ISKANDAR WATERFRONT CITY BERHAD
196801000661 (8256-A)
(Incorporated in Malaysia)

**Directors' Report and Audited Financial Statements**
31 December 2019

196801000661 (8256-A)

**Iskandar Waterfront City Berhad**
**(Incorporated in Malaysia)**

**Contents**

**Iskandar Waterfront City Berhad**
**(Incorporated in Malaysia)**

## Directors' report

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

## Principal activities

The principal activity of the Company is investment holding.

The principal activities and other information of the subsidiaries are disclosed in Note 16 to the financial statements.

## Results

| | Group RM'000 | Company RM'000 |
|---|---|---|
| Loss net of tax | 4,744 | 1,290 |
| Attributable to: | | |
| Owners of the parent | 4,744 | 1,290 |

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

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, other than as disclosed in the financial statements.

## Dividend

No dividend has been paid or declared by the Company since the end of the previous financial year. The directors do not recommend the payment of any dividend in respect of the current financial year.

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**Directors**

The names of the directors of the Company in office since the beginning of the financial year to the date of this report are:

Dato' Hj. Ayub Bin Mion**
Tan Sri Dato' Lim Kang Hoo**
Dato' Hj. Mohd Noorazam Bin Dato' Hj. Osman
Datuk Lim Keng Guan**
Wong Khai Shiuan**
Khoo Boon Ho**
Bernard Hilary Lawrence
Lim Foo Seng
Lim Chen Herng **
(Alternate director to Tan Sri Dato' Lim Kang Hoo)
Mohd Salleh Bin Othman (Resigned on 16 April 2020)

** These directors are also directors of the Company's subsidiaries.

The names of the directors of the Company's subsidiaries in office since the beginning of the financial year to the date of this report (not including those directors listed above) are:

Dato' Hj. Md. Zahari Bin Md. Zin
Datin Paduka Hjh. Aminah Binti Hashim
Tan Teow Keat

**Directors' benefits**

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate, other than those arising from share options granted under the Employee Share Option Scheme.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full time employee of the Company as shown in Note 9 and Note 10 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a Company in which he has a substantial financial interest, except as disclosed in Note 32 to the financial statements.

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## Directors' interests

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares and options over shares in the Company and its related corporations during the financial year were as follows:

| | 1 January 2019 | Acquired | Sold | 31 December 2019 |
|---|---|---|---|---|
| **Ordinary shares in the Company** | | | | |
| **Direct Interest** | | | | |
| Wong Khai Shiuan | 10,000 | - | 10,000 | - |
| **Deemed interest** | | | | |
| Tan Sri Dato' Lim Kang Hoo | 315,846,069 | - | - | 315,846,069 |
| Datuk Lim Keng Guan | 776,000 | - | 776,000 | - |

| | 1 January 2019 | Granted | Expired | 31 December 2019 |
|---|---|---|---|---|
| **Options over ordinary shares in the Company** | | | | |
| Dato' Hj. Ayub Bin Mion | 4,300,000 | - | 4,300,000 | - |
| Tan Sri Dato' Lim Kang Hoo | 12,300,000 | - | 12,300,000 | - |
| Datuk Lim Keng Guan | 12,300,000 | - | 12,300,000 | - |
| Wong Khai Shiuan | 12,300,000 | - | 12,300,000 | - |
| Khoo Boon Ho | 3,700,000 | - | 3,700,000 | - |
| Bernard Hilary Lawrence | 3,700,000 | - | 3,700,000 | - |
| Mohd Salleh Bin Othman | 3,700,000 | - | 3,700,000 | - |
| Lim Foo Seng | 3,700,000 | - | 3,700,000 | - |

Tan Sri Dato' Lim Kang Hoo by virtue of his interest in shares in the Company is also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

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

## Employee Share Option Scheme

At an Extraordinary General Meeting held on 24 June 2014, shareholders approved the proposed establishment of an Employees' Share Option Scheme ("ESOS") for the granting of non-transferable options that are settled by physical delivery of the ordinary shares of the Company, to eligible directors and employees.

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**Employee Share Option Scheme (cont'd)**

The committee administering the ESOS comprises three directors, Khoo Boon Ho, Bernard Hilary Lawrence and Lim Foo Seng.

The ESOS was implemented on 26 September 2014.

On 24 June 2019, 96,283,000 share options had expired.

The salient features and other terms of the ESOS are disclosed in Note 30 to the financial statements.

The movement in share options to subscribe for ordinary shares of the Company pursuant to the ESOS is as follows:

| | 1 January 2019 | Granted | Expired | 31 December 2019 |
|---|---|---|---|---|
| Share Option Scheme | 96,283,000 | - | 96,283,000 | - |

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of option holders, other than the directors.

The details of options granted to directors are disclosed in the section on Directors' interests in this report.

**Holding company**

The holding company of the Company is Iskandar Waterfront Holdings Sdn. Bhd., a company incorporated and domiciled in Malaysia. The ultimate holding company of the Company is Credence Resources Sdn. Bhd., a company incorporated and domiciled in Malaysia.

**Subsequent event**

Details of a subsequent event are disclosed in Note 38 of the financial statements.

**Other statutory information**

(a) Before the statements of comprehensive income and statements of the financial position of the Group and of the Company were made out, the directors took reasonable steps:

  (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and

  (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

  (i) it necessary to write off any bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; and

  (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

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

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

(e) As at the date of this report, there does not exist:

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

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

(f) In the opinion of the directors:

  (i) the Group and the Company will be able to meet its financial obligations as the holding company and related companies have agreed to provide continuing financial support to enable the Group and the Company to meet their obligations and liabilities as and when they fall due; and

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

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## Auditors

The auditors, Ernst & Young PLT, have expressed their willingness to continue in office.

Auditors' remuneration is as follows:

| | Group RM'000 | Company RM'000 |
|---|---|---|
| Ernst & Young PLT | | |
| - Statutory audit | 180 | 50 |
| - Other services | 10 | 6 |

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young PLT, as part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young PLT during or since the end of the financial year.

Signed on behalf of the Board in accordance with a resolution of the directors dated 25 June 2020.

Dato' Hj. Ayub Bin Mion

Wong Khai Shiuan

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## Statement by directors
## Pursuant to Section 251(2) of the Companies Act 2016

We, Dato' Hj. Ayub Bin Mion and Wong Khai Shiuan, being two of the directors of Iskandar Waterfront City Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 15 to 91 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 25 June 2020.

| | |
|---|---|
| Dato' Hj. Ayub Bin Mion | Wong Khai Shiuan |

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

I, Noralisa Binti Ramli, being the officer primarily responsible for the financial management of Iskandar Waterfront City Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 15 to 91 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

| | |
|---|---|
| Subscribed and solemnly declared ) | |
| by the abovenamed Noralisa Binti ) | |
| Ramli at Johor Bahru in the State of ) | Noralisa Binti Ramli |
| Johor Darul Ta'zim on 25 June 2020. ) | (MIA 27321) |

Before me,

**196801000661 (8256-A)**
**Independent auditors' report to the members of**
**Iskandar Waterfront City Berhad**
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## Report on the audit of the financial statements

*Opinion*

We have audited the financial statements of Iskandar Waterfront City Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 15 to 91.

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 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 audit 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 Code of Ethics for Professional Accountants (including International Independence Standards) ("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 year. We have determined that there are no key audit matters to communicate in our report on the financial statements of the Company. The key audit matters for the audit of the financial statements of the Group are described below. 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditors' responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis of our audit opinion on the accompanying financial statements.

**Revenue and cost of sales from property development contracts**

A significant proportion of the Group's revenues and profits are derived from property development contracts which spans more than one accounting period. For the financial year ended 31 December 2019, property development revenue of approximately RM220,809,000 and property development cost of approximately RM188,706,000 accounted for substantially all of the Group's total revenue and cost of sales respectively. The Group uses the percentage-of-completion method in accounting for these property development contracts.

We identified revenue and cost of sales from property development contracts as areas requiring audit focus as significant management judgment and estimates are involved. In particular, we focused on the following areas:

- Stage of completion;
- Extent of property development costs incurred to date;
- Estimated total property development cost; and
- Estimated liquidated ascertained damages ("LAD").

*Key audit matters (cont'd)*

**Revenue and cost of sales from property development contracts (cont'd)**

Our audit procedures related to this area of focus included the following:

- We obtained an understanding of the internal controls over the accuracy and timing of revenue recognised in financial statements, including the controls performed by management in recognition of actual cost incurred and stage of completion of the property development activities;

- We read the sale and purchase agreements entered into with the customers to obtain an understanding of the specific terms and conditions;

- We evaluated the assumptions applied in estimating the total property development costs for all projects, by examining documentary evidence such as letters of award issued to contractors to support the budgeted costs. We also considered the historical accuracy of management's forecasts for similar property development projects in evaluating the estimated total property development costs;

- We evaluated the determination of percentage-of-completion by examining supporting evidence such as contractors' progress claims and suppliers' invoices;

- We observed the progress of the property development project by performing site visits and examined progress reports. We also discussed the status of on-going property development with management, finance personnel and project officials;

- We inquired management on their determination of whether the Group is liable for LAD and the basis of estimating LAD to be provided; and

- We reviewed assumptions used in computing the LAD, focusing on the management's estimation of the extent of the delay.

The disclosures on property development revenue and property development cost are included in Note 4 and Note 5 to the financial statements.

*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 annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the annual report, which is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not and will 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 identified above 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 on the other information that we obtained prior to the date of this auditors' report, 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.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Company and take appropriate action.

*Responsibilities of the directors for the financial statements*

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

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

*Auditors' responsibilities for the audit of the financial statements*

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

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

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

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

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

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

*Auditors' responsibilities for the audit of the financial statements (cont'd)*

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

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

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

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

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

## Other matters

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

| | |
|---|---|
| Ernst & Young PLT | Tan Jin Xiang |
| 202006000003 (LLP0022760-LCA) & AF 0039 | 03348/01/2022 J |
| Chartered Accountants | Chartered Accountant |

Johor Bahru, Malaysia
Date: 25 June 2020

**Iskandar Waterfront City Berhad**
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## Statements of comprehensive income
## For the year ended 31 December 2019

| | Note | Group 2019 RM'000 | Group 2018 RM'000 Restated | Company 2019 RM'000 | Company 2018 RM'000 |
|---|---|---|---|---|---|
| Revenue | 4 | 219,048 | 122,058 | - | - |
| Cost of sales | 5 | (186,868) | (111,526) | - | - |
| Gross profit | | 32,180 | 10,532 | - | - |
| **Other items of income** | | | | | |
| Other income | 6 | 166 | 603 | - | - |
| Finance income | | 1,721 | 1,805 | 53 | 162 |
| **Other items of expenses** | | | | | |
| Administrative expenses | | (9,295) | (5,194) | (1,227) | (1,735) |
| Selling and marketing expenses | | (1,360) | (1,336) | - | - |
| Finance costs | 7 | (25,908) | (20,585) | (116) | (127) |
| Share of results of associates | 17(b)(ii) | (692) | (891) | - | - |
| **Loss before tax** | 8 | (3,188) | (15,066) | (1,290) | (1,700) |
| Income tax (expense)/credit | 11 | (1,556) | 5,880 | - | - |
| **Loss net of tax, representing total comprehensive loss for the year** | | (4,744) | (9,186) | (1,290) | (1,700) |
| **Loss attributable to:** | | | | | |
| Owners of the parent | | (4,744) | (9,186) | (1,290) | (1,700) |
| Loss per share attributable to owners of the parent (sen): | | | | | |
| Basic, for loss for the year | 12 | (0.57) | (1.10) | | |
| Diluted, for loss for the year | 12 | (0.57) | (1.10) | | |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

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**Statements of financial position**
**As at 31 December 2019**

| | Note | 31.12.2019 RM'000 | Group 31.12.2018 RM'000 Restated | 1.1.2018 RM'000 Restated |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | 13 | 2,210 | 2,795 | 3,545 |
| Inventory properties - Land held for property development | 14(a) | 122,355 | 122,355 | 122,343 |
| Investment properties | 15 | 548 | 548 | 540 |
| Investment in associates | 17 | 41,248 | 41,940 | 42,831 |
| Other non-current assets | 18 | 90 | 90 | 90 |
| Deferred tax assets | 31 | 16,269 | 16,171 | 12,546 |
| | | 182,720 | 183,899 | 181,895 |
| **Current assets** | | | | |
| Inventory properties - Property development costs | 14(b) | 1,186,518 | 1,194,813 | 1,188,024 |
| Inventories | 19 | 36,458 | 182 | 182 |
| Trade and other receivables | 20 | 407,800 | 309,791 | 308,948 |
| Contract assets | 21 | 49,265 | 120,383 | 52,593 |
| Prepayments | | 540 | 1,317 | 511 |
| Tax recoverable | | 1,052 | 267 | - |
| Cash and bank balances | 23 | 45,947 | 41,685 | 48,156 |
| | | 1,727,580 | 1,668,438 | 1,598,414 |
| **Total assets** | | 1,910,300 | 1,852,337 | 1,780,309 |
| **Equity and liabilities** | | | | |
| **Current liabilities** | | | | |
| Loans and borrowings | 24 | 184,950 | 9,884 | 27,193 |
| Trade and other payables | 26 | 734,509 | 667,993 | 565,538 |
| Contract liabilities | 27 | 3,266 | 7,877 | 14,905 |
| Provisions | 28 | 10,191 | 12,007 | 5,591 |
| Income tax payable | | 15,830 | 25,463 | 46,243 |
| | | 948,746 | 723,224 | 659,470 |
| **Net current assets** | | 778,834 | 945,214 | 938,944 |
| **Non-current liabilities** | | | | |
| Loans and borrowings | 24 | 66,497 | 228,288 | 211,650 |
| Deferred tax liabilities | 31 | 96,656 | 97,680 | 96,858 |
| | | 163,153 | 325,968 | 308,508 |
| **Total liabilities** | | 1,111,899 | 1,049,192 | 967,978 |
| **Net assets** | | 798,401 | 803,145 | 812,331 |

