IWCITY

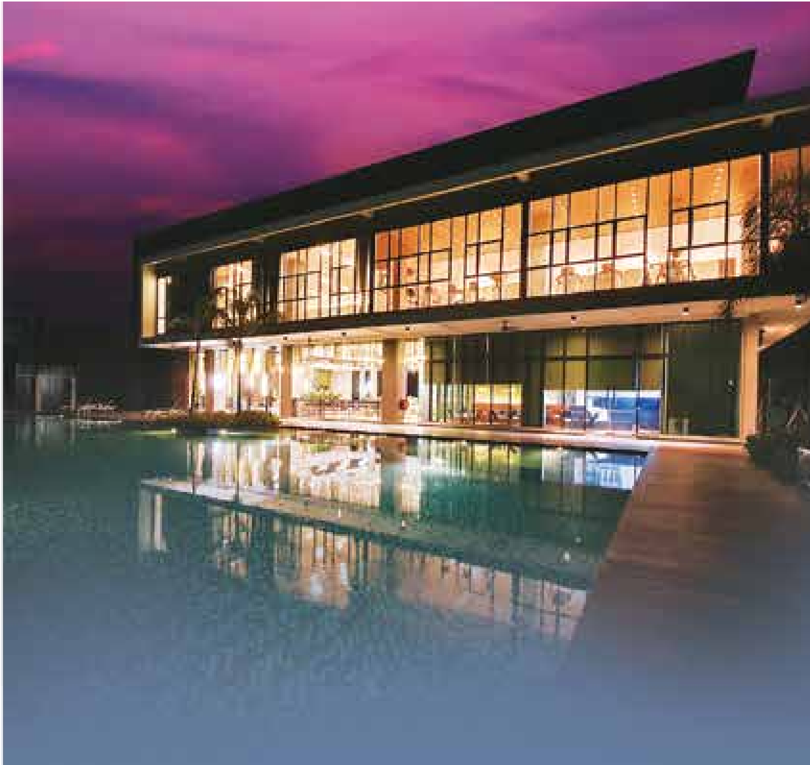
Iskandar Waterfront City Berhad

196801000661 (8256-A)

# 2019

# ANNUAL REPORT

A MEMBER OF ISKANDAR WATERFRONT HOLDINGS GROUP



# VISION

To become a leading integrated property developer and builder that focus on community living and quality development.

# MISSION

Building a sustainable development area that promotes quality & innovative products and excellent services that meets customer's need and ultimately ensuring equitable shareholder's returns.

# CONTENTS


## Vision & Mission

## Corporate Calendar 02

## About Us

Corporate Information 04

Corporate Structure 05

## From the Board Directors and the Management

Chairman's Statement 07

Management Discussion and Analysis 09

Directors' Profiles 14

Key Senior Management's Profiles 19

## Governance

Corporate Governance Overview Statement 22

Audit Committee Report 32

Statement on Risk Management and Internal Control 34

## Corporate Sustainability

Sustainability Statement 40

## Financial Reports

Directors' Report 48

Statement By Directors 54

Statutory Declaration 54

Independent Auditors' Report To The Members of IWCity 55

Statements of Comprehensive Income 62

Statements of Financial Position 63

Statements of Changes in Equity 66

Statements of Cash Flows 68

Notes to the Financial Statements 70

## Additional Information

List of Properties 139

Analysis of Shareholdings 141

Other Disclosures 144

Notice of $51^{th}$ AGM 145

Statement Accompanying Notice of $51^{th}$ AGM 150

## Form of Proxy

# CORPORATE CALENDAR

## FINANCIAL RESULTS

**27 February**

Announcement of the unaudited quarterly report on consolidated results for the financial period ended 31 December 2018

**30 May**

Announcement of the unaudited quarterly report on consolidated results for the financial period ended 31 March 2019

**28 August**

Announcement of the unaudited quarterly report on consolidated results for the financial period ended 30 June 2019

**27 November**

Announcement of the unaudited quarterly report on consolidated results for the financial period ended 30 September 2019

## AGM

**30 April**

Issuance of Annual Report for financial year ended 31 December 2018 and Circular for Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

**20 June**

50th Annual General Meeting

## CORPORATE RELATED EVENTS

**10 April**

Proposed Alteration of the Existing Memorandum and Articles of Association by replacing with a new constitution

**24 June**

Announcement of Expiry of Employee Share Option Scheme ("ESOS") and Dissolution of ESOS Committee

# About us

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Dato' Hj. Ayub bin Mion**
Independent Non-Executive Chairman

**Tan Sri Dato' Lim Kang Hoo**
Executive Vice Chairman

**Datuk Lim Keng Guan**
Executive Director

**Wong Khai Shiuan**
Executive Director / Chief Executive Director

**Khoo Boon Ho**
Senior Independent Non-Executive Director

**Bernard Hilary Lawrence**
Independent Non-Executive Director

**Lim Foo Seng**
Independent Non-Executive Director

**Dato' Hj. Mohd Noorazam bin Dato' Hj. Osman**
Non-Independent Non-Executive Director

**Lim Chen Herng**
Alternate Director to Tan Sri Dato' Lim Kang Hoo

**Mohd Salleh bin Othman**
Independent Non-Executive Director
*(Resigned w.e.f. 16 April 2020)*

### AUDIT COMMITTEE
Khoo Boon Ho
Chairman

Dato' Hj. Ayub bin Mion
Lim Foo Seng

### NOMINATION COMMITTEE
Bernard Hilary Lawrence
Chairman

Dato' Hj. Ayub bin Mion
Khoo Boon Ho

### REMUNERATION COMMITTEE
Lim Foo Seng
Chairman

Dato' Hj. Ayub bin Mion
Bernard Hilary Lawrence

### RISK MANAGEMENT COMMITTEE
Lim Foo Seng
Chairman

Bernard Hilary Lawrence
Khoo Boon Ho

### TENDER APPROVAL COMMITTEE
Tan Sri Dato' Lim Kang Hoo
Wong Khai Shiuan
Khoo Boon Ho

### COMPANY SECRETARIES
Yong May Li
(LS 0000295)
Wong Chee Yin
(MAICSA 7023530)
Lim Aik Yong
(MAICSA 7054965)

### WEBSITE
www.iwcity.com.my

### SHARE REGISTRAR
Tricor Investor Services Sdn. Bhd.
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8 Jalan Kerinchi,
59200 Kuala Lumpur.
E-mail : is.enquiry@my.tricorglobal.com
Tel: 03-2783 9299
Fax: 03-2783 9222

### PRINCIPAL PLACE OF BUSINESS
G08, Block 8, Danga Bay Jalan Skudai, 80200 Johor Bahru Johor Darul Ta'zim
Tel No : 07-233 3888
Fax No : 07-233 3777

### REGISTERED OFFICE
Suite 1301, 13th Floor City Plaza, Jalan Tebrau 80300 Johor Bahru Johor Darul Ta'zim
Tel No : 07-332 2088
Fax No : 07-332 8096

### AUDITOR
Ernst & Young PLT
B-15, Medini 9,
Persiaran Medini Sentral 1,
Bandar Medini Iskandar,
79250 Iskandar Puteri,
Johor Darul Ta'zim.
Tel No : 07-288 3111
Fax No : 07-288 3112

### STOCK EXCHANGE LISTING
Main Market, Bursa Malaysia Securities Berhad Stock Code: 1589
Stock Name: IWCITY
Sector: Properties

# CORPORATE STRUCTURE

## SUBSIDIARIES

**100%**
**Tebrau Bay Sdn Bhd**
199601042357
(414710-X)
(Property Development and (Construction)

**100%**
**Southern Crest Development Sdn Bhd**
200301011263
(613683-D)
(Investment Holding)

**100%**
**Tebrau Bay Constructions Sdn Bhd**
197801005845
(42888-D)
(Construction)

**100%**
**Success Straits Sdn Bhd**
201501033627
(1158947-H)
(Property Development)

**100%**
**Trillion Greencity Sdn Bhd**
201501033356
(1158676-W)
(Dormant)

**100%**
**Bayou Bay Development Sdn Bhd**
199601019330
(391682-P)
(Property Development)

- **100%**
  **Bayou Management Sdn Bhd**
  200401007966
  (646470-K)
  (Property Holding and Development)

## ASSOCIATES

**30%**
**Tropicana Danga Senibong Sdn Bhd**
201301000826
(1030663-X)
(In liquidation)

**49%**
**Aset Nusantara Development Sdn Bhd**
199701011878
(427374-T)
(In liquidation)

**20%**
**Greenland Tebrau Sdn Bhd**
201501006982
(1132314-P)
(Property Development)

# FROM THE BOARD AND THE MANAGEMENT

# CHAIRMAN'S STATEMENT

*On behalf the Board and the Company, it is my pleasure to present to you IWCity Annual Report 2019.*

**Dear Valued Shareholders,**

## Foreword

Malaysia's Real GDP registered a growth of 3.6% in 4th quarter 2019 (3rd quarter 2019: 4.4%). For 2019, the economy expanded by 4.3% following a full year growth of 4.7% in 2018. Economic growth in 4th quarter of 2019 slumped to an over-decade low attributing to lower output of palm oil, crude oil and natural gas and a fall in exports amid the US-China trade war. Going forward, the GDP growth for 2020 is expected to be impacted due to the uncertainty in the global economy coupled with the global outbreak of the novel coronavirus pandemic (COVID-19).

Despite the adversity, Iskandar Waterfront City Berhad ("IWCity") stands to benefit from the recently implemented incentives such as the Home Ownership Campaign (HOC) 2019 which targets stamp duty waivers at first-time homebuyers and the lowering of the foreign property purchaser price floor to RM600,000 in the state of Johor, IWCity is confident that it can weather out the current downtrend and continue to thrive.

## Company's Performance

Regardless of the various challenges we faced in the financial year ended 2019 ("FYE 2019") with the slowdown of the global economy, I would like to announce that the Group recorded a 79% increase in revenue of RM219.0 million compared to the preceding year in FYE 2019. The Group also recorded a lower loss after tax of RM4.7 million in FYE 2019 as compared to the previous year of RM9.2 million.

The noteworthy results endorse the management's efforts in the property sector with enhanced development progress and expansion plans.

## Property Development

For the year 2019, the Group enjoyed swift progress success of its two projects namely "Botanika" and "Danga Sutera". Botanika's 264 condominium units of the first tower had been completed in March 2019 and successfully handover to purchasers. The construction of the second tower is seeing steady progress and the launch of the future phase of Botanika Project comprising of the third tower is in sight.

Danga Sutera is a gated mix development comprising of 645 landed residential units with clubhouse facilities and a commercial plot for future development. Phase 1 which consisted of 525 units of super linked landed residential has achieved 100% completion as of to-date and is estimated to hand over to its proud owners in June 2020. Within Danga Sutera, these 525 units of super linked landed component received overwhelming responses from the market which evidenced by all the international lots being fully taken up and is testament to the Group's ability to put out the right products and meeting market demands. Construction of the remaining 120 units of semi-detached houses is ongoing at a pace in order to meet delivery dates to purchasers.

# CHAIRMAN'S STATEMENT Cont'd

## Prospects

As of first half of 2019 ("1H/2019"), the total cumulative investments in Iskandar Malaysia stood at RM302.09 billion. 61.4% (RM185.39 billion) of the investments comprise domestic investments while the remaining 38.6% (RM116.7 billion) were from foreign investments. 1H/2019 saw the cumulative investments recording an impressive Compound annual growth rate (CAGR) growth of 9.7% for a 5-year period Iskandar Malaysia observed RM116.7 billion foreign investments into the region of which 47% comes from the manufacturing sector and the remaining 53% from the services and other sectors.

Iskandar Malaysia displayed an improved market activity during the first 9 months of 2019 ("9M/2019"), as compared to the similar period a year before. Transactions volume during 9M/2019 grew by 24.4% (9,818 transactions to 12,212 transactions) as compared to the same period in 2018 while transacted value grew by 26.9% (RM4.08 billion to RM5.18 billion) with a majority of such transactions involving landed properties. Given such encouraging trends, IWCity is confident to continually maintain its strong footprint in Iskandar Malaysia by focusing on products that meet current and foreseeable market demands at competitive price points whilst delivering class-leading build quality.

## Corporate Governance

The Board strongly believes that corporate governance plays a key role in ensuring sustainability and stability for the Group's continued success. I am pleased to note that the Group continues to practice a high level of corporate governance where the Board continues to maintain a majority of Independent Directors to ensure good governance with check-and-balance measures in place. The Board has worked with the Management to ensure the highest compliance to the recommendations of the Malaysian Code on Corporate Governance 2017 ("MCCG 2017") in year 2019, and will continue to ensure the demonstration of good practice in compliance with the MCCG 2017 within IWCity Group.

## Awards

On behalf of the Board, I would like to take this opportunity to congratulate the Company for securing the Best Southern Development Award for its project in Johor Bahru - Danga Sutera, at the iProperty Development Excellence Awards (iDEA) held on 9 October 2019, which is a recognition of par excellence in property development. The receipt of the award which is a coveted title of distinction as a recognition of the group's effort on living up its vision to become a leading integrated property developer and builder that focuses on community living and quality development.

Also, Bayou Management Sdn Bhd, a wholly owned subsidiary of IWCity had in year 2019 received an Appreciation Certificate from Majlis Bandaraya Iskandar Puteri for the record of being one of the best properties tax payers for year 2018.

## Dividend policy

In view of the unstable macro market and the performance of the Group, the Board does not consider it to be prudent to recommend the declaration of any dividend for the financial year ended 31 December 2019.

## Acknowledgements

On behalf of the Board, I wish to express our sincere gratitude and appreciation to the government authorities, our bankers, business associates, clients and more importantly our esteemed shareholders for their continued support.

On 17 April 2020, we bid farewell to Encik Mohd Salleh Bin Othman. On behalf of the Board, I would like to thank him for his invaluable contributions to the Company over the years. The Board looks forward to working with you in future.

I would like to express my sincere appreciation to my fellow Board members for their support and contributions, senior management team who has been working tirelessly and employees for their perseverance and contributions throughout the year.

The Board and the Management as a whole, will endeavour with our full effort to deliver a better Year 2020. Let's look forward to better year ahead for the Group.

**DATO' HJ AYUB BIN MION**
Chairman
Date: 17 June 2020

# MANAGEMENT DISCUSSION AND ANALYSIS

## Introduction

IWCity is an investment holding company and through its subsidiaries, mainly involved in property development, property land-banking and construction. As one of the largest owners of waterfront land in Eastern Johor Bahru, our vision is to become a leading integrated property player focusing on community living and quality development.

## Overview of Group's Business and Operations

During the year, the Group continued to focus on its Botanika and Danga Sutera Projects. These two developments remained the core of the Group's property development.

Botanika, comprising of 3 tower blocks, totalling 792 condominium units and 40 waterfront villas is constructed on a 12 acres site fronting the Tebrau River in Bakar Batu, approximately 10km east of the city centre. We are pleased to announce that the first tower block of 264 units were completed in the first half of 2019 and completely handed over to purchasers. The works on second tower block has commenced and is expected to be completed by end of 2020. The third tower block and villas have been deferred until the market for high rise development improves.

In view of the oversupply of high-rise properties in Johor Bahru, the Group has since 2017 diversified into the landed property sector. In the same year, a freehold land of 67.5 acres was acquired. The land is strategically located in the Skudai Corridor which is within a matured residential and commercial township with convenient neighborhood amenities. It was immediately developed under the name of Danga Sutera, a gated mix development project comprising of 645 landed residential units with clubhouse facilities and a commercial plot for future development. Of the 645 units, 525 units of super-linked landed component are anticipated to hand over in first half of 2020. Phase 2A comprising of 34 units of semi-detached houses and 2 bungalow lands were launched at the end of year 2019, has received encouraging responses from the market.

The highlights of the IWCity Group's financial information for the past 5 financial years are as follows:

| | <----------------------Financial year ended 31 December | | | | ---------------------> |
|---|---|---|---|---|---|
| | 2019 | 2018 (Restated) | 2017 (Restated) | 2016 | 2015 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | 219,048 | 122,058 | 267,632 | 76,596 | 181,636 |
| Earnings before interest, taxes, depreciation and amortization ("**EBITDA**") | 23,329 | 6,111 | 69,287 | (3,255) | 23,034 |
| Finance costs | 25,908 | 20,585 | 4,434 | 12,108 | 1,961 |
| (Loss)/Profit before taxation | (3,188) | (15,066) | 64,178 | (14,918) | 20,554 |
| (Loss)/Profit after taxation | (4,744) | (9,186) | 45,674 | (16,026) | 6,835 |
| Net assets ("**NA**") | 798,401 | 803,145 | 812,331 | 600,845 | 552,981 |
| Total assets | 1,910,300 | 1,852,337 | 1,780,309 | 1,357,771 | 1,322,107 |
| Borrowings | 251,447 | 238,172 | 238,843 | 142,387 | 199,104 |
| Liabilities/Equity (times) | 1.39 | 1.31 | 1.19 | 1.24 | 1.39 |

# MANAGEMENT DISCUSSION AND ANALYSIS Cont'd

### Overview of Group's Business and Operations Cont'd

| | <----Financial year ended 31 December----> | | | | |
|---|---|---|---|---|---|
| | 2019 | 2018 (Restated) | 2017 (Restated) | 2016 | 2015 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| (Loss)/Earnings per share (sen) | (0.57) | (1.10) | 5.58 | (2.28) | 1.02 |
| NA per share (sen) | 95 | 96 | 97 | 82 | 83 |
| Dividend per share (RM) | - | - | - | - | - |

Highlights of IWCity's share prices traded on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Malaysia") for the past 5 financial years are as follows:

| | <----Financial year ended 31 December----> | | | | |
|---|---|---|---|---|---|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Year high | 1.09 | 1.45 | 3.29 | 1.14 | 1.60 |
| Year low | 0.44 | 0.37 | 0.80 | 0.75 | 0.75 |
| Year close | 0.88 | 0.42 | 1.37 | 0.90 | 1.01 |
| Market capitalisation (as at the financial year end) (RM'000) | 736,902 | 351,703 | 1,147,223 | 663,030 | 676,424 |

### Review of Financial Results and Financial Condition

The Group recorded a satisfactory financial performance for Financial Year Ended 2019 ("FYE 2019") with revenue of RM219.0 million, representing an increase of 79.5% or RM97.0 million from the Financial Year Ended 2018 ("FYE 2018").

