ANNUAL REPORT 2019

PROTASCO BERHAD

200101012322 (548078-H)

SYNERGISING FOR SUSTAINABILITY

OUR MISSION

SHAREHOLDERS
To be a multi billion dollar company in terms of market capitalisation

PROCESS
To practise good corporate governance and operational excellence

CUSTOMERS
To exceed customer expectations

SOCIETY
To build and support sustainable communities

TECHNOLOGY
To improve efficiency and competitive advantage through innovative technologies

EMPLOYEES
To become the employer of choice for the right talents

OUR VISION

To be an internationally acclaimed conglomerate ensuring growth and delivering value for a better quality of life

CORE VALUES

RESULT ORIENTED
- Stretch - Good to great
- Innovate
- Commitment

KNOWLEDGE DRIVEN
- Knowledge sharing
- Continual education
- Career development

OWNERSHIP
- Accountable for outcomes
- Passionate in task execution
- Take pride - I Am Protasco

INTEGRITY
- Do the right thing
- Trustworthy
- Transparent

CUSTOMER FOCUSED
- Wow them
- Create value
- Respect

TEAMWORK
- Robust communication
- Committed to team decisions
- Active participation

DIGITAL VERSION OF ANNUAL REPORT 2019

Access the digital version of Annual Report 2019 by scanning the QR Code in 3 easy steps:

Download the "QR Code Reader" on App Store or Google Play.

Run the QR Code Reader app and point your camera to the QR Code.

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www.protasco.com.my

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COVER RATIONALE

The cover design is inspired by Protasco's resilience in the face of a difficult operating environment. The diamond that is significant to Protasco Berhad's logo and its various business segments, is integrated to form a pole vaulter. The whole image symbolises how our entire organisation has come together to rise to the challenge. Each business segment in the Group needs to address its challenges and remain united to overcome formidable barriers.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Sri Ir Chong Ket Pen
Executive Chairman

Dato' Ir Kenny Chong Ther Nen
Group Managing Director

Dato' Sri Su-Azian @ Muzaffar Syah Bin Abd Rahman
Executive Director

Dato' Tan Yee Boon
Independent Non-Executive Director

Ir Tan Heng Kui
Non-Independent Non-Executive Director

Suhaimi Bin Badrul Jamil
Independent Non-Executive Director

Tham Wei Mei
Independent Non-Executive Director

Celine Chan Hooi Li
Independent Non-Executive Director

COMPANY SECRETARIES

Khor Hooi Ling
(MAICSA 7014879)

Seow Fei San
(MAICSA 7009732)

REGISTERED OFFICE

802, 8th Floor, Block C
Kelana Square
17, Jalan SS7/26
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel : 603 7803 1126
Fax : 603 7806 1387

PRINCIPAL OFFICES

Corporate Office
Unipark Suria
Jalan Ikram-Uniten
43000 Kajang
Selangor Darul Ehsan
Malaysia
Tel : 603 8738 3388
Fax : 603 8926 4008

Kuala Lumpur Office
87, Jalan Kampung Pandan
55100 Kuala Lumpur
Malaysia
Tel : 603 9286 4050
Fax : 603 9284 8118
Web : www.protasco.com.my
Email : ccd@protasco.com.my

REGISTRAR

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

PRINCIPAL BANKERS

UOB (Malaysia) Berhad
RHB Bank Berhad
AmBank (M) Berhad
OCBC Bank (Malaysia) Berhad

AUDITORS

Crowe Malaysia PLT
201906000005
(LLP0018817-LCA) & AF 1018
Chartered Accountants
Level 16, Tower C
Megan Avenue II
12, Jalan Yap Kwan Seng
50450 Kuala Lumpur
Malaysia

STOCK EXCHANGE LISTING

Main Board
Bursa Malaysia Securities Berhad
Listed Since : 8 August 2003
Stock Name : PRTASCO
Stock Code : 5070

CORPORATE STRUCTURE

PROTASCO BERHAD
200101012322 (548078-H)

100% PROTASCO DEVELOPMENT SDN BHD

100% De Centrum Development Sdn Bhd
100% De Centrum Land Sdn Bhd
100% Protasco Land Sdn Bhd
- 100% Protasco Land SA (Pty) Ltd

100% Sun Rock Development Sdn Bhd
100% Jalur Saujana Sdn Bhd
100% DC Resort Homes Sdn Bhd
(formerly known as De Centrum Retail Sdn Bhd)

100% PROTASCO TRADING SDN BHD

100% QP Industries Sdn Bhd
100% QP Trading Sdn Bhd

100% IKRAM GREENTECH SDN BHD

90% i2 Energy Sdn Bhd
68% Solarcap Sdn Bhd
(formerly known as HCM KI Engineering Sdn Bhd)
44% i2 Solarpark One Sdn Bhd

100% HCM ENGINEERING SDN BHD

78% HCM Arabia Sdn Bhd
70% Permint Granite - HCM Sdn Bhd
60% HCM - Molek JV Sdn Bhd
60% HCM Kijang Sdn Bhd
51% Roadcare (M) Sdn Bhd
51% Empayar Indera Sdn Bhd
49% KPS - HCM Sdn Bhd
30% DAL HCM Sdn Bhd
30% PJP Barisan HCM JV Sdn Bhd

100% KUMPULAN IKRAM SDN BHD

100% Ikram Education Sdn Bhd
100% Ikram Engineering Services Sdn Bhd
100% Ikram QA Services Sdn Bhd
100% Ikram Paves Sdn Bhd
60% Kumpulan Ikram (Sabah) Sdn Bhd
51% Kumpulan Ikram (Sarawak) Sdn Bhd
30% Ikram Premier Consulting Sdn Bhd
30% Ikram Engineering Consulting Sdn Bhd

Note: This structure depicts main operating subsidiaries and associate companies only.

QUICK FACTS 2019

CONSTRUCTION

Undertakes building and infrastructure works as well as construction, rehabilitation and upgrading of roads

Projects

- Overhead motorcycle bridge at motorcyle lane of federal road, Jalan 222, Petaling Jaya
- Park Inn by Radisson Putrajaya
- PPAM Larai and PPAM Saderi in Putrajaya
- Unipark Apartments at De Centrum City
- Infrastructure works for the development of Pulau Indah Industrial Park
- Road connection work at Old Klang Road - New Pantai Expressway
- Asian Football Confederation Annex Building, Bukit Jalil
- Upgrading of road from Utan Aji, Perlis to Changlun, Kedah Jalan Alor Setar - Kuala Nerang - Durian Burung, Kedah
- Rehabilitation and upgrading works for Tripoli - Garian Road Project in Libya

PROPERTY DEVELOPMENT

Developing De Centrum City, a mixed development property project on a 100-acre land at South Kuala Lumpur

Award

- Best Mixed Development Award 2015
- Best Boutique Lifestyle Development 2016

MAINTENANCE

- Provides total road maintenance solutions
- Currently maintains **7,958 km** of Federal Roads, **13,458 km** of state and rural roads awarded through 2 Federal Road Maintenance agreements and 4 long term contracts, lasting through 2028

Promotes the use of sustainable technology through in-situ recycling technology such as the Cold In-Place Recycling

EDUCATION

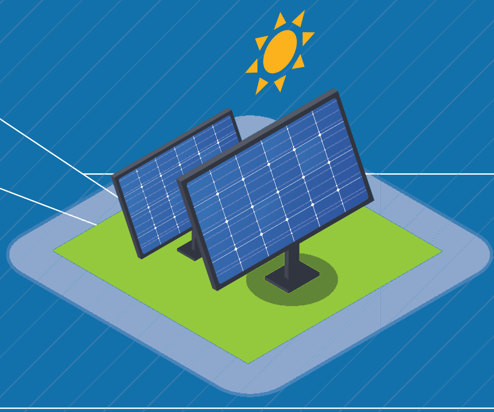
- Established as a college more than **20 years** ago, Infrastructure University Kuala Lumpur (IUKL) became a full-fledged university in 2012
- It currently offers an extensive range of academic programmes from arts to sciences and from foundation to PhD level

IUKL has students from almost 50 countries

QUICK FACTS 2019

CLEAN ENERGY

Protasco Berhad has a solar energy division offering world class Engineering, Procurement & Construction (EPC) expertise



- Developing a 6.8MWac Large Scale Solar Farm in Melaka
- Power Purchasing Agreement (PPA) with TNB for 21 years

ENGINEERING & CONSULTANCY SERVICES

Specialises in geotechnical, structural & pavement engineering; forensic engineering services on slopes and slope related structures and management & certification
Has agreements on:
i) Engineering Services & Capacity Building with Datuk Bandar Kuala Lumpur (DBKL)
ii) Engineering Services & Capacity Building with Tenaga Nasional Berhad (TNB)

Projects include

- Geotechnical engineering consultancy and supervision on slope rehabilitation at Bukit Nanas, Kuala Lumpur
- Structural forensic and failure investigation of steel roof collapse at Stadium Sultan Mizan Zainal Abidin, Kuala Terengganu

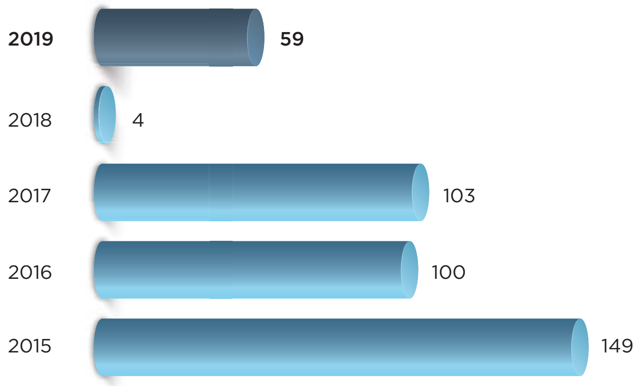
TRADING & MANUFACTURING

- Trading and manufacturing of road and construction related materials
- Installation and commissioning of pavement related materials

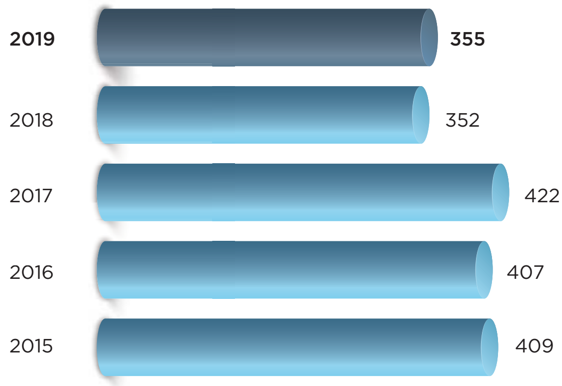
GROUP FINANCIAL HIGHLIGHTS

YEAR ENDED 31 DECEMBER	2015	2016	2017	2018	2019
Turnover (RM'000)	1,305,030	1,110,207	939,277	904,860	**783,703**
Operating Profit/(Loss) (RM'000)	133,058	85,045	88,363	(3,852)	**39,637**
Profit/(Loss) After Tax & Non-Controlling Interest (RM'000)	66,757	42,387	28,063	(48,107)	**6,272**
Earnings/(Loss) Per Share (Sen)	13.97	8.60	5.67	(9.72)	**1.29**
Total Dividend Per Share (Sen)	13.0	6.0	5.5	-	**1.2**
Net Assets Per Share (RM)	1.12	0.93	0.93	0.67	**0.68**

EBITDA (RM'MIL)



SHAREHOLDERS' EQUITY (RM'MIL)



Artist impression of De Centrum City, South Kuala Lumpur

MANAGEMENT DISCUSSION AND ANALYSIS

Dato' Sri Ir Chong Ket Pen
Executive Chairman

REVIEW OF FINANCIAL YEAR 2019 ("FY2019")

The Protasco Group of Companies ("Group" or "Company") has returned to profitability in FY2019 despite lower revenue attributed to the right sizing and cost optimisation exercise implemented since third quarter of 2018.

Consolidated revenue decreased by 13% to RM783.7 million in FY2019 as compared to RM904.9 million in FY2018. The tough economic environment in 2018 especially for construction and property sectors has continued into 2019 and resulted in our Maintenance and Engineering services segments reporting lower revenue. The lower periodic works awarded to the Maintenance segment have also affected the revenue contribution from the Trading and Manufacturing segment as it is the supplier of raw materials to the subcontractors of the Maintenance segment.

For FY2019, the Group registered a profit before taxation ("PBT") of RM30.9 million as compared to a loss before taxation ("LBT") of RM23.9 million in FY2018. This was mainly due to the one-off impairments and write-offs of RM37.8 million of construction portfolio assets in 2018, the positive impact of the right sizing and cost optimisation exercise embarked on since third quarter of 2018, a major factor in the RM33.9 million reduction of operating expenses from RM141.7 million in FY2018 to RM107.8 million in FY2019.

The profit after taxation attributable to the owners of the Company recorded significant improvement to RM6.3 million in FY2019 from a loss after taxation attributable to the owners of the Company of RM48.1 million in FY2018.

The Group's net assets per share and earnings per share improved to 68 sen and 1.29 sen in FY2019 from 67 sen and loss per share of 9.72 sen in FY2018 respectively.

Our cash and cash equivalents remained healthy at RM168.8 million as at the end of FY2019 and our Group's net gearing ratio is at a manageable level of 0.58 times.

REVENUE

RM783.7 MILLION

PROFIT BEFORE TAXATION

RM30.9 MILLION

MANAGEMENT DISCUSSION AND ANALYSIS

SEGMENTAL REVIEW

MAINTENANCE

The Group's maintenance activities are currently being undertaken by the following companies through concessions and long term contracts awarded by the Federal and State Governments:

CONCESSIONS - FEDERAL ROAD MAINTENANCE ("FRM")

A 10-year FRM concession of 7,263km commencing February 2016 by Roadcare (M) Sdn Bhd.

1	Group's equity interest is 51%
2	Routine maintenance - recurring, approximately RM140 million per annum
3	Periodic maintenance and emergency works - based on actual work carried out (estimated to be RM130 million - RM150 million per annum)
4	Covers the states of Selangor, Pahang, Kelantan and Terengganu

A 10-year FRM concession of 751km commencing September 2018 by DAL HCM Sdn Bhd.

1	Group's interest is 30%
2	Routine maintenance - recurring RM24 million per annum
3	Periodic maintenance and emergency works - based on actual work carried out (estimated to be RM10 million - RM20 million per annum)
4	Covers federal roads from Kuching to Lawas in Sarawak

LONG TERM CONTRACTS ("LTC")

1 A 7-year contract followed by a 5-year contract with an extension for another 2 years for 1,959km State Road Maintenance for the State of Perak.

Contract sum: RM126.1 million for 2 years
Date of commencement: 1 January 2013
- Undertaken by Empayar Indera Sdn Bhd where the Group's equity interest is 51%
- LTC expires in December 2024

2 A 2-year contract followed by a 5-year contract with an extension for another 2 years for 13,084km Agriculture Road Maintenance for the State of Perak.

Contract sum: RM90.1 million for 2 years
Date of commencement: 20 February 2017
- Undertaken by Empayar Indera Sdn Bhd where the Group's equity interest is 51%
- LTC expires in February 2024

3 A 5-year contract of Rural Road Maintenance for the State of Terengganu covering approximately 2,500km of roads.

Contract sum: RM49.9 million for 5 years
- Undertaken by Permint Granite-HCM Sdn Bhd where the Group's equity interest is 70%
- LTC expires in April 2022

4 A 10-year contract of State Road Maintenance for the State of Kelantan awarded by Kijang Kuari Sdn Bhd / the State Government of Kelantan covering approximately 2,000km of roads.

Contract sum: RM25.7 million for 2 years or RM129 million for 10 years (contract sum is reviewed every 2 years)
- Undertaken by HCM Kijang Sdn Bhd where the Group's equity interest is 60%
- LTC expires in August 2026

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

Although the Maintenance segment revenue declined to RM434.9 million (FY2018: RM515.8 million) due to less periodic works awarded but PBT increased to RM39.6 million (FY2018: RM38.4 million) due to lower operating expenses incurred as a result of the positive impact of the right sizing and cost optimisation exercise embarked on since third quarter of 2018.

In December 2019, our 30% associate company, PJP Barisan HCM JV Sdn Bhd, was awarded by Jabatan Kerja Raya (Public Works Department), a Performance Based Contract for the Long Term Management and Maintenance of State Roads [Jalanraya Negeri (JRN)] in Sarawak, Package 3 (Mukah Division). The contract period is 10 years, effective from 1 January 2020 until 31 December 2029. The contract sum of approximately RM24.6 million per annum is subject to review every three years with a maximum increase of 7.2% per revision.

SEGMENTAL RISKS

Our road maintenance activities are dependent on numerous factors including the Government's budget for periodic maintenance, the occurrence of events that require additional emergency maintenance and the success of our bids for new and renewal of contracts and concessions. For detailed information about the risks that we face, please turn to our Statement on Risk Management and Internal Control on page 55 of this report.

MAINTENANCE REVENUE

RM434.9 MILLION

MOVING FORWARD

Our Maintenance segment is expected to be the main revenue contributor to the Group in FY2020. The Group is actively pursuing other opportunities to improve the Maintenance segment results.

CONSTRUCTION

FOR FY2019, OUR CONSTRUCTION SEGMENT COMPLETED THE INFRASTRUCTURE WORKS FOR THE DEPARTMENT OF DRAINAGE AND IRRIGATION. THE PERUMAHAN PENJAWAT AWAM MALAYSIA PHASE 2 ("PPAM") PROJECT HAS REACHED 95% COMPLETION AND FULL COMPLETION IS EXPECTED BY EARLY THIRD QUARTER 2020.

Our 49% associate company, KPS-HCM Sdn Bhd, reported PBT of RM2.8 million, principally derived from the infrastructure works for the development of Pulau Indah Industrial Park Phase 3C. As at the end of FY2019, the construction stage has reached 98% completion and full completion is expected by second quarter 2020.

On the overseas front, the construction work for SASEC approach road in Dhaka, Bangladesh is now completed. In Sri Lanka, HCM Engineering Sdn Bhd ("HCM") together with its joint venture partner, Komuthi Engineering Pty Ltd have secured two projects for road rehabilitation and widening valued at RM89.2 million. The projects are on-going in FY2020.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

Turnover for our Construction segment improved marginally from RM288.2 million in FY2018 to RM292.9 million in FY2019. The PBT of RM16.7 million in FY2019 was a substantial improvement as compared to the LBT of RM40.8 million in FY2018 due to the one-off impairments and write-off in FY2018 and the reduction in operating expenses as a result of right sizing and cost optimisation exercise embarked on since third quarter of 2018.

With regards to the road construction work on the Old Klang Road-New Pantai Expressway, HCM had applied for further Extension of Time ("EOT") up to 8 January 2019. Based on the EOT granted up 6 December 2017, HCM has calculated the Liquidated and Ascertained Damages ("LAD") to be RM5.96 million. Notwithstanding our application for further EOT and on prudence ground, we have made full provision for the LAD and we are confident that the EOT will be granted. We have finalised our progress billings and accounts and have submitted to the client for final approval.

SEGMENTAL RISKS

Our construction activities depended on the ability to replenish the order book due to change in government and the general economic climate of the country. Other factors that may affect the profit contribution of our Construction segment include the cost of raw materials, labour and availability. For more detailed information about the risks that we face, please turn to our Statement on Risk Management and Internal Control on page 55 of this report.

MOVING FORWARD

The PPAM will continue in 2020 and is expected to be completed by early third quarter 2020. Meanwhile, HCM and KOP Mantap Berhad will pursue the activation of the PPAM Phase 4 with the new Government. The PPAM Phase 4, with a value of RM443 million was awarded in December 2017 and the Development Agreement was signed in May 2018.

We expect the aftermath economic effect of Covid-19 outbreak, the Movement Control Order ("MCO"), the Conditional MCO and the Recovery MCO from 18 March 2020 to 31 August 2020 to be devastating and will impact our Construction segment business.

Furthermore, The Economic Stimulus Plan 2.0 under the theme "Bolstering Confidence, Stimulating Growth & Protecting Jobs" of RM250 billion may affect the Government's coffers and significantly impair the government's plan to award mega projects and high value construction contracts in 2020.

Nevertheless, our Construction segment will actively continue to pursue opportunities both locally and abroad to replenish its order book.

CONSTRUCTION REVENUE
RM292.9 MILLION

PROPERTY DEVELOPMENT

The overall property market in Malaysia has remained soft since 2018. According to the National Property Information Centre, the number of new launches nationwide for residential market in the first half of 2019 recorded a significant decrease of 49.4% as compared to first half of 2018 with Kuala Lumpur and Selangor recording substantial decrease of 69.3% and 60.1% respectively.

The unsold completed residential units increased at a lower rate of 1.5% in first half 2019 to 32,810 units worth RM19.76 billion as compared to second half 2018 of 32,313 units worth RM19.86 billion. For Kuala Lumpur, the overhang volume rose to 2,799 units worth RM2.64 billion, an increase of 1.1% *(second half 2018 : 2,769 units worth RM2.68 billion)* while Selangor overhang down by 9.7% in volume and 13.6% in value to 4,243 units was worth RM3.63 billion.

High rise residential houses (condominiums and apartments) form bulk of the overhang, representing 42.7% or 14,010 units within the price range of RM200,000 - RM300,000. There were nearly 9,000 units under the affordable housing schemes, formed about 27% of the total.

MANAGEMENT DISCUSSION AND ANALYSIS

In view of the soft property market condition, no new development was launched in FY2019 for De Centrum City. We have also further deferred the launch of our shop offices in Pasir Gudang, Johor and apartments at Telipot in Kota Bharu, Kelantan.

During FY2019, our Property Development segment sold 4 units of its inventories in Block C and D of De Centrum Phase 2A and registered a turnover of RM2.0 million.

Recognising that the demand for houses below RM500,000 outside the Klang Valley remains strong, our Property Development segment, through De Centrum Resort Homes Sdn Bhd ("DCRSB") (formerly known as De Centrum Retail Sdn Bhd) had in March 2019 entered into a conditional Joint Development Agreement ("JDA") with Penmaland Sdn Bhd (Penmaland).

Pursuant to the JDA, Penmaland, being the registered proprietor and the legal and beneficial owner of three contiguous parcels of freehold land measuring approximately 137.08 acres in the District of Tampin, Negeri Sembilan (Tampin Land), shall grant DCRSB the full and unfettered rights to carry out the development on the Tampin Land with an estimated gross development value of approximately RM371.6 million. The transaction was approved by shareholders during the 18th Annual General Meeting held on 30 May 2019.

The conversion process remains pending prior to 29 February 2020 as the conversion of the category of land use of the Tampin Land involves multiple processes, among others, the endorsement by Pejabat Daerah dan Tanah, Tampin as well as the approval by the Majlis Mesyuarat Negeri, Negeri Sembilan.

Hence, DCRSB and Penmaland had vide an exchange of letters dated 27 February 2020 mutually agreeing to extend the Conditional Period which expired on 29 February 2020, for a period of 12 months to 28 February 2021, for Penmaland to fulfill the Conditions Precedent as set out in the JDA.

REVIEW OF OPERATIONS

Our Property segment reported LBT of RM2.7 million on the back of RM6.1 million in revenue. The LBT is attributed to the following factors:

1. No new development launched during FY2019. The revenue generated is from the sale of its current inventories and rental income from its investment properties;
2. Low occupancy in student residence; and
3. Interest costs and depreciation on its investment properties.

SEGMENTAL RISKS

The performance of our Property Development segment is dependent on consumer demand for new units. Factors such as economic conditions and lending policies will have a direct impact on consumer appetite for property investment and by extension, on the contribution from our property sales. Our property activities are also affected by general risk factors. For more detailed information about the risks that we face, please turn to our Statement on Risk Management and Internal Control on page 55 of this report.

MOVING FORWARD

2020 is expected to be another challenging year for the property development industry amid the overall Malaysian economy that has been severely affected by the threat of Covid-19 outbreak, the enforcement of the MCO, the Conditional MCO and the Recovery MCO from 18 March 2020 to 31 August 2020.

With the official announcement by the International Monetary Fund on 27 March 2020, declaring a global economic recession, we expect our country to be severely affected in terms of declining economic output and real income, rising unemployment, bearish stock market, and other adverse indicators.

We hope the situation will improve by the end of 2020 and barring unforeseen circumstances, our Property Development segment is planning to roll out the first phase of development in Tampin Land by end of 2020 and its development in De Centrum City by first half of 2021. We are also planning to move away from the conventional property products by introducing elements of healthcare and retirement homes in our development.

MANAGEMENT DISCUSSION AND ANALYSIS

ENGINEERING AND CONSULTANCY SERVICES

Our Engineering and Consultancy Services segment provides engineering solutions in the area of geotechnical, pavement, structural, material certification and forensic engineering.

Currently we have an agreement with Datuk Bandar Kuala Lumpur ("DBKL"), which is expiring in November 2020 with an option of renewal for another two years. We provide engineering services and capacity building to DBKL, with an average annual turnover of RM10 million, subject to actual consumption by DBKL.

We also have an agreement to provide engineering and capacity building services to Tenaga Nasional Berhad ("TNB"). This agreement is renewable annually, with an average annual turnover of RM10 million subject to actual consumption by TNB.

REVIEW OF OPERATIONS

Our Engineering and Consultancy Services segment posted total revenue of RM37.1 million for FY2019, a decrease of 26% from RM50.1 million in FY2018. LBT increased to RM3.8 million in FY2019 as compared to RM0.8 million in FY2018 due to:

1. The Master Service Agreement with the Government of Malaysia which expired in 29 January 2019, was not renewed; and
2. Less geotechnical and pavement works secured.

SEGMENTAL RISKS

Demand for our Engineering and Consultancy services are dependent on the overall economic environment as a slowing economy would affect any capital expansion and thus the need for our services. For more detailed information about the risks that we face, please turn to our Statement on Risk Management and Internal Control on page 55 of this report.

MOVING FORWARD

The construction industry is expected to be challenging in view of the Government's decision to review mega projects in the country. The demand for engineering consultancy services will be affected.

At Kumpulan Ikram Sdn Bhd, we had initiated the cost optimisation programme in FY2018. This programme involved merging several business units, hive-off of non-profitable units and optimising resources. These initiatives will continue in FY2020 to ensure business sustainability and contribution to the Group.

Meanwhile, we will continue to work with other highway concessionaires to expand our pavement condition assessment and evaluation works.

We expect our Engineering & Consultancy Services segment business to be affected by the Covid-19 outbreak and the MCO as economic activities slow down and economic growth is impaired. This business segment will increase its efforts to is sustain the business and will also consider various business options in line with the economic conditions of the country.

TRADING AND MANUFACTURING

Our trading and manufacturing segment complements and supports our maintenance, construction and property development segments by sourcing and supplying raw materials, equipment and other required resources to these segments and their sub-contractors.

REVIEW OF OPERATIONS

Our trading and manufacturing segment reported lower revenue of RM149.1 million in FY2019 as compared to RM169.0 million in FY2018 due to less periodic works undertaken by the Maintenance Segment. However, the PBT improved from RM1.6 million in FY 2018 to RM2.0 million in FY2019 due to lower impairments required on receivables.

MANAGEMENT DISCUSSION AND ANALYSIS

SEGMENTAL RISKS

Demand for our products is linked to the amount of construction activity by our business partners. For more detailed information about the risks that we face, please turn to our Statement on Risk Management and Internal Control on page 55 of this report.

MOVING FORWARD

Since the Trading and Manufacturing segment is to support our other segments, the prospect of this segment will depend on the Maintenance segment's ability to secure more periodic works as well as the Construction segment implementing its construction activities.

EDUCATION

Our education segment is operated under the brand Infrastructure University Kuala Lumpur ("IUKL").

Being in the education industry for more than 20 years, IUKL has been providing quality education and excellent professional services in various fields. IUKL is among one of the top ranking universities and the only Infrastructure University in Malaysia and we would like to champion ourselves in the area of Infrastructure.

In FY2018, as part of this segment rationalisation and cost optimisation exercise, IUKL had merged certain faculties and also phased out certain programmes that were not profitable. This exercise has enabled IUKL to reduce operating costs in FY2019.

REVIEW OF OPERATIONS

Our Education segment reported total revenue of RM44.4 million in FY2019 as compared to RM50.3 million in FY2018 due to reduction in student population.

The low student population is attributed to stiff competition in private tertiary education, increase in quota of student intake in public universities, and lower allocation of scholarship funding from the government.

Despite reporting decline in revenue, our Education segment managed to achieve a PBT of RM0.5 million in FY2019 as compared to a LBT of RM1.9 million in FY2018 due to lower operating expenses resulting from the rationalisation and cost optimisation exercise.

SEGMENTAL RISKS

The education segment is exposed to competitive risk from other private tertiary institutions and other risks in the form of governmental policies which may be introduced and imposed on tertiary education.

The success of an education institution is dependent on its reputation as well as its ability to attract students, both local and international. For more detailed information about the risks that we face, please turn to our Statement on Risk Management and Internal Control on page 55 of this report.

MOVING FORWARD

With the intense competition from other private tertiary institutions and governmental policies on tertiary education, IUKL realised that the university has to be run in a lean and manageable level. The rationalisation and cost optimisation exercise, which started in FY2018 and continuing in FY2020, will enable IUKL to break-even at lower number of student population. We will continue to market IUKL as a university of choice for Engineering and Architecture courses.

However, the recent Covid-19 outbreak and MCO will certainly pose a challenge to IUKL to sustain, let alone increase, its student population. As the Covid-19 pandemic and lockdown adversely affect the economic activities of many countries including Malaysia, as well as having students from many parts of the world, IUKL expects further challenges in sustaining its financial performance in FY2020.

IUKL will look at various business strategies to overcome the challenges it is likely to encounter given the current and expected economic conditions locally and worldwide.

EDUCATION REVENUE

RM44.4 MILLION

MANAGEMENT DISCUSSION AND ANALYSIS

CLEAN ENERGY

Following the award for the development of large scale solar PV plant of 6.8 MW at Masjid Tanah, Melaka in November 2017, our Clean Energy segment signed a 21-year Power Purchase Agreement with TNB in April 2018. We have secured financing for the construction of the said PV plant in 2019 and commenced construction during the first quarter of 2020. We expect to commence operations by end of 2020.

Our clean energy segment will be participating in the next roll out of large scale solar projects as announced by the Government. We will continue to explore opportunities to participate in more government or private projects, either through direct participation or as EPC contractor.

MOVING FORWARD

The Government forecast that real gross domestic product ("GDP") growth will expand to 4.5% in 2020 on healthy domestic demand while remaining cautious on the uncertainties from the external front mainly from the unresolved trade dispute between the US and China.

The World Bank ("Bank") is projecting a negative economic growth for Malaysia this year amid the Covid-19 crisis, but said the country is likely to recover in the fourth quarter of 2020 before bouncing back into smoother momentum in 2021.

Citing growing uncertainty over the duration and overall impact of the outbreak, the Bank cut its 2020 GDP target for Malaysia to -0.1%, a significant drop from its earlier target of 4.5%.

The Group's right sizing and cost optimisation exercise which started in the third quarter of 2018 has yielded significant benefits in terms of reduction in operating costs of the Group.

Maintenance segment is expected to be the main revenue contributor to the Group. The Group is also pursuing other opportunities to improve its Maintenance and Construction segments.

The Covid-19 outbreak and lockdown/MCO measures taken by the respective countries may cause global economic recession. Its adverse impact will be felt by all for months to come.

The Group is putting countermeasures into action to cushion the expected adverse economic and financial impact of global recession that may hit our business segments in one way or another. Nevertheless, and despite such adverse economic conditions, the Group strives to safeguard the shareholders' interest and work towards profitability in 2020.

The Group will also explore other business opportunities to enhance shareholders' return.

A WORD OF APPRECIATION

On behalf of my fellow Board members, I truly wish to express my sincere appreciation and gratitude to our valued shareholders, customers, business associates, suppliers and bankers for their continued support, invaluable trust and unwavering confidence in the Group over the past years.

I would also like to:

- record our deepest condolences to the family of my predecessor, the late Tan Sri Datuk Dr Hadenan Bin A Jalil on his demise, on 18 September 2019. His invaluable contributions and dedication to the Company will always be remembered;
- further record our deepest condolences to the family of our previous Chief Financial Officer, the late Mr Ho Chun Fuat, who passed away on 18 May 2019. His invaluable contributions and dedication to the Company will always be remembered;
- record our appreciation to Mr Lim Yew Ting, our previous Board member for his invaluable contributions and support to the Company during his tenure as Director of the Company; and
- welcome our new member, Madam Celine Chan Hooi Li, to the Board.

Last but not least, my sincere gratitude and heartfelt thanks to my fellow members of the Board, senior management and all staff for their continued and invaluable support, contributions and commitments in leading the Group to greater heights.

Dato' Sri Ir Chong Ket Pen
Executive Chairman

SUSTAINABILITY REPORT

ABOUT THIS REPORT

The structure and content of this report draw upon guidance from Bursa Malaysia Securities Berhad's Sustainability Reporting Framework. The economic, environmental and social ("EES") performances in the following pages cover data which have been compiled internally for the 12-month period from 1 January 2019 to 31 December 2019. Where available and relevant, historical data of the preceding year has been included for comparison.

Unless otherwise stated, all data is correct as at 31 December 2019.

This report is intended to share our progress, development and improvements relating to sustainability. More specifically, in addition to managing sustainability governance, sustainable product development and environmental stewardship, we also advance our people and partner with the community for balanced development.

This report covers Protasco Berhad, a public listed entity, and its subsidiaries. We have reported on seven segments of Protasco: Maintenance, Construction, Property Development, Engineering & Consultancy Services, Trading & Manufacturing, Education and Clean Energy.

More information on Protasco's segments and subsidiaries can be found in the Corporate Structure section on page 3 of the Annual Report. References to 'Protasco', 'Protasco Group', 'the Company', 'the Group', 'the Organisation' and 'we' refer to Protasco Berhad and/or its segments and subsidiaries.

We are committed to this report and will seek external verification for future reports.

SUSTAINABILITY REPORT

SUSTAINABILITY GOVERNANCE

At Protasco Berhad, sustainability is a fundamental aspect of business. This requires effective governance, leadership and ongoing focus on compliance procedures.

We endeavour to realise this through the formation of the Sustainability Steering Committee ("SSC") which is represented by Heads of Divisions. The mandate of the SSC is to develop sustainable strategies and policies, and to guide decision making efforts for the Group. The SSC also has a monitoring role to ensure Protasco meets both its compliance and sustainable development responsibilities.

SUSTAINABILITY STEERING COMMITTEE	
MEMBERS	**DESIGNATION**
Chairman	Group Managing Director
Vice Chairman	Managing Director
OTHER MEMBERS	
Maintenance	Chief Operating Officer
Property & Construction	Executive Director
Engineering & Consultancy Services	Chief Operating Officer
Trading & Manufacturing	Executive Director
Education	Vice Chancellor
Clean Energy	Executive Director
Group Corporate Office	Executive Director

The SSC is supported by the Sustainability Working Committee ("SWC") and the Divisional Working Committe ("DWC"). With representatives from each Division, their roles include developing and driving the policies and strategies from the SSC with time-bound plans. The DWC members are staff who are directly involved in the day-to-day operations of the division and empowered to drive sustainability.

SUSTAINABILITY WORKING COMMITTEE	
MEMBERS	
Chief Sustainability Officer	
Document Controller Data Collection Data Analysis & Review	Compliance Department
Report Writing	Corporate Communications Department
Representatives From Each Division / Department	

DIVISIONAL WORKING COMMITTEE
MEMBERS
Divisional Sustainability Officer
Coordinator
Document Controller
Data Person-In-Charge
Committee Members

SUSTAINABILITY REPORT

SUSTAINABILITY POLICY

Protasco's approach to sustainability is underscored by its core values and is supported by the following sustainability policy.

"Protasco is a dynamic integrated engineering and infrastructure provider of diverse services. We are driven by engineering excellence to be an internationally acclaimed specialist solutions provider.

Protasco believes in building a better and sustainable future for our stakeholders by developing and contributing towards the people, communities, and nations that we operate in. We continually seek to achieve favourable economic, environmental and social outcomes via our core business divisions. We also seek to ensure that strategic initiatives are systematically crafted, with due attention to our stakeholders, so as to ensure that sustainability remains an integral part of every business practice, process and project undertaken."

SUSTAINABILITY ENGAGEMENT

We have identified our stakeholders that have an impact on our business or may be impacted by our business. This is to ensure an open, transparent and long-lasting relationship with our stakeholders. Our stakeholders consist of a wide range of groups and we strive to deepen our bond with the stakeholders through methods that are tailored specifically to each of our stakeholder group, as summarised below:

STAKEHOLDERS ENGAGEMENT

EMPLOYEES

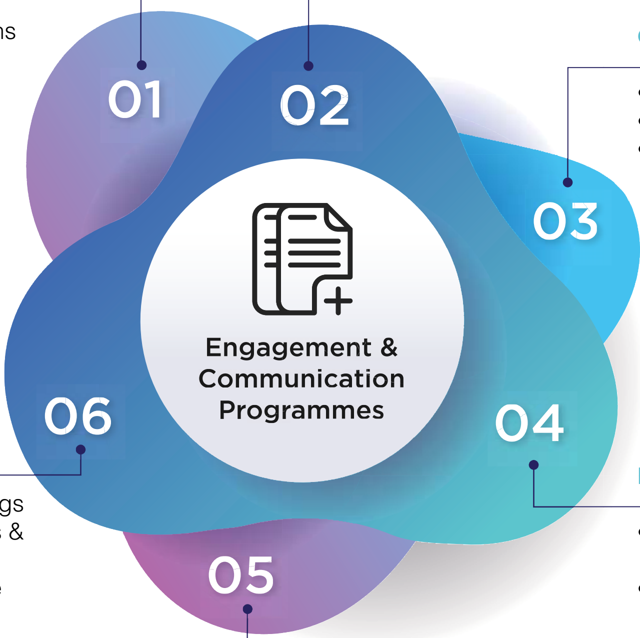
- Department Sharing Sessions
- Briefings / Meetings
- Forums
- Appraisal Sessions
- Newsletters
- Intranet Portals

GOVERNMENT/ LOCAL AUTHORITIES REGULATORS

- Briefings / Meetings
- Dialogues
- Roadshows

COMMUNITY

- Community Programmes
- Sponsorship Programmes
- Seminar for Schools & Education Institutions



CUSTOMERS

- Briefings / Meetings
- Social Gatherings & Activities
- Customer Service Hotlines
- Student Meetings
- Social Media Sites

EXTERNAL PROVIDERS

- Review & Coordination Meetings
- Negotiation Meetings

INVESTORS

- General Meetings
- Briefing to Fund Managers / Analysts
- Media Interviews
- News Releases
- Site Visits
- Investor Relations Website
- Corporate Websites
  www.protasco.com.my
  www.ikram.com.my
  www.roadcare.com.my
  www.decentrum.com.my
  www.protascotrading.com.my
  www.iukl.edu.my

SUSTAINABILITY REPORT

ALIGNMENT WITH THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (SDG)

On 1 January 2016, the 17 SDGs of the 2030 Agenda for Sustainable Development - adopted by world leaders in September 2015 at a historic UN Summit - officially came into force. These 17 Goals seek to abolish extreme poverty, to reduce inequality and injustice and to solve the global climate crisis.

Protasco advocates the comprehensive approach of the SDGs. With infrastructure, specifically road maintenance as our main business contributor, our service and innovations enable us to contribute to the Goals.

SUSTAINING ECONOMIC VALUE

8 DECENT WORK AND ECONOMIC GROWTH

ECONOMIC AND BUSINESS PERFORMANCE

2019 was another tough year for Protasco and many hard decisions were required to be made in order for the Group to achieve economic sustainability. The Group embarked on a right sizing exercise in the third quarter of 2018 and this continued well throughout 2019. This reduced a substantial number of overheads as well as operating expenditure.

Our engineering and consultancy services segment, through Kumpulan Ikram Sdn Bhd ("Ikram") signed a strategic partnership agreement with Geolab Ikram Sdn Bhd ("Geolab") to enable Geolab to acquire the assets of the regional offices of Ikram and jointly bid for jobs leveraging on the 'Ikram' brand.

This exercise will enable Ikram to save approximately RM7.6 million per annum in operating expenditure whilst enabling Ikram to generate income through consultancy and royalty.

Demand for our engineering and consultancy services is dependent on the overall economic environment as a slowing economy would affect any capital expansion and thus our services.

At Ikram, a cost optimisation programme has been initiated. This programme involved merging several business units, hiving of non-profitable ones and optimising resources.

In FY2018, as part of its rationalisation and cost optimisation exercise, the education division under Infrastructure University Kuala Lumpur ("IUKL") had merged several faculties while the Faculty of Architecture & Build Environment was maintained.

SUSTAINABILITY REPORT

- The Faculty of Engineering & Technology Infrastructure, Faculty of Creative Media & Innovative Technology and Faculty of Applied Science & Foundation Studies were merged and renamed Faculty of Engineering, Sciences and Technology.
- The Faculty of Business & Accounting, Faculty of Creative Media & Innovative Technology and Faculty of Arts, Communication & Education were merged and renamed Faculty of Business, Information and Human Sciences.