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**Statements of financial position (cont'd)**
**As at 31 December 2019**

| | Note | 31.12.2019<br>RM'000 | Group<br>31.12.2018<br>RM'000<br>Restated | 1.1.2018<br>RM'000<br>Restated |
|---|---|---|---|---|
| **Equity attributable to owners of the parent** | | | | |
| Share capital | 29 | 726,946 | 726,946 | 726,946 |
| Employee share option reserve | 30 | - | 56,187 | 64,110 |
| Retained earnings | | 71,455 | 20,012 | 21,275 |
| **Total equity** | | 798,401 | 803,145 | 812,331 |
| **Total equity and liabilities** | | 1,910,300 | 1,852,337 | 1,780,309 |

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**Statements of financial position (cont'd)**
**As at 31 December 2019**

| | Note | Company 2019 RM'000 | Company 2018 RM'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 13 | 340 | 389 |
| Investment in subsidiaries | 16 | 508,596 | 508,596 |
| Other receivables | 20 | 103,842 | 78,652 |
| | | 612,778 | 587,637 |
| **Current assets** | | | |
| Other receivables | 20 | 157,911 | 184,177 |
| Prepayments | | - | 20 |
| Cash and bank balances | 23 | 1,819 | 1,798 |
| | | 159,730 | 185,995 |
| **Total assets** | | 772,508 | 773,632 |
| **Equity and liabilities** | | | |
| **Current liabilities** | | | |
| Loans and borrowings | 24 | 100,000 | - |
| Other payables | 26 | 3,208 | 3,059 |
| Provisions | 28 | 533 | 516 |
| | | 103,741 | 3,575 |
| **Net current assets** | | 55,989 | 182,420 |
| **Non-current liability** | | | |
| Loans and borrowings | 24 | - | 100,000 |
| **Total liabilities** | | 103,741 | 103,575 |
| **Net assets** | | 668,767 | 670,057 |
| **Equity attributable to owners of the parent** | | | |
| Share capital | 29 | 726,946 | 726,946 |
| Employee share option reserve | 30 | - | 56,187 |
| Accumulated losses | | (58,179) | (113,076) |
| **Total equity** | | 668,767 | 670,057 |
| **Total equity and liabilities** | | 772,508 | 773,632 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

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**Statements of changes in equity**
**For the year ended 31 December 2019**

| Group | <--- Non-distributable ---> Share capital RM'000 | Employee share option reserve RM'000 | Distributable retained earnings RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Opening balance at 1 January 2019 (restated)** | 726,946 | 56,187 | 20,012 | 803,145 |
| **Total comprehensive loss** | - | - | (4,744) | (4,744) |
| **Transactions with owners:** | | | | |
| Expiry of employee share options | - | (56,187) | 56,187 | - |
| **Total transactions with owners** | - | (56,187) | 56,187 | - |
| **Closing balance at 31 December 2019** | 726,946 | - | 71,455 | 798,401 |
| | | | | |
| **Opening balance at 1 January 2018 (previously stated)** | 726,946 | 64,110 | 26,394 | 817,450 |
| Restatements (Note 37) | - | - | (5,119) | (5,119) |
| **At 1 January 2018 (restated)** | 726,946 | 64,110 | 21,275 | 812,331 |
| **Total comprehensive loss** | - | - | (9,186) | (9,186) |
| **Transactions with owners:** | | | | |
| Expiry of employee share options | - | (7,923) | 7,923 | - |
| **Total transactions with owners** | - | (7,923) | 7,923 | - |
| **Closing balance at 31 December 2018 (restated)** | 726,946 | 56,187 | 20,012 | 803,145 |

**Iskandar Waterfront City Berhad**
**(Incorporated in Malaysia)**

**Statements of changes in equity (cont'd)**
**For the year ended 31 December 2019**

| | <--- Non-distributable ---> | | | |
|---|---|---|---|---|
| **Company** | **Share capital RM'000** | **Employee share option reserve RM'000** | **Accumulated losses RM'000** | **Total RM'000** |
| **Opening balance at 1 January 2019** | 726,946 | 56,187 | (113,076) | 670,057 |
| **Total comprehensive loss** | - | - | (1,290) | (1,290) |
| **Transactions with owners:** | | | | |
| Expiry of employee share options | - | (56,187) | 56,187 | - |
| **Total transactions with owners** | - | (56,187) | 56,187 | - |
| **Closing balance at 31 December 2019** | 726,946 | - | (58,179) | 668,767 |
| **Opening balance at 1 January 2018** | 726,946 | 64,110 | (119,299) | 671,757 |
| **Total comprehensive loss** | - | - | (1,700) | (1,700) |
| **Transactions with owners:** | | | | |
| Expiry of employee share options | - | (7,923) | 7,923 | - |
| **Total transactions with owners** | - | (7,923) | 7,923 | - |
| **Closing balance at 31 December 2018** | 726,946 | 56,187 | (113,076) | 670,057 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

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**Iskandar Waterfront City Berhad**
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**Statements of cash flows**
**For the year ended 31 December 2019**

| | Group 2019 RM'000 | Group 2018 RM'000 Restated | Company 2019 RM'000 | Company 2018 RM'000 |
|---|---|---|---|---|
| **Operating activities** | | | | |
| Loss before tax | (3,188) | (15,066) | (1,290) | (1,700) |
| Adjustments for: | | | | |
| Depreciation of property, plant and equipment | 609 | 593 | 68 | 68 |
| Fair value adjustment of investment properties | - | (8) | - | - |
| Finance costs | 25,908 | 20,585 | 116 | 127 |
| Finance income | (1,721) | (1,805) | (53) | (162) |
| Loss on disposal of property, plant and equipment | - | 18 | - | - |
| Share of results of an associate | 692 | 891 | - | - |
| Discounting of retention sums | - | (24) | - | - |
| Waiver of tax penalty | - | (8,492) | - | - |
| Provisions | 5,553 | 7,083 | 533 | 516 |
| (Reversal of)/provision for foreseeable loss in respect of construction contracts | (913) | 8,843 | - | - |
| Operating profit/(loss) before changes in working capital | 26,940 | 12,618 | (626) | (1,151) |
| Property development costs | (25,321) | 1,353 | - | - |
| Inventories | 2,384 | - | - | - |
| Receivables | (97,232) | (2,098) | 1,097 | 2,374 |
| Payables | 45,318 | 28,628 | (368) | (1,007) |
| Contract assets | 72,030 | (67,790) | - | - |
| Contract liabilities | (4,611) | (7,028) | - | - |
| Cash flows generated from/(used in) operating activities | 19,508 | (34,317) | 103 | 216 |
| Interest paid | (16,046) | (15,661) | (116) | (127) |
| Taxes paid | (13,330) | (11,012) | - | - |
| Tax refunded | 234 | - | - | - |
| Net cash flows (used in)/generated from operating activities | (9,634) | (60,990) | (13) | 89 |

**Iskandar Waterfront City Berhad**
**(Incorporated in Malaysia)**

**Statements of cash flows (cont'd)**
**For the year ended 31 December 2019**

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| | | **Restated** | | |
| **Investing activities** | | | | |
| Interest received | 1,721 | 1,805 | 53 | 162 |
| Land held for property development | - | (12) | - | - |
| Proceeds from disposal of property, plant and equipment | - | 163 | - | - |
| Purchase of property, plant and equipment | (24) | (24) | (19) | (19) |
| Net cash flows generated from investing activities | 1,697 | 1,932 | 34 | 143 |
| **Financing activities** | | | | |
| (Placement)/withdrawal of deposits with maturity exceeding 90 days | (1,654) | 2,580 | (50) | (158) |
| Drawdown of loans and borrowings | 76,503 | 130,656 | - | - |
| Repayment of short term borrowings | (62,605) | (122,856) | - | - |
| Advances from related company | - | 53,258 | - | - |
| Payment of transaction costs on loan drawdown | - | (2,909) | - | - |
| Repayment of obligations under hire purchase | (579) | (564) | - | - |
| Net cash flows generated from/ (used in) financing activities | 11,665 | 60,165 | (50) | (158) |
| **Net increase/(decrease) in cash and cash equivalents** | 3,728 | 1,107 | (29) | 74 |
| **Cash and cash equivalents at beginning of year** | (6,516) | (7,623) | 203 | 129 |
| **Cash and cash equivalents at end of year (Note 23)** | (2,788) | (6,516) | 174 | 203 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

## 1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Suite 1301, 13th Floor, City Plaza, Jalan Tebrau, 80300 Johor Bahru, Johor Darul Ta'zim. The principal place of business of the Company is located at G08, Block 8, Danga Bay, Jalan Skudai, 80200 Johor Bahru, Johor Darul Ta'zim.

The holding company of the Company is Iskandar Waterfront Holdings Sdn. Bhd., a company incorporated and domiciled in Malaysia. The ultimate holding company of the Company is Credence Resources Sdn. Bhd., a company incorporated and domiciled in Malaysia.

The principal activity of the Company is investment holding. The principal activities and other information of the subsidiaries are disclosed in Note 16.

## 2. Summary of significant accounting policies

### 2.1 Basis of preparation

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

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia (RM), which is also the functional currency of the Company. All values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

The Group reported a net loss of RM4,744,000 for the financial year ended 31 December 2019. As at that date, included in net current assets of RM778,834,000 are inventories - property development costs of RM1,186,518,000 which are not readily convertible to cash, and restricted fixed deposits amounting to RM40,543,000 which are pledged as security for banking facilities granted to the Group (Notes 14 and 23). RM184,950,000 of the Group’s loans and borrowings are due to be repaid within the next 12 months.

## 2. Summary of significant accounting policies (cont'd)

### 2.1 Basis of preparation (cont'd)

Notwithstanding the above, the directors are of the view that it is appropriate to prepare these financial statements on a going concern basis in view of the following:

- Projected cash inflows from ongoing development projects of the Group some of which are expected to be completed during the financial year ending 31 December 2020;

- The Group is in the midst of renewing its existing revolving credit ("RC") facility agreement amounting to RM100 million which will expire in July 2020. The RC arising from this agreement has been presented as current loans and borrowings. Given the Group's longstanding relationship with the bank, the Group's track record of servicing its debt obligations in a timely manner, and that the RC facility agreement was previously renewed in 2017, the Group is confident that the bank will approve the renewal of the RC facility agreement.

The appropriateness of using the going concern basis is dependent on the Group attaining profitable operations in the future, its ability to generate sufficient cash from operations, successful renewal of its existing credit facilities and the continuing financial support from its holding company to provide additional funds as and when required.

### 2.2 Change in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2019, the Group and the Company adopted the following new standards, IC Interpretation, Annual Improvements and amendments mandatory for annual financial periods beginning on or after 1 January 2019.

| Description | Effective for annual periods beginning on or after |
|---|---|
| MFRS 9 Prepayment Features with Negative Compensation (Amendments to MFRS 9) | 1 January 2019 |
| MFRS 16 Leases | 1 January 2019 |
| MFRS 128 Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128) | 1 January 2019 |
| Annual Improvements to MFRS Standards 2015–2017 Cycle | 1 January 2019 |
| MFRS 119 Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119) | 1 January 2019 |
| IC Interpretation 23 Uncertainty over Income Tax Treatments Consideration | 1 January 2019 |

## 2. Summary of significant accounting policies (cont'd)

### 2.2 Change in accounting policies (cont'd)

The adoption of the above new standards, IC Interpretation, Annual Improvements and amendments did not have any significant impact on the financial statements.

Details of certain restatements to the financial statements are disclosed in Note 37.

### 2.3 Standards and amendments issued but not yet effective

The Standards and Amendments that are issued but not yet effective up to the date of issuance of the Group's and Company's financial statements are disclosed below. The Group and the Company intend to adopt these Standards and Amendments, if applicable, when they become effective.

| **Description** | **Effective for annual periods beginning on or after** |
|---|---|
| Amendments to MFRS 3: Definition of a Business | 1 January 2020 |
| Amendments to MFRS 101 and MFRS 108: Definition of Material | 1 January 2020 |
| Amendments to references to the Conceptual Framework in MFRS Standards | 1 January 2020 |
| Amendments to MFRS 9, MFRS 139 and MFRS 7 : Interest Rate Benchmark Reform | 1 January 2020 |
| Amendment to MFRS 16: Covid-19 Related Rent Concessions | 1 June 2020 |
| MFRS 17 Insurance Contracts | 1 January 2021 |
| Amendments to MFRS 101: Classification of Liabilities as Current or Non-current | 1 January 2022 |
| Annual improvements to MFRS Standards 2018 - 2020 | 1 January 2022 |
| Amendments to references to the Conceptual Framework in MFRS 3 | 1 January 2022 |
| Amendments to MFRS 116: Proceeds before Intended Use | 1 January 2022 |
| Amendments to MFRS 137: Cost of Fulfilling a Contract | 1 January 2022 |
| Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Deferred |

The directors are of opinion that the Standards and Amendments above would not have any material impact on the financial statements in the year of initial adoption other than as discussed below:

## 2. Summary of significant accounting policies (cont'd)

### 2.3 Standards and amendments issued but not yet effective (cont'd)

**Amendments to MFRS 101 and MFRS 108: Definition of Material**

Under MFRS 101 and MFRS108, the amendments were made to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments must be applied prospectively. Early application is permitted and must be disclosed.