The increase in revenue generated was attributed mainly from its progress billings of the on-going Danga Sutera and Botanika projects. However, the increase in revenue recognised from property development segment was partially offset by the decrease in revenue recognised from the construction segment, which has decreased, by 116.52% or RM15.3 million from a positive revenue of RM13.1 million in the FYE 2018 to a negative revenue of RM2.2 million in the FYE 2019. The decrease was due to the revision of budgeted cost and reduction in liquidated and ascertained damages ("LAD") computed during the financial year under review.

With the improved revenue, the Group recorded a lower loss before tax of RM3.2 million in FYE 2019 as compared with a loss before taxation of RM15.1 million in FYE 2018. The loss before taxation of RM3.2 million was attributable to the increase in gross profit margins achieved by the Group during the FYE 2019 of 14.69% as compared to 8.63% for the FYE 2018. The strong gross profit margin in 2019 was in turn due to its on-going leading Danga Sutera project.

Administrative expenses increased by RM4.0 million or 76.70% from RM5.2 million in FYE 2018 to RM9.2 million in FYE 2019. An one-off waiver of tax penalty amounted to RM8.5 million was recorded in FYE 2018 resulted the lower administrative expenses for 2018. Whereas, very marginal increase of 1.80% or RM24,000 was recorded in selling and marketing expenses from RM1.3 million for the FYE 2018 to RM1.4 million for the FYE 2019.

Finance costs has also increased from RM20.6 million in FYE 2018 to RM25.9 million for FYE 2019, representing an increment of RM5.3 million or 25.86%. The increase is attributable to higher financing required for working capital and interest charged on the additional borrowings.

# MANAGEMENT DISCUSSION AND ANALYSIS Cont'd

## Review of Financial Results and Financial Condition Cont'd

As at 31 December 2019, the Group had total assets of RM1.91 billion and total liabilities of RM1.11 billion. This is compared to total assets of RM1.85 billion and total liabilities of RM1.05 billion as at 31 December 2018. The marginal increase in total assets of the Group was related to the increase in property development capitalised and other current assets in the FYE 2019 as compared to the FYE 2018. The Group's cash and bank balances increased by RM4.3 million or 10.22% from RM41.7 million for the FYE 2018 to RM45.9 million for the FYE 2019 due to the collection from purchasers.

The trade and other payables of the Group increased by RM66.5 million or 9.96%, mainly due to the increase in payables as a result of payments to contractors and the capitalisation of the interest charged.

The Group's total borrowings increased by RM13.3 million or 5.57% from RM238.2 million for the FYE 2018 to RM251.4 million for the FYE 2019. This increase is primarily due to the drawdown of bridging loans for the purpose of Danga Sutera development.

## Review of operating activities

The Group recognised a loss before taxation of RM3.2 million for FYE 2019 due to the high finance costs incurred for its business activities.

The property development division realised sales of RM220.8 million was attributed to sales from the Botanika project and Danga Sutera project. The Botanika project continues to progress well with first tower duly completed and has handed over to its owners. In addition, the structure and podium for second tower has also been completed. The Danga Sutera project sees healthy progress with the foundation having been completed. Other progress such as structural, walls and roofing of the project are all work in progress. A total of 525 units super-linked landed components of Danga Sutera is expected to handover in the first half of 2020.

Our construction segment recorded a negative revenue of RM2.2 million from the rescued project of Taman Bayou Tebrau, squatter resettlement and Pengerang projects. These projects are near to completion except for the relocation of squatters at Senibong.

## Anticipated or known risks

(i) Business risks

Property development is subject to certain business risks inherent to the industry including but not limited to, changes in general economic conditions, government regulations, inflation, competition from existing players and new entrants, shortage of labour for project completion, disruption in supply of building materials, non-renewal of licences and risks relating to the financing of projects.

Notwithstanding the above, the Group continues to limit and mitigate these risks through the implementation of prudent business strategies, continuous review of the operations and marketing strategies, efforts taken to improve efficiency, as well as close monitoring of the development projects undertaken. There can be no assurance that any of these risks will not have a material adverse impact on the Group.

(ii) Reclamation risks

As a significant portion of the Group's landbank comprise of waterfront properties, land reclamation has been a necessary and recurring activity for the Group. In addition, the 228 acres located in Plentong that has been alienated by the Government to IWCity is completely submerged and will require extensive reclamation. During the course of land reclamation, the Group may be exposed to operational risks, which include amongst others, unstable soil conditions post-reclamation, which may result in possible erosion or cave-in of land. In the event of such incidents occurring, the Group may incur substantial financial losses as well as possible damage in reputation.

Notwithstanding the above, the Board is confident the Group has the necessary experience to oversee the successful completion of the required reclamation works. Furthermore, the Board shall take all measures to secure the necessary approvals and the Group has and will continue to engage reputable construction and reclamation companies with the necessary experience and capabilities to undertake the required works.

# MANAGEMENT DISCUSSION AND ANALYSIS Cont'd

**Anticipated or known risks** Cont'd

(iii) Delays in commencement and completion

The timely completion of property development projects is dependent on many external factors, including obtaining the necessary approvals from the relevant authorities including land offices, planning authorities and local councils as scheduled, securing construction materials in adequate amounts and the satisfactory performance by appointed contractors.

Ability to execute projects in a timely and cost-effective manner as the projects undertaken may be affected by external factors, which may be beyond the Group's control. Delays in construction of property development projects undertaken by the Group's third-party sub-contractors will have an adverse effect on the completion of our property development projects.

To mitigate this, the Group endeavours to closely monitor its sub-contractors works as well as the progress of the development projects in its efforts to achieve the development projects' timely completion.

(iv) Cost of materials and development projects

The materials used in the development projects of the Group generally represent a significant portion of development cost. These materials are global commodities, for which their availability and prices depend on local and global market conditions. The volatility in fuel prices, the revision of electricity tariffs and the control measures on commodity prices and additional taxes implemented by the Government have added further uncertainty to the costs to be incurred by property developers. As building materials are key inputs for construction of building, structures and infrastructures, fluctuations in its prices will affect the Group's cost and profitability, especially in projects where the selling prices of the Group's development properties have been fixed.

In a situation where the Group has already launched a project and the cost of raw materials increases above its budgeted costs, the Group would be faced with reduced profit margins. Any material adverse fluctuation in transportation and material costs will also affect the Group's profit margins should it not be able to pass on any increased costs to the purchasers of the Group's development properties and all measures are taken to minimise this risk.

(v) Financing and interest rate risks

The Group's working capital requirements for development and construction activities may be partially funded via interest-bearing bank borrowings. As such, future fluctuations in interest rates could have material effects on the Group's interest and principal payments. There can be no assurances that the Group's performance will not be affected in the event of adverse changes in interest rates.

Notwithstanding the above, the funds available to the Group are expected to be sufficient for the Group to meet its financial obligations.

(vi) Other risks

The coronavirus, or Covid-19 pandemic, has brought the whole world to a standstill, and the property market is no exception with mounting pressure on the supply and demand. Business sentiment is at its lowest level, with many operations severely impacted by the outbreak. The sense of uncertainty will lead to slower demand as businesses and occupiers will likely continue to postpone major expansion or relocation decisions. During economic instability, real estate transaction volumes typically moderate. In light of the current undertaken of the Movement Control Order and the Conditional Movement Control Order in our country from 18 March 2020 to 9 June 2020, there are disruptions to the property transaction process, including difficulties in continuing construction of properties, conducting property viewings and title searches, etc. Such unforeseen risk has directly impacted our business operations and business function.

# MANAGEMENT DISCUSSION AND ANALYSIS Cont'd

**Forward Looking Statement**

In view of the uncertain development of Covid-19 and its impact, the property market in Johor particularly in the Iskandar region over the next few months expects to be very challenging. Nevertheless, the Group is hopeful that the pandemic of Covid-19 will be over soon and strongly believing in our products, with an innovative concept, pricing and location will sustain favorable patronage from the homebuyers' market. The Group will continue to supply a wide range of premium quality products, ranging from deluxe residences with high-end finishes and facilities to sizable landed units with practical and efficient layouts within the township of its development. The Group continues to derive its revenue mainly from the current Botanika Project and Danga Sutera Project.

The Group will strive to enhance its operational efficiencies, manage costs and cash flows with the aim of achieving improved results and ensure sustainable long-term growth for the Group.

We are confident that our present management team built up over the last few years will be able to cope with the changing environment and the challenges.

DIRECTORS' PROFILES

## DATO' HJ. AYUB BIN MION
**(Independent Non-Executive Chairman)**
**Malaysian, male, age 73**

Dato' Ayub was appointed to the Board on 3 March 2004 as Non-Independent, & Non-Executive Director and was then re-designated as Independent Non-Executive Director on 28 January 2014. He graduated with a Bachelor of Arts (Hons.), Degree from University Malaya in 1970. He joined the Johor State Civil Service on 14 June 1970 and served the Land Administration for 17 years. His last post was Deputy Director of Land and Mines, Johor, 1982-1986.

He retired as the State Secretary of Johor. Upon his retirement in 2003, he was appointed as Development Advisor to the State Government. At the same time, he was appointed as the Chairman of Cahaya Jauhar Sdn Bhd, a joint venture company between the State Government and UEM Land Sdn Bhd. The company was responsible for planning and developing 'Kota Iskandar', the New Administrative Centre of Johor in Iskandar Puteri.

Dato' Ayub was appointed to QSR Brands Berhad/ KFC Holdings (Malaysia) Berhad's Board from 2011 till 2013. He also holds directorship in several private limited companies.

Dato' Ayub does not have any family relationships with any Director and/or major shareholder of the Company.

## TAN SRI DATO' LIM KANG HOO
**(Executive Vice Chairman)**
**Malaysian, male, age 65**

Tan Sri Dato' Lim was appointed to the Board on 3 July 2012. He was then appointed as Executive Vice Chairman on 14 August 2012.

Tan Sri Dato' Lim is a businessman with over 40 years of experience in the construction industry and machinery related industry. He started his involvement in the construction industry soon after completing his secondary education, assisting the family construction business. His dynamism and vision coupled with experience saw the companies that he leads grow by leaps and bound.

At present, he is the Executive Chairman of Ekovest Berhad and PLS Plantations Berhad, all of which are listed on the Main Market of Bursa Malaysia Securities Berhad and also a Director of several other private limited companies. His vast experience in the construction industry had been instrumental to the growth and development of the Iskandar Waterfront Group.

Tan Sri Dato' Lim is the father of Mr. Lim Chen Herng. He is also the uncle of Datuk Lim Keng Guan and Mr. Wong Khai Shiuan.

## MR. WONG KHAI SHIUAN
**(Executive Director cum Chief Executive Officer)**
**Malaysian, male, age 38**

Mr. Wong Khai Shiuan has been on the Board since 18 February 2014. He was appointed as Chief Executive Officer on 17 June 2015.

He graduated in 2003 with a Bachelor of Arts in Business Information Systems & Accounting from the University of Middlesex, UK.

He has been with the Iskandar Waterfront Holdings ("IWH") Group since year 2003 serving in various capacities and during his tenure has amassed considerable experience in management and property development & investment. Prior to joining the IWH Group, he worked with Knusford Berhad in the marketing department. He is a director of Iskandar Waterfront Sdn Bhd and several other private companies.

He is a nephew of Tan Sri Dato' Lim Kang Hoo and cousin of Datuk Lim Keng Guan and Mr. Lim Chen Herng.

## DATUK LIM KENG GUAN
**(Executive Director)**
**Malaysian, male, age 56**

Datuk Lim was appointed to the Board on 5 July 2013.

Datuk Lim holds a Diploma in Quantity Surveying and has acquired more than 30 years of in-depth commercial experience in property development, construction and related activities. This includes building and civil engineering works, design and build, turnkey projects, trading in building materials, reconditioning and rental of machinery.

He was previously Project Director of PLS Plantation Berhad, which is listed on the Main Market of Bursa Malaysia Securities Berhad. In the year 2000, he joined the Iskandar Waterfront Holdings ("IWH") Group of Companies and was appointed Group Head of Procurement and Contract Administration where he was instrumental in the extensive upgrading and reclamation works carried out by the IWH Group of Companies. Datuk Lim is presently Executive Chairman of Lim Seong Hai Holdings Sdn Bhd and also holds directorships in other private limited companies.

Datuk Lim is the nephew of Tan Sri Dato' Lim Kang Hoo and cousin of Mr. Wong Khai Shiuan and Mr. Lim Chen Herng.

DIRECTORS' PROFILES

## MR. KHOO BOON HO
**(Senior Independent Non-Executive Director)**
**Malaysian, male, age 80**

Mr. Khoo was appointed to the Board on 15 July 2003.

Mr. Khoo, an accountancy graduate from Australia was admitted as a member of the Australian Society of Accountants in 1962. He is also a Fellow of the Institute of Certified Public Accountants of Singapore. Upon graduation, he joined a Singapore Public Accountant firm, as an auditor before joining Boustead Holdings Berhad in 1963. He was the Group Financial Controller when he resigned in 1975 to join Boustead Singapore Limited, a public limited company. He was the Deputy Managing Director when he left Boustead Singapore. He is also a member of The Institute of Internal Auditors Malaysia.

He also holds directorship in several private limited companies.

Mr. Khoo does not have any family relationships with any Director and/or substantial shareholder of the Company.

## MR. BERNARD HILARY LAWRENCE
**(Independent Non-Executive Director)**
**Malaysian, male, age 53**

Mr. Bernard was appointed to the Board on 1 September 2009.

Since graduating in 1990, Mr. Bernard has garnered considerable experience having served as Head of Legal Department for a local bank, as Legal Adviser to a subsidiary of Telekom Malaysia Berhad and as Group Legal Adviser to the Articulate Group of Companies. Since 2001, he has been the Managing Partner of Messrs B H Lawrence, Advocates & Solicitors, a boutique law firm operating in the areas of corporate, conveyancing, construction and litigation. With his varied experience, Mr. Bernard has knowledge of the corporate as well as legal sectors.

Mr. Bernard holds a Bachelors Degree in Law (with Honours) from the University of Warwick, Coventry, England, a Masters Degree in Law from University of Malaya, is a Barrister of Grays Inn, London and is a KLRCA empaneled CIPAA Adjudicator. Currently, he also is an Independent Non-Executive Director in Knusford Berhad.

He does not have any family relationships with any Director and/or substantial shareholder of the Company.

## DATO' HJ. MOHD NOORAZAM BIN DATO' HJ. OSMAN

**(Non-Independent Non-Executive Director)**

**Malaysian, male, age 52**

Dato' Hj. Mohd Noorazam bin Dato' Hj. Osman was appointed to the Board of Iskandar Waterfront City Berhad on 7 June 2018.

He graduated with a Bachelor of Arts (Hons) Government and Public Policy from Northumbria University, New Castle Upon Tyne, United Kingdom in 1990.

He joined the Johor Civil Service in May 1991 and was posted to Johor Bahru District Land Office as Assistant District and Land Administrator effective June 1991. In 1995, he became the Private Secretary to the former Chief Minister of Johor, Tan Sri Dato' Haji Abdul Ghani bin Othman. Thereafter, he was assigned to be the Assistant Director of Johor State Economic Planning Unit (UPENJ). In 2003, he became Senior Assistant Director (Macro and Privatization) UPENJ until 2006, when he was promoted to the post of Deputy Director 1 in UPENJ. During the same period, he was also holding the post of Director (GM) of Syarikat Air Johor Holdings Sdn Bhd. In 2013, he became the District Officer of Kota Tinggi and subsequently the District Officer of Muar in January 2017. In November 2017, he was appointed as Chief Executive Officer of Sports Johor Sdn. Bhd., a wholly owned subsidiary of Kumpulan Prasarana Rakyat Johor Sdn Bhd. ("KPRJ"), primarily responsible for development of sports in Johor and main organizer for SUKMA Johor 2020.

With effect from 5 June 2018, he holds the position Chief Executive Officer of KPRJ, the first Johor Government Officer to hold such a post.

He does not have any family relationship with any Director and/or substanstial shareholder of the Company.

## MR. LIM CHEN HERNG

**(Alternate Director to Tan Sri Dato' Lim Kang Hoo)**

**Malaysian, male, age 33**

Mr. Lim Chen Herng was appointed to the Board on 8 July 2015.

He graduated with a Degree in Business Management from Royal Holloway, University of London in 2008. He has been with the family business since 2008, with management exposure in the property development, construction, finance and oil & gas industry.