IUKL WILL CONTINUE TO BE MARKETED AS A UNIVERSITY OF CHOICE FOR ENGINEERING AND ARCHITECTURE COURSES. IUKL HOPES TO CONTINUE TO BE PROFITABLE DESPITE THE GLOBAL CIRCUMSTANCES.

IUKL had also phased out certain programmes that were not profitable. The rationalisation and cost optimisation exercise will enable IUKL to save approximately RM1.4 million per annum in staff costs.

Recognising the intense competition from other private tertiary institutions, IUKL realised that the university had to be managed in a lean and manageable level. The rationalisation and cost optimisation exercise, which started in FY2018, will enable IUKL to break-even at lower student population.

CORPORATE GOVERNANCE

Effective governance and risk management policy and procedure, together with Protasco's core values are vital for achieving long-term success. Compliance Department works closely with our Secretarial in taking the necessary steps to ensure compliance to the Malaysian Code of Corporate Governance ("MCGC") 2017 and adherence to related best practices.

The Board attaches great importance to corporate governance. The Board believes that for the Group to maintain its success, remain competitive and sustainable in the long term, a high standard of governance is indispensable. In this regard, Protasco complies with all legislation and regulations on corporate governance, which are detailed in the section of Overview Statement on Corporate Governance of this Annual Report on page 48.

BUSINESS ETHICS

Protasco conducts its business with integrity and is fully supported by our code of conduct. We practice a culture of openness and honesty guided by our Whistleblowing Policy. In 2019, no case of misconduct had been reported by employees using the whistleblowing channel. In order to avoid conflict of interest, upon acceptance of employment, employees are required to validate standing instructions on business ethics. We recognise the importance of safeguarding personal data and comply with the Personal Data Protection Act ("PDPA") 2010.

SUSTAINABILITY REPORT

REDUCING ENVIROMENT FOOTPRINT

Protasco recognises the importance of protecting the environment and we are dedicated to monitoring our environmental footprint whilst minimising the environmental impact arising from our business operations.

13 CLIMATE ACTION

WASTE

Reducing waste is one of Protasco's on-going initiatives to minimise our environmental impact.

MATERIAL WASTE MANAGEMENT

Our construction division continues to ensure all project sites adhere to the Environmental Regulations (Scheduled Waste) 2005 and ISO 14001:2015 - Environmental Management System. With the certification, the division is able to practise its environmental responsibilities in a systematic manner that contributes to environmental sustainability. This includes the proper management of all its material waste which generally consists of construction waste (i.e. cement bags, crates, etc.) and domestic waste (i.e. paper, boxes, food waste and plastics). The waste is segregated according to its type and disposed of by appointed licensed contractors.

RECYCLING INITIATIVES

The Reduce, Reuse and Recycle ("3R") principles are practiced in Protasco and its subsidiaries and where possible, we eliminate or reduce the use of disposable resources, promote recycling and encourage the reuse of materials.

Protasco's maintenance division is a pioneer in Malaysia in using the Cold In-Place Recycling ("CIPR"), an advanced and environmental friendly technique in treating distressed road pavements. CIPR provides a more cost-effective alternative to pavement rehabilitation for both partial and total construction options. The technique sees the recycling machine scarify the existing pavement layers (to a maximum depth of 500mm) then add either cement or bituminous material or both as stabilising additives before relaying it back on the same pavement area in a single process.

- Cost effective where operations use less manpower and machinery, and a shorter construction time. Saves around 20% of the investment in repair costs.
- Versatile where pavements are now easy to construct through one pass operation, production is highly mobile, and causes less traffic disruption.
- Ecologically friendly where existing material can be reused, causes less air pollution and conserves natural resources (quarry product).

In the offices across the Group, the 3R principle has been a practice with initiatives which include:

- Paperless environment for all meetings
- Duplex printing to avoid waste
- Use of recycled paper and reduce colour printing of internal documents
- All communications are done via email and other online methods
- General and recycling waste bins are provided at designated areas

SUSTAINABILITY REPORT

WASTE AWARENESS CAMPAIGN IN DE CENTRUM CITY

On 14 September 2019, in an effort to increase awareness on the importance of proper waste disposal, Protasco's education division under Infrastructure University Kuala Lumpur ("IUKL") had tied up with Trash Heroes Putrajaya, an NGO that focuses on educating the masses on waste management and awareness. The event gathered more than 50 volunteers to work together collecting trash around the De Centrum City, a 100-acre area where Protasco's main office is located and at the end of the session, the trash collected was audited. The results of the trash audit were; Cigarette butts- 2558, Plastic Grass Trimmer- 387, Plastic Bottle-154, Straw- 66, Cigarette Box- 22, Aluminum Can-15, Plastic Cup-14, Tetrapax-13, Paper Cup-13, Glass Bottle-11, Plastic Spoon and Fork- 5, and Plastic Container-1. The total weight of general waste was 16.15kg and recyclable items was 7.55kg. The grand weight total of waste collected was 23.7kg.

For an area where the surroundings are maintained by cleaners daily, the amount of trash that was still around albeit as small and seemingly insignificant as a cigarette butt reflects the mentality of the public at large. The activity aimed at educating participants that it is every individual's responsibility in taking care of shared spaces, and that waste is everyone's problem.

Recycled Rubber: LGM's Environmental-friendly Paint

Paint made out of rubber is an innovative new product developed by the Malaysian Rubber Institute ("LGM"). As a company that has always prioritised sustainability, Protasco was honoured to have been selected as one of the pioneers to have its corporate block building coated with the environment-friendly paint.

The paint, developed using recycled rubber material, has a vibrant colour and lasts longer without any tendency to fade. It also contains material that is resistant to moulds and harsh weather.

On 13 July 2019, Protasco's building was featured in a special episode of 'Agrotek', a TV programme that showcases innovative products made out of agricultural materials.

SUSTAINABILITY REPORT

ENERGY

The use of significant amount of energy can create negative environmental impact in the form of greenhouse gases (“GHGs”) emissions, whether directly or indirectly, which contributes to global warming.

THE ‘UNPLUG’ CAMPAIGN

At the beginning of 2019, a campaign to educate and create awareness among all staff of Protasco on the impact they can make to reduce phantom energy usage was carried out and everyone was reminded to pull out the plug for their desktop computers from the main socket daily before they leave for home. Besides weekly email reminders, employees were sometimes surprised with either a ‘reward’ for not forgetting to unplug or ‘reprimanded’ with a warning note when they forget. The reward and warning notes were left on their work desks for them to find usually after coming back to the office after a weekend.

The campaign was a success, as at the end of the year 2019, a fair reduction in the total electricity consumption at Protasco Berhad’s corporate block in De Centrum City was noted. The amount consumed was recorded at 355,995.2 kWh as compared to year 2018 at 368,692.4 kWh, a reduction of **12,697.2 kWh**. To understand the significance of the amount, a 100 watt light bulb which uses 0.1 kilowatts each hour, can be lit up for 10 hours to consume 1 kWh of energy. The savings could light more than 12,600 light bulbs of 100 watt through the night. This is highly significant as many people around the globe live in darkness due to the lack of access to electricity.

CORPORATE BLOCK ENERGY SAVINGS

FY2019
355,995.2 kWh

Reduction
12,697.2 kWh

AIR CONDITIONERS are encouraged to be set at ‘Optimum Temperature’ which is between

24°C to **26°C**

ENERGY SAVING POLICY

Energy is an important resource and a major expense for all divisions. We prioritise energy efficiency improvements that counteract rising energy costs and strengthen our competitiveness.

Introducing best business practices help us use energy efficiently, which maximises cost savings. Reducing our consumption leads to lower CO_2 emissions. This approach conserves the environment and provides sustainable business management which helps secure our long-term position.

Energy efficiency is defined as using less energy to provide the same service. At Protasco’s corporate office, lights are turned off during lunch hour. At the same time, air conditioners are encouraged to be set at the ‘optimum temperature’ of between 24° to 26° Celsius. The offices should be cool enough at this temperature for everyone to be comfortable without the need for sweaters. With every degree lowered, the air conditioner will use a significant amount of energy to keep the room cooler than necessary.

Other initiatives to reduce carbon footprint include reducing travelling where possible and encouraging carpooling.

SUSTAINABILITY REPORT

ALTERNATIVE ENERGY

IUKL's main academic block (Block 11) participated in a green energy initiative by tapping a portion of its electricity used from a solar system installed on its roof. The solar system was installed in September 2017 with a total capacity of 185.5kWp.

The system generated **251.601 MWh** in the year 2019 which resulted in an electricity saving of **RM 91,834.36**. This green venture is in-line with the government's initiative of reaching a target of 20% renewable energy sources by year 2030.

The main components of the solar system namely the solar modules and inverters are listed among the Bloomberg tier 1 brands in the world. The solar modules have a 25 year performance warranty which ensures system longevity and long-term electricity savings.

BEYOND ENERGY CONSUMPTION

The Malaysian government's pro-solar policies came into full effect in 2019 under the purview of the Ministry of Energy, Science, Technology, Environment and Climate Change (MESTECC). The policies enable an energy consumer (be it residential, commercial or industrial) to enjoy cheaper energy with solar power either via self-investments aided by government incentives or free with solar leasing companies which invested in solar systems to provide cheaper energy via a power purchase agreement.

Protasco's clean energy division under the brand of i2 Energy entered into multiple strategic alliances with reputable local and international solar leasing companies providing them high value support in engineering, procurement and construction ("EPC") expertise. We have participated and secured multiple tenders alongside our partners. Many of these are being implemented in 2020 and beyond.

We look forward to an exciting 2020 as the construction of our Solar Power Plant begins. We expect the plant to be connected to the grid supplying power in fourth quarter 2020.

SUSTAINABILITY REPORT

WATER

Water is one of the most important resources on earth. Although there is a vast amount of water available, and this never changes in volume, there is only a certain amount of usable water available at a certain point in time. The demand for water is outweighing supply and this is only going to get worse. By not wasting what's available, we can conserve water.

WATER CONSERVATION

At Protasco's corporate office, good water usage habits are encouraged and reminded at all usage points such as the pantries and toilets. Educational posters to remind users to turn off the tap while soaping hands or while cleaning their mugs are made visible to instill good water habits. All pipes and water hoses are checked for leakage frequently to curb any wastage.

RIVER OF LIFE PROGRAMME

Ikram Engineering ("IKRAM"), Protasco's Engineering Division, under Ikram, is proud to be involved with the River of Life programme, an initiative that aims to transform area near the Klang and Gombak Rivers into vibrant and livable water fronts with high economic value.

IKRAM's involvement covers repair works and ensures the stability of the riverbank structure across approximately 10.7 km of the Klang and Gombak Rivers, stretching from Dang Wangi to Mid Valley where micro pile walls and new slabs are being built.

FLOOD MANAGEMENT

Water-related disasters are among the most economically and socially destructive of all natural disasters. Floods, droughts and storms have affected countless people and caused much damage.

Protasco believes that stewardship of flood management is crucial as it involves human safety and can lead to the loss of lives. Our maintenance division under Roadcare Sdn Bhd ("Roadcare") has been supporting and partnering Jabatan Kerja Raya Malaysia ("JKR") with funding, manpower and other necessities such as the usage of vehicles and trucks to transport and assist during flood. Support also includes an Emergency Response Team ("ERT") for areas where Roadcare has its presence.

In December 2019, Roadcare collaborated with JKR as first responders to flood victims in Setiu and Besut in Terengganu. Activities include cleaning up of school compounds and classes as well as contribution of food and other daily provisions to the victims.

SOCIAL : CULTIVATING A HEALTHY AND SAFE WORKPLACE

At Protasco, we pay great attention to the welfare of our employees and local communities. We aim to develop and train our employees while continually and actively nurture local communities. In line with United Nations Sustainable Development Goals (UNSDG), we strive to end all forms of discrimination against women, protect labour rights, secure working environment for employees and to provide affordable and sustainable development.

OCCUPATIONAL HEALTH AND SAFETY

Our Health, Safety and Environment ("HSE") management creates a healthier and safer working environment for all of our employees. At each division, an HSE committee is identified to meet the unique requirement that each distinctive industry demands.

For Protasco's maintenance division under Roadcare, the HSE team adopts guidelines by the Department of Occupational Safety and Health Malaysia ("DOSH") to suit each road maintenance site project.

The maintenance division's HSE committee will meet every quarter, where they will revisit implementation of safe work practices as approved by the Project Safety Plan, to ensure no incident occurs at project sites involving employees and public at large.

The following safety control and measures are also implemented to prevent any incidence from happening:

SAFETY TRAINING PROGRAMME

OCCURRENCE : Yearly

INTERNAL AUDIT

OCCURRENCE : Every 6 Months

TOOLBOX BRIEFING

OCCURRENCE : Daily

SITE HOUSEKEEPING

OCCURRENCE : Weekly

SAFETY WORKPLACE INSPECTION

OCCURRENCE : Every day on site

SITE CAMPAIGN

OCCURRENCE : Yearly

WORKPLACE AND MACHINERY INSPECTION

OCCURRENCE : Start of every project

PROPER TRAFFIC MANAGEMENT PLAN

OCCURRENCE : Reviewed every safety meeting

It is our duty to ensure that any incidence that occurs is reported to DOSH as required by the Occupational Safety and Health Act 1994. For the year 2019, we are happy to note that there was no major accident reported from any road maintenance project sites across Malaysia.

SUSTAINABILITY REPORT

DIVERSITY AND INCLUSIVITY

Protasco is committed to creating a workplace that appreciates diversity and inclusivity. We promote honesty, trust, mutual respect and care for our employees. Our employee breakdown is divided into the following divisions: Construction, Maintenance, Education, Clean Energy, Engineering & Consultancy Services, Trading & Manufacturing, Corporate Office and Property.

- **Employee Distribution**

  We believe the future of our industry is in the hands of the next generation, and we are committed to groom our employees to become the leaders of tomorrow. As shown in Figure 1(a), our employee distribution across different age groups shows that the majority of our employees are within the 30-50 age bracket. We seek to attract the best talents for our Group. Whilst we retain the experienced hires, we also seek to nurture young talents in preparing for the next generation of leaders.

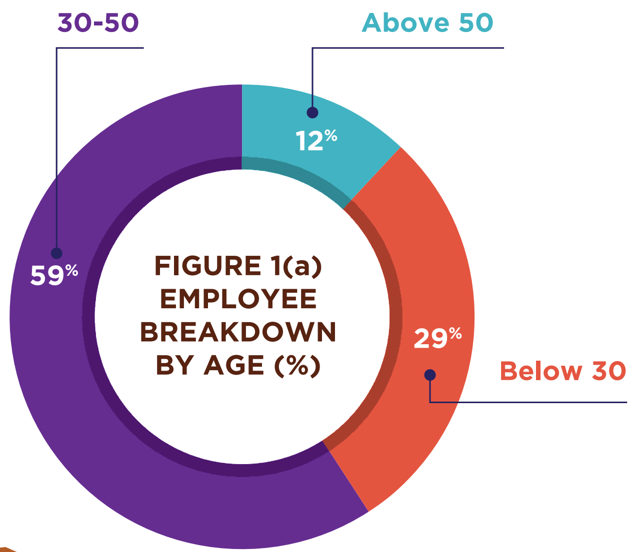
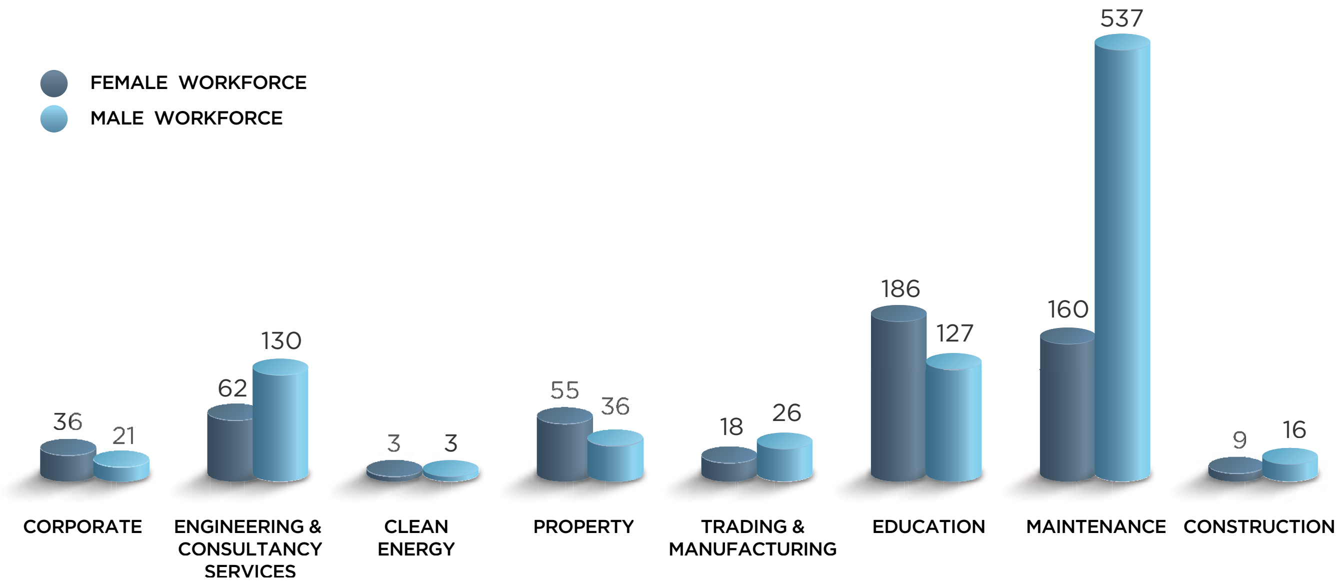


FIGURE 1(a) EMPLOYEE BREAKDOWN BY AGE (%)

SUSTAINABILITY REPORT

GENDER BALANCE AND CELEBRATING WOMEN WORKFORCE

At Protasco, we offer opportunities to all regardless of their gender. As shown in the graph below, we are proud to be gender balanced in companies or divisions where the nature of business does not require high numbers of site workers.



Every March, Protasco fetes our female employees on International Women's Day by donning purple for a fun event. In 2019, the management announced an acknowledgement for pregnant women working at the De Centrum City with 'pink parking' - a specially reserved parking spot as a way to express the company's appreciation to all female employees. This initiative shows that women are empowered at Protasco and that the organisation is committed to all employees.

EMPLOYEE BENEFITS

Our employees are our most valued asset. As such, we continue to invest in them and safeguard their interests. We offer competitive package that helps reward and retain capable talents. We ensure our employees are developed by:

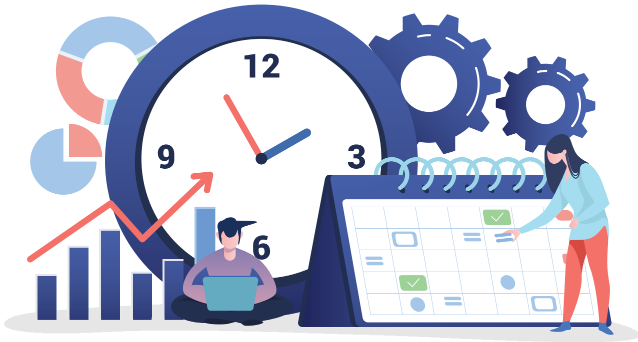
- Motivating employees to perform through performance-based rewards
- Providing employees with comprehensive benefits and competitive remuneration
- Promoting inclusivity and diversity to ensure fairness
- Encouraging employees to upskill themselves through internal and external training programmes
- Providing a conducive and safe work environment for employees
- Engaging employees to improve morale
- Providing an avenue for professional and personal growth

SUSTAINABILITY REPORT

NEW CLOCK-IN TIME INTRODUCED

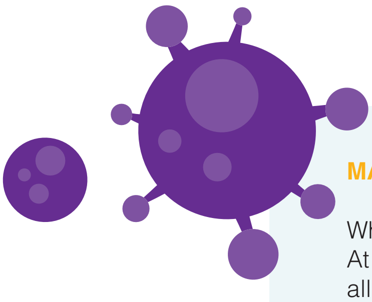
On 1 July 2019, Protasco had announced a small incentive for all employees by adjusting the clock-in time from 8.15am to 8.30am. This adjustment gave the staff an additional 15 minutes to clock in, in the morning.

The decision to amend the working hours is a progressive action by the management to weigh working hours against effective deliveries. This is also a non-monetary reward that Protasco can give the staff.



As technology and work systems improve, staff can still be effective even if they are not in the office. Happy employees are 12% more productive (according to a 2015 study by the University of Warwick).

Another non-monetary reward that was introduced in 2019 was the casual Friday dress code which was welcomed particularly by the younger employees.



MANAGING THE CORONAVIRUS DISEASE 2019 ("COVID-19") OUTBREAK

When the Covid-19 outbreak started in December 2019, no one expected it to be a pandemic. At Protasco, we positioned hand sanitisers at high traffic locations from the onset and advised all employees to frequently wash their hands as preventive measures. The same had been advised to guests of the organisation.

As the disease progressed, Protasco keeps our staff updated with developments and sends timely reminders on ways to stay safe. Our premises are sanitised frequently and all staff are monitored for symptoms prior to entering the office areas.

Work travel is kept to a minimum, and was allowed only if it was highly necessary. Protasco works hard to balance running the business as efficiently as possible without compromising employees' safety.

At the time of this report, the number of Malaysians affected by Covid-19 is worrying. The government has taken serious measures to curb the uptrend by calling out for a Movement Control Order. As a responsible company, Protasco has enabled all staff to work from home and all meetings or communications are done digitally - an excellent opportunity to encourage a no paper culture. The non-travel requirement also reduces carbon footprint as well as petrol consumption.

However, as the wellbeing of the global community continues to be compromised by the pandemic, Protasco wishes for everyone's safety above all else.

SUSTAINABILITY REPORT

SOCIAL : COMMUNITY ENGAGEMENT

1 NO POVERTY | 2 ZERO HUNGER | 3 GOOD HEALTH AND WELL-BEING

We continue to engage with local communities where we have presence with various programmes. The table below illustrates our engagement with local communities in 2019.

Division / Company	Programme	Stakeholder
Education / IUKL	Majlis Agihan Bantuan Zakat	Low-Income Protasco Staff
Education / IUKL	Charitable Activity with Residents of Pusat Jagaan Kanak-kanak Miskin Nor Aini	Community
Maintenance / Roadcare	'Coffee Break' Road Safety Campaign in Partnership with JKR	JKR Road Users
Corporate Office / Protasco Berhad	Festive Celebration for Elderly Occupants of Mesra Home with Volunteers of Protasco	Community Internal Stakeholders
Maintenance / Roadcare & DAL HCM	Presentation of 15 Cows for Majlis Qurban Perdana Daerah Lawas, Sarawak	Community KKR
Maintenance / Roadcare	Qurban Contribution to Kelantan and Pahang State Offices	Community Local State Legislature
Maintenance / Permint-Granite	Qurban Contribution to Dun Rhu Bendang	Community Local State Legislature
Education / IUKL	Qurban Gotong Royong at Masjid Ikram	Internal Community Surrounding Community

BOARD OF DIRECTORS

Dato' Sri Ir Chong Ket Pen
Executive Chairman

Dato' Ir Kenny Chong Ther Nen
Group Managing Director

Dato' Tan Yee Boon
Independent Non-Executive Director

Dato' Sri Su-Azian @Muzaffar Syah Bin Abd Rahman
Executive Director

BOARD OF DIRECTORS

Suhaimi Bin Badrul Jamil
Independent Non-Executive Director

Celine Chan Hooi Li
Independent Non-Executive Director

Tham Wei Mei
Independent Non-Executive Director

Ir Tan Heng Kui
Non-Independent Non-Executive Director

PROFILE OF DIRECTORS

DATO' SRI IR CHONG KET PEN

Executive Chairman

Malaysian | 65 | Male

Term of Office
Director of Protasco Berhad since 18 May 2001

Board Committee
None

Education & Qualification
- Registered Chartered Engineer with the United Kingdom's Engineering Council, 1987
- Member of the Institution of Civil Engineers, United Kingdom, 1985
- Member of the Institute of Engineers Malaysia (IEM), 1984
- Registered Professional Engineer with the Board of Engineers Malaysia (BEM)
- Master of Philosophy (Civil Engineering) degree, University Of Birmingham, United Kingdom, 1990
- Bachelor of Engineering (Honours) degree from the University of Malaya, 1979

SKILLS & EXPERIENCE

Dato' Sri Ir Chong Ket Pen is the founder of Protasco Berhad Group of Companies. He is a road pavement specialist with extensive experience in the evaluation, design, construction and maintenance of roads and pavements.

Upon graduating from the University of Malaya in 1979, he joined the Public Works Department of Kelantan (JKR Kelantan) as a Road Design Engineer. He was then promoted to the post of Project Engineer where he supervised the construction of roads and bridges in southern Kelantan. Equipped with invaluable design and site experience in roads and bridges, he was then transferred to the Design and Research Branch of the JKR Headquarters to became a Senior Research Engineer.

He pursued a Master's degree at the University of Birmingham while carrying out research works in the field of pavement engineering, before being conferred a Master of Philosophy (Civil Engineering) degree in 1990.

In 1991, he left the public sector and established Protasco Berhad.

Dato' Sri Ir Chong Ket Pen was appointed the Executive Chairman of Protasco Berhad on 1 January 2020.

OTHER PUBLIC COMPANY DIRECTORSHIP & OFFICES

Dato' Sri Ir Chong is currently the President of the KL-Selangor Hopo Association, Deputy President of the Federal Hopo Association of Malaysia, Chairman of the Malaysia Hopo Cultural Foundation and also the Vice President of the KL-Selangor Chinese Assembly Hall.

PROFILE OF DIRECTORS

DATO' IR KENNY CHONG THER NEN

Group Managing Director

Malaysian | 39 | Male

Term of Office
Director of Protasco Berhad since 1 January 2020

Board Committee
None

Education & Qualification
- Professional Engineer, Board of Engineers Malaysia (BEM), 2010
- Corporate Member, Institute of Engineering, Malaysia (IEM), 2010
- A member of the Institute of Engineers, Australia, 2004
- Master of Engineering Science, University of Melbourne, Australia, 2005
- Bachelor of Civil Engineering (Honours), University of Melbourne, Australia, 2003

SKILLS & EXPERIENCE

Upon graduating with a Master in Engineering in 2005, Dato' Kenny was employed by VicRoads Australia as a Senior Pavement Engineer in Technical Consulting until 2008.

At VicRoads, he was exposed to design and supervision works for road pavements. In addition, he was also the principal engineer tasked to develop a condition assessment module for most of the major freeways in the state of Victoria.

Upon returning to Malaysia, he joined Kumpulan Ikram Sdn Bhd's Infrastructure Research & Development Center (IRDC) as a Senior Engineer. He was involved in geotechnical and pavement design works and various research works.

He was promoted to Director at Ikram Centre of Excellence for Sustainability & Green Technology (ICSG) where he drove the organisation's green technology thrust, which saw the implementation of sustainability best practices such as the 3R policies, reducing energy consumption across the group and setting up of a recycling collection centre in De Centrum City.

In 2012, he became the Special Assistant to the Group Managing Director of Protasco Berhad, where he assisted in enhancing operation and business development efforts.

Thereafter, Dato' Kenny assumed greater responsibilities when he was appointed Executive Director for International Business & Property Development Division of Protasco Berhad in 2013. He was promoted to Managing Director of Protasco Berhad's Property & Infrastructure Division in 2014. Under his helm, the Division secured several government housing projects, specifically the Projek Perumahan Penjawat Awam that had a contract value of close to RM1billion.

Prior to his appointment as the Group Managing Director of Protasco Berhad on 1 January 2020, he was the Managing Director responsible for the Construction Division, Property Division, Trading & Manufacturing Division, Corporate Security and Special Projects.

OTHER PUBLIC COMPANY DIRECTORSHIP & OFFICES

None

Dato' Ir Kenny Chong Ther Nen is the eldest son of Dato' Sri Ir Chong Ket Pen, Executive Chairman who is a major shareholder of Protasco Berhad.

PROFILE OF DIRECTORS

DATO' SRI SU-AZIAN @ MUZAFFAR SYAH BIN ABD RAHMAN

Executive Director

Malaysian | 55 | Male

Term of Office
Director of Protasco Berhad since 16 December 2014

Board Committee
None

Education & Qualification
- Certificate in Business Management, Malay Chamber of Commerce (BBMC), 1988

SKILLS & EXPERIENCE

Dato' Sri Muzaffar Syah brings with him years of invaluable experience in business development.

He was the Chief Executive Officer at Molek Engineering Sdn Bhd from 2001 to 2012. He also served as a Director in GIA Consult Sdn Bhd from 2006 to 2012 and Papan Agro Valley Sdn Bhd from 2007 to 2012.

He is currently the Managing Director of the Maintenance Division of Protasco Berhad and the Managing Director of HCM Engineering Sdn Bhd.

OTHER PUBLIC COMPANY DIRECTORSHIP & OFFICES

None

PROFILE OF DIRECTORS

SUHAIMI BIN BADRUL JAMIL

Independent Non-Executive Director

Malaysian | 57 | Male

Term of Office
Director of Protasco Berhad since 16 December 2014

Board Committee
Chairman of the Audit Committee

Education & Qualification
- Chartered Accountant (Malaysia) with the Malaysian Institute of Accountants
- Fellow of CPA Australia
- Master of Business Administration from Deakin University, Australia, 2004
- Graduate Diploma in Accounting, Australian National University, 1986
- Bachelor of Economics (with specialisation in Accounting), Australian National University, 1985

SKILLS & EXPERIENCE

Suhaimi possesses invaluable experience and skills in leadership, corporate transformation, value management, corporate finance, corporate restructuring, risk management, turnaround management, cross border investments in South East Asia, mergers & acquisitions and strategic management.

He started his career with an international Chartered Accounting firm in the audit and financial consulting department. He then joined the corporate sector and held various senior positions such as Group Financial Controller, Group General Manager and finally as Group Executive Director for a Malaysian conglomerate whose activities included property development, transportation, insurance and banking, plantation, construction, manufacturing and investment holdings.

He has held various board directorships in public listed companies as well as licensed financial institutions. Among the companies in which he was a board member were MEMS Technology Berhad as Chairman of the Board, Petra Energy Berhad, Credit Corporation (M) Berhad, MIMB Investment Bank Berhad, Gadek Capital Berhad, SPK-Sentosa Corporation Berhad, Intrakota Consolidated Berhad, eB Capital Berhad and SJ Kumpulan Berhad. He was also an Executive Director with Ferrier Hodgson MH and Baker Tilly MH.

OTHER PUBLIC COMPANY DIRECTORSHIP & OFFICES

None

PROFILE OF DIRECTORS

DATO' TAN YEE BOON

Independent Non-Executive Director

Malaysian | 45 | Male

Term of Office
Director of Protasco Berhad since 18 January 2013

Board Committee
- Chairman of the Nomination & Remuneration Committee
- A member of the Audit Committee
- A member of the Board Risk Management Committee

Education & Qualification
- Admitted as an Advocate & Solicitor, High Court of Malaya, 1999
- Certificate of Legal Practice from Malaysia, 1998
- Bachelor of Law (Honours) degree from University of South Wales, 1997

SKILLS & EXPERIENCE

Dato' Tan Yee Boon possesses more than 19 years of experience in contentious and non-contentious legal matters with specialisation in corporate, commercial, litigation and advisory works.

In recent years, Dato' Tan Yee Boon has focused more on matters such as initial public offering, transactions involving public listed companies, mergers and acquisitions and has acted for various listed companies in matters relating to listing rules and the Takeover Code.

He also has vast experience in compliance and advisory works for listed companies in Malaysia as well as general commercial work such as corporate restructuring and cross-border.

OTHER PUBLIC COMPANY DIRECTORSHIP & OFFICES

He is a Director of Central Global Berhad and Binasat Communications Berhad. He is also Director of companies listed on the Hong Kong Stock Exchange being China Dynamic Holdings Limited and TIL Enviro Limited.

PROFILE OF DIRECTORS

IR TAN HENG KUI

Non-Independent Non-Executive Director

Malaysian | 63 | Male

Term of Office
Director of Protasco Berhad since 10 December 2012

Board Committee
- Chairman of the Board Risk Management Committee
- A member of the Nomination & Remuneration Committee

Education & Qualification
- Professional Engineer registered with the Board of Engineers Malaysia (BEM)
- Chartered Engineer with the Engineering Council, United Kingdom
- Honorary Fellow with the ASEAN Federation of Engineering Organisation (AFEO)
- Bachelor of Science (Honours) degree in Civil Engineering from the University of Wales, United Kingdom, 1981

SKILLS & EXPERIENCE

Ir Tan Heng Kui has more than 30 years of practical experience in the local engineering industry, mainly in water resources and waste water engineering projects.

His other professional and community services include holding various positions such as National Vice President of the Institution of Engineers Malaysia (IEM) from 1999 to 2004; President of Sabah Engineers Association and President of the Rotary Club of Likas Bay. He was also the Chairman of IEM Sabah Branch from 1995 to 1997; Chairman of the IEM Arbitration Nomination Committee and also the IEM Professional Practice Standing Committee from 1999 to 2004.

Ir Tan Heng Kui was a member of the Professional Practice Committee of BEM from 2001 to 2004 and a member of Dewan Bandaraya Kota Kinabalu High Risk Building Committee from 1995 to 2002.

In 2015, he was conferred the Honorary Fellow of the Asean Federation of Engineering Organisations in recognition of his contribution to the engineering communities.

OTHER PUBLIC COMPANY DIRECTORSHIP & OFFICES

Ir Tan Heng Kui has been a Director of Press Metal Aluminum Holdings Berhad since 2001. In 2017, he was appointed the Honorary Consul of the Czech Republic for Sabah.

PROFILE OF DIRECTORS

THAM WEI MEI

Independent Non-Executive Director

Malaysian | 53 | Female

Term of Office
Director of Protasco Berhad since 1 January 2018

Board Committee
- A member of the Nomination & Remuneration Committee

Education & Qualification
- Degree in Mass Communications, Universiti Sains Malaysia

SKILLS & EXPERIENCE

Tham Wei Mei has over 28 years of experience in the fields of mass media, communications, journalism, marketing, publishing and public relations, having served companies locally and abroad.

Her career started in Jakarta before she headed to Cambodia. Based in Phnom Penh, she was a journalist and Assistant Bureau Chief for The Cambodia Times newspapers which were published in English and Khmer languages.

While in Cambodia, Tham Wei Mei was also the principal writer and key servicing person to manage the publishing of a United Nations newsletter, called The Peacekeeper.

Upon leaving Cambodia, she returned to Malaysia to serve in a US telco services company with clients in Hong Kong, Singapore, Indonesia and Thailand. She left to set up Alpha Platform Sdn Bhd, a public relations consultancy. With clients from the government, state institutions, multinationals and financial institutions, Tham provides strategic advisory as well as execution of public relations campaigns on some of the country's largest issues.

She has served GLCs, MNCs and government agencies, working on national issues, crisis, lobbying, mergers & acquisitions as well as on corporate exercises. She is also actively involved in social media campaigns.

OTHER PUBLIC COMPANY DIRECTORSHIP & OFFICES

None

PROFILE OF DIRECTORS

CELINE CHAN HOOI LI

Independent Non-Executive Director

Malaysian | 50 | Female

Term of Office
Director of Protasco Berhad since 1 January 2020

Board Committee
- A member of Board Risk Management Committee
- A member of Audit Committee

Education & Qualification
- Degree in Business (Accountancy) from RMIT Melbourne Australia, 1993

SKILLS & EXPERIENCE

Celine was appointed as the Managing Director of Asia Pacific for Webhelp in 2018. She graduated from RMIT Melbourne, Australia with a Bachelor of Business (Accounting). She started her working career as an accountant in one of the major accounting firms before moving into a start-up, a records management company, and growing it into a leading player in Malaysia. She was the CEO of one of the largest share registrar company in Malaysia and CEO & Managing Director of TMF Trustees prior to joining Webhelp APAC.

Celine has more than 20 years of experience in the service industry, in senior management positions in various industries, including logistics, IT & business process outsourcing and capital markets.

OTHER PUBLIC COMPANY DIRECTORSHIP & OFFICES

None

Notes:
- *(i) Save as per disclosed, none of the Directors have any family relationship with each other and with any substantial shareholders of the Company.*
- *(ii) None of the Directors have any conviction for offences, other than traffic offences, for the past five years.*
- *(iii) Other than Dato' Sri Ir Chong Ket Pen and Ir Tan Heng Kui's interests in related party transactions as disclosed in Note 45 on page 152 of the Financial Statements, none of the other Directors have conflict of interest with the Company.*
- *(iv) The Directors' shareholdings in the Company are disclosed in the Analysis of Shareholdings section of the Annual Report. Other than Ir Tan Heng Kui, none of the other Directors hold any shares in the subsidiaries of the Company.*

PROFILE OF SENIOR MANAGEMENT TEAM

DATO' SRI SU-AZIAN @ MUZAFFAR SYAH BIN ABD RAHMAN

Managing Director, Maintenance Division

Malaysian | 55 | Male

Please refer to profile of Board of Directors on page 34.

BENNY CHONG THER VERN

Executive Director,
Engineering, Education & Industries

Malaysian | 37 | Male

Qualification

- Master of Sustainable Energy, RMIT University, Melbourne, Australia, 2011
- Master of Finance, RMIT University, Melbourne, Australia, 2005
- Bachelor of Electronic Engineering (Honours), RMIT University, Melbourne, Australia, 2003
- Graduate Member, Institute of Engineers, Malaysia, 2010

Work Experience

- Executive Director, Protasco Berhad, 2018 (Engineering & Consultancy Services, Education and Clean Energy)
- Executive Director, Group Corporate Office, Protasco Berhad, 2017
- Business Development Consultant, Protasco Berhad & Head of De Centrum Mall, De Centrum Development Sdn Bhd, 2016
- Managing Director, Tutti Frutti Australia Pty Ltd, 2011
- Head of After Sales Service, XiMAX Communications Sdn Bhd, 2009
- Electronic Engineer, XiMAX Communications Sdn Bhd, 2006

Date Appointed To Key Senior Management Position

January 2017

Benny Chong Ther Vern is the son of Dato' Sri Ir Chong Ket Pen, Executive Chairman who is a major shareholder of Protasco Berhad, and sibling of Dato' Ir Kenny Chong Ther Nen, Group Managing Director.

PROFILE OF SENIOR MANAGEMENT TEAM

ALAN LOW KIAN SENG

Executive Director, Group Corporate Office

Malaysian | 49 | Male

Qualification
- Chartered Accountant, Malaysian Institute of Accountants, 2009
- CPA Australia, 2007
- Bachelor of Commerce (Accounting), University of Southern Queensland, Australia, 2001
- Diploma in Business Studies, HELP Institute, 1995
- Third Level Group Diploma in Accounting, London Chamber of Commerce and Industry (LCCI),1991

Work Experience
- Chief Operating Officer, Protasco Berhad, 2020
- Executive Director, Group Corporate Office, Protasco Berhad, 2018
- Chief Operating Officer, Infrastructure University Kuala Lumpur, 2018
- Director, Strategic Planning & Advisory Services, Protasco Berhad, 2017
- Director, Corporate Office, Protasco Berhad, 2016
- Director, International Business, Protasco Berhad, 2013
- General Manager, Protasco Trading Sdn Bhd, 2012
- General Manager, XiMAX Communications Sdn Bhd, 2008
- Senior Manager, QP Industries Sdn Bhd, 2006
- Manager, Operations, Protasco Trading Sdn Bhd, 2003
- Accountant, Kumpulan Ikram Sdn Bhd, 1997

Date Appointed To Key Senior Management Position
January 2013

DENNY CHONG THER SHERN

Executive Director,
Clean Energy Division

Malaysian | 33 | Male

Qualification
- Masters in Environmental Engineering, University of Melbourne, Australia, 2010
- Bachelor of Engineering (Civil), (Honours), University of Melbourne, Australia, 2009

Work Experience
- Director, Ikram Greentech Sdn Bhd, i2 Energy Sdn Bhd, i2 Solarpark One Sdn Bhd, 2017
- Head, Special Projects, Protasco Berhad, 2015
- Technical Head, Special Projects, Protasco Berhad, 2014
- Project Manager, C&H Engineering Consultants Sdn Bhd, 2013
- Project Engineer, C&H Engineering Consultants Sdn Bhd, 2011

Date Appointed To Key Senior Management Position
January 2020

Denny Chong Ther Shern is the son of Dato' Sri Ir Chong Ket Pen, Executive Chairman who is a major shareholder of Protasco Berhad, and sibling of Dato' Ir Kenny Chong Ther Nen, Group Managing Director.

