RM	Computers and office equipment RM	Total RM
Cost/Valuation							
At 1 January 2018							
- At cost	-	-	3,335,598	1,976,906	5,221,812	722,029	11,256,345
- At valuation	4,441,261	116,558,739	-	-	-	-	121,000,000
	4,441,261	116,558,739	3,335,598	1,976,906	5,221,812	722,029	132,256,345
Additions	-	-	-	-	244,339	1,028,283	1,272,622
Disposals	-	-	-	-	(41,733)	-	(41,733)
Written off	-	-	-	-	(422,169)	(296,363)	(718,532)
At 31 December 2018	4,441,261	116,558,739	3,335,598	1,976,906	5,002,249	1,453,949	132,768,702
Accumulated Depreciation							
At 1 January 2018	-	12,269,340	2,404,243	1,581,771	3,602,147	451,046	20,308,547
Depreciation charge for the financial year	-	3,067,335	191,370	136,842	697,328	161,389	4,254,264
Dispoals	-	-	-	-	(41,456)	-	(41,456)
Written off	-	-	-	-	(421,276)	(296,357)	(717,633)
At 31 December 2018	-	15,336,675	2,595,613	1,718,613	3,836,743	316,078	23,803,722
Carrying Amount							
At 31 December 2018							
- At cost	-	-	739,985	258,293	1,165,506	1,137,871	3,301,655
- At valuation	4,441,261	101,222,064	-	-	-	-	105,663,325
	4,441,261	101,222,064	739,985	258,293	1,165,506	1,137,871	108,964,980

NOTES TO THE FINANCIAL STATEMENTS
cont'd

11. PROPERTY, PLANT AND EQUIPMENT *(cont'd)*

Company 2019	Motor vehicles RM	Furniture, fittings and renovation RM	Computers and office equipment RM	Right-of-use assets RM	Total RM
Cost					
At 1 January 2019					
- As previously reported	1,668,479	8,821	68,841	-	1,746,141
- Effect of adoption of MFRS 16	(684,185)	-	-	684,185	-
Adjusted balance at 1 January 2019	984,294	8,821	68,841	684,185	1,746,141
Additions	-	-	128	-	128
Disposals	(270,873)	-	-	-	(270,873)
Reclassification	182,960	-	-	(182,960)	-
At 31 December 2019	896,381	8,821	68,969	501,225	1,475,396
Accumulated Depreciation					
At 1 January 2019					
- As previously reported	1,410,162	8,821	42,756	-	1,461,739
- Effect of adoption of MFRS 16	(425,892)	-	-	425,892	-
Adjusted balance at 1 January 2019	984,270	8,821	42,756	425,892	1,461,739
Depreciation charge for the financial year	-	-	7,607	136,841	144,448
Disposals	(270,873)	-	-	-	(270,873)
Reclassification	182,960	-	-	(182,960)	-
At 31 December 2019	896,357	8,821	50,363	379,773	1,335,314
Carrying Amount					
At 31 January 2019 (Adjusted)	24	-	26,085	258,293	284,402
At 31 December 2019	24	-	18,606	121,452	140,082

NOTES TO THE FINANCIAL STATEMENTS
cont'd

11. PROPERTY, PLANT AND EQUIPMENT *(cont'd)*

Company 2018	Motor vehicles RM	Furniture, fittings and renovation RM	Computers and office equipment RM	Right-of-use assets RM	Total RM
Cost					
At 1 January 2018	1,668,479	155,633	138,850	-	1,962,962
Additions	-	-	21,138	-	21,138
Disposals	-	(41,733)	-	-	(41,733)
Written off	-	(105,079)	(91,147)	-	(196,226)
At 31 December 2018	1,668,479	8,821	68,841	-	1,746,141
Accumulated Depreciation					
At 1 January 2018	1,273,320	139,464	126,434	-	1,539,218
Depreciation charge for the financial year	136,842	14,999	7,463	-	159,304
Disposals	-	(41,456)	-	-	(41,456)
Written off	-	(104,186)	(91,141)	-	(195,327)
At 31 December 2018	1,410,162	8,821	42,756	-	1,461,739
Carrying Amount					
At 31 December 2018	258,317	-	26,085	-	284,402

(a) **Freehold land and building**

The freehold land and building was carried at revalued amounts of RM102,000,000 and RM105,663,325 as at 31 December 2019 and 31 December 2018 respectively.

Fair value information

The carrying amount of freehold land and building carried at valuation are categorised as follows:

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2019				
Group				
Freehold land and building	-	102,000,000	-	102,000,000
2018				
Group				
Freehold land and building	-	105,663,325	-	105,663,325
1.1.2018				
Group				
Freehold land and building	-	108,730,660	-	108,730,660

NOTES TO THE FINANCIAL STATEMENTS
cont'd

11. PROPERTY, PLANT AND EQUIPMENT *(cont'd)*

(a) Freehold land and building *(cont'd)*

Fair value information *(cont'd)*

The fair values of freehold land and building were determined by external and independent property valuers, with appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The freehold land and building (at valuation) of the Group are for own use.

Transfer between levels of fair value hierarchy

There are no transfers between levels of fair values hierarchy during the financial year ended 31 December 2019 and 31 December 2018.

Level 2 fair value

Fair value of freehold land and building have been derived using the profit method. The profit method entails estimating the gross annual income that can be derived from the running of the property as a business concern. The net annual income is then arrived at by deducting therefrom the operating costs and outgoings incidental to the running of the business and ownership of the property, allowing a margin of profit for the running of the business. The net annual income so arrived at is then capitalised at a suitable rate of return consistent with the type and quality of investment to arrive at the market value.

Had the revalued freehold land and building been carried at historical cost less accumulated depreciation, the net carrying amount of the land and building that would have been included in the financial statements of the Group are as follows:

	Group	
	2019	**2018**
	RM	**RM**
Freehold land	3,916,467	3,916,467
Building	98,154,728	101,222,064

(b) Assets under finance leases

The carrying amount of assets under finance lease arrangements are as follows:

	Group/ Company
	2018
	RM
Motor vehicles	258,293

(c) Assets pledged as security

The freehold land and building with a carrying amount of RM102,000,000 (2018: RM105,663,325) have been pledged as securities for credit facilities granted to a subsidiary as disclosed in Note 24.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

11. PROPERTY, PLANT AND EQUIPMENT *(cont'd)*

(d) Impairment loss

During the financial year, an impairment loss of RM1,138,152 was recognised in profit or loss under other expenses, representing the impairment of building in the hospitality segment to its recoverable amount, as a result of revaluation. The recoverable amount of RM97,016,577 as at 31 December 2019 was based on valuation by independent valuer.

(e) Right-of-use assets

The Group and the Company lease several assets including buildings, plant and machinery and motor vehicles.

Information about leases for which the Group and the Company are lessees is presented below:

Group	Office Buildings	Plant and machinery	Motor vehicles	Total
	RM	RM	RM	RM
Carrying amount				
At 1 January 2019	-	-	258,293	258,293
Additions	231,920	136,072	-	367,992
Depreciation	(44,853)	(22,679)	(136,841)	(204,373)
At 31 December 2019	187,067	113,393	121,452	421,912

Company	Motor vehicles
	RM
Carrying amount	
At 1 January 2019	258,293
Depreciation	(136,841)
At 31 December 2019	121,452

The Group lease buildings for its office space. The leases for office space generally have lease term between 2 to 3 years.

The Group lease plant and machinery for its hospitality operations. The leases for plant and machinery generally have lease term of 3 years.

