MUDAJAYA
GROUP BERHAD

ANNUAL REPORT 2018

AT A GLANCE

REVENUE	TOTAL ASSETS	SHAREHOLDERS' FUND	OVER
RM760.1 MILLION	RM1.6 BILLION	RM244.5 MILLION	50 YEARS OF EXPERIENCE

FINANCIAL CALENDAR

ANNOUNCEMENT OF QUARTERLY RESULTS

30 MAY 2018
Announcement of the unaudited consolidated results for the 1st quarter ended 31 March 2018

30 AUG 2018
Announcement of the unaudited consolidated results for the 2nd quarter ended 30 June 2018

29 NOV 2018
Announcement of the unaudited consolidated results for the 3rd quarter ended 30 September 2018

28 FEB 2019
Announcement of the unaudited consolidated results for the 4th quarter and financial year ended 31 December 2018

16TH ANNUAL GENERAL MEETING

DATE:
19 JUNE 2019

TIME:
2.30 p.m.

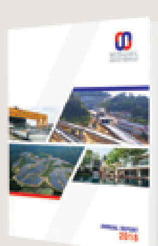
VENUE
Level 11, Menara Mudajaya

30 APRIL 2019

Notice of 16th Annual General Meeting and issuance of Annual Report 2018

The online version of Mudajaya Group Berhad's ("Mudajaya") Annual Report 2018 is available from our website. Go to http://www.mudajaya.com or scan the QR code with your smartphone.

ANNUAL REPORT



With the four segments of the Group being formed into a shape of a spark, the cover symbolises the dynamism and electrifying capability for the components of the business to grow sustainably and advance value in all aspects.

ONLINE VERSION

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

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

3 Get access to our online version of Mudajaya's Annual Report 2018.

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ABOUT THIS REPORT

THIS IS OUR FIRST ATTEMPT AT REPORTING OUR FINANCIAL AND NON-FINANCIAL PERFORMANCE IN AN INTEGRATED ANNUAL REPORT BY ADOPTING THE FRAMEWORK PRESCRIBED BY THE INTERNATIONAL INTEGRATED REPORTING COUNCIL. WHILE OUR STRATEGY FORMULATION AND DATA COLLECTION PROCESSES AND MECHANISM IS STILL WORK-IN-PROGRESS, WE HAVE ATTEMPTED TO FRAME OUR 'VALUE CREATION MODEL' DURING THE YEAR UNDER REVIEW. THIS IS A SIGNIFICANT IMPROVEMENT OVER 2017, AND WE ARE CONFIDENT THAT OUR STAKEHOLDERS WILL HAVE A MORE WELL-ROUNDED PICTURE OF OUR NEAR-TERM AND LONG-TERM BUSINESS DIRECTION AS WELL AS OUR INTENT TO CATER TO THEIR EVOLVING EXPECTATIONS YEAR ON YEAR.

Our financial statements are prepared in compliance with the Malaysian Companies Act 2016 and the Malaysian Financial Reporting Standards (MFRS) requirements. We also adhere to the Bursa Malaysia Securities Berhad Main Market Listing Requirements and the Sustainability guidelines, as well as the Malaysian Code on Corporate Governance 2017 released by the Securities Commission.

SCOPE

This report includes our topline business strategies and performance, the various programmes and initiatives, some of the risks, mitigation measures, and accomplishments for the period **1 January 2018 to 31 December 2018**. We have taken due care to ensure that our first Integrated Annual Report meets the fundamental principles of reporting which include the quality among others transparency, and balance of information.

VISION

- To be the preferred leader in the Construction and Property Development Industry.
- To provide good infrastructure and energy requirement to society.
- Strive in looking ahead beyond expectations and goals by integrating technical excellence, commitment and leveraging on the competency of our people.

WE CONTINUE TO STRENGTHEN OUR POSITION BY COLLABORATING WITH OUR KEY STAKEHOLDERS TO MEET THE CURRENT AND FUTURE CHALLENGES OF OUR BUSINESS, CREATING VALUE.

MISSION

- To continuously improve performance by meeting international quality standards, timely completion, customer satisfaction and enhancement of shareholders value.
- To improve our ability to continuously attract, engage, retain and develop human capital.

REPORTING PRINCIPLES

The information documented in this report is based on the principles mentioned below:

TRANSPARENCY

We have included disclosures, which will help our stakeholders gain a clear understanding of our business, and our value proposition. While we continue to meet all compliance requirements, we aspire to share more data on various aspects of our performance with our stakeholders as we mature in our reporting in the coming years.

MATERIALITY

We have conducted a Stakeholder Engagement Exercise for the purposes of this report, in addition to our ongoing feedback/engagement initiatives, which helped us to identify matters/issues that are most material to our stakeholders, including our shareholders. While we have initiated 'framing our performance story' around these material matters, over the next 3 years, we will strengthen our narrative with tangible targets and metrics of measurement.

BALANCED INFORMATION

We have attempted to share information on our successes as well as challenges during the reporting year. We believe that balanced information will help our stakeholders to evaluate our performance in the right context.

COMPARABILITY

Where possible, we have also included data for a minimum of 2 years to allow comparisons and reflect our progress year-on-year. Comparability will allow our stakeholders to assess the Group's development and its future aspirations.

STAKEHOLDER ENGAGEMENT

In our journey towards emerging as a leading player in the Construction industry and Renewable Energy sector, the role of our stakeholders is instrumental in shaping our continuing success. Our stakeholders include suppliers, customers, employees, regulators, shareholders and the community. During the year, we have organised a series of engagement activities with our stakeholders to understand their views and perceptions of Mudajaya as well as feedback on improving the Group's performance.

The key platforms of engagement during the year were in-depth interviews, online surveys, face-to-face meetings and other forms of discussions. Our engagement with the members of the community is mainly through our charitable platforms, planning meetings and events.

The stakeholder engagement exercise in 2018 was fully managed by a third-party consultant to encourage our stakeholders to share their feedback without any inhibitions, in a neutral and objective environment.

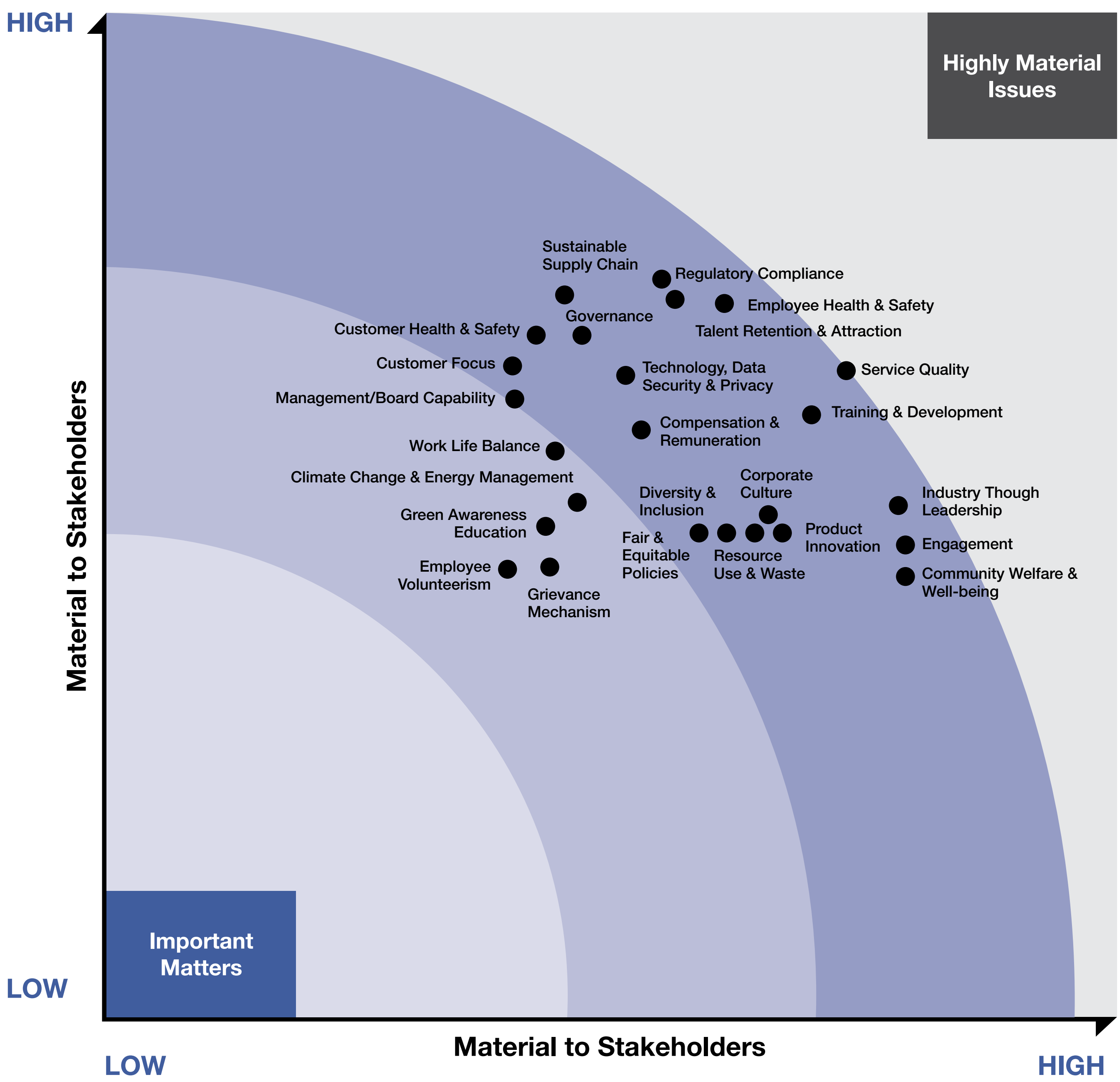
STAKEHOLDERS	MODE OF ENGAGEMENT & FREQUENCY
CUSTOMERS & PARTNERS	• Meetings (Quarterly)
EMPLOYEES	• Townhalls (Quarterly); • Management-Staff Reviews (Monthly); • Appraisals (Yearly); • Internal Employee Gatherings/ Events (Monthly); and • External Focus Group Discussion (Yearly)
REGULATORS & POLICY MAKERS	• Meetings (Quarterly & Yearly)
SUPPLIERS	• Performance Reviews (Half-yearly); and • Procurement Processes (Half-yearly)
COMMUNITIES	• Events & Participation Co-organised (Bi-monthly)

49MW solar photovoltaic farm at Sungai Siput, Perak

MATERIAL TOPICS & OUR RESPONSE

Based on the feedback received from various stakeholders and their ranking of various matters important to them on a simple Likert Scale of 1-5, a total of 25 material topics emerged, the scores of which were juxtaposed for all stakeholders to arrive at weighted averages to establish the level of importance or materiality.

The weighted average scores of all stakeholders were compared with the scores assigned by Mudajaya management to arrive at the final Materiality scores i.e., matters which are important to both stakeholders and management (aligned to business priorities), as summarised below:



MATERIAL TOPICS & OUR RESPONSE

We have further grouped the material topics based on their interrelationships and strategic linkages for reporting purposes. These top 8 material topics will remain our key areas of focus over the next 3-5 years. Below is the strategic link to our business, risks and opportunities, and our long-term strategies associated to the topics.

Identified Top 8 Material Topics	Strategic Link to Our Business	Risks and Opportunities	Our Long-Term Strategies
1. Talent Retention & Attraction (Compensation and Remuneration; Engagement; Training & Development)	Talent is extremely critical to seamlessly deliver business objectives. Skill-gaps, talent crunch, or even the productivity of talent can directly impact the performance of the organisation, as well as its ability to attract new talent as an employer.	Risk – Impact on Group's productivity. Opportunity – Talent retention and attraction as an employer of choice.	- To develop organisation's brand to attract more experienced and dynamic workforces. - Benchmarking with other similar industries to remain competitive in terms of compensation and remuneration. - Share-based incentive scheme to retain the best talents in our group.
2. Service Quality	Quality of products and services are important in instilling trust amongst our stakeholders and earning credibility for long-term reputation as a business committed to excellence. Poor quality can negatively affect customer/ stakeholders' disposition towards the organisation and its services.	Risk – Bad reputation and loss of credibility in the industry. Opportunity – Customer loyalty and repeat business.	Our commitment to quality in construction work, materials used and workmanship. Construction & Property - To ensure good understanding and full compliance of project specifications. - To provide necessary training to all our technical staffing with the latest technology. - To attain QLASSIC certification in our projects and to maintain ISO 9001: 2015. Concession Assets - Continuous engagement with relevant authorities while maintaining good rapport. - To ensure our plant is operating in compliance with the contracts. - To promote sustainable and renewable energy/green technology. Manufacturing - To upgrade in-house laboratory to ISO 17025 SAMM. - To maintain the latest edition of QMS ISO 9001: 2015. - To ensure compliance with approved standard operating procedures ("SOPs") via verification by authorised audit agencies.

MATERIAL TOPICS & OUR RESPONSE

Identified Top 8 Material Topics	Strategic Link to Our Business	Risks and Opportunities	Our Long-Term Strategies
3. Governance (Regulatory Compliance; Industry Thought Leadership)	Principles of good governance help to protect the integrity of the organisation and its people, while safeguarding the business against ill-practices and non-compliance of laws and regulations.	Risk – Losing business license or regulatory fines and sanctions. Opportunity – Reputation that can forge new business partnerships.	- Regulated by the Malaysian Code on Corporate Governance 2017 – to ensure the principles and best practices of good corporate governance is applied throughout the Group. - Full compliance towards current regulators' requirements in construction, property development, power and manufacturing segments.
4. Sustainable Supply Chain	Ethical, fair and transparent supply chain management including selection of sustainable suppliers and support for local suppliers. This is important to ensure suppliers are competent to deliver to organisation's expectation of quality.	Risk – Negative reputational impact and regulatory fines and sanctions. Opportunity – Create income opportunities and also improve performance through quality and diverse selection of suppliers.	The Group is adopting centralised procurement system; all procurement is done through approved SOPs which are in compliance with ISOs. - To select suppliers or contractors with consideration of the price/experience & expertise/sufficient resources and strong financial positions. - To reassess the performance of the suppliers or contractors from the approved suppliers or contractors list every 6 months. - To conduct Pre-qualification exercise for potential suppliers or contractors. - To evaluate new suppliers or contractors based on the criteria as specified in the Evaluation Form before recommending to the Managing Director and/or tender committee for approval. - To continuously source for new suppliers or contractors to ensure on-time delivery of goods or services and maintain a good reputation of the Group.

MATERIAL TOPICS & OUR RESPONSE

Identified Top 8 Material Topics	Strategic Link to Our Business	Risks and Opportunities	Our Long-Term Strategies
5. Community Welfare & Well-being	Responsible corporate citizens earn more credibility and successfully instil a sense of pride in association amongst employees and stakeholders, contributing to the overall reputation and business.	Risk – Poor ad hoc adoption and implementation affecting company's reputation. Opportunity – Favourable employee, stakeholder, and community perceptions.	Engagement in Community programmes – education and underprivileged society via financial assistance - To allow annual budget for Corporate Social Responsibility ("CSR") activities. - Employee volunteer in CSR activities. Environmental and waste management via "Reduce, Reuse & Recycle" - To consider environmental impact on activities with appropriate preventive actions and implementation of best environmental practices. Promoting healthy and safety culture in our workplace - To comply with Health, Safety and Environment legislation. - To familiarise all employees and stakeholders with training, information and facilities available. Promoting Community Living via property development - To prioritise on amenity facilities such as park/bus stop/market/space for events in the township.
6. Technology, Data Security & Privacy	Managing customers' data privacy and continuously strengthening its capability in cyber security.	Risk – Data leaks, breach of customer confidentiality. Opportunity – Strengthen trust amongst customer/ stakeholder relationships and Mudajaya's safe and secure technology platforms.	We respect compliance to Personal Data Protection Act ("PDPA"). - To adhere strictly to protect data and information under the non-disclosure agreement. - To take stern disciplinary action on those who compromise data leakage and breach of customers' confidentiality.

MATERIAL TOPICS & OUR RESPONSE

Identified Top 8 Material Topics	Strategic Link to Our Business	Risks and Opportunities	Our Long-Term Strategies
7. Customer Health & Safety	Systematic efforts in ensuring that its products and services are safe for consumers reinforce the Company's commitment to quality and excellence.	Risk – Bad reputation and poor customer loyalty. Opportunity – Positioning of customer-centric solutions to grow business.	Enforcement of Health, Safety and Environment management system - To comply with latest Environmental Management System (ISO 14001: 2015) and Occupational Health and Safety Assessment (OHSAS 18001:2007) in our business units. Construction - To ensure all the safety personnel are competent and well trained. - Safety team should be independent and report directly to project director & directly access to senior management (commitment and responsibility of safety flow from top management to bottom). Concession Assets - To engage with third party consultant to check on critical equipment and system regularly on our solar plant and thermal plant. Property - To set up an efficient pre-management team to ensure safety & cleanliness of the projects. - To prioritise on safety and environmental consideration during the design development phase. Manufacturing - To obtain approval from consultant or client on production materials. - To obtain approval from customers on transportation plan before delivery.
8. Product Innovation	Development and introduction of new products to meet the dynamic needs of the customers and to keep pace with technology advancements reflects and reinforces Mudajaya's competitiveness.	Risk – Loss of competitive edge and market position Opportunity – Value creation for both the industry and the customers through innovative solutions	Construction - To optimise the design to improve productivity and efficiency in construction. - To explore and invest in new technology. Concession Assets - Continuous improvement on enhancing Operation & Management methodology and adopting latest technology in new plants. Property - To promote eco-living, green sustainable living, and eco-friendly environment. Manufacturing - To explore new technology for concrete design mix to improve the cycle time for better concrete quality.

MATERIAL TOPICS & OUR RESPONSE

Currently, we are in the process of deliberating on the following for each of 8 material topics, to arrive at management approaches, strategies and actions which are critical for sustainable business:

- Strategic Link to our Business;
- Risks and opportunities;
- Our long-term strategy;
- Key indicators of measurement;
- Targets towards 2020; and
- Progress year on year.

In 2018, we have identified top line approaches based on these material topics and the risks or opportunities in relation to them. Over the next 2 years, we will improve our narratives with clearly defined strategies and mitigation efforts to achieve positive economic, social, and environmental impact in the conduct of our business.

During the year, we have also evaluated the governance of various material topics as well as the current policy support that we have in place to mitigate some of the issues. Below are the key enablers of the 8 material topics which the Group will focus over the next 3-5 years:

MATERIAL TOPICS	CURRENT ENABLERS
Talent Retention & Attraction	• Talent and Training Policy • Performance Management Plan • Staggered & Flexible Worktime Arrangements • Staff Welfare Policies and Programmes • Annual Staff Engagement Platforms and Surveys
Service Quality	• Quality Management System • ISO 9001:2015 certification
Governance (Regulatory Compliance; Industry Thought Leadership)	• Internal control and compliance framework • Strong leadership
Sustainable Supply Chain	• Procurement and Supplier Assessment Policy • Supplier Code of Conduct
Community Welfare & Well-Being	• Staff Education and Volunteerism Policy • Annual budget allocation
Technology, Data Security & Privacy	• Management Information System ("MIS") Policy & Procedure • Personal Data Protection Act 2010 of Malaysia
Customer Health & Safety	• Health, Safety & Environment Management System • Green and Sustainable Project Portfolio Development • Project-specific Environmental Management Plan • Waste Management Plan
Product Innovation	• Experienced and competent technical team

INTEGRATED THINKING

In keeping with the integrated reporting framework, we have examined our business and the various inputs or capitals, that drives performance and growth. More importantly, by strategising how the following capitals are deployed on the back of favourable market conditions, our robust risk management framework, and our corporate values, we are able to create value for not just our shareholders, but also our multiple stakeholders to business.

MANUFACTURED CAPITAL

Manufactured Capital is the physical assets, products and services of the Group in the form of landbanks, township, commercial space, solar photovoltaic plant, concrete precast production and construction works. For seamless delivery of products and services, we depend on the competency of our people, efficiency of the equipment, tools, transportation and quality materials.

FINANCIAL CAPITAL

Financial Capital is the Group's existing financial resources which are generated either through business operations or its shareholder funds. While managing four core businesses particularly construction, property, power as well as trading, manufacturing and others, we are able to generate earnings to sustain and grow the organisation. Stable financial capital base helps us to consistently invest in potential opportunities for growth, stakeholder engagement, and talent development, while also fulfilling our responsibility to the community.

HUMAN CAPITAL

Human Capital is the most important asset of our organisation. We value each and every individual in the Group for their direct and indirect contributions to our continuing success. Employee experience and engagement are our main priority in nurturing highly skilled and adept professionals, who in turn ensure efficient business operations.

SOCIAL CAPITAL

Social Capital includes the relationships that we have built and developed within and outside the organisation with and amid various stakeholders - employees, shareholders, regulators, customers, suppliers and communities where we operate. We are also investing in strengthening our relationships based on trust, which goes a long way into optimising stakeholders' potential and value.

NATURAL CAPITAL

Natural Capital refers to the environmental resources that we utilise while delivering our solutions. The Group's construction and property sectors highly depend on the existing natural landscape in developing projects which are of great importance for human and natural habitats. As a responsible business, we strive to operate using environment-friendly practices and technologies, minimise our direct impact on the environment and resources.

INTELLECTUAL CAPITAL

Intellectual Capital refers to our decades of industry experience and expertise, our credible brand, as well as our knowledge, which continue to help us evolve as a successful business. The Group's reputation continuously grows and is reinforced through our bespoke and purpose-built construction, property and power plant projects. Supported by our recognised subsidiaries - Mudajaya Corporation Berhad, Mudajaya Land Sdn. Bhd., MJC City Development Sdn. Bhd., Special Universal Sdn. Bhd. and Sinar Kamiri Sdn. Bhd., we continue to demonstrate our strong capabilities in the industry.

INTEGRATED THINKING

OUR VALUE CREATION MODEL

WHAT WE DEPLOYED

MANUFACTURED CAPITAL

Owns **66.3 acres** of land bank & fixed assets worth **RM93.3 million**.
1 TOWNSHIP & **4 POWER PLANTS**.

FINANCIAL CAPITAL

Total assets of **RM 1.6 billion**
RM 244.5 million of shareholders' funds

HUMAN CAPITAL

818 total number of contract and permanent employees
88 TRAINING PROGRAMMES with a total of **1,739 hours**

SOCIAL CAPITAL

Collaborated with **11 REGULATORY AUTHORITIES & GOVERNMENT AGENCIES**

NATURAL CAPITAL

Governed project sites with stringent policies on environmental protection

Policies incorporated for environmental management

INTELLECTUAL CAPITAL

Over **50 years** of experience in the **CONSTRUCTION INDUSTRY**

Excellent track record for delivering mega projects over the last 5 years with remarkable network

LEVERAGES

ASSETS MANAGEMENT
Continue to diversify specific assets which are able to deliver more stable income

FINANCIAL MANAGEMENT
Prudent capital management to optimize gearing by monetising non-core assets and conserving cash to maximise investment returns with aims to reward shareholders through dividend payout

EMPLOYEE ENGAGEMENT
Encourage teamwork and open-dialogue session with higher level management to promote productivity, performance and improving motivation level

CORPORATE SOCIAL RESPONSIBILITY
Promote volunteerism, corporate social responsibility and active participation in community services by rewarding off-days or work leaves

ENVIRONMENTAL STEWARDSHIP
Strengthening internal ISO 14001: 2015 by abiding to local environmental regulations and compliance requirements

BRANDING ENHANCEMENT
Improving reputation through involvement in numerous projects within the four core business sections

INTEGRATED THINKING

OUR VALUE CREATION MODEL IS DESIGNED TO ADDRESS THE SIGNIFICANT CAPITALS AND MATERIAL ASPECTS OF THE GROUP WHICH ARE CRITICAL TO CREATE VALUE FOR OUR STAKEHOLDERS.

MUDAJAYA'S CORE BUSINESSES

- CONSTRUCTION
- POWER
- PROPERTY
- TRADING, MANUFACTURING & OTHERS

TREND	MATERIAL TOPICS	
Urbanisation	Communities Welfare & Well-being	Service Quality
Industrialisation	Governance	Talent Retention & Attraction
Economic Growth	Customer Health & Safety	Technology, Data Security & Privacy
Financial	Product Innovation	Sustainable Supply Chain

STRATEGIES PRIORITY IN 2018

- UNLOCKING ASSET VALUES
- SUSTAINING GROUP PERFORMANCE
- DIVERSIFYING INCOME SOURCES
- DEVELOPING STRATEGIC PARTNERSHIPS

WHAT WE DELIVERED

MANUFACTURED CAPITAL

Completed **7 mega projects** in **construction** and **power sectors** that are worth **RM4.4 billion** over the last 7 years.

FINANCIAL CAPITAL

RM760.1 million of revenue reported.

HUMAN CAPITAL

- **2 townhall meetings** organized; and
- Active participation of **60 employees**, where our Managing Director and Chief Executive Officer ("CEO") had an open dialogue with the participants to discuss any concerns or issues pertaining to the workplace.

SOCIAL CAPITAL

- **10% employees** contributed to an average of **7 volunteer hours** to support the needy; and
- **130 employees** spent quality time with orphaned children.

NATURAL CAPITAL

SOLAR FACILITY:

- Produced **80Gwh** of clean and renewable energy; and
- Eliminated **50,000 metric ton** of CO2 per annum.

INTELLECTUAL CAPITAL

GRANTED 3 AWARDS:

- **Projas Award** for Pan Borneo Highway;
- 2018 **Green Bond Award** by RAM for **49MW** solar project; and
- **Sustainability Champion 2017 Award** by MARC in relation to SUKUK issued for **49MW** solar project.

CORPORATE INFORMATION

BOARD OF DIRECTORS

DATO' YUSLI BIN MOHAMED YUSOFF
Independent Non-Executive Chairman

IR. JAMES WONG TET FOH
Group Managing Director & Chief Executive Officer

LEE ENG LEONG
Non-Independent Executive Director

CHEW HOY PING
Senior Independent Non-Executive Director

DATO' AMIN RAFIE BIN OTHMAN
Independent Non-Executive Director

WEE TECK NAM
Non-Independent Non-Executive Director

AUDIT COMMITTEE

Chew Hoy Ping (Chairman)
Dato' Yusli Bin Mohamed Yusoff
Wee Teck Nam

COMBINED NOMINATION AND REMUNERATION COMMITTEE

Dato' Amin Rafie Bin Othman (Chairman)
Dato' Yusli Bin Mohamed Yusoff
Chew Hoy Ping

RISK MANAGEMENT COMMITTEE

Dato' Yusli Bin Mohamed Yusoff (Chairman)
Chew Hoy Ping
Ir. James Wong Tet Foh

INVESTMENT COMMITTEE

Ir. James Wong Tet Foh (Chairman)
Dato' Yusli Bin Mohamed Yusoff
Dato' Amin Rafie Bin Othman
Lee Eng Leong

OPTIONS COMMITTEE

Ir. James Wong Tet Foh (Chairman)
Lee Eng Leong
Kang Boon Beng

COMPANY SECRETARIES

Lee Suan Choo (MAICSA 7017562)
Cheah Wai Yuen (MAICSA 7025907)

REGISTERED OFFICE

PH1, Menara Mudajaya
No. 12A, Jalan PJU 7/3
Mutiara Damansara
47810 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel No : (603) 7806 7899
Fax No : (603) 7806 7900

SHARE REGISTRAR

Boardroom Share Registrars Sdn Bhd (378993-D)
(formerly known as Symphony Share Registrars Sdn Bhd)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel No : (603) 7849 0777
Fax No : (603) 7841 8151/52
Helpdesk Email:
BSR.Helpdesk@boardroomlimited.com

AUDITORS

KPMG PLT
Chartered Accountants

PRINCIPAL BANKERS

United Overseas Bank (Malaysia) Berhad
OCBC Bank (Malaysia) Berhad
AmBank Islamic Berhad
Standard Chartered Bank Malaysia Berhad
Kuwait Finance House (Malaysia) Berhad
Bangkok Bank Berhad
CIMB Bank Berhad
HSBC Bank Malaysia Berhad

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Stock Name : MUDAJYA
Stock Code : 5085

WEBSITE ADDRESS

www.mudajaya.com

INVESTOR RELATIONS

Email : info@mudajaya.com
Tel No : (603) 7806 7899


10 Damansara Heights, Bukit Damansara, Kuala Lumpur

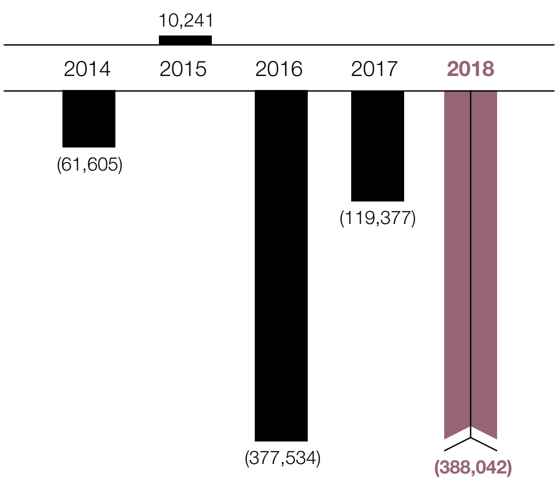
FIVE YEARS' FINANCIAL HIGHLIGHTS

	2018 RM'000	2017* RM'000	2016* RM'000	2015 RM'000	2014 RM'000
ASSETS					
Non-Current Assets	**506,182**	624,978	736,560	871,254	892,143
Current Assets	**1,091,098**	1,220,679	1,308,279	1,169,716	960,225
Total Assets	**1,597,280**	1,845,657	2,044,839	2,040,970	1,852,368
EQUITY AND LIABILITIES					
Capital And Reserves					
Share Capital	**393,172**	393,172	110,483	110,483	110,483
Reserves	**(177,218)**	217,150	558,046	995,438	991,046
Equity Attributable To					
Owners Of The Company	**215,954**	610,322	668,529	1,105,921	1,101,529
Non-Controlling Interests	**28,560**	35,312	34,045	(15,939)	(15,859)
Total Equity	**244,514**	645,634	702,574	1,089,982	1,085,670
Liabilities					
Non-Current Liabilities	**441,161**	415,065	428,859	404,791	410,877
Current Liabilities	**911,605**	784,958	913,406	546,197	355,821
Total Liabilities	**1,352,766**	1,200,023	1,342,265	950,988	766,698
Total Equity And Liabilities	**1,597,280**	1,845,657	2,044,839	2,040,970	1,852,368
GROUP RESULTS					
(Loss)/Profit Before Tax	**(388,042)**	(119,377)	(377,534)	10,241	(61,605)
Taxation	**(12,109)**	1,605	(4,766)	(7,849)	(8,857)
Non-Controlling Interests	**(6,478)**	2,059	1,448	3,820	(228)
Loss Attributable To Owners Of The Company	**(393,673)**	(119,831)	(383,748)	(1,428)	(70,234)
SELECTED RATIOS					
Loss Per Share (Sen)	**(66.73)**	(21.72)	(71.06)	(0.26)	(13.00)
Net Dividend Per Share (%)	**–**	–	–	–	30.0
Net Assests Per Share Attributable To Owners Of The Company (RM)	**0.37**	1.03	1.24	2.05	2.05
Return On Equity (%)	**(182.29)**	(19.63)	(57.40)	(0.13)	(6.4)
Gearing Ratio (%)	**365.2**	116.6	116.2	50.2	38.1
Share Price (Year-End Closing) (RM)	**0.29**	0.93	0.91	1.18	1.45