**Amendments to references to the Conceptual Framework in MFRS Standards**

On 30 April 2018, the Malaysian Accounting Standards Board (MASB) has issued a revised Conceptual Framework for Financial Reporting and amendments to the below fourteen Standards under the Malaysian Financial Reporting Standards Framework:

(1) Amendments to MFRS 2 Share-Based Payment
(2) Amendment to MFRS 3 Business Combinations
(3) Amendments to MFRS 6 Exploration for and Evaluation of Mineral Resources
(4) Amendment to MFRS 14 Regulatory Deferral Accounts
(5) Amendments to MFRS 101 Presentation of Financial Statements
(6) Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors
(7) Amendments to MFRS 134 Interim Financial Reporting
(8) Amendment to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets
(9) Amendment to MFRS 138 Intangible Assets
(10) Amendment to IC Interpretation 12 Service Concession Arrangements
(11) Amendment to IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments
(12) Amendment to IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine
(13) Amendment to IC Interpretation 22 Foreign Currency Transactions and Advance Consideration
(14) Amendments to IC Interpretation 132 Intangible Assets—Web Site Costs

The changes to the chapters on the objective of financial reporting and qualitative characteristics of useful financial information are limited, but with improved wording to give more prominence to the importance of providing information needed to assess management's stewardship of the entity's economic resources.

## 2. Summary of significant accounting policies (cont'd)

### 2.4 Basis of consolidation

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

The Company controls an investee if and only if the Company has all the following:

(i) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee;

(i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

(ii) Potential voting rights held by the Company, other vote holders or other parties;

(iii) Rights arising from other contractual arrangements; and

(iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

## 2. Summary of significant accounting policies (cont'd)

### 2.4 Basis of consolidation (cont'd)

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of an investment in an associate.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

### 2.5 Associates

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate is accounted for using equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date.

The statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognise its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from the transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

## 2. Summary of significant accounting policies (cont'd)

### 2.5 Associates (cont'd)

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

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss within 'Share of profit of an associate' in the statement of profit or loss.

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

### 2.6 Current versus non-current classification

Assets and liabilities in the statements of financial position are presented based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

## 2. Summary of significant accounting policies (cont'd)

### 2.7 Foreign currency

#### (a) Functional and presentation currency

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

#### (b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

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

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

### 2.8 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

## 2. Summary of significant accounting policies (cont'd)

### 2.8 Property, plant and equipment (cont'd)

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

| | |
|---|---|
| Renovation | 10 years |
| Plant, equipment, fittings, motor vehicles and computers | 4 - 10 years |

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

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

### 2.9 Investment properties

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value which reflects market conditions at the reporting date. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

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

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.8 up to the date of change in use.

## 2. Summary of significant accounting policies (cont'd)

### 2.10 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent

### 2.11 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity investment of another entity.

#### (a) Financial assets

**Initial recognition and measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

**2. Summary of significant accounting policies (cont'd)**

**2.11 Financial instruments (cont'd)**

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

**Initial recognition and measurement (cont'd)**

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group's and the Company’s business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the Group and the Company initially measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price determined under MFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are ‘solely payments of principal and interest (SPPI)’ on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's and the Company’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group and the Company commit to purchase or sell the asset.

**Subsequent measurement**

For purposes of subsequent measurement financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

## 2. Summary of significant accounting policies (cont'd)

### 2.11 Financial instruments (cont'd)

### (a) Financial assets (cont'd)

**Subsequent measurement (cont'd)**

The Group's and the Company's only financial assets are its financial assets at amortised cost (debt instruments).

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

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

And

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

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

The Group's and the Company's financial assets at amortised cost comprise solely of its trade and other receivables balances.

**Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's and the Company's statements of financial position) when:

- The rights to receive cash flows from the asset have expired or;

- The Group and the Company have transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

## 2. Summary of significant accounting policies (cont'd)

### 2.11 Financial instruments (cont'd)

### (a) Financial assets (cont'd)

**Derecognition (cont'd)**

When the Group and the Company have transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

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

**Impairment of financial assets**

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

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

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

## 2. Summary of significant accounting policies (cont'd)

### 2.11 Financial instruments (cont'd)

### (a) Financial assets (cont'd)

**Impairment of financial assets (cont'd)**

The Group and the Company consider a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group and the Company may also consider a financial asset to be in default when internal or external information indicates that the Group and the Company are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

### (b) Financial liabilities

**Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's and the Company's financial liabilities comprise of trade and other payables which is classified as *Loans and borrowings* .

**Subsequent measurement**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statements of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

**Derecognition**

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

## 2. Summary of significant accounting policies (cont'd)

### 2.11 Financial instruments (cont'd)

#### (c) Offsetting of financial instruments

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

### 2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and demand deposits that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value net of bank overdrafts and deposits pledged with licensed bank for banking facilities. These also include bank overdrafts that form an integral part of the Group’s cash management.

### 2.13 Construction contracts

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognised as expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

When the total of costs incurred on construction contracts plus recognised profits (less recognised losses) exceeds progress billings, the balance is classified as amount due from customers on contracts. When progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is classified as amount due to customers on contracts.

## 2. Summary of significant accounting policies (cont'd)

### 2.14 Inventory properties

Inventory properties are properties acquired or being constructed for sale in the ordinary course of business, rather than be held for the Group's own use, rental or capital appreciation.

Inventory properties are held as inventories and are measured at the lower of cost and net realisable value.

Net realisable value of inventory properties is the estimated selling price in the ordinary course of business, based on market prices at the reporting date and discounted for the time value of money if material, less the estimated costs of completion and the estimated costs necessary to make the sale.

The costs of inventory properties recognised in profit or loss on disposal are determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

For those lands where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle, such land is classified as Inventory properties - Land held for property development within non-current assets and is stated at cost less any accumulated impairment losses.

At the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle, the properties shall be reclassified from non-current to current.

### 2.15 Inventories

Unsold inventories of completed commercial and residential properties are stated at the lower of cost and net realisable value. Cost is determined on the specific identification basis and includes cost of land, construction and appropriate development overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### 2.16 Provisions

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

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

## 2. Summary of significant accounting policies (cont'd)

### 2.17 Financial guarantee contracts

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

Financial guarantee contracts are recognised initially as a liability 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. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

### 2.18 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

### 2.19 Employee benefits

**Defined contribution plans**

The Group makes contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

## 2. Summary of significant accounting policies (cont'd)

### 2.20 Leases

The Group has recognised and measured its leases in accordance with MFRS 16 Lease effective from 1 January 2019. There is no significant financial impact to the Group's financial statements on initial adoption of this Standard.

### (i) As lessee

**Recognition and measurement in financial year ended 31 December 2019**

The Group recognises a right-of-use asset and a lease liability at the commencement date of the contract for all leases excluding short-term leases or leases for which the underlying asset is of low value, conveying the right to control the use of an identified asset for a period of time.

The right-of-use assets are initially recorded at cost, which comprises:

- the amount of the initial measurement of the lease liability;

- any lease payments made at or before the commencement date of the lease, less any lease incentives received; and

- any initial direct costs incurred by the Group;

Subsequent to initial recognition, the right-of-use assets are measured at cost less any accumulated depreciation, accumulated impairment losses and adjusted for any remeasurement of lease liabilities.

Depreciation is computed on a straight-line basis over the estimated useful lives of the right-of-use assets.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the Group's incremental borrowing rate. Subsequent to the initial recognition, the Group measures the lease liability by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect lease payments made, and remeasuring the carrying amount to reflect any reassessment or lease modifications.

## 2. Summary of significant accounting policies (cont'd)

### 2.20 Leases (cont'd)

### (i) As lessee (cont'd)

**Recognition and measurement in financial year ended 31 December 2018**

All of the Group's leases are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.

### (ii) As lessor

The Group classified its leases as either operating lease or finance lease. Leases where the Group retain substantially all the risks and rewards of ownership of the leased assets are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

If the Group transfers substantially all the risks and rewards incidental to ownership of the leased assets, leases are classified as finance leases and are capitalised at an amount equal to the net investment in the lease.

### 2.21 Revenue from contracts with customers

The Group recognises revenue from contracts with customers based on the five-step model as set out below:

(i) Identify contract with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.

(ii) Identify performance obligations in the contract. A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

(iii) Determine the transaction price. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

(iv) Allocate the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the Group allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

(v) Recognise revenue when (or as) the Group satisfies a performance obligation.

## 2. Summary of significant accounting policies (cont'd)

### 2.21 Revenue from contracts with customers (cont'd)

The Group satisfies a performance obligation and recognise revenue over time if the Group's performance:

(i) Do not create an asset with an alternative use to the Group and has an enforceable right to payment for performance completed to-date; or

(ii) Create or enhance an asset that the customer controls as the asset is created or enhanced; or

(iii) Provide benefits that the customer simultaneously receives and consumes as the Group perform.

For performance obligations where any one of the above conditions is not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

Revenue is measured at the fair value of consideration received or receivable.

**(a) Sale of development properties**

The Group develops and sells residential and commercial properties before completion of construction of the properties.

Revenue is recognised when control over the property has been transferred to the customer, either over time or at a point in time, depending on the contractual terms and the practices in the legal jurisdictions.

For development properties whereby the Group is restricted contractually from directing the properties for another use as they are being developed and has an enforceable right to payment for performance completed to date, revenue is recognised over time, based on the construction and other costs incurred to date as a proportion of the estimated total construction and other costs to be incurred.

For development properties whereby the Group does not have an enforceable right to payment for performance completed to date, revenue is recognised when the customer obtains control of the asset.

Progress billings to the customers are based on a payment schedule in the contract and are typically triggered upon achievement of specified construction milestones. A contract asset is recognised when the Group has performed under the contract but has not yet billed the customer. Conversely, a contract liability is recognised when the Group has not yet performed under the contract but has received advanced payments from the customer. Contract assets are transferred to receivables when the rights to consideration become unconditional. Contract liabilities are recognised as revenue as the Group performs under the contract.

## 2. Summary of significant accounting policies (cont'd)

### 2.21 Revenue from contracts with customers (cont'd)

#### (a) Sale of development properties (cont'd)

Incremental costs of obtaining a contract are capitalised if these costs are recoverable. Costs to fulfil a contract are capitalised if the costs relate directly to the contract, generate or enhance resources used in satisfying the contract and are expected to be recovered. Other contract costs are expensed as incurred.

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue. An impairment loss is recognised in profit or loss to the extent that the carrying amount of the capitalised contract costs exceeds the remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the contract costs relates less the costs that relate directly to providing the goods and that have not been recognised as expenses.

#### (b) Construction contracts

Revenue from construction contracts is accounted for by the stage of completion method as described in Note 2.13.

#### (c) Interest income

Interest income is recognised using the effective interest method.

#### (d) Dividend income

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

#### (e) Rental income

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

#### (f) Sales of land

Revenue from sale of land is recognised when all the conditions precedent in the sales and purchase agreement are fulfilled and upon transfer of significant risk and rewards of ownership of the land to the purchaser.

### 2.22 Contract assets and contract liabilities

Contract assets primarily relate to the Group's right to consideration for work completed but not yet billed at reporting date for sale of development properties.

Contract liabilities primarily relate to the Group's obligation to transfer goods or services to customers for which the Group has received advances from customers for sale of development properties.

## 2. Summary of significant accounting policies (cont'd)

### 2.23 Taxes

#### (a) Current income tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes 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.

#### (b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

## 2. Summary of significant accounting policies (cont'd)

### 2.23 Taxes (cont'd)

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

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

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### 2.24 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Group who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 36, including the factors used to identify the reportable segments and the measurement basis of segment information.

### 2.25 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

## 2. Summary of significant accounting policies (cont'd)

### 2.26 Contingencies

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

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

### 2.27 Fair value measurement

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset 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.

Valuation techniques that are appropriate in the circumstances and for which sufficient data are available, are used to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value is unobservable

## 2. Summary of significant accounting policies (cont'd)

### 2.27 Fair value measurement (cont'd)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Policies and procedures are determined by senior management for both recurring fair value measurement and for non-recurring measurement.

External valuers are involved for valuation of significant assets and significant liabilities. Involvement of external valuers is decided by senior management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The senior management decides, after discussions with the external valuers, which valuation techniques and inputs to use for each case.

For the purpose of fair value disclosures, classes of assets and liabilities are determined based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

## 3. Significant accounting judgments and estimates

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

The key judgments, key assumptions 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 are discussed below.

### (a) Revenue recognition on sale of development properties

For the sale of residential development properties, the Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method for recognising revenue. In making the assessment, the Group considered the terms of the contracts entered into with customers and the provisions of relevant laws and regulations applicable to the contracts. The assessment of whether the Group has an enforceable right to payment for performance completed to date involves judgment in determining the enforceability of the right to payment under the legal environment of the jurisdictions where the contracts are subject to.