The Group and the Company also lease motor vehicles with lease term of 5 years, and have options to purchase the assets at the end of the contract term.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

12. INVESTMENT PROPERTIES

	Group 2019 RM	Group 2018 RM
Shopping complex, at fair value		
At beginning of the financial year	85,112,000	85,112,000
Loss arising from fair value adjustment	(2,520,000)	-
At end of the financial year	82,592,000	85,112,000

Details of the Group's investment properties are as follows:

Descriptions	Location	Existing use
Foodcourt, office/amusement area and supermarket	Kota Sri Mutiara Complex, Jalan Sultan Yahya Petra, 15150 Kota Bharu Kelantan.	Generate rental income

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

	Group 2019 RM	Group 2018 RM
Rental income	3,472,794	3,519,758
Direct operating expenses	(2,354,509)	(1,295,338)

Fair value information

Fair value of investment properties are categorised as follows:

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2019				
Group				
Shopping complex	-	82,592,000	-	82,592,000
2018				
Group				
Shopping complex	-	85,112,000	-	85,112,000

NOTES TO THE FINANCIAL STATEMENTS
cont'd

12. INVESTMENT PROPERTIES *(cont'd)*

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.

Transfer between levels of fair value hierarchy

There are no transfers between levels of fair values hierarchy during the financial years ended 31 December 2019 and 31 December 2018.

Level 2 fair value

Fair value of investment properties have been derived using the sales comparison approach. Sales prices of comparable buildings in close proximity are adjusted for differences in location, size, age and condition of the building, floor level, tenure, title restrictions and other relevant characteristics to arrive at the market value.

Valuation process applied by the Group

The fair value of investment properties is determined by an external independent property valuer, C H Williams Talhar & Wong Sdn. Bhd., a member of the Institute of Valuers in Malaysia, with appropriate recognised professional qualifications and experience in the location and category of property being valued. The valuation company provides the fair value of the Group's investment property portfolio yearly. Changes in Level 2 fair values are analysed by the Group yearly after obtaining the valuation report from the valuation company. There has been no change to the valuation technique during the financial year.

13. PREPAID LAND LEASE PAYMENTS

Prepaid land lease payments relate to the lease of land for the Group's office premise in Kuala Lumpur. These leases will expire in 2085 and the Group does not have an option to purchase the leasehold land at the expiry of the lease period. Prepaid land lease payments are amortised over the lease term of the land. In previous financial year, the Group has disposed of the prepaid land lease payments.

NOTES TO THE FINANCIAL STATEMENTS
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13. PREPAID LAND LEASE PAYMENTS *(cont'd)*

	Group 2019 RM	Group 2018 RM
At Cost		
At beginning of the financial year	-	1,000,000
Disposal during the year	-	(1,000,000)
At beginning/end of the financial year	-	-
Less:		
Accumulated Amortisation		
At beginning of the financial year	-	126,296
Amortisation for the financial year	-	9,320
Disposal during the year	-	(135,616)
At end of the financial year	-	-
Less:		
Accumulated Impairment Loss		
At beginning of the financial year	-	124,360
Disposal during the year	-	(124,360)
At end of the financial year	-	-
	-	-

14. INVESTMENT IN SUBSIDIARIES

	Company 2019 RM	Company 2018 RM
Unquoted shares, at cost	197,753,003	197,753,003
Less: Impairment loss	(7,458,392)	(261,529)
	190,294,611	197,491,474

The movement in allowance for impairment loss of investment in subsidiaries are as follows:

	Company 2019 RM	Company 2018 RM
At beginning of the financial year	(261,529)	(255,827)
Impairment loss for the financial year	(7,196,863)	(5,702)
At end of the financial year	(7,458,392)	(261,529)

NOTES TO THE FINANCIAL STATEMENTS
cont'd

14. INVESTMENT IN SUBSIDIARIES *(cont'd)*

During the financial year, an impairment loss of RM7,196,863 (2018: RM5,702) is provided for in the cost of investment in a subsidiary as the carrying amount of the cost of investment in the subsidiary are higher than their recoverable amount.

Details of the subsidiaries, which are incorporated in Malaysia, are as follows:

Name of Company	Effective Equity Interest 2019 %	Effective Equity Interest 2018 %	Principal activities
Direct subsidiaries			
Eastern Biscuit Factory Sdn. Bhd.	100	100	Property development, investment in properties and hotel operations
FBO Land (Setapak) Sdn. Bhd.	100	100	Property development
FBO Properties Sdn. Bhd.	100	100	Dormant
Perfect Diamond Capital Sdn. Bhd.	100	100	Investment holding
EBF Land Sdn. Bhd.	100	100	Investment holding
Indirect subsidiaries			
Subsidiary of Eastern Biscuit Factory Sdn. Bhd.			
FBO Land (Serendah) Sdn. Bhd.	100	100	Property investment
Subsidiary of Perfect Diamond Capital Sdn. Bhd.			
Rimaflex Sdn. Bhd.	100	100	Money lending
Subsidiary of EBF Land Sdn. Bhd.			
Exquisite Properties Sdn. Bhd.	100	100	Dormant

15. INVESTMENT IN AN ASSOCIATE

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Unquoted shares, at cost	400,000	400,000	400,000	400,000
Less: Share of post-acquisition results	(400,000)	(400,000)	-	-
Impairment losses	-	-	(400,000)	(400,000)
	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
cont'd

15. INVESTMENT IN AN ASSOCIATE *(cont'd)*

Details of the associate which is incorporated in Malaysia, is as follows:

Name of Company	Effective Equity Interest		Principal activities
	2019	2018	
	%	%	
P.A. Projects Sdn. Bhd. #	20	20	Design, supply, fabricating and installation of aluminium products

\# Audited by an auditor other than Baker Tilly Monteiro Heng PLT.

The investment in the associate has been fully impaired in the previous financial years.

The Group's share of accumulated losses in the associate is restricted to the Group's cost of investment in the associate. Accordingly, the Group has excluded its current year's share of loss of the associate amounting to RM8,600 (2018: RM64,526) from its financial statements.

As at 31 December 2019, the cumulative unrecognised share of losses of the associate is RM4,089,241 (2018: RM4,080,641).

(a) Summarised financial information of material associate

The following table illustrates the summarised financial information of the Group's material associate:

	Group	
	2019	2018
	RM	RM
Assets and liabilities		
Current assets	719,384	1,752,465
Non-current assets	5	20,474
Current liabilities	(20,072,230)	(21,082,278)
Net liabilities	(19,352,841)	(19,309,339)
Results:		
Total comprehensive loss	(43,000)	(322,631)

The financial year end of P.A. Projects Sdn. Bhd. is 30 June. For the purpose of applying equity method of accounting, the management financial statements of the P.A. Projects Sdn. Bhd. for the financial year ended 30 June 2019 have been used for equity accounting purpose and appropriate adjustments have been made to account for significant transactions from P.A. Projects Sdn. Bhd.'s financial year ended to 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

16. OTHER INVESTMENT

	Group/Company	
	2019	2018
	RM	RM
Financial assets designated at fair value through other comprehensive income ("FVOCI")		
At fair value:		
- Quoted equity securities		
International Equities Corporation Ltd.		
At beginning of the financial year	1,564,402	3,199,184
Fair value loss on equity instruments designated at fair value through other comprehensive income	(26,584)	(1,634,782)
At end of the financial year	1,537,818	1,564,402

The Group and the Company hold non-controlling interests in equity securities designated at fair value through other comprehensive income. This investment was irrevocably designated at fair value through other comprehensive income as the Group and the Company consider this investment as strategic long-term investment and the volatility of market prices of these investments would not affect profit or loss.

17. INVENTORIES

		Group	
		2019	2018
	Note	RM	RM
At Net Realisable Value			
Property under development			
- Leasehold land at cost		3,025,572	3,025,572
- Development costs	(a)	60,466,962	60,547,743
		63,492,534	63,573,315
At Cost			
Completed properties	(b)	10,977,525	11,752,954
Food and beverages	(c)	169,984	139,256
		11,147,509	11,892,210
		74,640,043	75,465,525

(a) During the financial year, there are no term loan interest expenses (2018: RM2,858,265) being capitalised as property development cost as disclosed in Note 7 in accordance with the accounting policies adopted by the Group.

(b) The cost of inventories of the Group recognised as an expense during the financial year was RM3,031,578 (2018: RM5,555,982).