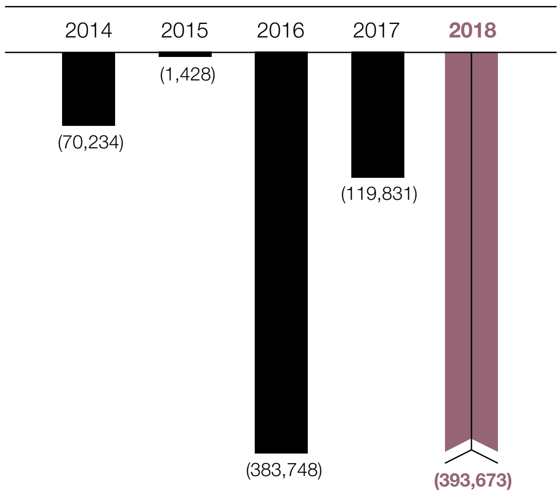
* *The figures have been adjusted due to adoption of MFRSs.*

FIVE YEARS' FINANCIAL HIGHLIGHTS

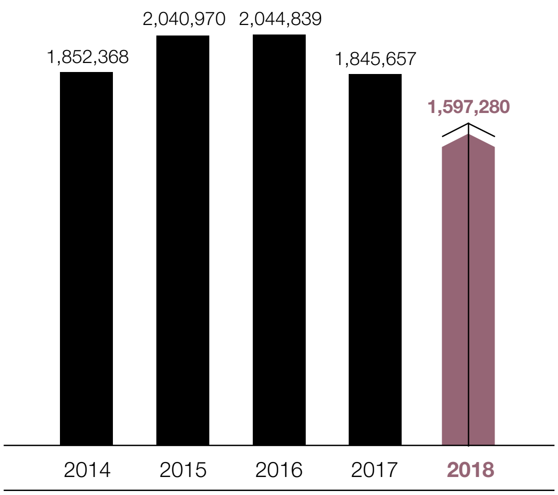
(LOSS)/PROFIT BEFORE TAX
(RM'000)



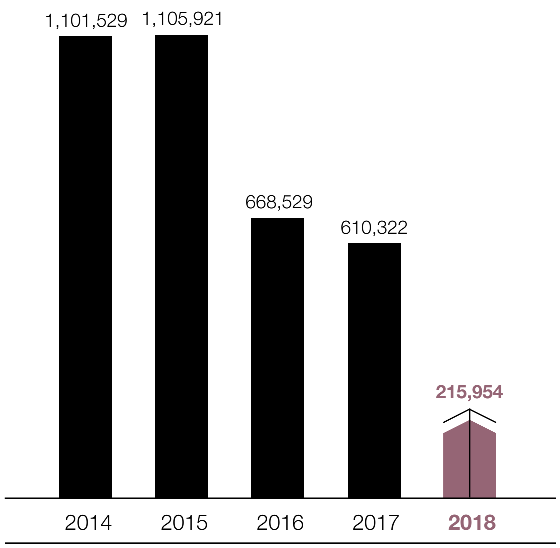
LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY
(RM'000)



TOTAL ASSETS
(RM'000)



EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY
(RM'000)



BOARD OF DIRECTORS

FROM LEFT TO RIGHT

CHEW HOY PING

Senior Independent
Non-Executive Director

LEE ENG LEONG

Non-Independent
Executive Director

DATO' YUSLI BIN MOHAMED YUSOFF

Independent Non-Executive
Chairman

BOARD OF DIRECTORS

IR. JAMES WONG TET FOH

Group Managing Director
& Chief Executive Officer

WEE TECK NAM

Non-Independent
Non-Executive Director

DATO' AMIN RAFIE BIN OTHMAN

Independent
Non-Executive Director

DIRECTORS' PROFILE

DATO' YUSLI BIN MOHAMED YUSOFF

Independent Non-Executive Chairman

Aged 60, Male, Malaysian

Dato' Yusli graduated with a Bachelor of Economics Degree from University of Essex, England and qualified as a member of the Institute of Chartered Accountants in England & Wales. He is a member of the Malaysian Institute of Accountants.

Dato' Yusli began his career with Peat Marwick Mitchell & Co. in London and has since held various key positions in a number of public listed and private companies in Malaysia, providing him with experience in property and infrastructure development, telecommunications, engineering, merchant banking and stockbroking. He was the Chief Executive Officer and Executive Director of Bursa Malaysia Berhad from 10 April 2004 to 31 March 2011.

Dato' Yusli was appointed to the Board on 13 July 2011 and he also serves as Chairman of the Risk Management Committee as well as a member of the Audit Committee, Investment Committee, and Combined Nomination and Remuneration Committee.

Dato' Yusli's directorships in other listed issuers are Mulpha International Bhd, AirAsia X Berhad, Westports Holdings Berhad and FGV Holdings Berhad. His directorships in public companies are Australasia Resources and Minerals Berhad, Malaysian Institute of Corporate Governance and Infinity Trustee Berhad.

DIRECTORS' PROFILE

IR. JAMES WONG TET FOH

Group Managing Director &
Chief Executive Officer

Aged 58, Male, Malaysian

Ir. James Wong graduated with a Bachelor of Science (1st Class Honours) in Civil Engineering in 1984 and a Master of Science in 1985 from Imperial College of Science, Technology & Medicine, United Kingdom. He also completed a Master of Business Administration (Finance) Programme from Nottingham University Business School in 2015.

He attained his Professional Engineer registration with the Board of Engineers Malaysia (BEM) in 1989 after having spent the first 5 years of his career with a forensic engineering consultancy firm specialising in distressed buildings or infrastructure works covering the fields of geotechnical, structural and material investigations.

He joined the UEM Group of Companies in 1989 where he served for 21 years in various capacities such as Chief Operating Officer for UE Construction Sdn. Bhd. (2002-2004) and Director of International Projects for UEM Builders Berhad (2004-2009). His stint with UEM covered projects in India, Middle East, Indonesia and Singapore. In 2009, he moved to Lafarge Concrete (M) Sdn. Bhd. as Vice President of Marketing and Strategy (Asia). Prior to joining Mudajaya, he served as Business Development Director of IJM Corporation Bhd and subsequently as Managing Director of IJM's toll highway concession asset companies in Malaysia and India.

Ir. James Wong joined the Board of Mudajaya as Executive Director and served as Managing Director of Mudajaya Corporation Berhad on 2 May 2014. He was appointed the Group Managing Director & Chief Executive Officer of Mudajaya on 1 April 2015.

Ir. James Wong serves as Chairman of the Investment Committee and Options Committee as well as a member of the Risk Management Committee.

Ir. James Wong's directorship in public company is Mudajaya Corporation Berhad. He has no directorships in other listed issuers.

DIRECTORS' PROFILE

LEE ENG LEONG

Non-Independent Executive Director

Aged 51, Male, Malaysian

Mr. Lee is a member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants. He attained his INSEAD Global Executive Master of Business Administration in 2018.

Mr. Lee was formerly the Group Chief Financial Officer of Alliance Bank Malaysia Berhad from 4 January 2010 to 2 October 2012. Prior to joining Alliance Bank Malaysia Berhad, he was the Chief Financial Officer for Microsoft, a major global company where he oversaw their finance operations covering the Asia region. For over 20 years, he has held various leadership roles in management positions within both local companies and multi-national companies in Asia.

Mr. Lee was appointed as Alternate Director to Mr. Lee Seng Huang on 17 October 2012. Subsequently, he was appointed as Deputy Chief Executive Officer of Mudajaya on 1 January 2015. On 2 December 2016, Mr. Lee was appointed as Executive Director of Mudajaya.

Mr. Lee serves as a member of the Investment Committee and Options Committee.

Mr. Lee's directorships in other listed issuers in Malaysia are Mulpha International Bhd and Thriven Global Berhad. His directorships in public companies in Malaysia are Mudajaya Corporation Berhad and Leisure Farm Polo Club Berhad.

CHEW HOY PING

Senior Independent
Non-Executive Director

Aged 61, Male, Malaysian

Mr. Chew is a member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants.

Mr. Chew had a professional career with PricewaterhouseCoopers ("PwC") commencing in 1976 and spanning 30 years, including 15 years as a partner of the firm. Whilst at PwC, he was engaged in a diverse range of professional services encompassing auditing, corporate finance and business recovery. He held various leadership roles in PwC including the Asia Pacific Chairman of Financial Advisory Services, Risk Management & Independence Leader, Deputy Chairman of the Governance Board and a member of the Country Management Team. Mr. Chew also served work experiences with PwC Houston, Texas (1982-1984) and Bank Negara Malaysia (1986-1988). After PwC, he was the Chief Financial Officer for Southern Bank Berhad (subsequently acquired by CIMB) for about a year until mid-2006.

Mr. Chew was appointed to the Board on 1 January 2015 and he also serves as Chairman of the Audit Committee as well as a member of the Combined Nomination and Remuneration Committee, and Risk Management Committee.

Mr. Chew is also currently an Independent Non-Executive Director of Carlsberg Brewery Malaysia Berhad and Mulpha International Bhd where he is the Chair of their respective Audit Committees. He also sits on the Board of GE-Shen Corporation Berhad where he is a member of its Audit Committee. He has no other directorships in public companies in Malaysia.

DIRECTORS' PROFILE

DATO' AMIN RAFIE BIN OTHMAN

Independent Non-Executive Director

Aged 59, Male, Malaysian

Dato' Amin graduated with a Degree in Economics and International Politics from University College of Wales, Aberystwyth and a Master of Business Administration Degree in Export Management and International Business from City University Business School, United Kingdom.

Dato' Amin is currently the Chief Investment Officer of Halim Mazmin Group of Companies. He was formerly the Deputy Chairman and Senior Independent Non-Executive Director of WZ Satu Berhad. In a career spanning over 30 years, Dato' Amin has served as the Independent Non-Executive Director of MYP Ltd, a company listed on the Singapore Stock Exchange. He was the Managing Director of Dubai Group Sdn. Bhd., Rio Capital Sdn. Bhd. and PJB Capital Sdn. Bhd.; Chief Executive Officer of Maybank Investment Management Sdn. Bhd.; Executive Director of Smith Zain Securities Sdn. Bhd.; and Senior General Manager and a Director of RHB Asset Management Sdn. Bhd. He was also the past President of the Malaysian Association of Asset Managers and a member of the Listing Committee of Bursa Malaysia Securities Berhad.

Dato' Amin was appointed to the Board on 22 February 2018 and he also serves as Chairman of the Combined Nomination and Remuneration Committee as well as a member of the Investment Committee.

Dato' Amin has no directorships in other listed issuers or public companies.

WEE TECK NAM

Non-Independent Non-Executive Director

Aged 79, Male, Malaysian

Mr. Wee graduated with a Bachelor Degree in Mechanical Engineering from University of Sydney, Australia.

Upon graduation, Mr. Wee worked for Chemical Company of Malaysia, a member of the ICI Malaysia Group for over 9 years. From there, he progressed to be the General Manager of Batu Arang Bricks and Tiles Bhd and Sim Lim Trading Sdn. Bhd. Later he joined TDM Berhad as Senior Manager, overseeing the total operations of 24,000 acres of palm oil estates and oil mills in Terengganu. In 1986, he pioneered Wormald International Ltd. of Australia and built up its operations in Taiwan. In 1994, he became the General Manager and Chief Executive Officer of Shanghai Allied Cement Ltd, a joint venture company between Hong Kong and China. Eventually, Mr. Wee retired and returned to Malaysia in early 1999. He was a Director of Mulpha Land Berhad (now known as Thriven Global Berhad) from October 1998 to August 2001 and a Director of Mulpha International Bhd from October 1998 to July 2002.

Mr. Wee was appointed to the Board as Executive Director on 2 March 2004. Subsequently, he was redesignated as Non-Independent Non-Executive Director of Mudajaya on 1 January 2015.

Mr. Wee serves as a member of the Audit Committee.

Mr. Wee has no directorships in other listed issuers or public companies.

NOTES:

1. **Family Relationship with Director and/or Major Shareholder**
   None of the Directors has any family relationship with any director and/or major shareholder of Mudajaya.
2. **Conflict of Interest**
   None of the Directors has any conflict of interest with Mudajaya.
3. **Conviction for Offences**
   None of the Directors has any conviction for offences within the past 5 years (other than traffic offences, if any). There were no public sanctions and/or penalties imposed on the Directors by the relevant regulatory bodies during the financial year.
4. **Attendance of Board Meetings**
   The attendance of the Directors at Board Meetings held during the financial year ended 31 December 2018 is disclosed in the Corporate Governance Overview Statement.

SENIOR MANAGEMENT'S PROFILE

IR. ANTHONY TEOH TEIK THIAM

Deputy Chief Executive Officer, Mudajaya Group Berhad
Deputy Managing Director, Mudajaya Corporation Berhad
Male, Malaysian

Ir. Anthony Teoh Teik Thiam, aged 50, was appointed as Executive Director of Mudajaya Corporation Berhad on 1 February 2015. He joined Mudajaya Corporation Berhad in January 2014 as Director of Construction and he was subsequently promoted as the Deputy Chief Executive Officer of Mudajaya Group Berhad and Deputy Managing Director of Mudajaya Corporation Berhad on 1 January 2018.

Ir. Anthony Teoh graduated with a Bachelor of Engineering (1st Class Honours) Degree in Civil Engineering in 1993 from the University of Malaya. He attained his Professional Engineer registration with the Board of Engineers Malaysia in 1997 after having worked 4 years in both design office and project implementation. He is also a corporate member of The Institution of Engineer, Malaysia.

He started his career as a Design Engineer with Gamuda Berhad in 1993 and has served as Section Head from 1997 to 1999. He joined Zelan Construction Sdn. Bhd. ("ZCSB") as Technical Manager in 1999 and has since been involved in various infrastructure projects in Malaysia, India and Indonesia as Project Manager and Project Coordinator. He was the General Manager of ZCSB from 2007 to 2009. He joined Macrobro Sdn. Bhd. as Head of Commercial from 2009 to July 2011 where he was involved in business development for new ventures in China and Australia as well as property development opportunities in Malaysia. Prior to joining Mudajaya, he was the Country Director for IJM India involved in the construction, real estate development and tollway business.

Ir. Anthony Teoh's directorship in public company is Mudajaya Corporation Berhad. He has no directorships in any listed issuers.

ANG KENG HONG

Executive Director of Construction,
Mudajaya Corporation Berhad
Male, Malaysian

Mr. Ang Keng Hong, aged 50, joined Mudajaya Corporation Berhad in April 2014 as General Manager of Construction. He was appointed as Director of Construction of Mudajaya Corporation Berhad on 1 February 2016 and has since been promoted to the post of Executive Director of Construction of Mudajaya Corporation Berhad in January 2018.

Mr. Ang graduated with a Diploma in Technology (Building) in 1992 from Tunku Abdul Rahman College (TARC). He further attained his Master of Science in Construction Management (Project Management) in 1998 from Heriot-Watt University after having worked for 5 years involved in both tendering and project implementation. He is currently a "Registered Member" of the Association of Construction Project Managers (ACPM), Malaysia, as well as a "Chartered Member" of The Chartered Institute of Building (CIOB), UK.

He started his career as a Project Coordinator with Lion Group in 1992 and was involved in various building projects till 1996 before joining Zelleco Construction Sdn. Bhd. where he served as Construction Manager involved in various building & infrastructure works till 2000. He took study leave from September 1997 to April 1998 to pursue his Master of Science in Construction Management (Project Management). He then joined Zelan Berhad in 2000 and was involved in various building & infrastructure works in Malaysia and Indonesia as Project Manager. He was promoted to the post of General Manager of Zelan Berhad in 2007, and remained as their General Manager until 2009 when he left to join Team Builders LLC/Eminent Ace Sdn. Bhd. as Head of Operation (from 2009 to 2014) where he was involved in business development for new ventures in the middle east and property development opportunities in Malaysia. Prior to joining Mudajaya, he was the Director of Operations involved in the construction and real estate development.

Mr. Ang has no directorships in any listed issuers or public companies.

SENIOR MANAGEMENT'S PROFILE

SAMANTHA LEE TZE LIU

General Manager - Property,
Mudajaya Corporation Berhad
Female, Malaysian

Ms. Samantha Lee Tze Liu, aged 51, was appointed as the General Manager – Property on 1 November 2015. Ms. Samantha Lee is a Bachelor of Law graduate from the University of London. She has 25 years of experience in property and township development. She started her working career in 1993 with MBF Property Services as a Marketing Executive.

Ms. Lee later joined Mudajaya Corporation Berhad in 1995 as a Senior Marketing Executive and rose in ranks to Marketing & Sales Manager in 1997. She was appointed as the Director of MJC City Development Sdn. Bhd. in 2004 which undertakes the property development of Batu Kawah New Township in Kuching, Sarawak. She was promoted to the Assistant General Manager of the Property division in 2007 and Director of Mudajaya Land Sdn Bhd in 2015. During her tenure with Mudajaya, she had successfully launched and sold more than RM1 billion worth of properties for the Group and won 3 awards from SHEDA, namely SHEDA Excellence Awards for Innovative Design & Lifestyle Concept 2009 (One Residency), Merit Award in Master Plan (Completed Development) (Batu Kawah New Township) 2011 and Outstanding Development Award for Residential: High Rise Strata Development 2013 (Skyvilla Residences).

Ms. Lee has no directorships in any listed issuers or public companies.

ADRIAN WONG FUK AEN

General Manager - Concession Assets,
Mudajaya Corporation Berhad
Male, Malaysian

Mr. Adrian Wong Fuk Aen, aged 48, joined Mudajaya Corporation Berhad as the General Manager – Concession Assets on 9 January 2017.

Mr. Adrian Wong was a Kuok Foundation Scholar and graduated with a B.Eng. in Mechanical (1st Class Honours) in 1996 from Royal Melbourne Institute of Technology (RMIT), Australia.

He possessed 22 years of experience in gas and coal fired power project development and asset management. He started his career as a maintenance and project engineer in Malakoff Berhad in 1997 and joined the development team for the 2,100MW Tg Bin Coal Fired Plant in 2002 and subsequently for the 1,400MW Jimah Coal Fired Plant. Before joining Mudajaya, he was the General Manager for Jimah Energy Ventures and Vice President 1 (Commercial, Malaysia Assets) of Edra Global Energy.

Mr. Adrian Wong has no directorships in any listed issuers or public companies.

SENIOR MANAGEMENT'S PROFILE

YAM KEONG CHEE

General Manager - Manufacturing,
Mudajaya Corporation Berhad
Male, Malaysian

Mr. Yam Keong Chee, aged 57, joined MJC Precast Sdn. Bhd. as the General Manager on 16 March 2015.

Mr. Yam graduated with a BSc. in Civil Engineering in 1985 from Oklahoma State University, Stillwater, USA. He has more than 30 years' proven experience in managing operations and large project deployment within the construction industry. Recognised as a hands-on leader with strong knowledge in the construction and civil engineering field.

He has 17 years of working experience in India including the last 6 years with Raffles Education Corporation Ltd. (a Singaporean company) as the Vice President of Indian Operations.

Mr. Yam has no directorships in any listed issuers or public companies.

KANG BOON BENG

Chief Financial Officer,
Mudajaya Corporation Berhad
Male, Malaysian

Mr. Kang Boon Beng, aged 48, joined Mudajaya Corporation Berhad as the Chief Financial Officer on 3 August 2015.

Mr. Kang graduated with a Bachelor of Arts (1st Class Honours) Degree in Accounting & Finance in 1995 from Lancaster University, United Kingdom. He is a Fellow member of the Association of Chartered Certified Accountants (ACCA), United Kingdom and a Chartered Accountant of the Malaysian Institute of Accountants (MIA).

He has over 20 years of working experience and has held various finance leadership roles in the local and multinational corporations with Asia responsibilities. He started his career with Sime Darby group in 1996 and his last position prior to joining Mudajaya was the Finance Director Asia for Valmont Industries Inc. USA.

Mr. Kang has no directorships in any listed issuers or public companies.

NOTES:

1. **Family Relationship with Director and/or Major Shareholder**
   None of the Senior Management has any family relationship with any director and/or major shareholder of Mudajaya.
2. **Conflict of Interest**
   None of the Senior Management has any conflict of interest with Mudajaya.
3. **Conviction for Offences**
   None of the Senior Management has any conviction for offences within the past 5 years (other than traffic offences, if any). There were no public sanctions and/or penalties imposed on the Senior Management by the relevant regulatory bodies during the financial year.


KVMRT Line 2 Site

CHAIRMAN'S STATEMENT

ON BEHALF OF THE BOARD OF DIRECTORS OF MUDAJAYA GROUP BERHAD, IT IS MY PLEASURE TO PRESENT THE ANNUAL REPORT AND FINANCIAL STATEMENTS OF THE COMPANY AND THE GROUP OF COMPANIES ("MUDAJAYA" OR "THE GROUP") FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018.

DATO' YUSLI BIN MOHAMED YUSOFF
Independent Non-Executive Chairman,
Mudajaya Group Berhad

MARKET

Malaysia's economy, once again, was resilient amid market uncertainties and unexpected socio-political changes in 2018, including the election of a new government in the 14th General Election ("GE14"). A moderate growth of 4.7% in the country's gross domestic product ("GDP") has been reported for the fourth quarter of 2018. This growth was on the back of strong demand from both the domestic and foreign markets. As for the risks that our economy faced, they were mainly related to the return of trade protectionism and fluctuation in the prices of crude oil. It is difficult to predict the direction of the market because of the shrinkage in the Expected Index ("EI"), which can affect local sales, exports and production drastically. This may create further uncertainty in the economic outlook.

A new Government was elected last year. While the new leadership was reviewing and reassessing the various national policies, sectoral priorities and development programs, we saw the tightening of regulations amid a volatile local and global market. These factors together had a dampening effect on almost all sectors of the economy. We saw the manifesto of the new Government being delivered gradually, especially in bringing a certain degree of transparency and accountability to the system. This has augured well for the long-established players, especially in the construction sector, with opportunities to participate in infrastructure and other development projects of national significance.

CHAIRMAN'S STATEMENT

CORPORATE DEVELOPMENTS

With major projects in Malaysia, 2018 was a fairly productive year for Mudajaya. However, some of the projects such as High-Speed Rail ("HSR"), the East Coast Rail Link ("ECRL") and Mass Rapid Transit 3 were subject to review and re-evaluation for continuity, it has an impact on our overall projections associated with these mega-projects. To mitigate, we focused our attention on the 49-megawatt ("MW") Solar Photovoltaic ("PV") power plant in Perak as well as the 10MW PV power plant located in Pahang.

Our 49MW Solar PV project in Perak commenced its commercial operations on 27 November 2018 having achieved its financial closure at the end of 2017, and signed the 21-year power purchase agreement with Tenaga Nasional Berhad in March 2017. Unit 1 of the 4x360MW coal-fired power plant in Chhattisgarh, India developed by our Joint Venture Company R.K.M. Powergen Private Limited ("RKM") began sale of 200MW of power way back in 2017.

In addition, RKM secured power purchase agreements ("PPAs") for units 2 and 3 in 2018 while unit 4 has achieved its commercial operation date ("COD") on 20 March 2019. The completion of unit 4 marks a significant milestone for RKM. The Group will continue to work with our Joint Venture Partner, RK Powergen Private Limited ("RKP") to maximise the value of its investment despite various challenges RKM faced in the dynamic power sector of India. Meanwhile, the Group will continue to leverage on the success of its 2 solar farm projects by further participation in new large-scale solar projects.

Large infrastructure projects remain the main focus of the Group. Mudajaya's present order book is at RM1.8 billion which will keep the Group busy for the next 2 to 3 years. The government's goal to develop and upgrade major infrastructure projects has increased the demand in the manufacturing sector, consequently expanding the size our precast business. This is in addition to the MRT, LRT, ports and highway projects already won by the Group.

During the year, we continued to tap our regional and international network to cast our net wider and explore opportunities outside of our core market. During the year, we have been working with our European, Japanese and Chinese partners such as Hazama Ando, Kajima, Sumec and Pacific Construction Group, to explore potential projects as well as to expand our footprint beyond Malaysia.

FINANCIAL PERFORMANCE

For the year ended 31 December 2018, the Group has reported a total revenue of RM760.1 million in comparison to RM546.5 million revenue in 2017.

We also received our outstanding claims from a pending litigation on Manjung Power Plant, which was completed in 2015. Further to a favorable decision of the Singapore Dispute Adjudication Board, in 2018, we realised RM25 million, which helped to mitigate the losses from the project.

ORDER BOOK

RM 1.8 BILLION

KVMRT Line 2 Site

CHAIRMAN'S STATEMENT

MARC 2017 League Manager Table Awards: Sustainability Champion 2017

AWARDS

I am extremely pleased with the commitment, capabilities and expertise displayed by all our employees in each of our projects. Of course, the bonus is always in the form of a recognition award for the work we do. In 2018 alone, we were bestowed the Projas Award – Best Overall Performing Works Package (January – June 2018) for our work on the Pan Borneo Highway in Sibu, Sarawak that was awarded by Lebuhraya Borneo Utara. Our green solar Sukuk received the Green Bond Award at the RAM League Awards 2018, and we were also awarded The Malaysian Rating Corporation ("MARC") 2017 League Manager Table Awards: Sustainability Champion 2017.

HUMAN CAPITAL

Human capital has always been the most vital element of our operating businesses. During the year, in response to the evolving business landscape and the external challenges, we adopted a more agile way of conducting business, with lean resources, strategies to optimise the potential of our people and improve efficiencies to continuously enhance our performance.

The concept of "employee experience" remains as our key area of improvement year on year, where our efforts are focused on providing a workplace that is condusive to positive performance. We encouraged active engagement with employees across levels, increased participation in team activities and organised various enrichment initiatives to keep the staff healthy, motivated and productive. For instance, in addition to the town halls, the Huddle Sessions between the Group Managing Director and the employees, which are a no-agenda, free-flowing feedback meetings, have proven very effective to bring about positive changes in the organisation. The flexi-hours for our employees was one of the key outcomes from these sessions.

We also took a differentiated approach to building leadership by equipping high-potential employees with new skills and competencies. The idea is for these senior leaders to improve the team dynamics and performance by mentoring and coaching at workplace.

CORPORATE GOVERNANCE

The foundation of any successful corporation is good governance, and at Mudajaya we take an uncompromising approach to embracing and implementing its principles. Governance helps future-proof businesses against various risks, protect the interests of multiple shareholders' and makes our organisation more resilient and robust.

CHAIRMAN'S STATEMENT

We also believe that business integrity, performance, and return of stakeholders' values are dependent on good corporate governance. In 2018, we have initiated the process of integrating the 36 prescribed practices under the new Malaysian Code on Corporate Governance by the Securities Commission Malaysia into our current corporate risk and compliance framework.

In 2018, we pursued justice in the court of law to bring the long pending case of misappropriation of fund by a senior employee following a 2014 Forensic Audit, confirming the breach of duties and obligations and inappropriate conduct of the accused. During the year, we approached several authorities, including the Attorney-General's Chambers and the Malaysian Anti-Corruption Commission to accelerate fair criminal proceedings on the case. While our efforts are to push for stringent action, sending a strong signal to the market on the need for tighter controls and governance mechanisms, we had improved the Group's whistle-blowing policies and procedures.

RAM League Awards 2018: Green Bond Award

Meanwhile, we remain committed to upholding the principles of integrity, transparency and good governance in the conduct of our business and implementation of our growth strategies.

WAY FORWARD

For 2019, the expected economic growth of Malaysia is at 4.9% of GDP. Inflation is expected to be moderately high due to resilient conditions in the transportation and food industry. The construction sector is expected to improve at a much slower rate due to the property glut. With a strong reputation in the construction industry, Mudajaya has expanded its business portfolio to include facility management, renewable energy and pre-cast manufacturing. We are seeking strategic partnerships with other industrial players in the region to improve the Group's recurring income. To achieve that, we are relying on our capable, professional and skilled human capital to drive future projects whilst upholding the reputation of the Group.
Overall, with the progressive approach of the Government, we are confident that we will continue to play an important role in delivering projects of national importance, such as the ECRL and Pan Borneo Highway project amongst others. We see great potential in Penang, which is a growing hub for infrastructure projects. While we focus on private sector opportunities, our long-term association and interest will remain in public sector and nationally critical projects. In the property sector, we have been and will continue to make steady income, with average annual sales of RM25 million and potential to achieve Gross Development Value ("GDV") of RM1.5 billion from our remaining 60 acres of land bank in Kuching. In the coming 2-3 years, we will also expand our presence in the power sector and precast business, not just in our home market, but in selected ASEAN markets.

FOR 2019, THE EXPECTED ECONOMIC GROWTH OF MALAYSIA IS AT

4.9%

OF GROSS DOMESTIC PRODUCT (GDP)

ACKNOWLEDGEMENTS

We constantly search for avenues to improve the effectiveness of the members of our Board of Directors, thereby improving our governance and strategic business directions. I would like to bid farewell to Mr. Winson Chow, the alternate director to Mr. Lee Eng Leong, who resigned on 31 May 2018 and extend our sincerest appreciation for his great contribution towards the Company during his tenure on the Board.