He also sits on the Board of several private limited companies, most notably the master developer Iskandar Waterfront Holdings Sdn Bhd, one of the substantial shareholders of Iskandar Waterfront City Berhad. At present, he is the Group Executive Director of Iskandar Waterfront Holdings Sdn Bhd where he oversees the business development and investment for the Group. Besides, he is also sitting on the Board of Knusford Berhad and acting as an alternate director of PLS Plantations Berhad.

He is a son of Tan Sri Dato' Lim Kang Hoo and cousin of Datuk Lim Keng Guan and Mr. Wong Khai Shiuan.

**MR. LIM FOO SENG**
**(Independent Non-Executive Director)**
**Malaysian, male, age 50**

Mr. Lim Foo Seng was appointed to the Board of Directors of Iskandar Waterfront City Berhad on 11 October 2013.

He obtained his professional accounting certification from Malaysian Institute of Certified Public Accountants in 1997. He is a member of the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants. He started his career in Deloitte Kassim Chan, an international accounting firm, from 1989 till 1995 where he acquired knowledge, experience and exposure in management consultancy, taxation & accounting and auditing standards.

He left to join Arab-Malaysian Corporation Berhad Group ("Amcorp Group") in 1995 and was involved in the business planning, venture capital activities, corporate audit, corporate restructuring and monitoring of portfolio companies in his capacity as an Associate Director. He also served as a board member of various portfolio companies of Amcorp Group. He left Amcorp Group in 2003 where his last position with Amcorp Group was a Chief Financial Officer of MCM Technologies Berhad, an IT incubator and a subsidiary of Amcorp that was previously listed on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Malaysia") in which he played an instrumental role in its initial public offering.

Thereafter, he held various senior management positions and served as a board member of various established private limited and public listed companies in Malaysia. He joined Quest Technology Sdn Bhd in 2003 as a Chief Financial Officer and served as an Executive Director for Envair Holding Berhad, the holding company of Quest Technology Sdn Bhd, from 2005 to 2008. Envair Holding Berhad was involved in cleanroom engineering services and listed on ACE Market of Bursa Securities. From 2008 to 2009, he was an Executive Director of Asia Bioenergy Technologies Berhad ("Asia Bioenergy"), a technology incubator listed on ACE Market of Bursa Securities. Thereafter in late 2009, he set up and co-owned an investment holding company, LFS Holdings Sdn Bhd, which holds minority stakes in unquoted shares in few companies in producing parts of electrical and electronic products, in which he subsequently disposed of his stakes and resigned as director in 2011. Subsequently, he embarked into retail industry where he was the Head of Strategic Planning for Aivoria Group Sdn Bhd ("Aivoria") and Winn Worldwide Sdn Bhd ("Winn") from 2011 to 2013 and 2014 to 2017 respectively. Aivoria and Winn are mainly involved in the retail chain business of cosmetic and fashion segment respectively.

Currently, he is the Chief Strategy Officer of Nova Pharma Solutions Bhd, a company involved in the provision of engineering services for pharmaceutical and biotechnology industries and listed on the LEAP Market of Bursa Securities.

He was appointed as Independent Non-Executive Director of Knusford Berhad on 4 December 2013. From 2012 to 2015, he was the independent director of Asia Bioenergy.

He does not have any family relationship with any Director and/or substantial shareholder of the Company.

## CONFLICT OF INTEREST

There is no conflict of interest between the Directors and the Group except for the recurrent related party transactions where the Directors have interest, as disclosed in the Note 32 of the Audited Financial Statements.

## CONVICTION FOR OFFENCES

None of the Directors have been convicted for any offences (except traffic offences) within the past 5 years or any public sanction or penalty imposed by relevant regulatory bodies during the financial year.

## TAN SRI DATO' LIM KANG HOO

**(Executive Vice Chairman)**
**Malaysian, male, age 65**

Tan Sri Dato' Lim was appointed to the Board on 3 July 2012. He was then appointed as Executive Vice Chairman on 14 August 2012.

Tan Sri Dato' Lim is a businessman with over 40 years of experience in the construction industry and machinery related industry. He started his involvement in the construction industry soon after completing his secondary education, assisting the family construction business. His dynamism and vision coupled with experience saw the companies that he leads grow by leaps and bound.

At present, he is the Executive Chairman of Ekovest Berhad and PLS Plantations Berhad, all of which are listed on the Main Market of Bursa Malaysia Securities Berhad and also a Director of several other private limited companies. His vast experience in the construction industry had been instrumental to the growth and development of the Iskandar Waterfront Group.

Tan Sri Dato' Lim is the father of Mr. Lim Chen Herng. He is also the uncle of Datuk Lim Keng Guan and Mr. Wong Khai Shiuan.

## MR. WONG KHAI SHIUAN

**(Executive Director cum Chief Executive Officer)**
**Malaysian, male, age 38**

Mr. Wong Khai Shiuan has been on the Board since 18 February 2014. He was appointed as Chief Executive Officer on 17 June 2015.

He graduated in 2003 with a Bachelor of Arts in Business Information Systems & Accounting from the University of Middlesex, UK.

He has been with the Iskandar Waterfront Holdings ("IWH") Group since year 2003, serving in various capacities and during his tenure has amassed considerable experience in management and property development & investment. Prior to joining the IWH Group he worked with Knusford Berhad in the marketing department. He is a director of Iskandar Waterfront Sdn Bhd and several other private companies.

He is a nephew of Tan Sri Dato' Lim Kang Hoo and cousin of Datuk Lim Keng Guan and Mr. Lim Chen Herng.

**DATUK LIM KENG GUAN**
**(Executive Director)**
**Malaysian, male, age 56**

Datuk Lim was appointed to the Board on 5 July 2013.

Datuk Lim holds a Diploma in Quantity Surveying and has acquired more than 30 years of in-depth commercial experience in property development, construction and related activities. This includes building and civil engineering works, design and build, turnkey projects, trading in building materials, reconditioning and rental of machinery.

He was previously Project Director of PLS Plantation Berhad, which is listed on the Main Market of Bursa Malaysia Securities Berhad. In the year 2000, he joined the Iskandar Waterfront Holdings ("IWH") Group of Companies and was appointed Group Head of Procurement and Contract Administration where he was instrumental in the extensive upgrading and reclamation works carried out by the IWH Group of Companies. Datuk Lim is presently Executive Chairman of Lim Seong Hai Holdings Sdn Bhd and also holds directorships in other private limited companies.

Datuk Lim is the nephew of Tan Sri Dato' Lim Kang Hoo and cousin of Mr. Wong Khai Shiuan and Mr. Lim Chen Herng.

# CORPORATE GOVERNANCE

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Iskandar Waterfront City Berhad ("Company") takes cognisance of the importance of adopting high standards of corporate governance in the Company as well as its subsidiaries (collectively, the "Group") in order to safeguard stakeholders' interests as well as enhancing shareholder value.

Pursuant to Paragraph 15.25 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Malaysia"), this Corporate Governance Overview Statement ("Statement") sets out the Company's application of the 3 Principles and observation of the Practices and Recommendations, of the Malaysian Code on Corporate Governance 2017 ("MCCG 2017") issued by the Securities Commission Malaysia, for the financial year ended 31 December 2019.

This Statement is to be read with the Corporate Governance Report 2019 ("CGR"), which is made available on the Company's website at www.iwcity.com.my . Where a specific Principle or Practice of the MCCG 2017 has not been observed during the financial year, the non-observation, including reasons thereof, and the alternative practice adopted, if any, is mentioned in the CGR.

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

The Board recognises its key role in charting the strategic direction of the Company and has assumed the following principal responsibilities in discharging its fiduciary and leadership functions:

- Review, evaluate, adopt and approve the strategic plans and policies for the Group;
- Oversee and monitor the conduct of the businesses and financial performance and major capital commitments of the Group;
- Review and adopt budgets and financial results of the Group, monitor compliance with applicable accounting standards and the integrity and adequacy of accurate financial information disclosure;
- Review and approve any major corporate proposals, new business ventures or joint ventures of the Group;
- Ensure adequate measures are taken to protect all assets of the group and maximise their potential;
- Review, evaluate and approve any material acquisitions or disposals of undertakings and assets in the Group;
- Identify principal risks and assess the appropriate risk management systems to be implemented to manage these risks;
- Establish and oversee a succession planning programme for the Group, including the remuneration and compensation policy thereof;
- Establish, review and implement corporate communication policies with the shareholders, investors, other key stakeholders and the public;
- Review and determine the adequacy and integrity of the internal control systems and management information of the Group; and
- Develop a corporate code of conduct to address, amongst others, any conflicts of interest relating to directors, major shareholders and/or management.

To assist in the discharge of its stewardship role, the Board has established Board Committees, namely the Audit Committee, Nomination Committee, Remuneration Committee, Risk Management Committee and Tender Approval Committee ("TAC") to examine specific issues within their respective terms of reference as approved by the Board and report to the Board with their recommendations. The ultimate responsibility for decision making, however, lies with the Board.

All Board Committees with the exception of TAC, comprise only of Independent Non-Executive Directors. TAC being an operational unit, comprises of two Executive Directors and an Independent Non-Executive Director.

### Board Charter

The Board is aware of the need to clearly demarcate the duties and responsibilities of the Board, Board Committees and Management, including the limits of authority accorded, in order to provide clarity and guidance to Directors and Management. The Board has in place a Board Charter, setting out, inter-alia, the roles of the Board, Board Committees, Executive and Non-Executive Directors and Management. The Charter serves as a reference point for Board activities to enable Directors to carry out their stewardship role and discharge their fiduciary duties towards the Company. The Board shall update the Charter as and when need arises to reflect changes to the Company's policies, procedures as well as to comply with the latest regulations and legislations.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT Cont'd

## Board Charter Cont'd

The full Charter is available on the Company's website.

The number of meetings of the Board and Board Committees held during the year were:

| Types of Meetings | Number of Meetings |
|---|---|
| Board of Directors | 5 |
| Audit Committee | 5 |
| Nomination Committee | 1 |
| Remuneration Committee | 1 |
| Risk Management Committee | 2 |
| Tender Approval Committee | 4 |

The role of the Independent Non-Executive Chairman of the Board and the Executive Vice Chairman ("EVC") are separate with each having a clear scope of duties and responsibilities. The distinct and separate roles of the Chairman and the EVC, with a clear division of functions and responsibilities, ensure a balance of power and authority, such that no one individual has unfettered powers of decision making. This crucial partnership dictates the long-term success of the Group. The Chairman plays a crucial and pivotal role in ensuring the leadership, effectiveness, conduct and governance of the Board, whilst the EVC has overall responsibility for the operational and business units, organisational effectiveness, implementation of Board policies, directives, strategies and decisions. The Board has delegated to the EVC the day-to-day management of the Group, supported by the Chief Executive Officer ("CEO") and/or Executive Director and a team of experienced managers. The EVC is responsible for the executive function of the Group's business and leading Management in implementing decisions and pursuing corporate objectives as approved by the Board. He may however delegate some of the day-to-day management to the CEO and/or the Executive Director while Non-Executive Directors do not participate in the day-to-day management of the Company, they contribute their expertise and experience to the development and monitoring of its corporate strategy.

## Code of Ethics, Conduct and Whistle-blowing Policy and Anti-Bribery and Anti-Corruption Policy

The Board recognises the importance of having in place a Code of Ethics and Conduct, setting out the standards of conduct expected from Directors and employees, to engender good corporate behaviour and has formalised such a Code, including uploading the same on the Company's website. Meanwhile, the Board Charter sets out provision for disclosure and conflict of interest to be observed by Directors. The Company's Terms and Conditions of Service for employees also include provisions on conduct, which highlight, amongst others, the need to refrain from accepting any forms of gifts or inducement from interested or potentially interested parties.

The Board has established and adopted a Whistle-Blowing Policy and Procedures document, which outlines when, how and to whom a concern may be properly raised about the actual or potential corporate fraud or breach of regulatory requirements involving employee, Management or Director in the Group.

The Board has in accordance with the requirements of Bursa Malaysia adopted the Anti-Bribery and Anti-Corruption Policy, to prevent corrupt practices, and to provide a measure of assurance and a defence against corporate liability for corruption under section 17A of the Malaysian Anti-Corruption Commission Act 2009.

The Code of Ethics and Conduct, Whistle Blowing policy and Anti-Bribery and Anti-Corruption Policy are all made available on the Company's website.

## Sustainability of Business

The Board is mindful of the importance of business sustainability and in conducting the Group's business, the impact on the environmental, social and governance aspects is considered in the Group's corporate strategies.

The sustainability initiatives and activities undertaken by the Group for the financial year ended 31 December 2019 are disclosed in the "Sustainability Statement" on Page 40, provided in this Annual Report.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT Cont'd

## Supply of and Access to Information

The Board is supplied with relevant information and reports on financial, operational, corporate, regulatory, business development and audit matters, by way of Board reports or upon specific requests, for decisions to be made on an informed basis and for an effective discharge of the Board's responsibilities. Any Director may at any time, request for additional information.

Timely dissemination of meeting agenda, including the relevant Board and Board Committees papers to all Directors prior to the Board and Board Committees meetings to give effect to Board decisions and to deal with matters arising from such meetings, is observed. Board members are furnished with pertinent explanation and information on relevant issues and recommendations by Management. The issues are then deliberated and discussed thoroughly by the Board before a decision is made.

In addition, Board members are updated on the Group's activities and its operations on a regular basis. All Directors have access to information of the Company on a timely basis in an appropriate manner and quality necessary to enable them to discharge their duties and responsibilities.

Senior Management of the Group and external advisers are invited to attend Board meetings to provide additional insights and professional views, advice and explanations on specific items on the meeting agenda. Besides direct access to Management, Directors may obtain independent professional advice at the Company's expense, if considered necessary, in furtherance of their duties. However, during the year, the Directors did not encounter any situations requiring such advice. This procedure is formalised in the Company's Board Charter.

Directors have unrestricted access to the advice and services of the Company Secretaries to enable them to discharge their duties effectively. The Board is regularly updated and advised by the Company Secretaries, who are qualified, experienced and competent on statutory and regulatory requirements, on the resultant implications of any changes in regulatory requirements to the Company and Directors in relation to their duties and responsibilities. The Company Secretaries, who oversee adherence to Board policies and procedures, brief the Board on the proposed contents and timing of material announcements to be made to regulators. The Company Secretaries attend all Board and Board Committee meetings and ensure that meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are taken and maintained accordingly. The removal of the Company Secretaries, if any, is a matter for the Board, as a whole, to decide.

## Composition of The Board

The Board currently comprises nine (9) members, three (3) of whom are Executive Directors, one (1) Non-Independent Non-Executive Director, and five (5) Independent Non-Executive Directors and one (1) Alternate Director. This composition fulfils the requirements as set out under MMLR of Bursa Malaysia, which stipulates that at least two (2) Directors or one-third of the Board, whichever is higher, must be Independent and in compliance with MCCG 2017, of which at least half of the Board comprises independent directors. The profile of each Director is set out in this Annual Report. The Directors, with their different backgrounds and specializations, collectively bring with them a wide range of knowledge, skills, experience and expertise in areas such as public administration, property development, construction, quantity surveying, building and civil engineering, information systems, accounting and audit and legal.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT Cont'd

## Nomination Committee

The Nomination Committee ("NC"), established by the Board with specific terms of reference which is available on the Company's website, comprises the following Directors as its members:

- Mr. Bernard Hilary Lawrence (Chairman)
- Dato' Hj. Ayub bin Mion
- Mr. Khoo Boon Ho

The NC is primarily responsible for recommending suitable appointments to the Board, taking into consideration the Board structure, size, composition and the required mix of expertise and experience which the Director should bring to the Board. It is also tasked to assess the effectiveness of the Board as a whole, the Board Committees and the contribution of each Director.

The final decision on the appointment of Director in respect of a candidate recommended by the Nomination Committee rests with the Board. The Company Secretaries ensure that all appointments are properly made upon obtaining all necessary information from the Director.

During the financial year under review, the Nomination Committee met once which was attended by all members and carried out an assessment of the Board, Board Committees and individual Directors in relation to their performance and contribution towards meeting the needs of the Company. The evaluation took into consideration the competency, experience, character, integrity and time availability, including the mix of skills, of the Directors concerned.

The Nomination Committee also recommended to the Board those on Directors who are retiring at the forthcoming Annual General Meeting ("AGM") for re-election. In addition, NC informed the Board on the two Independent Non-Executive Directors who have served the Board for more than a cumulative term of 9-year, are subject to re-designation as Non-Independent Directors. Given that the majority of the NC are the Directors involved in this matter, the Committee has abstained from making any recommendation to the Board but letting the Board to deliberate and recommend the continuation in office of the Independent Non-Executive Directors who have been in office, exceeded the 9-year tenure. The Board, after assessed their expertise in corporate, legal and finance matters and their significant contribution to the effectiveness of the Board and the Board Committees as a whole, proposed for the said Directors be retained as Independent Non-Executive Directors, subject to the approval to be obtained at the forthcoming AGM.

A Board diversity policy has been formalised to ensure that the Board comprises Directors of the required mix of skills and experience to assist the Company in achieving its objectives. However, insofar as Board diversity is concerned, the Board does not intend to set out any specific policy on targets for women Director, age or ethnicity composition in the Board. The Board believes that the on-boarding process of Directors should not be based on any gender, age or ethnic discrimination and instead evaluation of suitable candidates should be solely based on the candidates' competency, character, time availability, integrity and experience in meeting the needs of the Company, including, where appropriate, the ability of the candidates to act as Independent Non-Executive Directors, as the case may be.