(c) In the previous financial year, the cost of inventories of the Group recognised as an expense in cost of sales in respect of inventories written down to net realisable value was RM133,453.

NOTES TO THE FINANCIAL STATEMENTS
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18. FINANCING RECEIVABLES

	Group 2019 RM	Group 2018 RM
Financing receivables	16,625,779	16,983,397
Less: Unearned interest	(590,141)	(590,141)
	16,035,638	16,393,256
Less: Impairment losses	(16,035,638)	(16,393,256)
	-	-

The movement in the impairment losses of financing receivables is as follows:

	Group 2019 RM	Group 2018 RM
At beginning of the financial year	(16,393,256)	(16,393,256)
Written off	357,618	-
At end of the financial year	(16,035,638)	(16,393,256)

19. TRADE AND OTHER RECEIVABLES

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Trade receivables	(a)	1,353,040	2,733,393	-	-
Less: Impairment losses		(857,877)	(940,857)	-	-
		495,163	1,792,536	-	-
Amount owing by subsidiaries	(b)	-	-	47,080,790	46,452,637
Less: Impairment losses		-	-	(47,080,790)	(46,452,637)
		-	-	-	-
Other receivables	(c)	4,761,366	4,636,465	-	-
Less: Impairment losses		(4,605,276)	(4,617,429)	-	-
		156,090	19,036	-	-
Deposits		199,827	423,484	26,360	39,320
Prepayments		160,963	120,827	20,243	4,927
GST claimable		2,469	63,299	-	-
Total trade and other receivables		1,014,512	2,419,182	46,603	44,247

NOTES TO THE FINANCIAL STATEMENTS

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19. TRADE AND OTHER RECEIVABLES *(cont'd)*

(a) Trade receivables

The trade credit terms granted to the customers ranging from 7 to 90 days (2018: 7 to 90 days). Other credit terms are assessed and approved on a case by case basis. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

<u>Receivables that are impaired</u>

The Group's trade receivables that are impaired at the reporting date and the reconciliation of movement in the impairment of trade receivables are as follows:

	Group	
	2019	**2018**
	RM	**RM**
At beginning of the financial year	(940,857)	(1,116,300)
Charge for the financial year		
- Individually assessed	(19,617)	(185,910)
Reversal of impairment losses	102,597	71,849
Written off	-	289,504
At end of the financial year	(857,877)	(940,857)

The information about the credit exposures are disclose in Note 30(b)(i).

(b) Other receivables

The Group's other receivables that are impaired at the reporting date and the reconciliation of movement in the impairment of other receivables are as follows:

	Group	
	2019	**2018**
	RM	**RM**
At beginning of the financial year	(4,617,429)	(4,592,057)
Charge for the financial year		
- Individually assessed	(7,410)	(25,372)
Reversal of impairment losses	8,488	-
Written off	11,075	-
At end of the financial year	(4,605,276)	(4,617,429)

(c) Amount owing by subsidiaries

Amount owing by subsidiaries is non-trade in nature, unsecured, interest-free and repayable on demand in cash.

NOTES TO THE FINANCIAL STATEMENTS
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19. TRADE AND OTHER RECEIVABLES *(cont'd)*

(c) Amount owing by subsidiaries *(cont'd)*

The amount owing by subsidiaries that are impaired at the reporting date and the reconciliation of movement in the impairment of amount owing by subsidiaries are as follows:

	Company	
	2019	2018
	RM	RM
At beginning of the financial year	(46,452,637)	(47,887,100)
Charge for the financial year		
- Individually assessed	(628,153)	(33,461)
Reversal of impairment losses	-	1,467,924
At end of the financial year	(47,080,790)	(46,452,637)

20. DEPOSITS PLACED WITH LICENSED BANKS

Included in the deposits placed with licensed banks of the Group, are deposits pledged to the financial institutions for banking facilities granted to a subsidiary as follows:

(i) Amounts of RM1,076,044 (2018: RM1,041,179) which earn interest at a rate of 3.35% (2018: 3.15% to 3.40%) per annum.

(ii) An amount of RM3,551,585 (2018: RM2,771,639) which comprise monthly sinking fund of RM56,000 in the form of marginal deposits until it reaches RM10,000,000 as disclosed in Notes 24(a) and 24(c) respectively.

21. CASH AND BANK BALANCES

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Cash and bank balances	2,971,704	1,886,550	949,944	298,941
Cash held under Housing Development Account	244,948	239,614	-	-
	3,216,652	2,126,164	949,944	298,941

The housing development accounts which held pursuant to Section 7A of the Housing Development (Control and Licensing) Act 1966 comprise monies received from purchasers, are for the payment of property development expenditure incurred and are restricted from use in other operations.

NOTES TO THE FINANCIAL STATEMENTS
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22. SHARE CAPITAL

	Group and Company			
	Number of ordinary shares		Amounts	
	2019	2018	2019	2018
	Unit	Unit	RM	RM
Issued and fully paid up:				
At 1 January	245,667,975	245,667,975	123,168,989	123,168,989
Issued during the financial year	78,613,595	-	6,709,670	-
At 31 December	324,281,570	245,667,975	129,878,659	123,168,989

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 regard to the Company's residual assets.

During the financial year, the Company:
(i) issued 49,133,595 new ordinary shares at a price of RM0.0861 per ordinary share pursuant to private placement.
(ii) issued 29,480,000 new ordinary shares at a price of RM0.0841 per ordinary share pursuant to private placement.

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

23. OTHER RESERVES

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
Capital reserve	(a)	110,238,037	110,238,037	110,238,037	110,238,037
Revaluation reserve	(b)	1,013,608	524,794	-	-
Fair value reserve of financial assets at FVOCI	(c)	1,077,908	1,104,492	1,077,908	1,104,492
		112,329,553	111,867,323	111,315,945	111,342,529

(a) Capital reserve

Capital reserve arose from the par value reduction exercise undertaken by the Company in year 2009. It represents surplus arising after the off-setting of the Company's issued and paid up capital against its accumulated losses at the date when the reduction of share capital became effective.

The capital reduction reserve is a non-distributable reserve.

(b) Revaluation reserve

The revaluation reserve represents the surplus arising from revaluation of freehold land and building. This amount is presented net of deferred tax liability arising from revaluation reserve.

NOTES TO THE FINANCIAL STATEMENTS

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23. OTHER RESERVES *(cont'd)*

(c) Fair value reserve of financial assets at FVOCI

This reserve comprises the cumulative net change in the fair value of financial assets at fair value through other comprehensive income ("FVOCI") until the investments are derecognised or impaired.

24. LOANS AND BORROWINGS

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
Current:					
Bank overdrafts	(a)	29,770,289	27,143,637	-	-
Lease liabilities/Finance lease liabilities	(b)	196,171	108,602	74,675	108,602
Term loans	(c)	3,388,446	3,272,759	-	-
		33,354,906	30,524,998	74,675	108,602
Non-current:					
Lease liabilities/Finance lease liabilities	(b)	210,121	97,539	19,822	97,539
Term loans	(c)	25,994,947	28,703,191	-	-
		26,205,068	28,800,730	19,822	97,539
Total loans and borrowings:					
Bank overdrafts		29,770,289	27,143,637	-	-
Lease liabilities/Finance lease liabilities		406,292	206,141	94,497	206,141
Term loans		29,383,393	31,975,950	-	-
		59,559,974	59,325,728	94,497	206,141

(a) Bank overdrafts

Bank overdrafts 1 and 2 bear profit rate ranging from 7.72% to 8.22% respectively (2018: 7.48% to 8.48%) per annum.

The bank overdrafts of the Group are secured by way of:

(i) First party first legal charge over a subsidiary's property as disclosed in Note 11;
(ii) First party second legal charge over the freehold land and building as disclosed in Note 11;
(iii) Monthly sinking fund of RM56,000 in the form of marginal deposit until it reaches RM10,000,000 as disclosed in Note 20; and
(iv) Corporate guarantee of the Company.