To all our directors, members of management and staff, allow me to express my greatest gratitude for your unwavering devotion to Mudajaya. To our shareholders, customers, bankers, suppliers and contractors, I would like to thank you for your constant support.

Dato' Yusli bin Mohamed Yusoff
Independent Non-Executive Chairman
10 April 2019

MANAGEMENT DISCUSSION AND ANALYSIS

KVMRT Line 2 Site

FOR THE YEAR ENDED 31 DECEMBER 2018, WE HAVE MANAGED OUR BUSINESSES WITH PRUDENT MANAGEMENT OF CAPITAL INPUTS AND EFFICIENT AND LEANER OPERATIONS.

For the year ended 31 December 2018, we have managed our businesses with prudent management of capital inputs and efficient and leaner operations.

Despite another year of net losses, I am pleased to share our steady and consistent progress on operational efficiencies. In other words, we have made small, but remarkable accomplishments with our robust cost discipline and strategic programmes. Construction business remains the key revenue driver for the Group while expanding portfolio of power asset widens its recurring income base. I would like to take this opportunity at the outset, to acknowledge every individual, from our Chairman and the Board of Directors to our team members, customers and shareholders, who have been instrumental in helping sustain our efforts to create positive value for our stakeholders, despite average financial results.

We took some strategic measures during the year in keeping with our corporate philosophy of delivering prompt and reliable service that is tailored to meet the ever-changing needs of our customers. Our objective is simple – we must continually evolve and adapt to support our customers' success in their respective markets. It is an on-going challenge, but one that we are meeting effectively and we will continue to meet by maintaining a professional and proactive relationship with them.

Amid a volatile environment, we adopted a three-pronged strategy:

1. **Focus on our order books**, especially the private-sector driven technology and technology-enabled projects such as logistic and manufacturing hubs, which continued to show a healthy upward trend during the year. We continued to build on smaller flagship and legacy projects, the consolidated value of which contributed significantly to the top line and our continuing performance.

2. **Balance our portfolio and expand our value proposition** by reassessing current and future market potential as well as opportunities to include both public and private sector projects. For instance, in the power sector, our approach has also been to position ourselves as both an Engineering, Procurement, Construction & Commissioning ("EPCC") turnkey contractor and as well as an Independent Power Producer ("IPP"). This in itself strengthened our position in the marketplace, with robust experience and credible track record, especially in championing power concessions for solar pv farms. This is also in line with the Government's increasing focus on the renewable and alternative sectors.

3. **Explore beyond our core market**, and accelerate efforts to tap new growth prospects in ASEAN, especially with our existing business relations in India and Indonesia. With our five decades of rich industry experience, we are well-

MANAGEMENT DISCUSSION AND ANALYSIS

positioned to identify and forge new partnerships, strike new synergies, and tap new opportunities for growth both in our core market as well as abroad. For instance, in 2018, we continued to strengthen our collaboration with Kajima by joining the bid for a construction project in Penang. With Hazama Ando from Japan, we have been exploring dam construction and potential hydro projects.

GROUP REVIEW

Despite changes in political landscape in 2018, the Group had a satisfactory year where we reported an increase in total turnover from RM546.5 million in year 2017 to RM760.1 million in year 2018. The increase in revenue is mainly attributable to the development of the 49MW Solar PV power plant at Sungai Siput, Perak and major construction projects like Pengerang and MRT.

The Group reported a Loss Before Tax ("LBT") of RM388.0mil as a result of the impairment on its RKM investment and receivable from equipment supply to RKM in addition to share of RKM losses. Excluding these exceptional non-cash items, the Group would have reported a Profit Before Tax ("PBT") of RM8.5mil. The improvements in project margin were due to disciplined project management and tight project costs control. With this, the Group generated a positive operating cash flow of RM33.8mil for the year.

LRT3, which connects Bandar Utama to Johan Setia, valued at an estimated RM1.1 billion is currently the largest project in our order book. Equally noteworthy are MRT 2 project with contract value of RM558.6mil and the Refinery and Petrochemicals Integrated Development projects ("RAPID") in Pengerang, Johor. The Group is assured of its future in the next few years since there is still RM1.8 billion worth of projects in the organisation's outstanding order book as of 31 December 2018.

OUR CORE BUSINESS

(REVENUE BY SECTORS FOR FY2018)

CONSTRUCTION
RM 391.0 MILLION

PROPERTY
RM 20.3 MILLION

POWER
RM 298.4 MILLION

TRADING, MANUFACTURING & OTHERS
RM 50.4 MILLION

SUSTAINING GROUP PERFORMANCE

We are working on the disposal of 7.07% equity interest in RKM in India to reduce our exposure in the Indian IPP investment. The disposal is subject to fulfilment of the conditions precedent.

Amongst the assets producing recurring income for the Group are the 10MW solar power plant in Pahang and our Menara Mudajaya corporate office. The recent completion of Large Scale Solar Photovoltaic ("LSSPV") Power Plant of 49MW at Sungai Siput, Perak has also strengthened the Group's recurring income foundation. It is estimated that LSSPV will save the environment from approximately 50,000 metric tonnes of carbon dioxide ("CO2") emissions annually that might otherwise be created from fossil fuel power generation.

Meanwhile, in India, our coal-fire power generation project with a total capacity of 1,440MW has achieved a major milestone with all 4 units achieving COD. While the changing regulations and the dynamic local market presented various challenges, RKM is undertaking an asset restructuring exercise with the help of a reputable external consultant and in keeping with the Reserve Bank of India's ("RBI") policies. This would mean a tighter financial payback programme, which would have some impact on the project's financial returns. As a result, we also saw an impairment of RM145.6 million by December 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

We have also established strategic partnerships with leading players from Europe, Japan and China, which include Siemens, Hazama Ando, Kajima, Sumec and Pacific Construction Group ("PCG"), which will go a long way into meeting our construction, power and manufacturing business aspirations. To support our foray into infrastructure projects in Sabah and Sarawak, Mudajaya had collaborated with a few established East Malaysian companies.

GROWTH STRATEGY

We strongly believe in our 5 decades of experience and capabilities, which will help us turn-around the business, even in the midst of unfavourable market forces or trends. Growth for us is a mind-set, which needs to be embraced for demonstrating excellence in every aspect of our business. Learning from 2018, our future focus and growth strategy will rest on the following four components:

1. Facility Management divergence, especially through 49MW solar farm at Sungai Siput, 14MW Coal-Fired Power Plant at Baruta and operation and management at Menara Mudajaya;
2. IPP exploration, specifically with the recent government's announcement of Renewable Energy projects;
3. Manufacturing expansion, via active participation of our Precast manufacturing in diverse infrastructure projects and land or property monetisation through right product offering to the market;
4. Asset monetisation through disposal of properties such as, Crest Office Tower Block near KLCC area and shareholding in completed power assets.

THE DRIVING FORCE

Talent development and growth are absolutely critical to sustain positive growth. Therefore, we emphasise on building resources, developing skills and competencies, enabling our people to deliver excellent results. It is the Group's main focus towards building technical as well as non-technical competencies, and also improving our policies and processes to meet the corporate objectives through collaboration and teamwork. Our approach to driving productivity and performance is to nurture talents and inspire them to contribute meaningfully to both individual and organisational growth.

Substation for 49mw solar photovoltaic farm out Sungai Siput, Perak

OUTLOOK

With an order book of RM1.8 billion pending finalisation of LRT3 project contract value revision, the on-going projects and current operations of the Group shall sustain over the next two to three years.

Post Budget 2019, the outlook for the construction sector remains challenging due to the deferment of mega infrastructure projects. We will continue to participate actively in open biddings of both public and private projects, and we are confident of replenishing our order book given our vast experience and competitiveness in the construction segment.

The 49MW Solar PV Power Plant in Sungai Siput, Perak is expected to generate significant recurring income over the next 21 years, whilst we pursue investments both locally and abroad to build up our concession asset base, especially in the renewable energy sector. The objective is to generate recurring income streams to cushion against the potential volatility of the construction business.

Renewable energy carries huge potential in growing the Group's business. With a projection total capacity generated from 9% in 2009 to 34% in 2050 set by the National Renewable Energy Policy and Action Plan ("NREAP"), the future of this sector is extremely promising. We are, therefore, positioning ourselves to invest significantly in the sector and explore any possible opportunities while we deliver outstanding projects in this field. This is in addition to growing our pre-cast manufacturing business, and exploring strategic partnerships in manufacturing and power sector across Southeast Asia.

MANAGEMENT DISCUSSION AND ANALYSIS

Pengerang Warehouse project - Chemical Storage

MARKET REVIEW AND OUTLOOK

Despite the change in government in the 14th general election, the Malaysia economy remains resiliant with positive GDP growth of more than 4.0% reported in the last 3 quarters of 2018. Growth in the fourth quarter of 2018 was recorded at 4.7% with leading contributors from the services and manufacturing sectors. However, Consumer Sentiment Index decreased to 98 index point in the fourth quarter of 2018 from 107.50 index point in the third quarter of 2018. Consumer confidence weakened with the uncertainty in economic outlook.

The Malaysian construction sector recorded at 2.6% growth, down from 4.6% in the 3rd quarter, contributed by civil engineering industry in the transportation, petrochemical and power plant sectors. Even though the KL-Singapore HSR and the MRT3 projects have been deferred, Malaysia has recorded RM145.5 billion in construction value, which translated growth by 5.3% in 2018.

No significant progress was observed from the property sector in Malaysia as the industry remained soft in 2018. Affordability has been the main factor since the average value of Malaysia's properties is estimated at RM410,000 which is beyond average citizens' salary. Escalating number of unsold units mainly residential and non-residential weakens the development of property industry. However, it is forecasted to improve within 2 years.

Malaysia's power sector displayed slow growth of 2.0% compared to 4.1% in 1Q2018.

Currently, Malaysia is being reliant on one of the most unsustainable power sources which is coal plants. Despite the increase of coal prices, analysts predict that the outlook for this sector will remain positive. In addition, the ministry has decided to put more emphasis on renewable energy and increase its contribution from 2% to 20% by 2025 as pledged by the new government.

ANTICIPATED OR KNOWN RISKS

A good risk management plan is important for organisations to be prepared for any eventualities, ensuring business continuity and growth prospects. By closely monitoring and strategically examining the potential risks in the context of business and our stakeholders, we have been able to put in place effective mitigating strategies to continue to deliver value. The key steps in the process included risk identification, analysis, classification of affected stakeholders, main strategy of the organisation as well as defining the measurement criteria and matrix.

At Mudajaya, we acknowledge the significance of a robust risk management framework to address any potential threats to our performance and productivity. The increasing pressure to improve operational efficiencies, reduce costs and deliver better quality results encourage us to equip ourselves with overarching strategies to mitigate potential risks facing the Group. Various internal and external risks have been identified by the Group.

For the year 2018, a total of 7 key risks impacted our Group business.

MANAGEMENT DISCUSSION AND ANALYSIS

Key Risks and Mitigation Strategies

What are the risks?	How do these impact our business?	Who are the affected stakeholders?	What are the mitigation efforts?
1. FINANCIAL Cyclical downturn, seamless project funding, diminishing margins and price volatility.	**Affected Capitals: Human & Financial Capital** ✓ Weak performance of the organisation; ✓ Lower returns; and ✓ Low productivity.	✓ Investors ✓ Employees ✓ Suppliers/Business Partners	✓ Diversify income source; ✓ Develop recurring income stream; and ✓ Close and transparent engagements with our bankers.
2. MARKET Lumpy order books, fluctuating market & demand cycles, obsolete pricing models.	**Affected Capitals: Financial & Intellectual Capital** ✓ Constant need for contract replenishment; and ✓ Exposure to changes in government's fiscal & budgetary policies and delays in rollout of projects.	✓ Employees ✓ Suppliers/Business Partners ✓ Customers	✓ Have a vision & foresight of the industry's development; ✓ Be selective on project bidding; ✓ Diversify portfolio to cater to different consumer segments and markets; and ✓ Maintain effective credit control policy.
3. DEVELOPMENT STRATEGY Long gestation/development periods, inability to solve problems with regards of rapid change in consumers' behaviour.	**Affected Capitals: Financial & Social Capital** ✓ Long period of time taken to complete projects; and ✓ Loss of customers due to incompetency in handling their requests.	✓ Investors ✓ Employees ✓ Suppliers/Business Partners	✓ Anticipate extraneous factors such as the mid & long-term market & regulatory risks; ✓ Record positive impacts of projects in terms of social, economic & environmental equity created; and ✓ No overreliance on a single project or client or a more balanced portfolio of project.
4. TALENT AND RESOURCE MANAGEMENT Weak performance of contractors, shortage of skilled labours and inability to attract talents with advanced skills.	**Affected Capitals: Human & Financial Capital** ✓ Insufficient skilled & competent employees which will negatively affect the Company's performance; and ✓ Projects deadline & quality will be at risk.	✓ Employees	✓ Invest in the growth, learning and development of teams; ✓ Strengthen management and leadership capability; ✓ Determined & aim to be an employer of choice; and ✓ Organise internal & external courses across a number of aspects of the business.

MANAGEMENT DISCUSSION AND ANALYSIS

What are the risks?	How do these impact our business?	Who are the affected stakeholders?	What are the mitigation efforts?
5. PROJECT DEVELOPMENT & EXECUTION Project delays, projects are not within the expected quality, cost overruns, inaccurate method of technology deployment, collection problems and contractual disputes.	**Affected Capitals: Social & Financial Capital** ✓ Projects will be of weak quality; ✓ Delayed project completion; ✓ Spend more than budgeted expenses for overrun & further rectification of projects; ✓ Disputes may cause & trigger litigations; and ✓ Organisation's reputation will be at risk.	✓ Investors ✓ Employees ✓ Customers ✓ Suppliers/Business Partners	✓ Closely monitor projects and land holdings; ✓ Optimise performance; ✓ Carefully inspect work sites and project requirements; ✓ Conduct stringent quality control during production process; and ✓ Keep a close tab on internal controls & compliance mechanisms.
6. ENVIRONMENTAL, SAFETY & HEALTH Accidents, transportation damages and faulty equipment.	**Affected Capitals: Financial, Human & Intellectual** ✓ Possibilities of accidents, injuries and casualties will increase; ✓ Additional cost needed to manage damages and faulty equipment; and ✓ Community complaints will lead to rise in litigations.	✓ Investors ✓ Employees ✓ Customers ✓ Suppliers/Business Partners	✓ Operate with a set of stringent guidelines and minimum requirements for occupational health & safety management.
7. UTILITIES & SUPPLY Shortage of materials, inadequate resources, complex procurement procedures.	**Affected Capitals: Manufactured & Financial Capital** ✓ Inability to meet expected deadlines for projects; and ✓ Need to search for available resources at a higher price.	✓ Employees ✓ Suppliers/Business Partners	✓ Create a resource allocation strategy; and ✓ Make a list of long-term quality suppliers.

MANAGEMENT DISCUSSION AND ANALYSIS

SEGMENTAL OVERVIEW

CONSTRUCTION SECTOR

KVMRT Line 2 Site

> **DESPITE A FEW SPEEDBUMPS AND DELAYS FACED DUE TO THE CHANGE IN GOVERNMENT, THE GROUP'S CONSTRUCTION UNIT REMAINS OUR MOST LUCRATIVE AND PROMISING SECTOR.**

SECTORAL LANDSCAPE

Mudajaya's construction unit mainly comprises of building and civil engineering construction works. Despite being the primary business segment of the Group, the government's deferment of major transportation projects such as KL-Singapore High Speed Rail (HSR) and MRT3 have led to slower growth in the industry. In addition to the reconsideration of these mega projects, the deceleration in the global construction market adds to the sector's existing gradual progress.

ACHIEVEMENTS IN 2018

In 2018, Mudajaya managed to complete several projects in RAPID in Pengerang. Mudajaya's order book for the year ended 31 December 2018 also stood at RM1.8 billion, inclusive of provisional sum and joint venture project.

MANAGEMENT DISCUSSION AND ANALYSIS

Pengerang – Data Center Project

WAY FORWARD

The Group's outlook for this segment is positive given the solid performance of the construction sector as well as the development of Malaysia's economy thus far. The country's need for infrastructure development concerning rail, roads, ports, logistic and manufacturing hubs as well as oil and gas facilities, will influence the progress of the sector.

There is an expected growth in the construction segment due to the government's implementation of large infrastructure projects including the KVMRT Line 2, LRT 3, ECRL, Sarawak Coastal Roads and the Pan Borneo Sabah Highway. We expect an extremely busy period once the government approves the implementation of further mega infrastructure projects namely the infrastructure projects in Penang and expansion to the RAPID Petrochemical facilities in Pengerang, Johor. The Group's stance in the construction sector is apparent on the grounds of its strength with its involvement in selective development projects.

MANAGEMENT DISCUSSION AND ANALYSIS

SEGMENTAL OVERVIEW

PROPERTY SECTOR

SECTORAL LANDSCAPE

Mudajaya's property unit is involved in the development sale and leasing of residential and commercial properties. Malaysia's latest condition of the property market is soft given the decrease in revenue and profit before tax reported in this sector. Nonetheless, the Group's property segment continues to see steady sales with the evolving product and pricing strategy in the matured township of Batu Kawah, Kuching.

ACHIEVEMENTS IN 2018

The Group's property development in Sarawak recorded positive results in 2018 and saw the physical completion of 128 apartment units at SkyVilla Block D. An award-winning township, this 265-acre development is located within the radius of 7km from Kuching city. The Batu Kawah New Township is one of Mudajaya's projects that has received many awards such as the SHEDA Excellence Award for Innovative Design and Lifestyle Concept in 2009 for One Residency, the SHEDA Merit Award for the Best Township Master Plan for Completed Project in 2011, and the SHEDA Excellence Award for Best Residential High-Rise Strata Development for SkyVilla Residences in 2013. The Group expects a total GDV of RM1.5 billion for the remaining acres of land in this project.

MANAGEMENT DISCUSSION AND ANALYSIS

Batu Kawah New Township; SkyVilla

> **WE ARE CONFIDENT THAT THE EXPANSION OF OUR AWARD-WINNING PROPERTY DEVELOPMENTS COUPLED WITH MARKET ENHANCEMENTS WILL BRING FORWARD GROWTH AND STRENGTH IN THE SEGMENT.**

Menara Mudajaya located in Mutiara Damansara is the Group's precious masterpiece in the commercial industry which incorporates the ideal concept of corporate business offices. At present, the 16-storey office tower with a total square foot of 138,000 is almost 90% tenanted.

KEY GROWTH DRIVERS

The reported revenue for the year ended 31 December 2018 is RM20.3 million as compared to RM16.8 million revenue in 2017. The property market remained tepid with the softening of the property market throughout Malaysia.

WAY FORWARD

The property sector has been progressing with its involvement in facility management along with the operation of Menara Mudajaya, which continue to boost the Group's earnings. However, the sector has been experiencing a decline in its revenues and profits which signifies a broader softening of the market. The Batu Kawah New Township in Sarawak which is developed by MJC City Development Sdn Bhd, a 70% owned subsidiary of Mudajaya, is expecting a GDV of RM1.5 billion from the remaining 66.3 acres of land bank. Through the Group's excellent track record as well as financial strength, we are anticipating a consistently stable performance in the property segment.

MJC City Development Sdn Bhd is recognised as one of the Prominent Developers in Sarawak by SHEDA

MANAGEMENT DISCUSSION AND ANALYSIS

SEGMENTAL OVERVIEW

POWER SECTOR

"

AS WE STRIVE TO UPHOLD OUR DEDICATION IN PROVIDING MALAYSIANS WITH CLEAN AND RELIABLE POWER, THIS YEAR SAW THE SUCCESSFUL COMMENCEMENT OF THE GROUP'S RENEWABLE ENERGY INITIATIVES.

SECTORAL LANDSCAPE

Mudajaya's power unit undertakes the concession and IPP assets in the energy sector. The Group seeks to be parallel with the Malaysian government's objective to decrease the dependence on fossil fuels while escalating renewables into the energy mix feature. In upholding our commitment towards renewable power sector's expansion of the country, we have successfully completed two major solar projects in Malaysia itself.

ACHIEVEMENTS IN 2018

As an extension to our previous 2014 Special Universal 10MW Solar PV Farm project located in Pahang, Mudajaya has signed a Power Purchase Agreement with Tenaga Nasional Berhad in March last year for a LSSPV power plant in Sungai Siput, Perak, with a total capacity of 49MW. The agreement which is expected to last for the duration of 21 years began its commercial operation on 27 November 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

49MW solar photovoltaic farm in Sungai Siput, Perak

KEY GROWTH DRIVERS

The reported revenue is RM298.4 million for the year ended 31 December 2018, which was an improvement comparison to RM21.1 million in 2017. The increase of power sector's revenue was mainly due to the development of the 49MW solar plant in Sungai Siput which has achieved COD on 27 November 2018.

WAY FORWARD

The power segment has been sourcing for any regional power assets to invest in and will continue to do so in order to sustain the Group's recurring income. The government's current aim to focus on increasing renewable energy source will provide more opportunities for Mudajaya's power sector in the future. Earlier this year, Mudajaya raised a RM245 million Green Sukuk to partly fund the solar PV power plant in Sungai Siput, Perak.

MANAGEMENT DISCUSSION AND ANALYSIS

SEGMENTAL OVERVIEW

TRADING, MANUFACTURING & OTHER SECTORS

Precast Manufacturing Plant in Mukim Ijok, Selangor

"OUR TRADING AND MANUFACTURING DIVISION CONTINUES TO POSITIVELY CONTRIBUTE TO THE GROUP'S PERFORMANCE WITH GREAT GROWTH POTENTIAL FOR UPCOMING YEARS.

SECTORAL LANDSCAPE

Mudajaya's trading, manufacturing and other units primarily include the trading, production and investment divisions. Amongst the main activities of these units are trading of construction materials as well as production of ready-mixed concrete and precast concrete products. With the government's continuous drive to upgrade and improve its infrastructures, the Group perceives this as a huge opportunity to improve its performance in the manufacturing industry.

ACHIEVEMENTS IN 2018

Precast business is profiting mainly from investments made by the Government in major infrastructure projects. By securing a series of LRT, MRT, ports and highway development projects, Mudajaya is managing a total of 12 production lines with a maximum capacity of 3,200m^3 every month.

MANAGEMENT DISCUSSION AND ANALYSIS

KEY GROWTH DRIVERS

The reported revenue in this unit for the year ended 31 December 2018 is RM50.4 million as compared to RM71.3 million revenue in 2017.

WAY FORWARD

The manufacturing sector has been looking for avenues to further strengthen its expertise in the industry while producing a wider range of materials and enlarging its manufacturing capacity. With the increasing number of major infrastructure projects in addition to the LRT, MRT, ports and highways, there is a notable increase in the demand for precast concrete products. Indeed, this will provide the Group with more opportunities in the industry. In line with the Malaysian market, we will continue to develop the core activities of our manufacturing business. The Group intends to invest into industrialised building systems, which will further support the growth of this segment.

MJC Precast Sdn Bhd – Casting of Pier Cap for LRT 3 Project

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("the Board") of Mudajaya (or "the Company") is pleased to provide an overview of the Company's corporate governance practices during the financial year ended 31 December 2018 with reference to the 3 key Principles as set out in the Malaysian Code on Corporate Governance 2017 ("MCCG 2017"). The Company's application of each Practice set out in MCCG 2017 during the financial year 2018 is disclosed in the Company's Corporate Governance Report which is available on the Company's website at *www.mudajaya.com* as well as via the Company's announcement made to Bursa Malaysia Securities Berhad ("Bursa Securities").

The Board remains committed to high standards of corporate governance driven by the ultimate objective of protecting and enhancing shareholders' value and the financial performance of the Company and its subsidiaries ("the Group").

The Board recognises that maintaining good corporate governance practices is critical to business integrity and performance, and key to delivering shareholders' value. The Board evaluates and continues to reinforce the existing corporate governance practices in order to remain relevant with the developments in market practice and regulations.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

The Board's role is to control and provide stewardship of Mudajaya's business and affairs on behalf of shareholders. By pursuing its objective of creating long-term shareholders' value, the Board takes into account the interests of all stakeholders in its decision-making.

The Board shall be involved in matters that may have a significant impact on the Group's business such as, but not limited to, issues within the objectives, strategies, operations and financials of the Group.

Beyond the matters reserved for the Board's decision, the Board has delegated the authority to achieve the corporate objectives to the Group Managing Director & Chief Executive Officer ("Group CEO") and Executive Director, supported by an Executive Committee (a Management-level Committee). The Group CEO and Executive Director remain accountable to the Board for the authorities that are delegated to them, and for the performance of the Group.

The Board is responsible for the overall performance of the Group and focuses on strategies, performance, standards of conduct, financial and major business matters.

The roles of the Non-Executive Directors include ensuring the strategies, plans and policies proposed by Management are deliberated and considered, taking into account the overall strategies and directions of the Group and the interest of stakeholders, as well as advising and monitoring corporate governance framework, policies and practices.

The Board has established Board Committees, namely the Audit Committee ("AC"), Combined Nomination and Remuneration Committee ("CNRC"), Risk Management Committee ("RMC"), Investment Committee and Options Committee to examine specific matters within their respective terms of reference as approved by the Board. Although specific powers are delegated to the Board Committees, the Board keeps itself abreast of the key issues and decisions made by each Board Committee through the reports by the Chairmen of the Board Committees and the tabling of minutes of the Board Committee meetings at Board meetings. The ultimate responsibility for decision-making, however, lies with the Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Separation of Positions of the Chairman and Group CEO

There is a clear division of responsibilities between the Chairman and the Group CEO to ensure that there is a balance of power and authority such that no one individual has unfettered powers over decision-making.

The Chairman who is an Independent Non-Executive Director, is responsible for the leadership and governance of the Board, ensuring its effectiveness. He leads the Board effectively and encourages active participation and contribution from all members. He engages directly with the Group CEO to monitor performance and oversees the implementation of strategies.

The Group CEO is responsible for the day-to-day management of the Group's operations and businesses as well as implementation of the Board's policies and decisions.

Company Secretaries

The Board is supported by suitably qualified and competent Company Secretaries who ensure the flow of information to the Board and its Committees. They are responsible for developing and maintaining the processes that enable the Board to fulfil its roles, ensuring compliance with the Company's constitution and the relevant guidelines, regulatory and statutory requirements, and advising the Board on all governance matters.

The Board is regularly updated and advised by the Company Secretaries on new statutory and regulatory requirements, and the implications on the Group and the Directors in relation to their duties and responsibilities. The Company Secretaries also oversee the adherence to Board policies and procedures.

Board Meetings and Access to Information and Advice

The Directors have full and unrestricted access to all information pertaining to the Group's business affairs, whether as a full Board or in their individual capacity, to enable them to discharge their duties.

The Board normally meets quarterly to review financial, operational and business performances, with additional meetings convened when necessary. In the intervals between Board meetings, Board decisions for urgent matters are obtained via circular resolutions, to which are attached sufficient information required for an informed decision.

All Directors are provided with an agenda and a set of agenda papers at least 5 business days prior to the Board and Committee meetings to enable the Directors to review and consider the items to be deliberated at the meetings. The Directors may seek advice from the Management, or request further explanation, information or updates on the matters of the Company, where necessary. Additionally, the Board is furnished with adhoc reports to ensure that it is apprised of key business, financial and operational matters, as and when the need arises.

Board Charter

The Board is guided by the Board Charter which sets out amongst others, the roles and responsibilities of the Board, Board Committees, individual Directors and Management in upholding good corporate governance standards and practices. The Board Charter also covers the composition of the Board; division of responsibilities between the Chairman and Group CEO; matters reserved for the Board's consideration and approval; procedures for convening Board meetings; Directors' remuneration and training; financial reporting; investor relations; and shareholder communication. The Board Charter is accessible in Mudajaya's website at *www.mudajaya.com*.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Code of Ethics and Conduct

The Board has a formalised Code of Ethics and Conduct ("the Code") which reflects Mudajaya's vision and core values of integrity, respect, trust and openness. The Code provides clear direction on conduct of business; dealing with the community, government and business partners; and general workplace behaviour. It also includes guidance on disclosure of conflict of interests; maintaining confidentiality and disclosure of information; good practices and internal controls; compliance with the relevant laws and regulations; and the duty to report where there is a breach of the Code, amongst others. The Code is made available on Mudajaya's website at *www.mudajaya.com*.

Whistleblowing Policy

Mudajaya has in place a Whistleblowing Policy to provide an avenue and mechanism to all employees and stakeholders of the Group to report concerns about any suspected wrongdoing, inappropriate behaviour or misconduct relating to fraud, corrupt practices and/or abuse, for investigation and Management's action. Reports can be made anonymously without fear of retaliation or repercussions and will be treated confidentially. There is a process in place to independently investigate all reports received to ensure the appropriate follow-up actions are taken. The Whistleblowing Policy is published on Mudajaya's website at *www.mudajaya.com*.

II. BOARD COMPOSITION

The Board currently has 6 members, comprising the Independent Non-Executive Chairman, Group CEO, Executive Director, 2 Independent Non-Executive Directors and a Non-Independent Non-Executive Director. Half of the Board members consists of Independent Non-Executive Directors, to ensure balance of power and authority on the Board.

The Board has an appropriate mix of relevant skills, knowledge and experience in the areas of business, accounting, finance, economics, construction, engineering, real estate investment and property development, which are relevant to the Group. A brief profile of each Director is set out under the Directors' Profile section of this Annual Report.

The Board is satisfied that the current composition of Directors provides the appropriate size and balance of expertise, skills and core competencies among the Directors, which are necessary to lead the Group effectively. The Independent Directors provide independent judgement, objectivity, and check and balance on the Board.

CNRC

The CNRC comprises all Independent Non-Executive Directors. In observance with MCCG 2017, the CNRC is chaired by an Independent Non-Executive Director, Dato' Amin Rafie Bin Othman.

The CNRC has written terms of reference dealing with its authority, duties and responsibilities, which is accessible in Mudajaya's website at *www.mudajaya.com*.