PROFILE OF SENIOR MANAGEMENT TEAM

IR EDWARD KHOO MONG WEI

Executive Director,
Property & Construction Divisions

Malaysian | 42 | Male

Qualification

- Chartered Professional Engineer of Australia (CP Eng), 2007
- Professional Engineer Membership, National Professional Engineering Register, Australia (NPER), 2007
- Professional Engineer Membership, Board of Engineer Malaysia (BEM), 2006
- Professional Engineer Membership, Institute of Engineer Malaysia (IEM), 2006
- Green Building Index (GBI) Accredited Facilitator, 2010
- Bachelor of Engineering (Civil), (Honours), University of Melbourne, Australia, 2000

Work Experience

- Executive Director, Property Development Division, Protasco Berhad, 2013
- Director, Protasco Development Sdn Bhd, 2013
- Project Director, Protasco Development Sdn Bhd, 2009
- Project Engineer, with Cardno Grogan Richards in Melbourne, Australia, 2007
- Project Manager, Mahajaya Berhad, 2004
- Structural Engineer, Sepakat Setia Perunding, 2001

Date Appointed To Key Senior Management Position

January 2009

DATO' RONNIE YAP KEE TIAN

Executive Director,
Trading & Manufacturing Division

Malaysian | 46 | Male

Qualification

- B.A. (Honours) in Business Administration, University of Coventry, United Kingdom, 1995
- Certificate in Business Administration & Higher Diploma in Business Administration, INTI College, Petaling Jaya, 1994

Work Experience

- Executive Director, Protasco Trading Sdn Bhd, 2014
- General Manager, Protasco Trading Sdn Bhd, 2001
- Assistant Manager, Marketing, Protasco Trading Sdn Bhd, 1997

Date Appointed To Key Senior Management Position

July 2001

PROFILE OF SENIOR MANAGEMENT TEAM

DATO' WAN IMRAN BIN WAN OMAR

Chief Executive Officer,
Maintenance Division

Malaysian | 46 | Male

Qualification
- Master of Business Administration (Construction Business), International Islamic University Malaysia, May 2015
- Bachelor in Quantity Surveying, Universiti Teknologi Malaysia, June 1997

Work Experience
- Chief Operating Officer, Maintenance Division, 2015
- Assistant General Manager, Roadcare (M) Sdn Bhd, 2013
- Contracts Manager, Roadcare (M) Sdn Bhd, 2007
- Area Manager Kerteh, Roadcare (M) Sdn Bhd, 2007
- Quantity Surveyor, Roadcare (M) Sdn Bhd, 2006
- Contracts Officer Kelantan, Roadcare (M) Sdn Bhd, 2002
- Senior Quantity Surveyor, Pasir Puteh Development Corporation Sdn Bhd, 2001
- Site Quantity Surveyor, Ranhill Bersekutu Sdn Bhd, 1999
- Assistant Contract Manager, Pengurusan KPRJ Ranhill Sdn Bhd, 1997

Date Appointed To Key Senior Management Position
September 2015

DATO' HAJI MOHD TAUFIK BIN HARON

Chief Executive Officer,
Engineering & Consultancy Services Division

Malaysian | 47 | Male

Qualification
- Bachelor in Civil Engineering, Universiti Putra Malaysia, 1997
- Professional Engineer Membership, Board of Engineers Malaysia (BEM), 2014
- Professional Engineer Membership, Institute of Engineers Malaysia (IEM), 2015

Work Experience
- Chief Executive Officer, Kumpulan Ikram Sdn Bhd, 2019
- Executive Director (Group Business Development), Roadcare (M) Sdn Bhd, 2018
- Executive Director, HCM Engineering Sdn Bhd, 2016
- Chief Operating Officer, Protasco Berhad, 2014
- Chief Operating Officer, Kumpulan Ikram Sdn Bhd, 2013
- Head of Geotechnical Forensic Unit, Kumpulan Ikram Sdn Bhd, 2007
- Senior Engineer, Kumpulan Ikram Sdn Bhd, 2005
- Senior Engineer (Research & Development Centre), Kuala Lumpur Infrastructure University College (KLIUC), 2003
- Geotechnical Engineer, Ikram R&D Centre, 2002
- Geotechnical Engineer, Ikram Runding Sdn Bhd, 2001
- Project Engineer, Geopancar Sdn Bhd, 2000
- Project Manager, Shinei Engineering & Bauer, 1999
- Site Engineer, Bachy Soletanche (M) Sdn Bhd, 1998
- Trainee Engineer, Bachy Soletanche (M) Sdn Bhd, 1996

Date Appointed To Key Senior Management Position
January 2014

PROFILE OF SENIOR MANAGEMENT TEAM

PROFESSOR DR IDERIS BIN ZAKARIA

President & Vice-Chancellor,
Education Division

Malaysian | 67 | Male

Qualification
- PhD (Geotechnical Engineering) University of Sheffield, 1995
- MSc (Civil Engineering) University of Glasgow, 1987
- B Eng (Honours) (Civil), Universiti Teknologi MARA (UiTM), 1981
- Diploma (Civil Engineering), Universiti Teknikal Melaka (UTM), 1976

Work Experience
- President & Vice-Chancellor, IUKL, 2018
- Professor, Infrastructure University Kuala Lumpur (IUKL), 2013
- Vice President / Deputy Vice Chancellor (Academic & Research), IUKL, 2013
- Dean, Faculty of Civil Engineering & Earth Resources, UMP, 2008
- Professor, Universiti Malaysia Pahang (UMP), 2007
- Dean, School of Engineering & IT, UMS, 2004
- Deputy Dean (R&D), School of Engineering & IT, UMS, 2001
- Associate Professor, Universiti Malaysia Sabah (UMS), 2000
- Deputy Dean (Academic) Faculty of Civil Eng, UiTM, 1996
- Senior Lecturer, UiTM, 1996
- HML Consultancy Sdn Bhd, 1996
- Course Tutor Diploma, UiTM, 1995
- Wan Mohamed & Khoo Consulting Engineers, 1990
- Course Tutor Diploma, UiTM, 1988
- Jurutera Konsultant (SEA) Sdn Bhd, 1982
- Perbadanan Pembangunan Bandar (UDA), Kuala Lumpur, 1982
- Lecturer, UiTM, 1981

Date Appointed To Key Senior Management Position
August 2013

FREDDIE CHEONG KAH WANG

Chief Financial Officer

Malaysian | 53 | Male

Qualification
- Chartered Accountant, Malaysian Institute of Accountants, 1993
- Association of Certified and Chartered Accountants, United Kingdom, 1993

Work Experience
- Chief Financial Officer, Vertice Berhad, 2018
- Associate Director, Sierac Corporate Advisers Sdn Bhd, 2012
- Group Financial Controller, Malaysia Pacific Corporation Berhad, 2012
- Project Manager - Finance, Powertek Berhad, 2011
- Head of Finance, Mahmood Security (Malaysia) Sdn Bhd, 2008
- Senior Finance Manager, Ranhill Berhad, 2005
- Financial Controller, Steel Circle Industries Sdn Bhd, 2000
- Finance & Administration Manager, Impsa Asia Sdn Bhd, 1997
- Accountant, Aggreko (Malaysia) Sdn Bhd, 1995
- Accountant, Malayan United Manufacturing Berhad, 1993
- Executive, Pacific & Orient Insurance Company Sdn Bhd, 1989

Date Appointed To Key Senior Management Position
July 2019

Notes:
(i) Save as per disclosed, none of the Senior Management have:
a. any family relationship with any Directors and/or major shareholders of the Company
b. any conflict of interest with the Company
c. any directorship in public companies
(ii) None of the Senior Management have any convictions for offences other than traffic offences within the past five years.
(iii) None of the Senior Management have any public sanction or penalty imposed by the relevant regulatory bodies during the financial year 31 December 2019.

AUDIT COMMITTEE REPORT

COMPOSITION AND ATTENDANCE

The Audit Committee ("AC") comprises of three members, all of whom are Independent Non-Executive Directors.

As at the date of this Annual Report, the composition of the AC is as follows:

Members	Date of Appointment
En Suhaimi Bin Badrul Jamil Chairman (Independent Non-Executive Director)	16 December 2014
Dato' Tan Yee Boon Member (Independent Non-Executive Director)	7 August 2014
Ms Celine Chan Hooi Li Member (Independent Non-Executive Director)	1 January 2020

The current composition of the AC and the qualifications of its members comply with the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad.

The Nomination and Remuneration Committee reviews the terms of office and performance of the AC and each of its members annually to determine whether they have carried out their duties in accordance with their terms of reference.

MEETINGS

The AC meetings were held five (5) times during the financial year ended ("FYE") 31 December 2019 and all of the members attended the meetings.

Members	No. of Meetings Attended
En Suhaimi Bin Badrul Jamil	5/5
Dato' Tan Yee Boon	5/5
Mr Lim Yew Ting (resigned on 1 January 2020)	5/5

The Company's Chief Financial Officer ("CFO") was invited to attend the meetings to facilitate deliberations as well as to provide clarification on external audit issues. The meetings were also attended by the Head of Internal Audit to present internal audit reports and upon invitation, the external auditors to discuss on the Management Letters, Audit Review Memorandum and other matters deemed relevant.

The Company Secretaries act as secretary to the AC. The Company Secretaries shall cause minutes to be entered in the books provided for purpose of recording all resolutions and proceedings of minutes and shall be kept at the registered office of the Company. Such minutes shall be signed by the Chairman of the meeting and if so signed, shall be conclusive evidence. Minutes of each meeting shall also be distributed and presented to the members of the Board at the Board meeting for noting.

The AC, through its Chairman, shall report to the Board at the next Board meeting after each AC meeting.

AUDIT COMMITTEE REPORT

SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

During the financial year 2019, the AC carried out its duties as set out in its Terms of Reference. A summary of work performed by the AC are as follows:

1) Financial Reporting
   a) Reviewed the Group's quarterly unaudited financial results and audited financial statements to ensure compliance with the MMLR, applicable approved accounting standards and other statutory and regulatory requirements prior to recommending to the Board for approval.
   b) Reviewed the impact of any changes to the accounting policies and adoption of new accounting standards as well as accounting treatments used in the financial statements.
   c) Obtained assurance from the CFO that:
      i) appropriate accounting policies had been adopted and applied consistently;
      ii) the going concern basis applied in the audited financial statements and quarterly financial results was appropriate;
      iii) adequate processes and controls were in place for effective and efficient financial reporting and disclosures under the Financial Reporting Standards and MMLR; and
      iv) the relevant financial statements for the financial year ended 31 December 2019 gave a true and fair view of the state of affairs of the Group.

2) External Audit
   a) The AC was briefed by the External Auditors on the Audit Review Memorandum in respect of the audit for the financial year ended 31 December 2018.
   b) The draft Audited Financial Report for financial year 2018 was tabled to the AC for review and deliberation, and recommendations were made to the Board for approval.
   c) The AC reviewed and approved the draft Statement on Risk Management and Internal Control for recommendation to the Board.
   d) The AC conducted an assessment of the External Auditors' performance with regard to their competencies and resources availability, provision of non-audit services, rotation of audit partner and communication with the Management.
      The AC was satisfied with the External Auditors' technical competency and audit independence. As such, the AC agreed to propose for the re-appointment of External Auditors for the next financial year.
   e) The AC held private meetings with the External Auditors twice during the financial year under review on 3 April 2019 and 22 November 2019 without the presence of the Management.

3) Internal Audit
   a) The AC reviewed and approved the Annual Internal Audit Plan for Financial Year 2019 as proposed by the Head of Internal Audit, to ensure the adequacy of resources, coverage and inclusion of risk areas in the scope of review.
   b) The AC reviewed and deliberated on audit reports, follow-up reports, audit recommendations and management responses, prepared by the Internal Audit Department ("IAD") at AC's quarterly meetings.
   c) The AC reviewed the corrective actions taken by the Management in addressing and resolving issues as well as ensuring that all issues were adequately addressed on a timely basis.
   d) The AC reviewed the structure of IAD and adequacy of its resources and budget.
   e) The AC reviewed the AC Report prepared by Head of Internal Audit on 3 April 2019 for inclusion in the Annual Report 2018.
   f) The AC was involved in the selection of the newly appointed Head of Internal Audit, Norirman Bin Nordin who joined the company on 2 December 2019.

4) Related Party Transactions ("RPT")
   a) During the year the AC reviewed and assessed one RPT entered by the Company to ensure that it is in accordance with the RPT Policies and Procedures.
   b) The AC recommended the proposed RPT to the Board for the Board's consideration before recommending to the shareholders for approval prior to the transaction being carried out.

AUDIT COMMITTEE REPORT

INTERNAL AUDIT FUNCTION

The Group's Internal Audit Department reports to the AC and assists the Board in monitoring and managing risks and internal controls.

The principal responsibility of the Internal Audit Department is to undertake an independent, regular and systematic review of the system of internal control so as to provide reasonable assurance that internal controls and risks are satisfactorily monitored and managed within the Group.

The reviews were performed in accordance with the International Professional Practices Framework ("IPPF"). This involved compliance to its code of ethics, commitment to ongoing learning, improvement to its skills and competency and risk-based audit works.

The Internal Audit Department had carried out the following works during the financial year to achieve the above objectives:

i) Reviewing and assessing the effectiveness and adequacy of risk management and internal controls of various operating divisions within the Group;

ii) Conducting special reviews, audits and investigations on an ad-hoc basis as requested by the AC or the Management;

iii) Reviewing and assessing the compliance with the established policies and procedures;

iv) Identifying opportunities to improve the operations and business processes in the Group; and

v) Recommending improvements on the existing internal controls in the Group.

Total costs incurred by Internal Audit Department to discharge its functions and responsibilities in 2019 were approximately RM300,000.

OVERVIEW STATEMENT ON CORPORATE GOVERNANCE

THE BOARD OF DIRECTORS OF PROTASCO BERHAD (THE BOARD) BELIEVES IN GOOD CORPORATE GOVERNANCE PRACTICES IN LINE WITH THE PRINCIPLES, REQUIREMENTS, AND BEST PRACTICES SPECIFIED IN THE MALAYSIAN CODE ON CORPORATE GOVERNANCE 2017 ("MCCG 2017").

THE ROLE AND RESPONSIBILITIES OF THE BOARD

The Board is aware of its accountability to the shareholders and various stakeholders of Protasco Berhad in discharging its duty and regulatory role in building a sustainable business.

The Board is responsible for delivering shareholder value over the long term, through the Group's culture, strategy, values and governance. The Independent Directors have a particular responsibility for challenging the Group's strategy and monitoring the performance of Executive Directors against goals and objectives.

The Board is supported by the Audit, Nomination and Remuneration and Risk Management Committees.

Decisions on operational matters and the day-to-day management of the business are delegated to the Group Managing Director and senior management. This includes implementing group policy and procedures, managing client and contractor services, monitoring financial performance and human resource management.

Board Charter

The Board has adopted a Board Charter which serves as a reference for the Directors.

The Board Charter sets out the roles, functions, composition, operations and processes of the Board which is intended to ensure that all the Board members are fully aware of their obligation in discharging their duties and responsibilities.

The Board Charter is subject to periodic review by the Board to ensure that it remains consistent with the Board's roles and responsibilities, changing needs of the Company as well as any development in the prevailing legislation and practices.

The Board Charter is available for reference at the company's website www.protasco.com.my.

Code of Conduct

A Director's Code of Conduct is set out as the rules and values for the Directors in conducting their duties and responsibilities to the highest ethical standards.

The Director's Code of Conduct is available for reference at the company's website www.protasco.com.my.

Board Information

Board papers containing current quarter results, business plans, proposed projects, business risk, governance and litigation updates are distributed in advance of the meeting to allow Directors to have sufficient time for preparation. The Board received presentations from the Group Managing Director and senior management on issues within the Group.

Company Secretary

Both company secretaries are qualified to act as company secretary under Section 235 of the Companies Act 2016. They are both Associates members of the Malaysia Institute of Chartered Secretaries and Administrators ("MAICSA"). The company secretaries provide support to the Board in fulfilling their fiduciary duties. They are responsible in advising the Board with regards to the Company's constitution, Board policies and procedures, and its compliance with regulatory requirements, codes, guidance and legislations as well as best practices of corporate governance. All Directors have access to the advice and services of the company secretaries. The company secretaries ensure deliberations of Board and Board Committee meetings are well documented and maintained at the registered office of the Company.

OVERVIEW STATEMENT ON CORPORATE GOVERNANCE

Promote Sustainability

The Board recognises that sustainability is an integral part of its business. It supports the environmental, economic and social sustainability in business operations.

For further information, please refer to the Sustainability Report on pages 15 to 29.

The Sustainability Policy is available for reference at the company's website www.protasco.com.my.

Professional Advice

The Company provides the Board with full assistance and gives them complete access to necessary materials and relevant information. Together with proper counsel from qualified company secretaries and others, the Board has been able to discharge its functions properly. The Directors are also encouraged to make verifications and endorsements, and to seek external guidance.

Whistleblowing

The Board encourages employees and associates to report suspected or known misconduct, wrongdoing, corruption and instances of fraud, waste, and abuse involving the resources of the Group.

Whistleblowing Policy enables employees and associates to raise their concerns without fear.

The Whistleblowing Policy is available for reference at the company's website www.protasco.com.my.

The following channels should be used by employees and associates to raise their concerns:

- Via email : whistleblow@protasco.com.my
- In writing to : Chairman of the Audit Committee, Protasco Berhad, 2nd Floor, Corporate Block, Unipark Suria, Jalan Ikram-Uniten, 43000 Kajang, Selangor.
  Tel: 03 8738 3388

Composition of the Board

The Board aims to have diversity of skills, experience, knowledge and gender. The profiles of the Directors are set out on pages 32 to 39. These demonstrate a broad range of experience, expertise and sufficient calibre to bring independent judgement on issues of strategy, performance, resources and standards of conduct, which are vital to the success of the Group.

At present, there are eight members of the Board comprising four Independent Non-Executive Directors, one Non-Independent Non-Executive Director and three Executive Directors.

Appointments and Re-Election of Directors

In compliance with the Company's Constitution, at each Annual General Meeting (AGM), one-third (1/3) of Directors or if their number is not three, the number nearest to one-third (1/3), shall retire from office at least once in three years. The Directors to retire shall be those who have been longest in office since their last re-election or appointment.

The Nomination and Remuneration Committee will assess the Directors who are due for re-election at the AGM based on the result of the annual performance evaluation and will submit its recommendation to the Board for approval.

Board Performance Evaluation

The Board undertakes performance evaluation annually which comprises Board assessment, self-assessment and assessment on board committees. The Chairman of the Nomination and Remuneration Committee will be presented with the analysis of the overall performance evaluation to be deliberated on at the Nomination and Remuneration Committee meetings. The Nomination and Remuneration Committee will access and identify areas which require improvement and recommend them to the Board for action.

OVERVIEW STATEMENT ON CORPORATE GOVERNANCE

Independence

The Board considers that, notwithstanding their interests in the shares of the Company as set out in the Directors Interest on page 65 of the Directors' Report, all of the current Independent Directors are independent of the Management of the Group and are free from any business or other relationship that could materially interfere with the exercise of their independent judgement.

Pursuant to the Succession Planning Policy of the Company, the tenure of an Independent Director is capped at nine years of continuous service. In the event the Board intends to retain any Director as an Independent Director who has served beyond a consecutive or a cumulative term of nine years, the Board should justify and seek approval from the shareholders at the Company's AGM.

At the date of the Annual Report, none of the four Independent Directors have served the Company for more than a cumulative term of nine years.

Chairman and Group Managing Director

The roles of Executive Chairman and Group Managing Director are held by separate persons and have different responsibilities as set out in the Board Charter.

The Board is led by the Executive Chairman who is accountable for ensuring the effectiveness of the governance process of the Board. He provides leadership and ensures all strategic and critical issues are discussed by the Board in a timely manner. The Group Managing Director is responsible for the management of the Group's business, decision makings and managing day-to-day operations.

Board Meetings

During the year under review, five Board meetings were held. Details of Directors' attendance are set out as follows:

	Board meetings attended in 2019
Tan Sri Datuk Dr Hadenan Bin A Jalil (passed away on 18 September 2019)	3/4
Dato' Sri Ir Chong Ket Pen	5/5
Dato' Sri Su-Azian @ Muzaffar Syah Bin Abd Rahman	4/5
Dato' Tan Yee Boon	5/5
En Suhaimi Bin Badrul Jamil	5/5
Ir Tan Heng Kui	5/5
Mr Lim Yew Ting	5/5
Ms Tham Wei Mei	5/5

Directors' Training

Details of training programmes, conferences and forums attended by the Directors during the year under review are set out as follows:

Name	Date	Description of Training
Dato' Sri Ir Chong Ket Pen	9 April 2019	Common Breaches of The Listing Requirements with Case Studies, TRICOR Knowledge House.
	9 December 2019	Dealing in Listed Securities, Closed Period & Insider Trading, Malaysian Institutes of Accountants.
Dato' Sri Su-Azian @ Muzaffar Syah Bin Abd Rahman	11 September 2019	Financing The Sustainable Development Goals: Malaysian Private Sector Role In Bridging The Gap From Goals To Actions, Bursa Malaysia.

OVERVIEW STATEMENT ON CORPORATE GOVERNANCE

Name	Date	Description of Training
Dato' Tan Yee Boon	31 October 2019	Session On Corporate Governance And Anti-Corruption, Bursa Malaysia.
	4 November 2019	Workshop on Corporate Liability Provision (Section 17A) of The MACC Acct 2009, Bursa Malaysia.
Ir Tan Heng Kui	9 April 2019	Common Breaches of The Listing Requirements with Case Studies, TRICOR Knowledge House.
	20 August 2019	Tax Risk Management and Board's Responsibility, KPMG.
En Suhaimi Bin Badrul Jamil	9 April 2019	Common Breaches of The Listing Requirements with Case Studies, TRICOR Knowledge House.
	22 - 23 October 2019	MIA International Accountants Conference 2019, Malaysian Institutes of Accountants.
Mr Lim Yew Ting	9 April 2019	Common Breaches of The Listing Requirements with Case Studies, TRICOR Knowledge House.
Ms Tham Wei Mei	9 April 2019	Common Breaches of The Listing Requirements with Case Studies, TRICOR Knowledge House.
	6 May 2019	Launch of the SC's Corporate Governance Monitor 2019, Securities Commission Malaysia.
	23 August 2019	The Convergence Of Digitisation and Sustainability, Bursa Malaysia.
	31 October 2019	Session On Corporate Governance And Anti-Corruption, Bursa Malaysia.

FINANCIAL REPORTING

The Board takes responsibility to ensure that financial statements are prepared in accordance with the regulatory requirements and applicable financial reporting in Malaysia. The Board deliberates on financial statements and ensures that the Group has used appropriate accounting policies, supported by reasonable, and prudent judgement and estimates. The Audit Committee assists the Board by scrutinising the information to be disclosed. The Group's financial statements are presented in pages 62 to 186 of this Annual Report.

RELATIONSHIP WITH THE AUDITORS

Through the Audit Committee, the Group has established a professional, transparent and appropriate relationship with the Group's auditors, both internal and external, particularly in obtaining their professional advice towards ensuring full compliance with applicable accounting standards.

External Auditors

The Audit Committee met the external auditors twice during the year under review on 3 April 2019 and 22 November 2019 without the presence of the Executive Directors and Management to exchange independent views on matters which require the Committee's attention.

The Audit Committee had assessed the suitability and independence of the external auditors. In its assessment, the Audit Committee considered several factors such as adequacy of experience, resources of the firm, the professional staff assigned to the audit, independence of Crowe Malaysia PLT and the provision of non-audit services rendered by Crowe Malaysia PLT for financial year 2019.

OVERVIEW STATEMENT ON CORPORATE GOVERNANCE

Crowe Malaysia PLT confirmed that they have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements for the financial year 2019.

Being satisfied with Crowe Malaysia PLT's performance, technical competency and audit independence, the Audit Committee recommended to the Board to put forth a proposal for the re-appointment of Crowe Malaysia PLT as external auditors for financial year ending 2020 at the forthcoming Annual General Meeting.

Internal Auditors

The Board acknowledges their responsibility for the Group's system of internal controls and reviews its effectiveness regularly via the Internal Audit Department which provides support to the Audit Committee in dispensing its responsibilities with respect to the adequacy and integrity of the system of internal controls within the Group. The internal audit function is independent of the operations of the Group and reports directly to the Audit Committee.

The works of the internal auditors during 2019 is set out in the Audit Committee Report on pages 45 to 47 in this Annual Report.

BOARD COMMITTEES

Audit Committee

The Audit Committee plays an active role in assisting the Board in discharging its responsibility. The full details of the composition, summary of the works of the Audit Committee are set out in the Audit Committee Report on pages 45 to 47 of the Annual Report.

Board Risk Management Committee

The Board has established a Board Risk Management Committee to oversee the internal controls and risk management processes.

A Group Risk Management Committee is assisting the Board Risk Management Committee in identifying, mitigating and monitoring the risks of the Group.

The Group Risk Management Committee comprises of management staff from the Accounts & Finance Department, Group Corporate Office and Business Units.

Significant risk matters that require the attention of the Board are reported to the Board Risk Management Committee.

The Statement on Risk Management and Internal Control as set out in pages 55 to 58 of this Annual Report.

Nomination And Remuneration Committee

The Nomination and Remuneration Committee assists the Board on matters relating to Board appointments including the composition of the Board Committee, reviews the performance of the Directors and Board Committees, and reviews Board Directors and Executive Directors' remunerations.

A summary of the Nomination and Remuneration Committee's activities during the year is set out below:

- Review the performance of the Directors and Board Committees;
- Review the terms of office and performance of Audit Committee and each of its members;
- Review the Directors' fees & benefits;
- Review the succession planning policy;
- Review the training needs of Directors;
- Review the Directors standing for re-election at the forthcoming Annual General Meeting; and
- Review the appointment of new Directors.

OVERVIEW STATEMENT ON CORPORATE GOVERNANCE

Details of the Directors' Remuneration for the financial year ended 31 December 2019 are as follows:

	Director's Fee		Salary / Bonus / Benefits		
	Protasco Bhd (RM)	**Subsidiary (RM)**	**Protasco Bhd (RM)**	**Subsidiary (RM)**	**Total**
Tan Sri Datuk Dr Hadenan Bin A Jalil (passed away on 18 September 2019)	76,500	-	1,500	-	78,000
Dato' Sri Ir Chong Ket Pen	-	-	1,507,840	-	1,507,840
Dato' Sri Su-Azian @ Muzaffar Syah Bin Abd Rahman	-	-	-	558,240	558,240
Dato' Tan Yee Boon	51,000	-	6,000	-	57,000
Ir Tan Heng Kui	51,000	36,000	4,000	4,680	95,680
En Suhaimi Bin Badrul Jamil	51,000	-	5,000	-	56,000
Mr Lim Yew Ting	51,000	-	5,500	-	56,500
Ms Tham Wei Mei	51,000	-	3,500	-	54,500

Top five Senior Management's Remuneration for the financial year ended 31 December 2019 are as follows:

Senior Management	
1. Dato' Haji Mohd Taufik Bin Haron 2. Mr Benny Chong Ther Vern	RM200,001 - RM250,000
3. Mr Ir Edward Khoo Mong Wei 4. Dato' Ronnie Yap Kee Tian	RM250,001 - RM300,000
5. Dato' Ir Kenny Chong Ther Nen	RM350,001- RM400,000

CORPORATE DISCLOSURE

To ensure quality disclosure, the Company has a corporate disclosure policy to ensure accurate, clear and timely disclosure of material information and take reasonable steps to ensure that the general public has access to such information. The Company is committed to communicate the Company's strategy, operational performance, financial results, and other material developments to Bursa Malaysia, analysts, investors, shareholders, and other stakeholders in a timely, open and comprehensive manner.

The Corporate Disclosure Policy is available at www.protasco.com.my.

GROUP CORPORATE WEBSITE

The Board is committed to leverage on information technology for effective dissemination of information in a timely manner. Protasco's corporate website (www.protasco.com.my) provides easy access to information about the Group. Information available on the corporate website includes Protasco's corporate profile, Board of Directors and Group senior management, financial results, annual reports, Group newsletters and latest corporate news.

In addition, stakeholders can obtain regulatory announcements made by Protasco to Bursa Malaysia at www.bursamalaysia.com.

OVERVIEW STATEMENT ON CORPORATE GOVERNANCE

ANNUAL REPORT

The Company's annual report provides a comprehensive report on the Group's operations and financial performance for the year under review. It provides full disclosure and is in compliance with the relevant regulations to ensure greater transparency. An online version of the Annual Report is also available on Protasco's corporate website.

ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) is the main delivery channel for dialogue with all shareholders. They are encouraged and are given opportunities to enquire about the Groups' activities and prospects as well as to communicate their expectations and concerns.

The notices of AGM are sent out to shareholders at least 28 days before the date of the meeting exceeding the 21 days requirement under the Companies Act 2016 and Listing Requirements.

Shareholders who are unable to attend are allowed to appoint proxies to attend and vote on their behalf. Shareholders can also contact the Company with their queries.

Shareholders are encouraged to be aware of their rights with regards to the convening of general meetings, appointment of proxies, demand for poll voting and access to information. The details of shareholder's rights are available at www.protasco.com.my.

In line with the Listing Requirements on strengthening good Corporate Governance Practice, the Company has conducted electronic poll voting in General Meeting. An independent party is appointed to carry out the polling.

INVESTOR RELATIONS

The Company's Investor Relations Department plays an important role in conducting regular dialogues and discussions with shareholders, fund managers, journalists and financial analysts to update them on business performance, operations and corporate developments as well as obtaining feedback and discuss matters of common interests.

In addition, the Company issues timely release of its financial results and other mandatory announcements, and responds promptly to enquiries from investors, regulators, the public and financial analysts.

The Company has a dedicated website, www.protasco.com.my, designed to assist its stakeholders. The Company has subscribed to Bursa Malaysia website linking service so that the Company's announcements made to Bursa Malaysia can be retrieved concurrently from both websites.

Investor Relations Contact:
Han Long Kong
Tel: 603-8738 3388 Fax: 603-8926 4023 Email: lkhan@protasco.com.my

This statement is prepared in compliance with the Main Market Listing Requirements and it is to be read together with the Corporate Governance Report 2019 of the Company which is available in Protasco Berhad's website, www.protasco.com.my.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors (“the Board’) is committed to maintain a sound system of risk management and internal control of the Group and is pleased to present its Statement on Risk Management and Internal Control (“Statement”) for the financial year ended 31 December 2019. This Statement is prepared pursuant to paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Listing Requirements”) in accordance with the Malaysian Code of Corporate Governance (“MCCG”) and as guided by the latest “Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers” (“the Guidelines”).

RESPONSIBILITY

The Board acknowledges its responsibility for the Group’s system of internal controls and risk management which include the establishment and reviewing the adequacy and integrity of the systems. The Board however recognises that this system is designed to manage rather than eliminate the risks completely. As such, it should be noted that it only provides reasonable assurance against its occurrence of any material misstatement, operational failure, loss or fraud.

The Board does not review the internal control systems of associates where the Group does not have any direct control over their operations. Notwithstanding the above, the Group’s interests are assured through board representations of the respective associates and the receipt and review of the management accounts and enquiries thereon.

The Board has established ongoing processes for identifying the principal risks impeding the achievement of the organisation’s goals and objectives; to evaluate the nature and extent of those risk; and to manage them efficiently, effectively and economically. This process is regularly reviewed by the Board, taking into account changes in the regulatory and business environment as mentioned in the Guidelines.

In accordance with the Guidelines, the Board assures that this process has been in place for the year under review and up to the date of issuance of the Annual Report.

RISK MANAGEMENT FRAMEWORK

The Board Risk Management Committee, which is guided by its Terms of Reference, was established to assist the Board to oversee the overall compliance to relevant laws and regulations, internal policies and procedures. The Board Risk Management Committee also reviews the regular updates of risk profiles of each business segments including the relevant internal controls and measures to mitigate the significant risks identified. Once the proposals are reviewed, it will be recommended to the Board of Directors for approval or otherwise. The Board Risk Management Committee monitors the execution of risk migration for these proposals and ensures that the risk mitigation strategies are implemented in accordance with Board of Directors’ approval.

The members of the Board Risk Management Committee are:

Members	Directorship	Roles
Ir Tan Heng Kui	Non-Independent Non-Executive Director	Chairman
Dato’ Tan Yee Boon	Independent Non-Executive Director	Member
Ms Celine Chan Hooi Li	Independent Non-Executive Director	Member

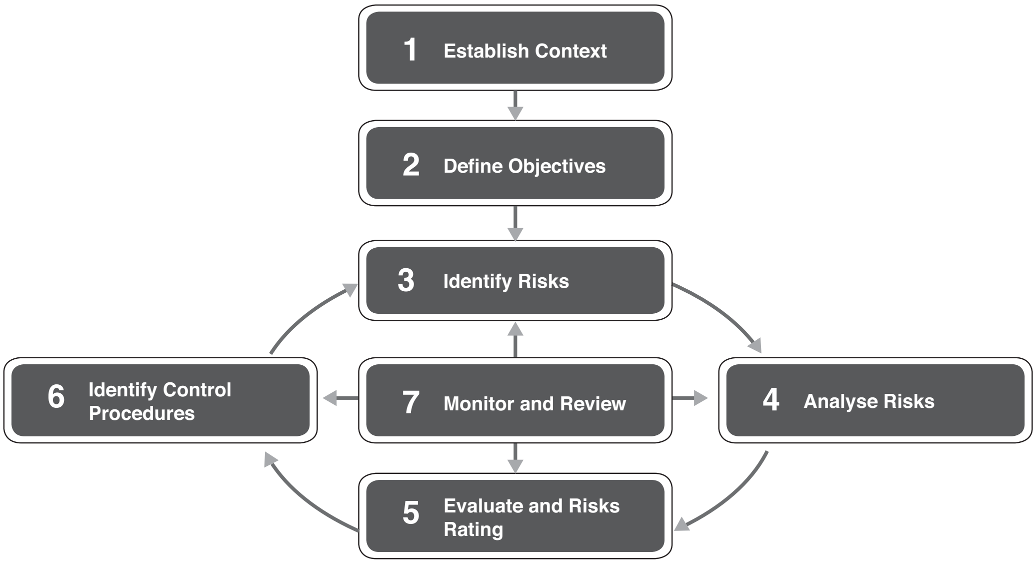
The Management, through its Risk Management Committee (“RMC”), is responsible to continuously monitor and manage the risks of the Group.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The members of the RMC are:

Members	Designation
Chief Financial Officer	Chairman
Executive Director, Group Corporate Office	Committee Member
Executive Director, Construction & Property	Committee Member
Group Financial Controller	Committee Member

The Group's Risk Assessment Process is depicted as follows:



The Group adopts an enterprise wide risk management approach. The Head of Divisions are responsible to identify, analyse and evaluate their respective division's risk profile. Risks identified are evaluated based on their potential impact on the Group, the likelihood of occurrence as well as the effectiveness of available control procedures. The Business Risk Profile, where identified risks are recorded, is reviewed and updated on an ongoing basis. The review and update of the risk profile includes identification of risks resulting from changes in business environment, both external and internal.

Significant risk matters that require the attention of the Board are reported to the Board Risk Management Committee/Audit Committee.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

THE GROUP'S RISKS

Overview

The significant risks faced by the Group for the financial year ended 31 December 2019 are categorised as follows:

Type of Risk	Description of Risk	Impact of Risk	Management Mitigation Measures
Maintenance Division			
External	Potential contract review due to change in policy	Loss of revenue	Good track record and relationship with project owners
Construction Division			
External	Depletion of project order book and challenges in securing new projects	Reduced revenue and profitablity	Good track record and relationship with project owners
Engineering & Consultancy			
External	Failure to extend long-term service contracts with major clients	Reduced revenue and profitability	Enhance "IKRAM BRAND" as Total Integrated Engineering Solutions Provider
Property Development Division			
External	Failure to launch new housing projects due to lack of demand	Loss of revenue	Dynamic and competitive pricing and incentives strategies
Education Division			
External	Declining student population	Reduced revenue and profitability	• Online Courses • Competitive pricing and incentives • Better amenities within campus area
Finance			
Cash Management	Low liquidity of cash revenue due to delay in cash collection	Cash flow issue	Stringent credit policies and regular debts monitoring

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

KEY ELEMENTS OF INTERNAL CONTROL

The key elements of the Group's internal control system include:

1. Control Environment

- The Board demonstrates a commitment to integrity and ethical values.
- The Board established the Board Audit and Risk Management Committee comprising Non-Executive Directors, the majority of whom are Independent Directors. The Committee primarily assists the Board in reviewing the organisational risk and internal control with the assistance of the Risk Management and Internal Audit Department.
- Well-defined lines of responsibilities for the Board, management and each operating unit within the Group; including day to day authorisation level.
- The Board and Management hold individual risk owners accountable for their internal control procedures and policies.

2. Risk Assessment

- The Management of each division is responsible to assess, review and update their division's risk profile.
- The Management to identify and assess changes that could significantly impact the system of internal control.

3. Control Activities

- Each operating unit undertakes business planning and budgeting process each year which are appraised at regular intervals.
- The Group reviews, assesses and updates the internal control procedures and policies and improves such policies that have been established before putting these policies into action.

4. Information and Communication

- The Business Risk Profile, where identified risks are recorded, is updated on an ongoing basis and presented to the Risk Management Committee on a half-yearly basis.
- Significant risk matters that require the attention of the Board are reported to the Board Risk Management Committee/Audit Committee.
- The Group's quarterly financial performance is presented to the Board for review and approval.

5. Monitoring

- The Group performs and evaluates internal control system (e.g. Internal Audit) to ascertain its adequacy and effectiveness.
- The Group performs follow up on the Management's response and action plans stated in the reports from tests and evaluations carried out.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

Pursuant to paragraph 15.23 of the Listing Requirements, the External Auditors have reviewed this Statement. Their review was performed in accordance with Audit and Assurance Practice Guide 3: Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report, issued by the Malaysian Institute of Accountants. Based on their review, nothing has come to their attention that causes them to believe this Statement is not prepared, in all material respects, in accordance with the disclosures required by paragraph 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers and Practices 9.1 and 9.2 of the MCCG to be set out, nor is this Statement factually incorrect.

CONCLUSION

The Board has received assurance from the Group Managing Director and Chief Financial Officer that the Company's risk management and internal control system is operating adequately and effectively in all material aspect.

For the financial year under review, the Board is of the opinion that the Group's system of internal controls is satisfactory. Any deficiencies identified have been or are being addressed accordingly. Notwithstanding this, review of the internal control systems will be continuously carried out to ensure the ongoing effectiveness of the system.

OTHER COMPLIANCE INFORMATION

1. AUDIT AND NON-AUDIT FEES

The details of total audit and non-audit fees paid/payable to the external auditors of the Company for the financial year ended 31 December 2019 were as follows:

	RM'000
Audit Fees	729
Non-Audit Fees#	5

Fees incurred primarily in relation to advisory services.

2. MATERIAL CONTRACTS

Other than as disclosed in Note 45 of the Financial Statements, there were no material contracts entered into by the Company or its subsidiaries involving Directors' and major shareholders' interests since the end of previous financial year.

3. UTILISATION OF PROCEEDS FROM CORPORATE PROPOSALS

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

4. OPTIONS, WARRANTS AND CONVERTIBLE SECURITIES

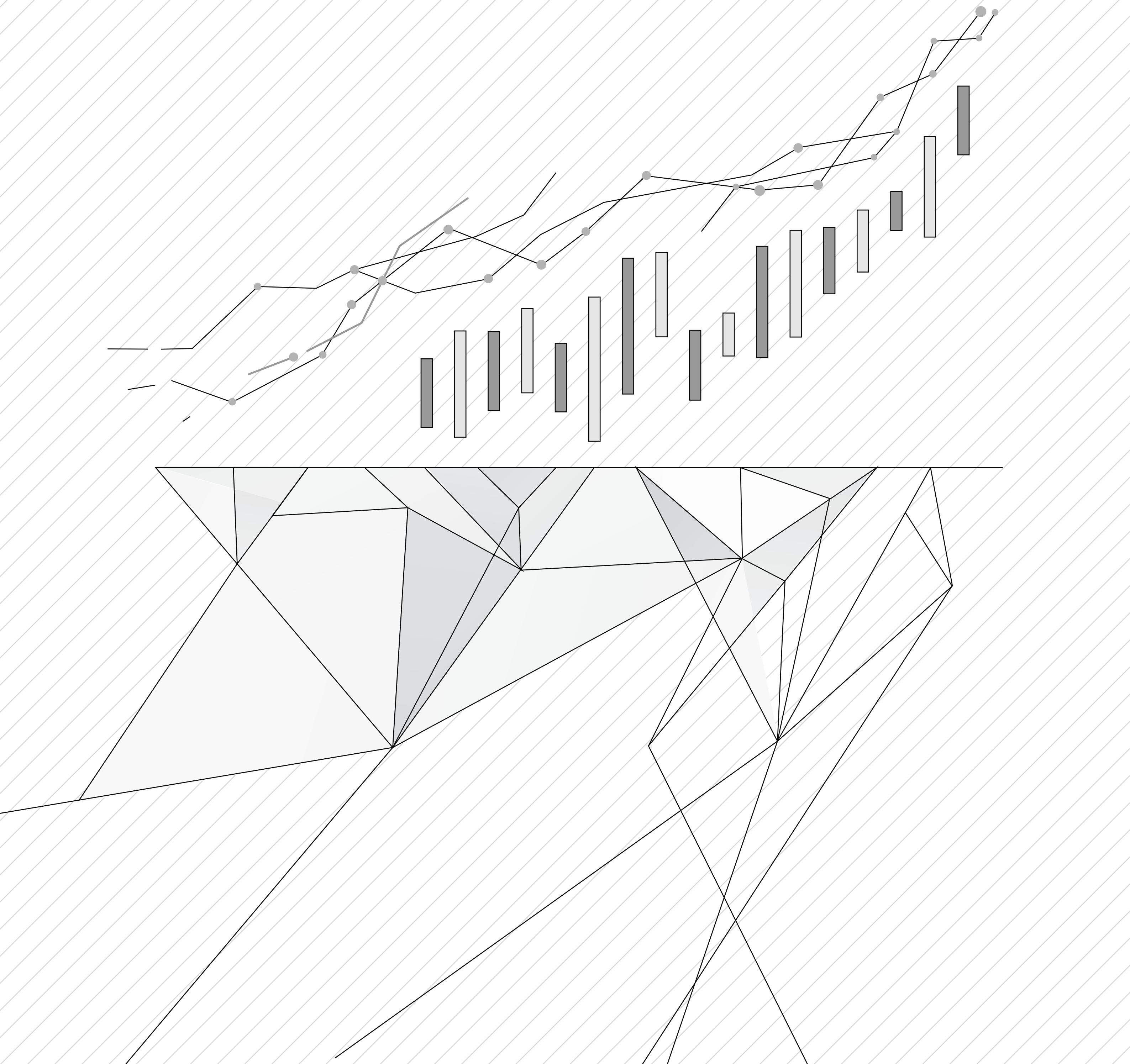
There were no options, warrants and convertible securities being issued during the financial year.