## 3. Significant accounting judgments and estimates (cont'd)

### (a) Revenue recognition on sale of development properties (cont'd)

Significant judgment is required in determining the stage of completion, the extent of the property development costs incurred, the estimated total property development revenue and costs, as well as the recoverability of the property development costs. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists.

### (b) Provision for liquidated ascertained damages ("LAD")

The Group has ongoing construction and property development projects that have not been completed by the contractual deadline.

For construction projects, the management has estimated LAD amounting to RM7,329,000 (2018: RM9,316,000) based on the revised project schedule and the terms of the contract. The Group has arrived at this estimation based on its prior experience with similar contracts.

For property development, the management has estimated LAD of RM4,695,000 (2018: RM12,632,000) based on the revised project schedule and has arrived at this estimation based on its prior experience with similar property development projects.

The management considers that these amounts will not be significantly affected by a reasonably possible change in the assumptions applied in deriving the estimated LAD.

## 4. Revenue

### (a) Disaggregation of revenue

| | Group | |
|---|---|---|
| | 2019 RM'000 | 2018 RM'000 |
| Construction contracts, recognised over time | (2,172) | 13,148 |
| Marketing and management services rendered, recognised over time | 411 | 553 |
| Development properties, recognised over time | 217,443 | 108,357 |
| Completed properties, recognised at the point in time | 3,366 | - |
| | 219,048 | 122,058 |

### (b) Judgement and methods used in estimating revenue

Recognition of revenue from of development properties over time

For the sale of development properties where the Group satisfies its performance obligations over time, management has determined that a cost-based input method provides a faithful depiction of the Group’s performance in transferring control of the development properties to the customers, as it reflects the Group’s efforts incurred to date relative to the total inputs expected to be incurred for the development properties.

## 4. Revenue (cont'd)

### (b) Judgement and methods used in estimating revenue (cont'd)

Recognition of revenue from of development properties over time (cont'd)

The measure of progress is based on the costs incurred to date as a proportion of total costs expected to be incurred up to the completion of the development properties.

The estimated total construction and other related costs are based on contracted amounts and, in respect of amounts not contracted for, management relies on past experience and knowledge of the project engineers to make estimates of the amounts to be incurred. In making these estimates, management takes into consideration the historical trends of the amounts incurred in its other similar development properties.

### (c) Accounting arising from contracts

Breakdown of the receivables and assets arising from contracts of the Group are as disclosed in Note 20 and 21.

### (d) Performance obligations

Breakdown of the performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date are as disclosed in Note 21.

## 5. Cost of sales

| | Group | |
|---|---|---|
| | 2019<br>RM'000 | 2018<br>RM'000<br>Restated |
| Construction costs | (1,238) | 12,054 |
| Provision for foreseeable losses | (913) | 8,843 |
| Marketing and management services costs | 313 | 466 |
| Property development costs | 186,411 | 90,163 |
| Cost of completed properties | 2,295 | - |
| | 186,868 | 111,526 |

## 6. Other income

| | Group | |
|---|---|---|
| | 2019<br>RM'000 | 2018<br>RM'000 |
| Rental income | 127 | 59 |
| Sundry income | 39 | 512 |
| Discounting of retention sums | - | 24 |
| Fair value adjustment of investment properties (Note 15) | - | 8 |
| | 166 | 603 |

## 7. Finance costs

| | Group 2019 RM'000 | Group 2018 RM'000 Restated | Company 2019 RM'000 | Company 2018 RM'000 |
|---|---|---|---|---|
| Interest expense on: | | | | |
| Bank borrowings | 15,760 | 15,496 | 116 | 127 |
| Bank charges | 286 | 165 | | |
| Loan from related company | 13,831 | 12,141 | - | - |
| Unwinding of discount of retention sum payable | - | 868 | - | - |
| Less: Amount capitalised in property development costs (Note 14) | (7,403) | (8,879) | - | - |
| Add: Amount charged out from property development costs | 2,358 | 794 | - | - |
| | 24,832 | 20,585 | 116 | 127 |
| Amortisation of transaction costs on loan (Note 24) | 1,076 | - | - | - |
| | 25,908 | 20,585 | 116 | 127 |

## 8. Loss from operations

The following amounts have been included in arriving at loss before operations:

| | Group 2019 RM'000 | Group 2018 RM'000 | Company 2019 RM'000 | Company 2018 RM'000 |
|---|---|---|---|---|
| Employee benefits expense (Note 9) | 5,776 | 5,516 | 139 | 229 |
| Auditors' remuneration: | | | | |
| - statutory audit | 180 | 180 | 50 | 50 |
| - other services | 10 | 20 | 6 | 8 |
| Depreciation of property, plant and equipment (Note 13) | 609 | 593 | 68 | 68 |
| Interest income from licensed banks | (1,721) | (1,805) | (53) | (162) |
| Loss on disposal of property, plant and equipment | - | 18 | - | - |
| Provisions (Note 28) | 5,553 | 7,083 | 533 | 516 |
| Waiver of tax penalty | - | (8,492) | - | - |
| (Reversal)/provision for foreseeable losses in respect of: | | | | |
| - construction contracts | (913) | 8,843 | - | - |

## 9. Employee benefits expense

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Wages and salaries | 4,990 | 4,789 | 50 | 100 |
| Social security contributions | 40 | 34 | - | 3 |
| Defined contribution plan | 452 | 439 | 5 | 41 |
| Other staff related expenses | 294 | 254 | 84 | 85 |
| | 5,776 | 5,516 | 139 | 229 |

Included in employee benefits expense of the Group is executive directors' remuneration amounting to RM945,000 (2018: RM947,000) with further details disclosed in Note 10.

## 10. Key management personnel compensation

The remuneration of key management during the year was as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **Directors of the Company** | | | | |
| Executive: | | | | |
| Salaries and other emoluments | 826 | 827 | 826 | 827 |
| Fees and allowances | 119 | 120 | 119 | 120 |
| | 945 | 947 | 945 | 947 |
| Non-executive: | | | | |
| Fees and allowances | 292 | 293 | 292 | 293 |
| | 292 | 293 | 292 | 293 |
| **Directors of the subsidiaries** | | | | |
| Non-executive: | | | | |
| Fees and allowances | 77 | 75 | - | - |
| Total | 1,314 | 1,315 | 1,237 | 1,240 |
| Analysis: | | | | |
| Total executive directors (excluding benefits-in-kind) (Note 9) | 945 | 947 | 945 | 947 |
| Estimated money value of benefits-in-kind | 44 | 44 | 44 | 44 |
| Total non-executive directors | 369 | 368 | 292 | 293 |
| Total directors' remuneration | 1,358 | 1,359 | 1,281 | 1,284 |

## 11. Income tax expense/(credit)

**Major components of income tax expense/(credit)**

The major components of income tax expense/(credit) for the years ended 31 December 2019 and 2018 are:

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM'000 | 2018 RM'000 Restated | 2019 RM'000 | 2018 RM'000 |
| **Statement of comprehensive income:** | | | | |
| Current income tax: | | | | |
| Malaysian income tax | 5,128 | 3,270 | - | - |
| Overprovision in prior years | (2,450) | (6,347) | - | - |
| | 2,678 | (3,077) | - | - |
| Deferred tax (Note 31): | | | | |
| Relating to origination and reversal of temporary differences | (2,396) | (3,601) | - | - |
| Underprovision in prior years | 1,274 | 798 | - | - |
| | (1,122) | (2,803) | - | - |
| Income tax expense/(credit) recognised in profit or loss | 1,556 | (5,880) | - | - |

**Reconciliation between income tax and accounting loss**

The reconciliation between income tax and the product of accounting loss multiplied by the applicable corporate tax rate for the years ended 31 December 2019 and 2018 is as follows:

| | 2019 RM'000 | 2018 RM'000 Restated |
|---|---|---|
| **Group** | | |
| Loss before tax | (3,188) | (15,066) |
| Tax at Malaysian statutory tax rate of 24% (2018: 24%) | (765) | (3,616) |
| Adjustments: | | |
| Effect of expenses not deductible for tax purposes | 1,260 | 4,451 |
| Effect of income not subject to tax | (128) | (2,201) |
| Deferred tax assets not recognised | 2,199 | 821 |
| Overprovision of income tax in prior years | (2,450) | (6,347) |
| Underprovision of deferred tax in prior years | 1,274 | 798 |
| Share of results of associate | 166 | 214 |
| Income tax expense/(credit) recognised in profit or loss | 1,556 | (5,880) |

## 11. Income tax expense/(credit) (cont'd)

**Reconciliation between income tax and accounting loss (cont'd)**

| | 2019 RM'000 | 2018 RM'000 |
|---|---|---|
| **Company** | | |
| Loss before tax | (1,290) | (1,700) |
| Taxation at Malaysian statutory tax rate of 24% (2018: 24%) | (310) | (408) |
| Adjustments: | | |
| Effect of expenses not deductible for tax purposes | 323 | 232 |
| Effect of income not subject to tax | (13) | (38) |
| Deferred tax assets not recognised | - | 214 |
| Income tax expense recognised in profit or loss | - | - |

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

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

| | Group | |
|---|---|---|
| | 2019 RM'000 | 2018 RM'000 |
| Unutilised business losses | 73,487 | 72,497 |
| Unabsorbed capital allowances | 195 | 194 |
| Other deductible temporary differences | 9,569 | 1,397 |
| | 83,251 | 74,088 |

The unutilised tax losses up to the year of assessment 2019 shall be deductible until year of assessment 2026. The unutilised tax losses for the year of assessment 2020 onwards will expire in seven (7) years.

## 12. Loss per share

Basic and diluted loss per share amounts are calculated by dividing loss for the year, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares in issue during the financial year.

The following reflects the inputs used in the computation of basic and diluted loss per share for the years ended 31 December:

| | 2019 | 2018 Restated |
|---|---|---|
| Net loss attributable to owners of the parent (RM'000) | (4,744) | (9,186) |
| Weighted average number of ordinary shares for basic loss per share computation ('000 units) | 837,389 | 837,389 |
| Basic loss per share (sen) | (0.57) | (1.10) |

## 12. Loss per share (cont'd)

| | 2019 | 2018 Restated |
|---|---|---|
| Diluted loss per share (sen) | (0.57) | (1.10) |

In the prior year, the 96,283,000 share options granted to directors and employees under the employee share option scheme have not been included in the calculation of diluted loss per share because they are not dilutive.

## 13. Property, plant and equipment

| Group | Renovation RM'000 | Plant, equipment and fittings RM'000 | Motor vehicles RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2018 | 338 | 3,023 | 5,576 | 8,937 |
| Additions | - | 24 | - | 24 |
| Disposals | - | - | (404) | (404) |
| Written off | - | - | (168) | (168) |
| At 31 December 2018 and 1 January 2019 | 338 | 3,047 | 5,004 | 8,389 |
| Additions | - | 24 | - | 24 |
| At 31 December 2019 | 338 | 3,071 | 5,004 | 8,413 |
| **Accumulated depreciation** | | | | |
| At 1 January 2018 | 311 | 2,320 | 2,761 | 5,392 |
| Charge for the year (Note 8) | 2 | 126 | 465 | 593 |
| Disposals | - | - | (223) | (223) |
| Written off | - | - | (168) | (168) |
| At 31 December 2018 and 1 January 2019 | 313 | 2,446 | 2,835 | 5,594 |
| Charge for the year (Note 8) | 2 | 122 | 485 | 609 |
| At 31 December 2019 | 315 | 2,568 | 3,320 | 6,203 |
| **Net carrying amount** | | | | |
| At 31 December 2018 | 25 | 601 | 2,169 | 2,795 |
| At 31 December 2019 | 23 | 503 | 1,684 | 2,210 |

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## 13. Property, plant and equipment (cont'd)

| Company | Renovation RM'000 | Motor vehicles RM'000 | Furniture and equipment RM'000 | Computer RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 January 2018 | 31 | 85 | 499 | 561 | 1,176 |
| Additions | - | - | 19 | - | 19 |
| At 31 December 2018 and 1 January 2019 | 31 | 85 | 518 | 561 | 1,195 |
| Additions | - | - | 8 | 11 | 19 |
| At 31 December 2019 | 31 | 85 | 526 | 572 | 1,214 |
| **Accumulated depreciation** | | | | | |
| At 1 January 2018 | 5 | 30 | 230 | 473 | 738 |
| Charge for the year (Note 8) | 2 | 9 | 42 | 15 | 68 |
| At 31 December 2018 and 1 January 2019 | 7 | 39 | 272 | 488 | 806 |
| Charge for the year (Note 8) | 2 | 9 | 43 | 14 | 68 |
| At 31 December 2019 | 9 | 48 | 315 | 502 | 874 |
| **Net carrying amount** | | | | | |
| At 31 December 2018 | 24 | 46 | 246 | 73 | 389 |
| At 31 December 2019 | 22 | 37 | 211 | 70 | 340 |

During the year, the Group and the Company acquired property, plant and equipment at aggregate costs of RM24,000 and RM 19,000 (2018: RM24,000 and RM19,000).

Included in property, plant and equipment of the Group are motor vehicles with net carrying amount of RM1,559,000 (2018: RM2,000,000) held under hire purchase.