The activities of the CNRC during the financial year are summarised as follows:-

(a) Reviewed the evaluation results of the Board and Board Committees, and independence assessment of the Independent Directors.

(b) Reviewed the results of the Director's Self & Peer Evaluation and mix of skills, competencies and experience of Directors.

(c) Reviewed the term of office, competency and performance of the AC and its members.

(d) Reviewed the evaluation results of the performance and contribution of the Group CEO.

(e) Reviewed and recommended the re-election of Directors.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(f) Reviewed the training programmes attended by the Directors and assessed the training needs of Directors.

(g) Reviewed and recommended for the Board's approval, the appointment of Dato' Amin Rafie Bin Othman as an Independent Non-Executive Director of the Company, as well as a member of the CNRC and Investment Committee.

The CNRC reports its proceedings and recommendations to the Board for its consideration and approval.

Appointment of New Directors to the Board

The CNRC is responsible to ensure that the procedures for appointing new Directors are transparent and rigorous, and that appointments are based on merit. In evaluating the suitability of individuals for Board membership, the CNRC ensures that the Board comprises individuals with the necessary background, skills, knowledge, experience and personal characteristics to augment the present Board and meets its future needs.

A proposed candidate is first considered by the CNRC which takes into account, among others, the skills and experience of the candidate, before making a recommendation to the Board for approval. A formal procedure and process has been established for the nomination and appointment of new Directors.

Diversity of gender, ethnicity and age within the Board is also important, and this includes appropriate mix of skills, experience and competencies which are relevant to enhance the Board's composition. The Board recognises that the evolution of this mix is a long-term process that is deliberated each time a vacancy arises to ensure a balanced and diverse Board composition is maintained.

The Board does not have a specific policy on gender diversity but the CNRC is mindful of its responsibilities to conduct all Board appointment processes in a manner that promotes gender diversity pursuant to the recommendation stated in MCCG 2017. The CNRC will endeavour to consider women candidates in the recruitment exercise, when the need arises.

Tenure of Independent Directors and Annual Assessment of Independence

The Board acknowledges the importance of Independent Directors who are tasked with ensuring that there is a proper check and balance on the Board as they are able to provide unbiased and independent views in Board deliberations and decision-making of the Board, taking into account the interests of the Group and the minority shareholders.

In its annual assessment, the CNRC reviewed the independence of Independent Directors. Based on the assessment, the Board is of the opinion that the Independent Directors consistently provided independent and objective judgement in all Board and Board Committee deliberations, and is satisfied with the level of independence demonstrated by the Independent Directors and their ability to act in the best interest of the Company.

Re-election of Directors

The Company's Articles of Association provides that one-third of the Directors for the time being, or if their number is not 3 or a multiple of 3, then the number nearest to one-third, shall retire from office at each Annual General Meeting ("AGM"). Each Director shall retire once at least in each 3 years but shall be eligible for re-election. The Directors to retire in each year are those who have been longest in office since their last election or appointment. As for Directors who are appointed by the Board, they are subject to re-election at the next AGM following their appointment.

The performance of those Directors who are subject to re-election at the AGM will be subject to assessment conducted by the CNRC, whereupon the CNRC's recommendations are made to the Board on the proposed re-election of the Directors concerned for shareholders' approval at the AGM. The re-election of each Director is voted as a separate resolution during the AGM.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Annual Evaluation of Directors

The Board annually evaluates its performance and governance processes with the aim of improving individual Director's contributions, and effectiveness of the Board and its Committees.

During the financial year, a Board evaluation exercise was carried out to assess the performance and effectiveness of the Board, Board Committees and the contribution of each Director based on a set of pre-determined criteria.

The CNRC reviewed the overall results of the evaluations conducted and subsequently tabled the same to the Board and highlighted those areas which required further and continuous improvement.

Time Commitment

During the financial year, the level of time commitment given by the Directors was satisfactory, which was evidenced by the attendance record of the Directors at the Board meetings held.

To facilitate the Directors' time planning, a schedule of meetings comprising the dates of Board and Board Committee meetings and AGM, would be prepared and circulated to them at the end of every year.

A total of 4 Board meetings were held during the financial year ended 31 December 2018 and the record of attendance of the Directors is as follows:-

Name of Directors	Number of Meetings Attended	Percentage of Attendance (%)
Dato' Yusli Bin Mohamed Yusoff	4/4	100
Ir. James Wong Tet Foh	4/4	100
Lee Eng Leong	3/4	75
Chew Hoy Ping	4/4	100
Dato' Amin Rafie Bin Othman	4/4	100
Wee Teck Nam	4/4	100

All the Directors have complied with the minimum requirement of at least 50% on attendance of Board meetings during the financial year as stipulated in the Main Market Listing Requirements of Bursa Securities.

In compliance with Paragraph 15.06 of the Main Market Listing Requirements of Bursa Securities, the Directors of the Company hold not more than 5 directorships in public listed companies. This enables them to discharge their duties effectively by ensuring that their commitment, resources and time are focused on the affairs of the Group.

Directors' Training, Development and Induction

The Board acknowledges that continuous education is vital to gain insight into the state of economy, technological advances, regulatory updates and management strategies to enhance the skills and knowledge in discharging its responsibilities.

All the Directors, apart from attending the Mandatory Accredited Programme as required by Bursa Securities, have also attended other training programmes and seminars organised by the relevant regulatory authorities or professional bodies to broaden their knowledge and to keep abreast with the relevant changes in laws, regulations and the business environment. The Directors are mindful that they should continue to update their skills and knowledge to sustain their active participation in Board deliberations and maximise their effectiveness during their tenure.

The Directors have ongoing access to continuing education programmes as they are kept informed of relevant training programmes by the Company Secretary. The records of all training programmes attended by the Directors are maintained by the Company Secretary.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Annually, the Board (through the CNRC) reviewed the training programmes attended by the Directors and assessed the training needs of its members to assist them in the discharge of their duties as Directors. Details of the training programmes/ seminars/conferences/workshops attended by the Directors during the financial year ended 31 December 2018 are as follows:-

Name of Directors	Title	Organiser	Date
Dato' Yusli Bin Mohamed Yusoff	1) What's new in Procurement Governance?	Malaysian Institute of Corporate Governance	8 March 2018
	2) Malaysian Code on Corporate Governance	Symphony Digest	19 March 2018
	3) Accelerate Workshop Series: Resolving Conflict in the Boardroom	The Iclif Leadership and Governance Centre	10 July 2018
	4) Members' Breakfast Talk – Integrity In Action	Malaysian Institute of Corporate Governance	25 October 2018
Ir. James Wong Tet Foh	1) Myanmar Infrastructure Summit 2018	Confexhub Group	20 - 22 March 2018
	2) ACEM Forum 2018	The Association of Consulting Engineers Malaysia (ACEM)	12 April 2018
	3) 1st Annual Asia Energy Storage Conference	Asia Wind Energy Association	1 November 2018
	4) Building & Construction Conference 2018 – Global Mega Wave	Construction Industry Development Board Malaysia & Master Builders Association Malaysia	14 November 2018
Lee Eng Leong	1) Corporate Governance Briefing Session: Malaysian Code on Corporate Governance Reporting and Corporate Governance Guide	Bursa Malaysia Berhad & Securities Commission	2 March 2018
	2) MIA International Accountants Conference 2018	Malaysian Institute of Accountants	9 & 10 October 2018
Chew Hoy Ping	1) Corporate Governance Briefing Session: Malaysian Code on Corporate Governance Reporting and Corporate Governance Guide	Bursa Malaysia Berhad & Securities Commission	2 March 2018
	2) Advocacy Programme on Corporate Governance Assessment using the Revised ASEAN Corporate Governance Scorecard Methodology	Bursa Malaysia Berhad & Minority Shareholder Watchdog Group	10 August 2018
	3) Independent Directors' Programme – The Essence of Independence	Bursa Malaysia Berhad	29 October 2018
	4) Breakfast Series: Non-Financials – Does It Matter?	Bursa Malaysia Berhad	5 December 2018

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Name of Directors	Title	Organiser	Date
Dato' Amin Rafie Bin Othman	1) The New Malaysian Code on Corporate Governance and Bursa's Revamped Listing Requirements	Star Media Group	3 May 2018
	2) EPF Global Private Equity Summit 2018	Kumpulan Wang Simpanan Pekerja (KWSP)	26 September 2018
Wee Teck Nam	Business Transformation Challenges – Shaping High Performance Organisations	Malaysian Institute of Corporate Governance	23 October 2018

III. REMUNERATION

Remuneration Policies and Procedures

The objective of Mudajaya's remuneration policies is to attract and retain Directors and key senior management of high calibre needed to run the Company successfully. The remuneration of the Executive Directors is structured on the basis of linking rewards to corporate and individual performance. For Non-Executive Directors, the level of remuneration reflects their experience, expertise and level of responsibilities undertaken by the Non-Executive Directors concerned.

Market survey data on the remuneration practices of comparable companies is taken into consideration in determining the remuneration packages for the Directors and key senior management.

CNRC

The role of the CNRC is to assist the Board in overseeing the remuneration policies of the Group. The CNRC is authorised to commission independent advice for the purpose of discharging its duties and responsibilities.

During the financial year, the CNRC evaluated the Group CEO and Executive Director against the set performance criteria, and reviewed and recommended their compensation packages for the Board's approval, with the Directors concerned abstaining from deliberation and voting on the same.

The CNRC also considered and reviewed the proposed Long-Term Incentive ("LTI") Scheme for senior management of the Group. This LTI Scheme was established with the objective of attracting, retaining and motivating the senior management to drive the Group's performance and long-term objectives. In February 2018, the Board, upon recommendation of the CNRC, approved the LTI Scheme.

The Board collectively determined the remuneration for the Non-Executive Directors based on the recommendation from the CNRC. Each of the Non-Executive Directors abstained from deliberating and voting in respect to his individual remuneration. Directors' fees and benefits payable to the Non-Executive Directors are subject to the approval of shareholders at the AGM.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Details of Directors' Remuneration

Details of remunerations of the Directors of Mudajaya (received from the Company and on a group basis respectively) for the financial year ended 31 December 2018 are as follows:

Name of Directors	Directors' Fees RM'000	Salaries RM'000	Bonuses RM'000	Defined Contribution Plan RM'000	Fixed Allowances RM'000	Meeting Attendance Allowances RM'000	Benefits-in-kind RM'000	Total RM'000
Executive Directors								
Ir. James Wong Tet Foh	–	572	220	103	–	–	–	895
Lee Eng Leong	–	463	138	72	–	–	–	673
Non-Executive Directors								
Dato' Yusli Bin Mohamed Yusoff	200	–	–	–	106	28	20	354
Chew Hoy Ping	80	–	–	–	55	20	–	155
Dato' Amin Rafie Bin Othman	68	–	–	–	5	16	–	89
Wee Teck Nam	80	–	–	–	–	12	–	92
Received from the Company	**428**	**1,035**	**358**	**175**	**166**	**76**	**20**	**2,258**
Executive Directors								
Ir. James Wong Tet Foh	–	571	221	103	–	–	32	927
Lee Eng Leong	–	463	138	72	–	–	28	701
Received from a subsidiary	**–**	**1,034**	**359**	**175**	**–**	**–**	**60**	**1,628**
Total Group	**428**	**2,069**	**717**	**350**	**166**	**76**	**80**	**3,886**

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AC

The Board is assisted by the AC in governing the Group's financial reporting processes and the quality of its financial reporting. The quarterly results and audited financial statements are reviewed by the AC and the external auditors (for audited financial statements) and approved by the Board before being released to Bursa Securities.

The AC comprises 3 members, a majority of whom are Independent Non-Executive Directors. The AC is chaired by Mr Chew Hoy Ping, the Senior Independent Non-Executive Director, who is not the Chairman of the Board. All members of the AC are financially literate and well-equipped with relevant knowledge and experience to effectively discharge their duties and responsibilities as members of the AC. They also have sufficient understanding of the Company's businesses.

In 2018, the AC members had attended seminars, conferences and workshops to keep themselves abreast of the latest developments in accounting/auditing standards, regulatory requirements and corporate governance.

The AC Report as set out in this Annual Report, provides the details of the AC's activities which among others, include the annual assessment on the suitability, objectivity and independence of the external auditors.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

Sound Framework to Manage Risks

The Board has the ultimate responsibility of approving the risk management framework and policy as well as overseeing the Group's risk management and internal control framework.

Mudajaya has in place an ongoing process for identifying, evaluating and managing significant risks that may affect the achievement of the business objectives of the Group. The Board through its RMC, reviews the key risks identified on a regular basis to ensure proper management and mitigation of risks within its control.

The Statement on Risk Management and Internal Control as set out in this Annual Report, provides an overview of the state of internal controls and risk management within the Group.

Internal Audit and Risk Management Functions

The Board has the ultimate responsibility for the Group's system of internal controls which includes the establishment of an appropriate control environment and framework, and the review of its effectiveness, adequacy and integrity. A sound system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable rather than absolute assurance against material misstatement, loss or fraud.

The Board has established procedures to review the key financial, operational and compliance controls. These procedures, which are subject to regular review, provide an ongoing process for identifying, evaluating and managing the significant risks faced by the Group.

The Group has an established internal audit function performed in-house by the Group Internal Audit and Risk Management Department, which reports directly to the AC. Its main role is to undertake regular reviews of the Group's systems of controls, procedures and operations so as to provide independent and objective assurance to the AC regarding the adequacy and effectiveness of internal control, risk management and governance systems.

The AC Report as set out in this Annual Report, outlines the details of the activities of the internal audit function.

Directors' Responsibilities Statement in respect of the Audited Financial Statements

The Directors are required by the Companies Act 2016 to prepare financial statements which are in accordance with applicable approved accounting standards and give a true and fair view of the financial position of the Company and the Group at the end of the financial year, as well as of the financial performance and cash flows of the Company and the Group for the financial year.

In preparing the financial statements, the Directors have:-

(a) ensured that the financial statements are in accordance with the provisions of the Companies Act 2016, the applicable financial reporting standards and the Main Market Listing Requirements of Bursa Securities;
(b) adopted the appropriate accounting policies and applied them consistently; and
(c) made judgements and estimates that are prudent and reasonable.

The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy, the financial position of the Company and the Group which enable them to ensure that the financial statements comply with the relevant statutory requirements.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

I. COMMUNICATION WITH STAKEHOLDERS

Periodic and Continuous Disclosure

The Board acknowledges the need for shareholders and other stakeholders to be informed of all material business matters of the Company. Announcements to Bursa Securities are made on significant developments and matters of the Group. Financial results are released on a quarterly basis to provide shareholders and other stakeholders with a regular overview of the Group's performance. All announcements made by the Company to Bursa Securities are also available to shareholders and the market on the Investor Relations section of Mudajaya's website.

The Company also arranges press interviews and briefings, and releases press announcements to provide information on the Group's business activities, performance and major developments, as and when necessary.

Company Website

The Company's website, *www.mudajaya.com* provides detailed information on the Group's businesses and latest development. The website has a dedicated section on investor relations and corporate governance which contains announcements to Bursa Securities, quarterly financial results and annual reports, among others. In addition, the website also offers additional information which includes the Board, senior management team and corporate information.

Shareholders and Investors Queries

Whilst the Company aims to provide sufficient information to shareholders and investors about Mudajaya and its activities, it also recognises that shareholders and investors may have specific queries and require additional information.

To ensure that shareholders and investors can obtain all relevant information about the Group, they are encouraged to direct their queries to:

Investor Relations
Mudajaya Group Berhad
PH1, Menara Mudajaya
No. 12A, Jalan PJU 7/3
Mutiara Damansara
47810 Petaling Jaya
Selangor Darul Ehsan
Tel No : (603) 7806 7899
Email : info@mudajaya.com

II. CONDUCT OF GENERAL MEETINGS

Encourage Shareholder Participation at General Meetings

General meetings represent the principal forum for dialogue and interaction with shareholders. The Board fully recognises the rights of shareholders and encourages them to exercise their rights at the AGM.

In 2018, the notice of AGM with sufficient information of businesses to be dealt with thereat, was sent to shareholders more than 28 days ahead of the meeting date together with the Annual Report. The notice of AGM was published in one national newspaper to provide for wider dissemination of such notice to encourage shareholder participation. In addition, the notice of AGM and Proxy Form which were contained in the Annual Report, were posted on the websites of Mudajaya and Bursa Securities.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Each item of special business included in the notice of AGM was accompanied by an explanatory statement for the proposed resolution to facilitate better understanding and evaluation of issues involved.

Notice of the forthcoming AGM which will be held on 19 June 2019, will also be given to shareholders more than 28 days prior to the meeting.

Effective Communication and Proactive Engagements with Shareholders

At the general meetings, shareholders have direct access to the Board and senior management, and they are encouraged to participate in the question and answer session.

In every AGM, the Group CEO presents a comprehensive review of the Group's financial performance for the year and outlines the prospects/strategies of Mudajaya for the subsequent financial year. The Chairman or Group CEO also shares with the shareholders, the Company's responses to questions submitted by the Minority Shareholder Watchdog Group in advance of the AGM. Time is being set aside for shareholders' queries.

At the 2018 AGM, all the Directors were present in person to engage directly with shareholders. Amongst them, Mr Chew Hoy Ping, Dato' Yusli Bin Mohamed Yusoff and Dato' Amin Rafie Bin Othman who are Chairmen of the AC, RMC and CNRC respectively, were present at the AGM to provide responses to questions addressed to them by shareholders. In addition, the external auditors, KPMG PLT were in attendance to answer questions from shareholders on the audited financial statements. The senior management of the Company were also present to respond to any enquiries from shareholders.

Electronic Poll Voting

All the Company's shareholders are entitled to appoint representatives or proxy/proxies to vote on their behalf in their absence at general meetings.

The voting at the 2018 AGM was conducted on a poll in accordance with Paragraph 8.29A of the Main Market Listing Requirements of Bursa Securities by way of electronic voting.

This Corporate Governance Overview Statement was approved by the Board on 4 April 2019.

ADDITIONAL COMPLIANCE INFORMATION

The information set out below is disclosed in compliance with the Main Market Listing Requirements of Bursa Securities:

1. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSAL

The Company did not undertake any corporate proposal to raise proceeds during the financial year ended 31 December 2018.

2. AUDIT AND NON-AUDIT FEES

The audit and non-audit fees paid/payable to the external auditors for services rendered to the Company and/or its subsidiaries for the financial year ended 31 December 2018 are as follows:-

	Group RM'000	Company RM'000
Audit fees		
- Statutory auditors	468	130
- Other auditors	18	–
Subtotal:	**486**	**130**
Non-audit fees		
- Statutory auditors	55	55
Subtotal:	**55**	**55**
Total:	**541**	**185**

3. MATERIAL CONTRACTS INVOLVING THE INTEREST OF DIRECTORS AND MAJOR SHAREHOLDERS

Other than those disclosed in the audited financial statements, there were no material contracts (not being contracts entered into in the ordinary course of business) entered into by the Company and/or its subsidiaries involving the interest of directors or major shareholders during the financial year ended 31 December 2018.

4. EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

The Company has one ESOS in existence and during the financial year ended 31 December 2018, no options over ordinary shares ("options") were granted to eligible employees. There was no exercise of options during the financial year.

The total number of options granted, exercised, rejected, forfeited and outstanding under the ESOS as at 31 December 2018 are set out below:-

	Directors	Eligible Employees	Total
Total number of options granted	9,200,000	38,520,700*	47,720,700
Total number of options exercised	–	(4,102,000)	(4,102,000)
Total number of options rejected and forfeited	–	(21,972,200)	(21,972,200)
Total options outstanding	**9,200,000**	**12,446,500**	**21,646,500**

* *Include 5,655,000 options granted to senior management*

The Company did not grant any options to the Non-Executive Directors of the Company under the ESOS during the financial year.

Pursuant to the Company's ESOS By-Laws, not more than 50% of the options available under the ESOS shall be allocated in aggregate, to Directors and senior management. Since the commencement of the ESOS up to 31 December 2018, 31% of the options granted under the ESOS has been granted to Directors and senior management.

AUDIT COMMITTEE REPORT

CONSTITUTION AND COMPOSITION

The AC was established pursuant to a resolution of the Board passed on 29 March 2004. The AC comprises 3 members, a majority of whom are Independent Non-Executive Directors and none of them is an alternate director. The members are as follows: -

1. Chew Hoy Ping (Chairman)
   (Senior Independent Non-Executive Director)

2. Dato' Yusli Bin Mohamed Yusoff (Member)
   (Independent Non-Executive Director)

3. Wee Teck Nam (Member)
   (Non-Independent Non-Executive Director)

All members of the AC are financially literate and well-equipped with relevant knowledge and experience to effectively discharge their duties and responsibilities as members of the AC. In particular, the AC Chairman, Mr Chew Hoy Ping is a member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants, as required under Chapter 15, Paragraph 15.09(1)(c)(i) of the Main Market Listing Requirements of Bursa Securities. Mr Chew Hoy Ping being the AC Chairman, is also an Independent Non-Executive Director, as required under Chapter 15, Paragraph 15.10 of the Main Market Listing Requirements of Bursa Securities.

The Board has reviewed the term of office of the AC and conducted an annual assessment of the composition, performance and effectiveness of the AC and its members based on the recommendations of the CNRC. The Board is satisfied that the AC and its members have discharged their functions, duties and responsibilities in accordance with the AC's terms of reference, supporting the Board in ensuring the Group upholds appropriate corporate governance standards.

The profile of each member of the AC is set out in the Directors' Profile section of this Annual Report.

TERMS OF REFERENCE ("AC CHARTER")

The AC Charter, which outlines the AC's composition, meetings and minutes, authority as well as duties and responsibilities, are published on Mudajaya's website at *www.mudajaya.com*.

MEETINGS AND ATTENDANCE

During the financial year ended 31 December 2018, the AC held 5 meetings. The details of attendance of the AC members are as follows:-

Name of AC Members	Number of Meetings Attended
Chew Hoy Ping	5/5
Dato' Yusli Bin Mohamed Yusoff	5/5
Wee Teck Nam	4/5

The Group CEO, Executive Director, Chief Financial Officer, Deputy Financial Controller and Head of the Group Internal Audit and Risk Management Department ("IARMD") were invited to attend all the meetings for the purpose of briefing the AC on the activities involving their areas of responsibilities.

AUDIT COMMITTEE REPORT

The external auditors were present at 3 of the meetings held. The AC also conducted private sessions with the external auditors on matters arising from their audit of the Group, without the presence of the executive board members and Management at 2 of these 3 meetings attended by the external auditors.

The AC Chairman would brief the Board on the proceedings of each AC meeting. Minutes of each AC meeting were also tabled for confirmation at the following AC meeting and subsequently tabled to the Board for notation.

SUMMARY OF ACTIVITIES OF THE AC

During the financial year up to the issuance date of this Annual Report, the AC carried out its activities in line with its AC Charter, which are summarised as follows:-

1. Financial Reporting

- Reviewed and discussed with Management, the financial and cash flow reports of the Company and the Group at the AC meetings held on 26 February 2018, 28 May 2018, 27 August 2018, 26 November 2018 and 25 February 2019. The financial and cash flow reports were also tabled to the Board for notation.

- Reviewed the quarterly financial results for the 4th quarter of 2017 and the annual audited financial statements of 2017 for recommendation to the Board for approval and release to Bursa Securities, at the AC meetings held on 26 February 2018 and 30 March 2018 respectively.

- Reviewed the quarterly financial results for the 1st, 2nd, 3rd and 4th quarters of 2018, and the annual audited financial statements of 2018 for recommendation to the Board for approval and release to Bursa Securities, focusing particularly on:

  o compliance with accounting and financial reporting standards, legal and other regulatory requirements;
  o changes in or adoption of accounting policies and practices changes;
  o significant matters including financial reporting issues, significant judgements made by Management, as well as significant and unusual events or transactions;
  o the outlook and prospects of the Group;
  o cash flow, financing and going concern assumptions; and
  o significant audit issues and adjustments arising from audit

  at the AC meetings held on 28 May 2018, 27 August 2018, 26 November 2018, 25 February 2019 and 4 April 2019 respectively.

- Reviewed and discussed with Management at the AC meeting held on 26 February 2018, the assessment on adoption of the new Malaysian Financial Reporting Standards ("MFRS") 9 *(Financial Instruments)* and 15 *(Revenue)*, and its impact on the Group, which are applicable for the financial year beginning on or after 1 January 2018.

2. Annual Report Requirements

- Reviewed and recommended to the Board for approval, the Statement on Risk Management and Internal Control for inclusion in the 2017 Annual Report, at the AC meeting held on 26 February 2018.

  The AC was informed that the external auditors had reviewed the Statement on Risk Management and Internal Control to ensure that the disclosures were in compliance with the requirements under paragraphs 41 & 42 of the *Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issue*rs ("Guidelines").

AUDIT COMMITTEE REPORT

- Reviewed and approved the AC Report for inclusion in the 2017 Annual Report, at the AC meeting held on 30 March 2018.

- Reviewed and recommended to the Board for approval, the Statement on Risk Management and Internal Control for inclusion in the 2018 Annual Report, at the AC meeting held on 25 February 2019.

  The AC was informed that the external auditors had reviewed the Statement on Risk Management and Internal Control to ensure that the disclosures were in compliance with the Guidelines.

- Reviewed and approved the AC Report for inclusion in the 2018 Annual Report, at the AC meeting held on 4 April 2019.

- Reviewed and recommended to the Board for approval, the Corporate Governance Overview Statement and Notice of 2019 AGM for inclusion in the 2018 Annual Report, at the AC meeting held on 4 April 2019.

- Reviewed and recommended to the Board for approval, the CG Report for submission to Bursa Securities together with the 2018 Annual Report, at the AC meeting held on 4 April 2019.

3. Internal Audit

- Reviewed the internal audit reports presented by the IARMD that detailed the audit findings and recommended corrective actions, as well as Management's responses and action plans in addressing the identified risks and internal control deficiencies, at the AC meetings held on 26 February 2018, 28 May 2018, 27 August 2018, 26 November 2018 and 25 February 2019. A total of 8 audit engagements were completed in 2018.

  Risk-based audits were performed on selected business units within the Group based on the approved internal audit plan and those requested by Management. The audit areas which were covered included amongst others, project management, project cost management, purchasing processes, subcontractor claims and costs, contracts and tender system, and a power plant project.

  At each AC meeting, the IARMD provided an update on status of implementation of prior quarter audit report recommendations until they were fully implemented. Where appropriate, the AC was also apprised of key initiatives and continuous improvement activities being undertaken by the IARMD.

- Reviewed the risk-based 3-year internal audit plan for 2018-2020 to ensure adequacy of the scope and coverage of key business and operational units within the Group, at the AC meeting held on 28 May 2018.

  The revised 3-year internal audit plan was approved at the AC meeting held on 27 August 2018.

- Reviewed and approved the risk-based 3-year internal audit plan for 2019-2021 at the AC meeting held on 26 November 2018. The areas which were covered in the audit plan included construction and property projects, concession assets, precast, enterprise risk management, central purchasing, finance and information technology.

4. External Audit

- Reviewed with the external auditors, the audit report, issues, reservations and Management responses arising from their audit of the financial statements for the year ended 31 December 2017, at the AC meeting held on 26 February 2018.

  The external auditors briefed the AC among others, on the audit status and outstanding matters, audit timeline, audit focus areas, audit findings as well as the readiness for adoption of MFRS 9 and MFRS 15 – the implementation, key gap differences and financial impact.

AUDIT COMMITTEE REPORT

- Reviewed with the external auditors on 26 February 2018, 26 November 2018 and 25 February 2019 without the presence of the executive board members and Management, the extent of assistance rendered by Management and issues arising from their audit. The AC was satisfied with the openness in communication and interaction with the engagement partner and his team, which demonstrated their independence and professionalism.

  In addition, the Chairman and members of the AC periodically held informal discussions with the engagement partner of the external auditors to ensure audit issues were addressed on a timely basis.

- In February 2018, the AC undertook an assessment of the suitability and independence of the external auditors for their re-appointment as Auditors of the Company at the 2018 AGM, which included a structured evaluation questionnaire completed by each member of the AC. The questionnaires which are used as an assessment tool, are based on a 4-scale rating or 'Yes' and 'No' answer, whichever is applicable for each question. The areas which were covered in the assessment encompassed the external auditors' performance in terms of skills, expertise and competencies, calibre of the external audit firm, independence and objectivity, audit scope and planning, reasonableness of audit fees, provision of non-audit services and quality of communications with the AC. This annual evaluation provides the AC with a disciplined approach for maintaining effective oversight of the external auditors' performance.

  The evaluation results were tabled at the AC meeting held on 26 February 2018. The external auditors have also provided written confirmation on their independence in accordance with the terms of the relevant professional and regulatory requirements. The AC was satisfied with the suitability and independence of the external auditors and thereby recommended to the Board for their re-appointment at the AGM of the Company.

  The Board at its meeting held on 28 February 2018 approved the AC's recommendation for the re-appointment of external auditors, subject to the shareholders' approval being sought at the AGM of the Company. The shareholders had duly approved the re-appointment of external auditors at the AGM held on 13 June 2018.

- Reviewed with the external auditors on 30 March 2018, the annual audited financial statements including the Independent Auditors' Report for the financial year ended 31 December 2017, where relevant disclosures in the annual audited financial statements were deliberated.

- Reviewed and recommended to the Board for approval, the audit and non-audit fees of the external auditors for the financial year ended 31 December 2017, at the AC meeting held on 30 March 2018.

  The non-audit fee was for the review of the Statement on Risk Management and Internal Control. The amount of non-audit fee was not significant as compared to the amount of audit fees. In this respect, the AC was satisfied that the provision of non-audit services by the external auditors did not impair their objectivity and independence as external auditors.

- Reviewed with the external auditors, their audit plan, scope of audit, audit timeline and focus areas on potential key audit matters, emerging issue arising from 2019 budget (in relation to unutilised tax attributes), assessment of adoption of MFRS 9 and MFRS 15, assessment of readiness for adoption of the new accounting standard – MFRS 16 *(Lease)* and other significant audit matters prior to the commencement of audit of the financial statements for the year ended 31 December 2018, at the AC meeting held on 26 November 2018.

- Reviewed with the external auditors, the audit report, issues, reservations and Management responses arising from their audit of the financial statements for the year ended 31 December 2018, at the AC meeting held on 25 February 2019.