Bank overdraft 3 bear interest at rate of 9.10% (2018: 9.80%) annum.

The bank overdraft of the Group is secured by way of fixed deposits as disclosed in Note 20.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

24. LOANS AND BORROWINGS *(cont'd)*

(b) Lease liabilities/Finance lease liabilities

Certain equipment and vehicles of the Group and the Company as disclosed in Note 11 are pledged for leases. Such leases do not have terms for renewal which would give the Group an option to purchase at nominal values at the end of lease term. The interest rate implicit in the leases is ranging from 5.26% to 8.00% (2018: 4.66% to 5.28%).

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Minimum lease payments:				
Not later than one year	218,910	115,992	77,442	115,992
Later than one year and not later than five years	222,174	100,506	20,022	100,506
	441,084	216,498	97,464	216,498
Less: Future finance charges	(34,792)	(10,357)	(2,967)	(10,357)
Present value of minimum lease payments	406,292	206,141	94,497	206,141
Present value of minimum lease payments:				
Not later than one year	196,171	108,602	74,675	108,602
Later than one year and not later than five years	210,121	97,539	19,822	97,539
	406,292	206,141	94,497	206,141
Less: Amount due within 12 months	(196,171)	(108,602)	(74,675)	(108,602)
Amount due after 12 months	210,121	97,539	19,822	97,539

(c) Term loans

Term loans 1 and 2 of a subsidiary are Islamic term loan which bear profit rate of 7.72% each (2018: 7.98%) per annum. Term loan 1 is repayable by monthly instalments of RM31,542 and subsequently revised to monthly instalments of RM31,314 and term loan 2 is repayable by monthly instalments of RM269,700 and are secured and supported as follows:

(i) First party first legal charge over the freehold land and building of a subsidiary as disclosed in Note 11; and
(ii) Corporate guarantee of the Company.

Term loan 3 of a subsidiary of RM17,053,387 (2018: RM17,058,842) is Islamic term loan which bears profit rate of 7.72% (2018: 7.98%) per annum. It is repayable by monthly instalments of RM113,900 and subsequently revised to monthly instalments of RM174,410 and is secured as follows:

(i) First party second legal charge over the freehold and building of a subsidiary as disclosed in Note 11;
(ii) Monthly sinking fund of RM56,000 in the form of marginal deposit until it reaches RM10,000,000 as disclosed in Note 20; and
(iii) Corporate guarantee of the Company.

NOTES TO THE FINANCIAL STATEMENTS
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25. DEFERRED TAX LIABILITIES

	Group	
	2019	2018
	RM	RM
Deferred tax liabilities	11,015,824	11,506,031

(a) The movement of deferred tax liabilities is as follows:

	Group	
	2019	2018
	RM	RM
At beginning of the financial year	11,506,031	12,301,811
Recognised in profit or loss during the financial year (Note 9)	(543,555)	(795,780)
Deferred tax relating to revaluation reserve	53,348	-
At end of the financial year	11,015,824	11,506,031

(b) The component of deferred tax liabilities as at the end of the financial year comprise the following:

	Group	
	2019	2018
	RM	RM
Deferred tax liabilities		
Temporary differences between net carrying amount and corresponding tax written down values in relation to property, plant and equipment	10,962,476	11,506,031
Surplus arising from revaluation of freehold land	53,348	-
	11,015,824	11,506,031

NOTES TO THE FINANCIAL STATEMENTS

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26. PROVISIONS FOR LIABILITIES

	Provision for furniture, fittings and equipments (Note (a))	Provision for liquidated and ascertained damages (Note (b))	Total
	RM	RM	RM
Group			
At 1 January 2018	129,750	4,078,290	4,208,040
Add: Reclassification	28,697	-	28,697
Less: Reversal during the financial year	-	(79,748)	(79,748)
Less: Payment made during the financial year	-	(1,452,674)	(1,452,674)
At 31 December 2018	158,447	2,545,868	2,704,315
Less: Reversal during the financial year	(158,447)	-	(158,447)
Less: Payments made during the financial year	-	(104,032)	(104,032)
At 31 December 2019	-	2,441,836	2,441,836

(a) Provision for furniture, fittings and equipment

The provision for furniture, fittings and equipment of a subsidiary are the funds used and expended for the following:

(i) To pay the costs of renewals, revisions, replacements, substitutions, refurbishment and additions to the furnishings and equipment; and
(ii) Refurbishment and extraordinary repairs to the building.

(b) Provision for liquidated and ascertained damages

This was in respect of anticipated loss arising from late deliveries of property development projects to the buyers.

27. TRADE AND OTHER PAYABLES

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
Trade payables	(a)	7,679,207	6,476,147	-	-
Other payables	(b)	3,779,377	4,984,687	956,207	931,691
Accruals		1,202,206	1,833,371	70,895	27,540
Amounts owing to subsidiaries	(c)	-	-	14,686,146	16,444,846
Amounts owing to directors	(d)	10,580,000	6,580,000	6,580,000	6,580,000
Deposits received		2,264,271	6,302,044	-	2,248
Advances received from potential purchasers		166,343	241,390	-	-
		25,671,404	26,417,639	22,293,248	23,986,325

27. TRADE AND OTHER PAYABLES *(cont'd)*

(a) Trade payables

The normal trade credit terms granted to the Group ranging from 30 to 60 days (2018: 30 to 60 days).

(b) Other payables

Included in other payables is an amount owing a previous director of RM800,000 (2018: RM800,000) which are non-trade in nature, unsecured, interest free and repayable within 8 months from the date of advances, as and when the amount and timing of repayment will not adversely affect the cash flows of the Group and of the Company to meet their obligations as and when they fall due.

(c) Amounts owing to subsidiaries

Amounts owing to subsidiaries is non-trade in nature, unsecured and bear interest at a rate of 7.22% (2018: 7.98%) per annum.

(d) Amounts owing to directors

Included in amounts owing to directors are RM10,580,000 (2018: RM6,580,000) which are non-trade in nature, unsecured, interest free and repayable upon demand, as and when the amount and timing of repayment will not adversely affect the cash flows of the Group and of the Company to meet their obligations as and when they fall due.

For explanations on the Group's and the Company's liquidity risk management processes, refer to Note 30(b)(ii).

28. CONTRACT LIABILITIES

	Group	
	2019	**2018**
	RM	**RM**
Contract liabilities relating to property development contracts	3,979,435	4,566,489

NOTES TO THE FINANCIAL STATEMENTS
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28. CONTRACT LIABILITIES *(cont'd)*

(a) Significant changes in contract balances

	2019		2018	
	Contract assets increase/ (decrease)	Contract liabilities (increase)/ decrease	Contract assets increase/ (decrease)	Contract liabilities (increase)/ decrease
Group	RM	RM	RM	RM
Revenue recognised that was included in contract liabilities at the beginning of the financial year	-	1,827,743	-	498,000
Increases due to consideration received/ receivable from customer, but revenue not recognised	-	(1,240,689)	-	(3,654,602)
Transfers from contract assets recognised at the beginning of the financial year to receivables	-	-	(36,000)	-
	-	587,054	(36,000)	(3,156,602)

Contract liabilities have decreased as the Company recognised revenue that was included in contract liabilities during the financial year.

(b) Revenue recognised in relation to contract balances

	Group	
	2019	2018
	RM	RM
Revenue recognised that was included in contract liabilities at the beginning of the financial year	1,827,743	498,000

29. RELATED PARTIES

(a) Identity of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operational decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

Related parties of the Group include:

(i) Entities having significant influence over the Group;
(ii) Subsidiaries as disclosed in Note 14;
(iii) Associate as disclosed in Note 15;
(iv) Key management personnel of the Group's and the Company's holding company, comprise persons (including directors) having the authority and responsibility for planning, directing and controlling the activities directly or indirectly.