## Remuneration Committee

The Remuneration Committee ("RC"), established by the Board with specific terms of reference, comprises the following Independent Non-Executive Directors:

- Mr. Lim Foo Seng (Chairman)
- Dato' Hj. Ayub bin Mion
- Mr. Bernard Hilary Lawrence

# CORPORATE GOVERNANCE OVERVIEW STATEMENT Cont'd

## Remuneration Committee Cont'd

The RC assists the Board in recommending the remuneration of Directors. The RC meets as and when required to review Directors' remuneration. However, at the request of the Executive Directors of the Company, all Executive Directors other than an Executive Director who holds Chief Executive Officer's position, do not benefit from any remuneration package except for the Directors' allowance, at the same amount received by the Non-Executive Directors (other than the Chairman and the Audit Committee's Chairman). In the case of Non-Executive Directors, the level of remuneration is determined by the Board as a whole and reflects the experience and level of responsibilities undertaken by the Non-Executive Directors concerned.

In all instances, the deliberations are conducted with the Directors concerned abstaining from discussions on their individual remuneration. During the year, the Committee met once which was attended by all members.

In compliance with the MMLR, the remuneration paid to the Directors, in aggregation as follows:

| FOR THE YEAR 2019 | Fees and allowances | Salaries and other emoluments | Estimated value of benefits in kind | Total |
|---|---|---|---|---|
| | RM '000 | RM '000 | RM '000 | RM '000 |
| **Company** | | | | |
| **Executive directors** | | | | |
| Tan Sri Dato' Lim Kang Hoo | 36 | - | - | **36** |
| Datuk Lim Keng Guan | 39 | 3 | - | **39** |
| Wong Khai Shiuan | 43 | 826 | 44 | **913** |
| Lim Chen Herng (alternate director to Tan Sri Dato' Lim Kang Hoo) | - | - | - | **-** |
| **Non-Executive directors** | | | | |
| Dato' Ayub bin Mion | 77 | - | - | **77** |
| Khoo Boon Ho | 55 | - | - | **55** |
| Bernard Hilary Lawrence | 40 | - | - | **40** |
| Mohd Salleh Othman | 39 | - | - | **39** |
| Lim Foo Seng | 43 | - | - | **43** |
| Dato' Hj. Mohd Noorazam Bin Dato' Hj. Osman | 39 | - | - | **39** |
| **SUB-TOTAL** | **411** | **826** | **44** | **1,281** |
| **Subsidiaries** | | | | |
| Datin Paduka Hjh Aminah binti Hashim | 38 | 2 | - | **38** |
| Dato' Hj. Md Zahari bin Md. Zin | 39 | 3 | - | **39** |
| **TOTAL** | **488** | **826** | **44** | **1,358** |

## CORPORATE GOVERNANCE OVERVIEW STATEMENT Cont'd

### Director's Remuneration

Also, the details of the remuneration of the senior management which consists of the Executive Directors and Chief Executive Officer, have also been disclosed under the remuneration of the individual directors, and the bands of the said personnel are as follows:

| Remuneration band (RM) | Group |
|---|---|
| **Executive directors and key senior management** | |
| Up to 50,000 | 2 |
| 900,001 to 950,000 | 1 |
| **Total** | 3 |

### Tender Approval Committee

The Tender Approval Committee ("TAC"), established by the Board, is headed by the following directors of the Company, one of whom is an Independent Non-Executive Director:

- Tan Sri Dato' Lim Kang Hoo
- Mr. Khoo Boon Ho
- Mr. Wong Khai Shiuan

In the absence of any of Executive Directors, any director may nominate other persons to attend the meeting. Besides, there are some senior management acting as the members of the TAC to assist the Board in the deliberation of the relevant tenders. The TAC meets regularly to review and award tenders for expenditure in excess of RM25,000. At all times the Independent director has attended the meetings during the year.

The TAC invites and considers Tenders for the supply of goods or services or works to be undertaken which are necessary for carrying out the objective of Procurement and Contract Administration and shall make decisions or recommendations on the acceptance or rejection of such Tenders.

The TAC ensures that procurement is geared to achieve the high quality of goods, services and construction which commensurate with the objectives. The TAC ensures accountability and transparency in all matters pertaining to tendering, procurement and contracting and also ensures the selection of all contractors and service providers is made on transparent, fair and cost-effective basis.

### Reinforce Independence of the Board

The Independent Non-Executive Directors bring to bear objective and independent views, advice and judgment on interests, not only of the Company, but also of shareholders and stakeholders. Independent Non-Executive Directors are essential for protecting the interests of shareholders and can make significant contributions to the Company's decision making by bringing in the quality of detached impartiality. The Board has appointed Mr. Khoo Boon Ho as the Senior Independent Non-Executive Director to whom concerns may be conveyed by shareholders and other stakeholders.

The Board recognises the importance of establishing criteria on independence to be used in the annual assessment of its Independent Non-Executive Directors. The definition on independence accords with the MMLR of Bursa. The independent directors also have made declaration of their Independence Status on a yearly basis to the Company. At end of the financial year, there are two Independent Non-Executive Directors, namely Mr. Khoo Boon Ho and Mr. Bernard Hilary Lawrence, who have served for a cumulative period exceeding nine (9) years. Following the assessment on the tenure, contribution and independence of both Mr. Khoo and Mr. Bernard, the Board then recommended that both Mr. Khoo and Mr. Bernard to continue their service as the Independent Non-Executive Directors, for the next financial year. Key justifications for them be recommended for the continuance as Independent Non-Executive Directors are as follows:

- fulfils the criteria under the definition of Independent Non-Executive Director as stated in the Listing Requirements and, therefore, are able to bring independent and objective judgment to the Board;

# CORPORATE GOVERNANCE OVERVIEW STATEMENT Cont'd

**Reinforce Independence of the Board** Cont'd

- their skills, competence and experience are pivotal in relation to the needs of the Board Committees, Nomination Committee and also TAC in their deliberations;
- their time commitment to the Company as evidenced by their meeting attendances at Board, Board Committee meetings and/or TAC Meetings; and
- they have been with the Company long enough to understand the Group's business operations which enable them to contribute actively during deliberations or discussions at the Board Committees and/or TAC Meetings.

Additionally, the Board is of the view that the independence of Directors cannot be assessed only based on the length of service, but that the true independence emanates from intellectual honesty, manifested through a genuine commitment to serve the best interests of the Company.

**Foster Commitment of Directors**

The Board ordinarily meets at least four (4) times a year, scheduled well in advance before the end of the preceding financial year to facilitate the Directors in planning their meeting schedule for the year. Additional meetings are convened when urgent and important decisions need to be made between scheduled meetings. Board and Board Committee papers, which are prepared by Management, provide the relevant facts and analysis for the convenience of Directors. The meeting agenda, relevant reports and Board papers are furnished to Directors and Board Committee members well before the meeting to allow the Directors sufficient time to study for effective discussion and decision-making during meetings. At the quarterly Board meetings, the Board reviews the business performance of the Group and discusses major strategic, operational and financial issues. The Chairman of the Audit Committee briefs the Directors at each Board meeting the salient matters noted by the Audit Committee and which require the Board's attention or direction. All pertinent issues discussed at Board meetings in arriving at decisions and conclusions are properly recorded by the Company Secretaries by way of minutes of meetings and the minutes are circulated in a timely manner.

**Board Meetings**

There were five (5) Board meetings held during the financial year ended 31 December 2019, with details of Directors' attendance set out below:

| Name of Director | Attendance |
|---|---|
| Dato' Hj. Ayub bin Mion | 4/5 |
| Tan Sri Dato' Lim Kang Hoo | 3/5 |
| Datuk Lim Keng Guan | 5/5 |
| Wong Khai Shiuan | 5/5 |
| Khoo Boon Ho | 5/5 |
| Bernard Hillary Lawrence | 5/5 |
| Mohd Salleh bin Othman* | 5/5 |
| Lim Foo Seng | 5/5 |
| Dato' Hj. Mohd Noorazam bin Dato' Hj. Osman | 4/5 |
| Lim Chen Herng (alternate director to Tan Sri Dato' Lim Kang Hoo) | 0/5 |

*resigned w.e.f. 16 April 2020

It is the practice of the Company for Directors to devote sufficient time and efforts to carry out their responsibilities. All the Directors have met the stipulations of the MMLR on attendance at Board meeting.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT Cont'd

### Directors' Training – Continuing Education Programmes

The Board is mindful of the importance for its members to undergo continuous training to be apprised of changes to regulatory requirements and the impact such regulatory requirements have on the Group.

During the financial year, all Directors attended the in-house trainings organised by Corporate Administration Sdn Bhd entitled Leveraging on Big Data Analytics.

In addition, the Directors also attended several seminars as follows:-

| | Name of Director | Training attended |
|---|---|---|
| (a) | Mohd Salleh bin Othman | • Business Council for Sustainability Responsibility Malaysia (BCSD) : Sustainability and Business<br>• Tax Audit & Investigations |
| (b) | Dato' Hj. Ayub bin Mion | • Malaysia Internal Audit (MIA) Engagement Session with Audit Committee Members on Integrated Reporting |
| (c) | Khoo Boon Ho | • Evaluating Effective Internal Audit Function – Audit Committee's Guide on How To |
| (d) | Lim Foo Seng | • Audit Oversight Board Conversation with Audit Committees<br>• Tax Audit & Investigations |
| (e) | Bernard Hilary Lawrence | • Tax Audit & Investigations |
| (f) | Dato' Hj. Mohd Noorazam bin Dato' Hj. Osman | • Highly Performers Leadership Programme |

The Directors continue to undergo relevant training programmes to further enhance their skills and knowledge in the discharge of their stewardship role. Moving forward, training needs analysis will be conducted on individual Directors, considering the results of the assessment on the Board, Board Committees and individual Directors, to enable training programs to be developed.

### PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

It is the Board's commitment to present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of each reporting period and financial year, primarily through the quarterly announcement of Group's results to Bursa Malaysia, the annual financial statements of the Group and Company as well as the message to shareholders in the Annual Report.

### Audit Committee

In assisting the Board to discharge its duties on financial reporting, the Board has established an Audit Committee, comprising exclusively Independent Non-Executive Directors as below:

- Mr. Khoo Boon Ho (Chairman)
- Dato' Hj. Ayub bin Mion
- Mr. Lim Foo Seng

The detailed composition of the Audit Committee, including its roles and responsibilities, are set out in the Audit Committee Report of page 32 in this Annual Report. One of the key responsibilities of the Audit Committee in its specific terms of reference is to ensure that the financial statements of the Group and Company comply with applicable financial reporting standards in Malaysia. Such financial statements comprise the quarterly financial report announced to Bursa Malaysia and the annual statutory financial statements.

A policy governing the provision of non-audit services by the external auditors, in view of maintaining their independence and objectivity, has been developed and adopted by the Audit Committee.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT Cont'd

### Audit Committee Cont'd

In assessing the independence of external auditors, the Audit Committee requires written assurance by the external auditors, confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out by the International Federation of Accountants and the Malaysian Institute of Accountants.

### Risk Management Committee

The Board has established a risk management process to identify, evaluate, control, report and monitor significant risks faced by the Group. Periodic reporting of risk issues, including mitigating measures, is made by Management to the Risk Management Committee.

The Risk Management Committee, established by the Board with specific terms of reference, comprises the following Independent Non-Executive Directors:

- Mr. Lim Foo Seng (Chairman)
- Mr. Bernard Hilary Lawrence
- Mr. Khoo Boon Ho

The risk management framework of the Group seeks to, amongst others, formalize the Board's risk appetite, use of key risk indicators and risk parameters, risk treatment plans and the formation of a Risk Management Committee, assisted by the management to follow up on risk management matters as well as action plans to address the findings raised by the internal auditors and external auditors.

The internal audit function of the Group is outsourced to an independent professional firm, who undertakes regular reviews of the adequacy and operating effectiveness of the Group's system of risk management and internal controls. The internal audit function reports directly to the Audit Committee. Further details on the internal audit function can be seen in the Audit Committee Report and the Statement on Risk Management and Internal Control included in this Annual Report.

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

The Board is aware of the need to establish corporate disclosure policies and procedures to enable comprehensive, accurate and timely disclosures relating to the Company and its subsidiaries to be made to the regulators, shareholders and stakeholders. Accordingly, the Board has formalised pertinent policies and procedures not only to comply with the disclosure requirements as stipulated in the MMLR of Bursa Malaysia, but also identify the persons responsible to approve and disclose material information to the regulators, shareholders and stakeholders. To augment the process of disclosure, the Board has earmarked a dedicated section for corporate governance on the Company's website where information on the Company's announcements to the regulators, rights of shareholders, the Company's Annual Report, etc., may be accessed.

### Shareholder Participation at General Meeting

The Annual General Meeting ("AGM") and/or Extraordinary General Meetings ("EGM"), are the principal forums for shareholder dialogue, allowing shareholders to review the Group's performance via the Company's Annual Report and pose questions to the Board for clarification on any issues and to gain better understanding of the Group's business affairs and performance. At the AGM, shareholders participate in deliberating resolutions being proposed or on the Group's operations in general. At the last AGM, a question and answer session was held where the Chairman invited shareholders to raise questions with responses from the Board and there were no key matters raised nor discussed at the AGM.

Notices of each AGM are issued in a timely manner to all shareholders to enable shareholders to go through the Annual Report and papers supporting the resolutions proposed. Shareholders are invited to ask questions both about the resolutions being proposed before putting a resolution to vote as well as matters relating to the Group's operations in general. All resolutions passed by the shareholders at the previous AGM held on 20 June 2019, were all voted by poll.

The Company will continue to put all resolutions to vote by poll at future AGM.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT Cont'd

**Communication and Engagement with Shareholders**

The Board recognises the importance of being transparent and accountable to the Company's investors and, as such, has various channels to maintain communication with them. The various channels are through the quarterly announcements on financial results to Bursa Malaysia, relevant announcements and circulars, when necessary, the AGM and through the Group's website where shareholders can access pertinent information concerning the Group.

**Statement of Directors' Responsibility in Respect of the Financial Statements**

The Group's financial statements have been drawn up in accordance with the applicable approved accounting standards in Malaysia and the Companies Act, 2016. The financial statements give a true and fair view of the state of the affairs of the Group at the end of the financial year, and of the financial performance and cash flows for the financial year.

In preparing the financial statements, the Directors are also responsible for:

- The adoption of suitable accounting policies and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Ensuring that all applicable financial reporting standards have been followed; and
- Preparing financial statements on a going concern basis as the Directors have reasonable expectations, having made enquiries that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

The Directors have the responsibility of ensuring that the Company maintains adequate accounting records and sufficient internal controls to safeguard the assets and to prevent and detect fraud or other irregularities in the Group.

This Statement has been approved by the Board on 17 June 2020.

# AUDIT COMMITTEE REPORT

## 1. COMPOSITION

The Audit Committee (the "Committee"), which was established by the Board, comprises the following Directors as its members:

| | | |
|---|---|---|
| **Chairperson** | : | Mr. Khoo Boon Ho (Senior Independent Non-Executive Director) |
| **Members** | : | Dato' Hj. Ayub bin Mion (Independent Non-Executive Director)<br>Mr. Lim Foo Seng (Independent Non-Executive Director) |

## 2. ROLE OF THE AUDIT COMMITTEE

The Audit Committee has been entrusted by the Board with the following responsibilities that encompass overseeing the financial reporting process and the audit processes:

- to review the Group's quarterly and annual financial statements;
- to assess the Group's internal control system;
- to review the independence of the Group's internal and external auditors and the processes adopted by the auditors; and
- to review the Recurrent Related Party Transactions to ensure they are not detrimental to the minority as well as any conflict of interest situations.

## 3. KEY FUNCTIONS AND RESPONSIBILITIES

The key functions and responsibilities of the Audit Committee are to review the following and report the same to the Board:

- the audit plan, evaluation of the system of internal controls and the audit report with the external auditors, including the assistance given by employees of the Group to the external auditors;
- review any management letter sent by the external auditors to the Company and Management's response to such letter;
- review the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work. This includes determining whether the internal audit function deploys internal auditing standards that are recognised by professional bodies;
- review the internal audit programmes, processes, the major findings and results of the internal audit or investigations undertaken and whether or not appropriate action is taken on the recommendation of the internal audit function;
- the quarterly results and year-end financial statements, prior to approval by the Board of Directors, focusing on:
  - any changes in accounting policies and practice;
  - major judgmental areas;
  - significant adjustments resulting from the audit;
  - going concern assumptions;
  - compliance with accounting standards, stock exchange and other legal requirements;
  - assess the quality and effectiveness of internal control system; and
  - any significant transactions which are not a normal part of the Group's business;
- any related party transactions and conflict of interest situation that may arise within the Company and Group, including any transaction, procedure or course of conduct that raises questions of management integrity;
- any letter of resignation from external auditors;
- whether there is any reason (supported by grounds) to believe that external auditors are not suitable for re-appointment, including the assessment of their professional independence and performance;
- recommend the nomination of person or persons as external auditors;
- establish a policy on the provision of non-audit services by the external auditors and/or their network members firms/companies to minimize the risk of the external auditors' independence and objectivity from being impaired;
- any other function as may be required by the Board from time to time.