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## 14. Inventory properties

**Group**

### (a) Land held for property development

| | Freehold land RM'000 | Leasehold land RM'000 | Development expenditure RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2018 | 90,000 | 28,873 | 3,470 | 122,343 |
| Additions | - | - | 12 | 12 |
| At 31 December 2018, 1 January 2019 and 31 December 2019 | 90,000 | 28,873 | 3,482 | 122,355 |

### (b) Property development costs

| | Freehold land RM'000 | Leasehold land RM'000 | Development expenditure RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Cumulative property development costs** | | | | |
| At 1 January 2019 (restated) | 631,161 | 312,536 | 648,204 | 1,591,901 |
| Costs incurred during the year | - | - | 205,520 | 205,520 |
| Reversal of completed project | - | (173) | (72,499) | (72,672) |
| Transfer to inventory | - | (83) | (38,577) | (38,660) |
| At 31 December 2019 | 631,161 | 312,280 | 742,648 | 1,686,089 |
| **Cumulative costs recognised in profit or loss** | | | | |
| At 1 January 2019 (restated) | (11,338) | (38,004) | (347,746) | (397,088) |
| Recognised during the year | - | (339) | (174,816) | (175,155) |
| Reversal of completed project | - | 173 | 72,499 | 72,672 |
| At 31 December 2019 | (11,338) | (38,170) | (450,063) | (499,571) |
| Property development costs at 31 December 2019 | 619,823 | 274,110 | 292,585 | 1,186,518 |

## 14. Inventory properties (cont'd)

### (b) Property development costs (cont'd)

| | Freehold land RM'000 | Leasehold land RM'000 | Development expenditure RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Cumulative property development costs** | | | | |
| At 1 January 2018 (restated) | 631,161 | 308,420 | 560,423 | 1,500,004 |
| Costs incurred during the year (restated) | - | 4,116 | 87,781 | 91,897 |
| At 31 December 2018 (restated) | 631,161 | 312,536 | 648,204 | 1,591,901 |
| **Cumulative costs recognised in profit or loss** | | | | |
| At 1 January 2018 (restated) | (11,338) | (37,616) | (263,026) | (311,980) |
| Recognised during the year (restated) | - | (388) | (84,720) | (85,108) |
| At 31 December 2018 (restated) | (11,338) | (38,004) | (347,746) | (397,088) |
| Property development costs at 31 December 2018 (restated) | 619,823 | 274,532 | 300,458 | 1,194,813 |

Leasehold land registered under the name of a shareholder of the holding company

By a Development Agreement dated 23 March 1999 between certain subsidiaries and Kumpulan Prasarana Rakyat Johor Sdn. Bhd. ("KPRJ"), a shareholder of the Company, these subsidiaries were granted beneficial ownership of various parcels of leasehold land. On 19 May 2006, the subsidiaries were exempted by the Securities Commission from the requirement of registering the lands under the names of the subsidiaries. On 28 December 2006, titles to a portion of the leasehold lands were registered under the names of the subsidiaries. At the reporting date, leasehold land and development expenditure with carrying value of RM189,467,000 (31.12.2018 : RM208,410,000; 1.1.2018 : RM219,827,000) are registered under the name of

Rehabilitation of abandoned project

Pursuant to a Development Agreement signed in 1999 ("DA") between Tebrau Bay Sdn. Bhd. ("TBSB"), a subsidiary of the Group, and Aset Nusantara Development Sdn. Bhd. ("ANDSB"), an associated company of the Group, ANDSB was granted power of attorney ("PA") to develop a parcel of the Group's land with carrying amount of RM19,341,000 (31.12.2018 : RM19,319,000; 1.1.2018: RM18,512,000). The PA was terminated on 6 April 2010 as ANDSB was not able to fulfil the terms of the DA. ANDSB is currently undergoing liquidation and the development has been classified by the authorities as an abandoned project.

## 14. Inventory properties (cont'd)

Rehabilitation of abandoned project (cont'd)

In 2015, TBSB entered into a Construction Agreement with the liquidator of ANDSB to rehabilitate the abandoned project. Construction work commenced in 2016 and revenue and costs relating to the rehabilitation of the project are recognised in the statements of comprehensive income. The outcome of the construction cannot be reliably measured due to incomplete information on the number of house buyers and amount of progress billings. Accordingly, the revenue is recognised to the extent of costs incurred that is probable will be recovered.

Interest expenses capitalised in property development costs

Interest expenses incurred to finance the acquisition and reclamation of land, amounting to RM7,403,000 (2018: RM8,879,000) have been capitalised in property development costs.

## 15. Investment properties

| | Group | |
|---|---|---|
| | 2019 | 2018 |
| | RM'000 | RM'000 |
| At 1 January | 548 | 540 |
| Fair value adjustment (Note 6) | - | 8 |
| At 31 December | 548 | 548 |

Investment properties are stated at fair value, which has been determined based on valuations at the reporting date. Valuations are performed by an accredited independent valuer, Raine & Horne. The valuations are based on the comparison method, which involves comparing and adopting as a yardstick, recent transactions and sale evidences involving other similar properties in the vicinity. The Group has assessed that the highest and best use of its properties do not differ from their current use.

| Significant unobservable valuation input: | Range | |
|---|---|---|
| | 2019 | 2018 |
| Price per square foot | RM73 - RM148 | RM72 - RM131 |

## 16. Investment in subsidiaries

| | Company 2019 RM'000 | Company 2018 RM'000 |
|---|---|---|
| Unquoted ordinary shares, in Malaysia, at cost | 460,192 | 460,192 |
| Unquoted redeemable preference shares, in Malaysia | 95,000 | 95,000 |
| | 555,192 | 555,192 |
| Less: Impairment losses | (46,596) | (46,596) |
| | 508,596 | 508,596 |

Details of the subsidiaries are as follows:

| Name of subsidiaries | Country of incorporation | Principal activities | Proportion of ownership interest 2019 % | Proportion of ownership interest 2018 % |
|---|---|---|---|---|
| Bayou Bay Development Sdn. Bhd. | Malaysia | Property development | 100 | 100 |
| Tebrau Bay Sdn. Bhd. | Malaysia | Property development and construction | 100 | 100 |
| Tebrau Bay Constructions Sdn. Bhd. | Malaysia | Construction of infrastructure and buildings | 100 | 100 |
| Southern Crest Development Sdn. Bhd. | Malaysia | Investment holding | 100 | 100 |
| Success Straits Sdn. Bhd. | Malaysia | Property development | 100 | 100 |
| Trillion Greencity Sdn. Bhd. | Malaysia | Dormant | 100 | 100 |
| *Held by Bayou Bay Development Sdn. Bhd.:* | | | | |
| Bayou Management Sdn. Bhd. | Malaysia | Property holding and development | 100 | 100 |

The subsidiaries have the same reporting period as the Group.

## 17. Investment in associates

| | Group 31.12.2019 RM'000 | Group 31.12.2018 RM'000 Restated | Group 1.1.2018 RM'000 Restated |
|---|---|---|---|
| Unquoted ordinary shares, at cost | 473 | 473 | 473 |
| Unquoted redeemable preference shares | 70,870 | 70,870 | 54,900 |
| Share subscription monies for redeemable preference shares | 20,167 | 20,167 | 36,137 |
| Share of post-acquisition reserves | (5,380) | (4,688) | (3,797) |
| Less: Elimination of unrealised profit from downstream transaction | (44,882) | (44,882) | (44,882) |
| | 41,248 | 41,940 | 42,831 |

(a) Details of the associates are as follows:

| Name of associates | Country of incorporation | Principal activities | Proportion of ownership interest 2019 % | Proportion of ownership interest 2018 % |
|---|---|---|---|---|
| *Held by Tebrau Bay Sdn. Bhd.:* | | | | |
| Aset Nusantara Development Sdn. Bhd. ("ANDSB") # | Malaysia | Property development | 49 | 49 |
| Tropicana Danga Senibong Sdn. Bhd. ("TDSSB") # | Malaysia | Property development | 30 | 30 |
| *Held by Southern Crest Development Sdn. Bhd.:* | | | | |
| Greenland Tebrau Sdn. Bhd. ("GTSB") | Malaysia | Property development | 20 | 20 |

# Aset Nusantara Development Sdn. Bhd. and Tropicana Danga Senibong Sdn. Bhd. are currently under liquidation.

In 2017, the Group subscribed for 36,136,000 redeemable preference shares of Greenland Tebrau Sdn. Bhd. for a total consideration of RM36,136,000. During the previous financial year, 15,970,000 shares were issued.

The associates have the same reporting period as the Group.

## 17. Investment in associates (cont'd)

(b) The summarised financial information of the Group's material associate is as below. The summarised financial information represents the amounts in the financial statements of the associate and not the Group's share of those amounts.

| | GTSB | | |
|---|---|---|---|
| | **31.12.2019 RM'000** | **31.12.2018 RM'000 Restated** | **1.1.2018 RM'000 Restated** |
| **(i) Summarised statements of financial position** | | | |
| Current assets | 690,184 | 722,078 | 666,665 |
| Non-current assets | 326 | 447 | 569 |
| Current liabilities | (228,190) | (243,231) | (233,959) |
| Non-current liabilities | (133,256) | (501,120) | (450,645) |
| Net assets/(liabilities) | 329,064 | (21,826) | (17,370) |
| Proportion of the Group's ownership | 20% | 20% | 20% |
| Equity attributable to the Group | 65,813 | (4,365) | (3,474) |
| Unquoted redeemable preference shares, at cost | - | 70,870 | 54,900 |
| Share subscription monies for redeemable preference shares | 20,167 | 20,167 | 36,137 |
| Elimination of unrealised profit from downstream transaction | (44,882) | (44,882) | (44,882) |
| Carrying amount of investment | 41,098 | 41,790 | 42,681 |

| | **2019 RM'000** | **2018 RM'000 Restated** |
|---|---|---|
| **(ii) Summarised statements of comprehensive income** | | |
| Other operating expenses, representing total comprehensive loss for the year | (3,460) | (4,456) |
| Proportion of the Group's ownership | 20% | 20% |
| Share of total comprehensive loss of associate | (692) | (891) |

## 17. Investment in associates (cont'd)

(c) Aggregate information of associates that are not individually material

| | 2019 RM'000 | 2018 RM'000 |
|---|---|---|
| Carrying value of the Group's interest in all immaterial associates | 150 | 150 |
| Group's share of loss before tax | - | - |

The above financial information excludes information on ANDSB and TDSSB which are currently under liquidation. The investment in ANDSB has been fully impaired.

## 18. Other non-current assets

| | Group | |
|---|---|---|
| | 2019 RM'000 | 2018 RM'000 |
| **At cost:** | | |
| Club membership | 90 | 90 |

## 19. Inventories

| | Group | |
|---|---|---|
| | 2019 RM'000 | 2018 RM'000 |
| **At cost:** | | |
| Stocks of completed properties | 36,458 | 182 |

## 20. Trade and other receivables

| | Note | Group 2019 RM'000 | Group 2018 RM'000 |
|---|---|---|---|
| **Trade receivables** | | | |
| Third parties | | 213,915 | 116,321 |
| Retention sum receivables (Note 22) | | 1,002 | 1,002 |
| Amount due from associate | | 185,298 | 185,298 |
| | | 400,215 | 302,621 |
| Less: Allowance for impairment | | (2,938) | (2,938) |
| Trade receivables, net | (a) | 397,277 | 299,683 |
| **Other receivables** | | | |
| Amount due from related companies | (b) | 946 | 764 |
| Amount due from holding company | (b) | 147 | 147 |
| Deposits | | 1,203 | 1,638 |
| Sundry receivables | (c) | 21,592 | 20,924 |
| | | 23,888 | 23,473 |
| Less: Allowance for impairment | | (13,365) | (13,365) |
| Other receivables, net | | 10,523 | 10,108 |
| Total trade and other receivables | | 407,800 | 309,791 |
| Add: Cash and bank balances (Note 23) | | 45,947 | 41,685 |
| Total financial assets carried at amortised cost | | 453,747 | 351,476 |

| | Note | Company 2019 RM'000 | Company 2018 RM'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| **Other receivables** | | | |
| Amount due from subsidiaries | (d) | 103,842 | 78,652 |
| **Current assets** | | | |
| **Other receivables** | | | |
| Amount due from subsidiaries | (e) | 157,664 | 183,874 |
| Amount due from related companies | (b) | 4 | 2 |
| Amount due from holding company | (b) | 147 | 147 |
| Deposits | | 18 | 24 |
| Sundry receivables | | 78 | 130 |
| Total other receivables (current) | | 157,911 | 184,177 |
| Total other receivables (Non-current and current) | | 261,753 | 262,829 |
| Add: Cash and bank balances (Note 23) | | 1,819 | 1,798 |
| Total financial assets carried at amortised cost | | 263,572 | 264,627 |

## 20. Trade and other receivables (cont'd)

### (a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 60 days (2018: 30 to 60 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

| | Group | |
|---|---|---|
| | **2019** | **2018** |
| | **RM'000** | **RM'000** |
| Neither past due nor impaired | 291,469 | 276,919 |
| 1 to 30 days past due not impaired | 20,975 | 2 |
| 31 to 60 days past due not impaired | 17,264 | - |
| 61 to 90 days past due not impaired | 36,356 | - |
| 91 to 120 days past due not impaired | 12,392 | 3,200 |
| More than 121 days past due not impaired | 18,821 | 19,562 |
| | 105,808 | 22,764 |
| Impaired | 2,938 | 2,938 |
| | 400,215 | 302,621 |

Trade receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

None of the Group’s trade receivables that are neither past due nor impaired have been renegotiated during the financial year, other than amount due from associate, Greenland Tebrau Sdn. Bhd. ("GTSB"), arising from the land sale in 2017 disclosed in Note 26(d). In February 2020, the Group entered into a second supplemental agreement with GTSB to offset the receivable against the deposit received for the sale of other tranches of land.