NOTES TO THE FINANCIAL STATEMENTS
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29. RELATED PARTIES *(cont'd)*

(b) Significant related party transactions

Significant related party transactions other than disclosed elsewhere in the financial statements are as follows:

	Company	
	2019	2018
	RM	RM
Subsidiary		
Eastern Biscuit Factory Sdn. Bhd.		
Management fee	419,623	461,372

(c) Key management personnel compensation

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Executive Directors				
Salaries and allowances	927,000	762,462	747,000	762,462
Other emoluments	106,681	94,615	92,025	94,615
	1,033,681	857,077	839,025	857,077
Non-Executive Directors				
Allowances	17,400	33,600	17,400	33,600
Fees	132,430	360,000	132,430	360,000
Total directors' remuneration	1,183,511	1,250,677	988,855	1,250,677

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Key management personnel				
- Salaries and allowances	284,095	580,903	284,095	400,903
- Defined contribution	23,522	63,260	23,522	48,140
- SOCSO contribution	1,460	3,807	1,460	2,291
	309,077	647,970	309,077	451,334

The estimated monetary values of directors' and key management personnel benefit-in-kind are RM42,000 and RM9,900 respectively (2018: RM42,000 and RM9,900 respectively).

NOTES TO THE FINANCIAL STATEMENTS
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30. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned:

(i) Amortised cost
(ii) Fair value through other comprehensive income ("FVOCI")

	Carrying amount RM	Amortised cost RM	FVOCI RM
At 31 December 2019			
Financial assets			
Group			
Other investment	1,537,818	-	1,537,818
Trade and other receivables (exclude prepayments and GST claimable)	851,080	851,080	-
Deposits placed with licensed banks	4,627,629	4,627,629	-
Cash and bank balances	3,216,652	3,216,652	-
	10,233,179	8,695,361	1,537,818
Company			
Other investment	1,537,818	-	1,537,818
Trade and other receivables (exclude prepayments)	26,360	26,360	-
Cash and bank balances	949,944	949,944	-
	2,514,122	976,304	1,537,818
Financial liabilities			
Group			
Trade and other payables	25,671,404	25,671,404	-
Loans and borrowings	59,559,974	59,559,974	-
	85,231,378	85,231,378	-
Company			
Trade and other payables	22,293,248	22,293,248	-
Loans and borrowings	94,497	94,497	-
	22,387,745	22,387,745	-

NOTES TO THE FINANCIAL STATEMENTS
cont'd

30. FINANCIAL INSTRUMENTS *(cont'd)*

(a) Categories of financial instruments *(cont'd)*

	Carrying amount	Amortised cost	FVOCI
	RM	RM	RM
At 31 December 2018			
Financial assets			
Group			
Other investment	1,564,402	-	1,564,402
Trade and other receivables (exclude prepayments and GST claimable)	2,235,056	2,235,056	-
Deposits placed with licensed banks	3,812,818	3,812,818	-
Cash and bank balances	2,126,164	2,126,164	-
	9,738,440	8,174,038	1,564,402
Company			
Other investment	1,564,402	-	1,564,402
Trade and other receivables (exclude prepayments)	39,320	39,320	-
Cash and bank balances	298,941	298,941	-
	1,902,663	338,261	1,564,402
Financial liabilities			
Group			
Trade and other payables (exclude GST payables)	26,417,639	26,417,639	-
Loans and borrowings	59,325,728	59,325,728	-
	85,743,367	85,743,367	-
Company			
Trade and other payables	23,986,325	23,986,325	-
Loans and borrowings	206,141	206,141	-
	24,192,466	24,192,466	-

(b) Financial risk management

The Group's and the Company's activities are exposed to a variety of financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, foreign currency risk, interest rate risk and market price risk. The Group and the Company have formulated a financial risk management framework whose principal objective is to minimise the Group's and the Company's exposure to risk and/or costs associated with the financing, investing and operating activities of the Group and of the Company.

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

NOTES TO THE FINANCIAL STATEMENTS
cont'd

30. FINANCIAL INSTRUMENTS *(cont'd)*

(b) Financial risk management *(cont'd)*

(i) Credit risk

Credit risk is the risk of financial loss to the Group and the Company that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group and the Company are exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments. The Group and the Company have a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures.

Trade receivables

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables is represented by the carrying amounts in the statements of financial position.

The carrying amount of trade receivables are not secured by any collateral or supported by any other credit enhancements. In determining the recoverability of these receivables, the Group and the Company consider any change in the credit quality of the receivables from the date the credit was initially granted up to the reporting date. The Group and the Company have adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

The Group and the Company apply the simplified approach to providing for impairment losses prescribed by MFRS 9, which permits the use of the lifetime expected credit losses provision for all trade receivables. To measure the impairment losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The impairment losses also incorporate forward looking information.

The information about the credit risk exposure on the Group's and Company's trade receivables using provision matrix are as follows:

Group	Gross carrying amount at default RM
At 31 December 2019	
Current	161,724
1-30 days past due	123,063
31-60 days past due	25,806
61-90 days past due	15,908
91-121 days past due	10,320
>120 days past due	158,342
	495,163
Impairment losses	
- Individually assessed	857,877
	1,353,040

NOTES TO THE FINANCIAL STATEMENTS
cont'd

30. FINANCIAL INSTRUMENTS *(cont'd)*

(b) Financial risk management *(cont'd)*

(i) Credit risk *(cont'd)*

Trade receivables *(cont'd)*

The information about the credit risk exposure on the Group's and Company's trade receivables using provision matrix are as follows: *(cont'd)*

Group	**Gross carrying amount at default RM**
At 31 December 2018	
Current	431,648
1-30 days past due	448,061
31-60 days past due	100,800
61-90 days past due	62,204
91-121 days past due	653,639
>120 days past due	96,184
	1,792,536
Impairment losses	
- Individually assessed	940,857
	2,733,393

Other receivables and other financial assets

For other receivables and other financial assets (including investment securities, deposits placed with licensed banks, and cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties. At the reporting date, the Group's and the Company's maximum exposure to credit risk arising from other receivables and other financial assets is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

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

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

Some intercompany loans between entities within the Group are repayable on demand. For loans that are repayable on demand, expected credit losses are assessed based on the assumption that repayment of the loan is demanded at the reporting date. If the borrower does not have sufficient highly liquid resources when the loan is demanded, the Group and the Company will consider the expected manner of recovery and recovery period of the intercompany loan.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

30. FINANCIAL INSTRUMENTS *(cont'd)*

(b) Financial risk management *(cont'd)*

(i) Credit risk *(cont'd)*

Other receivables and other financial assets *(cont'd)*

Other than the credit-impaired amounts owing by subsidiaries and other receivables, the Group and the Company consider these financial assets to be of low credit risk, for which no material loss allowance is required.

Refer to Note 3.14(a) for the Group's and the Company's other accounting policies for impairment of financial assets.

Financial guarantee contracts

The Company is exposed to credit risk in relation to financial guarantees given to banks in respect of loans granted to a subsidiary. The Company monitors the results of the subsidiary and its repayments on an on-going basis. The maximum exposure to credit risks amounts to RM59,153,682 (2018: RM59,119,587) representing the maximum amount the Company could pay if the guarantee is called on. As at the reporting date, there was no loss allowance for expected credit losses as determined by the Company for the financial guarantee.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

(ii) Liquidity risk

(1) Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations when they fall due. The Group's and the Company's exposure to liquidity risk arise primarily from differences of the maturities between financial assets and liabilities. The Group's and the Company's exposure to liquidity risk arise principally from trade and other payables, loans and borrowings.

(2) The Group and the Company maintain a level of cash and cash equivalents and source of funds deemed adequate by the directors to ensure, as far as possible, that it will have sufficient liquidity to meet its liability when they fall due.

The Group and the Company had incurred continuous losses for the financial year ended 31 December 2019 amounted to RM12,789,732 and RM11,592,773 respectively and, as of that date, the Group and the Company had also recorded negative operating cash flows of RM134,679 and RM1,972,387 respectively. As at 31 December 2019, the Company's current liabilities exceeding its current assets by RM21,371,376. Meanwhile, the Group's and the Company's short-term loans and borrowings was RM33,354,906 and RM74,675 respectively as at 31 December 2019.