  The external auditors briefed the AC among others, on the audit status and outstanding matters, audit focus areas (i.e. key audit matters and other significant audit matters), audit findings and status of assessment of impact on the adoption of MFRS 16.

AUDIT COMMITTEE REPORT

Pursuant to the new and revised Auditor Reporting Standards which took effect from 16 December 2016, the AC reviewed the key audit matters raised by the external auditors and ensured that adequate work had been done to support the audit conclusions and overall impact on the financial statements. The 2 key audit matters which were highlighted to the AC (to be disclosed in the Independent Auditors' Report contained in the Audited Financial Statements) were:

(a) Revenue, profit recognition and provisions on long-term construction contracts; and
(b) Valuation of investment in an associate – R.K.M. Powergen Private Limited.

The external auditors highlighted to the AC that there was an additional key audit matter to be disclosed in the Independent Auditors' Report contained in the Audited Financial Statements, namely the transition to MFRS framework.

- In February 2019, the AC also assessed the suitability and independence of the external auditors for their re-appointment as Auditors of the Company at the forthcoming 2019 AGM, via the same assessment tool as described above. The evaluation results were tabled at the AC meeting held on 25 February 2019, and the AC was satisfied with the suitability and independence of the external auditors and thereby recommended to the Board for their re-appointment at the forthcoming AGM of the Company. The external auditors have also provided written confirmation on their independence in accordance with the terms of the relevant professional and regulatory requirements.

  The Board at its meeting held on 27 February 2019 approved the AC's recommendation based on the evaluation results, for the re-appointment of external auditors, subject to the shareholders' approval being sought at the forthcoming AGM of the Company.

- Reviewed the proposed audit and non-audit fees of the external auditors for the financial year ended 31 December 2018, at the AC meeting held on 25 February 2019.

  The non-audit fees comprised the review of the Statement on Risk Management and Internal Control; audit of MFRS 9 and MFRS 15 transition; and re-audit of opening balance of statement of financial position in relation to the transition to MFRS. The amount of non-audit fees was not significant as compared to the amount of audit fees. In this respect, the AC was satisfied that the provision of non-audit services by the external auditors did not impair their objectivity and independence as external auditors.

- Reviewed with the external auditors on 4 April 2019, the annual audited financial statements including the Independent Auditors' Report for the financial year ended 31 December 2018, where relevant disclosures in the annual audited financial statements were deliberated.

5. Risk Management

- Reviewed the half-yearly enterprise risk management reports submitted to the RMC, and the appropriateness of Management's responses to significant risk areas and proposed recommendations for mitigation. These risk management reports were tabled to the Board for notation.

- Assessed the adequacy and effectiveness of the risk management and internal control system.

6. Related Party Transactions

- Reviewed the related party transactions entered into by the Company and the Group to ensure that the transactions entered into were at arm's length basis and on normal commercial terms, at the AC meetings held on 26 February 2018, 28 May 2018, 27 August 2018, 26 November 2018 and 25 February 2019.

AUDIT COMMITTEE REPORT

7. Other Matters

- At the AC meeting held on 26 November 2018, reviewed the audit report from IARMD verifying that the allocation of share options to eligible employees of the Group was in compliance with the terms/criteria set out in the Bylaws of the Company's Employees' Share Option Scheme.

- Reviewed and considered the proposed amendments to the AC Charter to be aligned with the applicable provisions in the MCCG 2017 and the Listing Requirements of Bursa Securities, at the AC meeting held on 25 February 2019.

  Upon the AC's recommendation, the Board at its meeting held on 27 February 2019, approved the proposed amendments to the AC Charter.

- Reported to the Board at its quarterly meetings on significant issues and concerns discussed during the AC meetings together with applicable recommendations. Minutes of the AC meetings were tabled and noted by the Board.

- The Chairman and members of the AC have held informal sessions and interactions with Management throughout the year which were aimed at obtaining a better understanding of business operations and risks related issues, and the resolution of issues.

INTERNAL AUDIT AND RISK MANAGEMENT FUNCTIONS

The Group has an established independent internal audit function performed in-house by the IARMD, which reports directly to the AC.

The main role of the IARMD is to undertake regular reviews of the Group's systems of controls, procedures and operations so as to provide independent and objective assurance to the AC regarding the adequacy and effectiveness of internal control, risk management and governance systems.

The IARMD adopts a risk-based approach in developing the annual internal audit plan for approval by the AC. The IARMD is guided by the Internal Audit Charter on their authority, duties and responsibilities.

The AC reviews the quarterly internal audit reports from IARMD based on the approved audit plan on the effectiveness and adequacy of the governance, risk management, operational and compliance processes. Follow-up reviews on a quarterly basis were also undertaken to ascertain the status of implementation of prior quarter audit recommendations, the results of which were reported to the AC. A total of 8 audit engagements were completed in 2018.

Apart from the aforesaid internal audit mandate, the IARMD is also responsible for facilitating and assisting Management in maintaining a structured risk management framework to identify, evaluate and manage significant risks facing the Group. The IARMD submits semi-annual reports on enterprise risk management for the Group to the RMC for review and deliberation.

AUDIT COMMITTEE REPORT

The IARMD's scope of responsibilities extends to all business and operational units within the Group. In fulfilling its mandate, the IARMD conducted the following activities during the financial year up to the issuance date of this Annual Report:

(a) Performed and completed 8 risk-based audits on selected business units within the Group based on the approved internal audit plan. The audit areas which were covered included project management, project cost management, purchasing processes, subcontractor claims and costs, contracts and tender system, and a power plant project.

(b) Tabled to the AC at its quarterly meetings, the audit reports for the above audits incorporating the audit findings, audit recommendations and Management responses. Follow-up audit was conducted and the status of implementation on the agreed action plans was reported to the AC.

(c) Prepared the half-yearly enterprise risk management reports submitted to the RMC, and the appropriateness of Management's responses to significant risk areas and proposed recommendations for mitigation.

(d) Prepared and tabled the Statement on Risk Management and Internal Control for inclusion in the 2017 Annual Report, at the AC meeting held on 26 February 2018.

(e) Prepared and tabled for the AC's approval, the risk-based 3-year internal audit plans at the AC meetings held on 28 May 2018, 27 August 2018 and 26 November 2018.

(f) Tabled to the AC at its meeting held on 26 November 2018, the audit report verifying that the allocation of share options to eligible employees of the Group was in compliance with the terms/criteria set out in the Bylaws of the Company's Employees' Share Option Scheme.

(g) Prepared and tabled the Statement on Risk Management and Internal Control for inclusion in the 2018 Annual Report, at the AC meeting held on 25 February 2019.

In February 2018, the AC carried out an evaluation of the effectiveness of the internal audit function in respect of financial year 2017. The appraisal covered the adequacy of IARMD's scope, its functions, resources, authority and independence, as well as the competency of internal audit staff. The results of the evaluation were tabled at the AC meeting held on 30 March 2018. In general, the AC was satisfied with the performance and competency of the IARMD. Certain areas which required improvement were also highlighted.

In February 2019, the AC also undertook an evaluation of the effectiveness of the internal audit function for financial year 2018, which covered the areas mentioned above. The results of the evaluation were tabled at the AC meeting held on 25 February 2019. The AC was satisfied with the performance of the IARMD.

The costs incurred by IARMD in discharging its functions and responsibilities during the financial year ended 31 December 2018 amounted to RM353,124.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board is pleased to present the Statement on Risk Management and Internal Control, pursuant to Chapter 15, Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Securities and the recommendations of MCCG 2017 with guidance from the *Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers*.

BOARD RESPONSIBILITY

The Board affirms its overall responsibility for establishing and maintaining an adequate and effective risk management framework and internal control system which has been embedded in all aspects of the activities and operations of the Group. This framework has been set in place by the Board to identify, evaluate, mitigate and monitor the risks faced by the Group. The Board together with senior management continually reviews the adequacy and effectiveness of the risk management framework and internal control system to manage the Groups' principal and relevant risks within its risk appetite and tolerances

The Board recognises that the framework is designed to mitigate rather than to eliminate risks or events which may significantly impact the achievement of the Group's business objectives and strategies. Accordingly, such systems can only provide reasonable but not absolute assurance against any material misstatement, loss or fraud.

The Group does not include material joint ventures and associates as the Group does not have management control over them. The Group ensures that the investments are protected by Board representation in these investments. Notwithstanding this, Management oversees and monitors the administration, operations and performance of these material joint ventures and associates. Regular reporting of financial information and risk reviews ensure that their performance and risks are properly managed and controlled.

RISK MANAGEMENT

The Board, with the assistance of the AC and RMC, confirms that there is an ongoing process of identifying, evaluating and managing all significant risks faced by the Group throughout the year under review and up to the date of approval of this Statement for inclusion in the Annual Report. The AC and RMC assist the Board on the oversight of risk management for identification, managing and monitoring the principal risks of the Group. The Board retains the overall accountability for the Group's risks.

A risk management framework together with the standard operating policy and procedure, which has been communicated to the Management team, serves as a guide to the Group's risk management policy, risk management processes and reporting framework.

The RMC, chaired by the Independent Non-Executive Chairman, meets with certain Directors and senior management on a 6-monthly basis to review and deliberate on the top risks and the risk management actions taken. The Management team assists the RMC and the Board in implementing the process of identifying, evaluating and managing the significant risks applicable to their respective areas of business and in formulating suitable mitigation and internal controls to control these risks. Each business unit submits their risk registers and risk assessment report which are presented via the IARMD to the RMC for their review and deliberation. The RMC reviews matters such as identification and responses to address significant risks, internal control systems and adequacy of the risk mitigation actions within the Group's risk appetite and tolerances to enhance shareholders' investments, safeguarding of assets, enhance opportunities, reduce threats and maintain corporate sustainability. The IARMD reviews these risk registers to provide further assurance on the compliance and effectiveness of the risk management and internal control system. The RMC receives from Management and IARMD, the Enterprise Risk Management report every 6 months which summarises the risk assessment and mitigation actions on the Group's top risks for review and deliberation.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

AC

The AC, which is chaired by an Independent Non-Executive Director, is tasked by the Board with the duty of reviewing and monitoring the effectiveness of the Group's system of internal control with the assistance of the in-house IARMD. On a quarterly basis, internal audit reports are prepared on the adequacy, efficiency and effectiveness of the system of internal control based on the current annual audit plan approved by the AC or where as directed by the AC.

KEY ELEMENTS OF INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Board is committed in its efforts to maintain a reliable system of internal control and ensure it is updated in line with changes in the operating and business environment. The Board regularly reviews the process of identifying, assessing and managing key business, operational and financial risks faced by its business units as well as planned strategies to determine whether risks are mitigated and well managed.

Other key elements of the Group's risk management and internal control system, which have been in place throughout the financial year under review and up to the date of the Directors' Report, are as follows:

- Clearly defined delegation of responsibilities, organisation structure and appropriate authority limits which have been established by the Board for the AC and Management.
- Various Board Committees have been established to assist the Board in discharging its duties, namely:
  - AC
  - Investment Committee
  - RMC
  - CNRC
  - Employees' Share Option Scheme Committee
  - Executive Committee
  - Tender Committee

- The Group's vision, mission, corporate philosophy and strategic direction are communicated to employees at all levels.
- Financial and operations performance reports are submitted to the Executive Directors and senior management. Management meetings are held among the Executive Directors and divisional heads; and during these meetings, reports and status updates of the business activities and projects are discussed and necessary actions are taken.
- An annual budgetary process that requires business units to prepare budgets and business plans are approved by the Directors, and the control measures to mitigate identified risks for the forthcoming year. Significant and key variances in the quarterly financial reports are highlighted against budgets and comparative results to the AC prior to presenting to the Board for approval. In addition, major project cost budgets are established with monthly tracking of actual costs so that such costs and project profitability are properly controlled and monitored independently by Finance Department.
- Adequate financial information and key business or performance indicators are presented to senior management and the Board to assist in the review of the Group's performance.
- Internal policies and guidelines are communicated to all employees through standard operating policies and procedures, memoranda and handbooks.
- The Enterprise Risk Management system in place is complemented by the process of risk identification and mitigation during major project tenders so that in the event the project tender is secured, project management shall follow through the risk mitigation measures during project execution.
- Adequate insurances where applicable for projects and assets of the Group are taken up to cover any insurable adverse events that may result in losses to the Group.
- The information technology system has systems and procedures to protect against the risk of cybersecurity intrusions, unauthorised access, authorised software use, corruption and loss of information assets. In addition, the system has in place to also protect and manage confidentiality, integrity and availability of data and the information infrastructure.
- The operations in the Group's investment in the major associate known as R.K.M. Powergen Private Limited ("RKM"), which is involved in the Chhattisgarh power plant in India, are subject to regulatory and operational requirements imposed by the regulator, Central Electricity Regulatory Commission of India. Apart from regulatory controls, the project finance lender conducts monthly reviews of the project progress and costs incurred by employing the services of an independent engineer, and this is reported to RKM and the Group for monitoring and control.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

- The Construction and Precast Manufacturing Divisions are accredited under the ISO 9001:2015 Quality Management System, which is subjected to annual external audit by Certification Body to determine the continued conformity of the management system.
- Both ISO 14001:2015 Environmental Management System and OHSAS 18001:2007 Occupational Health & Safety Management System certifications ensure that adequate controls and good governance are in place to manage environmental and safety matters for the Construction Division. These management systems are also subjected to yearly external audit by Certification Body to ensure continued conformity of the respective management system.
- The AC also invited the external auditors to review the external audit plan, review of key audit issues and their findings on the evaluation of the internal control system.
- The Human Capital system embraces a structured procedure for talent acquisition and management, employment practices, organisational and succession planning. A performance management system with defined criteria for performance with business objectives and targets are set for employees. Selected employees are provided training and development based on their training needs to meet their job performance expectations.
- All employees are governed by the Code who are required to acknowledge as having read and understood the Code upon commencement of employment.
- An established whistleblowing process provides an avenue for whistle-blowers to communicate their concerns or on matters of integrity in a confidential manner so that these can be investigated for effective resolution.
- Regular visits to operating units and project sites by the senior management, finance staff and internal auditors.

INTERNAL AUDIT

The internal audit function of the Group is performed by the in-house IARMD, which reports directly to the AC.

The IARMD carries out independent reviews on the state of the internal control of the Group's business activities based on the current risk-based Audit Plan approved by the AC or where as directed by the AC. The findings and observations are reported to the AC on a quarterly basis. Follow-up audits were also carried out to determine the status of implementation of agreed corrective actions based on the previous audit findings reported.

The IARMD continually reviews the system of internal control, procedures and operations to provide reasonable assurance that the internal control system is sound, adequate and operating satisfactorily.

THE BOARD'S REVIEW OF THE RISK MANAGEMENT FRAMEWORK AND INTERNAL CONTROL SYSTEM

The risk management framework and internal control system for the financial year under review was considered to be adequate and operating satisfactorily. The Board undertakes to pursue the necessity for continuous improvements in its internal control system and risk management process in order to achieve its goals, enhance shareholder value and ensure sustainability of the businesses over the long-term.

During the year, some areas for improvement in the internal control system were reported by the IARMD to the AC. Management has been responsive to the issues raised and has taken appropriate measures to address the areas for improvement that have been highlighted. The monitoring, review and reporting procedures and systems in place give reasonable assurance that the controls are adequate and appropriate to the Group's operations and that risks are managed within an acceptable level of the Group's risk appetite and tolerance. However, neither procedures nor systems provide absolute assurance due to human error, the deliberate circumvention of control procedures by employees and others or the occurrence of unforeseeable circumstances. The effectiveness of the system of internal control is constantly reviewed and enhanced in response to changes in the business and operating environment.

The Board has received assurance from the Group CEO and the Chief Financial Officer that the Group's risk management and internal control system is operating effectively, in all material aspects, based on the risk management and internal control framework of the Group.

This Statement on Risk Management and Internal Control was approved by the Board on 27 February 2019.

SUSTAINABILITY STATEMENT

The Group's primary focus is in construction, property, power and manufacturing sectors. In managing these business verticals, it is our mission to go beyond profits to offer secure and sustainable infrastructure, energy, business and life solutions to the community. We also endeavour to manage our Economic, Environmental and Social ("EES") impacts. However, it is a gradual process for us to first determine the various points of impact, before devising checks and controls to reduce all kinds of harm to people and the planet.

After an initial assessment undertaken by our senior management in 2017, this is our second year of embedding some of the sustainability elements into our business operations. For instance, we take a zero-tolerance approach to non-compliance and bad governance, with strategic oversight from the Board and management team. This in turn makes our business more resilient to extraneous factors, delivering positive performance and results as per the stakeholder' expectations.

For 2018, we broadly categorised our initiatives and programmes under our EES impacts. Moving forward, we will be reporting our EES impacts according to the top material topics which has been identified. In other words, at Mudajaya, we are dedicated to mitigate serious EES concerns with regards to our business by having a clear view of stakeholders' expectations and aspirations. Through our commitment for sustainability, we hope to significantly contribute to organisation's growth including welfare of the community.

IN FRAMING OUR SUSTAINABILITY BUSINESS CASE, WE COMMIT OURSELVES TO FURTHER SOLIDIFY THE FOUNDATION OF THE GROUP THROUGH OUR PROCESSES, PRODUCTS AND PERFORMANCE METRICS. WE BELIEVE THAT BY EMBEDDING SUSTAINABILITY IN OUR BUSINESS OPERATIONS, WE WILL BE ABLE TO CREATE VALUE FOR OUR STAKEHOLDERS IN THE LONG-RUN.

During the year under review, while governing the Group's operations, we took every effort in making sure that we meet the highest standards to deliver the best outcomes possible for our stakeholders. This is our commitment and our purpose as a responsible corporate citizen.

SUSTAINABILITY AT MUDAJAYA

This statement contains policies and programmes that we have organised and applied towards achieving positive outcomes for the economy, environment and society. Led by our Board of Directors, it is our endeavour to uphold the organisation's objective to build sustainable business benefitting the communitiess. The Management team also acts as a support team to the Board responsible for ensuring integration of sustainability within the Group's operations. Information and figures provided in this section covers the period of 1 January 2018 to 31 December 2018.

SUSTAINABILITY GOVERNANCE

We are developing a set of Sustainability Key Performance Indicators ("KPIs") by monitoring and reporting on both our internal and external processes. Our CEO with the support of the Board is fully in charge of identifying issues and selecting suitable measures for our CSR efforts and to implement all strategies as well as to address concerns in relation to sustainability agenda.

APPROACH TO SUSTAINABILITY

We are in a nascent stage of understanding sustainability principles in the context of our business and therefore, sustainability is work-in-progress. Over the next few years, we will progressively adopt sustainable practices, within the guidelines and procedures established by the management to achieve and report tangible outcomes.

SUSTAINABILITY STATEMENT

OUR THREE-YEAR SUSTAINABILITY ROADMAP

Our aspiration is to drive effective implementation of the three-year sustainability roadmap (2018 – 2020), which was launched in 2017. Our management and Sustainability Committee are working tirelessly to ensure our short-term objective of catalysing positive development is met as we continue on our long-term journey to create better value for our stakeholders. Some of the priority areas of focus as per the roadmap are highlighted below.

Marketplace
- Stakeholder engagement and feedback mechanisms
- Grievance management platforms
- Quality and service enhancing strategies

Workplace
- Policies that foster openness, learning, inclusiveness and development
- Programmes that enhance productivity, performance and innovativeness
- Measures to enrich employees experience, safety & growth

Environment
- Carbon footprint assessments and targets
- Water footprint assessments and targets
- Waste management gameplan

Community
- Investment strategies to sustain community development
- Campaigns to address material topics
- Community feedback processes to capture impact

SUSTAINABILITY STATEMENT

ECONOMIC IMPACT (MARKETPLACE)

At Mudajaya, we strive to conduct our business at the highest level of quality in order to achieve peak performance. With the cooperation from our partners and suppliers, we continue on our mission to uphold the principles of integrity, responsibility and accountability throughout our business operations and dealings. Adherence to the policies that have been put in place is compulsory and non-negotiable under any circumstances. Given our business focus in the construction and energy sectors, which are the country's main economic drivers, we aim to contribute positively to the economic growth of the country. We not only want our partners and suppliers to benefit from doing business with us, we also want our growth to improve their socio-economic status and overall quality of life.

GOVERNANCE

Mudajaya has over the years built up the reputation as one of the leading organisation in the industry by adhering to various international standards and certifications in our operations. For example, our OHSAS 18001:2007 accreditation is testament of our strong emphasis on occupational health and safety management practices, whilst our ISO 14001:2015 certification signifies our continuous efforts to positively manage the impacts of our projects on the environment.

Moving forward, we will continue to abide by these international standards and adopt the best industry practices, as well as adhere to local and government policies to strengthen our relationships and reputation in the marketplace.

SUPPLY-CHAIN MANAGEMENT

All suppliers and contractors of Mudajaya are required to observe our 'Supplier Code of Conduct' together with all the local laws and regulations. Under our policies, all suppliers and contractors are treated equally and fairly, and free from any exploitation. In addition to mentoring our local contractors for new skills and capabilities, we also have a policy of supporting them within the set parameters of meritocracy. Most of our construction material are sourced locally thereby supporting the local economy - annual projections of approximately 50,000 tonnes of steel and 140,000 cubic metres of concrete are sourced from domestic suppliers.

Mudajaya manages its supply-chain and vendors by means of a responsible procurement and supplier assessment, which takes into account critical aspects such as quality and lead time, cost control as well as expectations of our quality-conscious customers.

WHISTLE BLOWING POLICY

At Mudajaya, we expect our employees to conduct themselves with a high standard of professionalism and ethics in the conduct of our business and professional activities.

As part of good corporate governance, we have established a whistle blowing policy that sets out avenues for legitimate concerns to be objectively investigated and addressed. Individuals will be able to raise concerns about illegal, unethical or questionable practices in confidence and without the risk of reprisal. This can be done either by means of an email or through snail mail to the Chairman of Audit Committee. The General Manager of Human Resources & Administration is tasked with the administration, interpretation and application of our Whistle Blowing policy. Any amendments to the said policy will be thoroughly examined by our Head of Internal Audit, subject to the approval by the board.

SUSTAINABILITY STATEMENT

AS AT 31 DECEMBER 2018:

We completed
7 mega projects
in **CONSTRUCTION** and **POWER SECTORS**,
with total contract sum of
RM 4.4 BILLION,
offering employment to **163 SMES**; **40 BUMIPUTRA COMPANIES** and **DISADVANTAGED COMMUNITIES**.

We have implemented
OHSAS Standards
and reported:

5 MILLION MANHOURS
Zero Lost Time ("ZLT") Injuries in Tanjung Bin 4 Project

5.5 MILLION MANHOURS
ZLT injuries in MRT V3 project

1.5 MILLION and **3 MILLION MANHOURS**
ZLT injuries in MRT V207 and RAPID Worker Village projects respectively

On our construction sites we provided **SAFE AND CLEAN-LIVING QUARTERS, POTABLE WATER, BASIC AMENITIES** for more than
2,479 LABOURERS,
with a Grievance Management System in place. We received **ZERO** number of complaints, which are usually expected to be **RESOLVED WITHIN 24-48 HOURS** to the satisfaction of the complainants.

We plan to call for the
CIDB SHASSIC
assessment when we have completed
25% of the LRT3 Project.
We aim to achieve a rating of
5-STAR

SUSTAINABILITY STATEMENT

ENVIRONMENTAL IMPACT

Sustainability is often defined as meeting the needs of the present without compromising the ability of future generations to meet their needs. Today more than ever, environmental sustainability is at the forefront of public policy debate—whether as the focus of innovative scientific research or through local and global policy initiatives such as the Sustainable Development Goals ("SDGs") and the Paris Agreement (COP22). Here at Mudajaya, we believe that all of us can improve environmental sustainability, at least incrementally and sometimes in transformative ways. Every positive action, no matter how small, can be the first step to creating a positive cycle of sustainability. Whether through creating targeted employee green teams, committing to establishing more eco-friendly supply chains, or developing best practices for reducing harmful or excessive wastes, companies that promote environmental sustainability as a corporate citizenship imperative can become leaders in the movement to create a sustainable planet, society, and economy for future generations.

It is for this reason that SKSB was established – to undertake the development of a 49MW large scale solar pv facility with a 132kV Loop-in Loop-out Switching Station in Perak. It is one of the first large scale pv solar plant in Malaysia (50MW category) to be awarded as an IPP under open bidding. The solar farm was constructed to preserve the environmental features of the site with minimum disturbance to the ground and existing vegetation. As it is projected to supply the national grid with clean energy for a period of 21 years, approximately 50,000 metric tonnes of carbon dioxide ("CO_2") emission will be saved every year. The power plant also has the capacity to contribute up to 4% of the total solar capacity targeted in the year 2020 by the Government of Malaysia.

In January 2018, we raised a total of RM245 million from a green Sustainable and Responsible Investment ("SRI") Sukuk Wakalah based on the Securities Commission's SRI Sukuk Framework to partly finance the solar power plant. The sukuk has since been assigned an AA- rating with a stable outlook by the Malaysian Rating Corporation Bhd.

EMISSIONS & WASTE MANAGEMENT

We continue to report our real-time emissions data from our construction sites to the respective Department of Environment database for online monitoring in 2018. Whilst we have ensured we operated within the emission limits, Mudajaya is actively looking at ways to reduce our emissions by apply the 'emissions-control equipment maintenance schedule' on projects.

Our construction wastes such as used rods, concrete debris and contaminated solid waste are all collected by appointed licensed domestic contractors and disposed appropriately either through incineration or landfill disposal.

ENVIRONMENTAL AWARENESS

Since the launch of the organisation-wide campaign on climate change and sustainability, all our employees continue to be supportive and play their part in our paperless information transmission, recycling as well as energy and water consumption.

We promote a sustainable lifestyle at all of our development projects, residential and commercial, by including rain-water harvesting features, rooftop solar panels, sensor lights and taps, and charging stations for electric vehicles to help residents and tenants reduce their carbon footprint. We also have a policy to ensure that the trees growing on the original project sites are preserved and included in the design planning of the projects.

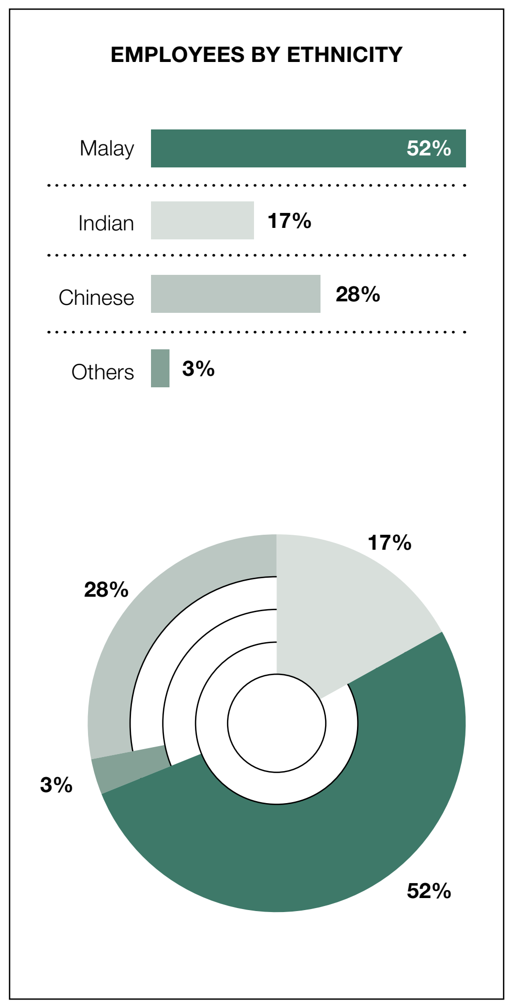
SUSTAINABILITY STATEMENT

SOCIAL IMPACT (WORKPLACE)

At Mudajaya, we believe that our greatest assets are our employees who are instrumental in driving our business operations and building the Group's industry reputation. We operate under our equal, fair and growth-oriented human resource policies which help us to develop a performance culture within our organisation. Our open-door policies allow our employees to express themselves freely and actively plan and pursue their career aspirations with us, and we encourage our employees to cultivate a continuous learning attitude in order to reach their goals.

DIVERSITY

Mudajaya believes that diversity in the workplace fosters the reputation and profitability of an organisation. This is achieved when employees work in harmony with each other despite their individual differences. We want our employees to work in a diversified environment because a diverse culture can help a business gain its competitive edge. Our recruitment policies, which comply with the Malaysian Employment Act 1955 as well as the Children & Young Persons Employment Act 1966, place great emphasis on diversity in talent acquisition and development. We do not practise any form of discrimination, be it racial or ethnic origin, age, gender, sexual orientation, marital status or disability.



SUSTAINABILITY STATEMENT

EMPLOYEE TRAINING

Mudajaya believes that trainings are the cornerstone of a company's success. We promote a culture of continuous learning and development for productivity improvement by upskilling our employees. Every Head of Department in our organisation is required to keep an updated training calendar for their team members, which include courses such as self-development, supervisory or leadership skills, technical skills, soft-skills, information technology, etc. The Group aims to provide its employees with minimum 8 hours of training per year in contract and business management, safety, software and Quality Assessment System in Construction ("QLASSIC") awareness as part of their KPIs.

In the year under review, we conducted a total of 88 training programmes and clocked over 1,700 hours of training for our employees.