Included in trade receivables is an amount of RM91,104,000 (2018: RM90,024,000), which arose from a compulsory acquisition by the State Government of Johor Darul Ta'zim ("SGJ"), which the Group regards as creditworthy. The receivable will be mainly settled by transfers of land of equivalent value from SGJ.

Trade receivables that are past due but not impaired

The Group has trade receivables amounting to approximately RM105,808,000 (2018: RM22,764,000) that are past due at the reporting date but not impaired.

These receivables are due from customers which the Group regards as creditworthy but have a track record of slow payment. These amounts are unsecured.

## 20. Trade and other receivables (cont'd)

### (a) Trade receivables (cont'd)

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

| | Group Individually impaired | |
|---|---|---|
| | **2019 RM'000** | **2018 RM'000** |
| Trade receivables - nominal amounts | 2,938 | 2,938 |
| Less: Allowance for impairment | (2,938) | (2,938) |
| | - | - |

There was no movement in the allowance accounts during the financial year.

### (b) Amounts due from related companies and holding company

The amounts due from related companies and holding companies, which mainly arose from advances, are unsecured, non-interest bearing and repayable on demand.

### (c) Sundry receivables

Other receivables that are impaired

The Group's other receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

| | Group Individually impaired | |
|---|---|---|
| | **2019 RM'000** | **2018 RM'000** |
| Other receivables | | |
| - nominal amounts | 13,365 | 13,365 |
| Less: Allowance for impairment | (13,365) | (13,365) |
| | - | - |

There was no movement in the allowance accounts during the financial year.

## 20. Trade and other receivables (cont'd)

### (d) Amount due from subsidiaries - non-current

The amount due from subsidiaries, which mainly arose from advances, is unsecured, non-interest bearing and is not expected to be repaid within the next twelve months.

### (e) Amount due from subsidiaries - current

The amount due from subsidiaries, which mainly arose from expenses paid on behalf and loans granted to finance acquisition and reclamation of land, are unsecured, non-interest bearing and are repayable on demand, except for an amount of RM98,000,000 (2018: RM98,000,000) which bears interest of 1.75% + cost of funds (2018: 1.75% + cost of funds) per annum.

## 21. Contract assets

| | Group | |
|---|---|---|
| | **2019** | **2018** |
| | **RM'000** | **RM'000** |
| Gross amount due from customers for contract work (Note 22) | 13,068 | 17,703 |
| Accrued billings in respect of property development cost | 29,817 | 87,345 |
| Costs to obtain the contracts | 6,380 | 15,335 |
| | 49,265 | 120,383 |

Costs to obtain the contract mainly relate to sales commissions incurred to secure sale of property units and are recognised in profit or loss over time based on the input method.

The transaction price allocated to the unsatisfied performance obligations as at 31 December 2019 is RM2,310,946,000 (2018: RM2,424,240,000). The remaining performance obligations are expected to be recognised as follows:

| | **2019** | **2018** |
|---|---|---|
| | **RM'000** | **RM'000** |
| Within 1 year | 135,473 | 157,208 |
| Between 1 and 4 years | 2,175,473 | 2,267,032 |
| | 2,310,946 | 2,424,240 |

## 22. Gross amount due from/(to) customers for contract work-in-progress

| | Group | |
|---|---|---|
| | **2019** | **2018** |
| | **RM'000** | **RM'000** |
| Construction contract costs incurred to date | 1,099,498 | 1,097,091 |
| Attributable profits | 62,592 | 83,415 |
| Less: Provision for foreseeable losses | (18,924) | (19,837) |
| | 1,143,166 | 1,160,669 |
| Less: Progress billings | (1,133,364) | (1,150,843) |
| | 9,802 | 9,826 |
| Presented as: | | |
| Gross amount due from customers for contract work (Note 21) | 13,068 | 17,703 |
| Gross amount due to customers for contract work (Note 27) | (3,266) | (7,877) |
| | 9,802 | 9,826 |
| Retention sums on construction contracts, included in trade receivables (Note 20) | 1,002 | 1,002 |

## 23. Cash and bank balances

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Cash on hand and at banks | 760 | 681 | 113 | 144 |
| Restricted cash balances | 4,015 | 1,508 | - | - |
| Short term deposits with licensed banks | 41,172 | 39,496 | 1,706 | 1,654 |
| Total cash and bank balances | 45,947 | 41,685 | 1,819 | 1,798 |
| Less: | | | | |
| - Pledged deposits | (40,543) | (38,889) | (1,645) | (1,595) |
| - Bank overdrafts (Note 24) | (8,192) | (9,312) | - | - |
| Cash and cash equivalents | (2,788) | (6,516) | 174 | 203 |

The restricted bank balances represent monies maintained pursuant to Section 7A of the Housing Development (Control and Licensing) Act, 1966 and are restricted from use in other operations.

## 23. Cash and bank balances (cont'd)

Deposits with licensed banks of the Group and the Company amounting to RM35,919,000 (2018: RM34,264,000) and RM1,645,000 (2018: RM1,595,000) respectively are pledged as security for credit facilities granted to the Company and certain subsidiaries, as disclosed in Note 24.

At the reporting date, the weighted average of interest rates and the maturities of deposits were as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| Weighted average interest rate (%) | 3.06 to 3.35 | 2.92 to 4.55 | 3.50 | 3.45 |
| Maturities (days) | 30 to 365 | 30 to 365 | 30 to 365 | 30 to 365 |

## 24. Loans and borrowings

| | | Group | |
|---|---|---|---|
| | **Maturity** | **2019 RM'000** | **2018 RM'000 Restated** |
| **Current** | | | |
| Secured : | | | |
| Bank overdrafts (Note 23) | On demand | 8,192 | 9,312 |
| Revolving credit | 2020 | 100,000 | - |
| Term loans | 2020 | 36,600 | - |
| Bridging loans | 2020 | 40,810 | - |
| Obligations under hire purchase (Note 25) | 2020 | 346 | 572 |
| Less: Unamortised transaction costs | | (998) | - |
| | | 184,950 | 9,884 |
| **Non-current** | | | |
| Secured : | | | |
| Term loans | 2021 | 10,794 | 110,000 |
| Bridging loans | 2021 | 56,349 | 20,656 |
| Revolving credit | | - | 100,000 |
| Obligations under hire purchase (Note 25) | 2021 - 2022 | 189 | 541 |
| Less: Unamortised transaction costs | | (835) | (2,909) |
| | | 66,497 | 228,288 |
| Total loans and borrowings | | 251,447 | 238,172 |

## 24. Loans and borrowings (cont'd)

| | Maturity | Company 2019 RM'000 | Company 2018 RM'000 |
|---|---|---|---|
| **Current** | | | |
| Secured : | | | |
| Revolving credit | 2020 | 100,000 | - |
| **Non-current** | | | |
| Secured : | | | |
| Revolving credit | 2020 | - | 100,000 |
| Total loans and borrowings | | 100,000 | 100,000 |

The unamortised transaction costs in relation to bank loans are analysed as follows:

| | Group 2019 RM'000 | Group 2018 RM'000 Restated |
|---|---|---|
| At 1 January | 2,909 | - |
| Incurred during the financial year | - | 2,909 |
| Amortised during the financial year (Note 7) | (1,076) | - |
| At 31 December | 1,833 | 2,909 |

The remaining maturities of the loans and borrowings as at 31 December 2019 and 2018 are as follows:

| | Group 2019 RM'000 | Group 2018 RM'000 Restated | Company 2019 RM'000 | Company 2018 RM'000 |
|---|---|---|---|---|
| On demand or within one year | 185,948 | 9,884 | 100,000 | - |
| More than 1 year and less than 2 years | 67,290 | 352 | - | 100,000 |
| More than 2 years and less than 5 years | 42 | 169,645 | - | - |
| More than 5 years | - | 61,200 | - | - |
| Less: Unamortised transaction costs | (1,833) | (2,909) | - | - |
| | 251,447 | 238,172 | 100,000 | 100,000 |

## 24. Loans and borrowings (cont'd)

The weighted average effective interest rates at the reporting date for borrowings, excluding obligations under finance lease, were as follows:

| | **2019** | **2018** |
|---|---|---|
| | % | % |
| Bank overdraft | 7.82 to 8.84 | 6.76 to 8.44 |
| Loan | 6.90 to 8.86 | 6.70 to 8.10 |
| Revolving credit | 5.71 | 5.83 |

<u>Loan</u>

The bank overdraft bore weighted average effective interest at rates ranging between 7.82% to 8.84% (2018: 6.76% to 8.44%) per annum at the reporting date. They are secured by a third party legal charge on the leasehold land in Mukim Plentong, Johor Bahru registered under KPRJ with carrying amount of RM 992,000 (2018: RM 983,000) and certain deposits with a licensed bank.

<u>Revolving credit at Islamic Cost of Fund ("i-COF") + 1.75%</u>

The revolving credit facility of RM100,000,000 (2018: RM100,000,000) of the Group and the Company was secured by the following:

(a) Third party first and second legal charge over a freehold land in Mukim Plentong, Johor Bahru with a carrying amount of RM 157,842,000 (2018 : RM156,915,000);

(b) Assignment and charge over an escrow account into which any land sale proceeds is to be credited into the designated escrow account maintained with the bank; and

(c) Memorandum of deposit over certain deposits of the Group (Note 23).

<u>Term loan and bridging loan at COF + 2.50% p.a.</u>

The term loan facility of RM47,394,000 (2018: RM110,000,000) and bridging loan amounting to RM97,159,000 (2018: RM20,656,000) were secured by the following:

(a) First party first legal charge on the freehold lands in Mukim Pulai, Johor Bahru with carrying amount of RM186,136,000 (2018: RM189,337,020);

(b) Assignment and charge over the following designated accounts:

   (a) Housing Development Account
   (b) Debt Service Reserve Account ("DSRA")

(c) Debenture by way of fixed and floating charge over all present and future assets of a subsidiary, Bayou Management Sdn. Bhd. ("BMSB"); and

(d) Corporate guarantee provided by the Company.

## 24. Loans and borrowings (cont'd)

Movements in the borrowings were as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| | | **Restated** | | |
| At 1 January | 238,172 | 238,843 | 100,000 | 100,000 |
| Addition | | | | |
| - Term loan | - | 110,000 | - | - |
| - Bridging loan | 76,503 | 20,656 | - | - |
| Repayment | | | | |
| - Term loan | - | (110,000) | - | - |
| - Revolving credit | (62,605) | - | - | - |
| - Obligations under finance lease | (579) | (564) | - | - |
| - Bridging loan | - | (12,856) | - | - |
| Change in bank overdrafts | (1,120) | (4,998) | - | - |
| Transaction costs on loans | | | | |
| - Paid | - | (2,909) | - | - |
| - Amortisation | 1,076 | - | - | - |
| At 31 December | 251,447 | 238,172 | 100,000 | 100,000 |

## 25. Hire purchase commitments

Future minimum lease payments under hire purchase together with the present value of the net minimum lease payments are as follows:

| | Group | |
|---|---|---|
| | **2019** | **2018** |
| | **RM'000** | **RM'000** |
| **Minimum lease payments :** | | |
| Not later than 1 year | 361 | 616 |
| Later than 1 year and not later than 2 years | 151 | 365 |
| Later than 2 years and not later than 5 years | 43 | 194 |
| Total minimum lease payments | 555 | 1,175 |
| Less: Amount representing finance charges | (20) | (62) |
| Present value of minimum lease payments | 535 | 1,113 |
| **Present value of payments :** | | |
| Not later than 1 year | 346 | 572 |
| Later than 1 year and not later than 2 years | 146 | 349 |
| Later than 2 years and not later than 5 years | 43 | 192 |
| Present value of minimum lease payments | 535 | 1,113 |
| Less : Amount due within 12 months (Note 24) | (346) | (572) |
| Due after 12 months (Note 24) | 189 | 541 |

## 25. Hire purchase commitments (cont'd)

These obligations are secured by a charge over the leased assets (Note 13). At the reporting date, the interest rates for the hire purchase obligations range between 2.39% to 3.25% (2018: 2.40% to 3.64%) per annum.