The Group has prepared a cash flow forecast to consider the availability of funds in supporting the management of liquidity risk that the Group will have sufficient financial resources for a period of at least 12 months from the end of the financial year. Significant assumptions and judgements are used in the preparation of the cash flow forecast.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

30. FINANCIAL INSTRUMENTS *(cont'd)*

(b) Financial risk management *(cont'd)*

(ii) Liquidity risk *(cont'd)*

(3) Analysis of financial instruments by remaining contractual maturities

The maturity analysis of the Group's and the Company's financial liabilities by their relevant maturity at the reporting date are based on contractual undiscounted repayment obligations are as follows:

		Contractual cash flows			
	Carrying amount	**Within 1 Year**	**1 - 5 Years**	**> 5 Years**	**Total**
	RM	**RM**	**RM**	**RM**	**RM**
At 31 December 2019					
Group					
Financial Liabilities					
Trade and other payables	25,671,404	25,671,404	-	-	25,671,404
Loans and borrowings	59,559,974	35,524,246	19,709,746	16,505,894	71,739,886
Company					
Trade and other payables	22,293,248	22,293,248	-	-	22,293,248
Loans and borrowings	94,497	77,442	20,022	-	97,464
Financial guarantee contract	-	59,153,682	-	-	59,153,682
At 31 December 2018					
Group					
Financial Liabilities					
Trade and other payables	26,417,639	26,417,639	-	-	26,417,639
Loans and borrowings	59,325,728	32,966,087	22,167,777	19,285,928	74,419,792
Company					
Trade and other payables	23,986,325	23,986,325	-	-	23,986,325
Loans and borrowings	206,141	115,992	100,506	-	216,498
Financial guarantee contract	-	59,119,587	-	-	59,119,587

(iii) Foreign currency risk

Foreign currency risk is the risk of fluctuation in fair value or future cash flows of a financial instrument as a result of changes in foreign exchange rates. The Group's and the Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's and the Company's other investments.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

30. FINANCIAL INSTRUMENTS *(cont'd)*

(b) Financial risk management *(cont'd)*

(iii) Foreign currency risk *(cont'd)*

The Group's and the Company's financial assets of the Group that are not denominated in their functional currencies are as follows:

	Group and Company Functional currencies RM
31 December 2019	
Financial assets and liabilities not held in functional currencies:	
Other investment	
Australian Dollar	1,537,818
31 December 2018	
Other investment	
Australian Dollar	1,564,402

The Group's and the Company's principal foreign currency exposure relates mainly to Australian Dollar ("AUD").

The following table demonstrates the sensitivity to a reasonably possible change in the AUD, with all other variables held constant on the Group's and the Company's total equity and profit for the financial year.

	Change in rate	Effect on loss for the financial year RM	Effect on equity RM
31 December 2019			
- AUD	10%	-	153,782
	-10%	-	(153,782)
31 December 2018			
- AUD	10%	-	156,440
	-10%	-	(156,440)

(iv) Interest rate risk

Interest rate risk is the risk of fluctuation in fair value or future cash flows of the Group's and the Company's financial instruments as a result of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their long-term loans and borrowings with floating interest rates.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

30. FINANCIAL INSTRUMENTS *(cont'd)*

(b) Financial risk management *(cont'd)*

(iv) Interest rate risk *(cont'd)*

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant on the Group's and the Company's total equity and profit for the financial year.

	Change in rate	Effect on loss for the financial year RM	Effect on equity RM
Group			
31 December 2019	+1%	(449,568)	(449,568)
	- 1%	449,568	449,568
31 December 2018	+1%	(449,309)	(449,309)
	- 1%	449,309	449,309

(v) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group is exposed to equity price risk arising from its investment in quoted equity instruments. The quoted equity instruments outside Malaysia are listed on Australian Securities Exchange ("ASX") in Australia.

Sensitivity analysis for equity price risk

The following table demonstrates the sensitivity to a reasonably possible change in ASX, with all other variables held constant on the Group's and the Company's total equity and profit for the financial year.

	Change in rate	Effect on loss for the financial year RM	Effect on equity RM
Group			
31 December 2019	+1%	-	153,782
	- 1%	-	(153,782)
31 December 2018	+1%	-	156,440
	- 1%	-	(156,440)

30. FINANCIAL INSTRUMENTS *(cont'd)*

(c) Fair value measurement

The carrying amounts of cash and bank balances, deposits placed with licensed banks, short-term receivables and payables and short-term borrowings reasonably approximate to their fair values due to the relatively short-term nature of these financial instruments.

The carrying amounts of long-term floating rate term loan is reasonable approximation of fair values as the loans will be re-priced to market interest rate on or near reporting date.

There have been no transfers between Level 1 and Level 2 during the financial year (2018: no transfer in either directions).

The following table provides the fair value measurement hierarchy of the Group's and the Company's financial instruments:

	Carrying amount	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Group	RM	RM	RM	RM	RM	RM	RM	RM	RM
31 December 2019									
Financial asset									
Other investment	1,537,818	1,537,818	-	-	1,537,818	-	-	-	-
31 December 2018									
Financial asset									
Other investment	1,564,402	1,564,402	-	-	1,564,402	-	-	-	-
Financial liabilities									
Finance lease liabilities	206,141	-	-	-	-	-	207,867	-	207,867

30. FINANCIAL INSTRUMENTS *(cont'd)*

(c) Fair value measurement *(cont'd)*

The following table provides the fair value measurement hierarchy of the Group's and the Company's financial instruments: *(cont'd)*

	Carrying amount	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Company	RM	RM	RM	RM	RM	RM	RM	RM	RM
31 December 2019									
Financial asset									
Other investment	1,537,818	1,537,818	-	-	1,537,818	-	-	-	-
31 December 2018									
Financial asset									
Other investment	1,564,402	1,564,402	-	-	1,564,402	-	-	-	-
Financial liabilities									
Finance lease liabilities	206,141	-	-	-	-	-	207,867	-	207,867

Level 2 fair value

<u>Fair value of financial instruments not carried at fair value</u>

The fair value of finance lease liabilities are calculated based on the present value of future principal and interest cash flows, discounted at the market interest rate of similar liabilities that do not have a conversion option.

31. CAPITAL MANAGEMENT

The primary objective of the Group's and the Company's capital management is to ensure that they maintain a strong capital base and safeguard the Group's and the Company's ability to continue as a going concern, so as to maintain investors, creditors and market confidence and to sustain future development of the business. The Group and the Company manage their capital structure by monitoring the capital and net debt on an on-going basis. To maintain the capital structure, the Group and the Company may adjust the dividend payment to shareholders.

There were no changes in the Group's and the Company's approach to capital management during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

31. CAPITAL MANAGEMENT *(cont'd)*

The Group and the Company monitor using gearing ratio. The gearing ratio is calculated as total debts divided by total equity. The gearing ratio at 31 December 2019 and 31 December 2018 are as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Trade and other payables	25,671,404	26,417,639	22,293,248	23,986,325
Loans and borrowings	59,559,974	59,325,728	94,497	206,141
Total debts	85,231,378	85,743,367	22,387,745	24,192,466
Total equity	170,360,891	175,978,723	170,581,313	175,491,000
Debts-to-equity ratio	50%	49%	13%	14%

32. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

On 16 January 2019, the Group announced that it is not able to fulfil a representation and warranty in the sale and purchase agreement ("SPA") as the planning approval for the proposed development granted by Dewan Bandaraya Kota Kinabalu has lapsed on 9 January 2019. As there is much uncertainty as to when the extension of the planning approval may be obtained, FBO Land (Setapak) Sdn. Bhd. and P.C.K. Properties Sdn. Bhd. had, on 18 January 2019, entered into a deed of mutual termination to terminate the SPA in relation to the Proposed Acquisition.