# AUDIT COMMITTEE REPORT Cont'd

## 4. SUMMARY OF WORK OF THE INTERNAL AUDIT

The Company outsourced its internal audit function to an independent professional firm, which reports directly to the Audit Committee. The internal audit function assists the Audit Committee in reviewing the adequacy and operating effectiveness of the system of governance, risk management and internal control, based on an internal audit plan approved by the Audit Committee before internal audit work is carried out. The scope of internal audit covers all operating units, including key subsidiaries, as set out in the letter of appointment of the internal audit function. Further details of the internal audit function and its activities are mentioned in the Statement on Risk Management and Internal Control included in this Annual Report.

## 5. SUMMARY OF ACTIVITIES UNDERTAKEN BY THE AUDIT COMMITTEE DURING THE FINANCIAL YEAR

The Audit Committee met five (5) times during the financial year ended 31 December 2019. The attendances of each member of the Committee were as follows:-

| Name | Designation | Meetings Attended |
|---|---|---|
| Khoo Boon Ho | Senior Independent Non-Executive Director | 5/5 |
| Dato' Hj. Ayub Bin Mion | Independent Non-Executive Director | 4/5 |
| Lim Foo Seng | Independent Non-Executive Director | 5/5 |

The Audit Committee members were served with meeting agenda and relevant Board papers which were distributed, with adequate notice, before the meeting to enable them to go through the matters to be deliberated at the meeting. The Company Secretaries are the secretaries of the Audit Committee.

During the financial year under review, the Audit Committee carried out the following activities:
- reviewed the quarterly financial announcements of the Group before recommending the same to the Board of Directors for approval;
- reviewed the audit plan of the external auditors and the proposed fees for the statutory audit;
- reviewed the performance of the external auditors in terms of their capability and professionalism before recommending them to be considered for re-appointment at the Annual General Meeting;
- reviewed the audited annual financial statements of the Group and the Company before recommending the same to the Board of Directors for approval;
- reviewed the internal audit reports and the recommendations on internal audit observations, including follow-up by the internal audit function on the status of Management's implementation of action plans to address issues highlighted in previous reports of the internal audit function;
- reviewed and evaluated the performance of the internal audit function and approved the renewal of their appointment;
- reviewed recurrent related party transactions within the Group;
- reported to the Board on its activities and significant findings and results;
- reviewed the Audit Committee Report and Sustainability Statement for inclusion in this Annual Report;
- reviewed the new accounting policies adopted by the Group to ensure compliance with the applicable Malaysian Financial Reporting Standards; and
- had one private session meeting with the External Auditors without Management during the year under review.

During the year, there were no instances where the Audit Committee members were required to call a special meeting to investigate areas of corruption, bribery or misconduct nor received whistleblower report.

This Audit Committee Report has been approved by the Board on 27 February 2020.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

***Introduction***

Paragraph 15.26 (b) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Malaysia") stipulates that a listed issuer must ensure that its Board of Directors makes a statement about the state of internal control of the listed issuer as a group. Accordingly, the Board of Directors ("Board") is pleased to furnish the statement, which outlines the nature and scope of the risk management and internal control system in the Group (comprising the Company and its subsidiaries) for the financial year ended 31 December 2019 and up to the date of approval of this Statement for inclusion in the Annual Report of the Company. For the purpose of disclosure, this statement takes into consideration the "Statement on Risk Management and Internal Controls - Guidelines for Directors of Listed Issuers" (the Guidelines"), issued by the Task Force on Internal Control with the support and endorsement of Bursa Malaysia.

The Board acknowledges its overall responsibility for the Group's system of risk management and internal control to safeguard shareholders' investment and the Group's assets as well as reviewing its adequacy and operating effectiveness in meeting the Group's objectives. The Board is mindful of the need to establish clear roles and responsibilities in discharging its fiduciary and leadership functions in line with Practice Note 1.1 of the Malaysian Code on Corporate Governance 2017 ("MCCG 2017"). Accordingly, the Board is aware that its principal responsibilities, as outlined in the Commentaries of the same Recommendation of the MCCG 2017, include, inter-alia, the following:

- to identify principal risks faced by the Group and ensure the implementation of appropriate controls and mitigation measures to address the risks; and
- to review the adequacy and integrity of the management information and internal control system of the Group.

The Board is also mindful of its role under Practice 9.1 of the MCCG 2017 in establishing a sound framework to manage risk. The Group has put in place a risk management process to identify and evaluate significant risks, comprising strategic, financial and operational risks as well as a system of internal control to mitigate such risks that are outlined below:

- *Business Risk*

  Property development is the subject to certain business risks inherent in the industry including but not limited to, changes in general economic conditions, government regulations, inflation, competition from existing players and new entrants, shortage of labour for project completion, disruption in the supply of building materials, non-renewal of licenses and risks relating to the financing of projects.

  Management will continue to limit and mitigate these risks through the implementation of prudent business strategies, continuous review of the operations and marketing strategies, efforts taken to improve efficiency, as well as close monitoring of its Development Project and its cash flows, there can be no assurance that any changes to these risks would not have any material adverse impact on IWCity Group's business.

- *Financing and interest rate risk*

  IWCity Group's working capital requirements such as reclamation works and development projects may be partially funded via interest-bearing bank borrowings. As such, future fluctuations in interest rates could affect the interest charges incurred on the borrowings and hence affect IWCity Group's profitability. Fluctuations in interest rates may also affect the demand for properties under the Company's Proposed Development plans, as higher interest rates may lead to an increase in the prices of the properties for prospective buyers. This may adversely affect the demand for properties and ultimately, the success of the Group's plans for the Proposed Development.

  In mitigating these risks, IWCity Group actively reviews its debt portfolio taking into account the level and nature of borrowings and manage our gearing level, interest costs and our cash flows to achieve an optimal capital structure to address the above risks. Depending on market conditions, IWCity Group will also review its pricing strategy to ensure that IWCity Group's properties are competitively priced.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL Cont'd

- *Development risks*

  Development is subject to certain risks inherent to property development, such as oversupply of the properties to be developed, changes in demand for types of residential and commercial properties, labour and material supply shortages, deterioration in prevailing market conditions and fluctuations in prices of building materials and costs of labour. Nevertheless, IWCity Group continues to keep abreast with the latest developments in the property development market and will leverage on its track record as well as experienced, capable and dedicated management team in place, to manage these risks closely.

  The timely development and launch of properties will be dependent on external factors that may be beyond the control of IWCity Group, such as obtaining timely approvals from the relevant regulatory authorities, possible tight supply of labour as well as the timely and satisfactory performance of contractors appointed to construct the developments. However, the Board and Management of IWCity Group will limit these risks through, inter-alia, careful planning and proactive and close monitoring of the progress of development and endeavor to come up with solutions in order to ensure timely completion of the development.

- *Economic and political considerations*

  IWCity Group's future growth and profitability depends largely on the economic and political conditions in Malaysia. Factors that could adversely affect the successful development include, but are not limited to, changes in interest rates, inflation, economic growth, taxation, accounting policies, changes in laws and regulations, government policies and political stability. Any adverse changes in these conditions, such as prolonged economic downturn, could have a negative effect on the property development industry, which IWCity Group operates in.

  While IWCity Group practices prudent financial risk management and efficient operating procedures, there is no assurance that adverse economic and political developments, which are beyond the control of IWCity Group, will not materially and adversely affect IWCity Group.

In view of the limitations inherent in any system of risk management and internal control, the system is designed to manage, rather than eliminate, the risk of failure to achieve the Group's objectives. The system can, therefore, only provide reasonable, but not absolute assurance, against any material misstatement or loss.

***Risk Management Process***

The Board recognizes the importance of risk management to safeguard shareholders' investment and the Group's assets. Accordingly, it has deployed a process, during the financial year under review, to identify and evaluate significant business risks faced by the Group with a view to manage them. Management is entrusted to identify such risks for onward reporting to the Board so that remedial measures may be taken to mitigate the risks as appropriate. For each risk identified, the risk management process includes assessing the likelihood of its occurrence and the impact thereof. The significant risks faced by the Group, including action plans to mitigate risks within acceptable levels, are reported by Management to the Board at least once a year.

As part of the Group's Risk Management Process, a Risk Management Committee ("RMC"), chaired by an Independent Non-Executive Director, has been established to perform, amongst others, the following:

- overseeing the risk management structure;
- reviewing and recommending risk management strategies, policies and framework for identifying, measuring, monitoring and controlling risks;
- developing and implementing internal compliance and control systems and procedures to manage risks; and
- communicating and monitoring risk assessment results to the Board.

The RMC meets periodically to consider principal risks evaluated by the respective risk owners that may impede the Group from achieving its strategic and operational objectives, as well as develop action plans to mitigate such risks.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL Cont'd

***Risk Management Process*** Cont'd

During the financial year under review, as facilitated by a professional services firm, the following risk management activities were carried out:

- on 1 October 2019, risk assessment meeting with the Head of Department was conducted to update the Key Risk Profile ("KRP"). During the meeting, key risks identified were rated and prioritised in terms of likelihood of the risk occurring and its impact should the risk occur. The risk ratings take into consideration the effectiveness of existing internal controls put in place to mitigate the key risks identified. Thereafter, risk management strategies or management action plans to be undertaken are considered to manage risks to the Group's acceptable level;
- update of the Group's KRP based on risk assessment meeting conducted on a yearly basis; and
- the results of the risk assessments were reported and deliberated at the Risk Management Committee meeting on 27 November 2019.

The risk management process has been in place for the financial year under review and up to the date of approval of this Statement for inclusion in the Annual Report of the Company.

***Internal Control System***

The Group has an established organizational structure with clearly defined lines of responsibilities and appropriate levels of delegation and authority. Key duties are segregated amongst different personnel of major business divisions, such as operations, financial management and reporting, capital expenditure management and investments. A process of hierarchical reporting is established which provides for a documented and auditable trail of accountability.

The system of internal control entails, inter-alia, the proper delegation of duties and responsibilities from the Board to the Executive Vice Chairman, Chief Executive Officer and Senior Management (collectively, the "Management"), with specified limits of authority, in running the key operations of the Group. In this respect, Management essentially comprises personnel with significant years of experience and who are in a position to identify and manage business risks relevant to the Group and design appropriate internal controls to manage these risks.

On a regular basis, the Executive Vice Chairman and/or Chief Executive Officer communicate the Board's strategy on risks and control throughout the Group which encompasses the Company's values and policies, Management's philosophy and risk attitude, as well as organisational structure together with the respective authority and responsibility of each employee.

The Board and the Management also established broad operating strategies whereby annual budgets are developed in line with these strategies. Progress made towards achieving business objectives and operating results are monitored on a regular basis by the Executive Vice Chairman and Chief Executive Officer via various management and operational discussions as well as the review of financial and operational reports. Any matters arising are promptly and efficiently dealt with, drawing on the experience and knowledge of employees throughout the Group. The Executive Vice Chairman and Chief Executive Officer, in turn, will update the Board on any significant matters which require the latter's attention.

Salient features of the system of internal control within the Group are summarized as follows:

- defined management structure of the Group and clear delegation of authority to Board Committees and Management where authority levels have been formalised;
- regular reporting to the Executive Vice Chairman, Chief Executive Officer and Senior Management on operational matters and financial results as well as key performance indicators;
- regular Management and departmental discussions where operating strategies, initiatives and financial matters are deliberated;

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL Cont'd

### *Internal Control System* Cont'd

Salient features of the system of internal control within the Group are summarized as follows: Cont'd

- an annual budgetary process where each subsidiary has to submit a budget and a business plan to the Group management for review and approval, which is then tabled to the Board for deliberation; and
- established operating policies and procedure, code of conduct and other relevant human resource policies are contained within the Group's policies and operating procedures and Terms and Conditions of employment.

The Group's system of risk management and internal control applies principally to the Group and its subsidiaries but do not apply to the associates and joint venture. The Group's interest in the associates and joint venture is served through Board representatives. These representatives also provide the Board with information for timely decision-making on the continuity of the Group's investments based on the performance of the associate and joint venture.

### *Internal Audit Function*

The Group's internal audit function is outsourced to an independent professional firm, which is guided by the International Professional Practices Framework ("IPPF") of the Institute of Internal Auditors ("IIA"), an international professional association of internal auditors, in carrying out internal audit assignments on the Group. The internal auditors, whom report directly to the Audit Committee, assist the Board in assessing the adequacy and operating effectiveness of the internal control system established by Management based on an agreed scope of work as outlined in an Annual Internal Audit Plan tabled to, and approved by, the Audit Committee during the financial year. There was no restriction placed upon the scope of the Internal Audit function's work and the internal auditor was allowed full and unrestricted access to the records pertinent for the internal audit and relevant personnel of the Group.

During the financial year under review, the Audit Committee reviewed the work of the internal audit function, its observations and recommendations to ensure that the Audit Committee obtained the necessary level of assurance with respect to the adequacy and operating effectiveness of the system of risk management and internal control. The internal auditors report their observations, including Management's response and action plans thereof, directly to the Audit Committee. The internal auditors also follow up and report to the Audit Committee the status of implementation by Management on recommendations highlighted in the previous internal auditors reports.

Further details of the Internal Audit Function are set out in the Audit Committee Report on page 33 of this Annual Report.

The costs incurred for the internal audit function for the financial year amounted to approximately RM80,000.

### *Assurance by the Management*

The Board has also received reasonable assurance from the Executive Vice Chairman and Chief Executive Officer as the Company's highest-ranking executive that the Group's risk management and internal control system has operated adequately and effectively, in all material aspects, for the financial year under review and up to the date of approval of this Statement for inclusion in the Annual Report.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL Cont'd

***Board's Comments on the Adequacy and Effectiveness of the Group's Risk Management and Internal Control System***

The Board, through its Audit Committee, has reviewed the adequacy and operating effectiveness of the risk management and internal control system of the Group and that relevant actions have been or are being taken, as the case may be, to remedy internal control weaknesses identified from the review, which was largely based on the outcome of observations raised by the internal auditors and external auditors directly to the Audit Committee.

The Board is of the view that there have been no weaknesses in the system of risk management and internal control that resulted in material losses, contingencies or uncertainties that would require mention in the Company's Annual Report. The Board, through Management, continues to take measures to strengthen the Group's risk management and internal control system from time to time based on recommendations of the internal auditor function as well as the external auditors.

The external auditors have reviewed this Statement according to Paragraph 15.23 of the MMLR of Bursa and reported that nothing has come to their attention that causes them to believe that the Internal Control Statement intended to be included in the Annual Report of the Company is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Guidelines to be set out, nor is factually inaccurate.

This Statement has been approved by the Board on 27 February 2020.

# CORPORATE SUSTAINABILITY

# SUSTAINABILITY STATEMENT

## Introduction

As one of the largest owners of waterfront land in Malaysia, IWCity recognises the importance of ensuring its business' sustainability and that it has a responsibility to manage the impact that its business has on its stakeholders including employees, the community and environment.

Our Mission is to build a sustainable development that promotes quality and innovative products with excellent services that meet the ever-changing customers' needs, ensure high standards of governance across the Group's operations, promote and cultivate responsible business practices within the Group and ultimately ensuring equitable shareholders' returns. Our Vision is to become a leading integrated property developer and builder that focus on community living and quality products.

This Sustainability Statement is prepared in accordance with Bursa Malaysia Securities Berhad's Sustainability Reporting Guidelines and the Main Market Listing Requirements.

## The Scope and Boundary of the Sustainability Statement

This Sustainability Statement serves the purpose of reporting the strategies, initiatives, performance and achievements in relation to the Group's sustainability journey in the financial year 2019, including policies, practices and procedures developed. The scope and boundary of this report is limited to the sustainability progress and impact to all the business operations and initiatives of IWCity and its subsidiaries ("the Group") in Johor Bahru.

The Group is mindful that its activities should be carried out with the highest standards of corporate and social responsibility as it strives to align its business operations while balancing this to minimize the environmental impact arising from its operations and actions while at the same time improving the social and economic conditions for all its stakeholders including its employees and the communities that it operates in, with integrity and ethical practices.

## Governance Structure

The Board of Directors continues to oversee the sustainability matter of the Group and to provide guidance to the Group towards ingraining sustainability as part of the corporate culture. This process has begun by targeting to make sustainability part of the Board's agenda and strategy. In order to establish an ideal governance structure to manage IWCity's sustainability matters, we begin by determining our level of maturity in embracing sustainability, including the level of expected response towards sustainability. Following that, our Board considers how best to integrate sustainability to complement our business strategy.

For effective sustainability monitoring and execution, the governance structure which has been endorsed and approved by the Board of Directors, is depicted below:

Board of Directors

↑

Audit Committee and Risk Management Committee

↑

Executive Vice Chairman / Chief Executive Officer

↑

Sustainability Working Group ("SWG")
consists of various Managers and Heads of Department ("HOD")

# SUSTAINABILITY STATEMENT Cont'd

### Governance Structure Cont'd

In order to enhance efficiency, rather than creating a separate committee for sustainability, the Audit Committee and Risk Management Committee have rendered and continue to render their support to the Board. Their roles and responsibilities are expected to include the following:

- Advising the Board and recommending to it, business strategies in the area of sustainability;
- Monitoring the implementation of sustainability strategies as approved by the Board;
- Recommending sustainability-related policies for adoption to the Board, and monitoring the implementation of the policies;
- Recommending material approval sustainability matters to the Board;
- Overseeing the overall management of stakeholder engagement, including ensuring grievance mechanisms are in place;
- Overseeing the management of sustainability matters, with particular focus on matters material to the organisation; and
- Overseeing the preparation of sustainability disclosures as required by laws and/or rules, and recommending to the Board for approval.