88 TRAINING PROGRAMMES

1,739 HOURS OF TRAINING

>39% of the training programmes covered **TECHNICAL STANDARDS, INDUSTRY BEST PRACTICES** and **SAFETY** as well as other regulation, mainly conducted by **CIDB*** and **NIOSH#**

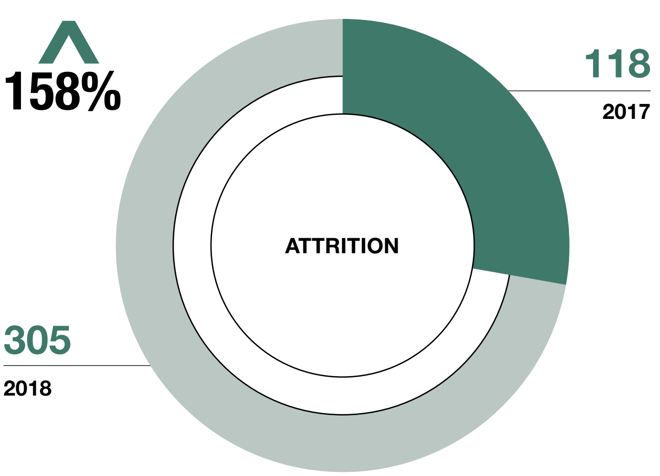
* *Construction Industry Development Board*
\# *National Institute of Occupational Safety and Health*

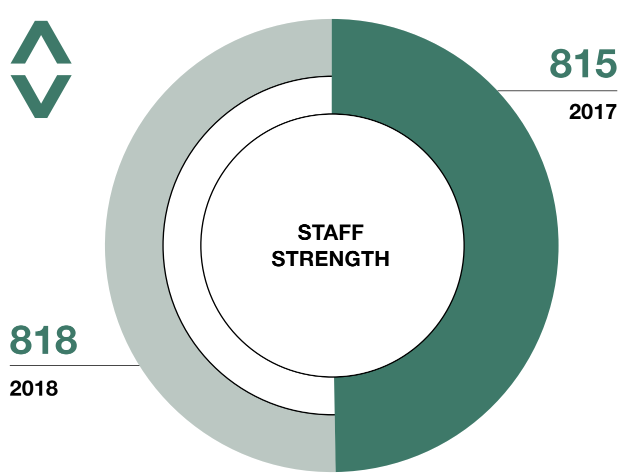
WORK-LIFE BALANCE

We encourage our employees to maintain a healthy work-life balance because we believe that when employees are balanced and happy, they are more productive, take fewer sick days, and are more likely to stay in their jobs. We try to go beyond legislative requirements with our work-life balance approach which enables our employees to maintain a healthy balance between work and other activities and interests. It is also our belief that through our employee policies, we can improve their levels of motivation by focussing on their welfare and well-being.

Since 2016, our employees who are primary care-givers of children and aged parents have benefitted from our flexible worktime arrangements. We have also introduced a two-day paternity leave in addition to the two-month maternity leave in support of more balanced parenting roles amongst our employees.

TOTAL ATTRITION AND STAFF STRENGTH
* As at 31 December





SUSTAINABILITY STATEMENT

EMPLOYEE ENGAGEMENT

At Mudajaya, we have a range of opportunities for our employees to provide feedback and have a say about things that are important to them. The aim is to encourage active dialogue that promotes team work amongst them at different levels and positions in the Company. These opportunities or platforms include townhalls, employee engagement activities, the intranet as well as department-level managerial meetings. Our internal communications team is also tasked with championing various employee-focussed activities to promote a positive work environment, healthy discussions and recognition.

The objective of these meetings is to promote open dialogue with our Managing Director as well as CEO and to discuss or raise any concerns and issues pertaining to the workplace that our employees may have.

In 2018, we organised

two townhall meetings

with active participation of

60 employees and members

OF THE MANAGEMENT.

REMUNERATION AND APPRAISAL SYSTEM

Our merit-based remuneration policy lays out the key performance indicators for our employees, and 60% is based on the balanced scorecard whilst the employee's competencies make up the remaining 40%. We practise an industry standard fair competitive compensation system with all our permanent staff – each employee is compensated according to merits as well as their performance on a year-to-year basis. Our compensation system includes the following:

1

FIXED COMPENSATION

such as salary and fixed allowance

2

VARIABLE COMPENSATION

3

BENEFITS AND PREREQUISITES

- Transportation
- Medical and insurance coverage, dental etc.

SUSTAINABILITY STATEMENT

WORKFORCE BREAKDOWN

Our strong workforce comprises of individuals from a diverse ethnic and cultural backgrounds, and age groups. They are of different nationalities, with various professional qualifications, skill-sets, and interests. It is from this eclectic mix of talent that we build a dynamic and productive team to collaborate and contribute towards achieving our vision and mission.

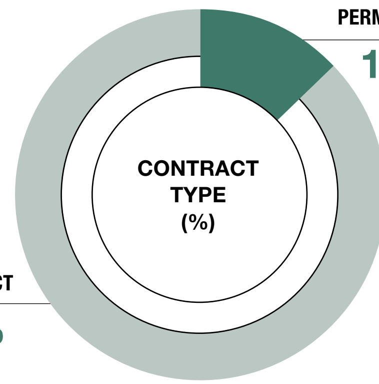
TOTAL NUMBER OF EMPLOYEES

2018:
818

BREAKDOWN OF EMPLOYEES (%) IN 2018

MALAYSIANS
97%

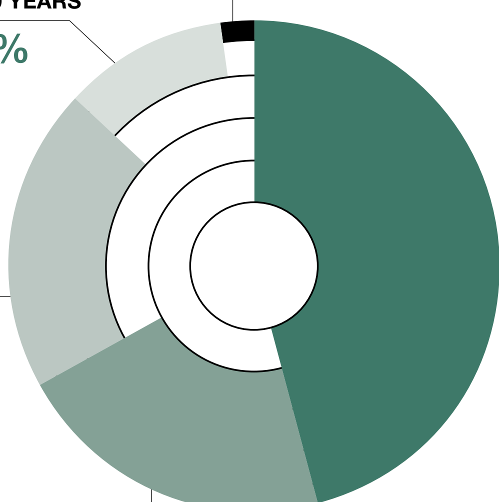
OTHER NATIONALS
3%



PERMANENT
13%
105

CONTRACT
87%
713

EMPLOYEES BY AGE GROUP



>60 YEARS
2%
16

51-60 YEARS
11%
90

41-50 YEARS
20%
164

31-40 YEARS
21%
172

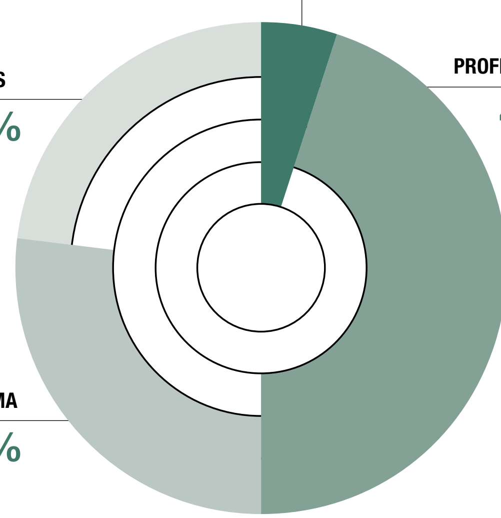
20-30 YEARS
46%
376

OUR WORKFORCE IN 2018

NO. OF NEW HIRES

EXECUTIVE	MANAGERIAL	NON-EXECUTIVE
110	24	62

EMPLOYEES BY QUALIFICATION



MASTERS
5%

DEGREE/ PROFESSIONAL
45%

OTHERS
23%

DIPLOMA
27%

SUSTAINABILITY STATEMENT

SOCIAL IMPACT (COMMUNITY)

As a corporate citizen, we try to improve our CSR by adopting a dual mindset — along with making impactful decisions, we know we also need to focus on our immediate surroundings and actively seek to be engaged in our local community. In the year under review, we have conducted various activities and events for the local communities in areas where we operate. Our employees are encouraged to participate by volunteering their time in these community activities, and the participants are rewarded with days-off and/or work-leave accordingly.

BATU KAWAH NEW TOWNSHIP

The year 2018 saw a list of events held at the Papillon Street Mall in Kuching to provide some fun family activities for the residents in the Batu Kawah New Township. There was a colouring contest for the children, and a flea market for the local small vendors to feature their products and promote their business. A Zumba event was also conducted in collaboration with one of the tenants of Papillon Street Mall, Level Up Gymnasium to raise awareness on healthy lifestyle and make exercising fun for all who participated. All events at the Papillon Street Mall were organised in conjunction with Destin De La Vie.

SUSTAINABILITY STATEMENT

SAYANGI MALAYSIA CAMPAIGN – ORGAN DONATION

To mark Malaysia's 61st Independence Day theme *Sayangi Malaysia*, Mudajaya partnered Mulpha International Berhad to organise an organ donation talk by a guest speaker from Pusat Sumber Transplan Nasional on 15 August 2018 at the lobby of Menara Mudajaya between 11 am and 2 pm. The talk, aimed at raising awareness on organ donation as well as to encourage as many people as possible to register as organ donors, was open to both employees of Mudajaya as well as non-employees from the neighbourhood.

DAR ASNAF ORPHANAGE, GOMBAK

The Dar Asnaf Orphanage in Gombak caught the attention of our CSR team due to the high number of orphans under its care and the poor condition of the home. The Orphanage received very little funding from the government and other corporations so Mudajaya employees decided to do whatever we could to give the children a proper home and shelter and a better quality of life.

SUSTAINABILITY STATEMENT

SK SG. BULOH, SELANGAU, SARAWAK

Built in 1957, the SK Sungai Buloh in Selangau is located near our contracted Sungai Kua Bridge – Sungai Arip Bridge of the Pan Borneo Highway project in Sibu, Sarawak. As the Works Package Contractor for this section of the Pan Borneo Highway, Musyati Mudajaya JV Sdn. Bhd. has adopted the school. We have taken the initiative to rebuild the school which is in extremely poor condition.

SUSTAINABILITY STATEMENT

HOME FOR LIFE

A three-day CSR event was held in September 2018 by the Malaysian Builders Association of Malaysia ("MBAM") in Kampung Orang Asli, Sungai Lalang, Semenyih in Selangor as part of Home for Life, an annual MBAM CSR Activity 2018. This year's activity saw members of MBAM as well as employees of Mudajaya coming together to build a home from scratch for a family in need. A basic builder workshop was held to introduce the format of the three-day operation to address the safety and site protocols. Upon completion, a short recognition ceremony took place after which the house was bestowed on the family.






5

FINANCIAL STATEMENTS

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding activities whilst the principal activities of the subsidiaries are as stated in Note 7 to the financial statements. There have been no significant change in the nature of these activities during the financial year.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 7 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
(Loss)/Profit for the year attributable to:		
Owners of the Company	(393,673)	1,386
Non-controlling interests	(6,478)	–
	(400,151)	1,386

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year under review other than as disclosed in Note 18 to the financial statements.

DIVIDENDS

No dividend was paid during the financial year and the Directors do not recommend any dividend to be paid for the financial year under review.

DIRECTORS OF THE COMPANY

Directors who served during the financial year until the date of this report are:

Dato' Yusli bin Mohamed Yusoff
James Wong Tet Foh
Lee Eng Leong
Chew Hoy Ping
Wee Teck Nam
Dato' Amin Rafie bin Othman (Appointed on 22 February 2018)
Winson Chow (Alternate Director to Lee Eng Leong) (Resigned on 31 May 2018)

The list of Directors in respective subsidiaries are disclosed in Note 7.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

DIRECTORS' INTERESTS IN SHARES

The interests and deemed interests in the shares and options over shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			
	At 1.1.2018	Acquired	Sold	At 31.12.2018
Interest in the Company:				
Direct interest				
Wee Teck Nam	814,300	–	(153,900)	660,400

	Number of ordinary shares			
	At 1.1.2018	Acquired	Sold	At 31.12.2018
Interest in the Company:				
Indirect interest				
Wee Teck Nam	109,913,333	53,000,000	–	162,913,333

	Number of options over ordinary shares			
	At 1.1.2018	Granted	Exercised	At 31.12.2018
Interest in the Company:				
James Wong Tet Foh	5,200,000	–	–	5,200,000
Lee Eng Leong	4,000,000	–	–	4,000,000

By virtue of his interest in the shares of the Company, Wee Teck Nam is also deemed interested in the shares of the subsidiaries during the financial year to the extent that Mudajaya Group Berhad has an interest.

None of the other Directors holding office at 31 December 2018 had any interest in the shares and options over shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

DIRECTORS' BENEFITS (CONTINUED)

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate apart from the issue of the Employees' Share Option Scheme ("ESOS").

ISSUE OF SHARES AND DEBENTURES

There were no changes in the issued and paid-up capital of the Company during the financial year.

There were no debentures issued during the financial year.

TREASURY SHARES

During the financial year, the Company bought back a total of 930,000 of its issued and fully paid-up ordinary shares from the open market for a total cost of RM848,000. Details of the shares bought back and retained as treasury shares were as follows:

Date	No. of shares bought back '000	Price paid per share RM	Total consideration RM'000
10 January 2018	150	0.9069	137
12 January 2018	480	0.9072	437
15 January 2018	100	0.9100	92
17 January 2018	200	0.9063	182
	930		848

As at 31 December 2018, the Company retained as treasury shares a total of 15,543,300 of its 605,418,466 issued and fully paid-up ordinary shares. The Company has not made any share cancellation or resold its treasury shares during the financial year ended 31 December 2018. Such treasury shares are held at a carrying amount of RM36,075,000 and further details are disclosed in Note 18 to the financial statements.

EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

Mudajaya Group Berhad's ESOS is governed by the by-laws which was approved by the shareholders at the Extraordinary General Meeting held on 22 June 2011. The ESOS was implemented on 30 September 2011 and to be in force for a period of 5 years from date of implementation. On 1 August 2016, the Board has approved to extend the share options for a further period of 5 years which will expire on 28 September 2021.

The salient features and other terms of the ESOS are disclosed in Note 22 to the financial statements.

INDEMNITY AND INSURANCE COSTS

During the financial year, the total amount of sum insured and premium paid for Directors and officers of the Company are RM25,000,000 and RM28,500 respectively.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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

i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

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

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

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

In the opinion of the Directors, other than disclosed in the Note 8 to the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 December 2018 has not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

SUBSEQUENT EVENTS

Please refer to Note 36 of the financial statements for the details.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

AUDITORS

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 26 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Wee Teck Nam
Director

James Wong Tet Foh
Director

Petaling Jaya

10 April 2019

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	Group 31.12.2018 RM'000	Group 31.12.2017 RM'000	Group 1.1.2017 RM'000	Company 31.12.2018 RM'000	Company 31.12.2017 RM'000	Company 1.1.2017 RM'000
Assets							
Property, plant and equipment	3	42,903	48,018	43,689	469	–	–
Investment properties	4	50,441	50,935	49,116	–	–	–
Intangible asset	5	9,913	10,533	11,153	–	–	–
Service concession assets	6	323,691	74,839	69,483	–	–	–
Investments in subsidiaries	7	–	–	–	317,771	317,771	317,771
Investments in associates	8	71,455	427,729	561,810	–	–	–
Other investments	10	964	542	816	–	–	–
Deferred tax assets	11	2,066	7,633	493	–	–	–
Trade and other receivables	12	4,749	4,749	–	–	–	–
Total non-current assets		506,182	624,978	736,560	318,240	317,771	317,771
Inventories	13	132,915	101,804	82,052	–	–	–
Other current assets	14	199,587	203,923	203,576	–	–	–
Contract assets	15 (a)	71,969	130,312	279,142	–	–	–
Contract costs	15 (b)	68	103	104	–	–	–
Trade and other receivables	12	332,500	309,745	399,312	89,445	87,998	25,425
Tax recoverable		16,335	17,939	15,973	–	96	494
Derivatives financial assets	16	7,002	–	–	–	–	–
Cash and cash equivalents	17	330,722	456,853	328,120	311	405	35
Total current assets		1,091,098	1,220,679	1,308,279	89,756	88,499	25,954
Total assets		1,597,280	1,845,657	2,044,839	407,996	406,270	343,725

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018 (CONTINUED)

	Note	Group 31.12.2018 RM'000	Group 31.12.2017 RM'000	Group 1.1.2017 RM'000	Company 31.12.2018 RM'000	Company 31.12.2017 RM'000	Company 1.1.2017 RM'000
Equity							
Share capital		393,172	393,172	110,483	393,172	393,172	110,483
Share premium		–	–	221,739	–	–	221,739
Treasury shares		(36,075)	(35,227)	(34,688)	(36,075)	(35,227)	(34,688)
Employees' share option reserve		9,727	9,574	8,535	9,727	9,574	8,535
Foreign currency translation reserve		(14,566)	(13,530)	(13,955)	–	–	–
Retained earnings		(136,304)	256,333	376,415	25,894	24,508	24,335
Equity attributable to owners of the Company	18	215,954	610,322	668,529	392,718	392,027	330,404
Non-controlling interests		28,560	35,312	34,045	–	–	–
Total equity		244,514	645,634	702,574	392,718	392,027	330,404
Liabilities							
Loans and borrowings	19	426,504	401,662	424,596	263	–	–
Refundable deposits		1,717	2,219	2,039	–	–	–
Deferred income	20	5,659	5,659	–	–	–	–
Deferred tax liabilities	11	7,281	5,525	2,224	–	–	–
Total non-current liabilities		441,161	415,065	428,859	263	–	–
Loans and borrowings	19	466,536	350,892	392,076	149	–	–
Trade and other payables	21	403,567	352,615	502,403	14,863	14,243	13,321
Contract liabilities	15 (a)	41,490	69,056	18,463	–	–	–
Tax liabilities		12	72	464	3	–	–
Derivative financial liabilities	16	–	12,323	–	–	–	–
Total current liabilities		911,605	784,958	913,406	15,015	14,243	13,321
Total liabilities		1,352,766	1,200,023	1,342,265	15,278	14,243	13,321
Total equity and liabilities		1,597,280	1,845,657	2,044,839	407,996	406,270	343,725

The notes on pages 97 to 224 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Revenue	23	760,051	546,460	–	–
Cost of sales	24	(669,122)	(435,734)	–	–
Gross profit		90,929	110,726	–	–
Other income	25	27,764	31,077	4,625	3,452
Net loss on impairment of financial instruments and contract assets		(32,499)	(13,329)	–	–
Impairment loss on investment in associates		(145,551)	–	–	–
Administrative expenses		(70,082)	(65,965)	(2,708)	(2,506)
Results from operating activities	26	(129,439)	62,509	1,917	946
Finance costs	28	(44,559)	(44,668)	(7)	–
Share of loss of equity accounted associates, net of tax		(214,044)	(137,218)	–	–
(Loss)/Profit before tax		(388,042)	(119,377)	1,910	946
Taxation	29	(12,109)	1,605	(524)	(773)
(Loss)/Profit for the year		(400,151)	(117,772)	1,386	173
Other comprehensive expense, net of tax					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		(1,310)	(1,581)	–	–
Total comprehensive (expense)/ income for the year		(401,461)	(119,353)	1,386	173
(Loss)/Profit attributable to:					
Owners of the Company		(393,673)	(119,831)	1,386	173
Non-controlling interests		(6,478)	2,059	–	–
(Loss)/Profit for the year		(400,151)	(117,772)	1,386	173
Total comprehensive (expense)/ income attributable to:					
Owners of the Company		(394,709)	(120,895)	1,386	173
Non-controlling interests		(6,752)	1,542	–	–
Total comprehensive (expense)/ income for the year		(401,461)	(119,353)	1,386	173
Loss/Diluted loss per ordinary share (sen):					
Basic and diluted loss per share	30	(66.73)	(21.72)		

The notes on pages 97 to 224 are an integral part of these financial statements.

FINANCIAL STATEMENTS

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

Group	Note	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Employees' share option reserve RM'000	Foreign currency translation reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
		Attributable to owners of the Company								
		Non-distributable					Distributable			
At 1 January 2017		110,483	221,739	(34,688)	8,535	(13,955)	376,415	668,529	34,045	702,574
Foreign currency translation differences for foreign operations		-	-	-	-	(1,064)	-	(1,064)	(517)	(1,581)
Investment in subsidiaries written off	7.6	-	-	-	-	1,489	(1,032)	457	(46)	411
(Loss)/Profit for the year		-	-	-	-	-	(119,831)	(119,831)	2,059	(117,772)
Total comprehensive income/(expense)		-	-	-	-	425	(120,863)	(120,438)	1,496	(118,942)
Contribution by and distributions to owners of the Company										
Issue of ordinary shares	18	60,950	-	-	-	-	-	60,950	-	60,950
Effect of changes in shareholdings in a subsidiary	7.5	-	-	-	-	-	-	-	(229)	(229)
Share-based payment transaction	18	-	-	-	(781)	-	781	-	-	-
Grant of equity-settled share options to employees	22	-	-	-	1,820	-	-	1,820	-	1,820
Repurchase of ordinary shares	18	-	-	(539)	-	-	-	(539)	-	(539)
Total transactions with owners of the Company		60,950	-	(539)	1,039	-	781	62,231	(229)	62,002
Transfer in accordance with Section 618(2) of the Companies Act 2016		221,739	(221,739)	-	-	-	-	-	-	-
At 31 December 2017		393,172	-	(35,227)	9,574	(13,530)	256,333	610,322	35,312	645,634
		Note 18(a)	Note 18(b)	Note 18(c)	Note 18(d)	Note 18(e)				

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

		Attributable to owners of the Company								
		Non-distributable				Distributable				
Group	Note	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Employees' share option reserve RM'000	Foreign currency translation reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2018		393,172	-	(35,227)	9,574	(13,530)	256,333	610,322	35,312	645,634
Foreign currency translation differences for foreign operations		-	-	-	-	(1,036)	-	(1,036)	(274)	(1,310)
(Loss)/Profit for the year		-	-	-	-	-	(393,673)	(393,673)	(6,478)	(400,151)
Total comprehensive income/(expense)		-	-	-	-	(1,036)	(393,673)	(394,709)	(6,752)	(401,461)
Contribution by and distributions to owners of the Company										
Share-based payment transaction	18	-	-	-	(1,036)	-	1,036	-	-	-
Grant of equity-settled share options to employees	22	-	-	-	1,189	-	-	1,189	-	1,189
Repurchase of ordinary shares	18	-	-	(848)	-	-	-	(848)	-	(848)
Total transactions with owners of the Company		-	-	(848)	153	-	1,036	341	-	341
At 31 December 2018		393,172	-	(36,075)	9,727	(14,566)	(136,304)	215,954	28,560	244,514
		Note 18(a)	Note 18(b)	Note 18(c)	Note 18(d)	Note 18(e)				

The notes on pages 97 to 224 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

		← Attributable to owners of the Company →					
		← *Non-distributable* →				Distributable	
Company	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Treasury shares RM'000**	**Employee's share option reserve RM'000**	**Retained earnings RM'000**	**Total RM'000**
At 1 January 2017		110,483	221,739	(34,688)	8,535	24,335	330,404
Profit and total comprehensive profit for the year		–	–	–	–	173	173
Contributions by and distributions to owners of the Company							
Issue of ordinary shares	18	60,950	–	–	–	–	60,950
Share-based payment transactions	18	–	–	–	(781)	–	(781)
Grant of equity-settled share options to employees	22	–	–	–	1,820	–	1,820
Repurchase of ordinary shares	18	–	–	(539)	–	–	(539)
Total transactions with owners of the Company		60,950	–	(539)	1,039	–	61,450
Transfer in accordance with Section 618(2) of the Companies Act 2016		221,739	(221,739)	–	–	–	–
At 31 December 2017/ 1 January 2018		393,172	–	(35,227)	9,574	24,508	392,027
Profit and total comprehensive profit for the year		–	–	–	–	1,386	1,386
Contributions by and distributions to owners of the Company							
Share-based payment transactions	18	–	–	–	(1,036)	–	(1,036)
Grant of equity-settled share options to employees	22	–	–	–	1,189	–	1,189
Repurchase of ordinary shares	18	–	–	(848)	–	–	(848)
Total transactions with owners of the Company		–	–	(848)	153	–	(695)
At 31 December 2018		393,172	–	(36,075)	9,727	25,894	392,718
		Note 18(a)	Note 18(b)	Note 18(c)	Note 18(d)		

The notes on pages 97 to 224 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Cash flows from operating activities					
(Loss)/Profit before tax		(388,042)	(119,377)	1,910	946
Adjustments for:					
Amortisation of intangible asset	5	620	620	–	–
Amortisation of service concession assets	6	5,373	4,187	–	–
Bad debts written off	26	–	1,010	–	–
Interest income	25	(11,264)	(11,514)	(7)	(60)
Interest expense	28	44,559	44,668	7	–
Depreciation of property, plant and equipment	3	11,987	12,353	43	–
Depreciation of investment properties	4	1,045	992	–	–
Fair value (gain)/loss on derivative	26	(7,002)	12,323	–	–
Fair value gain on other investments	25	(387)	–	–	–
Gain on disposal of property, plant and equipment	25	(1,777)	(1,501)	–	–
Gain on disposal of investment in an associate	25	–	(2,273)	–	–
Property, plant and equipment written off	26	1,697	–	–	–
Impairment loss of investment in an associate	26	145,551	–	–	–
(Reversal of)/Provision for Impairment loss of contract assets	26	(7,272)	7,628	–	–
Impairment loss of trade and other receivables	26	39,771	4,691	–	–
ESOS expenses	22	1,189	1,820	–	–
Reversal of unrealised profits on equipment supply contract	25	(4,677)	(3,033)	–	–
Fair value adjustment of service concession assets	26	(12,106)	(3,664)	–	–
Net unrealised loss/(gain) on foreign exchange	26	4,485	(8,937)	–	–
Share of loss of equity-accounted associates		214,044	137,218	–	–
Investment in subsidiaries written off	7.6	–	411	–	–
Operating profit before changes in working capital		37,794	77,622	1,953	886

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Cash flows from operating activities (continued)					
Change in inventories		(33,470)	(19,753)	–	–
Change in other current assets		4,336	(347)	–	–
Change in contract assets		65,615	141,202	–	–
Change in contract costs		35	1	–	–
Change in trade and other receivables		(59,539)	44,637	(1,447)	(60,753)
Change in refundable deposits		(502)	180	–	–
Change in deferred income		–	5,659	–	–
Change in trade and other payables		50,296	(151,294)	(323)	(1,361)
Change in contract liabilities		(27,566)	50,593	–	–
Cash generated from/(used in) operations		36,999	148,500	183	(61,228)
Tax paid		(3,645)	(4,696)	(425)	(406)
Tax refunded		403	104	–	31
Net cash generated from/(used in) operating activities		33,757	143,908	(242)	(61,603)
Cash flows from investing activities					
Purchase of property, plant and equipment	(ii)	(3,396)	(8,453)	(52)	–
Proceeds from disposal of property, plant and equipment		2,231	1,720	–	–
Additional expenditure in investment properties	4	(255)	(682)	–	–
Addition in service concession assets		(242,119)	(5,879)	–	–
Acquisition of an associate	8	–	(11,330)	–	–
Advances to an associate		(2,833)	(4,072)	–	–
Proceeds from disposal of an associate	8	–	1,025	–	–
Addition in other investment		(35)	–	–	–
Interest received		11,264	11,514	7	60
Purchase of additional shares in a subsidiary	7.5	–	(229)	–	–
Dividend income from associate		1,356	–	–	–
Change in pledged deposits		558	(220,766)	–	–
Net cash (used in)/generated from investing activities		(233,229)	(237,152)	(45)	60

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Cash flows from financing activities					
Issue of ordinary shares	18	–	60,950	–	60,950
Net drawdown/(repayment) of loans and borrowings		121,188	(27,527)	–	–
Advances from a subsidiary	21 (e)	–	–	1,096	1,502
Repayment to an associate	21 (e)	(1,742)	(321)	–	–
Repayment of financial lease liabilities		(3,923)	(2,042)	(48)	–
Interest paid		(44,559)	(44,668)	(7)	–
Repurchase of ordinary shares		(848)	(539)	(848)	(539)
Net cash generated from/(used in) financing activities		70,116	(14,147)	193	61,913
Net (decrease)/increase in cash and cash equivalents		(129,356)	(107,391)	(94)	370
Effect of exchange rate fluctuations on cash held		3,783	23,166	–	–
Cash and cash equivalents at beginning of year		226,219	310,444	405	35
Cash and cash equivalents at end of year		100,646	226,219	311	405

(i) Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Cash and bank balances	17	43,429	81,128	175	405
Deposits placed with financial institutions	17	287,293	375,725	136	–
		330,772	456,853	311	405
Less: Pledged deposits	17	(230,076)	(230,634)	–	–
		100,646	226,219	311	405

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

(ii) Acquisition of property, plant and equipment

During the financial year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM6,960,000 (2017: RM18,749,000) and RM512,000 (2017: Nil) respectively, of which RM3,564,000 (2017: RM10,296,000) and RM460,000 (2017: Nil) respectively were acquired by means of finance leases.

The notes on pages 97 to 224 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Mudajaya Group Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of the principal place of business and registered office of the Company are as follows:

Principal place of business/registered office
Level 11 and PH1 of Menara Mudajaya
No. 12A, Jalan PJU 7/3
Mutiara Damansara
47810 Petaling Jaya
Selangor Darul Ehsan

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the “Group” and individually referred to as “Group entities”) and the Group’s interest in associates. The financial statements of the Company as at and for the financial year ended 31 December 2018 also include joint operations.

The Company is principally engaged in investment holding activities while the principal activities of the subsidiaries are as stated in Note 7 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 10 April 2019.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. These are the Group and the Company’s first financial statements prepared in accordance with MFRSs and MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards* has been applied.

In the previous financial years, the financial statements of the Group and of the Company were prepared in accordance with Financial Reporting Standards (“FRSs”) in Malaysia. The financial impact on transition to MFRSs are disclosed in Note 37 to the financial statements.

These standards were applied retrospectively by the Directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2017 and 1 January 2017, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year ended 31 December 2017 and related disclosures.

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (Continued)

The following are accounting standards, amendments and interpretations of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*
- IC Interpretation 23, U*ncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123, B*orrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts**

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Company plan to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 January 2019 for those accounting standard, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2019.

- from the annual period beginning on 1 January 2020 for those amendments that are effective for annual periods beginning on or after 1 January 2020.

* The Group and the Company do not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on 1 January 2021 as it is not applicable to the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (Continued)

The initial application of the accounting standards, amendments and interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company except as mentioned below:

MFRS 16, *Leases*

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease, IC Interpretation 115, Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group and the Company have completed an assessment of the impact on its financial statements. The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for short term of 12 months or less and leases of low-value assets.

Based on assessment undertaken to date, at 1 January 2019, the Group would recognise lease liabilities of RM46,977,000 with a corresponding additional right-of-use assets of RM46,977,000. No significant impact is expected on the Group's finance leases.

The Company does not expect the application of MFRS 16 to have material financial impact on its financial statements.