Further, upon evaluating the current business condition, financial position and working capital requirements of the Company, the amount to be raised from the Proposed Rights Issue with Warrants may not be sufficient to meet the Company's funding requirements. Accordingly, the Company has decided to abort the Proposed Rights Issue with Warrants. As an on-going initiative, the directors of the Company is currently evaluating various proposals for a more holistic corporate exercise to be undertaken to meet the Company's funding requirements and to improve its financial performance.

The Company has submitted a letter to Bursa Securities to request the withdrawal of the listing application in respect of the Proposed Rights Issue with Warrants.

33. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF FINANCIAL YEAR

Coronavirus outbreak

On 11 March 2020, the World Health Organisation declared the Coronavirus ("Covid-19") outbreak as a pandemic in recognition of its rapid spread across the globe. On 16 March 2020, the Malaysian Government has imposed the Movement Control Order ("MCO") starting from 18 March 2020 to curb the spread of the Covid-19 outbreak in Malaysia. The Covid-19 outbreak also resulted in travel restriction, lockdown and other precautionary measures imposed in various countries. The emergence of the Covid-19 outbreak since early 2020 has brought significant economic uncertainties in Malaysia and markets in which the Group and the Company operate.

For the Group's and the Company's financial statements for the financial year ended 31 December 2019, the Covid-19 outbreak and the related impacts are considered non-adjusting events in accordance with MFRS 110 Events after the Reporting Period. Consequently, there is no impact on the recognition and measurement of assets and liabilities as at 31 December 2019.

The Group and the Company are unable to reasonably estimate the financial impact of Covid-19 for the financial year ending 31 December 2020 to be disclosed in the financial statements as the situation is still evolving and the uncertainty of the outcome of the current events. It is however certain that the local and worldwide measures against the spread of the Covid-19 will have adverse effects on the Group's and the Company's sales, operations and supply chains. The Group and the Company will continuously monitor the impact of Covid-19 on their operations and their financial performance. The Group and the Company will also be taking appropriate and timely measures to minimise the impact of the outbreak on the Group's and the Company's operations.

STATEMENT BY DIRECTORS

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

We, **LEE CHEE KIANG** and **TAN CHIN HONG**, being two of the directors of Eastland Equity Bhd., do hereby state that in the opinion of the directors, the accompanying financial statements set out on pages 47 to 126 are drawn up in accordance with the 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:

LEE CHEE KIANG
Director

TAN CHIN HONG
Director

Kuala Lumpur

Date: 19 June 2020

STATUTORY DECLARATION

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

I, **TAN CHIN HONG**, being the director primarily responsible for the financial management of Eastland Equity Bhd., do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements set out on pages 47 to 126 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.

TAN CHIN HONG

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 19 June 2020.

Before me,

SITI HAMIDAH SENON (No.W799)
Commissioner for Oaths
Kuala Lumpur Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF EASTLAND EQUITY BHD.
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Eastland Equity Bhd., which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 47 to 126.

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 the 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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Group and Company

Funding requirements and ability to meet short-term obligations (Notes 4(a) and 30(b)(ii)(2) to the financial statements)

The Group and the Company had incurred continuous losses for the financial year ended 31 December 2019 amounting to RM12,789,732 and RM11,592,773 respectively and, as of that date, the Group and the Company had also recorded negative operating cash flows of RM134,679 and RM1,972,387 respectively. As at 31 December 2019, the Company's current liabilities exceeding its current assets by RM21,371,376. Meanwhile, the Group's and the Company's short-term loans and borrowings was RM33,354,906 and RM74,675 respectively as at 31 December 2019.

The Group has prepared a cash flow forecast to consider the availability of funds in supporting the management of liquidity risk that the Group will have sufficient financial resources for a period of at least 12 months from the end of the financial year. Significant assumptions and judgements are used in the preparation of the cash flow forecast.

Our response:

Our audit procedures included, among others,
- reading and discussing the cash flow forecast prepared by the Group;
- discussing the Group's assumptions in the cash flow forecast in relation to key inputs;
- testing the mathematical accuracy of the cash flow forecast calculation; and
- agreeing sources of financing and uses of funds to any relevant supporting documents.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF EASTLAND EQUITY BHD.
(Incorporated in Malaysia)
cont'd

Key Audit Matters *(cont'd)*

Group

Investment properties and property, plant and equipment (Notes 4(b), 4(c), 11 and 12 to the financial statements)

The Group has significant balances of investment properties and property, plant and equipment. The Group's policy is to measure investment properties at fair value. Property, plant and equipment (comprising freehold land and building) carried at valuation subsequent to their initial recognition. The Group estimated the fair value of the investment properties and valuation of property, plant and equipment based on information provided and the market valuation performed by an external independent valuer. We focused on this area because the estimation of fair value of investment properties and valuation of property, plant and equipment requires significant judgement in key assumptions used.

Our response:

Our audit procedures included, among others:
- considering the competence, capabilities and objectivity of the external valuers which includes consideration of their qualifications and experience;
- understanding the scope and objective of the valuation by reading the terms of engagement;
- reading the valuation reports and discussing with external valuer on their valuation approach and the significant judgements they made; and
- Understanding the relevance of the key input data used by the external valuers.

Group

Revenue and corresponding costs recognition for property development activities (Notes 4(d), 5, 17 and 28 to the financial statements)

The amount of revenue and corresponding costs of the Group's property development activities is recognised over the period of contract by reference to the progress towards complete satisfaction of that performance obligation. The progress towards complete satisfaction of performance obligation is determined by reference to proportion of construction costs incurred for works performed to date bear to the estimated total costs for each project (input method).

We focused on this area because significant directors' judgement is required, in particular with regards to determining the progress towards satisfaction of a performance obligation, the extent of the property development costs incurred, the estimated total property development revenue and costs, as well as the recoverability of the property development costs. The estimated total revenue and costs are affected by a variety of uncertainties that depend of the outcome of future events.

Our response:

Our audit procedures included, among others,
- reading the terms and conditions of sample of agreements with customers;
- understanding the Group's process in preparing project budget and the calculation of the progress towards complete satisfaction of performance obligation; and
- checking the mathematical computation of recognised revenue and corresponding costs for the projects during the financial year.

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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF EASTLAND EQUITY BHD.
(Incorporated in Malaysia)
cont'd

Information Other than the Financial Statements and Auditors' Report Thereon *(cont'd)*

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

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

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with the 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.

The directors of the Company are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and 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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF EASTLAND EQUITY BHD.
(Incorporated in Malaysia)
cont'd

Auditor's Responsibilities for the Audit of the Financial Statements *(cont'd)*

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

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

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

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

Baker Tilly Monteiro Heng PLT
201906000600 (LLP0019411-LCA) & AF 0117
Chartered Accountants

Dato' Lock Peng Kuan
No. 02819/10/2020 J
Chartered Accountant

Kuala Lumpur

Date: 19 June 2020

PROPERTIES OWNED BY THE COMPANY AND ITS SUBSIDIARIES

Registered Beneficial Owner	Description and existing use	Location	Tenure	Land Area/ Floor Area	Age of Building (Year)	Net Book Value RM	Date of Acquisition/ Revaluation
Eastern Biscuit Factory Sdn Bhd	2-Level Basement Carpark, 7-Storey Podium Shopping Centre and an 11-storey 4-Star Hotel	Kota Sri Mutiara Jalan Sultan Yahya Petra 15150 Kota Bharu, Kelantan	Freehold	8,068 square metres	22	184,592,000	22/01/2020
Eastern Biscuit Factory Sdn Bhd	Completed condominium 12 units Completed shop lots 20 units	Kota Sri Mutiara Jalan Sultan Yahya Petra 15150 Kota Bharu, Kelantan	Freehold	23,221 square feet	22	4,165,142	22/01/2020
Eastern Biscuit Factory Sdn Bhd	Property development land	Mukim Kuala Lemal Jajahan Pasir Mas Kelantan	Leasehold (Expiring on 22 July 2074)	1,057,020 square feet	N/A	3,025,572	27/04/2009
Eastern Biscuit Factory Sdn Bhd	Completed shop houses 18 units 2-storey	Mukim Kuala Lemal Jajahan Pasir Mas Kelantan	Leasehold (Expiring on 22 July 2074)	29,520 square feet	4	6,812,383	5/15/2016