Nonetheless, embedding sustainability as part of IWCity's corporate culture will only be possible with strong leadership and hence it is our Executive Vice Chairman ("EVC") and Chief Executive Officer ("CEO") who have stepped up to the task of incorporating sustainability into our business strategies and business decisions. Playing a supporting and execution role will be the Sustainability Working Group ("SWG") comprising of various Heads of Departments and Managers. The SWG is also responsible in updating the EVC and CEO on the sustainability-related programmes and initiatives undertaken throughout the year.

### Material Sustainable Matters

For year 2019, we have conducted the materiality assessment process to identify and assess material sustainable matters for IWCity. The potential sustainable matters which are identified by the SWG, as follows:


The above are identified by the SWG as matters which reflect IWCity's significant economic, environmental and social impacts.

The material sustainable matters were identified and agreed upon by the Board. The following material sustainable objectives were formulated:

### Economic

- Creating positive economic impacts from our business operations
- To ensure the Group's procurement system is fair and geared to achieve high quality of goods, services and workmanship quality
- To invite and consider quality tenderers for the supply of goods or services or work to be undertaken
- To ensure product quality and safety and to provide committed after sales service.

During the year, we continue to focus on enhancing brand value and reputation by participating road shows such as Weekend Property Exhibition ("It Rocks"), Home & Property Fair ("iProperty"), Malaysia Properties Exhibition ("MAPEX"), Malaysia Investments & Properties Exhibition ("MIPEX"), etc, and event such as sponsorship given to Mid-Autumn Festival organised by Universiti Teknologi Malaysia, Kuala Lumpur.

In addition, via our Tender Approval Committee, we have implemented a fair and diversified procurement policy to provide opportunities to support upcoming suppliers and sub-contractors.

# SUSTAINABILITY STATEMENT Cont'd

**Economic** Cont'd

Furthermore, we recognise the importance of customer satisfaction and the need to uphold our reputation and ensure business continuity. Therefore, we strive to maintain product quality, safety standards and to provide committed after-sales service to meet the expectation of our customers. The Group has maintained its quality standards in line with the ISO 9001:2015 (Quality Management System) standards.

**Environmental**

- To achieve high standards in environmental impact management
- To protect, conserve and enhance the surrounding environment and natural resources
- To take pro-active guidelines and constantly studying, implementing guidelines and executing initiatives enhance the surrounding environment, reforestation, reduce and minimise and where possible, adverse impact towards the environment
- To commit to keep our environment clean for the benefit the community and future generations
- To ensure efficient use of water and energy

IWCity recognises the importance of environmental preservation and protection in all of our business activities. As a responsible company, we believe in incorporating environmentally friendly initiatives in all our daily business operations and project developments. In our offices we promote green awareness amongst our employees and encouraging conservation of electricity and water. In 2019, with the on-going development of the Danga Sutera Project, we are proud to announce that we have kept the water usage and energy consumption at below 1% of the total operating expenses.

Within our developments, we allocate a generous proportion as green areas. For our Botanika development, we have reserved more than 6 acres for landscaping and greenery which is outstanding considering that the project site measures approximately 12 acres. Another signature development of the group, Danga Sutera also preserved substantial area for green parks and water retention pond.

Another area of focus is management of waste and recycling. For our projects, contractors are required to adhere to strict waste management and recycling practices to minimise construction waste and to recycle wherever possible. In both of our Danga Sutera and Botanika projects, we have established specific locations for waste management and recycling to facilitate environmentally friendly practices by its residents.

In our workplace, we practice environmental awareness. A major initiative to save the trees has been ongoing for the past few years where we minimise printing and instead view documents on computers. Where printing is necessary, we practice double sided printing which effectively halves paper consumption. During lunchtime and after working hours, lights and air-conditioning are promptly switched off in order to conserve electricity.

**Employee Welfare**

- To enable employees to further develop their professional and personal skills via exposure to a diverse and comprehensive range of learning and development opportunities
- To assess the training needs for the employees and identify the training required to fill the skills and knowledge gaps
- To encourage direct engagement between employees and management such as open communication and grievances sharing
- To maintain a safe and healthy work environment and to provide adequate safety and health measures to employees
- To monitor work place conditions and monitor work related injuries, types of injuries and injury rate; and
- Occupational Safety and Health audit is conducted on a periodic basis in conjunction with ISO certification audit

## SUSTAINABILITY STATEMENT Cont'd

### Employee Welfare Cont'd

Building a strong team is one of our highest priorities as we realise that the success of the Group depends on our employees. Through effective human resource strategies, we are committed to build a competent and high-performance team that will drive profitability for the Group. Training is an important part of improving our employee's skill sets and knowledge and towards that we spent 312 training hours in 2019. Details of the training are as follows:

- Smart Symposium 2nd Annual Smart Cities
- XLR8 Your Business
- Mastering Communication
- Occupational Safety & Health Awareness
- Leveraging on Big Data Analytics

Employee engagement in another important component of our Human Resource policies with multiple platforms and opportunities for employees to engage frequently and honestly with the management. These include annual performance reviews, sharing sessions and ad-hoc Get-Together events such as Chinese New Year, Hari Raya Puasa and Christmas gifts exchange celebrations.

We strongly believe in workforce diversity including of adherence to national bumiputera and gender diversification policies. We presently have 58 employees of which 65.5% are bumiputera and 44.8% are female. In terms of age profile, there were 24 employees representing 41.4%, between 30 – 39 years old and 36.2% were from the age group of 40 - 49 years old.

Employees of IWCity enjoys being rewarded in line with Company performance. Annual increments and bonus are awarded based on the company's performance, individual's performance and achievements during the year. In addition, employees are granted comprehensive and competitive benefits including maternity leave, medical and health benefits and allowances for phone and travelling.

We keep track of the latest salary trends to ensure that our remuneration is line with the market and that our turnover rates are below our industry peers.

In 2019, IWCity has complied with Malaysia's Minimum Wages Order 2018.

### Caring for the Community

- To align our charitable giving with the Group's activities
- To maintain regular contact with the community and local authorities
- To work closely with the local councils to promote a well-balanced and harmonious community
- To continue improve public perception and experience of the Group
- To support and encourage community development
- To ensure ISO certification and various operational licenses are procured
- Welcoming feedback from the public

# SUSTAINABILITY STATEMENT Cont'd

## Caring for the Community

IWCity believes in putting the community first in carrying out its business of providing quality products and building sustainable developments. This is reflected in our practice of reaching out and giving back to the community, especially the underprivileged segments of society through our corporate social responsibility programme. Highlights of our Corporate Social Responsibility programme in 2019 are as follows:

**1. Iskandar Waterfront Chinese New Year "Chap Goh Meh" Celebration held on 18 February 2019**

We were honoured by His Majesty Sultan Ibrahim Ibni Almarhum Sultan Iskandar, Sultan Yang Dipertuan Bagi Negeri dan Jajahan Takluk Johor Darul Ta'zim to grace the occasion and distributed 'angpow' to 50 invitees from various charitable organisation.


**2. Chingay 2019**

Chingay Parade held on every 21st day of the Lunar Calander, in conjunction with the Chinese New Year. The parade has been held for over a century and jointly organized by the five clan association in Johor Bahru, the Teochew, Hokkien, Hainam, Hakka and Cantonese. This parade symbolizes the annual tour of the city by the 5 deities residing in Johor Ancient Temple. Being part of Iskandar Waterfront Holdings Group, IWCity had participated in the event with our signature float.

**3. Majlis Sambutan Peringatan Hari Polis ke-212, Polis Diraja Malaysia Kontinjen Johor held on 25th March 2019**

We have contributed in terms of monetary to Majlis Sambutan Peringatan Hari Polis ke 212, by Polis Diraja Malaysia (PDRM) Kotinjen Johor which was held at Dataran Kawad, Ibu Pejabat Polis Kotinjen Johor with this year's theme "Polis dan Masyarakat Berpisah Tiada" (Police and Society No Separation). PDRM celebrates Police Day every year in remembrance of this historic day of the forming of the police force.

# SUSTAINABILITY STATEMENT Cont'd

## Caring for the Community Cont'd

**4. Mid Autumn Festival Universiti Teknologi Malaysia, Kuala Lumpur 2019 (MAFUTMKL'19) held on 2 November 2019**

IWCity co-sponsored the Mid-Autumn festival event, which is to promote and create a better understanding about the culture and history of Mid-Autumn Festival for the participants. The event is also meant to raise funds for National Cancer Society of Malaysia (NCSM) and raise cancer awareness to the public.

## Other stakeholders' engagement

- To ensure material corporate information is made available to our investors and customers
- To ensure adherence of regulatory compliance and corporate governance transparency
- To maintain good relationships with vendors and suppliers

We firmly recognise continual and active engagement with various stakeholders will boost business development and maintain healthy sustainable business practices.

IWCity ensures all corporate information such as quarterly results, financial results, circular (if any) and annual report are made available on Bursa Malaysia's website and the Company's website in a timely manner. By doing so, stakeholders are kept abreast with material business matters in relation to the Company. In addition, shareholders can get in-depth information of the Company at General Meeting(s).

We also engage with our customers and/or potential customers via the Company's website, brochures and social media on the Company's information and products. We entrust our experienced and accountable sales and marketing team to be approachable by the customers.

Notwithstanding the above, we also ensure regulatory compliances are adhered to by understanding the mandates and regulatory policies. Transparent corporate governance practice is closely monitored within the Group via respective department heads.

In addition, we also ensure relationship with vendors and suppliers are taken care. Standard operating procedures of contract negotiation, supplier audit, evaluation, registration and tendering are put in place to ensure fair and equitable treatment to the vendors and suppliers.

At IWCity, we understand that regularly engaging with stakeholders through multiple platforms is essential in understanding their key concerns and being responsive to their expectations. Table below highlights our approach towards engaging key stakeholders who are most impacted by or impacting our business.

# SUSTAINABILITY STATEMENT Cont'd

**Other stakeholders' engagement** Cont'd

Table : IWCity's Approach towards Stakeholder Engagement

| Stakeholder Group | Stakeholders' expectations | Stakeholder management Response to Stakeholder expectations | Engagement Method | Frequency of Engagement |
|---|---|---|---|---|
| Shareholders | ♦ Timely availability of corporate information<br>♦ Healthy financials and reputation | ♦ Timely provision of IWCity's performance via announcement and website update to ensure shareholders to make informed investment decisions | ♦ Announcements<br>♦ Annual General Meeting<br>♦ Media Conference<br>♦ Website and social media update | ♦ Quarterly<br>♦ Annual<br>♦ Annual<br>♦ As and when necessary |
| Customers | ♦ Quality products and services<br>♦ After-sales service<br>♦ Timely delivery | ♦ Regular customer engagement<br>♦ Experienced and responsible sales and marketing team | ♦ Customer satisfaction surveys<br>♦ Customers site visit | ♦ As and when necessary |
| Regulatory Compliance | ♦ Compliance to regulatory requirements | ♦ Adherence to the regulatory requirements including all necessary updates | ♦ Statutory reporting<br>♦ On-site inspection | ♦ Periodic<br>♦ As and when necessary |
| Vendor and Suppliers | ♦ Timely payment<br>♦ Encourage purchase from local suppliers<br>♦ Fair and responsible procurement procedures | ♦ Regular meeting with vendor and suppliers<br>♦ Tender evaluation<br>♦ Comparative quotes | ♦ Project Tenders<br>♦ Suppliers evaluation interview | ♦ As and when necessary |
| Employees | ♦ Fair employment and well-being<br>♦ Injury free workplace<br>♦ Training and development | ♦ Non-discrimination and gender diversity<br>♦ Occupational safety & health enhancement | ♦ Performance evaluation / appraisal<br>♦ Training<br>♦ Company events | ♦ Annual<br>♦ Periodic<br>♦ Periodic |

**Looking Forward**

IWCity is always mindful of role as a responsible developer and commitment towards stakeholders. It is important for us to ensure the sustainability of the Group business by constant improvement of our sustainability practices within the Group. We will ensure that the progress of our achievement of the material sustainable objectives will be carefully monitored by the Sustainability Working Group and reported back to the Executive Vice Chairman and/or Chief Executive Officer on a regular basis. IWCity is regularly having meetings or discussions on its material sustainability matters on an annual basis in order to ensure recent developments and changes have been incorporated and considered. This review will include internal and external factors in and changes in supply chain, global legislation and regulations.

This Sustainability Statement was approved by the Board on 17 June 2020.

# FINANCIAL REPORT


| | |
|---|---|
| Directors' Report | 48 |
| Statement By Directors | 54 |
| Statutory Declaration | 54 |
| Independent Auditors' Report | 55 |
| Statements Of Comprehensive Income | 62 |
| Statements Of Financial Position | 63 |
| Statements Of Changes In Equity | 66 |
| Statements Of Cash Flows | 68 |
| Notes To The Financial Statements | 70 |

# 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.

## 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.

# DIRECTORS' REPORT Cont'd

## 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.

# DIRECTORS' REPORT Cont'd

## 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.

## DIRECTORS' REPORT Cont'd

### 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.

### 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

## 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 62 to 138 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 62 to 138 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 Johor ) | Noralisa Binti Ramli |
| Darul Ta'zim on 25 June 2020. ) | (MIA 27321) |

Before me,

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ISKANDAR WATERFRONT CITY BERHAD

## 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 62 to 138.

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.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ISKANDAR WATERFRONT CITY BERHAD Cont'd

*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").

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ISKANDAR WATERFRONT CITY BERHAD Cont'd

*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.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ISKANDAR WATERFRONT CITY BERHAD Cont'd

*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.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ISKANDAR WATERFRONT CITY BERHAD Cont'd

*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.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ISKANDAR WATERFRONT CITY BERHAD Cont'd

*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.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ISKANDAR WATERFRONT CITY BERHAD Cont'd

## 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
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

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Chartered Accountant

Johor Bahru, Malaysia
Date: 25 June 2020

# 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.

# STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

| | Note | Group 31.12.2019 RM'000 | Group 31.12.2018 RM'000 Restated | Group 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 |

# STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019 Cont'd

| | Note | 31.12.2019 RM'000 | Group 31.12.2018 RM'000 Restated | 1.1.2018 RM'000 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 |

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

# STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019 Cont'd

| | 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.

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

| | <--- Non-distributable | ---> | Distributable | |
|---|---|---|---|---|
| **Group** | **Share capital RM'000** | **Employee share option reserve RM'000** | **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 |

# STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

| | <--- 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.

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM'000 | 2018 RM'000 Restated | 2019 RM'000 | 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 |

# STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM'000 | 2018 RM'000 Restated | 2019 RM'000 | 2018 RM'000 |
| **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.

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

## 1. Corporate information

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

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

## 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 |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

## 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:

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

## 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 MFRS 108, 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.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

## 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.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

## 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.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

## 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.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

## 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.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

## 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.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

## 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 period.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

## 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

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

## 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.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

## 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.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

## 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.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

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

### 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.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

## 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.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

## 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.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

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

### 2.20 Leases

The Group has recognised and measured its leases in accordance with MFRS 16 Leases 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.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

## 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 retains 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.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

## 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.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

## 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.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

## 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.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

## 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.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

## 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

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

## 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.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

## 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 | 2018 |
| | RM'000 | 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.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

## 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 RM'000 | 2018 RM'000 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 RM'000 | 2018 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 |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

## 7. Finance costs

| | Group | | Company | |
|---|---|---|---|---|
| | 2019<br>RM'000 | 2018<br>RM'000<br>Restated | 2019<br>RM'000 | 2018<br>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 | | Company | |
|---|---|---|---|---|
| | 2019<br>RM'000 | 2018<br>RM'000 | 2019<br>RM'000 | 2018<br>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 | - | - |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

## 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 is 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 |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

## 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<br>RM'000 | 2018<br>RM'000<br>Restated | 2019<br>RM'000 | 2018<br>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<br>RM'000 | 2018<br>RM'000<br>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) |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

## 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) |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

### 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 |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

## 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.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

## 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 |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

## 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 KPRJ.

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.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

## 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<br>RM'000 | 2018<br>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 International Zaki + Partners Sdn. Bhd.. 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 |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

## 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.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

## 17. Investment in associates

| | Group 31.12.2019 RM'000 | 31.12.2018 RM'000 Restated | 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 % | 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.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

## 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) |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

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

## 19. Inventories

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

### 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 |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

## 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 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.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

## 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.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

## 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 RM'000 | 2018 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 RM'000 | 2018 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 |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

## 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.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

## 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 |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

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

| | | Company | |
|---|---|---|---|
| | Maturity | 2019 RM'000 | 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 | 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 | | Company | |
|---|---|---|---|---|
| | 2019 RM'000 | 2018 RM'000 Restated | 2019 RM'000 | 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 |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

## 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.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

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

Movements in the borrowings were as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM'000 | 2018 RM'000 Restated | 2019 RM'000 | 2018 RM'000 |
| 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 | (62,605) | (110,000) | - | - |
| - 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 RM'000 | 2018 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 |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

## 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

| | Note | Group 2019 RM'000 | Group 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 |

| | Note | Company 2019 RM'000 | Company 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 |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

## 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<br>RM'000 | 2018<br>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.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

## 27. Contract liabilities

| | Group | |
|---|---|---|
| | 2019 RM'000 | 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 |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

## 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.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

## 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 '000 | 2018 '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 RM'000 | 2018 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 |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