The actual impact of adopting the standard may change because the new accounting policies are subject to change until the Group and the Company present their first financial statements that include the date of initial application.

Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*

Amendments to MFRS 123 amended paragraph 14 of MFRS 123 that to the extent that an entity borows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditures on that assets.

The Group is currently assessing the financial impact that may arise from the adoption of amendments to MFRS 123.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(c) Functional and presentation currency

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

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION (CONTINUED)

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following:

(i) Property development and construction contracts

The Group recognises property development and construction contracts revenue and expenses in the profit or loss by using input method on the basis of the actual costs incurred relative to the estimated total costs.

Significant judgement is required in determining the progress towards complete satisfaction of performance obligations, the extent of the costs incurred and the estimated total revenue and costs, as well as recoverability of the property development and construction contracts costs. In making the judgement, the Group evaluates based on past experience and external economic factors.

(ii) Deferred tax

Deferred tax assets are recognised for all unused tax losses and capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are disclosed in Note 11.

(iii) Valuation of investment in associates

The recoverable amount of investment in associates is based on the value in use of the cash-generating units (“CGU”). Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the CGU and discount to the present value of those cash flows. Further details are disclosed in Note 8.

(iv) Expected credit loss (“ECL”)

The Group recognises loss allowances for expected credit losses on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income and contract assets. Expected credit losses are a probability-weighted estimate of credit losses.

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and in preparing the opening MFRS statements of financial position of the Group and of the Company at 1 January 2017 (the transition date to MFRS framework), unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iii) Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) Acquisition from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any resulting gain/loss is recognised directly in equity.

(v) Loss of control

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

(vi) Associates

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

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(vi) Associates (Continued)

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

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses. The cost of investment includes transaction costs.

(vii) Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

Joint arrangements are classified and accounted for as follows:

- A joint arrangement is classified as "joint operation" when the Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Group and the Company accounts for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation.

- A joint arrangement is classified as "joint venture" when the Group or the Company has rights only to the net assets of the arrangements. The Group or the Company account for its interest in the joint venture using the equity method. Investments in joint venture are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(viii) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(ix) Transactions eliminated on consolidation

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

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

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments

(i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Financial instrument categories and subsequent measurement

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

– ***Amortised cost***

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(m)(i)) where the effective interest rate is applied to the amortised cost.

– ***Fair value through other comprehensive income***

Debt investments

Fair value through other comprehensive income category comprises debt investment where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the debt investment, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The debt investment is not designated as at fair value through profit or loss. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (Continued)

(ii) Financial instrument categories and subsequent measurement (Continued)

Financial assets (Continued)

– ***Fair value through other comprehensive income (Continued)***

Debt investments (Continued)

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(m)(i)) where the effective interest rate is applied to the amortised cost.

– ***Fair value through profit or loss***

All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes derivative financial assets. On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through other comprehensive income, are subject to impairment assessment (see Note 2(m)(i)).

Financial liabilities

The categories of financial liabilities at initial recognition are as follows:

– ***Fair value through profit or loss***

Fair value through profit or loss category comprises financial liabilities that are derivatives, contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

On initial recognition, the Group or the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss:

(a) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (Continued)

(ii) Financial instrument categories and subsequent measurement (Continued)

Financial liabilities (Continued)

– ***Fair value through profit or loss (Continued)***

(b) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel; or

(c) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

– ***Amortised cost***

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

(iii) Regular way purchase or sale of financial assets

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date or settlement date accounting in the current year.

Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and

(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (Continued)

(iii) Regular way purchase or sale of financial assets (Continued)

Settlement date accounting refers to:

(a) the recognition of an asset on the day it is received by the Group or the Company, and

(b) derecognition of an asset and recognition of any gain or loss on disposal on the day that is delivered by the Group or the Company.

Any change in the fair value of the asset to be received during the period between the trade date and the settlement date is accounted in the same way as it accounts for the acquired asset.

Generally, the Group or the Company applies settlement date accounting unless otherwise stated for the specific class of asset.

(iv) Financial guarantee contracts

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

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

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

Liabilities arising from financial guarantees are presented together with other provisions.

(v) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (Continued)

(vi) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

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

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

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

(ii) Subsequent costs

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (Continued)

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Capital work in progress is not depreciated until the assets are ready for their intended use.

The current and comparative periods annual rates of depreciation are as follows:

• Buildings	2 - 20%
• Factory	10%
• Plant, machinery and equipment	20% - 33 1/3%
• Office equipment, furniture and fittings	20% - 33 1/3%
• Motor vehicles	20% - 33 1/3%

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

(e) Leased assets

(i) Finance lease

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

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leased assets (Continued)

(ii) Operating lease

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

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

(f) Intangible asset

Intangible asset acquired by the Group, which have definite useful lives are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets are amortised from the date that they are available for use. Amortisation is recognised in profit or loss on a straight-line basis over the useful lives of the intangible asset of 20 years.

(g) Service concession assets

A portion of the Group's assets are used within the framework of IC Interpretation 12, *Service Concession Arrangement*. The characteristics of the service concession arrangement generally provide, directly or indirectly, for grantor involvement in the determination of the service and its remuneration, and the return of the assets necessary to the performance of the service at the end of the contract.

The Group constructs infrastructure used to provide public service and operates and maintains that infrastructure for a specified period of time. The Group recognises and measures the construction revenue in accordance with the accounting policy for construction contract as described in Note 2(q)(i).

The revenue for the construction or upgrade services are measured at fair value. The Group recognises concession assets arising from a service concession arrangement when it has a right to charge users of the public services. A right to charge users of the public service is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service.

The fair value of a concession asset received as consideration for providing construction services in a service concession arrangement is estimated by reference to the fair value of the construction services provided. The fair value is calculated as the estimated total construction cost plus a profit margin, which the Group evaluates and determined to be a reasonable margin earned.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Service concession assets (Continued)

Intangible asset resulting from the service concession are recorded in the statement of financial position under the heading of "service concession assets" and are amortised over the concession period using straight-line method less impairment loss, if any.

The revenue relating to operation services will be in accordance with the accounting policy as described in Note 2(q)(iv).

(h) Investment property

(i) Investment property carried at cost

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. These include freehold land and leasehold land which in substance is a finance lease held for a currently undetermined future use. Investment properties measured at cost are accounted for similarly to property, plant and equipment.

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

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

(ii) Reclassification to/from investment property

Transfers between investment property, owner occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

(i) Inventories

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

Properties held for sale and properties under development includes acquisition costs, development expenditure and other costs directly attributable to the development activities.

Properties under development is classified as current at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the Company's normal operating cycle of 3 to 4 years.

Cost of raw materials is determined on a weighted average method, as appropriate, according to the category of inventories concerned. The cost of raw materials comprises costs of purchase.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Inventories (Continued)

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.

(j) Contract asset/Contract liability

A contract asset is recognised when the Group's or the Company's rights to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment in accordance to MFRS 9, *Financial Instruments* (see Note 2(m)(i)).

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

(k) Contract costs

(i) Contract fulfilment costs

The Group or the Company recognises a contract cost that relate directly to a contract or to an anticipated contract as an asset when the when the cost generates or enhances resources of the Group or the Company, will be used in satisfying performance obligations in the future and it is expected to be recovered.

(ii) Incremental cost of obtaining a contract

The Group or the Company recognises incremental costs of obtaining contracts when the Group or the Company expects to recover these costs.

Commission costs are capitalised if they are incurred to obtain a contract with a customer that the Group or the Company would not have incurred if the contract had not been obtained, and the costs are expected to be recoverable.

These contract costs are initially measured at cost and amortised on a systematic basis that is consistent with the pattern of revenue recognition to which the asset relates. An impairment loss is recognised in the profit and loss when the carrying amount of the contract cost exceeds the expected revenue less expected cost that will be incurred. Where the impairment condition no longer exists or has improved, the impairment loss is reversed to the extent that the carrying amount of the contract cost does not exceed the amount that would have been recognised had there been no impairment loss recognised previously.

(l) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of pledged deposits.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment

(i) Financial assets

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income and contract assets. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured as 12 months expected credit loss. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime expected credit loss.

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

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12 months expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company assessed each customer individually based on their financial information, past trend of payments, letter of undertaking from banks and external credit ratings, where applicable.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of debt investments measured at fair value through other comprehensive income is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment (Continued)

(ii) Other assets

The carrying amounts of other assets (except for inventories, contract assets and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

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

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(n) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Equity instruments (Continued)

(iii) Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

When treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

(o) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(iii) Share-based payment transactions

The grant date fair value of share-based payment granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the employee share options is measured using a binomial option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(q) Revenue and other income

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group or the Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group or the Company transfers control of a good or service at a point in time unless one of the following overtime criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;

(b) the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(c) the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

(i) Construction contracts and construction revenue from concession arrangement

For construction contracts whereby the Group or the Company has an enforceable right to payment for performance completed to date, revenue is recognised progressively over time using input method on the basis of the actual construction costs incurred relative to the estimated total construction costs.

Revenue is recognised only in respect of finalised construction contracts to the extent that such revenue relates to the progress of the construction work.

If the Group or the Company may not be able to reasonably measure the outcome of a performance obligation, but the Group or the Company expects to recover the costs incurred in satisfying the performance obligation. The Group or the Company will recognise revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

If the Group or the Company has recognised revenue, but not issued a bill, then the entitlement to consideration is recognised as a contract asset. When the entitlement to payment becomes unconditional, billings will be recognised as receivables. Conversely, if the Group or the Company has issued a bill but revenue has yet to be recognised, then the obligation is recognised as contract liability (Refer to Note 2(j)).

For the furniture and fittings supplied under construction contracts, revenue is recognised at the point in time upon installation of the furniture and fittings.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Revenue and other income (Continued)

(ii) Sale of development properties

For development properties whereby the Group or the Company has an enforceable right to payment for performance completed to date, revenue is recognised progressively over time using input method on the basis of the actual property development costs incurred relative to the estimated total property development costs.

Revenue is recognised only in respect of finalised sales contracts to the extent that such revenue relates to the progress of the construction work.

If the Group or the Company may not be able to reasonably measure the outcome of a performance obligation, but the Group or the Company expects to recover the costs incurred in satisfying the performance obligation. The Group or the Company will recognise revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

If the Group or the Company has recognised revenue, but not issued a bill, then the entitlement to consideration is recognised as a contract asset. When the entitlement to payment becomes unconditional, billings will be recognised as receivables. Conversely, if the Group or the Company has issued a bill but revenue has yet to be recognised, then the obligation is recognised as contract liability (Refer to Note 2(j)).

For the car park sold together with properties, revenue is recognised at the point in time upon delivery of the car park.

For the furniture and fittings sold together with properties, revenue is recognised at the point in time upon installation of the furniture and fittings.

(iii) Sale of construction materials

Revenue is recognised at a point in time when the construction materials is certified by the customers or delivered and accepted by the customers at its premise.

(iv) Sale of power energy arising from concession arrangement

Revenue from the sale of power energy arising from concession arrangement and generated from the solar power plant is recognised at the point in time as and when the electricity is delivered to the off-taker, based on the actual electricity delivered from the date of their last meter reading and period end at a pre-determined rate.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Revenue and other income (Continued)

(v) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from sub-leased property is recognised as other income.

(vi) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(r) Borrowing costs

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

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

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

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

(s) Income tax

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Income tax (Continued)

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

The amount of deferred tax recognised is measured based on expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

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

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

(t) Earnings per ordinary share (“EPS”)

The Group presents basic and diluted earnings per share data for its ordinary shares.

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

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(u) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group’s other components. Operating segments’ results are reviewed regularly by the chief operating decision maker, which in this case is the Managing Director & Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Fair value measurement

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

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

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

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

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT

Group	Note	Freehold land RM'000	Buildings RM'000	Capital work in progress RM'000	Factory RM'000	Plant, machinery and equipment RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Total RM'000
Cost									
At 1 January 2017		9,572	15,215	760	5,322	62,924	8,299	11,661	113,753
Additions		–	–	1,381	2,092	5,461	3,196	6,619	18,749
Disposals		–	(75)	–	–	(5,906)	–	(734)	(6,715)
Reclassifications		–	–	(760)	–	760	–	–	–
Transfer to investment property	4	–	(1,864)	–	–	–	–	–	(1,864)
Transfer from other investments		–	–	284	–	–	–	–	284
Effect of movements in exchange rates		–	–	–	–	–	21	17	38
At 31 December 2017/1 January 2018		9,572	13,276	1,665	7,414	63,239	11,516	17,563	124,245
Additions		–	–	–	438	2,193	236	4,093	6,960
Disposals		–	(50)	(284)	–	(2,256)	(220)	(1,565)	(4,375)
Written off		–	(1,993)	–	–	–	–	–	(1,993)
Transfer from investment property	4	–	2,491	–	–	–	–	–	2,491
Transfer from inventories	13(a)	–	564	–	–	–	–	–	564
Reclassifications		–	–	(1,381)	411	970	–	–	–
Effect of movements in exchange rates		–	–	–	–	–	(8)	4	(4)
At 31 December 2018		9,572	14,288	–	8,263	64,146	11,524	20,095	127,888

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Note	Freehold land RM'000	Buildings RM'000	Capital work in progress RM'000	Factory RM'000	Plant, machinery and equipment RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Total RM'000
Accumulated depreciation									
At 1 January 2017		–	1,661	–	4,414	47,928	6,721	9,340	70,064
Depreciation charged for the year		–	567	–	214	8,214	1,364	1,994	12,353
Disposals		–	(11)	–	–	(5,816)	–	(669)	(6,496)
Transfer from investment property	4	–	265	–	–	–	–	–	265
Effect of movements in exchange rates		–	–	–	–	–	23	18	41
At 31 December 2017/1 January 2018		–	2,482	–	4,628	50,326	8,108	10,683	76,227
Depreciation charged for the year		–	553	–	464	7,077	1,531	2,362	11,987
Disposals		–	(9)	–	–	(2,147)	(206)	(1,559)	(3,921)
Written off		–	(296)	–	–	–	–	–	(296)
Transfer from investment property	4	–	992	–	–	–	–	–	992
Effect of movements in exchange rates		–	–	–	–	–	(8)	4	(4)
At 31 December 2018		–	3,722	–	5,092	55,256	9,425	11,490	84,985
Carrying amounts									
At 1 January 2017		9,572	13,554	760	908	14,996	1,578	2,321	43,689
At 31 December 2017/1 January 2018		9,572	10,794	1,665	2,786	12,913	3,408	6,880	48,018
At 31 December 2018		9,572	10,566	–	3,171	8,890	2,099	8,605	42,903

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	**Motor vehicles RM'000**
Cost	
At 1 January 2017/31 December 2017/1 January 2018	–
Additions	512
At 31 December 2018	512
Accumulated depreciation	
At 1 January 2017/31 December 2017/1 January 2018	–
Depreciation charge for the year	43
At 31 December 2018	43
Carrying amounts	
At 1 January 2017/31 December 2017/1 January 2018	–
At 31 December 2018	469

3.1 Leased property, plant and equipment

Included in the net carrying amounts of property, plant and equipment of the Group and the Company which are held under hire purchase arrangements amounted to RM10,920,000 (31.12.2017: RM10,208,000, 1.1.2017: RM760,000) and RM469,000 (31.12.2017: Nil, 1.1.2017: Nil) respectively.

3.2 Security

Certain buildings of the Group with carrying amount of RM1,265,000 (31.12.2017: RM1,161,000, 1.1.2017: Nil) and RM370,000 (31.12.2017: Nil, 1.1.2017: Nil) were pledged to secure the Group's term loan (Note 19(d)(iv) and revolving credit (Note 19(g)) respectively.

3.3 Transfer from inventories

During the financial year ended 31 December 2018, 7 units of properties with carrying amount of RM564,000 (Note 13(a)) were transferred to property, plant and equipment because the properties were no longer held for sale by the Group and it was used by the Group.

NOTES TO THE FINANCIAL STATEMENTS

4. INVESTMENT PROPERTIES

Group	Note	Investment properties RM'000
Cost		
At 1 January 2017		53,294
Transfer from property, plant and equipment	3	1,864
Additional expenditure in investment property		682
At 31 December 2017/1 January 2018		55,840
Additional expenditure in investment property		255
Transfer to property, plant and equipment	3	(2,491)
Transfer from inventories	13 (a)	1,795
At 31 December 2018		55,399
Accumulated depreciation		
At 1 January 2017		4,178
Transfer to property, plant and equipment	3	(265)
Depreciation for the year		992
At 31 December 2017/1 January 2018		4,905
Transfer to property, plant and equipment	3	(992)
Depreciation for the year		1,045
At 31 December 2018		4,958
Carrying amounts		
At 1 January 2017		49,116
At 31 December 2017/1 January 2018		50,935
At 31 December 2018		50,441

Investment properties comprise a number of commercial properties that are leased to third parties. The leases contain initial non-cancellable period of 0 to 3 years. No contingent rents are charged.

During the financial year ended 31 December 2018, 14 units of inventories with cost of RM1,795,000 were transferred from inventories (Note 13(a)) because they were not held for sale in the ordinary course of business and these properties were leased to third parties.

NOTES TO THE FINANCIAL STATEMENTS

4. INVESTMENT PROPERTIES (CONTINUED)

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

	Note	Group 2018 RM'000	Group 2017 RM'000
Rental income			
- Revenue	23	5,451	5,388
- Other income	25	127	140
Property maintenance cost	24	(2,367)	(2,407)

Fair value information

	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Group			
Estimated fair value	89,997	87,814	87,814

Fair value of investment properties are categorised as Level 3. The fair value of the investment properties are derived based on comparison approach by reference to observed market price in other similar property transactions.

Estimated fair value of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

Security

Certain investment properties with carrying amount of RM48,691,000 (31.12.2017: RM50,935,000, 1.1.2017: RM49,116,000) and its rental proceeds were pledged to secure the Group's revolving credits (Note 19(g)) and bank overdrafts (Note 19(f)).

Certain investment properties with carrying amount of RM656,000 (31.12.2017: Nil, 1.1.2017: Nil) and RM670,000 (31.12.2017: Nil, 1.1.2017: Nil) were pledged to secure the Group's term loan (Note 19 (d)(iv)) and revolving credit (Note 19(g)) respectively.

5. INTANGIBLE ASSET

Group	Intangible asset RM'000
Cost	
At 1 January 2017/31 December 2017/1 January 2018/31 December 2018	12,393
Accumulated amortisation	
At 1 January 2017	1,240
Amortisation for the year	620
At 31 December 2017/1 January 2018	1,860
Amortisation for the year	620
At 31 December 2018	2,480
Carrying amounts	
At 1 January 2017	11,153
At 31 December 2017/1 January 2018	10,533
At 31 December 2018	9,913

NOTES TO THE FINANCIAL STATEMENTS

6. SERVICE CONCESSION ASSETS

Group	Service concession assets RM'000
Cost	
At 1 January 2017	80,382
Additions	9,543
At 31 December 2017/1 January 2018	89,925
Additions	254,225
At 31 December 2018	344,150
Accumulated amortisation	
At 1 January 2017	10,899
Amortisation for the year	4,187
At 31 December 2017/1 January 2018	15,086
Amortisation for the year	5,373
At 31 December 2018	20,459
Carrying amounts	
At 1 January 2017	69,483
At 31 December 2017/1 January 2018	74,839
At 31 December 2018	323,691

On 15 June 2012 and 28 June 2012, a subsidiary [Special Universal Sdn. Bhd. ("SUSB")] and Tenaga Nasional Berhad ("TNB") ("concession grantor") entered into Renewable Energy Power Purchase Agreement ("REPPA") to develop, design, finance, insure, procure, construct, install, test, commission, own, operate, manage and maintain the Renewable Energy Installation, the Interconnection Facilities and the Communication Facilities. The effective period of the REPPA as specified in the Feed-in Approval date is 21 years.

On 16 March 2017, another subsidiary [Sinar Kamiri Sdn. Bhd. ("SKSB")] and TNB ("concession grantor") entered into Power Purchase Agreement ("PPA") to design, construct, own, operate and maintain a solar photovoltaic energy generating facility with a capacity of 49MW proposed to be located in Sungai Siput, Kuala Kangsar, Perak to generate and deliver solar photovoltaic energy to TNB. The PPA will be expired on the day before 21 years of the commercial operation date of the facility.

Both REPPA and PPA allow, directly or indirectly for concession grantor's involvement in the determination of the service and its remuneration, and the return of the assets necessary to the performance of the service at the end of the contract. Thus, both REPPA and PPA are scoped in under the framework of IC Interpretation 12, *Service Concession Arrangement*.

NOTES TO THE FINANCIAL STATEMENTS

7. INVESTMENTS IN SUBSIDIARIES

	Company 31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
At cost:			
Unquoted shares	317,771	317,771	317,771

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Effective equity interest 31.12.2018 %	31.12.2017 %	1.1.2017 %	Director*
Held by the Company:						
Mudajaya Corporation Berhad ("MCB")	Malaysia	Civil engineering and building construction	100	100	100	JW LEL TTT
MJC Development Sdn. Bhd. ("MJCD")	Malaysia	Property management, development and building construction	100	100	100	JW LEL LTL
MJC Industries Sdn. Bhd. ("MJCI")	Malaysia	Investment holding	100	100	100	JW TTT YKC
Mudajaya Energy Sdn. Bhd. ("MESB")	Malaysia	Investment holding	100	100	100	JW LEL TTT
Mudajaya Ventures Limited ("MVL")	Federal Territory of Labuan, Malaysia	Special purpose vehicle for issuance of medium term notes	100	100	100	JW LEL

NOTES TO THE FINANCIAL STATEMENTS

7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows: (Continued)

Name of subsidiaries	Country of incorporation	Principal activities	Effective equity interest 31.12.2018 %	31.12.2017 %	1.1.2017 %	Director*
Held through MCB:						
Mudajaya Land Sdn. Bhd.	Malaysia	Property management and development	100	100	100	JW LEL LTL
MJC City Development Sdn. Bhd. ("MJCC")	Malaysia	Property development	70	70	70	JW LEL LTL CKS SHP
Great Hill International Ltd. #^	Republic of Mauritius	Has not commenced operations	100	100	100	JW LEL
Mudajaya International Ltd. ("MIL") #^	Republic of Mauritius	Has not commenced operations	–	–	100	–
Oracle International Co. Ltd. ("OICL") #^	Negara Brunei Darussalam	Has not commenced operations	–	–	100	–
Mudajaya RE Sdn. Bhd.	Malaysia	Investment holding	–	–	100	–
MIPP International Ltd. ("MIPP")^	Republic of Mauritius	Equipment procurement services	80	80	80	JW SB
Entrutech Sdn. Bhd.	Malaysia	Engineering, Procurement, Construction, and Commissioning ("EPCC")	100	100	100	JW LEL TTT
Indah Kirana (M) Sdn. Bhd.	Malaysia	Dormant	100	100	100	JW LEL
Sinar Kamiri Sdn. Bhd.	Malaysia	Power generation and investment holding	–	–	100	–

NOTES TO THE FINANCIAL STATEMENTS

7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows: (Continued)

Name of subsidiaries	Country of incorporation	Principal activities	Effective equity interest 31.12.2018 %	31.12.2017 %	1.1.2017 %	Director*
Held through MCB:						
Electric Power International Ltd. ("EPIL") #^	Republic of Mauritius	Dormant	–	–	74	–
Piala Tebrau (M) Sdn. Bhd.	Malaysia	Dormant	–	100	100	–
MJC Quarry Sdn. Bhd. (In Members' Voluntary Liquidation) #^	Malaysia	Ceased operations	100	100	100	JW LEL
Mudajaya Middle East Ltd. ("MMEL") #^	Kingdom of Saudi Arabia	General construction and investment holding	75	75	75	YYC ASFJ MAAR AHAS NCK
Mudajaya International Investment Ltd. ("MIIL") #^	British Virgin Island	Has not commenced operations	100	100	100	MCB
Desiran Johan Sdn. Bhd.	Malaysia	Property development and construction	70	70	70	JW LEL KBB TTL ABR
Dayang Pertiwi Sdn. Bhd. ("DPSB") #^	Malaysia	Has not commenced operations	100	100	100	JW LEL
Mudajaya City Corporation Sdn. Bhd. ("MCSB") #^	Malaysia	Property development and construction	100	100	–	JW LEL
Mudajaya Holdings Sdn. Bhd. ("MHSB") #^	Malaysia	Has not commenced operations	100	100	–	JW LEL

NOTES TO THE FINANCIAL STATEMENTS

7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows: (Continued)

Name of subsidiaries	Country of incorporation	Principal activities	Effective equity interest 31.12.2018 %	31.12.2017 %	1.1.2017 %	Director*
Held through MCB:						
Mudajaya Facilities Management Sdn. Bhd. (formerly known as Mudajaya Industries Sdn. Bhd. ("MFMSB")	Malaysia	Operation and management of power plant	100	100	–	JW LEL
Held through MIIL:						
Mudajaya Construction (India) Private Ltd. #^	India	Construction and related business	100	100	100	JW JSK
Held through MJCI:						
MJC Precast Sdn. Bhd. ("MJCP")	Malaysia	Manufacture of precast concrete and other related products	100	100	100	JW TTT YKC
MJC Trading Sdn. Bhd. ("MJCT")	Malaysia	Trading in construction related materials	100	100	100	JW LEL
Held through MJCP:						
Mudajaya IBS Sdn. Bhd. ("MIBS")	Malaysia	Manufacture of precast concrete and other related products	100	100	70	JW LEL TTT YKC
Held through MESB:						
Active Flora Sdn. Bhd. ("AFSB")	Malaysia	Investment holding	100	100	100	JW TTT CMH
Positive Range Sdn. Bhd. ("PRSB")	Malaysia	Investment holding	100	100	100	JW TTT
Mudajaya Power International Sdn. Bhd. ("MPISB")	Malaysia	Civil engineering and building construction	100	100	100	JW TTT
Mudajaya RE Sdn. Bhd.	Malaysia	Investment holding	100	100	–	JW LEL

7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows: (Continued)

Name of subsidiaries	Country of incorporation	Principal activities	Effective equity interest 31.12.2018 %	31.12.2017 %	1.1.2017 %	Director*
Held through MIPP:						
MIPP (B) Sdn. Bhd. #	Negara Brunei Darussalam	Equipment procurement and related support services	100	100	–	JW ASS
Held through AFSB and PRSB:						
Special Universal Sdn. Bhd. ("SUSB")	Malaysia	Photovoltaic power plant	60	60	60	JW LEL MAW CLF TTT
Held through MPISB:						
PT Mudajaya Energi Indonesia #	Indonesia	Investment holding	95	95	95	JW THP WFA
Held through Mudajaya RE Sdn. Bhd.:						
Sinar Kamiri Sdn. Bhd.	Malaysia	Power generation and investment holding	100	100	–	JW LEL TTT
Held through MJCD:						
Piala Tebrau (M) Sdn. Bhd.	Malaysia	Dormant	100	–	–	JW TTT

Not audited by member firms of KPMG International
^ Consolidated based on management accounts
* The directors who served as at date of report

NOTES TO THE FINANCIAL STATEMENTS

7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

7.1 Directors' in the subsidiaries

James Wong Tet Foh (JW)
Lee Eng Leong (LEL)
Teoh Teik Thiam (TTT)
Lee Tze Liu (LTL)
Yam Keong Chee (YKC)
Chai Kun Seng (CKS)
Sim Hee Pang (SHP)
Saeful Bahri (SB)
Yong Yee Coi (YYC)
Anto SF Joseph (ASFJ)
Mohammad Abdullah Abdul Rahman Al-Shoail (MAAR)
Abdul Hafiz Al-Shedokhi (AHAS)
Ng Chee Kin (NCK)
Mudajaya Corporation Berhad (MCB)
Kang Boon Beng (KBB)
Tan Tong Lai (TTL)
Ahmad Badri bin Ramli (ABR)
Jayasree S. Kumar (JSK)
Chai Min Hon (CMH)
Ayi Sri Sumiatin (ASS)
Dato' Mohd Amran bin Wahid (MAW)
Chiang Lai Fong (CLF)
Turima Heri Purwanto (THP)
Wong Fuk Aen (WFA)

7.2 Group restructuring activities

On 17 February 2017, MCB completed the disposal of 10,000 ordinary shares in Mudajaya RE Sdn. Bhd., representing 100% of the total issued and paid-up share capital in Mudajaya RE Sdn. Bhd. to Mudajaya Energy Sdn. Bhd., a wholly-owned subsidiary of the Company for a total consideration of RM10,000.

On 20 February 2017, MCB completed the disposal of 10,000 ordinary shares in Sinar Kamiri Sdn. Bhd., representing 100% of the total issued and paid-up share capital in Sinar Kamiri Sdn. Bhd. to Mudajaya RE Sdn. Bhd. for a total consideration of RM10,000.

On 7 March 2018, MCB completed the disposal of 2 ordinary shares, representing 100% of total issued share capital of Piala Tebrau (M) Sdn. Bhd., a wholly-owned subsidiary of MCB to MJCD, a wholly-owned subsidiary of the Company for a total cash consideration of RM2.00.

7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

7.3 Acquisition of subsidiaries

On 31 March 2017, MCB acquired 2 ordinary shares each in MCSB, MHSB and MFMSB, 100% of the total issued and paid-up share capital in the respective entities. As a result of the acquisition, those entities became indirect wholly-owned subsidiaries of the Company.

On 29 July 2017, MIPP incorporated a limited company known as MIPP (B) Sdn. Bhd. ("MIPPB"). As a result of the incorporation, MIPPB became an indirect subsidiary of the Company.

7.4 Winding up of a subsidiary

On 18 August 2017, MJC Quarry Sdn. Bhd. ("MJCQ") has obtained approval of its sole shareholder, MCB to commence a member's voluntary liquidation.

On 4 March 2019, MJCQ returned capital amounting to RM59,000 to MCB. The final shareholder's meeting is scheduled to be held on 6 May 2019.

7.5 Acquisition of remaining shares in a subsidiary

On 10 July 2017, MJCP acquired the remaining 30% equity interest, comprising 300,000 ordinary shares in Mudajaya IBS Sdn. Bhd. ("MIBS") for a total cash consideration of RM229,000. Upon completion of the acquisition, MIBS became a wholly-owned subsidiary of the Company.