5. RECURRENT RELATED PARTY TRANSACTIONS

Details of the Recurrent Related Party Transactions are disclosed in Note 45 of the Financial Statements.

6. GOING CONCERN STATEMENT

Having exercised due and reasonable enquiry into the affairs on the Company, the Board is satisfied with the Company and shall proceed to operate as a going concern business in the foreseeable future.



FINANCIAL STATEMENTS

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are set out in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	The Group	The Company
	RM'000	RM'000
Profit after taxation for the financial year	19,267	37
Attributable to:		
Owners of the Company	6,272	37
Non-controlling interests	12,995	-
	19,267	37

DIVIDENDS

Since the end of the previous financial year, the Company had:-

a) on 28 May 2019, declared a first dividend of 0.6 sen per ordinary share amounting to RM2,921,604 in respect of the financial year ended 31 December 2019 and paid on 10 July 2019; and

b) on 27 November 2019, declared a second dividend of 0.6 sen per ordinary share amounting to RM2,910,090 in respect of the financial year ended 31 December 2019 and paid on 10 January 2020.

RESERVES AND PROVISIONS

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

ISSUES OF SHARES AND DEBENTURES

During the financial year:-

(a) there were no changes in the issued and paid-up share capital of the Company; and

(b) there were no issues of debentures by the Company.

WARRANTS

The details of the Warrants are disclosed in Note 27 to the financial statements.

DIRECTORS' REPORT

TREASURY SHARES

During the financial year, the Company purchased 8,115,500 (2018 - 1,779,900) of its issued ordinary shares from the open market at market prices ranging from RM0.21 to RM0.26 (2018 - RM0.19 to RM0.23) per share. The total consideration paid for the purchase including transaction costs amounted to RM1,987,931 (2018 - RM368,007). The shares purchased were retained as treasury shares in accordance with the requirement of Section 127(6) of the Companies Act 2016 and presented as a deduction from equity.

There was no resale of issued ordinary shares that were held as treasury shares during the financial year.

As at 31 December 2019, the Company held as treasury shares a total of 10,378,900 (2018 - 2,263,400) of its 495,392,310 (2018 - 495,392,310) issued and paid-up ordinary shares. The treasury shares are held at a carrying amount of RM3,117,831 (2018 - RM1,129,900). The details are disclosed in Note 23 to the financial statements.

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were made out, 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 impairment losses on receivables, and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for impairment losses on receivables.

At the date of this report, the Directors are not aware of any circumstances that would require the further writing off of bad debts, or the additional allowance for impairment losses on receivables in the financial statements of the Group and of the Company.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, 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, have 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 misleading.

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 methods 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:-

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

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

No contingent or other liability of the Group and 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, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations when they fall due.

DIRECTORS' REPORT

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 AN UNUSUAL NATURE

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

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, 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.

DIRECTORS

The names of Directors of the Company who served during the financial year and up to the date of this report are as follows:-

Dato' Sri Chong Ket Pen
Tan Heng Kui
Dato' Sri Su-Azian @ Muzaffar Syah Bin Abd Rahman
Dato' Tan Yee Boon
Suhaimi Bin Badrul Jamil
Tham Wei Mei
Dato' Chong Ther Nen (Appointed on 1 January 2020)
Celine Chan Hooi Li (Appointed on 1 January 2020)
Lim Yew Ting (Resigned on 1 January 2020)
Tan Sri Datuk Dr Hadenan Bin A. Jalil (Deceased on 18 September 2019)

The names of Directors of the Company's subsidiaries who served during the financial year and up to the date of this report, not including those Directors mentioned above, are disclosed in Appendix A to the financial statements.

DIRECTORS' REPORT

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, the interests of the Directors holding office at the end of the financial year in shares of the Company and its related corporations during the financial year are as follows:-

	Number of Ordinary Shares			
	At 1.1.2019	**Bought**	**Sold**	**At 31.12.2019**
Direct Interests				
Dato' Sri Chong Ket Pen	93,626,376	-	-	93,626,376
Tan Heng Kui	8,962,770	-	-	8,962,770
Dato' Sri Su-Azian @ Muzaffar Syah Bin Abd Rahman	875,000	-	-	875,000
Suhaimi Bin Badrul Jamil	105,832	-	-	105,832
Indirect Interests				
Dato' Sri Chong Ket Pen ^^	52,531,321	-	-	52,531,321
Dato' Sri Su-Azian @ Muzaffar Syah Bin Abd Rahman #	3,645,833	-	-	3,645,833

	Number of Warrants 2018/2023			
	At 1.1.2019	**Bought**	**Exercised**	**At 31.12.2019**
Direct Interests				
Dato' Sri Chong Ket Pen	16,527,669	-	-	16,527,669
Tan Heng Kui	1,920,593	-	-	1,920,593
Dato' Sri Su-Azian @ Muzaffar Syah Bin Abd Rahman	187,500	-	-	187,500
Suhaimi Bin Badrul Jamil	16,250	-	-	16,250
Indirect Interests				
Dato' Sri Chong Ket Pen ^^	10,913,641	-	-	10,913,641
Dato' Sri Su-Azian @ Muzaffar Syah Bin Abd Rahman #	781,250	-	-	781,250

Notes:-

^^ *Deemed interest by virtue of his substantial shareholdings in Penmacorp Sdn Bhd which in turn is a substantial shareholder of the Company pursuant to Section 8 of the Companies Act 2016 as well as his spouse and children's shareholdings in the Company pursuant to Section 59(11)(c) of the Companies Act 2016.*

Deemed interest by virtue of his substantial shareholdings in Rencana Berkat Sdn Bhd pursuant to Section 8 of the Companies Act 2016.

By virtue of his interest in the Company, Dato' Sri Chong Ket Pen is deemed to have interests in shares in the subsidiaries to the extent of the Company's interest, in accordance with Section 8 of the Companies Act 2016.

The other Directors holding office at the end of the financial year had no interest in shares of the Company or its related corporations during the financial year.

DIRECTORS' REPORT

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors shown in the financial statements, or the fixed salary of a full-time employee of the Company or related corporations) 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 except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain Directors have substantial financial interests as disclosed in Note 45 to the financial statements.

Neither during nor at the end of the financial year was the Group or the Company a party to any arrangements whose 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.

DIRECTORS' REMUNERATION

The details of the Directors' remuneration paid or payable to the Directors of the Group and the Company during the financial year are disclosed in Note 39 to the financial statements.

INDEMNITY AND INSURANCE COST

During the financial year, the total amount of indemnity coverage and insurance premium paid for the Directors and certain officers of the Company were RM20,000,000 and RM358,000 respectively. No indemnity was given to or insurance effected for auditors of the Company.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 5 to the financial statements.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 49 to the financial statements.

SIGNIFICANT EVENT OCCURRING AFTER THE REPORTING PERIOD

The significant event occurring after the reporting period is disclosed in Note 50 to the financial statements.

AUDITORS

The auditors, Crowe Malaysia PLT, have expressed their willingness to continue in office.

The details of the auditors' remuneration are disclosed in Note 38 to the financial statements.

Signed in accordance with a resolution of the Directors dated 11 June 2020.

Dato' Sri Chong Ket Pen **Suhaimi Bin Badrul Jamil**

STATEMENT BY DIRECTORS

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

We, Dato' Sri Chong Ket Pen and Suhaimi Bin Badrul Jamil, being two of the Directors of Protasco Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 73 to 186 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2019 and of their financial performance and cash flows for the financial year ended on that date.

Signed in accordance with a resolution of the Directors dated 11 June 2020.

Dato' Sri Chong Ket Pen

Suhaimi Bin Badrul Jamil

STATUTORY DECLARATION

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

I, Cheong Kah Wang, MIA Membership Number: 7854, being the officer primarily responsible for the financial management of Protasco Berhad, do solemnly and sincerely declare that the financial statements set out on pages 73 to 186 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovementioned
Cheong Kah Wang,
at Kuala Lumpur
in the Federal Territory
on this 11 June 2020.

Cheong Kah Wang

Before me

Datin Hajah Raihela Wanchik
W-275
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PROTASCO BERHAD (Incorporated in Malaysia)
Registration No: 200101012322 (548078 - H)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Protasco Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 73 to 186.

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

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

We have determined the matters described below to be the key audit matters to be communicated in our report.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PROTASCO BERHAD (Incorporated in Malaysia)
Registration No: 200101012322 (548078 - H)

Key Audit Matters (Cont'd)

Revenue and Profit Recognition for Construction Contracts Refer to Note 4.1.1(d), Note 4.24(d) and Note 36 to the financial statements	
Key Audit Matter	**How our audit addressed the key audit matter**
Construction contract accounting is inherently complex due to the contracting nature of the business, which involves significant judgements. This includes the determination of the total budgeted contract costs to complete the projects and the calculation of percentage of completion which affects the quantum of revenue and profit to be recognised. In estimating the revenue to be recognised, the management considers past experience and work done certified by customers and/or independent third parties, where applicable. In estimating the total budgeted contract costs to completion, the management considers the completeness and accuracy of its costs estimation, including its obligations to contract variations and claims. The total costs to completion are subject to a number of variables including the accuracy of designs, market conditions in respect of materials and sub-contractor cost and construction issues. An error in the estimated profit on contracts could result in a material variance in the amount of profit or loss recognised to date and therefore also in the current period. The profit recognition on contract includes key judgements over the expected recovery of costs arising from variations and claims and assessment on liquidated and ascertained damages costs, where applicable. In addition, changes in judgements, and the related estimates, as contracts progress, can result in material adjustments to margin, which can be both positive and negative. The potential outcome for contracts can have an individually and collectively material impact on the financial statements, whether through error or management bias. We determined this to be a key audit matter due to the complexity and judgemental nature of the budgeting of contract costs to completion, calculation of percentage of completion and the determination of revenue and profit to be recognised.	Our procedures included, amongst others:- • read all key contracts and discussed with management to obtain a full understanding of the terms and risks to assess our consideration of whether revenue was appropriately recognised; • testing the operating effectiveness of internal controls over the completeness, accuracy and timing of revenue recognised in the financial statements; • assessing the management's assumptions in determining the percentage of completion of projects, estimations of revenue and costs, provisions for foreseeable losses, liquidated and ascertained damages as well as recoverability of billed receivables and costs incurred on variation orders; • assessing the reasonableness of percentage of completion by comparing to certification by external parties; • assessing the estimated profit and costs to completion, adjustments for job costing and potential contract losses; • performing subsequent event review to support year-end judgements; • assessing whether the amounts recognised in the financial statements were in line with the Group's accounting policy and relevant accounting standards; and • considering the adequacy of the Group's disclosures in respect of the judgements taken with respect to profit recognition and the key risks relating to these amounts.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PROTASCO BERHAD (Incorporated in Malaysia)
Registration No: 200101012322 (548078 - H)

Key Audit Matters (Cont'd)

<table>
<tr><td colspan="2">Impairment of Trade Receivables
Refer to Note 4.1.1(c), Note 14 and Note 47.1(b) in the financial statements</td></tr>
<tr><td>Key Audit Matter</td><td>How our audit addressed the key audit matter</td></tr>
<tr><td>As at 31 December 2019, trade receivables that were past due and not impaired amounted to RM144.7 million. The details of trade receivables and its credit risk are disclosed in Note 14 and Note 47.1(b) to the financial statements.

The management applied assumptions in assessing the level of allowance for impairment losses on trade receivables based on the following:-

• customers' payment profiles of past sales and corresponding historical credit losses;
• specific known facts or circumstances on customers' ability to pay; or
• by reference to past default experience.

The impairment assessment involves significant judgements and there is inherent uncertainty in the assumptions applied by the management to determine the level of allowance.

We determined this to be a key audit matter due to the significant judgements and level of uncertainty involved in assessing the recoverability of trade receivables.</td><td>Our procedures included, amongst others:-

• testing on the account receivables ageing to ascertain the accuracy of the underlying information used to assess the adequacy of impairment loss of trade receivables;

• testing payment history of major customers during the financial year and after the year end;

• evaluating the credit standings of the customers with reference to payment history;

• evaluating the Directors' judgement on recoverability, taking into account specific customer circumstances known to the Directors, and publicly available data on liquidations and insolvencies post year-end;

• testing the retention balances due by:-
(i) corroborating the value of the retention to correspondences with customers and original contracts; and
(ii) reviewing the status of the projects and forming a conclusion on the recoverability of the balance in light of the evidence presented; and

• considering the adequacy of the Group's disclosures in this area.</td></tr>
</table>

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PROTASCO BERHAD (Incorporated in Malaysia)
Registration No: 200101012322 (548078 - H)

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PROTASCO BERHAD (Incorporated in Malaysia)
Registration No: 200101012322 (548078 - H)

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

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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 5 to the financial statements.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Malaysia PLT
201906000005 (LLP0018817-LCA) & AF 1018
Chartered Accountants

Chua Wai Hong
02974/09/2021 J
Chartered Accountant

Kuala Lumpur

11 June 2020

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	The Group		The Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiaries	5	-	-	162,506	162,506
Investments in associates	6	13,483	10,458	-	-
Property, plant and equipment	7	206,862	190,418	64	91
Investment properties	8	78,745	80,549	-	-
Right-of-use assets	9	13,344	-	-	-
Inventories	10	17,389	17,389	-	-
Goodwill on consolidation		36	36	-	-
Long-term investments	11	145	145	-	-
Deferred tax assets	12	161	-	-	-
		330,165	298,995	162,570	162,597
CURRENT ASSETS					
Inventories	10	36,857	34,907	-	-
Contract costs	13	560	-	-	-
Trade receivables	14	191,874	212,225	-	-
Contract assets	15	258,766	224,572	-	-
Other receivables, deposits and prepayments	16	32,510	31,895	43	84
Amount owing by subsidiaries	17	-	-	96,632	106,066
Amount owing by associates	18	1,106	2,128	-	-
Current tax assets		14,981	17,141	-	-
Short-term investments	19	46,811	38,289	-	39
Deposits with licensed banks	20	43,333	98,842	4,614	1,764
Cash and bank balances	21	112,770	52,674	463	296
		739,568	712,673	101,752	108,249
TOTAL ASSETS		1,069,733	1,011,668	264,322	270,846

The annexed notes form an integral part of these financial statements

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	The Group		The Company	
		2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
EQUITY AND LIABILITIES					
EQUITY					
Share capital	22	249,437	249,437	249,437	249,437
Treasury shares	23	(3,118)	(1,130)	(3,118)	(1,130)
Foreign exchange translation reserve	25	(10,135)	(10,642)	-	-
Capital reserve	26	8,875	8,875	-	-
Fair value reserve		(30)	(30)	-	-
Retained profits		85,585	85,891	4,284	10,079
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		330,614	332,401	250,603	258,386
Non-controlling interests		24,635	19,432	-	-
TOTAL EQUITY		355,249	351,833	250,603	258,386
NON-CURRENT LIABILITIES					
Deferred tax liabilities	12	4,637	7,769	-	-
Long-term borrowings	28	70,062	157,260	-	-
Lease Liabilities	29	6,227	-	-	-
		80,926	165,029	-	-
CURRENT LIABILITIES					
Trade payables	32	246,880	315,696	-	-
Other payables and accruals	33	45,250	43,162	235	415
Amount owing to subsidiaries	17	-	-	3,217	4,239
Amount owing to associates	18	1,977	2,300	-	-
Dividend payable		2,910	-	2,910	-
Current tax liabilities		4,718	5,216	2,804	2,804
Short-term borrowings	34	303,371	93,402	-	-
Lease liabilities	29	2,524	-	-	-
Bank overdrafts	35	25,928	35,030	4,553	5,002
		633,558	494,806	13,719	12,460
TOTAL LIABILITIES		714,484	659,835	13,719	12,460
TOTAL EQUITY AND LIABILITIES		1,069,733	1,011,668	264,322	270,846

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

STATEMENTS OF PROFIT OR LOSS

AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	The Group 2019 RM'000	The Group 2018 RM'000	The Company 2019 RM'000	The Company 2018 RM'000
REVENUE	36	783,703	904,860	10,100	29,000
COST OF SALES		(647,544)	(780,365)	-	-
GROSS PROFIT		136,159	124,495	10,100	29,000
OTHER INCOME		10,614	4,015	83	75
ADMINISTRATIVE EXPENSES		(38,674)	(54,804)	(9,765)	(8,787)
OTHER EXPENSES		(68,462)	(77,558)	-	-
PROFIT FROM OPERATIONS		39,637	(3,852)	418	20,288
FINANCE COSTS		(11,389)	(12,207)	(381)	(386)
NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS	37	(695)	(9,334)	-	-
SHARE OF PROFITS OF EQUITY ACCOUNTED ASSOCIATES		3,328	1,515	-	-
PROFIT/(LOSS) BEFORE TAXATION	38	30,881	(23,878)	37	19,902
INCOME TAX EXPENSE	40	(11,614)	(13,740)	-	-
PROFIT/(LOSS) AFTER TAXATION		19,267	(37,618)	37	19,902
OTHER COMPREHENSIVE INCOME/(EXPENSES):-					
Item that will be reclassified subsequently to profit or loss:					
- Foreign currency translation differences		507	(28)	-	-
		507	(28)	-	-
TOTAL COMPREHENSIVE INCOME/ (EXPENSES) FOR THE FINANCIAL YEAR		19,774	(37,646)	37	19,902

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

STATEMENTS OF PROFIT OR LOSS

AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		The Group		The Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
PROFIT/(LOSS) AFTER TAXATION ATTRIBUTABLE TO:-					
Owners of the Company		6,272	(48,107)	37	19,902
Non-controlling interests		12,995	10,489	-	-
		19,267	(37,618)	37	19,902
TOTAL COMPREHENSIVE INCOME/ (EXPENSES) ATTRIBUTABLE TO:-					
Owners of the Company		6,779	(48,135)	37	19,902
Non-controlling interests		12,995	10,489	-	-
		19,774	(37,646)	37	19,902
EARNINGS/(LOSS) PER SHARE (SEN)	41				
Basic		1.29	(9.72)		
Diluted		1.29	(9.72)		

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

The Group	Note	Share Capital RM'000	Treasury Shares RM'000	Non-Distributable Share Premium RM'000	Non-Distributable Foreign Exchange Translation Reserve RM'000	Non-Distributable Capital Reserve RM'000	Non-Distributable Fair Value Reserve RM'000	Distributable Retained Profits RM'000	Attributable to Owners of the Company RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
Balance at 1.1.2018		212,346	(762)	37,508	(10,614)	8,875	(30)	146,371	393,694	24,092	417,786
(Loss)/Profit after taxation for the financial year		-	-	-	-	-	-	(48,107)	(48,107)	10,489	(37,618)
Other comprehensive expenses for the financial year: - foreign currency translation		-	-	-	(28)	-	-	-	(28)	-	(28)
Total comprehensive (expenses)/income for the financial year		-	-	-	(28)	-	-	(48,107)	(48,135)	10,489	(37,646)
Balance carried forward		212,346	(762)	37,508	(10,642)	8,875	(30)	98,264	345,559	34,581	380,140

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

				Non-Distributable				Distributable			
The Group	Note	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Foreign Exchange Translation Reserve RM'000	Capital Reserve RM'000	Fair Value Reserve RM'000	Retained Profits RM'000	Attributable to Owners of the Company RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
Balance brought forward		212,346	(762)	37,508	(10,642)	8,875	(30)	98,264	345,559	34,581	380,140
Contributions by and distribution to owners of the Company:-											
Issuance of shares pursuant to bonus issue	22 & 24	35,350	-	(35,350)	-	-	-	-	-	-	-
Bonus issue expenses	24	-	-	(417)	-	-	-	-	(417)	-	(417)
Issuance of shares by a subsidiary to non-controlling interests ("NCI")		-	-	-	-	-	-	-	-	60	60
Transfer to share capital pursuant to the Companies Act 2016	22 & 24	1,741	-	(1,741)	-	-	-	-	-	-	-
Acquisition of a subsidiary		-	-	-	-	-	-	-	-	9	9
Derecognition of a subsidiary upon subsidiary struck off		-	-	-	-	-	-	-	-	*	*
Treasury shares acquired	23	-	(368)	-	-	-	-	-	(368)	-	(368)
Dividends:											
- by the Company	42	-	-	-	-	-	-	(12,373)	(12,373)	-	(12,373)
- by subsidiaries to NCI		-	-	-	-	-	-	-	-	(15,218)	(15,218)
Total transactions with owners of the Company		37,091	(368)	(37,508)	-	-	-	(12,373)	(13,158)	(15,149)	(28,307)
Balance at 31.12.2018		249,437	(1,130)	-	(10,642)	8,875	(30)	85,891	332,401	19,432	351,833

Remark:
* - (RM400)

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

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

The Group	Note	Share Capital RM'000	Treasury Shares RM'000	Non-Distributable: Foreign Exchange Translation Reserve RM'000	Non-Distributable: Capital Reserve RM'000	Non-Distributable: Fair Value Reserve RM'000	Distributable: Retained Profits RM'000	Attributable to Owners of the Company RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
Balance at 1.1.2019		249,437	(1,130)	(10,642)	8,875	(30)	85,891	332,401	19,432	351,833
Initial application of MFRS 16	51	-	-	-	-	-	(202)	(202)	(221)	(423)
Balance at 1.1.2019 (restated)		249,437	(1,130)	(10,642)	8,875	(30)	85,689	332,199	19,211	351,410
Profit after taxation for the financial year		-	-	-	-	-	6,272	6,272	12,995	19,267
Other comprehensive income for the financial year:										
- foreign currency translation		-	-	507	-	-	-	507	-	507
Total comprehensive income for the financial year		-	-	507	-	-	6,272	6,779	12,995	19,774
Balance carried forward		249,437	(1,130)	(10,135)	8,875	(30)	91,961	338,978	32,206	371,184

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

The Group	Note	Share Capital RM'000	Treasury Shares RM'000	Non-Distributable: Foreign Exchange Translation Reserve RM'000	Non-Distributable: Capital Reserve RM'000	Non-Distributable: Fair Value Reserve RM'000	Distributable: Retained Profits RM'000	Attributable to Owners of the Company RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
Balance brought forward		249,437	(1,130)	(10,135)	8,875	(30)	91,961	338,978	32,206	371,184
Contributions by and distribution to owners of the Company:-										
Acquisition of a subsidiary		-	-	-	-	-	-	-	243	243
Derecognition of subsidiaries upon struck off		-	-	-	-	-	-	-	9	9
Treasury shares acquired	23	-	(1,988)	-	-	-	-	(1,988)	-	(1,988)
Dividends:										
- by the Company	42	-	-	-	-	-	(5,832)	(5,832)	-	(5,832)
- by subsidiaries to NCI		-	-	-	-	-	-	-	(8,940)	(8,940)
Changes in subsidiaries' ownership interests that do not result in a loss of control		-	-	-	-	-	(544)	(544)	252	(292)
Total transactions with owners		-	(1,988)	-	-	-	(6,376)	(8,364)	(8,436)	(16,800)
Issuances of shares by subsidiaries to NCI		-	-	-	-	-	-	-	865	865
Balance at 31.12.2019		249,437	(3,118)	(10,135)	8,875	(30)	85,585	330,614	24,635	355,249

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

The Company	Note	Share Capital RM'000	Treasury Shares RM'000	Non-Distributable Share Premium RM'000	Distributable Retained Profits RM'000	Total Equity RM'000
Balance at 1.1.2018		212,346	(762)	37,508	2,550	251,642
Profit after taxation/Total comprehensive income for the financial year		-	-	-	19,902	19,902
Contributions by and distribution to owners of the Company:-						
Issuance of shares pursuant to bonus issue	22 & 24	35,350	-	(35,350)	-	-
Bonus issue expenses	24	-	-	(417)	-	(417)
Transfer to share capital pursuant to the Companies Act 2016	22 & 24	1,741	-	(1,741)	-	-
Treasury shares acquired	23	-	(368)	-	-	(368)
Dividends	42	-	-	-	(12,373)	(12,373)
Total transactions with owners of the Company		37,091	(368)	(37,508)	(12,373)	(13,158)
Balance at 31.12.2018		249,437	(1,130)	-	10,079	258,386

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

The Company	Note	Share Capital RM'000	Treasury Shares RM'000	Distributable Retained Profits RM'000	Total Equity RM'000
Balance at 1.1.2019		249,437	(1,130)	10,079	258,386
Profit after taxation/Total comprehensive income for the financial year		-	-	37	37
Contributions by and distribution to owners of the Company:-					
Treasury shares acquired	23	-	(1,988)	-	(1,988)
Dividends	42	-	-	(5,832)	(5,832)
Total transactions with owners of the Company		-	(1,988)	(5,832)	(7,820)
Balance at 31.12.2019		249,437	(3,118)	4,284	250,603

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
CASH FLOWS FOR OPERATING ACTIVITIES				
Profit/(Loss) before taxation	30,881	(23,878)	37	19,902
Adjustments for:				
Bad debts written off	561	684	-	-
Depreciation of:				
- investment properties	1,820	1,703	-	-
- property, plant and equipment	11,915	14,227	29	33
- right-of-use assets	3,218	-	-	-
Allowance for impairment losses on:				
- trade receivables	5,563	9,802	-	-
- other receivables	2,197	48	-	-
- amount owing by associates	-	57	-	-
Interest expense	19,962	14,457	381	386
Property, plant and equipment written off	6	70	-	-
Gain on disposal of property, plant and equipment	(329)	(164)	-	-
Gross dividends from subsidiaries	-	-	(5,100)	(24,000)
Income from short-term investments	(609)	(486)	(22)	(9)
Interest income	(1,197)	(1,040)	(52)	(66)
Share of profits of equity accounted associates	(3,328)	(1,515)	-	-
Unrealised loss on foreign exchange	1	12	-	-
Reversal of impairment losses on:				
- trade receivables	(6,347)	(573)	-	-
- other receivables	(661)	-	-	-
- amount owing by associates	(57)	-	-	-
Operating profit/(loss) before working capital changes	63,596	13,404	(4,727)	(3,754)
(Increase)/Decrease in inventories	(1,794)	3,757	-	-
Increase in contract costs	(560)	-	-	-
Increase in contract assets	(34,194)	(80,934)	-	-
Decrease in amount owing by associates	1,079	2,701	-	-
(Decrease)/Increase in amount owing to associates	(323)	2,300	-	-
Decrease in trade and other receivables	19,149	55,150	41	13
(Decrease)/Increase in trade and other payables	(66,215)	(36,544)	(180)	17
CASH FOR OPERATIONS	(19,262)	(40,166)	(4,866)	(3,724)
Interest paid	(2,147)	(2,610)	(381)	(386)
Income tax paid	(13,126)	(18,284)	-	-
NET CASH FOR OPERATING ACTIVITIES CARRIED FORWARD	(34,535)	(61,060)	(5,247)	(4,110)

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	The Group		The Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
NET CASH FOR OPERATING ACTIVITIES BROUGHT FORWARD		(34,535)	(61,060)	(5,247)	(4,110)
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES					
Investment in associates		(2)	(5,250)	-	-
Interest received		1,197	1,040	52	66
Income from short-term investments received		609	486	22	9
Net dividend received from subsidiaries		-	-	5,100	24,000
Net cash (outflow)/inflow from acquisition of a subsidiary		(468)	9	-	-
Increase in cash and bank balances pledged to a licensed bank		(402)	-	-	-
Net withdrawal/(placement) of:					
- deposits pledged to licensed banks		2,304	(4,084)	(50)	(64)
- short-term investments with maturity periods more than three months		(506)	1,022	-	-
Proceeds from disposal of property, plant and equipment		2,419	2,405	4	-
Purchase of property, plant and equipment	43(a)	(13,330)	(7,504)	(6)	(49)
Addition to investment properties		(172)	(127)	-	-
Addition to right-of-use assets	43(a)	(32)	-	-	-
Purchase of treasury shares		(1,988)	(368)	(1,988)	(368)
Repayment from subsidiaries		-	-	9,434	272
NET CASH (FOR)/FROM INVESTING ACTIVITIES		(10,371)	(12,371)	12,568	23,866
BALANCE CARRIED FORWARD		(44,906)	(73,431)	7,321	19,756

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	The Group 2019 RM'000	The Group 2018 RM'000	The Company 2019 RM'000	The Company 2018 RM'000
BALANCE BROUGHT FORWARD		(44,906)	(73,431)	7,321	19,756
CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES					
Dividends paid		(2,922)	(25,099)	(2,922)	(25,099)
Dividends paid to non-controlling interests		(8,940)	(15,218)	-	-
Net cash inflow from issuance of shares by subsidiaries to non-controlling interests		865	60	-	-
Shares issuance expenses		-	(417)	-	(417)
(Repayment to)/Advance from subsidiaries		-	-	(1,022)	260
Interest paid		(17,530)	(11,117)	-	-
Drawdown of term loans		113,011	110,839	-	-
Repayment of term loans		(12,088)	(45,507)	-	-
Repayment of hire purchase obligations		-	(1,807)	-	-
Repayment of lease liabilities	43(c)	(3,620)	-	-	-
Net repayment of short-term borrowings		(263)	(7,196)	-	-
NET CASH FROM/(FOR) FINANCING ACTIVITIES		68,513	4,538	(3,944)	(25,256)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		23,607	(68,893)	3,377	(5,500)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		145,220	214,113	(3,967)	1,533
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	43(d)	168,827	145,220	(590)	(3,967)

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

1. GENERAL INFORMATION

The Company is a public company limited by shares, incorporated and domiciled in Malaysia. The registered office and principal place of business are as follows:-

Registered office	:	802, 8th Floor, Block C, Kelana Square, 17, Jalan SS7/26, 47301 Petaling Jaya, Selangor Darul Ehsan.
Principal place of business	:	2nd Floor, Corporate Building, Unipark Suria, Jalan Ikram-Uniten, 43000 Kajang, Selangor Darul Ehsan.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors dated 11 June 2020.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are set out in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

3.1 During the current financial year, the Group has adopted the following new accounting standards and/or interpretations (including the consequential amendments, if any):-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)
MFRS 16 Leases
IC Interpretation 23 Uncertainty Over Income Tax Treatments
Amendments to MFRS 9: Prepayment Features with Negative Compensation
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures
Annual Improvements to MFRS Standards 2015 – 2017 Cycles

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) did not have any material impact on the Group's financial statements except as follows:-

MFRS 16: Leases

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaced the previous guidance on lease accounting. Under MFRS 16, the classification of leases as either finance leases or operating leases is eliminated for lessees. All lessees are required to recognise their lease assets and the related lease obligations in the statement of financial position (with limited exceptions) as right-of-use assets and lease liabilities respectively. The right-of-use assets are subject to depreciation and the interest on lease liabilities are calculated using the effective interest method. The impacts on the financial statements of the Group upon its initial application of MFRS 16 are disclosed in Note 51 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3. BASIS OF PREPARATION (CONT'D)

3.2 The Group has not applied in advance the following accounting standards and/or interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the current financial year:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	**Effective Date**
Amendments to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform	1 January 2020
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 101 and MFRS 108: Definition of Material	1 January 2020
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2022
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
MFRS 17 Insurance Contracts	1 January 2021

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

4.1.1 Key Sources of Estimation Uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:-

(a) Write-down of Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories. The carrying amount of inventories as at the reporting date is disclosed in Note 10 to the financial statements.

(b) Impairment of Investment Properties

The Group determines whether its investment properties are impaired by evaluating the extent to which the recoverable amount of the asset is less than its carrying amount. This evaluation is subject to changes such as market performance, economic and political situation of the country. A variety of methods is used to determine the recoverable amount, such as valuation reports and discounted cash flows. For discounted cash flows, significant judgement is required in the estimation of the present value of future cash flows generated by the assets, which involve uncertainties and are significantly affected by assumptions used and judgements made regarding estimates of future cash flows and discount rates. The carrying amount of investment properties as at the reporting date is disclosed in Note 8 to the financial statements.

(c) Impairment of Trade Receivables and Contract Assets

The Group uses the simplified approach to estimate a lifetime expected credit loss allowance for all trade receivables and contract assets. The contract assets are grouped with trade receivables for impairment assessment because they have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group develops the expected loss rates based on the payment profiles of past sales and the corresponding historical credit losses, and adjusts for qualitative and quantitative reasonable and supportable forward-looking information. If the expectation is different from the estimation, such difference will impact the carrying amounts of trade receivables and contract assets. The carrying amounts of trade receivables and contract assets as at the reporting date are disclosed in Notes 14 and 15 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

4.1.1 Key Sources of Estimation Uncertainty (Cont'd)

(d) Revenue Recognition for Construction Contracts

The Group recognises construction revenue by reference to the construction progress based on the physical proportion of contract work certified by professional consultants. Significant judgement is required in determining the progress towards complete satisfaction of the performance obligation based on the contract work certified to-date corroborated by the level of completion of the construction based on actual costs incurred to-date over the estimated total contract costs. The total estimated costs are based on approved budgets, which require assessment and judgement to be made on changes in, for example, work scope, changes in costs and costs to completion. In making the judgement, management relies on past experience and the work of specialists. The carrying amount of contract assets as at the reporting date are disclosed in Note 15 to the financial statements.

(e) Property Development

The Group recognises property development revenue and expenses in profit or loss by using an input method which is based on cost incurred to-date relative to the total expected cost to the satisfaction of that performance obligation.

Significant judgement is required in determining the measure of progress, the extent of the property development cost incurred, the estimated total property development revenue and cost, as well as the recoverability of the property development cost. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists. The carrying amounts of the land held for property development and property development costs as at the reporting date are disclosed in Note 10 to the financial statements.

4.1.2 Critical Judgement Made in Applying Accounting Policies

Management believes that there are no instances of application of critical judgement in applying the Group's accounting policies which will have a significant effect on the amounts recognised in the financial statements other than as disclosed below:-

(a) Classification between Investment Properties and Owner occupied Properties

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

(b) Lease Terms

Some leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. In determining the lease term, management considers all facts and circumstances including the past practice and any cost that will be incurred to change the asset if an option to extend is not taken. An extension option is only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

4.1.2 Critical Judgement Made in Applying Accounting Policies (Cont'd)

(c) Contingent Liabilities

The recognition and measurement for contingent liabilities is based on management's view of the expected outcome on contingencies after consulting legal counsel for litigation cases and experts, for matters in the ordinary course of business. Furthermore, the Directors are of the view that the chances of the financial institutions to call upon the corporate guarantees issued by the Group and the Company are remote.

4.2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

(a) Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

(b) Non-controlling Interests

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 BASIS OF CONSOLIDATION (CONT'D)

(c) Changes in Ownership Interests in Subsidiaries Without Change of Control

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

(d) Loss of Control

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and

(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

4.3 GOODWILL

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Under the acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests recognised and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities at the date of acquisition is recorded as goodwill.

Where the latter amount exceeds the former, after reassessment, the excess represents a bargain purchase gain and is recognised in profit or loss immediately.

In respect of equity-accounted associates, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted associates.

4.4 FUNCTIONAL AND FOREIGN CURRENCIES

(a) Functional and Presentation Currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia ("RM") which is the Company's functional and presentation currency and has been rounded to the nearest thousand unless otherwise stated.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 FUNCTIONAL AND FOREIGN CURRENCIES (CONT'D)

(b) Foreign Currency Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the exchange rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss except for differences arising from the translation of available-for-sale equity instruments which are recognised in other comprehensive income.

(c) Foreign Operations

Assets and liabilities of foreign operations (including any goodwill and fair value adjustments arising on acquisition) are translated to the Group's presentation currency at the exchange rates at the end of the reporting period. Income, expenses and other comprehensive income of foreign operations are translated at exchange rates at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity; attributed to the owners of the Company and non-controlling interests, as appropriate.

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the end of the reporting period.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign subsidiary, or a partial disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that foreign operation attributable to the owners of the Company are reclassified to profit or loss as part of the gain or loss on disposal. The portion that related to non-controlling interests is derecognised but is not reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the proportionate share of the accumulative exchange differences is reclassified to profit or loss.

In the consolidated financial statements, when settlement of an intragroup loan is neither planned nor likely to occur in the foreseeable future, the exchange differences arising from translating such monetary item are considered to form part of a net investment in the foreign operation and are recognised in other comprehensive income.

4.5 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity in accordance with the substance of the contractual arrangement and their definitions in MFRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 FINANCIAL INSTRUMENTS (CONT'D)

A financial instrument is recognised initially at its fair value (other than trade receivables without significant financing component which are measured at transaction price as defined in MFRS 15 - Revenue from Contracts with Customers at inception). Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

(a) Financial Assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value (through profit or loss, or other comprehensive income), depending on the classification of the financial assets.

Debt Instruments

(i) Amortised Cost

The financial asset is held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. When the asset has subsequently become credit-impaired, the interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding expected credit losses, through the expected life of the financial asset or a shorter period (where appropriate).

(ii) Fair Value through Other Comprehensive Income

The financial asset is held for both collecting contractual cash flows and selling the financial asset, where the asset's cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference which are recognised directly in profit or loss. Interest income is calculated using the effective interest rate method.

(iii) Fair Value through Profit or Loss

All other financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss.

The Group reclassifies debt instruments when and only when its business model for managing those assets change.

Equity Instruments

All equity investments are subsequently measured at fair value with gains and losses recognised in profit or loss except where the Group has elected to present the subsequent changes in fair value in other comprehensive income and accumulated in the fair value reserve at initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets (Cont'd)

Equity Instruments (Cont'd)

The designation at fair value through other comprehensive income is not permitted if the equity investment is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise.

Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established unless the dividends clearly represent a recovery of part of the cost of the equity investments.

(b) Financial Liabilities

(i) Financial Liabilities at Fair Value through Profit or Loss

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. The changes in fair value of these financial liabilities are recognised in profit or loss.

(ii) Other Financial Liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), through the expected life of the financial liability or a shorter period (where appropriate).

(c) Equity Instruments

Equity instruments classified as equity are measured initially at cost and are not remeasured subsequently.

(i) Ordinary Shares

Ordinary shares are classified as equity and recorded at the proceeds received, net of directly attributable transaction costs.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(ii) Treasury Shares

When the Company's own shares recognised as equity are bought back, the amount of the consideration paid, including all costs directly attributable, are recognised as a deduction from equity. Own shares purchased that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares.

Where treasury shares are reissued by resale, the difference between the sales consideration received and the carrying amount of the treasury shares is recognised in equity.

Where treasury shares are cancelled, their costs are transferred to retained profits.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 FINANCIAL INSTRUMENTS (CONT'D)

(d) Derivative Financial Instruments

Derivatives financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives during the reporting period, other than those accounted for under hedge accounting, are recognised directly in profit or loss.

Any derivative embedded in a financial asset is not accounted for separately. Instead, the entire hybrid contract is classified and subsequently measured as either amortised cost or fair value as appropriate.

An embedded derivative is recognised separately from the host contract which is a financial liability as a derivative if, and only if, its risks and characteristics are not closely related to those of the host contract and the host contract is not measured at fair value through profit or loss.

(e) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the carrying amount of the asset and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity to profit or loss. In contrast, there is no subsequent reclassification of the fair value reserve to profit or loss following the derecognition of an equity investment.

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

(f) 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 specific 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 liabilities at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee or, when there is no specific contractual period, recognised in profit or loss upon discharge of the guarantee. If the debtor fails to make payment relating to a financial guarantee contract when it is due and the Company, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the amount of the credit loss determined in accordance with the expected credit loss model and the amount initially recognised less cumulative amortisation.

4.6 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investments includes transaction costs.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.7 INVESTMENTS IN ASSOCIATES

An associate is an entity in which the Group has a long-term equity interest and where it exercise significant influence over the financial and operating policies.