## 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) |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

## 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 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 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 - Hill Sdn Bhd, a directors' 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 | - | - |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

## 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.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 100 basis points lower/higher, with all other variables held constant, the Group's loss 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.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

## 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 |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

## 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.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

## 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 |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

**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.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

## 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.

| | Note | Group 2019 RM'000 | Group 2018 RM'000 Restated | Company 2019 RM'000 | Company 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.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

## 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 |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

## 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 |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

## 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) | |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

## 37. Restatements (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) |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 Cont'd

## 37. Restatements (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.

# LIST OF PROPERTIES AS AT 31 DECEMBER 2019

| No | Location (Lot No) | Location (Title No) | Tenure | Land Area (ha) | Usage | Net Book Value (RM) | Date of Acquisition/ Revaluation |
|---|---|---|---|---|---|---|---|
| 1 | Lot 156543 | HS(D) 376617 | Leasehold (Expiring 21 January 2097) | 0.370 | Building | 77,940,482.82 | 16 April 2003 |
| 2 | Lot 182487 | HS(D) 421955 | | 6.647 | Building | | |
| 3 | Lot 182455 | HS(D) 421925 | | 4.908 | Building | | |
| 4 | PTD 194780 | HS(D) 437858 | Leasehold (Expiring 27 December 2105) | 1.020 | Building | 13,866,159.01 | |
| 5 | Lot 156551 | PN 58276 | | 0.470 | Agriculture | | |
| 6 | Lot 156556 | PN 58277 | | 0.567 | Agriculture | | |
| 7 | Lot 156561 | PN 58278 | | 4.081 | Agriculture | | |
| 8 | Lot 156562 | HS(D) 437863 | | 0.684 | Agriculture | | |
| 9 | Lot 182968 | HS(D) 437868 | | 3.240 | Agriculture | | |
| 10 | PTD 181985 | HS(D) 375504 | Leasehold (Expiring 21 January 2097) | 0.530 | Building | 7,296,368.58 | |
| 11 | PTD 181986 | HS(D) 375505 | | 0.560 | Building | | |
| 12 | PTD 181976 | HS(D) 375498 | | 0.640 | Building | | |
| 13 | PTD 181977 | HS(D) 375499 | | 0.830 | Building | | |
| 14 | PTD 196260 | HS(D) 442852 | | 0.810 | Building | | |
| 15 | PTD 196261 | HS(D) 442853 | | 0.370 | Building | | |
| 16 | PTD 196262 | HS(D) 442854 | | 6.200 | Building | | |
| 17 | Lot 156575 | PN 57445 | Leasehold ( Expiring 27 December 2105) | 4.040 | Agriculture | 11,553,402.21 | |
| 18 | PTD 194787 | HS(D) 437865 | | 1.860 | Agriculture | | |
| 19 | PTD 194788 | HS(D) 437886 | | 3.000 | Agriculture | | |
| 20 | PTD 194792 | HS(D) 437843 | Freehold | 13.15 | Agriculture | 485,807,880.70 | |
| 21 | PTD 229065 | HS(D) 565055 | | 21.03 | Agriculture | | |
| 22 | PTD 229066 | HS(D) 565056 | Leasehold ( Expiring 31 May 2115) | 0.20 | Building | | |
| 23 | PTD 229071 | HS(D) 565057-Lot 3-A | Freehold | 6.61 | Building | | |
| 24 | PTD 229072 | HS(D) 565058-Lot 4-B | | 1.72 | Building | | |
| 25 | PTD 229074 | HS(D) 565059-Lot 4-A | | 1.77 | Building | | |
| 26 | PTD 229075 | HS(D) 565060-Lot 2-B | | 1.89 | Building | | |
| 27 | PTD 229076 | HS(D) 565061-Lot 2-A | | 6.63 | Building | | |
| 28 | PTD 194793 | HS(D) 437844/ HS(D) 55462 | | 0.27 | Building | | |
| 29 | PTD 194795 | HS(D) 437846/ HS(D) 55462 | | 34.24 | Agriculture | | |
| 30 | PTD 194796 | HS(D) 437869 | | 4.69 | Agriculture | | |
| 31 | PTD 194797 | HS(D) 43787/ HS(D) 554627 | | 49.02 | Agriculture | | |
| 32 | PTD 173048 | HS(D) 353200 | Leasehold (Expiring 21 January 2097) | 0.55 | Building | | |
| 33 | PTD 222169 | HS(D) 554724 | Freehold | 19.77 | Building | 119,707,983.45 | 27 July 2015 |

# LIST OF PROPERTIES Cont'd
# AS AT 31 DECEMBER 2019

| No | Location (Lot No) | Location (Title No) | Tenure | Land Area (ha) | Usage | Net Book Value (RM) | Date of Acquisition/ Revaluation |
|---|---|---|---|---|---|---|---|
| 34 | PTD 166482 | HS(D) 351596 | Rehabilitation | | | 119,583,282.86 | 16 April 2003 |
| 35 | PTD 166483 | HS(D) 351597 | Leasehold (Expiring 21 January 2097) | 3.680 | Building | | |
| 36 | PTD 166479 | HS(D) 351593 | | 7.122 | Agriculture | | |
| 37 | PTD 166480 | HS(D) 351594 | | 11.036 | Agriculture | | |
| 38 | Lot 150029 | PN 52642 | | 4.403 | Agriculture | | |
| 39 | Lot 150032 | PN 52644 | | 1.988 | Agriculture | | |
| 40 | PTD 166487 | HS(D) 351599 | | 1.740 | Agriculture | | |
| 41 | PTD 166488 | HS(D) 351600 | | 1.187 | Agriculture | | |
| 42 | Lot 150037 | PN 52597 | | 4.280 | Agriculture | | |
| 43 | Lot 150039 | PN 52598 | | 1.158 | Agriculture | | |
| 44 | PTD 194798 | HS(D) 437847 | Leasehold (Expiring 27 December 2105) | 16.650 | Agriculture | 193,600,569.21 | |
| 45 | PTD 194800 | HS(D) 437849 | | 10.950 | Agriculture | | |
| 46 | PTD 194801 | HS(D) 437850 | | 67.960 | Agriculture | | |
| 47 | PTD 194802 | HS(D) 437851 | | 10.860 | Agriculture | | |
| 48 | Lot 733 | Geran 90585 | Freehold | 1.83 | Agriculture | 93,381,618.67 | 3 March 2017 |
| 49 | Lot 726 | Geran 90571 | | 2.26 | | | |
| 50 | 647 plots on PTD 207606 HS(D) 580807 to PTD 208263 HS(D) 581453 | | Freehold | 19.56 | Residential and Commercial | 186,135,869.00 | 20 April 2017 |

# ANALYSIS OF SHAREHOLDINGS AS AT 29 MAY 2020

| | | |
|---|---|---|
| Issued & Fully Paid Up Capital | : | RM726,946,349.49 |
| Class of Shares | : | Ordinary Shares |
| Voting Right | : | One (1) vote per ordinary share |

## A. DISTRIBUTION OF SHAREHOLDINGS

| Holdings | No. of Holders | Total Holdings | % |
|---|---|---|---|
| Less than 99 | 62 | 883 | 0.00 |
| 100 to 1,000 | 3,691 | 3,355,921 | 0.40 |
| 1,001 to 10,000 | 9,665 | 50,107,438 | 5.98 |
| 10,001 to 100,000 | 4,501 | 150,099,101 | 17.93 |
| 100,001 to less than 10% of issued shares | 648 | 264,384,178 | 31.57 |
| 10% and above of issued shares | 3 | 369,441,336 | 44.12 |
| **Total** | **18,570** | **837,388,857** | **100.00** |

## B. LIST OF 30 LARGEST SHAREHOLDERS

| No. | Name | No of shares held | % |
|---|---|---|---|
| 1. | ISKANDAR WATERFRONT HOLDINGS SDN BHD | 162,426,000 | 19.40 |
| 2. | AMSEC NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR ISKANDAR WATERFRONT HOLDINGS SDN.BHD. (A/C 2) | 153,420,069 | 18.32 |
| 3. | KUMPULAN PRASARANA RAKYAT JOHOR SDN BHD | 53,595,267 | 6.40 |
| 4. | LIM SOON HUAT | 7,500,000 | 0.90 |
| 5. | MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR JINATA BIN MUHAMAD YUSUP (MARGIN) | 6,152,500 | 0.73 |
| 6. | HSBC NOMINEES (ASING) SDN BHD<br>EXEMPT AN FOR BANK JULIUS BAER & CO. LTD. (SINGAPORE BCH) | 6,000,000 | 0.72 |
| 7. | CITIGROUP NOMINEES (TEMPATAN) SDN BHD<br>EXEMPT AN FOR BANK OF SINGAPORE LIMITED (LOCAL) | 5,565,800 | 0.66 |
| 8. | RHB NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR LIM KANG HOO | 5,540,700 | 0.66 |
| 9. | CITIGROUP NOMINEES (ASING) SDN BHD<br>UBS AG | 3,557,006 | 0.43 |
| 10. | UOB KAY HIAN NOMINEES (ASING) SDN BHD<br>EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS) | 3,541,500 | 0.42 |
| 11. | CIMSEC NOMINEES (TEMPATAN) SDN BHD<br>CIMB BANK FOR TIJANI AVENUE SDN BHD (PBCL-0G0666) | 3,000,000 | 0.36 |
| 12. | DB (MALAYSIA) NOMINEE (ASING) SDN BHD<br>SSBT FUND ZYEF FOR VANGUARD GLOBAL EX-U.S. REAL ESTATE INDEXFUND | 2,687,200 | 0.32 |
| 13. | RHB NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR TAN SIEW LI | 2,664,300 | 0.32 |
| 14. | RHB NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR CHUNG KEEN MEAN | 2,600,000 | 0.31 |
| 15. | HSBC NOMINEES (ASING) SDN BHD<br>EXEMPT AN FOR CREDIT SUISSE (SG BR-TST-ASING) | 2,100,000 | 0.25 |
| 16. | SEE HOY CHAN PROPERTIES SENDIRIAN BERHAD | 1,735,000 | 0.21 |
| 17. | ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR FO JIE SONG | 1,684,100 | 0.20 |
| 18. | CITIGROUP NOMINEES (ASING) SDN BHD<br>CBNY FOR DFA EMERGING MARKETS SMALL CAP SERIES | 1,600,476 | 0.19 |

# ANALYSIS OF SHAREHOLDINGS Cont'd
# AS AT 29 MAY 2020

## B. LIST OF 30 LARGEST SHAREHOLDERS Cont'd

| No. | Name | No of shares held | % |
|---|---|---|---|
| 19. | KONG TIAM MING | 1,580,200 | 0.19 |
| 20. | LEE HUN YEUNG | 1,528,000 | 0.18 |
| 21. | CHING ENG SEONG | 1,500,000 | 0.18 |
| 22. | KUAK JUAN CHEE | 1,500,000 | 0.18 |
| 23. | YONG SIEW LIN | 1,460,000 | 0.17 |
| 24. | KENANGA NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR HO PHEA KEAT (007) | 1,450,000 | 0.17 |
| 25. | CGS-CIMB NOMINEES (ASING) SDN BHD<br>EXEMPT AN FOR CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD. (RETAIL CLIENTS) | 1,434,200 | 0.17 |
| 26. | ONG BOON SIONG | 1,400,000 | 0.17 |
| 27. | TAN KA LIAN | 1,396,500 | 0.17 |
| 28. | AMSEC NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR TAN LEAK GOH | **1,367,900** | **0.16** |
| 29. | CHUNG KEEN MEAN | **1,300,000** | **0.16** |
| 30. | CGS-CIMB NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR NG CHAI HOCK (MY0972) | **1,264,000** | **0.15** |
| | **TOTAL** | **442,550,718** | **52.85** |

## C. LIST OF SUBSTANTIAL SHAREHOLDERS

| | Direct Interest | | Deemed Interest | |
|---|---|---|---|---|
| Name | No. of shares | % | No. of shares | % |
| ISKANDAR WATERFRONT HOLDINGS SDN BHD (IWH) | 162,426,000 | 19.40 | - | - |
| AMSEC NOMINEES (TEMPATAN) SDN BHD<br>*PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR ISKANDAR WATERFRONT HOLDINGS SDN.BHD.(A/C 2)* | 153,420,069 | 18.32 | - | - |
| KUMPULAN PRASARANA RAKYAT JOHOR SDN BHD | 53,595,267 | 6.40 | 315,846,069[(a)] | 37.72 |
| CREDENCE RESOURCES SDN BHD ("CR") | - | - | 315,846,069[(a)] | 37.72 |
| TAN SRI DATO' LIM KANG HOO | 5,540,700 | 0.66 | 315,846,069[(b)] | 37.72 |
| **TOTAL** | **374,982,036** | **44.78** | **315,846,069** | **37.72** |

*(a) Deemed interested in the shares held by IWH by virtue of its interest in IWH pursuant to Section 8 of the Act.*

*(b) Deemed interested in the shares held by IWH by virtue of his interest in IWH through CR pursuant to Section 8 of the Act.*

# STATEMENT OF DIRECTORS' INTEREST AS AT 29 MAY 2020

## LIST OF DIRECTORS' SHAREHOLDINGS IN THE COMPANY

| | Direct Interest | | Deemed Interest | |
|---|---|---|---|---|
| Name | No. of shares | % | No. of shares | % |
| Tan Sri Dato' Lim Kang Hoo | 5,540,700 | 0.66 | 315,846,069[(a)] | 37.72 |

*(a) Deemed interested in the shares held by IWH by virtue of his interest in IWH through CR.*

# OTHER DISCLOSURES

**During the financial year under review,**

**Utilisation of Proceeds**
There were no proceeds raised by the Company from any corporate exercise

**Material Contracts**
There were no material contracts of the Company and its subsidiaries involving directors' and major shareholders' interest, either still subsisting at the end of the financial year ended 31 December 2019 or extend into since the end of the previous financial year.

**Contracts Relating to Loan**
There were no contracts relating to a loan by the Company and its subsidiaries in respect of the preceding item.

**Related Party Transactions**
There were no related party transactions entered into by a subsidiary company of the Company which involve Directors' and major shareholders' interest, either still subsisting at the end of the financial year ended 31 December 2019 or entered into since the end of the previous financial year.

**Options, Warrants or Convertible Securities**
There were no options, warrants or convertible securities issued by the Company being exercised.

**Non-Audit Fees**
The amount of non-audit fees incurred for services rendered to the Group and the Company by the External Auditors was RM 10,000.

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the 51st Annual General Meeting of ISKANDAR WATERFRONT CITY BERHAD (196801000661) (8256-A) will be held at Danga Bay Convention Centre, Jalan Persiaran Abu Bakar Sultan, Danga Bay, 80200 Johor Bahru, Johor Darul Takzim on Thursday, 30 July 2020 at 10.00 a.m. for the following purposes:-

## AGENDA

### Ordinary Business

1. To receive the Audited Financial Statements for the year ended 31 December 2019 together with the Reports of the Directors and Auditors thereon. [Please refer to Explanatory Note 9(i)]

2. To re-elect the following Directors retiring in accordance with Clause 76(3) of the Company's Constitution:-
   (i) Mr. Wong Khai Shiuan **(Resolution 1)**
   (ii) Dato' Hj. Ayub bin Mion **(Resolution 2)**
   (iii) Mr. Khoo Boon Ho **(Resolution 3)**

3. To approve the payment of Directors' fees, allowances and any other benefits payable not exceeding RM420,000 for the financial year ending 31 December 2020. **(Resolution 4)**

4. To re-appoint Messrs. Ernst & Young PLT as Auditors of the Company for the financial year ending 31 December 2020 and to authorise the Directors to fix their remuneration. **(Resolution 5)**

### Special Business

To consider and, if thought fit, to pass with or without any modification(s), the following Ordinary Resolutions:-

5. **ORDINARY RESOLUTION** **(Resolution 6)**
   **- AUTHORITY TO ISSUE AND ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016**

   "THAT pursuant to Sections 75 and 76 of the Companies Act 2016 and subject to approval of the relevant regulatory bodies the Directors be and are hereby authorised to issue and allot shares in the Company at any time at such price and upon such terms and conditions and for such purposes and to such person or persons whomsoever as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares so issued does not exceed 10% of the issued capital of the Company for the time being and the Directors be and are also empowered to obtain the approval of the Bursa Malaysia for listing of and quotation for the additional shares so issued and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

# NOTICE OF ANNUAL GENERAL MEETING Cont'd

6. **ORDINARY RESOLUTION** **(Resolution 7)**
   - **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH THE RELATED PARTIES AS DISCLOSED UNDER PARAGRAPH 33 (1 TO 3) OF THE CIRCULAR TO SHAREHOLDERS**

   "THAT approval be and is hereby given pursuant to Paragraph 10.09 and Practice Note 12 of the Bursa Malaysia Main Market Listing Requirements for the Company and its subsidiaries to enter into the category of Recurrent Related Party Transactions of a revenue or trading nature as set out in Paragraph 3.3 of the Circular to Shareholders dated 30 June 2020 with those Related Parties as set out in paragraph 3.2 which are necessary for their day-to-day operations, in the ordinary course of business made on an arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders; AND THAT the authority conferred by this Mandate shall commence immediately upon the passing of this Resolution and is subject to annual renewal. In this respect, the authority shall continue to be in force until:

   i. the conclusion of the next Annual General Meeting of the Company at which time the authority shall lapse unless the Authority is renewed by a Resolution passed at that Annual General Meeting;

   ii. the expiration of the period within which the next Annual General Meeting after that date, is required to be held pursuant to section 340 of the Companies Act, 2016 (but shall not extend to such extension as may be allowed pursuant to section 340 of the Companies Act, 2016); or

   iii. revoked or varied by resolution passed by the shareholders in general meeting;

   whichever is the earlier;

   FURTHER THAT the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things including executing such documents as may be required to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

7. **ORDINARY RESOLUTION**
   - **CONTINUING IN OFFICE AS INDEPENDENT DIRECTOR**

   "THAT approval be and are hereby given to the following Directors who have served as Independent Non-Executive Directors of the Company for a cumulative term of more than nine (9) years to continue to act as Independent Non-Executive Directors of the Company:

   (i) Mr. Khoo Boon Ho **(Resolution 8)**
   (ii) Mr. Bernard Hilary Lawrence." **(Resolution 9)**

# NOTICE OF ANNUAL GENERAL MEETING Cont'd

8. To transact any other business for which due notice shall have been given in accordance with the Company's Constitution and the Companies Act, 2016.