## 26. Trade and other payables

| | | Group | |
|---|---|---|---|
| | Note | 2019 RM'000 | 2018 RM'000 |
| **Current** | | | |
| **Trade payables** | | | |
| Third parties | (a) | 67,327 | 86,219 |
| Amount due to related companies | (c) | 109,275 | 47,601 |
| Retention sums: | | | |
| - third parties | | 32,789 | 34,838 |
| - related companies | | 19,444 | 18,980 |
| Accruals for development expenditure | | 43,698 | 34,916 |
| | | 272,533 | 222,554 |
| **Other payables** | | | |
| Sundry payables | | 20,978 | 17,771 |
| Amount due to a shareholder | (b) | 1,823 | 1,823 |
| Amount due to related companies | (c) | 225,670 | 212,738 |
| Accruals | | 1,383 | 1,009 |
| Deposit received | | 550 | 526 |
| Deposit received for land sale | (d) | 211,572 | 211,572 |
| | | 461,976 | 445,439 |
| Total trade and other payables | | 734,509 | 667,993 |
| Add : Loans and borrowings (Note 24) | | 251,447 | 238,172 |
| Total financial liabilities carried at amortised cost | | 985,956 | 906,165 |

| | | Company | |
|---|---|---|---|
| | Note | 2019 RM'000 | 2018 RM'000 |
| **Current** | | | |
| **Other payables** | | | |
| Amount due to a shareholder | (b) | 1,823 | 1,823 |
| Amount due to related companies | | 660 | 611 |
| Sundry payables and accruals | | 725 | 625 |
| Total trade and other payables | | 3,208 | 3,059 |
| Add : Loans and borrowings (Note 24) | | 100,000 | 100,000 |
| Total financial liabilities carried at amortised cost | | 103,208 | 103,059 |

## 26. Trade and other payables (cont'd)

### (a) Trade payables

These amounts are non-interest bearing. Trade payables are normally settled on 30 to 90 days (2018: 30 to 90 days) terms.

### (b) Amounts due to a shareholder

The amounts due to a shareholder, which mainly arose from expenses paid on behalf, are unsecured, non-interest bearing and are repayable on demand.

### (c) Amounts due to related companies

Other than an amount of RM196,560,000 (2018: RM198,384,000), which bears interest at 7% (2018: 7%) per annum, the amounts due to related companies are unsecured, non-interest bearing and are repayable on demand.

### (d) Deposit received for land sale

Included in deposit received is the deposit for land sale arose from sales of land which have yet to be completed as at the reporting date and are further analysed as follows:

| | Group | |
|---|---|---|
| | **2019** | **2018** |
| | **RM'000** | **RM'000** |
| Sale of land to Greenland Tebrau Sdn. Bhd. ("GTSB") | 211,572 | 211,572 |

On 3 April 2015, a subsidiary of the Company, namely Tebrau Bay Sdn. Bhd. ("TBSB") entered into a Sale and Purchase Agreement ("SPA") with GTSB to dispose of 3 parcels land for a consideration of RM2,373,079,000. Subsequently on 5 May 2017, TBSB and GTSB entered into a Supplementary Agreement ("SA") to vary, modify and amend certain terms and conditions of the SPA.

In 2017, the disposals of certain tranches of land were completed with revenue and cost of sales amounting to RM205,886,000 and RM35,133,000 respectively recognised upon fulfilment of conditions precedent.

At the reporting date, the remaining deposit paid by GTSB of RM211,572,000 (2018: RM211,572,000) relates to the sale of the remaining tranches of land which are not completed as certain conditions precedent in the SPA have not been fulfilled.

In February 2020, the TBSB entered into a second supplemental agreement with GTSB to offset RM185,298,000 of the deposit received against the receivable relating to the completion of the sale of the first tranch of land completed in 2017. The SPA is deemed completed and the parties are released from any further obligations under the SPA or SA. The residual deposit of RM12,301,000 shall be retained by the Group and applied as part payment for any future purchase of land from the Group by GTSB.

## 27. Contract liabilities

| | Group 2019 RM'000 | Group 2018 RM'000 |
|---|---|---|
| Gross amount due to customers for contract work (Note 22) | 3,266 | 7,877 |

## 28. Provisions

| Group | Project costs RM'000 | Other provisions RM'000 | Total RM'000 |
|---|---|---|---|
| At 1 January 2018 | 3,643 | 1,948 | 5,591 |
| Addition during the year (Note 8) | - | 7,083 | 7,083 |
| Reversed or utilised during the year | - | (667) | (667) |
| At 31 December 2018 and 1 January 2019 | 3,643 | 8,364 | 12,007 |
| Addition during the year (Note 8) | - | 5,553 | 5,553 |
| Reversed or utilised during the year | - | (7,369) | (7,369) |
| At 31 December 2019 | 3,643 | 6,548 | 10,191 |

| | Company RM'000 |
|---|---|
| At 1 January 2018 | 541 |
| Addition during the year (Note 8) | 516 |
| Reversed or utilised during the year | (541) |
| At 31 December 2018 and 1 January 2019 | 516 |
| Addition during the year (Note 8) | 533 |
| Reversed or utilised during the year | (516) |
| At 31 December 2019 | 533 |

## 29. Share capital

| | Number of ordinary shares | | Amount | |
|---|---|---|---|---|
| **Group and Company** | 2019 '000 | 2018 '000 | 2019 RM'000 | 2018 RM'000 |
| **Issued and fully paid:** | | | | |
| As at 1 January/31 December | 837,389 | 837,389 | 726,946 | 726,946 |

## 30. Employee share option reserve

Employee share options reserve arose from equity-settled share options granted to eligible directors and employees.

At an Extraordinary General Meeting held on 24 June 2014, shareholders approved the proposed establishment of an Employees' Share Option Scheme ("ESOS") for the granting of non-transferable options that are settled by physical delivery of the ordinary shares of the Company, to eligible directors and employees.

The ESOS was implemented on 26 September 2014 and expired on 24 June 2019.

During the previous financial year, the Company granted 123,550,000 share options to its eligible directors and employees at an exercise price of RM1.50 per share. There are no cash settlement alternatives. These options expired on 24 June 2019.

The reserve is reduced by the expiry or exercise of the share options as disclosed below.

The main features of the ESOS are:

(i) The total number of new ordinary shares to be issued by the Company under the ESOS shall not exceed 15% of the total issued and paid up ordinary shares of the Company.

(ii) Not more than 10% of the shares available under ESOS is to be allocated to any individual director or employee who, either singly or collectively through his/her associates, holds 20% or more in the issued and paid up capital of the Company.

(iii) Only employees and directors of the Group who are above 18 and not an undischarged bankrupt nor subject to any bankruptcy proceedings are eligible to participate in the scheme.

(iv) The option price under the ESOS is the five (5) days weighted average market price of the shares of the Company at the time the option is granted, subject to a discount of not more than ten percent (10%), which the Company may at its discretion decide to give, or the par value of the shares of the Company of RM0.50, whichever is the higher.

(v) An option holder may, in a particular year, exercise up to such maximum number of shares as specified in the option.

(vi) The persons to whom the options are granted have no right to participate by virtue of the options in any shares of any other company within the Group.

(vii) Eligible employees are those who have been employed and is confirmed in full time service in any company within the Group for a continuous period of at least 12 months.

## 30. Employee share option reserve (cont'd)

Movement of share options during the financial year

The following table illustrates the number of, and movements in, share options of the Company during the financial year:

| | Number of share options at exercise price of RM1.50 each | |
|---|---|---|
| | **2019** | **2018** |
| | **'000** | **'000** |
| Outstanding at beginning of financial year | 96,283 | 109,861 |
| - Expired | (96,283) | (13,578) |
| Outstanding at end of financial year | - | 96,283 |
| Exercisable at end of financial year | - | 96,283 |

The exercise price for options outstanding at the end of the prior financial year was RM1.50. The options expired on 24 June 2019.

## 31. Deferred taxation

| | Group | |
|---|---|---|
| | **2019** | **2018** |
| | **RM'000** | **RM'000** |
| | | **Restated** |
| At 1 January | 81,509 | 84,312 |
| Recognised in profit or loss (Note 11) | (1,122) | (2,803) |
| At 31 December | 80,387 | 81,509 |
| Presented after appropriate offsetting as follows: | | |
| Deferred tax assets | (16,269) | (16,171) |
| Deferred tax liabilities | 96,656 | 97,680 |
| | 80,387 | 81,509 |

## 31. Deferred taxation (cont'd)

The components and movements of deferred tax liabilities/(assets) of the Group during the financial year are as follows:

**Deferred tax liabilities of the Group**

| | Property, plant and equipment RM'000 | Land and development expenditure RM'000 | Other temporary differences RM'000 | Total RM'000 |
|---|---|---|---|---|
| At 1 January 2019 | (3) | 96,713 | (625) | 96,085 |
| Recognised in profit or loss | 39 | (57) | 625 | 607 |
| At 31 December 2019 | 36 | 96,656 | - | 96,692 |
| At 1 January 2018 | (3) | 96,858 | (110) | 96,745 |
| Recognised in profit or loss (restated) | - | (145) | (515) | (660) |
| At 31 December 2018 (restated) | (3) | 96,713 | (625) | 96,085 |

**Deferred tax assets of the Group**

| | Provisions RM'000 | Other temporary differences RM'000 | Total RM'000 |
|---|---|---|---|
| At 1 January 2019 (restated) | (10,247) | (4,329) | (14,576) |
| Recognised in profit or loss | (505) | (1,224) | (1,729) |
| At 31 December 2019 | (10,752) | (5,553) | (16,305) |
| At 1 January 2018 (restated) | (10,683) | (1,750) | (12,433) |
| Recognised in profit or loss (restated) | 436 | (2,579) | (2,143) |
| At 31 December 2018 (restated) | (10,247) | (4,329) | (14,576) |

**Iskandar Waterfront City Berhad**
**(Incorporated in Malaysia)**

## 32. Related party disclosures

In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **Subsidiary** | | | | |
| Loan interest receivable | - | - | 5,562 | 5,714 |
| With Rampai Fokus Sdn Bhd, a related company | | | | |
| - Loan interest payable | 13,831 | 12,141 | - | - |
| With Danga Bay Sdn Bhd, a related company | | | | |
| - Rental payable | 38 | 8 | - | - |
| With Puncak Rampai Sdn Bhd, a related company | | | | |
| - Recoverability of expenses | 2 | - | - | - |
| With Iskandar Waterfront Sdn Bhd, a related company | | | | |
| - Rental receivable | - | 46 | - | - |
| With D.Hills Sdn Bhd, a related company | | | | |
| - Rental receivable | - | 32 | - | - |
| With Knusford Equipment Sdn Bhd, a directors' related company | | | | |
| - Rental payable | 263 | 37 | - | - |
| With Ekovest Holdings Sdn Bhd, a directors' related company | | | | |
| - Rental payable | 18 | - | - | - |
| With Knusford Landscape Sdn Bhd, a directors' related company | | | | |
| - Landscaping works paid and payable | 3,484 | 110 | - | - |

## 32. Related party disclosures (cont'd)

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| With Knusford Construction Sdn Bhd, a directors' related company | | | | |
| - Construction costs paid and payable | 53,504 | 31,605 | - | - |
| - Sale of motor vehicle | - | 160 | | |
| With Knusford Marketing Sdn Bhd, a directors' related company | | | | |
| - Purchase of raw materials on behalf | - | 525 | - | - |
| With Greenland Knusford Construction Sdn Bhd, a directors' related company | | | | |
| - Construction costs paid and payable | 16,630 | 22,533 | - | - |

Directors' related companies refer to companies in which certain directors of the Company have interest.

The directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are mutually agreed upon.

## 33. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include interest rate risk, liquidity risk and credit risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Executive Vice Chairman, Chief Executive Officer and Heads of Departments. The risk management committee provides independent oversight to the effectiveness of the risk management process.

It is, and has been throughout the current and previous financial year, the Group’s policy that no derivatives shall be undertaken.

## 33. Financial risk management objectives and policies (cont'd)

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

### (a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company’s financial instruments will fluctuate because of changes in market interest rates.

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company’s financial instruments will fluctuate because of changes in market interest rates.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As the Group and the Company have no significant interest-bearing financial assets, the Group's and the Company's income and operating cash flows are substantially independent of changes in market interest rates. The Group's and the Company's interest-bearing financial assets are mainly short term in nature and have been mostly placed in fixed deposits.

<u>Sensitivity analysis for interest rate risk</u>

At the reporting date, if interest rates had been 100 basis points lower/higher, with all other variables held constant, the Group's profit net of tax would have been RM1,768,000 (2018: RM1,192,000) higher/lower, arising mainly from interest expenses on loans and borrowings offset by interest income on short term deposits.

### (b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from both capital markets and financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

## 33. Financial risk management objectives and policies (cont'd)

### (b) Liquidity risk (cont'd)

The Group also relies on the holding company and related companies for continued financial support to enable the Group to meet its liabilities as and when they fall due.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

| | 2019 | | | |
|---|---|---|---|---|
| **Group** | **On demand or within one year RM'000** | **One to five years RM'000** | **Over five years RM'000** | **Total RM'000** |
| **Financial liabilities** | | | | |
| Trade and other payables (Note 26) | 734,509 | - | - | 734,509 |
| Loans and borrowings | 197,558 | 71,569 | - | 269,127 |
| **Total undiscounted financial liabilities** | 932,067 | 71,569 | - | 1,003,636 |

| | 2019 | | | |
|---|---|---|---|---|
| **Company** | **On demand or within one year RM'000** | **One to five years RM'000** | **Over five years RM'000** | **Total RM'000** |
| **Financial liabilities** | | | | |
| Trade and other payables (Note 26) | 3,208 | - | - | 3,208 |
| Loans and borrowings | 105,710 | - | - | 105,710 |
| **Total undiscounted financial liabilities** | 108,918 | - | - | 108,918 |

## 33. Financial risk management objectives and policies (cont'd)

### (b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

| | 2018 | | | |
|---|---|---|---|---|
| **Group** | **On demand or within one year RM'000** | **One to five years RM'000** | **Over five years RM'000** | **Total RM'000** |
| **Financial liabilities** | | | | |
| Trade and other payables (Note 26) | 667,993 | - | - | 667,993 |
| Loans and borrowings | 20,861 | 243,365 | - | 264,226 |
| **Total undiscounted financial liabilities** | 688,854 | 243,365 | - | 932,219 |

| | 2018 | | | |
|---|---|---|---|---|
| **Company** | **On demand or within one year RM'000** | **One to five years RM'000** | **Over five years RM'000** | **Total RM'000** |
| **Financial liabilities** | | | | |
| Trade and other payables (Note 26) | 3,059 | - | - | 3,059 |
| Loans and borrowings | 5,560 | 105,560 | - | 111,120 |
| **Total undiscounted financial liabilities** | 8,619 | 105,560 | - | 114,179 |

### (c) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

The Group's credit risk is primarily attributable to receivables. The receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents has a maximum exposure equal to the carrying amount of these financial assets.