ANALYSIS OF SHAREHOLDINGS

AS AT 5 JUNE 2020

Issued and Paid-up Capital	:	RM129, 878,659.03 divided into 324,281,570 shares
Class of Shares	:	Ordinary shares
Voting Rights	:	One vote per ordinary share
No. of Shareholders	:	15,120

DISTRIBUTION OF SHAREHOLDINGS AS AT 5 JUNE 2020

Size of Shareholdings	No. of Shareholders	Percentage of Shareholders	No. of Shares	Percentage of Issued Share Capital
1 to 99 shares	7,764	51.35%	324,021	0.10%
100 to 1,000 shares	4,423	29.25%	1,319,951	0.41%
1,001 to 10,000 shares	1,822	12.05%	8,215,179	2.53%
10,001 to 100,000 shares	887	5.87%	31,224,169	9.63%
100,001 to 16,214,078 shares	221	1.46%	216,158,455	66.66%
16,214,079 and above	3	0.02%	67,039,795	20.67%
TOTAL	**15,120**	**100%**	**324,281,570**	**100%**

DIRECTORS' SHAREHOLDINGS AS AT 5 JUNE 2020 (as per Register of Directors' Shareholdings)

	No. of Shares		No. of Shares	
Name of Directors	(Direct)	%	(Indirect)	%
Lee Chee Kiang	25,236,200	7.78	-	-
Tan Chin Hong	-	-	18,333,928*	5.65
Eric Wee Ei-Mas	41,000	0.01	-	-
Phang Kiew Lim	-	-	-	-
Mohamed Akwal Bin Sultan Mohamad	-	-	-	-
Masleena Binti Zaid	-	-	-	-
Petrus Gimbad *(Tendered notice of resignation on 19 June 2020, effective from 20 June 2020)*	-	-	-	-

* Indirect interest by virtue of his directorship and shareholding in Prestige Pavilion Sdn. Bhd. and Danhwa Holding Sdn. Bhd. and deemed interest by virtue of shares held by his sister, Adeline Tan Wan Chen and his brother, Tan Chin Hao.

ANALYSIS OF SHAREHOLDINGS

AS AT 5 JUNE 2020

cont'd

SUBSTANTIAL SHAREHOLDERS AS AT 5 JUNE 2020 (as per Register of Substantial Shareholders)

Name of Substantial Shareholders	No. of Shares (Direct)	%	No. of Shares (Indirect)	%
Lee Chee Kiang	25,236,200	7.78	-	-
Chung Vei Kiun	24,133,595	7.44	-	-
Prestige Pavilion Sdn. Bhd.	17,670,000	5.45	-	-
Tan Chin Hong	-	-	18,333,928 *	5.66
Tan Chin Hao	84,000	0.03	18,249,928 ^	5.63

* Indirect interest by virtue of his directorship and shareholding in Prestige Pavilion Sdn. Bhd. and Danhwa Holding Sdn. Bhd. and deemed interest by virtue of shares held by his sister, Adeline Tan Wan Chen and his brother, Tan Chin Hao.

^ Indirect interest by virtue of his directorship and shareholding in Prestige Pavilion Sdn. Bhd. and Danhwa Holding Sdn. Bhd. and deemed interest by virtue of shares held by his sister, Adeline Tan Wan Chen.

THIRTY LARGEST SHAREDHOLDERS AS AT 5 JUNE 2020

No.	Name	Shareholdings No. of Shares	Shareholdings Percentage (%)
1	**LEE CHEE KIANG**	25,236,200	7.78
2	**PUBLIC NOMINEES (TEMPATAN) SDN BHD** PLEDGED SECURITIES ACCOUNT FOR CHUNG VEI KIUN (E-KKU/INN)	24,133,595	7.44
3	**CGS-CIMB NOMINEES (TEMPATAN) SDN BHD** PLEDGED SECURITIES ACCOUNT FOR PRESTIGE PAVILION SDN BHD (MY1661)	17,670,000	5.45
4	**LEE WAI MUN**	14,904,000	4.60
5	**CARTABAN NOMINEES (TEMPATAN) SDN BHD** EXEMPT AN FOR STANDARD CHARTERED BANK SINGAPORE BRANCH (BJSSHKBR-CL O L)	11,024,000	3.40
6	**NG VUI KEE @ VICKY NG**	10,766,900	3.32
7	**RHB NOMINEES (TEMPATAN) SDN BHD** PLEDGED SECURITIES ACCOUNT FOR MAYLEX VENTURES SDN BHD	10,025,930	3.09
8	**CIMSEC NOMINEES (TEMPATAN) SDN BHD** CIMB FOR CHU SHENG TAUR (PB)	9,119,533	2.81
9	**MAYBANK NOMINEES (TEMPATAN) SDN BHD** PLEDGED SECURITIES ACCOUNT FOR RICKOH CORPORATION SDN BHD	9,000,000	2.78
10	**CITIGROUP NOMINEES (TEMPATAN) SDN BHD** EXEMPT AN FOR BANK OF SINGAPORE LIMITED (LOCAL)	8,844,000	2.73
11	**CIMSEC NOMINEES (TEMPATAN) SDN BHD** CIMB FOR CHU JAN TOW (PB)	8,734,813	2.69
12	**MELVINYEO KIANDEE**	8,607,500	2.65
13	**CHONG OI LING**	7,678,000	2.37

ANALYSIS OF SHAREHOLDINGS
AS AT 5 JUNE 2020
cont'd

THIRTY LARGEST SHAREDHOLDERS AS AT 5 JUNE 2020 *(cont'd)*

No.	Name	Shareholdings	
		No. of Shares	Percentage (%)
14	**CHEW KENG SIEW**	6,680,000	2.06
15	**MAYBANK NOMINEES (TEMPATAN) SDN BHD** PLEDGED SECURITIES ACCOUNT FOR THONG MENG CHIL	6,480,400	2.00
16	**MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD** PLEDGED SECURITIES ACCOUNT FOR MARY TAN @ TAN HUI NGOH (STF)	6,140,400	1.89
17	**POH SHIOW WOAN**	5,078,521	1.57
18	**WI SHEO KEOW**	4,628,800	1.43
19	**TEY CHEE THONG**	4,067,100	1.25
20	**ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD** PLEDGED SECURITIES ACCOUNT FOR GOLDMATRIX RESOURCES SDN BHD (MU004)	3,852,200	1.19
21	**LING HUNG TAH**	2,588,600	0.80
22	**CGS-CIMB NOMINEES (TEMPATAN) SDN BHD** PLEDGED SECURITIES ACCOUNT FOR HII JOON TECK (MQ0439)	2,571,100	0.79
23	**PUBLIC NOMINEES (TEMPATAN) SDN BHD** PLEDGED SECURITIES ACCOUNT FOR WI KIM SWEE (E-KKU/INN)	2,258,700	0.70
24	**WAQAF AN-NUR CORPORATION BERHAD**	2,250,000	0.69
25	**LIM HONG SANG**	2,161,400	0.67
26	**UNIVERSAL TRUSTEE (MALAYSIA) BERHAD**	1,918,032	0.59
27	**WONG YAPP FAH @ CECELLIA WONG**	1,886,700	0.58
28	**WONG LUN LEONG @ HELEN**	1,778,300	0.55
29	**CGS-CIMB NOMINEES (TEMPATAN) SDN BHD** PLEDGED SECURITIES ACCOUNT FOR CHONG OI LING (MQ0441)	1,550,000	0.48
30	**AMSEC NOMINEES (TEMPATAN) SDN BHD** PLEDGED SECURITIES ACCOUNT FOR TAN KOK AUN	1,463,200	0.45
	Total	**223,097,924**	**68.80**

http://www.eeb.com.my/

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