The investment in an associate is accounted for in the consolidated statement of financial position using the equity method, based on the financial statements of the associate made up to the end of the reporting period. The Group's share of the post-acquisition profits and other comprehensive income of the associate is included in the consolidated statement of profit or loss and other comprehensive income, after adjustment if any, to align the accounting policies with those of the Group, from the date that significant influence commences up to the effective date on which significant influence ceases or when the investment is classified as held for sale. The Group's interest in the associate is carried in the consolidated statement of financial position at cost plus the Group's share of the post-acquisition retained profits and reserves. The cost of investment includes transaction costs.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation. The interest in the associate is the carrying amount of the investment in the associate determined using the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associate.

Unrealised gains or losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are eliminated unless cost cannot be recovered.

When the Group ceases to have significant influence over an associate and the retained interest in the former associate is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as the initial carrying amount of the financial asset in accordance with MFRS 9. Furthermore, the Group also reclassifies its share of the gain or loss previously recognised in other comprehensive income of that associate to profit or loss when the equity method is discontinued.

4.8 PROPERTY, PLANT AND EQUIPMENT

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use.

Subsequent to initial recognition, all property, plant and equipment, other than freehold land, are stated at cost less accumulated depreciation and any impairment losses. Freehold land is stated at cost less any impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Freehold land is not depreciated. Depreciation on other property, plant and equipment is charged to profit or loss (unless it is included in the carrying amount of another asset) on the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Leasehold land (reclassified as right-of-use assets)	Over the lease period of 99 years
Buildings	2%
Renovation	10% - 33.33%
Reference books, office equipment, furniture and fittings	10% - 33.33%
Laboratory equipment, plant and machinery	12.50% - 20%
Motor vehicles	12.50% - 20%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.8 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Capital work-in-progress represents assets under construction, and which are not ready for commercial use at the end of the reporting period. Capital work-in-progress is stated at cost, and is transferred to the relevant category of assets and depreciated accordingly when the assets are completed and ready for commercial use. Cost of capital work-in-progress includes direct cost, related expenditure and interest cost on borrowings taken to finance the construction or acquisition of the assets to the date that the assets are completed and put into use.

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment. Any changes are accounted for as a change in estimate.

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

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

4.9 INVESTMENT PROPERTIES

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

Investment properties which are owned are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use. The right-of-use asset held under a lease contract that meets the definition of investment property is measured initially similarly as other right-of-use assets.

Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is charged to profit or loss on the straight-line method over the estimated useful lives of the investment properties. The estimated useful lives of the investment properties are 50 years. Investment property under construction is not depreciated.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

On the derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

Transfers are made to or from investment property only when there is a change in use. All transfers do not change the carrying amount of the property reclassified.

4.10 LEASES

The Group assesses whether a contract is or contains a lease, at the inception of the contract. The Group recognises a right-of-use asset and corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for low-value assets and short-term leases with 12 months or less. For these leases, the Group recognises the lease payments as an operating expense on a straight-line method over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 LEASES (CONT'D)

The Group has elected not to separate non-lease from lease components of (type of right-of-use assets). Instead, the Group has accounted for lease component and the associated non-lease components as a single lease arrangement.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use assets and the associated lease liabilities are presented as a separate line item in the statements of financial position.

The right-of-use asset is initially measured at cost. Cost includes the initial amount of the corresponding lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any incentives received.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses, and adjustment for any remeasurement of the lease liability. The depreciation starts from the commencement date of the lease. If the lease transfers ownership of the underlying asset to the Group or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those property, plant and equipment.

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 uses its incremental borrowing rate.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in the future lease payments (other than lease modification that is not accounted for as a separate lease) with the corresponding adjustment is made to the carrying amount of the right-of-use asset or is recognised in profit or loss if the carrying amount has been reduced to zero.

<u>Accounting Policies Applied Until 31 December 2018</u>

(a) Finance Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability is included in the statement of financial position as hire purchase payables.

Minimum lease payments made under finance leases are apportioned between the finance costs and the reduction of the outstanding liability. The finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss and allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each accounting period.

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

(b) Operating Leases

All leases that do not transfer substantially to the Group all the risks and rewards incidental to ownership are classified as operating leases and, the leased assets are not recognised on the statement of financial position of the Group.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.11 INVENTORIES

(a) Land Held for Property Development

Land held for property development represents freehold land and right-of-use assets (leasehold land) on which development activities are not expected to be completed within the normal operating cycle.

Land held for property development is classified within non-current assets and is stated at the lower of cost and net realisable value.

Costs associated with the acquisition of land include the purchase price of freehold land, payment of the right-of-use asset (leasehold land), professional fees, stamp duties, commissions, conversion fees and other relevant levies. Pre-acquisition costs are charged to profit or loss as incurred unless such costs are directly identifiable to the consequent property development activity.

Net realisable value represents the estimated selling price of intended properties that to be developed less the estimated costs of completion and the estimated costs necessary in selling the properties. If future development layout plan is not available, the replacement cost of the land held for property development will be the best available measure of the net realisable value.

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

(b) Property Development Costs

Property development costs are those assets on which significant works have been undertaken and are expected to be completed within the normal operating cycle.

Property development costs comprise costs associated with the purchase of freehold land, payment for the right-of-use asset (leasehold land) and all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities as well as borrowing costs relating to the financing of the development activities.

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

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary in selling the property.

When the financial outcome of a development activity can be reliably estimated, the amount of property revenue and expenses recognised in profit or loss are determined by reference to the stage of completion method. The stage of completion is determined based on the proportion that the property development costs incurred for work performed to date bear to the estimated total property development costs at the end of the reporting period.

When the financial outcome of a development activity cannot be reliably estimated, the property development revenue is recognised only to the extent of property development costs incurred that will be recoverable. The property development costs on the development units sold are recognised as an expense in the period in which they are incurred.

Where it is probable that property development costs will exceed property development revenue, any expected loss is recognised as an expense in profit or loss immediately, including costs to be incurred over the defects liability period.

On completion, sold properties are recognised in profit or loss and unsold properties are transferred to developed properties held for sale.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.11 INVENTORIES (CONT'D)

(c) Developed Properties Held for Sale

Developed properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by the specific identification method and comprises the cost associated with the purchase of freehold land, payment for the right-of-use assets (leasehold land), construction costs and other related development expenditure incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price less the estimated costs necessary in selling the completed property.

(d) Other Inventories

Other inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in-first-out basis and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

4.12 CONTRACT COSTS

(a) Incremental Costs of Obtaining a Contract

The Group recognises incremental costs of obtaining contracts with customers as an asset when the Group expects to recover these costs. When the amortisation period of the asset is one year or less, such costs are recognised as an expense immediately when incurred.

(b) Costs to Fulfil a Contract

The Group recognises costs that relate directly to a contract (or an anticipated contract) with customer as an asset when the costs generate or enhance resources of the Group, will be used in satisfying performance obligation in the future and are recovered.

The contract costs are initially measured at cost and amortised on a systematic basis that is consistent with the pattern of revenue recognition to which the asset relates.

An impairment loss is recognised in the profit or loss when the carrying amount of the contract cost exceeds the expected revenue less expected cost that will be incurred. Any impairment loss recovered shall be reversed to the extent of the carrying amount of the contract cost does not exceed the amount that would have been recognised had there been no impairment loss recognised previously.

4.13 CONTRACT ASSET AND CONTRACT LIABILITY

A contract asset is recognised when the Group's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment requirements of MFRS 9 - Financial Instruments.

A contract liability is stated at cost and represents the obligation of the Group to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.14 IMPAIRMENT

(a) Impairment of Financial Assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at fair value through other comprehensive income, trade receivables and contract assets, as well as on financial guarantee contracts.

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises lifetime expected credit losses for trade receivables and contract assets using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience and are adjusted for forward-looking information (including time value of money where appropriate).

For all other financial instruments, the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

(b) Impairment of Non-financial Assets

The carrying values of assets, other than those to which MFRS 136 – Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when an annual impairment assessment is compulsory or there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of an asset is the higher of the asset's fair value less costs to sell and its value in use, which is measured by reference to discounted future cash flows using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss immediately. Any impairment loss recognised in respect of a cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rata basis.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.15 CASH AND CASH EQUIVALENTS

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

4.16 PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation. The unwinding of the discount is recognised as interest expense in profit or loss.

4.17 EMPLOYEE BENEFITS

(a) Short-term Benefits

Wages, salaries, paid annual leave and bonuses are measured on an undiscounted basis and are recognised in profit or loss and included in the development costs, where appropriate, in the period in which the associated services are rendered by employees of the Group.

(b) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognised in profit or loss and included in the development costs, where appropriate, in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

4.18 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. The capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted. The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is the weighted average of the borrowing costs applicable to borrowings that are outstanding during the financial year, other than borrowings made specifically for the purpose of financing a specific project-in-progress, in which case the actual borrowing costs incurred on that borrowings less any investment income on temporary investment of that borrowings will be capitalised.

All other borrowing costs are recognised in profit or loss as expenses in the period in which they incurred.

4.19 INCOME TAXES

(a) Current Tax

Current tax assets and liabilities are expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.19 INCOME TAXES (CONT'D)

(b) Deferred Tax

Deferred tax is recognised using the liability method for all temporary differences other than those that arise from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are 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 the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

Current tax assets and liabilities or deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

4.20 OPERATING SEGMENTS

An operating segment is a component of the Group that engages in business activities from which it may earns revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

4.21 CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements, unless the probability of outflow of economic benefits is remote. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

4.22 EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for own shares held.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.23 FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into 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. However, this basis does not apply to share-based payment and leasing transactions.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical asset or liability that the entity can access at the measurement date;

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

Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

4.24 REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of sales and service tax, returns, rebates and discounts.

The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of that asset.

Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time. The Group transfers control of a good or service at a point in time unless one of the following over time criteria is met:-

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

(a) Sale of Goods

Revenue from sale of goods is recognised when the Group has transferred control of the goods to the customer, being when the goods have been delivered to the customer and upon its acceptance. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, and bears the risks of obsolescence and loss in relation to the goods.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.24 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONT'D)

(b) Rendering of Services

Revenue from rendering of services is recognised over time in the period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

Customers are invoiced on a monthly basis and consideration is payable when invoiced.

(c) Education and Training Fees

Tuition and training fees, are recognised on an accrual basis whereas non-refundable registration and enrolment fees are recognised when chargeable.

(d) Construction Services

Revenue from construction services is recognised over time in the period in which the services are rendered using the output method by reference to the construction progress based on the physical proportion of construction work certified by professional consultants. Transaction price is computed based on the price specified in the contract and adjusted for any variable consideration such as incentives and penalties. Past experience is used to estimate and provide for the variable consideration, using expected value method and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

A receivable is recognised when the construction services are rendered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. If the construction services rendered exceed the payment received, a contract asset is recognised. If the payments exceed the construction services rendered, a contract liability is recognised.

(e) Property Development

Property development contracts with customers may include multiple promises to customers and are accounted for as separate performance obligations. Transaction price will be allocated to each performance obligation based on the stand-alone selling prices. When these are not directly observable, they are estimated based on expected cost-plus margin.

Revenue from property development is recognised as and when the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's 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.

If control of the asset transfers over time, revenue is recognised over the period of the contract by using an input method which is based on cost incurred to-date relative to the total expected cost to the satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The Group recognises sales at a point in time for the sale of completed properties, when the control of the properties has been transferred to the purchasers, being when the properties have been completed and delivered to the customers.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.25 REVENUE FROM OTHER SOURCES AND OTHER OPERATING INCOME

(a) Dividend Income

Dividend income is recognised when the right to receive dividend payment is established.

(b) Interest Income

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

(c) Management Fee

Management fee is recognised when services are rendered.

(d) Rental Income

Rental income is accounted for on a straight-line method over the lease term.

5. INVESTMENTS IN SUBSIDIARIES

	The Company	
	31.12.2019 RM'000	**31.12.2018 RM'000**
At cost:		
Unquoted shares in Malaysia:		
- ordinary shares	144,679	144,679
- Redeemable Convertible Preference Shares	17,500	17,500
	162,179	162,179
Unquoted shares outside Malaysia:		
- ordinary shares	327	327
	162,506	162,506

During the financial year:-

(a) On 2 July 2019, Ikram Greentech Sdn. Bhd. ("IGSB"), a wholly-owned subsidiary of the Company, acquired 510,000 ordinary shares of Solarcap Sdn. Bhd. ("SCSB"), representing 68% of the issued and paid-up share capital in SCSB for a total cash consideration of RM510,000.

(b) On 31 December 2019, IGSB acquired an additional 39% equity interests in I2 Energy Sdn. Bhd. ("I2EG") from its non-controlling interests. Following the completion of the acquisition, IGSB increased its equity interests held in I2EG from 51% to 90%.

(c) On 28 June 2019, Protasco Development Sdn. Bhd. ("PDSB") a wholly-owned subsidiary of the Company, acquired the remaining 40% equity interests in Jalur Saujana Sdn. Bhd. ("JSSB") from its non-controlling interests. Following the completion of the acquisition, JSSB became a wholly-owned subsidiary of PDSB.

(d) On 22 July 2019, Makmur Bersih Sdn. Bhd., an indirect wholly-owned subsidiary of the Company, has been struck off from the Registrar of Companies in Malaysia.

(e) On 6 September 2019, HCM Engineering-Isyoda JV Sdn. Bhd., an indirect wholly-owned subsidiary of the Company, has been struck off from the Registrar of Companies in Malaysia.

The effects of the acquisition and derecognition (upon struck off) of the subsidiaries during the financial year has no significant impact on the financial statements of the Group for the current financial year and the financial position of the Group as at the end of the current reporting period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Details of subsidiaries held by the Company are as follows:-

Name of Subsidiary	Country of Incorporation	Percentage of Issued Share Capital Held by Parent		Principal Activities
		2019 %	2018 %	
HCM Engineering Sdn. Bhd.	Malaysia	100	100	Buildings, bridges and road construction, rehabilitation and maintenance.
Kumpulan Ikram Sdn. Bhd.	Malaysia	100	100	Engineering and geotechnical related activities and services.
Protasco Trading Sdn. Bhd.	Malaysia	100	100	Trading of construction materials, products and equipment, petroleum based products and highway safety products and equipment.
Protasco Infra Sdn. Bhd.	Malaysia	100	100	Investment holding.
Protasco Development Sdn. Bhd.	Malaysia	100	100	Property development.
Protasco Venture Partners Inc. Δ	British Virgin Islands	100	100	Investment holding.
Ikram Greentech Sdn. Bhd. *	Malaysia	100	100	Investment holding and providing green project management services.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Details of subsidiaries held through HCM Engineering Sdn. Bhd. are as follows:-

Name of Subsidiary	Country of Incorporation	Percentage of Issued Share Capital Held by Parent		Principal Activities
		2019 %	2018 %	
Permint Granite-HCM Sdn. Bhd.	Malaysia	70	70	Road maintenance and rehabilitation.
HCM Kijang Sdn. Bhd.	Malaysia	60	60	Road maintenance and rehabilitation.
Roadcare (M) Sdn. Bhd. *	Malaysia	51	51	Road maintenance and rehabilitation.
Empayar Indera Sdn. Bhd.	Malaysia	51	51	Road maintenance and rehabilitation.
HCM (L) Bhd. ^	FT Labuan	100	100	Renting out machines.
HCM-Ikhtisas Sdn. Bhd. *	Malaysia	78	78	Investment holding.
HCM Arabia Sdn. Bhd. *	Malaysia	78	78	Trading of construction premix products.
HCM-Molek JV Sdn. Bhd. *	Malaysia	60	60	Road construction and rehabilitation.
HCM Kasturi Sdn. Bhd. *	Malaysia	100	100	Dormant.
HCM Engineering-Isyoda JV Sdn. Bhd. *#	Malaysia	-	100	Dormant.
Konsortium HCM Perkasa Sdn. Bhd. *	Malaysia	100	100	Dormant.
Makmur Bersih Sdn. Bhd. *#	Malaysia	-	100	Dormant.
Infra Water Sdn. Bhd. *	Malaysia	100	100	Dormant.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Details of subsidiaries held through HCM Engineering Sdn. Bhd. are as follows (Cont'd):-

Name of Subsidiary	Country of Incorporation	Percentage of Issued Share Capital Held by Parent		Principal Activities
		2019 %	2018 %	
H C M Builders Lanka (Private) Limited @	Sri Lanka	100	100	Dormant.
V-HCM Engineering & Construction Co., Ltd. Δ	Kingdom of Cambodia	70	70	Road construction and rehabilitation.

Details of a subsidiary held through HCM (L) Bhd. are as follows:-

Name of Subsidiary	Country of Incorporation	Percentage of Issued Share Capital Held by Parent		Principal Activities
		2019 %	2018 %	
Global Traders Ltd. ^	FT Labuan	100	100	Dormant.

Details of subsidiaries held through Kumpulan Ikram Sdn. Bhd. are as follows:-

Name of Subsidiary	Country of Incorporation	Percentage of Issued Share Capital Held by Parent		Principal Activities
		2019 %	2018 %	
Ikram Engineering Services Sdn. Bhd.	Malaysia	100	100	Site investigation and soil testing services.
Kumpulan Ikram (Sabah) Sdn. Bhd.	Malaysia	60	60	Site investigation and soil testing services.
Kumpulan Ikram (Sarawak) Sdn. Bhd.	Malaysia	60	60	Site investigation and soil testing services.
Ikram Education Sdn. Bhd.	Malaysia	100	100	Providing tertiary education.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Details of subsidiaries held through Kumpulan Ikram Sdn. Bhd. are as follows (Cont'd):-

Name of Subsidiary	Country of Incorporation	Percentage of Issued Share Capital Held by Parent		Principal Activities
		2019 %	2018 %	
Ikram Latihan Sdn. Bhd. *	Malaysia	100	100	Providing training courses.
Ikram QA Services Sdn. Bhd.	Malaysia	100	100	Certification and listing of products.
Ikram Paves Sdn. Bhd.	Malaysia	100	100	Provision of evaluation and testing services for road pavement.
Ikram International Sdn. Bhd. *	Malaysia	100	100	Dormant.
Ikram Libyana Sdn. Bhd. *	Malaysia	60	60	Dormant.

Details of a subsidiary held through Ikram Latihan Sdn. Bhd. are as follows:-

Name of Subsidiary	Country of Incorporation	Percentage of Issued Share Capital Held by Parent		Principal Activities
		2019 %	2018 %	
Ikram Skills Academy Sdn. Bhd.	Malaysia	100	100	Provision of skills training courses.

Details of a subsidiary held through Ikram Education Sdn. Bhd. are as follows:-

Name of Subsidiary	Country of Incorporation	Percentage of Issued Share Capital Held by Parent		Principal Activities
		2019 %	2018 %	
Ikram Infra Ventures Sdn. Bhd. *	Malaysia	100	100	Dormant.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Details of subsidiaries held through Protasco Trading Sdn. Bhd. are as follows:-

Name of Subsidiary	Country of Incorporation	Percentage of Issued Share Capital Held by Parent		Principal Activities
		2019 %	2018 %	
QP Industries Sdn. Bhd. *	Malaysia	100	100	Dealing in materials for road pavement and road maintenance.
QP Trading Sdn. Bhd. *	Malaysia	100	100	Dealing in materials for road pavement.

Details of subsidiaries held through Protasco Development Sdn. Bhd. are as follows:-

Name of Subsidiary	Country of Incorporation	Percentage of Issued Share Capital Held by Parent		Principal Activities
		2019 %	2018 %	
Protasco Land Sdn. Bhd.	Malaysia	100	100	Property development.
De Centrum Development Sdn. Bhd.	Malaysia	100	100	Property development.
Sun Rock Development Sdn. Bhd. *	Malaysia	100	100	Property development.
De Centrum Land Sdn. Bhd.	Malaysia	100	100	Property development.
DC Resort Homes Sdn. Bhd. (formerly known as De Centrum Retail Sdn. Bhd.) *	Malaysia	100	100	Retail business.
Jalur Saujana Sdn. Bhd. *	Malaysia	100	60	Property development.

Details of a subsidiary held through Protasco Land Sdn. Bhd. are as follows:-

Name of Subsidiary	Country of Incorporation	Percentage of Issued Share Capital Held by Parent		Principal Activities
		2019 %	2018 %	
Protasco Land SA (Pty) Ltd. *	South Africa	100	100	Dormant.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Details of a subsidiary held through Protasco Infra Sdn. Bhd. are as follows:-

Name of Subsidiary	Country of Incorporation	Percentage of Issued Share Capital Held by Parent		Principal Activities
		2019 %	2018 %	
Ikram Land Sdn. Bhd. (formerly known as Ikram Masterbuilder Sdn. Bhd.)	Malaysia	100	100	Dormant.

Details of subsidiaries held through Protasco Venture Partners Inc. are as follows:-

Name of Subsidiary	Country of Incorporation	Percentage of Issued Share Capital Held by Parent		Principal Activities
		2019 %	2018 %	
Protasco Agro Ltd. Δ	British Virgin Islands	100	100	Dormant.
PT. Protasco Infra Indonesia ("PPII") Δβ	Indonesia	67	67	Dormant.

Details of subsidiaries held through Ikram Greentech Sdn. Bhd. are as follows:-

Name of Subsidiary	Country of Incorporation	Percentage of Issued Share Capital Held by Parent		Principal Activities
		2019 %	2018 %	
I2 Energy Sdn. Bhd. *	Malaysia	90	51	Solar panel installation contract work.
I2 Solarpark One Sdn. Bhd. ("I2SOSB") *Ω	Malaysia	44	44	Supply of power and electricity derived from solar power plant.
Solarcap Sdn. Bhd. (formerly known as HCM KI Engineering Sdn. Bhd.) *	Malaysia	68	-	Dormant.

Notes:-

^ *The subsidiary was audited by a member firm of Crowe Global of which Crowe Malaysia PLT is a member.*

* *These subsidiaries were audited by other firms of chartered accountants.*

\# *These subsidiaries were struck off during the financial year.*

Δ *These subsidiaries are not required to be audited under the laws of the country of incorporation.*

@ *The subsidiary is currently dormant and the audited financial statements and the auditors' reports on the financial statements are not available. The financial result of the subsidiary is not material to the Group.*

β *A company incorporated in Indonesia with a registered capital of USD1 million. The Group agreed to contribute 67% of the registered share capital whilst the remaining 33% equity interests will be contributed by a local business partner. Both parties have yet to inject their respective agreed capital contribution into PPII at the end of the reporting period.*

Ω *A company which has been assessed to be a subsidiary of the Group as the Group has control over I2SOSB.*

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The details of non-controlling interests ("NCI") at the end of the reporting period are as follows:-

	Roadcare %	PG-HCM %	EISB %	HCM-Molek %	HCMA %	KI-Sabah %	KI-Sarawak %
Effective Equity Interest							
At 31.12.2018	49	30	49	40	22	40	40
At 31.12.2019	49	30	49	40	22	40	40

	Roadcare RM'000	PG-HCM RM'000	EISB RM'000	HCM-Molek RM'000	HCMA RM'000	KI-Sabah RM'000	KI-Sarawak RM'000	Others RM'000	Total RM'000
Total NCI									
Balance at 31.12.2018	20,384	3,720	8,706	(2,767)	(12,473)	2,573	863	(1,574)	19,432
Effects of MFRS 16 adoption	(22)	(1)	(10)	-	-	-	-	(188)	(221)
Balance at 1.1.2019 (restated)	20,362	3,719	8,696	(2,767)	(12,473)	2,573	863	(1,762)	19,211
Balance at 31.12.2019	23,395	3,524	10,260	(2,771)	(12,100)	2,760	252	(685)	24,635

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The summarised financial information (before intra-group elimination) for each subsidiary that has non-controlling interests that are material to the Group is as follows:-

	Roadcare RM'000	PG-HCM RM'000	EISB RM'000	HCM-Molek RM'000	HCMA RM'000	KI-Sabah RM'000	KI-Sarawak RM'000
At 31 December 2019							
Non-current assets	15,241	935	5,200	-	-	1,176	1,727
Current assets	113,995	15,444	38,602	3,044	4,818	6,596	637
Non-current liabilities	(2,200)	(369)	(151)	-	-	(3)	(687)
Current liabilities	(79,289)	(4,259)	(22,712)	(9,973)	(59,818)	(871)	(1,047)
Net assets/(liabilities)	47,747	11,751	20,939	(6,929)	(55,000)	6,898	630
Financial year ended 31 December 2019							
Revenue	295,217	20,516	104,825	-	-	4,717	577
Profit/(Loss) for the financial year	16,190	2,351	9,193	(11)	1,686	966	(1,526)
Total comprehensive income/(expenses)	16,190	2,351	9,193	(11)	1,696	966	(1,526)
Total comprehensive income/(expenses) attributable to NCI	7,933	705	4,504	(4)	373	387	(611)
Dividends paid to non-controlling interests	4,900	900	2,940	-	-	200	-
Net cash flows (for)/from operating activities	(1,109)	5,466	11,092	(80)	1,402	2,089	(334)
Net cash flows (for)/from investing activities	(1,814)	(685)	(2,431)	-	-	(62)	150
Net cash flows for financing activities	(11,536)	(3,153)	(6,353)	-	-	(522)	(115)
Net (decrease)/increase in cash and cash equivalents	(14,459)	1,628	2,308	(80)	1,402	1,505	(299)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

5. **INVESTMENTS IN SUBSIDIARIES (CONT'D)**

The summarised financial information (before intra-group elimination) for each subsidiary that has non-controlling interests that are material to the Group is as follows (Cont'd):-

	Roadcare RM'000	PG-HCM RM'000	EISB RM'000	HCM-Molek RM'000	HCMA RM'000	KI-Sabah RM'000	KI-Sarawak RM'000
At 31 December 2018							
Non-current assets	14,672	765	3,771	-	-	1,309	2,052
Current assets	150,088	14,577	32,992	3,126	3,420	7,210	2,192
Non-current liabilities	(1,608)	(245)	(105)	-	-	-	(796)
Current liabilities	(121,551)	(2,696)	(18,891)	(10,045)	(60,116)	(2,088)	(1,292)
Net assets/(liabilities)	41,601	12,401	17,767	(6,919)	(56,696)	6,431	2,156
Financial year ended 31 December 2018							
Revenue	352,663	17,082	115,676	-	-	8,427	650
Profit/(Loss) for the financial year	12,645	3,523	9,175	(12)	(818)	1,348	(1,278)
Total comprehensive income/(expenses)	12,645	3,523	9,175	(12)	(818)	1,348	(1,278)
Total comprehensive income/(expenses) attributable to NCI	6,196	1,057	4,496	(5)	(180)	539	(511)
Dividends paid to non-controlling interests	9,800	900	4,410	-	-	-	100
Net cash flows (for)/from operating activities	(6,577)	1,812	4,144	599	1,119	972	(323)
Net cash flows for investing activities	(5,116)	(93)	(1,197)	-	-	(59)	(155)
Net cash flows for financing activities	(20,000)	(2,967)	(9,016)	-	-	(75)	(86)
Net (decrease)/increase in cash and cash equivalents	(31,693)	(1,248)	(6,069)	599	1,119	838	(564)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

6. INVESTMENTS IN ASSOCIATES

	The Group	
	31.12.2019 RM'000	**31.12.2018 RM'000**
Unquoted shares, at cost		
At 1 January	8,217	2,967
Addition during the financial year	2	5,250
Disposal during the financial year	(305)	-
At 31 December	7,914	8,217
Share of post acquisition results	7,286	3,958
Foreign exchange translation reserve	(438)	(438)
	14,762	11,737
Redeemable preference shares	1,400	1,400
	16,162	13,137
Accumulated impairment losses	(2,679)	(2,679)
	13,483	10,458

During the financial year:-

(a) HCM Engineering Sdn. Bhd. ("HCME"), a wholly-owned subsidiary of the Company, invested in 30% equity interests in PJP Barisan HCM JV Sdn. Bhd., for a total cash consideration of RM1.

(b) Kumpulan Ikram Sdn. Bhd., a wholly-owned subsidiary of the Company, invested in 30% equity interests in Ikram Premier Infrastructure Sdn. Bhd., for a total cash consideration of RM1,500.

(c) HCME disposed its 40% equity interests held in Solarcap Sdn. Bhd. ("SCSB") to Ikram Greentech Sdn. Bhd., a wholly-owned subsidiary of the Company. Following the completion of the transaction, SCSB became an indirect subsidiary of the Company as disclosed in Note 5(a) to the financial statements.

Details of associates held through HCM Engineering Sdn. Bhd. are as follows:-

Name of Company	Country of Incorporation	Effective Equity Interest		Principal Activities
		2019 %	2018 %	
THT-HCM JV Sdn. Bhd.	Malaysia	40	40	Dormant.
Solarcap Sdn. Bhd. (formerly known as HCM-KI Engineering Sdn. Bhd.) *	Malaysia	-	40	Dormant.
KPS-HCM Sdn. Bhd.	Malaysia	49	49	Buildings, bridges and road construction.
DAL HCM Sdn. Bhd.	Malaysia	30	30	Road maintenance and rehabilitation.
PJP Barisan HCM JV Sdn. Bhd.	Malaysia	30	-	Road maintenance and rehabilitation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

6. INVESTMENTS IN ASSOCIATES (CONT'D)

Details of associates held through Kumpulan Ikram Sdn. Bhd. are as follows:-

Name of Company	Country of Incorporation	Effective Equity Interest		Principal Activities
		2019 %	2018 %	
Ikram Premier Consulting Sdn. Bhd.	Malaysia	30	30	Provision of consultancy services.
Ikram Engineering Consulting Sdn. Bhd.	Malaysia	30	30	Provision of consultancy services.
Ikram Premier Infrastructure Sdn. Bhd. (formerly known as IU Engineering Services Sdn. Bhd.)	Malaysia	30	-	Dormant.

Details of an associate held through HCM-Ikhtisas Sdn. Bhd. are as follows:-

Name of Company	Country of Incorporation	Effective Equity Interest		Principal Activities
		2019 %	2018 %	
Libyan Malaysian Company for Roads and Construction*	Libya	49	49	Construction and maintenance.

Note:-

* *The management accounts of Libyan Malaysian Company for Roads and Construction for the financial year ended 31 December 2019 have been used for the purpose of applying the equity method of accounting. As no results have been generated by the associated company during the financial year, there was no share of profit or loss recognised for the financial year.*

The Group has impaired its investment in Libyan Malaysian Company for Roads and Construction in prior years due to a civil war in Libya.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

6. INVESTMENTS IN ASSOCIATES (CONT'D)

(a) The summarised unaudited financial information for the associate that is material to the Group is as follows:-

	KPS-HCM Sdn. Bhd.	
	2019 RM'000	**2018 RM'000**
At 31 December		
Non-current assets	631	941
Current assets	90,835	90,499
Non-current liabilities	(277)	(310)
Current liabilities	(80,243)	(82,017)
Net assets	10,946	9,113
12 months Period Ended 31 December		
Revenue	48,079	72,194
Profit for the financial period	1,853	2,224
Total comprehensive income	1,833	2,224
Group's share of profit for the financial period	898	1,090
Reconciliation of Net Assets to Carrying Amount		
Group's share of net assets above	5,363	4,465
Carrying amount of the Group's interest in this associate	5,363	4,465

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

6. INVESTMENTS IN ASSOCIATES (CONT'D)

(a) The summarised unaudited financial information for the associate that is material to the Group is as follows (Cont'd):-

	DAL HCM Sdn. Bhd.	
	2019 RM'000	2018 RM'000
At 31 December		
Non-current assets	4,234	1,437
Current assets	43,838	11,573
Non-current liabilities	(1,722)	-
Current liabilities	(32,065)	(6,317)
Net assets	14,285	6,693
12 (2018 - 11) months Period Ended 31 December		
Revenue	55,586	8,937
Profit for the financial period	7,594	1,387
Total comprehensive income	7,594	1,387
Group's share of profit for the financial period	2,278	416
Reconciliation of Net Assets to Carrying Amount		
Group's share of net assets above	4,286	2,008
Goodwill	3,692	3,658
Carrying amount of the Group's interest in this associate	7,978	5,666

(b) The summarised unaudited financial information for all associates (except for Libyan Malaysian Company for Roads and Construction) that are individually immaterial to the Group is as follows:-

	Individually Immaterial Associates	
	2019 RM'000	2018 RM'000
Financial year ended 31 December		
Group's share of profit for the financial year	152	9
Aggregate carrying amount of the Group's interests in these associates	142	327

7. PROPERTY, PLANT AND EQUIPMENT

The Group	Freehold Land RM'000	Leasehold Land RM'000	Buildings RM'000	Renovation RM'000	Reference Books, Office Equipment, Furniture and Fittings RM'000	Laboratory Equipment, Plant and Machinery RM'000	Motor Vehicles RM'000	Capital Work-in-Progress RM'000	Total RM'000
At cost									
At 1 January 2019	63,193	4,804	100,495	24,288	60,061	80,718	42,565	1,821	377,945
Initial application of MFRS 16	-	(4,804)	-	-	-	(4,011)	(2,210)	-	(11,025)
At 1 January 2019, as restated	63,193	-	100,495	24,288	60,061	76,707	40,355	1,821	366,920
Additions	-	-	-	151	820	304	4,201	32,386	37,862
Disposals	(411)	-	(1,336)	(52)	(604)	(2,562)	(3,281)	-	(8,246)
Reclassification	-	-	-	-	(8)	8	-	-	-
Written off	-	-	-	-	(61)	(28)	(7)	-	(96)
At 31 December 2019	62,782	-	99,159	24,387	60,208	74,429	41,268	34,207	396,440
Accumulated depreciation									
At 1 January 2019	-	1,267	18,662	18,314	50,784	69,369	29,131	-	187,527
Initial application of MFRS 16	-	(1,267)	-	-	-	(1,591)	(760)	-	(3,618)
At 1 January 2019, as restated	-	-	18,662	18,314	50,784	67,778	28,371	-	183,909
Depreciation charges	-	-	2,102	1,617	2,317	2,520	3,359	-	11,915
Disposals	-	-	(361)	(37)	(563)	(2,160)	(3,035)	-	(6,156)
Written off	-	-	-	-	(60)	(28)	(2)	-	(90)
At 31 December 2019	-	-	20,403	19,894	52,478	68,110	28,693	-	189,578
Carrying amount at 31 December 2019	62,782	-	78,756	4,493	7,730	6,319	12,575	34,207	206,862

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

7. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Group	Freehold Land RM'000	Leasehold Land RM'000	Buildings RM'000	Renovation RM'000	Reference Books, Office Equipment, Furniture and Fittings RM'000	Laboratory Equipment, Plant and Machinery RM'000	Motor Vehicles RM'000	Capital Work-in-Progress RM'000	Total RM'000
At cost									
At 1 January 2018	63,193	4,804	100,498	23,551	60,423	87,013	47,857	-	387,339
Additions	-	-	-	1,534	1,770	619	1,858	1,821	7,602
Disposals	-	-	-	(800)	(1,971)	(6,901)	(6,798)	-	(16,470)
Reclassification	-	-	(3)	3	-	-	-	-	-
Written off	-	-	-	-	(161)	(13)	(352)	-	(526)
At 31 December 2018	63,193	4,804	100,495	24,288	60,061	80,718	42,565	1,821	377,945
Accumulated depreciation									
At 1 January 2018	-	1,175	16,582	17,420	50,158	71,960	30,690	-	187,985
Depreciation charges	-	92	2,080	1,603	2,638	3,660	4,154	-	14,227
Disposals	-	-	-	(709)	(1,852)	(6,241)	(5,427)	-	(14,229)
Written off	-	-	-	-	(160)	(10)	(286)	-	(456)
At 31 December 2018	-	1,267	18,662	18,314	50,784	69,369	29,131	-	187,527
Carrying amount at 31 December 2018	63,193	3,537	81,833	5,974	9,277	11,349	13,434	1,821	190,418

7. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Office Equipment, Furniture and Fittings	
	2019 RM'000	**2018 RM'000**
The Company		
At cost		
At 1 January	202	153
Additions	6	49
Disposal	(6)	-
At 31 December	202	202
Accumulated depreciation		
At 1 January	(111)	(78)
Depreciation charge	(29)	(33)
Disposal	2	-
At 31 December	(138)	(111)
Carrying amount	64	91

(a) In the previous financial year, the carrying amounts of the property, plant and equipment acquired under hire purchase arrangements were as follows:-

	The Group
	2018 RM'000
Laboratory equipment, plant and machinery	2,420
Motor vehicles	1,450
	3,870

The leased assets had been pledged as security for the related finance lease liability of the Group.

(b) The carrying amounts of the property, plant and equipment of the Group at the end of the reporting period pledged as security with the financial institutions for credit facilities granted to the Group as disclosed in Note 31 and Note 34 to the financial statements were as follows:-

	The Group	
	2019 RM'000	**2018 RM'000**
Freehold land	62,782	62,782
Buildings	67,849	69,627
	130,631	132,409

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

7. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(c) The capital work-in-progress represents the construction of the following buildings:-

	The Group	
	2019 RM'000	2018 RM'000
Hotel building	32,340	1,733
Solar plant	1,430	88
Others	437	-
	34,207	1,821

8. INVESTMENT PROPERTIES

The Group	Mall RM'000	Condominium RM'000	Total RM'000
At cost			
At 1 January 2019	38,875	46,235	85,110
Additions	-	172	172
Cost saving *	(68)	(88)	(156)
At 31 December 2019	38,807	46,319	85,126
Accumulated depreciation			
At 1 January 2019	(2,417)	(2,144)	(4,561)
Depreciation charges	(851)	(969)	(1,820)
At 31 December 2019	(3,268)	(3,113)	(6,381)
Carrying amount at 31 December 2019	35,539	43,206	78,745
At fair value:-			
2019	44,000	55,088	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

8. INVESTMENT PROPERTIES (CONT'D)

The Group	Mall RM'000	Condominium RM'000	Total RM'000
At cost			
At 1 January 2018	38,773	46,210	84,983
Additions	102	25	127
At 31 December 2018	38,875	46,235	85,110
Accumulated depreciation			
At 1 January 2018	(1,639)	(1,219)	(2,858)
Depreciation charges	(778)	(925)	(1,703)
At 31 December 2018	(2,417)	(2,144)	(4,561)
Carrying amount at 31 December 2018	36,458	44,091	80,549
At fair value:-			
2018	44,000	55,088	

Note:

* *The cost saving was related to adjustment to the revision of the final construction costs of the mall and condominium.*

(a) *The investment properties of the Group are leased to customers under operating leases with rentals payable monthly. The leases contain initial non-cancellable periods ranging from 1 to 15 years and an option that is exercisable by the customers to extend their leases ranging from 1 to 3 years.*

The Group requires 1 to 3 months of advanced rental payments from the customers. When considered necessary, the Group would require a bank guarantee on certain of its lease arrangements. The leases do not include residual value guarantee and variable lease payments that depend on an index or rate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

8. INVESTMENT PROPERTIES (CONT'D)

(a) As at the reporting date, the future minimum rentals receivable under the non-cancellable operating leases are as follows:-

The Group	Mall RM'000	Condominium RM'000	Total RM'000
Within 1 year	1,511	587	2,098
Between 1 and 2 years	1,215	-	1,215
Between 2 and 3 years	865	-	865
Between 3 and 4 years	771	-	771
Between 4 and 5 years	785	-	785
Later than 5 years	5,047	-	5,047
	10,194	587	10,781

The comparative information is not presented as the Group has applied MFRS 16 using the modified retrospective approach.

(b) The fair values of the investment properties are within level 2 of the fair value hierarchy.

The fair values of investment properties were determined by reference to:-

(i) market evidence of transaction prices for similar properties;
(ii) valuation reports performed by registered valuers having appropriate professional qualification; and
(iii) recent experience in the locations and category of properties being valued.

The most significant input into these valuation approaches is the price per square foot of comparable properties.

9. RIGHT-OF-USE ASSETS

The Group	At 1.1.2019 As Previously Reported RM'000	At 1.1.2019 Initial Application of MFRS 16 RM'000	At 1.1.2019 As Restated RM'000	Additions RM'000	Depreciation Charges RM'000	At 31.12.2019 RM'000
Leasehold land	-	1,449	1,449	331	(314)	1,466
Offices and shop lots	-	2,308	2,308	2,206	(2,124)	2,390
Motor vehicles	-	7,848	7,848	-	(279)	7,569
Laboratory equipment	-	2,420	2,420	-	(501)	1,919
	-	14,025	14,025	2,537	(3,218)	13,344

Analysed by:-	
Cost	21,123
Accumulated depreciation	(7,779)
	13,344

The comparative information is not presented as the Group has applied MFRS 16 using the modified retrospective approach.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

9. RIGHT-OF-USE ASSETS (CONT'D)

(a) The Group leases certain pieces of leasehold land, various offices and shop lots, laboratory equipment and motor vehicles of which the leasing activities are summarised below:-

(i) Leasehold land	The Group has entered into several non-cancellable operating lease agreements for the use of land. The leases are for a period of 99 years with no renewal or purchase option included in the agreements.
(ii) Offices and shop lots	The Group has leased a number of offices and shop lots that run between 1 year and 3 years, with an option to renew the lease after that date.
(iii) Laboratory equipment	The Group has leased certain laboratory equipment under hire purchase arrangements. The leases are secured by the leased assets.
(iv) Motor vehicles	The Group has leased its motor vehicles under hire purchase arrangements. The leases are secured by the leased assets.