Credit risk concentration profile

The Group has a concentration of credit risk as 72% (2018: 95%) of its receivables are due from 3 (2018: 3) major customers.

## 33. Financial risk management objectives and policies (cont'd)

### (c) Credit risk (cont'd)

Exposure to credit risk

At the reporting date, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

At the reporting date, the Company's maximum exposure to credit risk is represented by:

- the carrying amount of each class of financial assets recognised in the statements of financial position;
- an amount of RM152,490,000 (2018: RM139,803,000) relating to a corporate guarantee provided by the Company to a bank for credit facilities granted to subsidiaries; and
- an amount of RM34,863,000 (2018: RM34,694,000) relating to a performance guarantee issued for construction projects being carried out by subsidiaries.

Financial assets that are neither past due or impaired

Information regarding financial assets that are neither past due or impaired are disclosed in Note 20.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired are disclosed in Note 20.

## 34. Fair values

**Determination of fair value**

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximations of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximations of fair value:

| | **Note** |
|---|---|
| Trade and other receivables (current) | 20 |
| Loans and borrowings | 24 |
| Trade and other payables (current) | 26 |

## 34. Fair values (cont'd)

### Determination of fair value (cont'd)

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximations of fair value (cont'd)

The carrying amounts of these financial assets and liabilities are reasonable approximations of fair values due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The fair values of loans and borrowing are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

Financial guarantees

Financial guarantees given to subsidiaries have not been recognised in the financial statements as the directors are of the opinion that the fair value on initial recognition was not material and it is not probable that a future sacrifice of economic benefits will be required.

### Fair value hierarchy

The following table provides the fair value measurement hierarchy of the Group's assets.

| Group | Quoted price in active markets Level 1 RM'000 | Significant observable inputs Level 2 RM'000 | Significant unobservable inputs Level 3 RM'000 |
|---|---|---|---|
| **At 31 December 2019** | | | |
| **Assets measured at fair value** | | | |
| Investment properties (Note 15) | - | - | 548 |
| **At 31 December 2018** | | | |
| **Assets measured at fair value** | | | |
| Investment properties (Note 15) | - | - | 548 |

During the financial years ended 31 December 2019 and 2018, there were no transfers between the various levels of the fair value measurement hierarchy.

## 35. Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2019 and 31 December 2018.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt comprises borrowings and trade and other payables, less cash and bank balances whereas total capital comprises the equity attributable to equity holders of the Company.

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2019 RM'000 | 2018 RM'000 Restated | 2019 RM'000 | 2018 RM'000 |
| Loans and borrowings | 24 | 251,447 | 238,172 | 100,000 | 100,000 |
| Trade and other payables | 26 | 734,509 | 667,993 | 3,208 | 3,575 |
| Less: Cash and bank balances | 23 | (45,947) | (41,685) | (1,819) | (1,798) |
| Net debt | | 940,009 | 864,480 | 101,389 | 101,777 |
| Equity | | 798,401 | 803,145 | 668,767 | 670,057 |
| Total capital | | 798,401 | 803,145 | 668,767 | 670,057 |
| **Capital and net debt** | | 1,738,410 | 1,667,625 | 770,156 | 771,834 |
| **Gearing ratio** | | 54.1% | 51.8% | 13.2% | 13.2% |

## 36. Segment information

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

(i) Property development - the development of residential and commercial properties; and

(ii) Construction

Other operations of the Group mainly comprises of property investment and investment holding, neither of which constitutes a separately reportable segment.

**(b) Allocation basis**

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, liabilities and expenses.

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## 36. Segment information (cont'd)

### (b) Allocation basis

The directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties. These transactions are eliminated on consolidation.

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by business segment:

| | Property development RM'000 | Construction RM'000 | Eliminations RM'000 | Consolidated RM'000 |
|---|---|---|---|---|
| **31 December 2019** | | | | |
| **Revenue** | | | | |
| Revenue | 221,220 | (2,172) | - | 219,048 |
| **Results** | | | | |
| Segment results | 25,775 | (194) | (227) | 25,354 |
| Unallocated corporate expenses | | | | (1,942) |
| Profit from operations | | | | 23,412 |
| Finance costs | | | | (25,908) |
| Share of results of associates | | | | (692) |
| Income tax expense | | | | (1,556) |
| Loss after tax | | | | (4,744) |
| **Assets** | | | | |
| Segment assets | 1,582,597 | 522,363 | (545,469) | 1,559,491 |
| Investment properties | | | | 548 |
| Other non-current assets | | | | 90 |
| Investment in associates | 41,248 | - | - | 41,248 |
| Unallocated corporate assets | | | | 308,923 |
| Consolidated total assets | | | | 1,910,300 |
| **Liabilities** | | | | |
| Segment liabilities | (710,970) | (750,376) | 453,189 | (1,008,157) |
| Unallocated corporate liabilities | | | | (103,742) |
| Consolidated total liabilities | | | | (1,111,899) |
| **Other segment information** | | | | |
| Segment capital expenditure | - | 5 | - | 5 |
| Unallocated corporate capital expenditure | | | | 19 |
| Consolidated total capital expenditure | | | | 24 |
| Segment depreciation | 211 | 330 | - | 541 |
| Unallocated corporate depreciation | | | | 68 |
| Consolidated total depreciation | | | | 609 |

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## 36. Segment information (cont'd)

### (b) Allocation basis (cont'd)

| | Property development RM'000 Restated | Construction RM'000 | Eliminations RM'000 | Consolidated RM'000 Restated |
|---|---|---|---|---|
| **31 December 2018** | | | | |
| **Revenue** | | | | |
| Revenue | 106,754 | 15,304 | - | 122,058 |
| **Results** | | | | |
| Segment results | 12,037 | (3,370) | (667) | 8,000 |
| Unallocated corporate expenses | | | | (1,590) |
| Profit from operations | | | | 6,410 |
| Finance costs | | | | (20,585) |
| Share of results of associates | | | | (891) |
| Income tax expense | | | | 5,880 |
| Loss after tax | | | | (9,186) |
| **Assets** | | | | |
| Segment assets | 1,523,460 | 550,348 | (574,095) | 1,499,713 |
| Investment properties | | | | 548 |
| Other non-current assets | | | | 90 |
| Investment in associates | 41,940 | - | - | 41,940 |
| Unallocated corporate assets | | | | 310,046 |
| Consolidated total assets | | | | 1,852,337 |
| **Liabilities** | | | | |
| Segment liabilities | (638,743) | (788,623) | 481,749 | (945,617) |
| Unallocated corporate liabilities | | | | (103,575) |
| Consolidated total liabilities | | | | (1,049,192) |
| **Other segment information** | | | | |
| Segment capital expenditure | 5 | - | - | 5 |
| Unallocated corporate capital expenditure | | | | 19 |
| Consolidated total capital expenditure | | | | 24 |
| Segment depreciation | 211 | 314 | - | 525 |
| Unallocated corporate depreciation | | | | 68 |
| Consolidated total depreciation | | | | 593 |

## 37. Restatements

### (a) Understatement in share of results of associate - Share of associate losses against long-term interests

Retrospective adjustments were made on the share of results of associate to continue recognising share of losses of associate against long-term interests that form part of the net investment in associate.

### (b) Overstatement in inventory properties - Borrowing costs

Retrospective adjustments were made on inventory properties and deferred tax liabilities due to the IFRIC Agenda Decision issued in March 2019 with regards to MFRS 123 Borrowing Cost, as a result of capitalisation of borrowing costs in relation to the construction of the Company's development properties in 2018.

### (c) Overstatement in inventory properties - Transaction costs on loans

Retrospective adjustments were made on inventory properties and loans and borrowings to offset paid transaction costs against loans and borrowings instead of capitalising these in inventory properties.

### (i) Group statement of financial position as at 1 January 2018

| | As previously stated RM'000 | Note | Adjustments RM'000 | As restated RM'000 |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Investment in associates | 46,305 | (a) | (3,474) | 42,831 |
| Deferred tax assets | 12,233 | (b) | 313 | 12,546 |
| **Current assets** | | | | |
| Inventory properties | | | | |
| - property development costs | 1,189,982 | (b) | (1,958) | 1,188,024 |
| **Equity attributable to owners of the parent** | | | | |
| Retained earnings | 26,394 | (a) | (3,474) | 21,275 |
| | | (b) | (1,645) | |

## 37. Restatements (cont'd)

### (c) Overstatement in inventory properties - Transaction costs on loans (cont'd)

### (ii) Group statement of financial position as at 31 December 2018

| | As previously stated RM'000 | Note | Adjustments RM'000 | As restated RM'000 |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Investment in associates | 46,305 | (a) | (4,365) | 41,940 |
| Deferred tax assets | 16,090 | (b) | 81 | 16,171 |
| **Current assets** | | | | |
| Inventory properties - property development costs | 1,201,654 | (b) | (3,932) | 1,194,813 |
| | | (c) | (2,909) | |
| **Non-current liabilities** | | | | |
| Loans and borrowings | 231,197 | (c) | (2,909) | 228,288 |
| Deferred tax liabilities | 98,195 | (b) | (515) | 97,680 |
| **Equity attributable to owners of the parent** | | | | |
| Retained earnings | 27,713 | (a) | (4,365) | 20,012 |
| | | (b) | (3,336) | |

### (iii) Group statement of comprehensive income for the year ended 31 December 2018

| | As previously stated RM'000 | Note | Adjustments RM'000 | As restated RM'000 |
|---|---|---|---|---|
| Cost of sales | (116,314) | (b) | 4,788 | (111,526) |
| Finance costs | (13,823) | (b) | (6,762) | (20,585) |
| Share of results of associate | - | (a) | (891) | (891) |
| Loss before tax | (12,201) | (a) and (b) | (2,865) | (15,066) |
| Income tax expense | 5,597 | (b) | 283 | 5,880 |
| Loss net of tax | (6,604) | (a) and (b) | (2,582) | (9,186) |

## 37. Restatements (cont'd)

### (c) Overstatement in inventory properties - Transaction costs on loans (cont'd)

### (iv) Group statement of cash flows for the year ended 31 December 2018

| | As previously stated RM'000 | Note | Adjustments RM'000 | As restated RM'000 |
|---|---|---|---|---|
| **Operating activities** | | | | |
| Loss before tax | (12,201) | (a) | (891) | (15,066) |
| | | (b) | (1,974) | |
| Adjustments for: | | | | |
| Share of results of an associate | - | (a) | 891 | 891 |
| Finance costs | 13,823 | (b) | 6,762 | 20,585 |
| **Operating profit before changes in working capital** | | | | |
| Property development costs | (11,672) | (b) | 1,974 | 1,353 |
| | | (b) | 8,142 | |
| **Cash flows used in operating activities** | | (c) | 2,909 | |
| Interest paid | (757) | (b) | (14,904) | (15,661) |
| **Financing activities** | | | | |
| Payment of transaction costs on loan drawdown | - | (c) | (2,909) | (2,909) |

## 38. Subsequent events

The COVID-19 pandemic has significantly disrupted many business operations around the world. For the Group, the impact on business operations has not been a direct consequence of the COVID-19 outbreak, but a result of the measures taken by the Government of Malaysia to contain it. As the outbreak continues to evolve, it is challenging to predict the full extent and duration of its impact on business and the economy. The occurrence of the COVID-19 outbreak is not an adjusting post balance sheet event.

Up to the date of these financial statements, the Group has seen an impact of COVID-19 outbreak on the Group's revenue, earnings, cash flow and financial condition. The Group anticipates that the effects of COVID-19 would be recognised in the financial statements for the financial year ending 31 December 2020. The effects of COVID-19 would potentially impact the judgements and assumptions used in the preparation of the financial statements for the financial year ending 31 December 2020, such as expected credit losses on trade and other receivables and contract assets, impairment assessments on inventory properties, plant and equipment, investment properties and investment in associate. At this juncture, it is not possible to estimate the full impact of the outbreak's short-term and longer-term effects or the Government's varying efforts to combat the outbreak and support businesses.

## 38. Subsequent events (cont'd)

This being the case, the Group noted that the revenue for the 3-month period ended 31 March 2020 has decreased due to temporary closure of business, workplace disruption and disruptions in supply chains. Accordingly, the Group will continue to monitor the development of these events and take the necessary steps to mitigate the risks arising from this outbreak.

## 39. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 25 June 2020.