BY ORDER OF THE BOARD
**YONG MAY LI (F)**
**LIM AIK YONG (F)**
**WONG CHEE YIN (F)**
*Secretaries*
JOHOR BAHRU
30 June 2020

***Notes:***

1. *For the purpose of determining who shall be entitled to attend this General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 23 July 2020. Only a member whose name appears on this Record of Depositors shall be entitled to attend this General Meeting or appoint a proxy to attend, speak and vote on his/her/its behalf.*

2. *A member entitled to attend and vote at this General Meeting is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to attend, participate, speak and vote in his place. A proxy may but need not be a member of the Company.*

3. *A member of the Company who is entitled to attend and vote at a General Meeting of the Company may appoint not more than two (2) proxies to attend, participate, speak and vote instead of the member at the General Meeting.*

4. *If two (2) proxies are appointed, the entitlement of those proxies to vote on a show of hands shall be in accordance with the listing requirements of the stock exchange.*

5. *Where a member of the Company is an authorised nominee as defined in the Central Depositories Act, it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.*

6. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act") which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.*

7. *Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.*

8. *The appointment a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the General Meeting or adjourned General Meeting at which the person named in the appointment proposes to vote:*
   - *(i) In hard copy form*
     *The proxy form must be deposited at the registered office of the Company situated at Suite 1301, 13th Floor, City Plaza, Jalan Tebrau, 80300 Johor Bahru, Johor Darul Takzim*
   - *(ii) By electronic means via email*
     *The proxy form also can be lodged electronically via email at ir@iwcity.com.my*

## NOTICE OF ANNUAL GENERAL MEETING Cont'd

9. *Any authority pursuant to which such an appointment is made by a power of attorney must be deposited at the registered office of the Company situated at Suite 1301, 13th Floor, City Plaza, Jalan Tebrau, 80300 Johor Bahru, Johor Darul Takzim or by electronic means not less than forty-eight (48) hours before the time appointed for holding the General Meeting or adjourned General Meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.*

10. *Please ensure **ALL** the particulars as required in this proxy form are completed, signed and dated accordingly.*

11. *Last date and time for lodging this proxy form is 10 a.m., 28 July 2020 and Tuesday.*

12. *Please bring an **ORIGINAL** of the following identification papers (where applicable) and present it to the registration staff for verification:*
    *a. Identity Card (NRIC) (Malaysian), or*
    *b. Police report (for loss of NRIC) / Temporary NRIC (Malaysian), or*
    *c. Passport (Foreigner).*

13. *For a member who has appointed a representative instead of a proxy to attend this meeting, please bring the **ORIGINAL** certificate of appointment executed in the manner as stated in this proxy form if this has not been lodged at the Company's registered office or by electronic means earlier.*

14. *Explanatory Notes:*

    *Agenda 1*
    *This Agenda item is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act, 2016 and the Company's Constitution do not require a formal approval of the Shareholders and hence, is not put forward for voting.*

    *Resolution 1 to 3:*
    ***Re-election of Directors***
    *Clause 76(3) of the Company's Constitution expressly states that at the Annual General Meeting ("AGM") in every subsequent year, one-third of the Directors for the time being or, if their number is not three or a multiple of three, then, the number nearest to one-third shall retire from office and be eligible for re-election.*

    *Pursuant to Clause 76(3), Mr. Wong Khai Shiuan, Dato' Hj. Ayub bin Mion and Mr. Khoo Boon Ho are standing for re-election at this AGM.*

    *The profiles of the Directors standing for re-election are provided on page 14 to 18 of the Board of Directors' Profile in the 2019 Annual Report.*

    *The Nomination Committee (NC) of the Company has assessed the criteria and contribution of Mr. Wong Khai Shiuan, Dato' Hj. Ayub bin Mion and Mr. Khoo Boon Ho and recommended for their re-election. The Board endorsed the NC's recommendation that Mr. Wong Khai Shiuan, Dato' Hj. Ayub bin Mion and Mr. Khoo Boon Ho be re-elected as Directors of the Company.*

    *Resolution 4:*
    ***Payment of Directors' fees, allowances and any other benefits payable***
    *Section 230(1) of the CA 2016 provides amongst others, that the fees of the directors and any benefits payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting.*

    *In this respect, the Board wishes to seek shareholders' approval for the following payment of Directors' fees, allowances and any other benefits payable not exceeding RM420,000 for the financial year ending 31 December 2020.*

    *In determining the estimated total amount of Directors' Fees and Benefits payable for the Directors of the Company, the Board has considered various factors including the number of scheduled meetings for the Board and Board Committees as well as the number of Directors involved in these meetings based on the current number of Directors and has included additional provisional sum for future appointment of Directors of the Company and increase in number of Board and Committee meetings due to business expansion.*

## NOTICE OF ANNUAL GENERAL MEETING Cont'd

14. *Explanatory Notes: Cont'd*

*Resolution 5:*
***Re-appointment of Auditors***
*The Audit Committee and the Board have considered the re-appointment of Messrs. Ernst & Young PLT as Auditors of the Company and collectively agreed that Ernst & Young PLT has met the relevant criteria prescribed under Paragraph 15.21 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.*

*Resolution 6:*
***Authority to Issue and Allot Shares pursuant to Sections 75 and 76 of the Companies Act 2016***
*The Ordinary Resolution No.6 proposed in Agenda 5 above, if passed, will empower the Directors of the Company from the date of the above meeting until the next AGM, unless earlier revoked or varied at a general meeting, to issue shares in the Company up to an aggregate number not exceeding ten per centum (10.0%) of the issued share capital of the Company for the time being for such purposes as they consider would be in the interest of the Company.*

*The renewal of the general mandate is to provide flexibility to the Company to issue new securities without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional cost and time. The purpose of this general mandate is for possible fund raising exercise including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of bank borrowings, acquisitions and/or for issuance of shares as settlement of purchase consideration.*

*The Company has not issue and allot any shares during the year under the mandate granted to the Directors at the last AGM of the Company held on 20 June 2019 and which will lapse at the conclusion of the 51st AGM of the Company.*

*Resolution 7:*
***Proposed Mandate For Recurrent Related Party Transactions Of Revenue Or Trading Nature***
*The Ordinary Resolution No. 7 proposed in Agenda 6 above if passed, will authorise the Company and each of its subsidiary companies to enter into recurrent related party transactions of a revenue or trading nature in their ordinary course of business. This authority, unless revoked or varied by the shareholders of the Company at a general meeting, will expire at the conclusion of the next AGM of the Company.*

*Resolution 8 and 9:*
***Continuing in Office as Independent Non-Executive Director***
*The Ordinary Resolution No. 8 and 9 as proposed in Agenda 7 if passed, will approve and authorise Mr. Khoo Boon Ho and Mr. Bernard Hilary Lawrence to continue to act as Independent Non-Executive Directors of the Company.*

*The Nomination Committee has assessed the independence of Mr. Khoo Boon Ho and Mr. Bernard Hilary Lawrence who have served as an Independent Non-Executive Directors of the Company for a cumulative term of nine (9) years and recommended them to continue to act as Independent Non-Executive Directors of the Company based on the following justifications:-*

*(a) their expertise in corporate, finance and legal matters which had significant contribution to the effectiveness of the Board and the Committees; and*

*(b) they have exercised their due care during their tenure as an Independent Non-Executive Director of the Company and they have carried out their professional duties in the interest of the Company and the shareholders.*

# STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. **There is no person seeking for election as Director of the Company at this Annual General Meeting except for the following Directors standing for re-election at the 51st Annual General Meeting of the Company as follows:**

   i. Mr. Wong Khai Shiuan (Executive Director / Chief Executive Officer);

   ii. Dato' Hj. Ayub bin Mion (Independent Non-Executive Chairman); and

   iii. Mr. Khoo Boon Ho (Senior Independent Non-Executive Director).

   The details of the Directors who are standing for re-election are set out in the Profile of the Board of Directors in this Annual Report.

   Information on securities holdings in the Company and its subsidiaries by the directors standing for re-election are set out in the Statement of Directors' Interests in the Company and related corporation on page 50.

2. **Attendance of Directors at Board Meetings held during the financial year ended 31 December 2019**

   A total of five (5) Board of Directors' Meetings were held during the financial year ended 31 December 2019, at the Company's Meeting Room of Ground Floor, #G08, Block 8, Danga Bay, Jalan Skudai, 80200 Johor Bahru, Johor Darul Takzim.

   The details of attendance of Directors at the Board Meeting are disclosed in the Corporate Governance Overview Statement in this Annual Report.

3. **Date, time and Place of the 51st Annual General Meeting**

   Date : Thursday, 30 July 2020

   Time : 10.00 a.m.

   Place : Danga Bay Convention Centre, Persiaran Abu Bakar Sultan, Danga Bay, 80200 Johor Bahru, Johor Darul Takzim

# FORM OF PROXY

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

| CDS ACCOUNT NO. | | NO. OF SHARES HELD |
|---|---|---|
| | | |

I/We……………………………………………………………………(I.C.No.…………………………………………)
of ..........................................................................................................................................
(or attorney of the said ……………………………………………...........................................................) a Member/Members of ISKANDAR WATERFRONT CITY BERHAD (196801000661) (8256-A) hereby appoint:-

| Full Name (in Block) | NRIC/Passport No. | Proportion of Shareholdings | |
|---|---|---|---|
| | | No. of Shares | % |
| Address | | | |

and / or (delete as appropriate)

| Full Name (in Block) | NRIC/Passport No. | Proportion of Shareholdings | |
|---|---|---|---|
| | | No. of Shares | % |
| Address | | | |

or failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the 51st Annual General Meeting of the Company to be held at Danga Bay Convention Centre, Jalan Persiaran Abu Bakar Sultan, Danga Bay, 80200 Johor Bahru, Johor Darul Takzim on Thursday, 30 July 2020 at 10.00 a.m. and at any adjournment thereof, and to vote as indicated below:-

| NO. | RESOLUTION | FOR | AGAINST |
|---|---|---|---|
| *Ordinary Business* | | | |
| 1. | Re-election of Director – Mr. Wong Khai Shiuan | | |
| 2. | Re-election of Director – Dato' Hj. Ayub bin Mion | | |
| 3. | Re-election of Director – Mr. Khoo Boon Ho | | |
| 4. | To approve the payment of Directors' fees, allowances and any other benefits payable for the financial year ending 31 December 2020 | | |
| 5. | Re-appointment of Ernst & Young PLT as Auditors | | |
| 6. | Authority to Issue Shares Pursuant to Section 75 & 76 of the Companies Act 2016. | | |
| *Special Business* | | | |
| 7. | Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of Revenue or Trading Nature | | |
| 8. | Continuing in Office as Independent Director, Mr. Khoo Boon Ho | | |
| 9. | Continuing in Office as Independent Director, Mr. Bernard Hilary Lawrence | | |

*(Please indicate with an "x" in the spaces provided how you wish your votes to be cast. If you do not do so, the Proxy will vote or abstain from voting at his discretion).*

*Signed this________ day of _______________ 2020*

*Signature of Member(s)/CommonSeal*
*Contact No.:*

***Notes:***

1. *For the purpose of determining who shall be entitled to attend this General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 23 July 2020. Only a member whose name appears on this Record of Depositors shall be entitled to attend this General Meeting or appoint a proxy to attend, speak and vote on his/her/its behalf.*
2. *A member entitled to attend and vote at this General Meeting is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to attend, participate, speak and vote in his place. A proxy may but need not be a member of the Company.*
3. *A member of the Company who is entitled to attend and vote at a General Meeting of the Company may appoint not more than two (2) proxies to attend, participate, speak and vote instead of the member at the General Meeting.*
4. *If two (2) proxies are appointed, the entitlement of those proxies to vote on a show of hands shall be in accordance with the listing requirements of the stock exchange.*
5. *Where a member of the Company is an authorised nominee as defined in the Central Depositories Act, it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.*
6. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act") which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.*
7. *Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.*

8. *The appointment a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the General Meeting or adjourned General Meeting at which the person named in the appointment proposes to vote:*
   (i) *In hard copy form*
   *The proxy form must be deposited at the registered office of the Company situated at Suite 1301, 13th Floor, City Plaza, Jalan Tebrau, 80300 Johor Bahru, Johor Darul Takzim*
   (ii) *By electronic means via email*
   *The proxy form also can be lodged electronically via email at ir@iwcity.com.my*
9. *Any authority pursuant to which such an appointment is made by a power of attorney must be deposited at the registered office of the Company situated at Suite 1301, 13th Floor, City Plaza, Jalan Tebrau, 80300 Johor Bahru, Johor Darul Takzim or by electronic means not less than forty-eight (48) hours before the time appointed for holding the General Meeting or adjourned General Meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.*
10. *Please ensure ALL the particulars as required in this proxy form are completed, signed and dated accordingly.*
11. *Last date and time for lodging this proxy form is 10 a.m., 28 July 2020 and Tuesday.*
12. *Please bring an **ORIGINAL** of the following identification papers (where applicable) and present it to the registration staff for verification:*
   *a. Identity Card (NRIC) (Malaysian), or*
   *b. Police report (for loss of NRIC) / Temporary NRIC (Malaysian), or*
   *c. Passport (Foreigner).*
13. *For a member who has appointed a representative instead of a proxy to attend this meeting, please bring the **ORIGINAL** certificate of appointment executed in the manner as stated in this proxy form if this has not been lodged at the Company's registered office or by electronic means earlier.*

*Fold along this line (1)*

Affix
Stamp

**THE COMPANY SECRETARY**
**ISKANDAR WATERFRONT CITY BERHAD**

Suite 1301, 13th Floor
City Plaza, Jalan Tebrau
80300 Johor Bahru
Johor Darul Takzim

*Fold along this line (2)*

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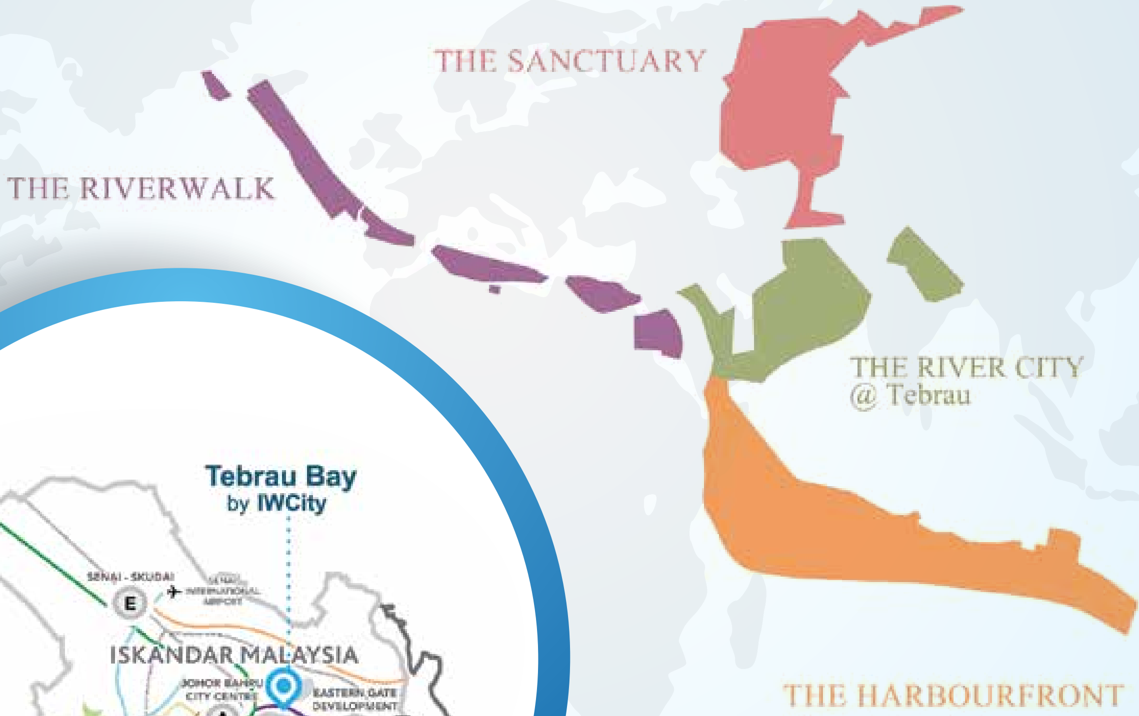



Iskandar Waterfront City Berhad 196801000661(8256-A)

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