10. INVENTORIES

	The Group	
	2019 RM'000	2018 RM'000
Non-current:-		
Land held for property development (Note 10(a))	17,389	17,389
Current:		
Property development costs (Note 10(b))	20,419	17,633
Stores and spares	1,316	987
Developed properties held for sale	15,122	16,287
	36,857	34,907
	54,246	52,296

	The Group	
	2019 RM'000	2018 RM'000
Recognised in profit or loss:-		
Inventories recognised as cost of sales	140,644	157,758

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

10. INVENTORIES (CONT'D)

(a) Land held for property development (non-current)

	The Group	
	2019 RM'000	**2018 RM'000**
At cost:-		
At 1 January/31 December	17,389	17,389
Comprise:-		
Right-of-use assets (leasehold land)	17,389	17,389

The right-of-use assets (leasehold land) comprises four (2018 - four) parcels of commercial land which were pledged to a financial institution as security for credit facilities granted to the Group as disclosed in Note 31 to the financial statements.

(b) Property development costs (current)

	The Group	
	2019 RM'000	**2018 RM'000**
At 1 January:-		
Freehold land	1,500	1,500
Right-of-use assets (leasehold land)	12,265	12,265
Development costs	3,868	3,816
	17,633	17,581
Incurred during the financial year:-		
Development costs	2,786	2,148
Development costs written off during the financial year	-	(2,096)
Property development costs as at 31 December	20,419	17,633
Represented by:-		
Freehold land	1,500	1,500
Right-of-use assets (leasehold land)	12,265	12,265
Development costs	6,654	3,868
	20,419	17,633

The freehold land and right-of-use assets (leasehold land) included in the property development costs of the Group are pledged to licensed banks as security for banking facilities granted to the Group as disclosed in Note 31 and Note 35 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

11. LONG-TERM INVESTMENTS

	The Group	
	2019 RM'000	**2018 RM'000**
At fair value:-		
Unquoted shares	10	10
Golf club memberships	135	135
	145	145
Unquoted shares:-		
At 1 January/31 December	10	10
Golf club memberships:-		
At 1 January/31 December	135	135
	145	145

12. DEFERRED TAX ASSETS/(LIABILITIES)

	The Group	
	2019 RM'000	**2018 RM'000**
At 1 January:		
- As previously reported	(7,769)	(8,859)
- Initial application of MFRS 16	119	-
- As restated	(7,650)	(8,859)
Recognised in profit or loss (Note 40)	3,174	1,090
At 31 December	(4,476)	(7,769)
Presented as follows:-		
Deferred tax assets	161	-
Deferred tax liabilities	(4,637)	(7,769)
	(4,476)	(7,769)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

12. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

The deferred tax assets/(liabilities) recognised at the end of the reporting period and before appropriate offsetting are as follows:-

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deferred tax assets:-				
Provision	2,209	-	-	-
Lease liability	1,483	-	-	-
Unutilised tax losses	88	88	-	-
Unabsorbed capital allowances	583	14	7	7
Others	-	236	-	-
	4,363	338	7	7
Deferred tax liabilities:-				
Accelerated capital allowances	(7,529)	(8,107)	(7)	(7)
Right-of-use assets	(1,310)	-	-	-
	(8,839)	(8,107)	(7)	(7)
Net	(4,476)	(7,769)	-	-

The deferred tax assets on unutilised tax losses and unabsorbed capital allowances have been recognised on the basis of the Group's previous history of recording profits and to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised.

No deferred tax assets have been recognised in respect of the following items (stated at gross):-

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Provision	10,594	10,016	978	-
Unutilised tax losses	79,592	80,296	26,331	24,270
Unabsorbed capital allowances	2,139	2,215	154	123
	92,325	92,527	27,463	24,393

At the end of the reporting period, the unutilised tax losses and unabsorbed capital allowances (stated at gross) are available to offset against future taxable profits of the subsidiaries and the Company in which the losses and allowances arose. No deferred tax assets are recognised in respect of these items as it is not probable that taxable profits of the subsidiaries and the Company will be available against which the deductible temporary differences can be utilised.

The unused tax losses are allowed to be utilised for 7 consecutive years of assessment while the unabsorbed capital allowances are allowed to be carried forward indefinitely.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

13. CONTRACT COSTS

The contract costs represent the cost incurred mainly for road maintenance works in the state of Terengganu that is used to fulfil the related contract in future. The costs are to be amortised on a straight-line method over the term of the specific contract it relates to, consistent with the pattern of recognition of the associated revenue.

14. TRADE RECEIVABLES

	The Group	
	2019 RM'000	**2018 RM'000**
Trade receivables	194,528	201,495
Retention sums	30,410	45,810
	224,938	247,305
Allowance for impairment losses	(33,064)	(35,080)
	191,874	212,225
Allowance for impairment losses:-		
At 1 January	(35,080)	(27,261)
Addition during the financial year	(5,563)	(9,802)
Reversal during the financial year	6,347	573
Write-off during the financial year	1,232	1,410
At 31 December	(33,064)	(35,080)

The Group's normal trade credit terms range from 21 to 90 (2018 - 21 to 90) days. Other credit terms are assessed and approved on a case-by-case basis.

The retention sums are unsecured, interest-free and due to be received within 6 to 24 months or within normal operating cycle (2018 - 6 to 24 months or within normal operating cycle).

15. CONTRACT ASSETS

	The Group	
	2019 RM'000	**2018 RM'000**
Contract assets relating to:		
- Construction contracts	258,622	218,035
- Rendering of services	23	5,199
- Accrued billings in respect of sale of goods	121	1,338
	258,766	224,572

The contract assets primarily relate to the Group's right to consideration for completed works but not yet billed as at the reporting date. The contract assets are recoverable upon billing to customers.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

16. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Other receivables	112,147	116,054	84,663	84,704
Deposits	28,820	23,205	14	14
Prepayments	1,044	663	9	9
	142,011	139,922	84,686	84,727
Allowance for impairment losses	(109,501)	(108,027)	(84,643)	(84,643)
	32,510	31,895	43	84
Allowance for impairment losses:-				
At 1 January	(108,027)	(107,979)	(84,643)	(84,643)
Addition during the financial year	(2,197)	(48)	-	-
Reversal during the financial year	661	-	-	-
Write-off during the financial year	62	-	-	-
At 31 December	(109,501)	(108,027)	(84,643)	(84,643)

Included in the other receivables and deposits of the Group and of the Company was an amount of RM84,643,170 (2018 - RM84,643,170) paid for the proposed acquisition of 78,750,000 ordinary shares of IDR1,000 each, representing 63% equity interest in PT Anglo Slavic Indonesia. The amount has been fully impaired in the financial year ended 31 December 2014. Notwithstanding that, the Group has initiated legal proceedings to recover the amount as disclosed in Note 48(a) to the financial statements.

Included in the deposits of the Group was an amount of RM18,904,000 (2018 - RM18,904,000) paid as coal trades deposits. The amount has been fully impaired in the financial year ended 31 December 2014. Notwithstanding that, the Group has initiated legal proceedings to recover the amount as disclosed in Note 48(b) to the financial statements.

17. AMOUNTS OWING BY/TO SUBSIDIARIES

The amounts owing are non-trade in nature, unsecured, and bore effective interest rates ranging from 3.49% to 4.38% (2018 - 3.49% to 4.38%) per annum and repayable on demand. The amounts owing are to be settled in cash.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

18. AMOUNTS OWING BY/(TO) ASSOCIATES

	The Group	
	2019 RM'000	2018 RM'000
Amount Owing by Associates		
Trade balances	1,106	2,185
Allowance for impairment losses	-	(57)
	1,106	2,128
Amount Owing to Associates		
Trade balances	(1,977)	(2,300)
Allowance for impairment losses:-		
At 1 January	(57)	-
Reversal during the financial year	57	(57)
At 31 December	-	(57)

The trade balances are subject to normal trade credit terms ranging from 30 to 90 (2018 - 30 to 90) days. Other credit terms are assessed and approved on a case-by-case basis.

The amounts owing are to be settled in cash.

19. SHORT-TERM INVESTMENTS

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Money market fund, at fair value	46,811	38,289	-	39

Short-term investments are classified as financial assets at fair value through profit or loss, measured at fair value.

20. DEPOSITS WITH LICENSED BANKS

Deposits with licensed banks of the Group amounting to approximately RM5,864,000 (2018 - RM8,168,000) are pledged to banks for bank guarantees and credit facilities granted to the subsidiaries.

The effective interest rates of the deposits with licensed banks at the end of the reporting period were as follows:-

	The Group		The Company	
	2019 %	2018 %	2019 %	2018 %
Effective Interest Rates	2.4 to 3.35	2.6 to 3.35	2.9 to 3.15	2.6 to 3.35

The maturity periods of the deposits with licensed banks at the end of the reporting period were as follows:-

Maturity periods (day)	2 to 365	2 to 365	2 to 365	2 to 365

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

21. CASH AND BANK BALANCES

Included in cash and bank balances of the Group are as follows:-

(i) a sum of approximately RM4,278,784 (2018 - RM6,355,000) held under a Housing Development Account pursuant to Section 7A of the Housing Development (Control & Licensing) Act 1966.

(ii) a Debt Service Account amounting to RM1,000,000 (2018 - RM1,000,000) pledged to a licensed bank for bank overdraft facilities granted to a subsidiary.

(iii) a Finance Service Account amounting to RM402,000 pledged to a licensed bank for term loan facility granted to a subsidiary.

22. SHARE CAPITAL

	The Group/The Company			
	2019 Number of Shares '000	2018 Number of Shares '000	2019 RM'000	2018 RM'000
Issued and fully paid-up				
At 1 January	495,392	424,693	249,437	212,346
Issuance of shares pursuant to bonus issue	-	70,699	-	35,350
Transfer from share premium account	-	-	-	1,741
	-	70,699	-	37,091
At 31 December	495,392	495,392	249,437	249,437

Of the total 495,392,310 (2018 - 495,392,310) issued and fully paid-up ordinary shares at the end of the reporting period, ordinary shares amounted to 10,378,900 (2018 - 2,263,400) were held as treasury shares by the Company. At the end of the reporting period, the number of outstanding ordinary shares in issue and fully paid-up, net of treasury shares, amounted to 485,013,410 (2018 - 493,128,910).

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company, and are entitled to one vote per ordinary share at meetings of the Company. The ordinary shares have no par value.

23. TREASURY SHARES

	The Group/The Company	
	2019 RM'000	2018 RM'000
At 1 January	1,130	762
Share buy-back during the financial year	1,988	368
At 31 December	3,118	1,130

The amount relates to the acquisition cost of treasury shares.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

23. TREASURY SHARES (CONT'D)

At the annual general meeting held on 30 May 2019, the shareholders of the Company approved the Company's plan to repurchase its own shares. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

During the financial year, the Company purchased its own ordinary shares from the open market under the share buy-back programme. Details are as follows:-

Date	Price per Share RM	Number of Shares	Total Costs RM'000
At 1 January 2019		2,263,400	1,130
Purchases in the month of:			
- January 2019	0.21 to 0.22	1,120,000	243
- February 2019	0.23	800,000	182
- March 2019	0.23 to 0.26	4,276,600	1,072
- September 2019	0.25	537,300	132
- October 2019	0.25 to 0.26	720,700	186
- November 2019	0.26	660,900	173
At 31 December 2019		10,378,900	3,118

The total shares purchased under the share buy-back programme were financed by internally generated funds. The shares purchased were retained as treasury shares in accordance with Section 127(6) of the Companies Act 2016 and are presented as a deduction from shareholders' equity. None of the treasury shares were resold during the financial year.

24. SHARE PREMIUM

	The Group/The Company	
	2019 RM'000	2018 RM'000
At 1 January	-	37,508
Utilised during the financial year for:		
- issuance of ordinary shares pursuant to bonus issue	-	(35,350)
- bonus issue expenses	-	(417)
	-	(35,767)
Transfer to share capital pursuant to the Companies Act 2016	-	(1,741)
At 31 December	-	-

25. FOREIGN EXCHANGE TRANSLATION RESERVE

The exchange fluctuation reserve arose from the translation of the financial statements of foreign subsidiaries, foreign associates and foreign branch and is not distributable by way of dividends.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

26. CAPITAL RESERVE

The capital reserve relates to the Group's portion of bonus shares issued by a sub-subsidiary through the capitalisation of its retained profits account. The reserve is not distributable as cash dividends.

27. WARRANTS

On 26 April 2018, the Company issued 106,051,448 Warrants 2018/2023 on the basis of one (1) free Warrant for every four (4) ordinary shares held in the Company. The salient features of Warrants 2018/2023 as constituted in the Deed Poll dated 10 April 2018 are as follows:-

Terms	Details
Exercise Rights	Each Warrant entitles the Warrantholder, at any time during the Exercise Period, to subscribe for one (1) new Ordinary Share at the Exercise Price subject to the conditions in accordance with provisions of the Deed Poll.
Exercise Period	The period commencing on and including the date of issuance of the Warrants and ending at the close of business at 5.00p.m. in Kuala Lumpur, on the Expiry Date. Any Warrants which has not been exercised during the Exercise Period will cease to be valid for any purpose and will be deemed to have lapsed.
Expiry Date	The day preceding the 5th anniversary of the date of issuance of the Warrants and if such day is not a Market Day, then it shall be the Market Day immediately preceding the said non-Market Day.
Market Day	Any day between Monday to Friday (inclusive), excluding public holidays, and on which Bursa Securities is open for trading of securities.
Exercise Price	The price payable by a Warrantholder upon exercise of the Exercise Rights attached to the Warrants being RM0.75 or adjusted price as determined in accordance with provisions of the Deed Poll, if applicable.
Rights of the Warrantholders	The new Ordinary Share to be issued from the exercise of the Warrants will, upon allotment and issuance, rank equally in all respects with the existing Ordinary Shares, save and except that the new Ordinary Shares to be issued from the exercise of the Warrants shall not be entitled to any dividends, rights, allotments and/or other forms of distribution that may be declared, made or paid for which the relevant entitlement date is before the date of allotment and issuance of the new Ordinary Shares from the exercise of the Warrants; Warrantholders are not entitled to vote in any general meeting of the Company or to participate in any distribution and/or offer to further securities to the Ordinary Shareholders in the Company unless and until the Warrantholders become Ordinary Shareholders by exercising their respective Warrants in accordance with the terms and conditions contained herein or unless otherwise provided in the Deed Poll.
Board Lot	For the purpose of trading on Bursa Securities, 1 board lot of Warrants shall comprise of 100 Warrants carrying the rights to subscribe for 100 new Ordinary Shares at any time during the Exercise Period, or such other denomination as may be varied from time to time by Bursa Malaysia Securities Berhad ("Bursa Securities").
Modification of Rights of the Warrantholders	The Company may, from time to time, without the consent or sanction of the Warrantholders, but in accordance with the Deed Poll, modify the Deed Poll, if such modification made does not materially prejudice the interests of the Warrantholders or is made to correct a manifest error or to comply with prevailing laws of Malaysia, and/or the Main Market Listing Requirements of Bursa Securities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

27. WARRANTS (CONT'D)

The salient features of Warrants 2018/2023 as constituted in the Deed Poll dated 10 April 2018 are as follows (Cont'd):-

Terms	Details
Governing Law and Jurisdiction	The Deed Poll shall be governed by, and construed in accordance with, the laws of Malaysia and the Courts of Malaysia shall have the exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Deed Poll, and the Company submits and the Warrantholders shall be deemed to have submitted to the exclusive jurisdiction of the Courts of Malaysia in respect of any legal action or proceedings arising out of or in connection with the Deed Poll.

The following is the movement in the number of Warrants 2018/2023 to take up unissued ordinary shares of the Company during the financial year:-

	Number of Warrants 2018/2023
At 1 January 2019/31 December 2019	106,051,448

28. LONG-TERM BORROWINGS

	The Group	
	2019 RM'000	2018 RM'000
Secured:-		
Hire purchase payable (Note 30)	-	1,229
Term loans (Note 31)	70,062	156,031
	70,062	157,260

The long-term borrowings are obtained in accordance with the following terms:-

	The Group	
	2019 RM'000	2018 RM'000
Conventional:-		
Hire purchase payables	-	1,106
Term loans	36,397	135,940
	36,397	137,046
Islamic:-		
Hire purchase payables	-	123
Term loans	33,665	20,091
	70,062	157,260

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

29. LEASE LIABILITIES

	The Group
	2019 RM'000
At 1 January:	
- As previously reported	-
- Initial application of MFRS 16	9,581
- As restated	9,581
Addition during the financial year	2,505
Interest expense recognised in profit or loss (Note 38)	712
Repayment of principal	(3,620)
Repayment of interest expense	(427)
	8,751
Analysed by:-	
Current liabilities	2,524
Non-current liabilities	6,227
	8,751

The comparative information is not presented as the Group has applied MFRS 16 using the modified retrospective approach.

Certain lease liabilities of the Group are secured by the Group's laboratory equipment and motor vehicles under the hire purchase arrangements as disclosed in Notes 9(a)(iii) and 9(a)(iv) to the financial statements respectively, with lease terms ranging from 1 to 9 years and bear effective interest rates ranging from 4.44% to 6.54%.

30. HIRE PURCHASE PAYABLES

	The Group	
	2019 RM'000	2018 RM'000
Minimum hire purchase payments:		
- not later than one year	-	1,379
- later than one year but not later than five years	-	1,389
	-	2,768
Less: future finance charges	-	(347)
Present value of hire purchase payables	-	2,421
Current (Note 34):		
- not later than one year	-	1,192
Non-current (Note 28):		
- later than one year but not later than five years	-	1,229
	-	2,421

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

30. HIRE PURCHASE PAYABLES (CONT'D)

(a) The hire purchase payable have been represented as "lease liabilities" as shown in Note 29 to the financial statement following the application of MFRS 16 by the Group using the modified retrospective approach.

(b) In the previous financial year, the hire purchase payables of the Group were secured by certain property, plant and equipment under hire purchase arrangements as disclosed in Note 7(a) to the financial statements. The hire purchase arrangements were expiring from 1 to 4 years.

31. TERM LOANS

	The Group	
	2019 RM'000	2018 RM'000
Current (Note 34):		
- not later than one year	222,643	11,219
Non-current (Note 28):		
- later than one year but not later than two years	25,548	109,823
- later than two years but not later than five years	43,607	38,514
- later than five years	907	7,694
	70,062	156,031
	292,705	167,250

Details of the repayment terms are as follows:-

Term Loan	Number of Monthly Instalment	Monthly Instalments RM	Date of Commencement of Repayment	The Group Amount Outstanding 2019 RM'000	2018 RM'000
1	240	8,205	February 2011	903	954
2	240	3,809	March 2012	426	449
3	24	645,834	May 2018	12,271	14,854
4	144	#	June 2017	29,584	33,634
5	*	*	October 2016	20,091	25,448
6^	**	**	September 2020	204,199	91,188
7	240	4,892	June 2017	699	723
8^	***	***	***	24,532	-
				292,705	167,250

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

31. TERM LOANS (CONT'D)

Notes:-

* *The term loan is repayable on quarterly basis with 22 quarter instalments of RM1,339,000 per quarter.*

** *The term loan is repayable as follows, whichever is earlier:-*

(a) upon receipt of sale proceeds and proceeds from facilitation funds with regard to a construction project; and/or

(b) through a final bullet payment of the balance of loan or up to the facility's limit of RM216 million on the 36th month of loan drawdown.

*** *The term loan is repayable on quarterly basis with 20 equal instalments of RM1,400,000 per quarter and repayable as follows, whichever is earlier:-*

(a) upon expiry of twenty-four (24) months period from the date of the first disbursement of the term loan; or

(b) upon full disbursement of the term loan.

\# *The repayment of the term loan will be commencing on the 25th month from the date of first drawdown. The monthly repayment schedule is as follows:-*

				RM'000
(i)	1 st	-	24 th month	-
(ii)	25 th	-	48 th month	250
(iii)	49 th	-	60 th month	400
(iv)	61 st	-	108 th month	500
(v)	109 th	-	143 rd month	700
(vi)	144 th			12,700

^ *The Group has not fully drawn down these term loans during the financial year.*

Term loans 1 to 8 are secured by a corporate guarantee of the Company. In addition, the respective term loans are secured as follows:-

Term Loans 1, 2 and 7 are secured by legal charges over certain freehold land and buildings of the Group as disclosed in Note 7(b) to the financial statements.

Term Loan 3 is secured by a first party legal charge over the right-of-use assets (leasehold land) of the Group as disclosed in Note 10 (a) to the financial statements.

Term Loan 4 is secured by:-

(a) a third party legal charge over the freehold land which is included in the property development costs of a subsidiary as disclosed in Note 10 (b) to the financial statements;

(b) a third party legal charge over certain freehold land and building of a subsidiary;

(c) a fixed and floating charge over all present and future asset of a certain project of a subsidiary;

(d) a legal charge and an assignment over the Project Account of the property development project of a subsidiary; and

(e) a legal charge and an assignment over the residual value in the Housing Development Account upon completion of a certain project of a subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

31. TERM LOANS (CONT'D)

Term Loan 5 is secured by:-

(a) a Facility Agreement stamped to the amount of facilities advance; and

(b) a third party charge ranking pari passu with all existing charges over the property held under a subsidiary.

Term Loan 6 is secured by:-

(a) an assignment by a subsidiary of the Company on the facilitation fund and proceeds receivable from a project awarded by the Government of Malaysia.

(b) a charge over the Debt Service Reserve Account maintained by a subsidiary.

Term Loan 8 is secured by:-

(a) a first party legal charge over the freehold land of the Group as disclosed in Note 7(b) to the financial statements.

(b) a charge over the Finance Service Reserve Account maintained by a subsidiary as disclosed in Note 21 (iii) to the financial statements.

32. TRADE PAYABLES

	The Group	
	2019 RM'000	**2018 RM'000**
Trade payables	142,635	186,660
Accrued costs	68,551	94,525
Retention sums	28,794	27,183
	239,980	308,368
Deferred income	6,900	7,328
	246,880	315,696

The normal trade credit terms granted to the Group range from 30 to 180 (2018 - 30 to 180) days.

The retention sums are unsecured, interest-free and due to be paid within 6 to 12 (2018 - 6 to12) months or within normal operating cycle.

Deferred income represents course fees received in advance from students and will be recognised as revenue over the period of the courses.

33. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Other payables and accruals	45,250	38,262	235	415
Amount owing to a subsidiary's shareholders	-	4,900	-	-
	45,250	43,162	235	415

Included in other payables and accruals of the Group is an advance payment received from the Government of Malaysia amounting to RM8,700,000 (2018 - RM8,700,000). The amount owing is interest-free, repayable on demand and secured by a corporate guarantee given by a subsidiary to the Government of Malaysia. The amount owing is to be settled in cash.

In the previous financial year, the amount owing to a subsidiary's shareholders was unsecured, interest-free and repayable on demand. The amount owing was settled in cash.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

34. SHORT-TERM BORROWINGS

	The Group	
	2019 RM'000	2018 RM'000
Secured:-		
Revolving credit	57,757	60,257
Hire purchase payables (Note 30)	-	1,192
Term loans (Note 31)	222,643	11,219
Total secured borrowings	280,400	72,668
Unsecured:-		
Bills payable	22,971	20,734
Total short-term borrowings	303,371	93,402

The short-term borrowings are obtained in accordance with the following terms:-

	The Group	
	2019 RM'000	2018 RM'000
Conventional:-		
Revolving credits	38,757	39,757
Bills payable	12,581	13,445
Hire purchase payables	-	1,103
Term loans	211,685	5,861
	263,023	60,166
Islamic:-		
Revolving credits	19,000	20,500
Bills payable	10,390	7,289
Hire purchase payables	-	89
Term loans	10,958	5,358
	40,348	33,236
Total short-term borrowings	303,371	93,402

The secured revolving credit is secured by:-

(a) a corporate guarantee of the Company;

(b) fixed and floating charges on certain property, plant and equipment as disclosed in Note 7(b) to the financial statements; and

(c) a pledge of certain deposits placed with licensed banks as disclosed in Note 20 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

35. BANK OVERDRAFTS

Included in the bank overdrafts is approximately RM6,305,000 (2018 - RM13,887,000) which is secured by:

(i) a Debt Service Account maintained by a subsidiary as disclosed in Note 21(ii) to the financial statements;

(ii) a first legal charge over the freehold land which is included in the property development costs of a subsidiary as disclosed in Note 10 (b) to the financial statements;

(iii) a fixed and floating charge over all present and future assets of the property development project of a subsidiary;

(iv) deed of assignment over the Project Account of the property development project of a subsidiary; and

(v) a corporate guarantee of the Company.

The remaining bank overdrafts of approximately RM19,623,000 (2018 - RM21,143,000) are secured by an assignment by a subsidiary of the Company on the facilitation fund and proceeds receivable from a project awarded by the Government of Malaysia. The bank overdraft facilities are obtained in accordance with conventional terms.

36. REVENUE

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Gross dividends from subsidiaries	-	-	5,100	24,000
Management fees from subsidiaries	-	-	5,000	5,000
Maintenance services	434,885	515,838	-	-
Construction contracts	140,443	159,947	-	-
Property development	4,883	9,624	-	-
Trading and manufacturing	129,860	121,674	-	-
Education	44,360	50,332	-	-
Engineering services	28,866	43,699	-	-
Others	406	3,746	-	-
	783,703	904,860	10,100	29,000

Other than the contracts for original periods of one year or less, the transaction price allocated for the remaining performance obligations that are unsatisfied or partially unsatisfied as at the end of the reporting period in relation to construction contracts amounting to approximately RM55,125,000 (2018 - RM137,428,000) are expected to be recognised as revenue within 1 to 2 (2018 - 1 to 2) years.

37. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	The Group	
	2019 RM'000	2018 RM'000
Impairment losses:		
- trade receivables (Note 14)	5,563	9,802
- other receivables (Note 16)	2,197	48
- amount owing by associates (Note 18)	-	57
Reversal of impairment losses:		
- trade receivables (Note 14)	(6,347)	(573)
- other receivables (Note 16)	(661)	-
- amount owing by associates (Note 18)	(57)	-
	695	9,334

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

38. PROFIT/(LOSS) BEFORE TAXATION

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit/(Loss) before taxation is arrived at after charging/(crediting):-				
Audit fee:				
- for the financial year	729	578	70	70
- underprovision in the previous financial year	105	29	22	3
Bad debts written off	561	684	-	-
Depreciation:				
- property, plant and equipment	11,915	14,227	29	33
- investment properties	1,820	1,703	-	-
- right-of-use assets	3,218	-	-	-
Property, plant and equipment written off	6	70	-	-
Direct operating expenses on investment properties	1,676	1,195	-	-
Directors' remuneration (Note 39)	4,865	5,789	1,830	2,265
Interest expense:				
- bank overdrafts	2,147	2,610	363	357
- bills payable	955	973	-	-
- hire purchase	-	248	-	-
- lease liabilities	712	-	-	-
- revolving credit	3,932	3,320	-	-
- term loans	12,180	6,538	-	-
- unwinding of discounts on trade payables	-	730	-	-
- others	36	38	18	29
Lease expenses:				
- short-term leases	1,786	-	19	-
- low-value leases	20	-	-	-
- land	-	172	-	-
- office premises	-	3,017	-	26
- plant and machinery	-	402	-	-
- motor vehicles	-	945	-	-
- office equipment	-	988	-	2
- others	-	29	-	-
Net loss on derecognition of subsidiaries upon struck off	7	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

38. PROFIT/(LOSS) BEFORE TAXATION (CONT'D)

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit/(Loss) before taxation is arrived at after charging/(crediting):-				
Staff costs:				
- salaries, wages, bonuses and allowances	69,349	83,412	4,779	4,024
- defined contribution plan	7,529	9,305	455	488
- other benefits	5,002	5,842	141	444
Gain on disposal of property, plant and equipment	(329)	(164)	-	-
Income from short-term investments	(609)	(486)	(22)	(9)
Interest income	(1,197)	(1,040)	(52)	(66)
Net foreign exchange loss/(gain):				
- unrealised	1	12	-	-
- realised	(24)	6	-	-
Lease income:				
- property, plant and equipment	(187)	(146)	-	-
- others	(489)	(48)	-	-
Writeback of bad debts	(2,662)	-	-	-

39. DIRECTORS' REMUNERATION

The aggregate amounts of remuneration received and receivable by the Directors of the Group and the Company during the financial year are as follows:-

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Directors of the Company				
Executive Directors' remuneration:				
- Other emoluments	2,424	2,401	1,473	1,802
Non-executive Directors' remuneration:				
- Fees	368	495	331	420
- Other emoluments	30	48	26	43
	398	543	357	463
Directors of the Subsidiaries				
Executive Directors' remuneration:				
- Fees	153	146	-	-
- Other emoluments	1,890	2,699	-	-
	2,043	2,845	-	-
Total Directors' emoluments	4,865	5,789	1,830	2,265
Estimated money value of benefits-in-kind	69	68	35	35
	4,934	5,857	1,865	2,300

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

39. DIRECTORS' REMUNERATION (CONT'D)

The details of remuneration receivable by the Directors of the Company and its subsidiaries during the financial year are as follows:-

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Presented as follows:-				
Executive:-				
Short-term employee benefits	4,144	4,734	1,416	1,608
Defined contribution plan	323	512	57	194
Estimated money value of benefits-in-kind	69	68	35	35
	4,536	5,314	1,508	1,837
Non-Executive:-				
Short-term employee benefits	393	538	357	463
Defined contribution plan	5	5	-	-
	4,934	5,857	1,865	2,300

40. INCOME TAX EXPENSE

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current tax expenses:				
- for the financial year	13,696	15,679	-	-
- under/(over)provision in the previous financial year	1,092	(849)	-	-
	14,788	14,830	-	-
Deferred tax (Note 12):				
- relating to origination and reversal of temporary differences	(808)	(634)	-	-
- overprovision in the previous financial year	(2,366)	(456)	-	-
	(3,174)	(1,090)	-	-
	11,614	13,740	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

40. INCOME TAX EXPENSE (CONT'D)

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

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit/(Loss) before taxation	30,881	(23,878)	37	19,902
Tax at the statutory rate of 24% (2018 - 24%)	7,411	(5,731)	9	4,776
Tax effects of:-				
Non-deductible expenses	6,867	11,186	478	266
Non-taxable income	(1,342)	(342)	(1,224)	(5,760)
Utilisation of deferred tax assets previously not recognised	(3,198)	-	-	-
Deferred tax assets not recognised during the financial year	3,150	10,087	737	718
Effect of reduction in tax rates arising from incremental taxable income	-	(155)	-	-
Under/(Over)provision in the previous financial year:				
- current tax	1,092	(849)	-	-
- deferred tax	(2,366)	(456)	-	-
Income tax expense for the financial year	11,614	13,740	-	-

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2018 - 24%) of the estimated assessable profit for the financial year. The taxation for other jurisdiction is calculated at the rates prevailing in the respective jurisdictions.

Income tax savings during the financial year arising from:-

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Utilisation of current financial year's tax losses	272	1,063	-	75
Utilisation of tax losses previously not recognised as deferred tax assets	13,246	-	-	-
Utilisation of unabsorbed capital allowances previously not recognised as deferred tax	79	-	-	-
	13,597	1,063	-	75

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

41. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share is calculated by dividing the net profit/(loss) for the financial year by the weighted average number of ordinary shares in issue excluding treasury shares during the financial year.

	The Group	
	2019	**2018**
Net profit/(loss) for the financial year (RM'000)	6,272	(48,107)
Weighted average number of ordinary shares in issue ('000)	485,256	494,843
Basic earnings/(loss) per share (sen)	1.29	(9.72)
Diluted earnings/(loss) per share (sen)	1.29	(9.72)

The potential conversion of Warrants is anti-dilutive as its exercise price is higher than the average market price of the Company's ordinary shares during the current financial year. Accordingly, the potential exercise of the warrants has been ignored in the calculation of dilutive earnings/(loss) per share and hence, the diluted earnings/(loss) per share is equal to the basic earnings/(loss) per share.

42. DIVIDENDS

	The Company	
	2019 RM'000	**2018 RM'000**
In respect of the financial year ended 31 December 2019:		
- first dividend of 0.6 sen per ordinary share	2,922	-
- second dividend of 0.6 sen per ordinary share	2,910	-
In respect of the financial year ended 31 December 2017:		
- second dividend of 2.5 sen per ordinary share	-	12,373
	5,832	12,373

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

43. CASH FLOW INFORMATION

(a) The cash disbursed for the purchase of property, plant and equipment and addition of right-of-use assets are as follows:-

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Property, plant and equipment				
Cost of property, plant and equipment purchased (Note 7)	37,862	7,602	6	49
Amount financed through hire purchase	-	(98)	-	-
Amount financed through term loan	(24,532)	-	-	-
	13,330	7,504	6	49
Right-of-use assets				
Cost of right-of-use assets (Note 9)	2,537	-	-	-
Less: Addition of new lease liabilities (Note 29)	(2,505)	-	-	-
	32	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

43. CASH FLOW INFORMATION (CONT'D)

(b) The reconciliation of liabilities arising from financing activities are as follows:-

	Term Loans RM'000	Hire Purchase RM'000	Lease Liabilities RM'000	Other Short-term Borrowings RM'000	Dividend Payable RM'000	Total RM'000
The Group						
2019						
At 1 January, as previously reported	167,250	2,421	-	80,991	-	250,662
Effect on adoption of MFRS 16	-	(2,421)	9,581	-	-	7,160
At 1 January, as previously reported	167,250	-	9,581	80,991	-	257,822
Changes in Financing Cash Flows:-						
Proceeds from drawdown	113,011	-	-	-	-	113,011
Repayment of principal	(12,088)	-	(3,620)	(263)	-	(15,971)
Repayment of interests	(12,180)	-	(427)	(4,923)	-	(17,530)
Dividends paid	-	-	-	-	(2,922)	(2,922)
	88,743	-	(4,047)	(5,186)	(2,922)	76,588
Non-cash Changes						
Acquisition of new leases	-	-	2,505	-	-	2,505
Purchase of property, plant and equipment	24,532	-	-	-	-	24,532
Dividend declared	-	-	-	-	5,832	5,832
Interest expense recognised in profit or loss	12,180	-	712	4,923	-	17,815
	36,712	-	3,217	4,923	5,832	50,684
At 31 December	292,705	-	8,751	80,728	2,910	385,094

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

43. CASH FLOW INFORMATION (CONT'D)

(b) The reconciliation of liabilities arising from financing activities are as follows (Cont'd):-

	Term Loans RM'000	Hire Purchase RM'000	Other Short-term Borrowings RM'000	Dividend Payable RM'000	Total RM'000
The Group					
2018					
At 1 January	101,918	4,130	88,187	12,726	206,961
Changes in Financing Cash Flows:-					
Proceeds from drawdown	110,839	-	-	-	110,839
Repayment of borrowings:					
- principal	(45,507)	(1,807)	(7,196)	-	(54,510)
- interests	(6,538)	(248)	(4,331)	-	(11,117)
Dividends paid	-	-	-	(25,099)	(25,099)
	58,794	(2,055)	(11,527)	(25,099)	20,113
Non-cash Changes					
New hire purchase	-	98	-	-	98
Dividend declared	-	-	-	12,373	12,373
Finance charges recognised in profit or loss	6,538	248	4,331	-	11,117
	6,538	346	4,331	12,373	23,588
At 31 December	167,250	2,421	80,991	-	250,662

	Amont owing to subsidiaries	
	2019 RM'000	2018 RM'000
The Company		
At 1 January	4,239	3,979
Changes in Financing Cash Flows		
Advances from subsidiaries	-	260
Repayment to subsidiaries	(1,022)	-
At 31 December	3,217	4,239

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

43. CASH FLOW INFORMATION (CONT'D)

(c) The total cash outflows for a lease as a lessee are as follows:-

	The Group	
	2019 RM'000	2018 RM'000
Payment of short-term leases	1,786	-
Payment of low-value assets	20	-
Interest paid on lease liabilities	427	-
Payment of lease liabilities	3,620	-
	5,853	-

(d) The cash and cash equivalents comprise the following:-

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Short-term investments	46,811	38,289	-	39
Deposits with licensed banks	43,333	98,842	4,614	1,764
Cash and bank balances	112,770	52,674	463	296
Bank overdrafts	(25,928)	(35,030)	(4,553)	(5,002)
	176,986	154,775	524	(2,903)
Less : Deposits pledged to licensed banks	(5,864)	(8,168)	(1,114)	(1,064)
Cash and bank balances pledged to a licensed bank	(1,402)	(1,000)	-	-
Short-term investments with maturity periods more than three months	(893)	(387)	-	-
	168,827	145,220	(590)	(3,967)

44. CAPITAL COMMITMENTS

	The Group	
	2019 RM'000	2018 RM'000
Purchase of property, plant and equipment	771	2,423

NOTES TO THE FINANCIAL STATEMENTS

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45. RELATED PARTY DISCLOSURES

45.1 IDENTITIES OF RELATED PARTIES

Parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control.

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its Directors, associates, key management personnel and entities within the same group of companies.

45.2 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

Other than those disclosed elsewhere in the financial statements, the Group and the Company also carried out the following transactions with the related parties during the financial year:-

	The Group		The Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Subsidiaries:				
- Gross dividends received/receivable	-	-	(5,100)	(24,000)
- Management fees received/receivable	-	-	(5,000)	(5,000)
- Rental expense paid/payable	-	-	17	26
Related Parties:				
- Service rendered to	-	(392)	-	-
- Service rendered by	-	132	-	-
- Rental expense paid/payable	-	267	-	-
Associates:				
- Administrative fees paid/payable	-	1,954	-	-
- Interest income received/receivable	-	(80)	-	-
- Management fees received/receivable	(132)	(180)	-	-
- Rental income received/receivable	(128)	(76)	-	-
- Sales of goods to	(184)	-	-	-
- Service rendered to	(979)	(2,543)	-	-
- Service rendered by	2,483	5,252	-	-

The significant outstanding balances of the related parties (including the allowance for impairment loss made) together with their terms and conditions are disclosed in the respective notes to the financial statements.

The related party transactions described above were entered into in the normal course of business carried out based on negotiated terms and conditions and are mutually agreed with respective parties.

45. RELATED PARTY DISCLOSURES (CONT'D)

45.3 KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly. The key management personnel of the Group and of the Company includes Executive Directors and Non-Executive Directors of the Group and of the Company.

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Short-term employee benefits	4,606	5,340	1,808	2,106
Defined contribution plan	328	517	57	194
	4,934	5,857	1,865	2,300

46. OPERATING SEGMENTS

BUSINESS SEGMENTS

The Group is organised into six major business segments:-

Business Segment	Principal activities
Maintenance	The maintenance of federal and state roads.
Construction	The construction of buildings and other infrastructures.
Property development	The development of commercial and residential properties.
Engineering services	The provision of full spectrum of civil engineering work and related services.
Trading and manufacturing	Trading and manufacturing of construction materials.
Education	The provision of tertiary education.

Other business segment mainly represents investment holding activities.

The key management personnel assess the performance of the reportable segments based on their profit before taxation. The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 4 to the financial statements.

(a) Segment Revenue and Results

Segment results represent profit before taxation of the segment. Inter-segment transactions are entered in the ordinary course of business based on terms mutually agreed upon by the parties concerned. The effects of such inter-segment transactions are eliminated on consolidation.

(b) Segment Assets

Segment assets are measured based on all assets (including goodwill) of the segment, excluding current tax assets and deferred tax assets.

(c) Segment Liabilities

Segment liabilities are measured based on all liabilities, excluding current tax liabilities and deferred tax liabilities.

Income taxes are managed on a group basis and are not allocated to operating segments.

Assets and liabilities which are common and cannot be meaningfully allocated to the operating segments are presented under unallocated items. Unallocated items comprise mainly tax-related assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

46. OPERATING SEGMENTS (CONT'D)

BUSINESS SEGMENTS (CONT'D)

2019	Maintenance RM'000	Construction RM'000	Property Development RM'000	Engineering Services RM'000	Trading and Manufacturing RM'000	Education RM'000	Others RM'000	Eliminations RM'000	Consolidation RM'000
Revenue									
External sales	434,885	140,443	4,883	28,866	129,860	44,360	406	-	783,703
Inter-segment sales	-	152,469	1,197	8,270	19,225	-	10,100	(191,261)	-
Total revenue	434,885	292,912	6,080	37,136	149,085	44,360	10,506	(191,261)	783,703
Represented by revenue recognised:									
- at a point of time	-	-	4,883	-	129,860	-	406	-	135,149
- over time	434,885	140,443	-	28,866	-	44,360	-	-	648,554
	434,885	140,443	4,883	28,866	129,860	44,360	406	-	783,703
Results									
Profit/(Loss) from operations	36,518	15,625	298	(6,664)	2,632	1,779	(1,294)	(9,257)	39,637
Finance costs	(901)	(1,687)	(2,948)	(154)	(1,281)	(1,221)	(3,326)	129	(11,389)
Net impairment losses on financial assets	1,664	1,849	-	(4,796)	634	(46)	-	-	(695)
Share of profit in associates	2,294	898	-	136	-	-	-	-	3,328
Segment results	39,575	16,685	(2,650)	(11,478)	1,985	512	(4,620)	(9,128)	30,881
Income tax expense									(11,614)
Profit after taxation									19,267
Non-controlling interests									(12,995)
Net profit attributable to owners of the Company									6,272

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

46. OPERATING SEGMENTS (CONT'D)

BUSINESS SEGMENTS (CONT'D)

2019	Maintenance RM'000	Construction RM'000	Property Development RM'000	Engineering Services RM'000	Trading and Manufacturing RM'000	Education RM'000	Others RM'000	Eliminations RM'000	Consolidation RM'000
Assets									
Segment assets	184,443	408,135	431,209	202,535	108,481	76,530	272,086	(628,828)	1,054,591
Unallocated corporate assets									15,142
Consolidated total assets									1,069,733
Liabilities									
Segment liabilities	105,379	357,663	399,742	165,149	84,178	37,761	20,571	(465,314)	705,129
Unallocated corporate liabilities									9,355
Consolidated total liabilities									714,484
Other Information									
Depreciation and amortisation	6,964	1,036	2,118	2,789	588	3,231	227	-	16,953
Impairment losses on trade and other receivables	-	761	-	6,764	190	45	-	-	7,760
Interest expenses	937	9,954	2,887	3,050	1,281	1,221	632	-	19,962
(Gain)/loss on disposal of property, plant and equipment	(139)	21	-	(211)	-	-	-	-	(329)
Interest and investment income	(719)	(278)	(247)	(254)	(3)	(231)	(74)	-	(1,806)
Writeback of impairment losses on :									
- trade and other receivables	(1,664)	(2,610)	-	(1,911)	(823)	-	-	-	(7,008)
- amount owing by associates	-	-	-	(57)	-	-	-	-	(57)
Capital expenditure	7,572	228	270	36,999	23	142	1,359	(6,022)	40,571

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

46. OPERATING SEGMENTS (CONT'D)

BUSINESS SEGMENTS (CONT'D)

2018	Maintenance RM'000	Construction RM'000	Property Development RM'000	Engineering Services RM'000	Trading and Manufacturing RM'000	Education RM'000	Others RM'000	Eliminations RM'000	Consolidation RM'000
Revenue									
External sales	515,838	159,947	9,624	43,699	121,674	50,332	3,746	-	904,860
Inter-segment sales	-	128,215	116	6,361	47,283	-	29,000	(210,975)	-
Total revenue	515,838	288,162	9,740	50,060	168,957	50,332	32,746	(210,975)	904,860
Represented by revenue recognised:									
- at a point of time	-	-	9,624	-	121,674	-	3,746	-	135,044
- over time	515,838	159,947	-	43,699	-	50,332	-	-	769,816
	515,838	159,947	9,624	43,699	121,674	50,332	3,746	-	904,860
Results									
Profit/(Loss) from operations	40,285	(36,640)	(4,963)	1,858	4,411	2	14,162	(22,967)	(3,852)
Finance costs	(523)	(1,922)	(4,045)	(205)	(1,377)	(1,532)	(2,957)	354	(12,207)
Net impairment losses on financial assets	(1,793)	(3,296)	-	(2,436)	(1,392)	(417)	-	-	(9,334)
Share of profit in associates	416	1,099	-	-	-	-	-	-	1,515
Segment results	38,385	(40,759)	(9,008)	(783)	1,642	(1,947)	11,205	(22,613)	(23,878)
Income tax expense									(13,740)
Loss after taxation									(37,618)
Non-controlling interests									(10,489)
Net loss attributable to owners of the Company									(48,107)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

46. OPERATING SEGMENTS (CONT'D)

BUSINESS SEGMENTS (CONT'D)

2018	Maintenance RM'000	Construction RM'000	Property Development RM'000	Engineering Services RM'000	Trading and Manufacturing RM'000	Education RM'000	Others RM'000	Eliminations RM'000	Consolidation RM'000
Assets									
Segment assets	218,225	485,711	217,364	191,738	119,807	78,038	271,654	(588,010)	994,527
Unallocated corporate assets									17,141
Consolidated total assets									1,011,668
Liabilities									
Segment liabilities	131,653	306,615	347,909	137,586	97,563	42,260	11,791	(428,527)	646,850
Unallocated corporate liabilities									12,985
Consolidated total liabilities									659,835
Other Information									
Depreciation and amortisation	4,792	1,018	2,285	3,951	466	3,504	34	(120)	15,930
Impairment losses on:									
- trade and other receivables	1,793	3,296	-	2,807	1,392	562	-	-	9,850
- amount owing by associates	-	-	-	57	-	-	-	-	57
Interest expenses	462	4,138	3,813	2,779	1,377	1,532	356	-	14,457
Gain on disposal of property, plant and equipment	(114)	(9)	-	(40)	(1)	-	-	-	(164)
Interest and investment income	(562)	(75)	(402)	(200)	(6)	(207)	(74)	-	(1,526)
Writeback of impairment losses on trade receivables	-	-	-	(428)	-	(145)	-	-	(573)
Capital expenditure	4,069	37	251	2,476	41	580	148	-	7,602

The Group operates predominantly in Malaysia. Accordingly, the information by geographical segment is not presented.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

46. OPERATING SEGMENTS (CONT'D)

MAJOR CUSTOMER

The following are major customers with revenue equal to or more than 10% of Group revenue:-

Customer Name	Revenue		Segment
	2019 RM'000	2018 RM'000	
Customer A	390,563	475,479	Maintenance
Customer B	123,198	121,389	Construction

47. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

47.1 FINANCIAL RISK MANAGEMENT POLICIES

The Group's policies in respect of the major areas of treasury activity are as follows:-

(a) Market Risk

(i) Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Ringgit Malaysia. The currencies giving rise to this risk are primarily, Euro, Libyan Dinar, South African Rand, Sri Lanka Rupee and United States Dollar. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

47. FINANCIAL INSTRUMENTS (CONT'D)

47.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) based on the carrying amounts of financial instruments at the end of the reporting period is summarised below:-

Foreign Currency Exposure

The Group	Libyan Dinar RM'000	Euro RM'000	South African Rand RM'000	Sri Lanka Rupee RM'000	United States Dollar RM'000	Ringgit Malaysia RM'000	Total RM'000
2019							
Financial Assets							
Long-term investments	-	-	-	-	-	145	145
Trade receivables	68	-	-	-	-	191,806	191,874
Other receivables	-	-	-	-	153	21,396	21,549
Amount owing by associates	-	-	-	-	-	1,106	1,106
Short-term investments	-	-	-	-	-	46,811	46,811
Deposits with licensed banks	-	-	-	-	-	43,333	43,333
Cash and bank balances	4,750	6	2,376	536	-	105,102	112,770
	4,818	6	2,376	536	153	409,699	417,588

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

47. FINANCIAL INSTRUMENTS (CONT'D)

47.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

The Group	Libyan Dinar RM'000	Euro RM'000	South African Rand RM'000	Sri Lanka Rupee RM'000	United States Dollar RM'000	Ringgit Malaysia RM'000	Total RM'000
2019							
Financial Liabilities							
Trade payables	173	-	-	-	-	239,807	239,980
Other payables and accruals	289	-	-	-	-	44,961	45,250
Amount owing to associates	-	-	-	-	-	1,977	1,977
Dividend payable	-	-	-	-	-	2,910	2,910
Lease liabilities	-	-	-	-	-	8,751	8,751
Borrowings	-	-	-	-	-	373,433	373,433
Bank overdrafts	-	-	-	-	-	25,928	25,928
	462	-	-	-	-	697,767	698,229
Net financial assets/(liabilities)	4,356	6	2,376	536	153	(288,068)	(280,641)
Less : Net financial (assets)/liabilities denominated in the respective entities functional currencies	(4,356)	(6)	(2,376)	(536)	(153)	288,068	280,641
Currency exposure	-	-	-	-	-	-	-

47. FINANCIAL INSTRUMENTS (CONT'D)

47.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

The Group	Libyan Dinar RM'000	Euro RM'000	South African Rand RM'000	United States Dollar RM'000	Ringgit Malaysia RM'000	Total RM'000
2018						
Financial Assets						
Long-term investments	-	-	-	-	145	145
Trade receivables	71	-	-	-	212,154	212,225
Other receivables	-	-	-	168	26,763	26,931
Amount owing by associates	-	-	-	-	2,128	2,128
Short-term investments	-	-	-	-	38,289	38,289
Deposits with licensed banks	-	-	-	-	98,842	98,842
Cash and bank balances	3,345	7	2,311	-	47,011	52,674
	3,416	7	2,311	168	425,332	431,234

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

47. FINANCIAL INSTRUMENTS (CONT'D)

47.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

The Group	Libyan Dinar RM'000	Euro RM'000	South African Rand RM'000	United States Dollar RM'000	Ringgit Malaysia RM'000	Total RM'000
2018						
Financial Liabilities						
Trade payables	175	-	-	-	308,193	308,368
Other payables and accruals	292	13	-	-	42,857	43,162
Amount owing to associates	-	-	-	-	2,300	2,300
Borrowings	-	-	-	-	250,662	250,662
Bank overdrafts	-	-	-	-	35,030	35,030
	467	13	-	-	639,042	639,522
Net financial assets/(liabilities)	2,949	(6)	2,311	168	(213,710)	(208,288)
Less : Net financial (assets)/ liabilities denominated in the respective entities functional currencies	(2,949)	6	(2,311)	(168)	213,710	208,288
Currency exposure	-	-	-	-	-	-

47. FINANCIAL INSTRUMENTS (CONT'D)

47.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Risk Sensitivity Analysis

Any reasonably possible change in the foreign currency exchange rates at the end of the reporting period against the respective functional currencies of the entities within the Group does not have material impact on the profit or loss after taxation and other comprehensive income of the Group and of the Company and hence, no sensitivity analysis is presented.

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from interest-bearing financial assets and liabilities. The Group's policy is to obtain the most favourable interest rates available. Any surplus funds of the Group will be placed with licensed financial institutions to generate interest income.

Exposure to Interest Rate Risk

The interest rate profile of the Group's significant interest-bearing financial instruments, based on the carrying amounts as at the end of the reporting period are as follows:-

	The Group	
	2019 RM'000	**2018 RM'000**
Fixed Rate Instruments		
Deposits with licensed banks	43,333	98,842
Lease liabilities	(8,751)	-
Hire purchase payables	-	(2,421)
Bills payable	(22,971)	(20,734)
Revolving credit	(57,757)	(60,257)
	(46,146)	15,430
Floating Rate Instruments		
Term loans	(292,705)	(167,250)
Bank overdrafts	(25,928)	(35,030)
	(318,633)	(202,280)

NOTES TO THE FINANCIAL STATEMENTS

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47. FINANCIAL INSTRUMENTS (CONT'D)

47.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(ii) Interest Rate Risk (Cont'd)

Exposure to Interest Rate Risk (Cont'd)

	The Company	
	2019 RM'000	2018 RM'000
Fixed Rate Instrument		
Deposits with licensed bank	4,614	1,764
Floating Rate Instrument		
Bank overdrafts	(4,553)	(5,002)

Interest Rate Risk Sensitivity Analysis

The interest rate risk sensitivity analysis on the fixed rate instruments is not disclosed as these financial instruments are measured at amortised cost. Therefore, they are not subject to interest rate risk as defined in MFRS 7 since neither their carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

The following table details the sensitivity analysis to a reasonably possible change in the interest rates at the end of the reporting period, with all other variables held constant:-

	The Group	
	2019 Increase/ (Decrease) RM'000	2018 Increase/ (Decrease) RM'000
Effects on Profit/(Loss) After Taxation/Other Comprehensive Income/(Expenses)		
Increase of 100 basis points (bp)	(2,422)	(1,537)
Decrease of 100 bp	2,422	1,537

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

47. FINANCIAL INSTRUMENTS (CONT'D)

47.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(ii) Interest Rate Risk (Cont'd)

Interest Rate Risk Sensitivity Analysis (Cont'd)

The following table details the sensitivity analysis to a reasonably possible change in the interest rates at the end of the reporting period, with all other variables held constant (Cont'd):-

	The Company	
	2019 Increase/ (Decrease) RM'000	**2018 Increase/ (Decrease) RM'000**
Effects on Profit After Taxation/Other Comprehensive Income		
Increase of 100 bp	(35)	(38)
Decrease of 100 bp	35	38

(iii) Equity Price Risk

The Group does not have any quoted investments and hence, is not exposed to equity price risk.

(b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including quoted investments, cash and bank balances and derivatives), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Company's exposure to credit risk arises principally from loans and advances to subsidiaries, and corporate guarantee given to financial institutions for credit facilities granted to certain subsidiaries. The Company monitors the results of these subsidiaries regularly and repayments made by the subsidiaries.

(i) Credit Risk Concentration Profile

The Group's major concentration of credit risks relates to the amount owing by the Government of Malaysia which constituted a significant amount of its total trade receivables at the end of the reporting date.

(ii) Exposure to Credit Risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position of the Group and of the Company after deducting any allowance for impairment losses (where applicable).

In addition, the Company's maximum exposure to credit risk also includes corporate guarantees provided to its subsidiaries as disclosed under the 'Maturity Analysis' of item (c) below, representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period. These corporate guarantees have not been recognised in the Company's financial statements since their fair value on initial recognition were not material.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

47. FINANCIAL INSTRUMENTS (CONT'D)

47.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses

At each reporting date, the Group assesses whether any of the financial assets at amortised cost and contract assets are credit impaired.

The gross carrying amounts of financial assets are written off when there is no reasonable expectation of recovery (i.e. the debtor does not have assets or sources of income to generate sufficient cash flows to repay the debt) despite the fact that they are still subject to enforcement activities.

Trade Receivables and Contract Assets

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. Therefore, the Group concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The Group considers any trade receivables having financial difficulty or in default with significant balances outstanding for more than a year, are deemed credit impaired and assesses their risk of loss individually.

The expected loss rates are based on the payment profiles of sales from the measurement date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle their debts.

For construction contracts, the Group assessed the expected credit loss of each customer individually based on their financial information and past trends of payments.

The information about the exposure to credit risk and the loss allowances calculated for both trade receivables and contract assets are summarised below:-

The Group	Gross Amount RM'000	Lifetime Loss Allowance RM'000	Carrying Amount RM'000
2019			
Not past due	47,315	(131)	47,184
Past due:			
- less than 6 months	70,657	(49)	70,608
- 6 to 12 months	20,607	(12)	20,595
- 1 to 2 years	35,073	(573)	34,500
- more than 2 years	22,750	(3,763)	18,987
	196,402	(4,528)	191,874
Credit impaired:			
- individually impaired	28,536	(28,536)	-
Trade receivables	224,938	(33,064)	191,874
Contract assets	258,766	-	258,766
	483,704	(33,064)	450,640

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

47. FINANCIAL INSTRUMENTS (CONT'D)

47.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Trade Receivables and Contract Assets (Cont'd)

The Group	Gross Amount RM'000	Lifetime Loss Allowance RM'000	Carrying Amount RM'000
2018			
Not past due	55,067	-	55,067
Past due:			
- less than 6 months	77,726	(400)	77,326
- 6 to 12 months	25,349	(190)	25,159
- 1 to 2 years	41,372	(2,043)	39,329
- more than 2 years	18,456	(3,112)	15,344
	217,970	(5,745)	212,225
Credit impaired:			
- individually impaired	29,335	(29,335)	-
Trade receivables	247,305	(35,080)	212,225
Contract assets	224,572	-	224,572
	471,877	(35,080)	436,797

The movements in the loss allowances in respect of trade receivables are disclosed in Note 14 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

47. FINANCIAL INSTRUMENTS (CONT'D)

47.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Other Receivables

The Group applies the 3-stage general approach to measuring expected credit losses for other receivables. At the end of the reporting period, there was no indication that the amount owing is not recoverable other than those which had already impaired in the previous financial year.

The information about the exposure to credit risk and the loss allowances calculated for other receivables are summarised as below:-

The Group	Gross Amount RM'000	Lifetime Loss Allowance RM'000	Carrying Amount RM'000
2019			
Low credit risk	12,578	-	12,578
Credit impaired	90,598	(90,598)	-
	103,176	(90,598)	12,578
2018			
Low credit risk	17,115	-	17,115
Credit impaired	89,123	(89,123)	-
	106,238	(89,123)	17,115
The Company			
2019			
Low credit risk	20	-	20
Credit impaired	84,643	(84,643)	-
	84,663	(84,643)	20
2018			
Low credit risk	61	-	61
Credit impaired	84,643	(84,643)	-
	84,704	(84,643)	61

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

47. FINANCIAL INSTRUMENTS (CONT'D)

47.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Fixed Deposits with Licensed Banks, Cash and Bank Balances

The Group considers these banks and financial institutions have low credit risks. Therefore, the Group is of the view that the loss allowance is immaterial and hence, it is not provided for.

Amount Owing By Subsidiaries

The Company applies the 3-stage general approach to measuring expected credit losses for all inter-company balances. Generally, the Company considers loans and advances to subsidiaries have low credit risks. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' loans and advances when they are payable, the Company considers the loans and advances to be in default when the subsidiaries are not able to pay when demanded. The Company considers a subsidiary's loan or advance to be credit impaired when the subsidiary is unlikely to repay its loan or advance in full or the subsidiary is continuously loss making or the subsidiary is having a deficit in its total equity.

The Company determines the probability of default for these loans and advances individually using internal information available.

The information about the exposure to credit risk and the loss allowances calculated for amount owing by subsidiaries are summarised below:-

The Company	Gross Amount RM'000	Lifetime Loss Allowance RM'000	Carrying Amount RM'000
2019			
Low credit risk	96,632	-	96,632
2018			
Low credit risk	106,066	-	106,066

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

47. FINANCIAL INSTRUMENTS (CONT'D)

47.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

Maturity Analysis

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

The Group	Effective Interest Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	On demand Or Within 1 Year RM'000	1 - 5 Years RM'000	Over 5 Years RM'000
2019						
Non-derivative Financial Liabilities						
Trade payables	-	239,980	239,980	239,980	-	-
Other payables and accruals	-	45,250	45,250	45,250	-	-
Amount owing to associates	-	1,977	1,977	1,977	-	-
Dividend payable	-	2,910	2,910	2,910	-	-
Lease liabilities	4.44 to 6.54	8,751	8,996	2,720	2,056	4,220
Term loans	4.75 to 6.47	292,705	311,360	235,441	72,878	3,041
Bills payable	3.52 to 4.59	22,971	22,971	22,971	-	-
Revolving credit	4.32 to 7.45	57,757	57,757	57,757	-	-
Bank overdrafts	6.76 to 8.07	25,928	25,928	25,928	-	-
		698,229	717,129	634,934	74,934	7,261

47. FINANCIAL INSTRUMENTS (CONT'D)

47.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

The Group	Effective Interest Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	On demand Or Within 1 Year RM'000	1 - 5 Years RM'000	Over 5 Years RM'000
2018						
Non-derivative Financial Liabilities						
Trade payables	-	308,368	308,368	308,368	-	-
Other payables and accruals	-	43,162	43,162	43,162	-	-
Amount owing to associates	-	2,300	2,300	2,300	-	-
Hire purchase payables	2.56 to 6.54	2,421	2,739	1,357	1,382	-
Term loans	4.75 to 6.80	167,250	190,537	21,770	158,489	10,278
Bills payable	3.59 to 5.25	20,734	20,734	20,734	-	-
Revolving credit	4.61 to 6.95	60,257	60,257	60,257	-	-
Bank overdrafts	5.00 to 8.10	35,030	35,030	35,030	-	-
		639,522	663,127	492,978	159,871	10,278

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

47. FINANCIAL INSTRUMENTS (CONT'D)

47.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

The Company	Effective Interest Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	On Demand Or Within 1 Year RM'000
2019				
Non-derivative Financial Liabilities				
Other payables and accruals	-	235	235	235
Amount owing to subsidiaries	-	3,217	3,217	3,217
Dividend payable	-	2,910	2,910	2,910
Bank overdrafts	7.70	4,553	4,553	4,553
Financial guarantee contracts in relation to corporate guarantees given to certain subsidiaries #	-	-	487,240	487,240
		10,915	498,155	498,155
2018				
Non-derivative Financial Liabilities				
Other payables and accruals	-	415	415	415
Amount owing to subsidiaries	-	4,239	4,239	4,239
Bank overdrafts	8.10	5,002	5,002	5,002
Financial guarantee contracts in relation to corporate guarantees given to certain subsidiaries #	-	-	396,776	396,776
		9,656	406,432	406,432

\# - *The contractual undiscounted cash flows represent the outstanding credit facilities of the subsidiaries at the end of the reporting period. The financial guarantees have not been recognised in the financial statements since their fair value on initial recognition were not material.*

47. FINANCIAL INSTRUMENTS (CONT'D)

47.2 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholders' value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio. The debt-to-equity ratio is calculated as net debt (total interest-bearing borrowings less cash and cash equivalents) divided by total equity.

There was no change in the Group's approach to capital management during the financial year.

The debt-to-equity ratio of the Group at the end of the reporting period was as follows:-

	The Group	
	2019 RM'000	**2018 RM'000**
Lease liabilities	8,751	-
Hire purchase payables	-	2,421
Term loans	292,705	167,250
Bills payable	22,971	20,734
Revolving credit	57,757	60,257
Bank overdrafts	25,928	35,030
	408,112	285,692
Less: Short-term investments	(46,811)	(38,289)
Deposits with licensed banks	(43,333)	(98,842)
Cash and bank balances	(112,770)	(52,674)
Net debt	205,198	95,887
Total equity	355,249	351,833
Debt-to-equity ratio	0.58	0.27

The debt-to-equity ratio has increased from 0.27 to 0.58 due to the followings:-

(a) increase in bank borrowings; and

(b) adoption of MFRS 16 due to the recognition of lease liabilities on 1 January 2019 while the comparative information has not been restated.

There was no change in the Group's approach to capital management during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

47. FINANCIAL INSTRUMENTS (CONT'D)

47.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Financial Assets				
Designated at Fair Value Through Other Comprehensive Income Upon Initial Recognition				
Long-term investments	145	145	-	-
Amortised Cost				
Trade receivables	191,874	212,225	-	-
Other receivables	21,549	26,931	20	61
Amount owing by subsidiaries	-	-	96,632	106,066
Amount owing by associates	1,106	2,128	-	-
Deposits with licensed banks	43,333	98,842	4,614	1,764
Cash and bank balances	112,770	52,674	463	296
	370,632	392,800	101,729	108,187
Mandatorily at Fair Value Through Profit or Loss				
Short-term investments	46,811	38,289	-	39
Financial Liabilities				
Amortised Cost				
Trade payables	239,980	308,368	-	-
Other payables and accruals	45,250	43,162	235	415
Amount owing to subsidiaries	-	-	3,217	4,239
Amount owing to associates	1,977	2,300	-	-
Dividend payable	2,910	-	2,910	-
Lease liabilities	8,751	-	-	-
Hire purchase payables	-	2,421	-	-
Term loans	292,705	167,250	-	-
Bills payable	22,971	20,734	-	-
Revolving credit	57,757	60,257	-	-
Bank overdrafts	25,928	35,030	4,553	5,002
	698,229	639,522	10,915	9,656

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

47. FINANCIAL INSTRUMENTS (CONT'D)

47.4 GAINS OR LOSSES ARISING FROM FINANCIAL INSTRUMENTS

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Financial Assets				
<u>Amortised Cost</u>				
Net gains/(losses) recognised in profit or loss	3,725	(8,978)	(926)	66
<u>Mandatorily at Fair Value Through Profit or Loss</u>				
Net gains recognised in profit or loss	609	486	22	9
Financial Liability				
<u>Amortised Cost</u>				
Net losses recognised in profit or loss	(19,962)	(14,457)	(381)	(29)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

47. FINANCIAL INSTRUMENTS (CONT'D)

47.5 FAIR VALUE INFORMATION

The fair values of the financial assets and financial liabilities of the Group and of the Company which are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms.

The following table sets out the fair value profile of financial instruments that are carried at fair value and those not carried at fair value at the end of the reporting period:-

	Fair Value of Financial Instruments Carried at Fair Value			Fair Value of Financial Instruments Not Carried at Fair Value				
The Group	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total Fair Value RM'000**	**Carrying Amount RM'000**
2019								
Financial assets								
Long-term investments	-	-	145	-	-	-	145	145
Short-term investments	-	46,811	-	-	-	-	46,811	46,811
Financial liabilities								
Term loans	-	-	-	-	292,705	-	292,705	292,705

47. FINANCIAL INSTRUMENTS (CONT'D)

47.5 FAIR VALUE INFORMATION (CONT'D)

The Group	Fair Value of Financial Instruments Carried at Fair Value			Fair Value of Financial Instruments Not Carried at Fair Value			Total Fair Value	Carrying Amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	RM'000	RM'000
2018								
Financial assets								
Long-term investments	-	-	145	-	-	-	145	145
Short-term investments	-	38,289	-	-	-	-	38,289	38,289
Financial liabilities								
Hire purchase payables	-	-	-	-	2,421	-	2,543	2,421
Term loans	-	-	-	-	167,250	-	167,250	167,250
The Company								
2018								
Financial asset								
Short-term investments	-	39	-	-	-	-	39	39

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

47. FINANCIAL INSTRUMENTS (CONT'D)

47.5 FAIR VALUE INFORMATION (CONT'D)

(a) Fair Value of Financial Instruments Carried at Fair Value

(i) The fair values above have been determined using the following basis:-

(aa) The fair value of the unquoted equity investments is determined to approximate the net assets of the investee as it is immaterial in the context of the financial statements;

(bb) The fair value of golf club memberships is determined based on enquiry made to the respective golf clubs; and

(cc) The fair value of short-term investment is determined by reference to statements provided by the respective financial institution, with which the investments were entered into.

(ii) There were no transfer between level 1 and level 2 during the financial year.

(b) Fair Value of Financial Instruments Not Carried at Fair Value

The fair values of hire purchase payables and term loans, which are for disclosure purpose, are determined by discounting the relevant cash flows using current market interest rates for similar instruments at the end of the reporting period. The interest rates used to discount the estimated cash flows are as follows:-

	The Group	
	2019 %	2018 %
Hire purchase payables	-	5.49% - 7.07%
Term loans	4.75% - 6.47%	4.75% - 6.80%

48. MATERIAL LITIGATIONS

The following are the material litigations involving the Group and the Company during the financial year:-

(a) High Court of Malaya at Kuala Lumpur ("KL High Court") Suit No: 22NCC-362-09/2014 between Protasco Berhad ("Company") as plaintiff against PT Anglo Slavic Utama ("PT ASU") as the 1st defendant, Tey Por Yee as the 2nd defendant and Ooi Kok Aun as the 3rd defendant:-

On 28 December 2012, the Company entered into a conditional Sale and Purchase Agreement ("Conditional SPA") with PT ASU to acquire 95,000,000 ordinary shares of IDR1,000 each in PT Anglo Slavic Indonesia ("PT ASI"), representing 76% equity interest in PT ASI for a proposed purchase consideration of USD55,000,000.

PT ASI holds 95% equity interest in PT Firman Andalan Sakti ("PT FAS") which in turn holds 70% equity interest in PT Hase Bumou Aceh ("PT Haseba") ("PT ASI Group"). PT ASU as vendor represented in the Conditional SPA that PT Haseba had a 10 year production management partnership agreement ("PMP Agreement") with PT Pertamina (PERSERO) ("Pertamina") to develop and to produce oil and gas in the Kuala Simpang Timur Field from 14 December 2004.

On 29 January 2014, the Company entered into an Amended and Restated Sale and Purchase Agreement ("Restated SPA") with PT ASU to amend vary and restate, in its entirety, the Conditional SPA. With the execution of the Restated SPA, the Company agreed to acquire 78,750,000 ordinary shares of IDR1,000 each in PT ASI representing 63% equity interest in PT ASI from PT ASU for a total purchase consideration of USD22,000,000 (RM68,393,170) ("Purchase Consideration"). Parties thereto agreed that the Purchase Consideration was to be settled by way of setting off the deposit of USD16,340,563 (equivalent to RM50,000,000 based on the agreed exchange rate of USD1:RM3.05987 as at 28 December 2012) initially paid by the Company to PT ASU pursuant to the Conditional SPA and the balance thereof in cash.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

48. MATERIAL LITIGATIONS (CONT'D)

(a) High Court of Malaya at Kuala Lumpur ("KL High Court") Suit No: 22NCC-362-09/2014 between Protasco Berhad ("Company") as plaintiff against PT Anglo Slavic Utama ("PT ASU") as the 1st defendant, Tey Por Yee as the 2nd defendant and Ooi Kok Aun as the 3rd defendant (Cont'd):-

The Restated SPA was subject to, among others, the following conditions subsequent to the completion of the Restated SPA which were to be fulfilled within six months from the date of the Restated SPA ("Conditional Period"):-

(i) Consent of Pertamina for the sale and purchase of the shares pursuant to the Restated SPA;

(ii) Extension of the PMP Agreement for a further 10 year period; and

(iii) Issuance of Surat Keterangan Terdaftar Minyak & Gas license by the Ministry of Energy and Mineral Resources' General of Oil and Gas Indonesia to PT Haseba.

Upon execution of the Restated SPA, the Company paid the balance Purchase Consideration amounting to USD5,659,437 (RM18,393,170) to PT ASU. In February 2014, pursuant on the terms of the Restated SPA, the Company made a further advance of USD5,000,000 (RM16,250,000) to PT ASI for working capital purposes ("Advance"). The total amounts paid to PT ASU and PT ASI collectively amounted to USD27,000,000 being the Purchase Consideration and the Advance.

On 5 August 2014, the Company announced that the conditions subsequent pursuant to the completion of Restated SPA had not been fulfilled by PT ASU within the Conditional Period and accordingly, the Restated SPA lapsed on 28 July 2014. The Company terminated the Restated SPA on 4 August 2014 and 14 August 2014.

On 22 September 2014, the Company filed a legal suit against PT ASU and the two former Directors, namely the 2nd and the 3rd defendant for, among others, the refund of the Purchase Consideration and Advance.

The total amount claimed against PT ASU and the two former Directors ("2nd and 3rd Defendants") are as follows:-

Against PT ASU

(i) A payment of USD22,000,000;

(ii) Pre-judgement interest on USD22,000,000 pursuant to Section 11 of the Civil Law Act 1956 from the date of the suit until the date of judgement at an interest rate of 5% per annum;

(iii) Post-judgement interest on USD22,000,000 pursuant to Order 42 Rule 12 of the Rules of Court 2012 from the date of judgement until full and final settlement thereof at an interest rate of 5% per annum; and

(iv) Damages for the breach of the Restated SPA.

Against the 2nd and 3rd Defendants

(i) A payment of USD27,000,000 (including the Advance);

(ii) Pre-judgement interest on USD27,000,000 pursuant to Section 11 of the Civil Law Act 1956 from the date of the suit until the date of judgement at an interest rate of 5% per annum;

(iii) Post-judgement interest on USD27,000,000 pursuant to Order 42 Rule 12 of the Rules of Court 2012 from the date of judgement until full and final settlement thereof at an interest rate of 5% per annum;

(iv) Damages for fraud and conspiracy; and

(v) General damages, aggravated and exemplary.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

48. MATERIAL LITIGATIONS (CONT'D)

(a) High Court of Malaya at Kuala Lumpur ("KL High Court") Suit No: 22NCC-362-09/2014 between Protasco Berhad ("Company") as plaintiff against PT Anglo Slavic Utama ("PT ASU") as the 1st defendant, Tey Por Yee as the 2nd defendant and Ooi Kok Aun as the 3rd defendant (Cont'd):-

The status of this suit is as follows:-

PT ASU's application to stay this legal proceeding pending arbitration was dismissed by the KL High Court on 11 August 2015. Thereafter, PT ASU filed an appeal to the Court of Appeal Malaysia (Appeal Jurisdiction) at Wilayah Persekutuan Putrajaya ("Court of Appeal") which was allowed on 25 February 2016. Pursuant to the decision of the Court of Appeal, the action against PT ASU is now stayed pending the referral of the matter to arbitration in accordance with the rules of the Kuala Lumpur Regional Centre of Arbitration.

Following the decision of the Court of Appeal on 25 February 2016, the 2nd and 3rd Defendants have filed their stay application pending the disposal of the arbitration between PT ASU and our Company. This application has been granted on 20 December 2016. The Company had then filed an appeal against the said High Court decision to the Court of Appeal. The Court of Appeal had on 29 January 2019, allowed the Company's appeal and remitted the case back to the High Court against the 2nd and 3rd Defendants. The 2nd and 3rd Defendants had on 28 February 2019 respectively filed an application by way of motion for leave to appeal to the Federal Court ("2nd and 3rd Defendants' Motion"). The 2nd and 3rd Defendants' Motion were dismissed on 25 March 2019. Both the 2nd and 3rd Defendants filed an application to the Court of Appeal for stay of the High Court proceedings pending the hearing of the said 2nd and 3rd Defendants' Motion. The stay application has been dismissed by the Court of Appeal on 28 January 2019.

The 2nd and the 3rd Defendants had on 20 September 2019 filed an application to strike out the Kuala Lumpur High Court Suit No.: 22NCC-362-09/2014 ("Strike Out Application"). The Strike Out Application has been fixed for Hearing on 29 July 2020.

The 2nd and the 3rd Defendants have on 22 January 2020 filed an application to stay the trial of the Kuala Lumpur High Court Suit No.: 22NCC-362-09/2014 ("Stay Application"). The Stay Application has been struck out by the Kuala Lumpur High Court with no order as to costs.

The Company had on 13 May 2020 filed 3 applications for leave to appeal to the Federal Court ("Federal Court applications") against the judgment of the Court of Appeal dated 6 March 2020 (appeals in relation to Bankers' Books (Evidence) Act 1949). The said applications are fixed for Case Management on 28 July 2020 and for Hearing on 25 August 2020 at the Federal Court.

In view of the Federal Court applications, the Trial Dates fixed on 18, 19, 21, 24 to 28 August 2020, 1, 2, and 4 September 2020 for the legal proceedings against the 2nd and the 3rd Defendants is now vacated (postponed) to ensure that the Federal Court applications are disposed of first.

The next Case Management of the Kuala Lumpur High Court Suit No.: 22NCC-362-09/2014 is fixed before the High Court Judge on 29 July 2020

Notwithstanding the above litigation, the purchase consideration paid and advance made amounting to RM68,393,170 and RM16,250,000 respectively have been fully impaired in the financial year ended 31 December 2014.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

48. MATERIAL LITIGATIONS (CONT'D)

(b) High Court of Malaya at Shah Alam ("SA High Court") Suit No. 22NCVC-561-11/2014 between Protasco Trading Sdn Bhd ("PTSB") as plaintiff against PT Goldchild Integritas Abadi ("Goldchild") and Ooi Kock Aun ("OKA") as defendants:-

PTSB, a wholly owned subsidiary of the Company, had entered into an agreement dated 4 February 2013 ("Agreement") to undertake coal trades with Goldchild.

Pursuant to the terms of the Agreement and to facilitate coal purchases, a deposit ("Deposit") of USD5,161,290 (approximately RM16,000,000) was paid by PTSB to Goldchild on 4 February 2013. The Deposit is to be deducted in stages against future coal trades.

On 19 July 2013, PTSB entered into a Coal Stockpile Joint Venture Agreement with Goldchild to provide a sum of not exceeding USD900,000 (approximately RM2,904,000) for the purpose of the joint venture to purchase coal in Indonesia and resell the coal to potential buyers, subject to such terms and conditions as stipulated in the Coal Stockpile Joint Venture Agreement.

On 21 November 2014, PTSB filed a legal suit against Goldchild and one of the former Directors of the Company, OKA, when the Company uncovered that OKA has an undisclosed interest in Goldchild.

OKA filed an application to strike out the legal suit against him and the application was dismissed on 19 October 2015. Thereafter, OKA filed an appeal against the SA High Court decision to the Court of Appeal. OKA's appeal has been struck off with liberty to file afresh and with no order as to costs by the Court of Appeal on 17 May 2018.

Goldchild's application to stay this legal proceeding pending arbitration was allowed by the SA High Court on 19 October 2015. Thereafter, PTSB filed an appeal against the SA High Court decision to the Court of Appeal. This appeal was withdrawn by PTSB on 24 August 2016.

Since the legal suit against Goldchild has been stayed pending arbitration, OKA filed an application for stay pending arbitration between PTSB and Goldchild which was allowed on 13 January 2016. PTSB then filed an appeal against the SA High Court decision to the Court of Appeal. This application was dismissed by the Court of Appeal on 24 August 2016. PTSB had on 23 September 2016 filed an application for leave via notice of motion seeking leave to appeal to the Federal Court of Malaysia at Wilayah Persekutuan Putrajaya ("Federal Court"). The Motion has been dismissed by the Federal Court on 11 January 2018.

Pursuant to the decision of the Federal Court, the action against PT Goldchild and OKA in the SA High Court is now stayed pending the arbitration proceedings between PT Goldchild and PTSB in Jakarta, Indonesia in accordance with the rules of Badan Arbitrase Nasional Indonesia ("BANI").

Notwithstanding the above litigation, the coal trade deposits made to Goldchild amounted to RM18,904,000 had been fully impaired in the financial year ended 31 December 2014.

(c) Notice of Adjudication pursuant to Section 8 of the Construction Industry Payment and Adjudication Act 2012 served on HCM Engineering Sdn Bhd ("HCM"):-

On 6 July 2018, HCM was served with Adjudication Decision dated 4 July 2018 whereby HCM shall pay Kuasatek Sdn Bhd ("Kuasatek") the sum of RM2,959,440 within 14 days from the date of the Adjudication Decision.

HCM had on 8 August 2018 filed the following applications in the High Court of Malaya at Kuala Lumpur ("KL High Court"):-

(a) An application by way of Originating Summons to set aside the Adjudication Decision pursuant to Section 15(b) and Section 15(d) of the Construction Industry Payment Adjudication Act 2012 ("the Setting Aside Application"). The Setting Aside Application was dismissed;

(b) An application by way of Originating Summons to stay the Adjudication Decision pursuant to Section 16 of the Construction Industry Payment Adjudication Act 2012 pending arbitration ("the Stay Application"). The Stay Application was dismissed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

48. MATERIAL LITIGATIONS (CONT'D)

(c) Notice of Adjudication pursuant to Section 8 of the Construction Industry Payment and Adjudication Act 2012 served on HCM Engineering Sdn Bhd ("HCM") (Cont'd):-

In addition, HCM has served a Notice to Request for Arbitration dated 6 August 2018 to Kuasatek to refer the claim to arbitration pursuant to Article 3, Part II of the Asian International Arbitration Rules 2018.

Meanwhile, Kuasatek had, on 9 August 2018, served on HCM, an application by way of Orginating Summons for an order that the Adjudication Decision dated 4 July 2018 be enforced as a judgement against HCM in the KL High Court pursuant to Section 28(1) of the Construction Industry Payment Adjudication Act 2012 ("the Enforcement Application"). The Enforcement Application was allowed. HCM has on 2 November 2018 filed an application for stay of the enforcement allowed by the High Court. At the Hearing on 22 November 2018, the parties have entered into Consent Order based on the following terms:-

(i) HCM will pay the Adjudicated Sum amounting to RM3,116,428 by 27 November 2018;

(ii) Kuasatek undertakes not to commence winding up proceedings and any other execution proceedings;

(iii) Kuasatek undertakes to refund any monies paid under (i), in excess of the sum which the HCM is liable to pay pursuant to the outcome of the current appeal to Court of Appeal by HCM, any arbitration or litigation involving current dispute between the parties.

On 29 October 2018, HCM filed an appeal to the Court of Appeal against the decision of the High Court in dismissing the Setting Aside Application and allowing the Enforcement Application. The hearing date is fixed on 17 June 2019.

Meanwhile, HCM had on 8 March 2019 filed a legal suit at the Kuala Lumpur High Court against Kuasatek ("Legal Proceeding").

HCM's claim against Kuasatek is premised on breach of contract by Kuasatek pursuant to a Letter of Appointment for Mechanical and Electrical Works Packages (Contract No: HCM/P48-AFC/LA/C/16/V1(07) dated 15 March 2016, a work package under a project previously awarded to HCM known as "The Design And Built Contract For The Proposed Additional Of A 4 Storey Office Building With Basement Car Parking To The Existing Facilities On Lot No. 38627, Bukit Jalil, Mukim Petaling, Daerah Kuala Lumpur, Malaysia For Asian Football Confederation." Kuasatek was the mechanical and electrical works sub-contractor for HCM.

The Legal Proceeding is to finally determine the liability of Kuasatek under the contract and for the refund of the Adjudicated Sum paid to Kuasatek pursuant to the Adjudication Decision dated 4 July 2018.

HCM's claims against Kuasatek are as follows:-

(a) A declaration that the contract dated 13 May 2016 between HCM and Kuasatek is for the sum of RM9,500,000;

(b) A declaration that Kuasatek has breached the contract;

(c) A declaration that HCM is allowed to set off the sum of RM288,205 as the costs to rectify the defectives works and/or work done on behalf;

(d) A declaration that HCM is allowed to set off the sum of RM930,000 as Liquidated Ascertained Damages;

(e) A declaration that HCM is allowed to withhold the sum of RM475,000 as the performance bond until the issuance of the Certificate of Making Good Defects by Asian Football Confederation;

(f) Kuasatek shall pay the sum of RM12,889 to HCM;

(g) Kuasatek shall refund the sum of RM2,968,457 to HCM forthwith being the excess payment paid by HCM to Kuasatek for work done;

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

48. MATERIAL LITIGATIONS (CONT'D)

(c) Notice of Adjudication pursuant to Section 8 of the Construction Industry Payment and Adjudication Act 2012 served on HCM Engineering Sdn Bhd ("HCM") (Cont'd):-

HCM's claims against Kuasatek are as follows (Cont'd):-

(h) Kuasatek shall refund the sum of RM106,572 to HCM forthwith being the sum paid by HCM to Kuasatek for legal costs, adjudication costs and expenses;

(i) General damages to be assessed by this Honourable Court;

(j) Interest at the rate of 5% p.a. on the amount in (f), (g), (h) and (i) above from the date of Judgement until date of full payment; and

(k) Costs.

On 16 April 2019, Kuasatek filed its defence and counterclaim against HCM for a sum of RM733,548.

KL High Court had earlier fixed the following dates in respect of the legal proceeding filed by HCM against Kuasatek on 11 March 2019, claiming the sum of RM3,087,918 for breach of contract by Kuasatek:-

1. It had been fixed for mediation at the Kuala Lumpur Court Mediation Centre on 25 March 2020.
2. It has been fixed for case management on 31 March 2020.
3. It has been fixed for full trial from 6 April 2020 until 9 April 2020 and on 13 April 2020.

However, due to the Movement Control Order (MCO imposed by the Government of Malaysia, all dates as set out above have been vacated (postponed)). The KL High Court has fixed the above matter for Case Management on 22 June 2020.

(d) Notice of Adjudication pursuant to Section 8 of the Construction Industry Payment and Adjudication Act 2012 ("CIPAA") served by HCM Engineering Sdn Bhd ("HCM") on Southkey City Sdn Bhd ("SCSB"):-

HCM, a wholly owned subsidiary of the Company had on 19 February 2019, filed a Notice of Adjudication under Section 8 of CIPAA under CIPAA 2012 with the Asian International Arbitration Centre ("AIAC") Kuala Lumpur to commence adjudication proceedings against SCSB, the Developer of a property development project known as Southkey City, situated at Johor Bahru, Johor Darul Takzim.

The adjudication proceedings were commenced to seek resolution on contractual disputes covering HCM's claims from SCSB for the principal amount of RM10,423,965 (inclusive of GST) for construction works done and due to non-payment by SCSB and HCM is also claiming for late payment interest and cost, the amount of which will be determined at a later stage.

The claims were in relation to a Letter of Acceptance of Offer dated 3rd December 2015, wherein SCSB engaged HCM as the subcontractor for the Construction, Completion, Testing and Handover of Road and Drainage Phase 1 (Package 1A) for a project known as "Cadangan Membina Dan Menyiapkan Kerja-Kerja Infrastruktur Bagi Pembangunan Bercampur Di Atas Lot PTD 14853 (Lot Lama), Mukim Plentong, Johor Bahru, Johor Darul Takzim Untuk Tetuan Southkey City Sdn Bhd" for a contract sum of RM7,041,900.

HCM had received Adjudication Decision whereby SCSB shall pay HCM a net amount of RM832,003 of which HCM had received the same on 17 June 2019.

HCM had, on 16 December 2019, filed a fresh Notice of Adjudication under Section 8 of CIPAA 2012 with the AIAC to commence adjudication proceedings against SCSB to claim the remainder sum of RM6,579,217 from SCSB for construction works done and due to non-payment by SCSB. HCM is also claiming for late payment interest and cost, the amount of which will be determined at a later stage.

HCM had received adjudication decision on 12 March 2020 whereby the claim has been dismissed with costs of RM30,000.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

48. MATERIAL LITIGATIONS (CONT'D)

(e) Notice of Adjudication pursuant to Section 8 of the Construction Industry Payment and Adjudication Act 2012 ("CIPAA") served by HCM Engineering Sdn Bhd ("HCM") on Southkey City Sdn Bhd ("SCSB"):-

HCM, a wholly owned subsidiary of the Company had filed a Notice of Adjudication under Section 8 of the Construction Industry Payment Adjudication Act 2012 (CIPAA) with the Asian International Arbitration Centre ("AIAC") Kuala Lumpur to commence adjudication proceedings against SCSB, the developer of a property development project known as Southkey City, situated at Johor Bahru, Johor Darul Takzim.

The adjudication proceedings were commenced to seek resolution on contractual disputes covering HCM's claims from SCSB for the principal amount of RM3,475,129 for construction works done and due to non-payment by SCSB. HCM is also claiming for late payment interest and cost, the amount of which will be determined at a later stage.

The claims were in relation to a Letter of Acceptance of Offer dated 3rd December 2015, wherein SCSB engaged HCM as the Main Contractor for the Construction, Completion, Testing, Commissioning and Handover of Water Reticulation Works Phase 1 (Package 1A) for a project known as "Cadangan Membina Dan Menyiapkan Kerja-Kerja Infrastruktur Bagi Pembangunan Bercampur Di Atas Lot PTD 14853 (Lot Lama), Mukim Plentong, Johor Bahru, Johor Darul Takzim Untuk Tetuan Southkey City Sdn Bhd" for a contract sum of RM3,221,999.

On 19 July 2019, HCM had received Adjudication Decision whereby SCSB shall pay HCM an adjudicated amount of RM784,427 (including interest and adjudication cost) of which HCM had received the same on 31 July 2019.

49. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) On 1 March 2019, De Centrum Retail Sdn. Bhd. ("DCRSB"), an indirect wholly-owned subsidiary of the Company, entered into a conditional Joint Development Agreement ("JDA") with Penmaland Sdn. Bhd. ("Penmaland") to jointly develop three (3) contiguous parcels of freehold development land held under Title Nos. GRN 67477 (Lot No. 369), GRN 86444 (Lot No. 422) and GRN 71208 (Lot No. 665) in Mukim of Tampin Tengah, District of Tampin, Negeri Sembilan measuring approximately 137.08 acres ("Tampin Land").

Pursuant to the JDA, Penmaland shall grant DCRSB full and unfettered rights to carry out the development of the Tampin Land into mixed residential development, in exchange for a total cash consideration of RM48.6 million, payable in stages in accordance with the JDA ("Proposed Joint Development").

The Proposed Joint Development is deemed as a related party transaction and shareholders' approval is required.

On 30 August 2019, RHB Investment Bank announced that DCRSB and Penmaland had vide an exchange of letters dated 30 August 2019 mutually agreed to extend the Conditional Period which will expire on 31 August 2019, for a period of six (6) months to 29 February 2020, for Penmaland to fulfill the Conditions Precedent as set out in the JDA.

On 13 December 2019, Penmaland discharged the existing charge to the satisfaction of DCRSB and had delivered to DCRSB the original title deeds of the Tampin Land on 16 December 2019.

As at end of the reporting period, Penmaland has yet to fulfill the remaining Conditions Precendent as set out in the JDA.

On 4 February 2020, Penmaland submitted an application to Pejabat Daerah dan Tanah Tampin to convert the category of land use of the Tampin Land for the purposes of the development. The conversion process remains pending as to date of the financial statements.

On 27 February 2020, RHB Investment Bank announce that DCRSB and Penmaland had vide an exchange of letters dated 27 February 2020 mutually agreed to extend the Conditional Period which will expire on 29 February 2020, for a period of twelve (12) months to 28 February 2021, for Penmaland to fulfill the remaining Conditions Precedent as set out in the JDA.

(b) The other significant events during the financial year are those disclosed in Note 5, Note 6 and Note 48 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

50. SIGNIFICANT EVENT OCCURRING AFTER THE REPORTING PERIOD

The outbreak of Coronavirus Disease 2019 (COVID-19) in early 2020 has affected the business and economic environment of the Group and hence, may impact its performance and financial position in the future. However, given the unpredictability associated with the COVID-19 outbreak and any further contingency measures that may be put in place by the government and various private corporations, the potential financial impact of the COVID-19 outbreak on the Group's 2020 financial statements could not be reasonably quantified at this juncture.

51. INITIAL APPLICATION OF MFRS 16

The Group has adopted MFRS 16 using the modified retrospective approach under which the cumulative effect of initial application is recognised as an adjustment to the retained profits as at 1 January 2019 (date of initial application) without restating any comparative information.

The Group has applied MFRS 16 only to contracts that were previously identified as leases under MFRS 117 'Leases' and IC Interpretation 4 'Determining Whether an Arrangement Contains a Lease'. Therefore, MFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

(a) Lessee Accounting

At 1 January 2019, for leases that were classified as operating leases under MFRS 117, the Group measured the lease liabilities at the present value of the remaining lease payments, discounted using the Group's weighted average incremental borrowing rate at that date of 5.65%. The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease.

The Group has used the following practical expedients in applying MFRS 16 for the first time:

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Applied for the exemption not to recognise operating leases with a remaining lease term of less than 12 months as at 1 January 2019;
- Excluded initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight in determining the lease term where the lease contract contains options to extend or terminate the lease.

For leases that were classified as finance leases, the Group has recognised the carrying amount of the leased asset and lease liability immediately before 1 January 2019 as the carrying amount of the right-of-use asset and the lease liability as at the date of initial application.

(b) Lessor Accounting

The Group did not make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of MFRS 16.

MFRS 16 does not change substantially how a lessor accounts for leases. The Group continues to classify leases as either finance leases or operating leases and account them differently. However, MFRS 16 has changed and expanded the disclosures required in particular regarding how the Group manages the risks arising from its residual interest in the leased assets as disclosed in Note 8 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

51. INITIAL APPLICATION OF MFRS 16 (CONT'D)

(c) Financial Impacts

The main impacts resulting from the adoption of MFRS 16 at 1 January 2019 are summarised below:-

	At 1 January 2019		
Group	**As Previously Reported RM'000**	**MFRS 16 Adjustment RM'000**	**As Restated RM'000**
Statements of Financial Position			
Property, plant and equipment	190,418	(7,407)	183,011
Right-of-use assets	-	14,025	14,025
Deferred tax assets	-	119	119
Lease liabilities	-	9,581	9,581
Hire purchase payables	2,421	(2,421)	-
Retained profits	85,891	(202)	85,689
Non-controlling interests	19,432	(221)	19,211

APPENDIX A FOR THE FINANCIAL YEAR
ENDED 31 DECEMBER 2019

DIRECTORS OF SUBSIDIARY COMPANIES OF THE GROUP

The following is the list of Directors who served on the boards of the subsidiary companies of the Group since the beginning of the current financial year to the date of the Directors' Report:-

Dato' Akram Ali Al Agil
Dato' Ir Tan Swee Kee
Dato' Jamal Bin Nasir
Dato' Mohd Ibrahim Bin Mohd Nor
Dato' Ronnie Yap Kee Tian
Dato' Wan Imran Bin Wan Omar
Dato' Wan Mohamed Yaacob
Dato' Zaitun Binti Ab Samad
Dato' Iskandar Bin Abdul Malik
Abdul Ghani Bin Shaaban
Adlin Masood
Ahmad Farid Bin Ghazali
Ahmad Hilmi Bin Nawawi
Asri Bin Ramli
Chong Ther Shern
Chong Ther Vern
Edward Khoo Mong Wei
Haji Muhammad Zamri Bin Hasan
Hiew Vun Heng
Johari Bin Zainal
Kamaljeet Kaur
Kenneth Lim Wei Shen (Appointed on 11 February 2020)
Lee Geok Chai
Liew Jui Hua (Appointed on 11 February 2020)
Low Kian Seng
Mac Chung Jin
Marina Binti Jaal
Mat Zin Bin Hussain
Mohd Taufik Bin Haron
Mohd Yazip Bin Matori
Mokhtar Bin A.Rashid
Muhammad Hafidzi Bin Abu Bakar (Resigned on 20 November 2019)
Nik Nur Aini Nik Abdullah
Ong Yii Boon (Appointed on 11 February 2020)
Peter Wong Hung Huang (Resigned on 12 February 2020)
Pon Tiam Wee
Prof. Dr Zulkifli Bin Abdul Hamid
Razbi Bin Abdul Razak
Tan Chong Seng
Taufik Bin Abd Rahim
Wong Chun Wei
Wong Meng Jinn
Wong Wirry @ Wong Wee Chong
Zainal Abidin Bin Abu Bakar
Zulkifli Bin Ibrahim
Muhammad Nazree Bin Abd Razak
Azran Amin Bin Mazlan
Hj. Muhyidin Bin Abdul Rashid
Mohammad Nasriff Bin Daud@ Daud Yatimee
Mohd Akhir Bin Abdullah

LIST OF PROPERTIES

No	Location	Description / Existing Use	Age of Buildings	Tenure	Approx. Land Area sq. ft.	Net Book Value at 31.12.2019 RM'000	Revaluation* Acquisition#
1	Lot No. 52500,52501, 52502, 52503, 52504 & 52518, Bandar Baru Bangi, District of Sepang State of Selangor Darul Ehsan.	Institutional, commercial and residential	Between 10 - 37 years	Freehold	3.411 million	96,097	18.04.02*
2	Lot No. P.T. 172, Section 90, Town and District of Kuala Lumpur, State of Wilayah Persekutuan.	Intermediate four-storey shophouse	36 years	Leasehold 99 years expiring in 2076	1,760	580	01.03.02#
3	Lot No. P.T. 166, Section 90, Town and District of Kuala Lumpur, State of Wilayah Persekutuan.	Intermediate four-storey shophouse	36 years	Leasehold 99 years expiring in 2076	1,760	481	11.06.02#
4	Lot No. P.T. 167, Section 90, Town and District of Kuala Lumpur, State of Wilayah Persekutuan.	Intermediate four-storey	36 years	Leasehold 99 years expiring in 2076	1,760	481	11.06.02#
5	Lot No. P.T. 168, Section 90, Town and District of Kuala Lumpur, State of Wilayah Persekutuan.	Intermediate four-storey	36 years	Leasehold 99 years expiring in 2076	1,760 shophouse	481	11.06.02#
6	Lot No. P.T. 169, Section 90, Town and District of Kuala Lumpur, State of Wilayah Persekutuan.	Corner lot four-storey shophouse	36 years	Leasehold 99 years expiring in 2076	2,208	695	11.06.02#
7	Country Lease No. 075356580, Sungai Tinosan, Sandakan, Sabah.	Land for future development	N/A	Leasehold 99 years expiring in 2074	291,850	562	10.03.05#
8	HS (M) 1156, Blok 7, Mukim of Dengkil, District of Sepang, State of Selangor Darul Ehsan.	Workshop	14 years	Leasehold 99 years expiring in 2080	126,300	1,563	05.08.05#

LIST OF PROPERTIES

No	Location	Description / Existing Use	Age of Buildings	Tenure	Approx. Land Area sq. ft.	Net Book Value at 31.12.2019 RM'000	Revaluation* Acquisition#
9	HS (M) 3647, Mukim of Dengkil, District of Sepang, State of Selangor Darul Ehsan.	Vacant Land	N/A	Leasehold 99 years expiring in 2091	79,100	637	25.06.08#
10	No. Hakmilik Geran 79109, Lot 3223 Mukim of Beranang District of Ulu Langat State of Selangor Darul Ehsan.	Factory	8 years	Freehold	185,566	2,450	07.10.10#
11	Parcel No #17-16, Type A Level 17, Lot No HS(D) 452849 PTD 198871 Mukim of Plentong District of Johor Bahru State of Johor Darul Takzim.	Service Apartment	8 years	Leasehold 99 years expiring in 2105	609	277	18.10.12#
12	HS(D) 478361, No. Lot PTD 204275 Mukim of Plentong District of Johor Bahru State of Johor Darul Takzim.	Vacant Land	N/A	Leasehold 99 years expiring in 2084	78,792	3,735	11.05.14#
13	HS(D) 478356, No. Lot PTD 204269 Mukim of Plentong District of Johor Bahru State of Johor Darul Takzim.	Vacant Land	N/A	Leasehold 99 years expiring in 2084	87,080	4,127	11.05.14#
14	HS(D) 478357, No. Lot PTD 204270 Mukim of Plentong District of Johor Bahru State of Johor Darul Takzim.	Vacant Land	N/A	Leasehold 99 years expiring in 2084	87,080	4,127	11.05.14#
15	HS(D) 501207, No. Lot PTD 209606 Mukim of Plentong District of Johor Bahru State of Johor Darul Takzim.	Vacant Land	N/A	Leasehold 99 years expiring in 2084	113,977	5,400	11.05.14#
16	De Centrum Mall Jalan Ikram-Uniten 43690 Kajang State of Selangor Darul Ehsan.	Retail mall	4 years	Freehold	197,327	35,539	31.12.15#

LIST OF PROPERTIES

No	Location	Description / Existing Use	Age of Buildings	Tenure	Approx. Land Area sq. ft.	Net Book Value at 31.12.2019 RM'000	Revaluation* Acquisition#
17	C-13-1 till C-13-10 C-14-1 till C-14-10 C-15-1 till C-15-10 C-16-1 till C-16-10 D-13-1 till D-13-10 D-14-1 till D-14-10 D-15-1 till D-15-10 D-16-1 till D-16-10 Kondominium Unipark Jalan US 1, Taman Unipark Suria Off Jalan Ikram-Uniten 43690 Kajang State of Selangor Darul Ehsan.	Condominiums	3 years	Freehold	208,000	43,206	21.11.16#
18	Lot No. 52518 Bandar Baru Bangi District of Sepang State of Selangor Darul Ehsan.	Twelve-storey acedemic block	3 years	Freehold	42,688	39,444	06.04.16#
19	Lot. 1957, Block 43 RH Park, Phase 3 MTLD, Jalan Penrissen, 93250, Kuching, Sarawak.	Two-storey Industrial Building	3 years	Leasehold 66 years expiring in 2081	16,727	1,233	01.12.15#

ANALYSIS OF SHAREHOLDINGS

AS AT 27 MAY 2020

Issued Share Capital : RM249,436,954
Class of Shares : Ordinary Shares
Voting Rights : One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares Held	%
Less than 100	417	5.96	19,684	0.00
100 - 1,000	333	4.76	130,950	0.03
1,001 - 10,000	2,899	41.46	14,252,225	2.96
10,001 - 100,000	2,833	40.51	85,077,715	17.66
100,001 to less than 5% of issued shares	508	7.27	276,186,539	57.33
5% and above of issued shares	3	0.04	106,073,297	22.02
TOTAL*	6,993	100.0	481,740,410	100.00

*Remarks : * Excluding 13,651,900 treasury shares*

SUBSTANTIAL SHAREHOLDERS

	Direct Shareholdings		Indirect Shareholdings	
Name	**No. of Shares Held**	**%**	**No. of Shares Held**	**%**
Dato' Sri Ir Chong Ket Pen	93,626,376	19.44	45,597,197[(i)]	9.47
Penmacorp Sdn Bhd	45,597,197	9.47	-	-
Datuk Beh Kim Ling	24,768,700	5.14	-	-

Note:
(i) Deemed interested pursuant to Section 8 of the Companies Act 2016 by virtue of his shareholdings in Penmacorp Sdn Bhd

DIRECTORS' SHAREHOLDINGS

	Direct Shareholdings		Indirect Shareholdings	
	No. of Shares Held	**%**	**No. of Shares Held**	**%**
Dato' Sri Ir Chong Ket Pen	93,626,376	19.44	50,164,861[(a)]	10.41
Dato' Ir Kenny Chong Ther Nen	2,866,458	0.60	2,095,800[(b)]	0.44
Dato' Sri Su-Azian @ Muzaffar Syah Bin Abd Rahman	875,000	0.18	3,645,833[(c)]	0.76
Dato' Tan Yee Boon	-	-	-	-
Ir Tan Heng Kui	8,912,770	1.85	-	-
Suhaimi Bin Badrul Jamil	105,832	0.02	-	-
Tham Wei Mei	-	-	-	-
Celine Chan Hooi Li	-	-	-	-

Notes:
(a) by virtue of his interests via his spouse, children and Penmacorp Sdn Bhd.
(b) by virtue of his interest via his spouse.
(c) by virtue of his interest in Rencana Berkat Sdn Bhd.

ANALYSIS OF SHAREHOLDINGS

AS AT 27 MAY 2020

LIST OF TOP 30 SHAREHOLDERS

No	Name	Holdings	%
1	UOBM NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PENMACORP SDN BHD (PCB)	43,943,447	9.12
2	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR CHONG KET PEN (PB)	37,361,150	7.76
3	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR BEH KIM LING	24,768,700	5.14
4	CHONG KET PEN	22,152,290	4.60
5	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR CHONG KET PEN (PBCL-0G0086)	20,416,666	4.24
6	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHONG KET PEN (8093834)	13,696,270	2.84
7	TAN HENG KUI	7,656,250	1.59
8	FEDERLITE HOLDINGS SDN BHD	6,854,454	1.42
9	KENANGA NOMINEES (ASING) SDN BHD RAKUTEN TRADE SDN BHD FOR YANG JIAYUAN	6,258,100	1.30
10	ADDEEN HOLDINGS SDN BHD	4,666,666	0.97
11	RENCANA BERKAT SDN BHD	3,645,833	0.76
12	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOW CHOON CHONG	3,600,000	0.75
13	MV CONSOLIDATED SDN BHD	3,300,000	0.69
14	MAGDALEN KHOO MONG CHEEN	3,188,483	0.66
15	GAN CHUN HUI	3,166,000	0.66
16	DB (MALAYSIA) NOMINEE (ASING) SDN BHD SSBT FUND SD4N FOR ALBERTA INVESTMENT MANAGEMENT CORPORATION	3,058,400	0.63
17	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YEOH POH CHOO	3,000,000	0.62
18	LEW MEW CHOI	2,810,000	0.58
19	HSBC NOMINEES (ASING) SDN BHD TNTC FOR LSV EMERGING MARKETS SMALL CAP EQUITY FUND, LP	2,805,395	0.58
20	RONNIE YAP KEE TIAN	2,755,307	0.57
21	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SHEAH KOK FAH	2,300,000	0.48
22	LEE BOON KIAN	2,291,479	0.48

ANALYSIS OF SHAREHOLDINGS

AS AT 27 MAY 2020

LIST OF TOP 30 SHAREHOLDERS (CONT'D)

No	Name	Holdings	%
23	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG TACK PENG (LBU1031)	2,275,966	0.47
24	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ROSEMARY KHOO MONG SAN	2,095,800	0.44
25	CITIGROUP NOMINEES (TEMPATAN) SDN BHD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LGF)	2,088,800	0.43
26	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TING YI EN	1,978,800	0.41
27	CITIGROUP NOMINEES (TEMPATAN) SDN BHD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LPF)	1,945,425	0.40
28	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LAI SEE CHEH	1,881,250	0.39
29	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD. (RETAIL CLIENTS)	1,859,000	0.39
30	DB (MALAYSIA) NOMINEE (ASING) SDN BHD THE BANK OF NEW YORK MELLON FOR ENSIGN PEAK ADVISORS INC.	1,672,125	0.35
	TOTAL	239,492,056	49.72

Note: Without aggregating securities from different securities accounts belonging to the same person.

ANALYSIS OF WARRANTHOLDINGS

AS AT 27 MAY 2020

Number of Issued Warrants : 106,051,448
Number of Unexercised Warrants : 106,051,448
Exercise Price : RM 0.75 per Warrant
Maturity Date : 25 April 2023

DISTRIBUTION OF WARRANTHOLDINGS

Size of Warrantholdings	No. of Warrantholders	%	No. of Warrants Held	%
Less than 100	599	11.14	20,355	0.02
100 - 1,000	1,524	28.33	828,135	0.78
1,001 - 10,000	2,623	48.76	8,848,454	8.34
10,001 - 100,000	511	9.50	17,133,752	16.16
100,001 to less than 5% of issued shares	119	2.21	56,501,674	53.28
5% and above of issued shares	3	0.06	22,719,078	21.42
TOTAL	**5,379**	**100**	**106,051,448**	**100.00**

DIRECTORS' WARRANTHOLDINGS

	Direct Warrantholdings		Indirect Warrantholdings	
Name	No. of Warrants Held	%	No. of Warrants Held	%
Dato' Sri Ir Chong Ket Pen	16,527,669	15.58	10,913,640[(a)]	10.29
Dato' Ir Kenny Chong Ther Nen	292,812	0.28	449,100[(b)]	0.42
Dato' Sri Su-Azian @ Muzaffar Syah Bin Abd Rahman	187,500	0.18	781,250[(c)]	0.74
Dato' Tan Yee Boon	-	-	-	-
Ir Tan Heng Kui	1,920,593	1.81	-	-
Suhaimi Bin Badrul Jamil	16,250	0.02	-	-
Tham Wei Mei	-	-	-	-
Celine Chan Hooi Li	-	-	-	-

Notes :
(a) by virtue of his interests via the following:
i) Spouse (271,875 warrants in Protasco Berhad)
ii) Children (578,125 warrants in Protasco Berhad)
iii) Penmacorp Sdn Bhd (9,770,828 warrants in Protasco Berhad)
(b) by virtue of his interest via his spouse
(c) by virtue of his interest via Rencana Berkat Sdn Bhd

ANALYSIS OF WARRANTHOLDINGS

AS AT 27 MAY 2020

LIST OF TOP 30 WARRANTHOLDERS

No	Name	Holdings	%
1	UOBM NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PENMACORP SDN BHD (PCB)	9,416,453	8.88
2	MV CONSOLIDATED SDN BHD	7,000,000	6.60
3	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR CHONG KET PEN (PB)	6,302,625	5.94
4	CHONG KET PEN	4,746,919	4.48
5	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR CHONG KET PEN (PBCL-0G0086)	4,375,000	4.13
6	MV TECHNOLOGY SDN. BHD.	2,700,000	2.55
7	CITIGROUP NOMINEES (TEMPATAN) SDN BHD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LPF)	2,167,700	2.04
8	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TING YI EN	1,869,700	1.76
9	TAN HENG KUI	1,640,625	1.55
10	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHOY WAH CHAI (E-SKN)	1,600,000	1.51
11	MAYBANK NOMINEES (TEMPATAN) SDN BHD MOHAMAD ALFALAH BIN ZAKARIA	1,538,400	1.45
12	CHANG LIK SEAN	1,500,000	1.41
13	CITIGROUP NOMINEES (TEMPATAN) SDN BHD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LBF)	1,390,968	1.31
14	FEDERLITE HOLDINGS SDN BHD	1,300,618	1.23
15	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHONG KET PEN (8093834)	1,103,125	1.04
16	TAN MENG HOOI	1,074,000	1.01
17	ADDEEN HOLDINGS SDN BHD	1,000,000	0.94
18	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SHEIKH ABDUL RAHIM BIN SHEIKH MOHAMAD	938,200	0.88
19	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEE KAI MING (E-TSA)	880,000	0.83
20	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR VOON SZE LIN (M55045)	800,200	0.75
21	RENCANA BERKAT SDN BHD	781,250	0.74

ANALYSIS OF WARRANTHOLDINGS

AS AT 27 MAY 2020

LIST OF TOP 30 WARRANTHOLDERS (CONT'D)

No	Name	Holdings	%
22	FIRUS BIN RUSTAM	705,300	0.67
23	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR YAP OON NEO (PBCL-0G0435)	621,875	0.59
24	WONG TIN HOOI	604,500	0.57
25	KHOR KOK HAI	600,000	0.57
26	SIAW TECK SIONG	600,000	0.57
27	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHONG SENG FOH	600,000	0.57
28	RONNIE YAP KEE TIAN	590,423	0.56
29	CHUA BOON CHAI	586,900	0.55
30	LEE CHOOI MEI	580,950	0.55
	TOTAL	59,615,731	56.23

Note: Without aggregating securities from different securities accounts belonging to the same person.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 19th Annual General Meeting of the Company will be conducted fully virtual from the Broadcast Venue at Conference Hall, 1st Floor, Corporate Building, Unipark Suria, Jalan Ikram-Uniten, 43000 Kajang, Selangor on Wednesday, 5 August 2020 at 10.00 a.m. to transact the following businesses:

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2019 and the Reports of Directors and Auditors thereon.

2. To approve the payment of Directors' fees and benefits for the period from 6 August 2020 to the next Annual General Meeting. — Ordinary Resolution 1

3. To re-elect the following Directors retiring in accordance with the Company's Constitution:

   (i) Dato' Sri Chong Ket Pen under Article 107(1)(b) — Ordinary Resolution 2
   (ii) Dato' Sri Su-Azian @ Muzaffar Syah Bin Abd Rahman under Article 107(1)(b) — Ordinary Resolution 3
   (iii) Dato' Chong Ther Nen under Article 107(1)(a) — Ordinary Resolution 4
   (iv) Madam Celine Chan Hooi Li under Article 107(1)(a) — Ordinary Resolution 5

4. To appoint auditors of the Company and authorise the Directors to determine their remuneration. — Ordinary Resolution 6

5. To consider and if thought fit, to pass the following resolution, with or without modifications:

   ORDINARY RESOLUTION - AUTHORITY TO ALLOT SHARES

   "THAT pursuant to Section 75 of the Companies Act 2016 and subject to the approvals of the relevant authorities, the Directors be empowered to allot and issue shares in the Company from time to time at such price, upon such terms and conditions, for such purposes and to such person or persons whomsoever as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares issued pursuant to this Resolution does not exceed 20% of the total number of issued shares of the Company for the time being and that the Directors be also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company." — Ordinary Resolution 7

6. To consider and if thought fit, to pass the following resolution, with or without modifications:

   ORDINARY RESOLUTION
   - PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY

   "THAT subject to the Companies Act 2016 ("Act"), the Company's Constitution, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and requirements of any other relevant authorities, the Directors of the Company be and are hereby authorised to purchase its own shares through Bursa Securities, subject to the following: — Ordinary Resolution 8

   (a) The maximum number of shares which may be purchased by the Company shall not exceed ten per centum (10%) of the total number of issued shares of the Company at any point in time;

   (b) The maximum fund to be allocated by the Company for the purpose of purchasing its shares shall not exceed the retained profits of the Company;

NOTICE OF ANNUAL GENERAL MEETING

(c) The authority conferred by this resolution will be effective upon passing of this resolution and will continue in force until:

(i) the conclusion of the next Annual General Meeting ("AGM"),at which time the said authority will lapse, unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
(ii) the expiry of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 340 of the Act (but shall not extend to such extensions as may be allowed pursuant to Section 340(4) of the Act); or
(iii) the authority is revoked or varied by an ordinary resolution passed by the shareholders in a general meeting;

whichever occurs first;

(d) Upon completion of the purchase(s) of the shares by the Company, the shares shall be dealt in the following manner as the Directors of the Company may decide:

(i) cancel the shares so purchased; or
(ii) retain the shares so purchased as treasury shares; or
(iii) retain part of the shares so purchased as treasury shares and cancel the remainder; or
(iv) distribute the treasury shares as dividends to shareholders; or
(v) resell the treasury shares or any of the shares in accordance with the relevant rules of Bursa Securities; or
(vi) transfer the treasury shares, or any of the shares for the purposes of or under an employees' share scheme; or
(vii) transfer the treasury shares, or any of the shares as purchase consideration; or
(viii) sell, transfer or otherwise use the treasury shares for such other purposes as the Minister charged with the responsibility for companies may by order prescribe.

THAT the Directors of the Company be authorised to take all such steps as are necessary and enter into all other agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed by the relevant authorities from time to time to implement or to effect the purchase of its own shares."

7. To transact any other business of which due notice shall have been received.

BY ORDER OF THE BOARD

KHOR HOOI LING
SEOW FEI SAN
Secretaries

Petaling Jaya
25 June 2020

NOTICE OF ANNUAL GENERAL MEETING

NOTES TO NOTICE OF THE 19TH ANNUAL GENERAL MEETING:

1. In view of the Covid-19 pandemic and as part of the safety measures, the 19th Annual General Meeting ("AGM") will be conducted virtually through live streaming and online voting. All shareholders are advised to participate in the 19th AGM remotely by registering yourself at Boardroom Smart Investor Portal through webpages at https://boardroomlimited.my. Please follow the procedures provided in the Administrative Guide for the 19th AGM in order to register, participate and vote via https://web.vote2u.app

2. The Broadcast Venue of the 19th AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 ("Act") which requires the Chairman of the Meeting to be at the main venue. No shareholders / proxy(ies) from the public should be physically present at the Broadcast Venue.

3. Only members whose names appear on the Record of Depositors as at 29 July 2020 shall be entitled to attend, speak (in the form of real time submission of typed text) and vote at the 19th Annual General Meeting.

4. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, speak (in the form of real time submission of typed text) and vote in his stead. A proxy may but need not be a member of the Company.

5. A member shall be entitled to appoint not more than two (2) proxies to attend and vote at the Annual General Meeting. Where a member appoints two (2) proxies, the appointment shall be invalid unless the member specifies the proportions of his holdings to be represented by each proxy.

6. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.

7. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

8. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under its Common Seal or under the hand of its officer or attorney duly authorised.

9. The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a notarially certified copy thereof, must be deposited at the Registered Office of the Company at 802, 8th Floor, Block C, Kelana Square, 17 Jalan SS7/26, 47301 Petaling Jaya, Selangor Darul Ehsan, not less than forty-eight hours before the time for holding the meeting or at any adjournment thereof. Alternatively, shareholders may also submit the Form of Proxy electronically through the smart investor portal at https://boardroomlimited.my by logging in and selecting "E-PROXY LODGEMENT", not less than forty-eight hours before the time for holding the meeting or at any adjournment thereof, otherwise, the instrument of proxy shall not be treated as valid.

10. Explanatory notes:

    Ordinary Resolution 1 - The proposed Ordinary Resolution 1 is to approve the Directors' fees and benefits payable to the Non-Executive Directors ("NED") of up to an amount of RM600,000 with effect from 6 August 2020 until the next Annual General Meeting of the Company.

    The fees and benefits payable to the NEDs of the Company are as follows:
    - Monthly fixed fees for discharging duties as Director; and
    - Meeting allowance for each Board/Board Committee/General Meeting attended.

    The shareholders at the last Annual General Meeting held on 30 May 2019 approved the Directors' fees and benefits of up to RM600,000 for the period from 31 May 2019 until the Annual General Meeting for year 2020. The actual Directors' fees and benefits paid to the NEDs for the period from 31 May 2019 until the 19th Annual General Meeting is RM388,750.

    Details of the fees and benefits paid to the Non-Executive Directors for the financial year ended 31 December 2019 are disclosed on page 53 of the Overview Statement on Corporate Governance in the 2019 Annual Report.

NOTICE OF ANNUAL GENERAL MEETING

The Directors' fees and benefits for the Non-Executive Directors for the period from 6 August 2020 until the conclusion of the next Annual General Meeting in year 2021 are estimated not to exceed RM600,000. The calculation is based on the estimated number of scheduled Board and Board Committees' meetings and on assumption that the number of the Non-Executive Directors will remain the same until the next Annual General Meeting in year 2021.

The Board will seek shareholders' approval at the next Annual General Meeting in the event the Directors' fees and benefits proposed is insufficient.

Ordinary Resolution 7 - The proposed Ordinary Resolution 7, if passed, will give the Directors of the Company, from the date of the 19th Annual General Meeting, authority to allot and issue shares up to 20% of the total number of issued shares of the Company for such purposes as the Directors may deem fit and in the interest of the Company. The authority, unless revoked or varied by the Company in general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

Bursa Securities had vide its letter dated 16 April 2020 granted greater flexibility for listed issuers to raise fund through an increased general mandate limit for new issue of securities from the existing 10% to not more than 20% of the total number of issued shares (excluding treasury shares) ("20% General Mandate") to assist and support listed issuers in these trying and challenging times due to the COVID-19 pandemic.

The Board of Directors is of the view that the 20% General Mandate is in the best interest of the Company and its shareholders as the authority will facilitate any possible fundraising activities, including but not limited to placing of shares, for purpose of funding future investment project(s), working capital, repayment of bank borrowings and/or acquisitions.

As at the date of printing of the Annual Report, no new share was issued by the Company pursuant to the authority granted to the Directors at the 18th Annual General Meeting held on 30 May 2019 and the said authority will lapse at the conclusion of the 19th Annual General Meeting.

Ordinary Resolution 8 - The proposed Ordinary Resolution 8, if passed, will empower the Directors of the Company to purchase the Company's shares up to ten percent (10%) of the total number of issued shares of the Company ("Proposed Share Buy-Back") by utilising the funds allocated which shall not exceed the total retained earnings of the Company. Further information on the Proposed Shares Buy-Back is set out in the Share Buy-Back Statement to Shareholders dated 25 June 2020, which is despatched together with the Company's Annual Report 2019.

PROTASCO BERHAD
200101012322 (548078-H)

FORM OF PROXY

I/We ____
(Full Name)

NRIC/Passport/Company No ____

of ____
(Full Address)

being a member/members of **Protasco Berhad** hereby appoint ____
(Full name)

NRIC/Passport No. ____

of ____
(Full Address & Email Address)

or failing him/her ____
(Full Name)

NRIC/Passport No. ____

of ____
(Full Address & Email Address)

or failing him/her, the Chairman of the Meeting as my/our proxy to vote on my/our behalf at the 19th Annual General Meeting of the Company to be conducted fully virtual from the Broadcast Venue at Conference Hall, 1st Floor, Corporate Building, Unipark Suria, Jalan Ikram-Uniten, 43000 Kajang, Selangor on Wednesday, 5 August 2020 at 10.00 a.m. and at any adjournment thereof in the manner as indicated below :

NO.	ORDINARY RESOLUTIONS	FOR	AGAINST
1.	To approve the payment of Directors' fees and benefits.		
2.	To re-elect Dato' Sri Chong Ket Pen as a Director of the Company.		
3.	To re-elect Dato' Sri Su-Azian @ Muzaffar Syah Bin Abd Rahman as a Director of the Company.		
4.	To re-elect Dato' Chong Ther Nen as a Director of the Company.		
5.	To re-elect Madam Celine Chan Hooi Li as a Director of the Company.		
6.	To appoint auditors of the Company and authorise the Directors to determine their remuneration.		
7.	To approve the Authority to Allot Shares.		
8.	To approve the proposed renewal of share buy-back authority.		

Please indicate with a "X" in the space above on how you wish to cast your vote. In the absence of specific directions, your proxy will vote or abstain as he/she thinks fit.

Signed this .... day of ...., 2020

Number of shares held	
CDS Account Number	

____
Signature of Shareholder / Common Seal

Notes:

1. In view of the Covid-19 pandemic and as part of the safety measures, the 19th Annual General Meeting ("AGM") will be conducted virtually through live streaming and online voting. All shareholders are advised to participate in the 19th AGM remotely by registering yourself at Boardroom Smart Investor Portal through webpages at https://boardroomlimited.my. Please follow the procedures provided in the Administrative Guide for the 19th AGM in order to register, participate and vote via https://web.vote2u.app

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4. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, speak (in the form of real time submission of typed text) and vote in his stead. A proxy may but need not be a member of the Company.

5. A member shall be entitled to appoint not more than two (2) proxies to attend and vote at the Annual General Meeting. Where a member appoints two (2) proxies, the appointment shall be invalid unless the member specifies the proportions of his holdings to be represented by each proxy.

6. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.

7. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

8. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under its Common Seal or under the hand of its officer or attorney duly authorised.

9. The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a notarially certified copy thereof, must be deposited at the Registered Office of the Company at 802, 8th Floor, Block C, Kelana Square, 17 Jalan SS7/26, 47301 Petaling Jaya, Selangor Darul Ehsan, not less than forty-eight hours before the time for holding the meeting or at any adjournment thereof. Alternatively, shareholders may also submit the Form of Proxy electronically through the smart investor portal at https://boardroomlimited.my by logging in and selecting "E-PROXY LODGEMENT", not less than forty-eight hours before the time for holding the meeting or at any adjournment thereof, otherwise, the instrument of proxy shall not be treated as valid.

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STAMP

The Company Secretaries

PROTASCO BERHAD 200101012322 (548078-H)
802, 8th Floor, Block C, Kelana Square
17, Jalan SS7/26, 47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

Please fold here

WWW.PROTASCO.COM.MY

CORPORATE OFFICE

PROTASCO BERHAD
Unipark Suria, Jalan Ikram-Uniten
43000 Kajang, Selangor, Malaysia
T (603) 8738 3388
F (603) 8926 4008

KUALA LUMPUR OFFICE

PROTASCO BERHAD
87, Jalan Kampung Pandan
55100 Kuala Lumpur, Malaysia
T (603) 9286 4050
F (603) 9284 8118
E ccd@protasco.com.my