The fair value of the identifiable assets and liabilities of MIBS as at the date of acquisition are as follows:

		Group	
	31.12.2018 Fair value RM'000	**31.12.2017 Fair value RM'000**	**1.1.2017 Fair value RM'000**
Cash and bank balances	–	775	–
Other payables	–	(3)	–
Accruals	–	(8)	–
Net identifiable assets	–	764	–
Net assets acquired from NCI	–	229	–
Less: Consideration paid	–	(229)	–
Accretion from changes in stake	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

7.6 Investments in subsidiaries written off

Mudajaya International Limited ("MIL") had on 9 October 2017 received the notice of removal from Registrar of Companies of the Republic of Mauritius. The Notice confirmed that the name of MIL had been removed from the register of companies on 5 October 2017. As a result of the removal, MIL ceased to be an indirect wholly-owned subsidiary of the Company.

Electric Power International Limited ("EPIL") had on 11 October 2017 received the notice of removal from Registrar of Companies of the Republic of Mauritius. The Notice confirmed that the name of EPIL had been removed from the register of companies on 19 May 2017. As a result of the removal, EPIL ceased to be an indirect subsidiary of the Company.

Oracle International Co. Ltd. ("OICL") had on 6 November 2017 received the notice of striking off from Registrar of International Business Companies under the Brunei Darussalam Monetary Authority. The Notice confirmed that the name of OICL has been struck off from the register of companies on 24 October 2017. As a result of the striking off, OICL has ceased to be an indirect wholly-owned subsidiary of the Company.

The effect of investment in subsidiaries written off on the financial position of the Group are as follows:

		Group	
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Other receivables	–	13	–
Cash and cash equivalents	–	205	–
Other payables	–	(17)	–
Amount owing to holding company	–	(380)	–
Amount owing to related company	–	(7)	–
Net liabilities	–	(186)	–
Less: Share capital	–	(271)	–
	–	(457)	–
Retained earnings	–	1,032	–
Foreign currency translation reserve	–	(1,489)	–
	–	(457)	–
Add: Non-controlling interest	–	46	–
Investment in subsidiaries written off	–	(411)	–

7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

7.7 Non-controlling interest in subsidiaries

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

	MIPP RM'000	MJCC RM'000	SUSB RM'000	Other subsidiaries with immaterial NCI RM'000	Total RM'000
31.12.2018					
NCI percentage of ownership interest and voting interest	20%	30%	40%		
Carrying amount of NCI	(2,777)	20,386	12,433	(1,482)	28,560
(Loss)/Profit allocated to NCI	(8,172)	32	1,469	193	(6,478)
Summarised financial information before intra-group elimination					
As at 31 December					
Non-current assets	–	3,940	65,128		
Current assets	107,899	101,415	4,715		
Non-current liabilities	–	(3,111)	(27,645)		
Current liabilities	(121,783)	(34,290)	(11,116)		
Net assets	(13,884)	67,954	31,082		
Year ended 31 December					
Revenue	–	14,864	12,115		
(Loss)/Profit for the year	(40,861)	106	3,672		
Total comprehensive (expense)/income	(40,407)	106	3,672		
Dividends paid to NCI	–	–	–		

NOTES TO THE FINANCIAL STATEMENTS

7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

7.7 Non-controlling interest in subsidiaries (Continued)

	MIPP RM'000	MJCC RM'000	SUSB RM'000	Other subsidiaries with immaterial NCI RM'000	Total RM'000
31.12.2017					
NCI percentage of ownership interest and voting interest	20%	30%	40%		
Carrying amount of NCI	5,305	20,354	10,964	(1,311)	35,312
(Loss)/Profit allocated to NCI	(99)	671	1,487	–	2,059
Summarised financial information before intra-group elimination					
As at 31 December					
Non-current assets	–	3,688	68,957		
Current assets	160,925	97,063	4,130		
Non-current liabilities	–	(3,390)	(38,763)		
Current liabilities	(134,402)	(29,513)	(6,914)		
Net assets	26,523	67,848	27,410		
Year ended 31 December					
Revenue	5,831	11,456	15,264		
(Loss)/Profit for the year	(497)	2,237	3,718		
Total comprehensive (expense)/income	(3,229)	2,237	3,718		
Dividends paid to NCI	–	–	–		

7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

7.7 Non-controlling interest in subsidiaries (Continued)

	MIPP RM'000	MJCC RM'000	SUSB RM'000	Other subsidiaries with immaterial NCI RM'000	Total RM'000
1.1.2017					
NCI percentage of ownership interest and voting interest	20%	30%	40%		
Carrying amount of NCI	5,950	19,683	9,477	(1,065)	34,045
(Loss)/Profit allocated to NCI	(98)	871	1,317	(1,397)	693
Summarised financial information before intra-group elimination					
As at 31 December					
Non-current assets	–	4,078	69,483		
Current assets	148,437	91,713	3,666		
Non-current liabilities	–	–	(34,863)		
Current liabilities	(118,685)	(30,180)	(14,594)		
Net assets	29,752	65,611	23,692		
Year ended 31 December					
Revenue	–	23,492	11,086		
(Loss)/Profit for the year	(488)	2,904	3,293		
Total comprehensive (expense)/income	(489)	2,904	3,293		
Dividends paid to NCI	–	–	–		

NOTES TO THE FINANCIAL STATEMENTS

8. INVESTMENTS IN ASSOCIATES

	Note	Group 31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
At cost				
Unquoted shares		962,360	962,360	964,439
Share of post-acquisition reserves		(498,905)	(283,505)	(147,659)
Less: Impairment loss		(147,354)	(1,803)	(2,614)
		316,101	677,052	814,166
Less: Unrealised profits	(a)	(244,646)	(249,323)	(252,356)
		71,455	427,729	561,810

(a) The unrealised profit represents the unrealised gain on the equipment supply contract between a subsidiary, MIPP and R.K.M Powergen Private Limited ("RKM"). This unrealised gain is eliminated to the extent of the Group's interest in RKM and will be credited to the statement of comprehensive income on a proportionate basis when the related asset in RKM is put to use or when it is sold to a third party.

8. INVESTMENTS IN ASSOCIATES (CONTINUED)

Details of the associates are as follows:

Name of associates	Note	Country of incorporation	Principal activities	Effective equity interest 31.12.2018 %	31.12.2017 %	1.1.2017 %	Accounting model applied
Held by MCB:							
R.K.M. Powergen Private Limited ("RKM") #	(i)	India	Power producer	26	26	26	Equity method
Musyati Mudajaya JV Sdn. Bhd. ("MMJV") #		Malaysia	Construction and upgrading of The Pan Borneo Highway in the State of Sarawak	30	30	30	Equity method
Held through MJCD:							
Mayfair Ventures Sdn. Bhd. ("MVSB") #	(ii)	Malaysia	Property development	–	–	49	Equity method
Held through MPISB:							
Amihan Energy Corporation #		Philippines	Power producer	40	40	40	Equity method
PT Harmoni Energy Indonesia # ("PT Harmoni")		Indonesia	Power producer	46	46	46	Equity method
Held through MESB:							
Adab Menang Sdn. Bhd. ("Adab Menang")	(iii)	Malaysia	Power producer	49	49	–	Equity method

\# Not audited by member firms of KPMG International

NOTES TO THE FINANCIAL STATEMENTS

8. INVESTMENTS IN ASSOCIATES (CONTINUED)

Summarised financial information

The summarised financial information in respect of the Group's material associates, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	31.12.2018		31.12.2017		1.1.2017	
	RKM RM'000	PT Harmoni RM'000	RKM RM'000	PT Harmoni RM'000	RKM RM'000	PT Harmoni RM'000
Summarised statement of financial position						
Current assets	235,058	11,284	239,915	10,076	28,221	12,877
Non-current assets	7,810,045	134,025	8,276,299	146,459	7,522,407	167,742
Total assets	8,045,103	145,309	8,516,214	156,535	7,550,628	180,619
Current liabilities	7,976,125	124,670	1,306,697	112,456	1,169,530	116,610
Non-current liabilities	562,060	29,838	6,867,295	46,090	5,513,885	62,858
Total liabilities	8,538,185	154,508	8,173,992	158,546	6,683,415	179,468
Summarised statement of comprehensive income						
Loss for the year	(812,263)	(7,201)	(519,259)	(3,279)	(508,037)	(2,163)

The reconciliation of summarised financial information presented above to the carrying amount of the Group's interest in material associates as follows:

	31.12.2018		31.12.2017		1.1.2017	
	RKM RM'000	PT Harmoni RM'000	RKM RM'000	PT Harmoni RM'000	RKM RM'000	PT Harmoni RM'000
Net assets/(liabilities) at 1 January	342,222	(2,011)	867,213	1,151	1,424,790	(10,884)
Exchange rate movement	(23,041)	13	(5,732)	117	(49,540)	14,198
Loss for the year	(812,263)	(7,201)	(519,259)	(3,279)	(508,037)	(2,163)
	(493,082)	(9,199)	342,222	(2,011)	867,213	1,151
Interest in an associate	26%	46%	26%	46%	26%	46%
Group's share of net (liabilities)/assets	(128,201)	(4,232)	88,978	(925)	225,475	529

8. INVESTMENTS IN ASSOCIATES (CONTINUED)

	RKM RM'000	PT Harmoni RM'000	Other immaterial associates RM'000	Total RM'000
31.12.2018				
Reconciliation of net assets carrying amount as at 31 December				
Group's share of net (liabilities)/assets	(128,201)	(4,232)	12,896	(119,537)
Goodwill	613,061	7,783	–	620,844
Exchange rate movement	(37,132)	(720)	–	(37,852)
Elimination of unrealised profit	(244,646)	–	–	(244,646)
Impairment loss	(145,551)	(1,803)	–	(147,354)
Carrying amount in the statement of financial position	57,531	1,028	12,896	71,455
31.12.2017				
Reconciliation of net assets carrying amount as at 31 December				
Group's share of net assets/(liabilities)	88,978	(925)	13,796	101,849
Goodwill	613,061	7,783	–	620,844
Exchange rate movement	(43,123)	(715)	–	(43,838)
Elimination of unrealised profit	(249,323)	–	–	(249,323)
Impairment loss	–	(1,803)	–	(1,803)
Carrying amount in the statement of financial position	409,593	4,340	13,796	427,729
1.1.2017				
Reconciliation of net assets carrying amount as at 31 December				
Group's share of net assets	225,475	529	15,205	241,209
Goodwill	613,061	7,783	–	620,844
Exchange rate movement	(44,613)	(660)	–	(45,273)
Elimination of unrealised profit	(252,356)	–	–	(252,356)
Impairment loss	–	(1,803)	(811)	(2,614)
Carrying amount in the statement of financial position	541,567	5,849	14,394	561,810

NOTES TO THE FINANCIAL STATEMENTS

8. INVESTMENTS IN ASSOCIATES (CONTINUED)

The aggregate information of associates that are not individually material, is as follows:

	2018 RM'000	2017 RM'000
The Group's share of profit/(loss) for the year	457	(703)

(i) RKM has a 4x360MW Coal-Fired Independent Power Producer Project with a project cost amounting to INR127.06 billion (RM7.57 billion) in the state of Chhattisgarh, India at closing exchange rate of INR16.7797: RM1.00. The shareholders agreement dated 8 February 2007 between MCB and RK Powergen Private Limited ("RKP"), a company incorporated in India, provides for the subscription of shares in RKM to the extent of 26% and 74% by MCB and RKP respectively.

The term loan availed to RKM are secured by way of pledging of equity shares of RKM by its promoters in favour of the Lenders. As at to date, 15% of RKM shares held by MCB is pledged for the purpose. MCB and RKP jointly and severally undertake to infuse last mile equity for the cost overrun that was financed by the Lenders whereby MCB has obtained a back to back indemnity from RKP for the undertaking.

RKM is currently working on a proposed resolution plan with its lenders under the Reserve Bank of India ("RBI")'s Resolution of Stressed Assets – Revised Framework dated 12 February 2018. The Group has assessed its investment in RKM based on this proposed resolution plan and made the necessary adjustments to reflect its estimated recoverable amount. The impairment loss recognised during the year amounted to RM145,551,000 (2017: Nil).

On 28 February 2018, MCB entered into a conditional Share Sale and Purchase Agreement for the proposed disposal of 7.07% equity interest in RKM. Upon completion of the disposal, the Group's exposure in RKM investment will reduce accordingly. As of to date, the conditional Share Sale and Purchase Agreement for the proposed disposal of 7.07% equity interest in RKM is still subject to fulfilment of conditions precedent.

As of to date, RKM is supplying up to 350 Mega Watts ("MW") power to several power distribution companies in the State of Uttar Pradesh pursuant to the Power Purchase Agreement dated 15 March 2016. In addition, RKM has entered into a Pilot Agreement for Procurement of Power ("PAPP") with PTC India Limited for the supply of 550 MW power from Unit 2 & 3 for a period of 3 years subject to working capital arrangement.

Unit 4 of the power plant has achieved commercial operations date on 20 March 2019.

(ii) On 2 December 2016, MJCD, Thriven Global Berhad ("Thriven") and MVSB entered into a settlement agreement for MJCD to exit the joint development between Thriven and MVSB.

According to the settlement agreement, MJCD disposed all the ordinary shares and 45,000 of 245,000 Redeemable Preference Shares ("RPS") held by MJCD in MVSB with a carrying amount of RM7,849,000 to Thriven for a cash consideration of RM1,025,000. The remaining shortfall of RM6,824,000 together with the outstanding debts owing by MVSB to MJCD of RM40,298,000 (totalling RM47,122,000), will be settled via contra of 56 units of service apartments in Lumi Tropicana (a property development project by Thriven) and cash payment of RM101,000.

Upon completion of the disposal on 5 September 2017, MVSB ceased to be an associate of MJCD and the carrying amount of the remaining 200,000 RPS in MVSB has been reclassified to deposits (Note 12(a)).

8. INVESTMENTS IN ASSOCIATES (CONTINUED)

(iii) On 27 April 2017, MESB, a wholly-owned subsidiary of the Company entered into a shareholders' agreement with a third party to acquire 49 ordinary shares, representing 49% of the total issued and paid-up share capital of Adab Menang Sdn. Bhd. ("AMSB") for a total consideration of RM49. Subsequently, MESB subscribed 11,330,000 Redeemable, Convertible, Cumulative and Participating Preference Shares ("RCCPS") of RM1 per share in AMSB for a total cash consideration of RM11,330,000.

9. INVESTMENTS IN JOINT OPERATIONS

Details of the joint operations are as follows:

Name of joint operations	Country	Principal activities	Proportion of ownership interest 31.12.2018 %	31.12.2017 %	1.1.2017 %
Held through MCB:					
Mudajaya – BSBK Joint Venture* - joint operation	India	Engineering and construction of Chhattisgarh Road Project from Kumhari (KM 0) to Bemetera (KM67.39) Section in Chhattisgarh, India	60	60	60
Bina Rezeki – Mudajaya Joint Venture* - joint operation	Malaysia	Design and construction of the Boulevard Plaza Development at Lot 3C7 at Putrajaya, Malaysia	51	51	51

* Consolidated based on management accounts

NOTES TO THE FINANCIAL STATEMENTS

9. INVESTMENTS IN JOINT OPERATIONS (CONTINUED)

The aggregate amount of the current assets, non-current assets, current liabilities, non-current liabilities, income and expenses related to the group's interests in the joint operations are as follows:

	Group		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Assets and liabilities			
Current assets/total assets	2,067	2,067	2,067
Current liabilities/total liabilities	(1,023)	(1,023)	(1,023)

	Group	
	2018 RM'000	2017 RM'000
Income	–	–
Expenses	–	–

10. OTHER INVESTMENTS

	Group		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Non-current			
Fair value through profit or loss			
- Club memberships	964	542	542
- Unquoted shares	–	–	274
	964	542	816

11. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

Group	Assets 31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	Liabilities 31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	Net 31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Property, plant and equipment	–	405	493	(34,429)	(10,225)	(600)	(34,429)	(9,820)	(107)
Investment properties	–	–	–	(2,378)	(2,026)	(2,026)	(2,378)	(2,026)	(2,026)
Accrued rental income	–	–	–	–	(34)	(34)	–	(34)	(34)
Tax losses carry-forwards	9,203	7,828	–	–	–	–	9,203	7,828	–
Capital allowance carried forward	26,948	6,075	–	–	–	–	26,948	6,075	–
Others	666	85	436	(5,225)	–	–	(4,559)	85	436
Tax assets/(liabilities)	36,817	14,393	929	(42,032)	(12,285)	(2,660)	(5,125)	2,108	(1,731)
Set off for tax	(34,751)	(6,760)	(436)	34,751	6,760	436	–	–	–
Net tax assets/ (liabilities)	2,066	7,633	493	(7,281)	(5,525)	(2,224)	(5,215)	2,108	(1,731)

NOTES TO THE FINANCIAL STATEMENTS

11. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

Movement in temporary differences during the year

	At 1.1.2017 RM'000	Recognised in profit or loss (Note 29) RM'000	At 31.12.2017/ 1.1.2018 RM'000	Recognised in profit or loss (Note 29) RM'000	At 31.12.2018 RM'000
Group					
Property, plant and equipment	(107)	(9,713)	(9,820)	(24,609)	(34,429)
Investment properties	(2,026)	–	(2,026)	(352)	(2,378)
Accrued rental income	(34)	–	(34)	34	–
Tax losses carried forward	–	7,828	7,828	1,375	9,203
Capital allowance carried forward	–	6,075	6,075	20,873	26,948
Others	436	(351)	85	(4,644)	(4,559)
	(1,731)	3,839	2,108	(7,323)	(5,215)

Unrecognised deferred tax assets

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

	Group		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Tax losses carried forward	52,388	106,191	133,385
Unabsorbed capital allowances	32,464	26,778	20,168
Other deductible temporary differences	227,900	156,758	170,385
	312,752	289,727	323,938
Deferred tax assets at 24%	75,060	69,534	77,745

Deferred tax has not been recognised as there is no sufficient future taxable profits will be available against which they can be utilised.

As a result of change in Malaysian tax law, the tax losses carried forward will now expire in Year of Assessment 2025. The unabsorbed capital allowances do not expire under current tax legislation.

NOTES TO THE FINANCIAL STATEMENTS

12. TRADE AND OTHER RECEIVABLES

	Note	Group 31.12.2018 RM'000	Group 31.12.2017 RM'000	Group 1.1.2017 RM'000	Company 31.12.2018 RM'000	Company 31.12.2017 RM'000	Company 1.1.2017 RM'000
Non-current							
Non-trade							
Deposits	(a)	4,749	4,749	–	–	–	–
Current							
Trade							
Trade receivables from contracts with customers		225,967	233,199	336,402	–	–	–
Other trade receivables		199	135	405	–	–	–
	(b)	226,166	233,334	336,807	–	–	–
Retention sums	(c)	34,105	32,922	30,913	–	–	–
Advance payments received	(d)	–	(86,176)	(74,158)	–	–	–
Total trade receivables		260,271	180,080	293,562	–	–	–
Less: Impairment loss		(44,885)	(4,557)	(27,650)	–	–	–
		215,386	175,523	265,912	–	–	–
Non-trade							
Other receivables		42,570	22,229	40,575	–	–	–
Less: Impairment loss		(2,654)	(3,211)	(7,388)	–	–	–
		39,916	19,018	33,187	–	–	–
Amount due from subsidiaries	(e)	–	–	–	89,404	87,976	25,413
Amount due from associates	(f)	31,836	29,003	72,000	–	–	–
Deposits	(g)	23,781	53,640	7,514	2	12	2
Advance payments	(h)	7,265	31,487	20,473	9	10	10
Goods and Service Tax ("GST") receivables	(i)	14,316	1,074	226	30	–	–
		117,114	134,222	133,400	89,445	87,998	25,425
		332,500	309,745	399,312	89,445	87,998	25,425
		337,249	314,494	399,312	89,445	87,998	25,425

NOTES TO THE FINANCIAL STATEMENTS

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Deposits (Non-current)

This amount represents the remaining 200,000 units of Redeemable Preference Shares in Mayfair Ventures Sdn. Bhd. ("MVSB") upon completion of the settlement agreement entered between MJCD, Thriven Global Berhad and MVSB as disclosed in Note 8.

The settlement will be in a form of contra units received from MVSB, non-refundable and does not meet the definition of a financial asset.

(b) Trade receivables

Trade receivables are non-interest bearing and the Group's normal trade credit terms are generally on 30 to 90 days (31.12.2017: 30 to 90 days, 1.1.2017: 30 to 90 days) terms.

Included in trade receivables at 31 December 2018 is amount due from an associate of RM107,459,000 (31.12.2017: RM144,604,000, 1.1.2017: RM169,552,000).

(c) Retention sums

Retention sums are due upon the expiry of the defect liability period stated in the respective construction contracts. The defect liability periods range from 12 to 24 months. Retention sums are expected to be collected as follows:

		Group	
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Within 1 year	21,398	32,922	30,913
More than 1 year	12,707	–	–
	34,105	32,922	30,913

(d) Advance payments received

These are mainly contractual advance payments received from project clients in relation to the projects awarded to MCB.

(e) Amount due from subsidiaries

The amount due from subsidiaries is unsecured, non-interest bearing and repayable on demand.

(f) Amount due from associates

Included in the amount due from associates are two amounts of advances of RM19,788,000 (31.12.2017: RM19,441,000 1.1.2017: RM21,462,000) and RM1,503,000 (31.12.2017: RM1,558,000, 1.1.2017: RM1,720,000) respectively extended to PT Harmoni and are subject to interest rate at 12% (31.12.2017: 12%, 1.1.2017: 12%) and 16% (31.12.2017: 16%, 1.1.2017: 16%) per annum respectively. The remaining balance is non-interest bearing. The amount due from associates is unsecured and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

(g) Deposits

Included in deposits is an amount of RM18,095,000 (31.12.2017: RM47,069,000, 1.1.2017: Nil) placed with MVSB for the purchase of 56 units of apartments in Lumi Tropicana, a property development project by Thriven. According to the settlement agreement between MJCD, Thriven and MVSB, the outstanding debts owing to MJCD will be settled via contra of 56 units of service apartments in Lumi Tropicana and cash payment of RM101,000.

The settlement in a form of contra units received from MVSB is non-refundable and does not meet the definition of a financial asset. The remaining deposits are refundable.

(h) Advance payments

These are mainly contractual advance payments to subcontractors for construction works.

(i) Goods and Service Tax ("GST") receivables

The net amount of GST being the difference between input GST and output GST, receivable from or payable to the respective authorities at the reporting date, is included in other receivables or other payables in the statements of financial position.

13. INVENTORIES

	Note	Group 31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
At cost:				
Properties held for sale	(a)	34,715	43,290	38,992
Properties under development	(b)	90,327	55,544	39,957
Raw materials		7,873	2,970	3,103
		132,915	101,804	82,052

NOTES TO THE FINANCIAL STATEMENTS

13. INVENTORIES (CONTINUED)

(a) Properties held for sale

	Note	Group 2018 RM'000	Group 2017 RM'000
Recognised in profit or loss:			
Inventories recognised as cost of sales			
- Properties held for sale		5,977	2,730
- Raw materials		50,177	69,538
		56,154	72,268
Reversal of cost of sales		–	(860)
	24	56,154	71,408
Cost			
At beginning of year		43,290	38,992
Reduction		(239)	–
Transfer from properties under development			
- Leasehold land	13 (b)	–	287
- Development costs	13 (b)	–	6,741
		43,051	46,020
Less: Cost recognised as cost of sales in profit or loss		(5,977)	(2,730)
Less: Transfer to property, plant and equipment	3	(564)	–
Less: Transfer to investment properties	4	(1,795)	–
At end of year		34,715	43,290

During the financial year ended 31 December 2018, 7 units of properties with costs of RM564,000 (Note 3.3) were transferred to property, plant and equipment because the properties were no longer held for sale by the Group and it was used by the Group.

During the financial year ended 31 December 2018, 14 units of properties with cost of RM1,795,000 were transferred to investment properties because the properties were no longer held for sale by the Group and it was leased to a third party (Note 4).

Included in properties held for sale of the Group with carrying amount of Nil (31.12.2017: RM810,000, 1.1.2017: Nil) are pledged to secure the Group's term loan (Note 19(d)(iv)).

Included in properties held for sale of the Group with carrying amount of RM108,000 (31.12.2017: Nil, 1.1.2017: Nil) are pledged to secure the Group's revolving credit (Note 19(g)).

NOTES TO THE FINANCIAL STATEMENTS

13. INVENTORIES (CONTINUED)

(b) Properties under development

	Note	2018 RM'000	2017 RM'000
Cost			
At beginning of year			
Leasehold land		6,417	6,708
Development costs		49,127	33,249
		55,544	39,957
Leasehold land			
- net transfer to properties held for sale	13 (a)	–	(287)
- net transfer to contract cost	15 (b)(i)	(15)	(4)
		(15)	(291)
Development costs			
- cost incurred during the year		38,323	27,043
- net transfer to properties held for sale	13 (a)	–	(6,741)
- net transfer to contract cost	15 (b)(i)	(3,525)	(4,424)
		34,798	15,878
At end of year			
Leasehold land		6,402	6,417
Development costs		83,925	49,127
		90,327	55,544

The leasehold land cost comprises land premium, alienation cost and annual rent. The leasehold land is registered under a third party and is being developed by a subsidiary pursuant to the Development Agreement and a Supplemental Agreement entered into between the subsidiary and the said third party on 22 July 1996 and 23 July 1996 respectively. The Development Agreement and Supplemental Agreement provide inter alia for the payment in kind in return for the land contributed by the third party.

NOTES TO THE FINANCIAL STATEMENTS

14. OTHER CURRENT ASSETS

		Group		
	Note	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Contra properties	(a)	199,587	198,086	190,596
Recovered properties	(b)	–	5,837	12,980
		199,587	203,923	203,576

(a) Contra properties

In 2013, a subsidiary, MCB entered into a Compromise and Settlement Agreement with one of its debtors whereby the amount due from the debtor was settled via transfer of properties ("contra properties") to MCB. The contra properties comprise service apartments, office suites, retail units and parking lots in Kuala Lumpur, Malaysia.

On 6 April 2016, MCB entered into Final Settlement Agreement with the debtor and both parties agreed that MCB shall complete the balance of works in the Project on its own cost. The project was completed in financial year 2017.

Certain contra properties are pledged to secure the Group's secured term loan (Note 19(d)(iii)) and revolving credits (Note 19(g)).

The contra properties secured by way of contra arrangement are classified as current assets as the Group has no intention to hold the properties for long term investment. Such properties are classified within current assets and is stated at cost less any accumulated impairment loss. Gain or loss is recognised in profit or loss when the selling price can be reliably measured.

(b) Recovered properties

This relates to properties recovered from an asset recovery exercise arising from irregular transactions reported in financial year 2015.

15. CONTRACT WITH CUSTOMERS

(a) Contract assets/(liabilities)

	Group 31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Contract assets	71,969	130,312	279,142
Contract liabilities	(41,490)	(69,056)	(18,463)

The contract assets primarily relate to the Group's rights to consideration for work completed but not yet billed at the reporting date. Construction contract is billed progressively in accordance with the respective contracts while property development contract is billed progressively in accordance with a schedule as specified in the sales and purchase agreement, of which is drafted in accordance with the Housing Development (Control and Licensing) Regulations, 2014.

Nevertheless, the schedule of billings do not correspond with the revenue recognition which is determined using input method on the basis of the actual property development costs incurred relative to the estimated total property development costs.

Significant changes to contract assets and contract liabilities balances during the period are as follows:

	Group 2018 RM'000	2017 RM'000
Contract liabilities at the beginning of the period recognised as revenue	60,658	18,225
Contract liabilities at the beginning of the period not recognised as revenue due to change in time frame	4,927	238
Contract assets at the beginning of the period not transferred to trade receivables due to change in time frame	37,986	2,894

(b) Contract costs

	Note	Group 31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Contract fulfilment costs	(i)	68	103	100
Cost to obtain a contract	(ii)	–	–	4
		68	103	104

NOTES TO THE FINANCIAL STATEMENTS

15. CONTRACT WITH CUSTOMERS (CONTINUED)

(b) Contract costs (Continued)

(i) Contract fulfilment costs

	Note	Group 2018 RM'000	Group 2017 RM'000
Contract fulfilment costs			
At beginning of year			
Leasehold land		1	19
Development costs		102	81
		103	100
Construction costs			
- cost incurred during the year		330,725	351,942
Leasehold land			
- net transfer from inventories	13(b)	15	4
Development costs			
- net transfer from inventories	13(b)	3,525	4,424
Power plant costs			
- cost incurred during the year		276,056	5,365
Less: Cost recognised as cost of sales in profit or loss			
- Construction costs		(330,725)	(351,942)
- Leasehold land		(14)	(22)
- Development costs		(3,561)	(4,403)
- Power plant costs		(276,056)	(5,365)
	24	(610,356)	(361,732)
At end of year			
Leasehold land		2	1
Development costs		66	102
	(i)	68	103

NOTES TO THE FINANCIAL STATEMENTS

15. CONTRACT WITH CUSTOMERS (CONTINUED)

(b) Contract costs (Continued)

(i) Contract fulfilment costs (Continued)

Land related costs that are attributable to the sold units are capitalised as contract costs during the current financial year. These costs are expected to be recoverable and are amortised to profit or loss when the related revenue is recognised.

(ii) Cost to obtain a contract

	Note	Group 2018 RM'000	Group 2017 RM'000
At beginning of year		–	4
Cost incurred during the year		245	183
Cost recognised as cost of sales in profit or loss	24	(245)	(187)
At end of year		–	–

Management expects that commission fees paid to intermediaries as a result of obtaining sales contracts are recoverable. Commission fees are amortised when the related revenues are recognised.

16. DERIVATIVES FINANCIAL ASSETS/(LIABILITIES)

	Group					
	31.12.2018		31.12.2017		1.1.2017	
Derivative at fair value through profit or loss	Contract amount RM'000	Assets RM'000	Contract amount RM'000	(Liabilities) RM'000	Contract amount RM'000	(Liabilities) RM'000
Cross currency interest rate swap	199,750	7,002	214,950	(12,323)	–	–

The cross currency interest rate swap is entered into by the Group to manage the foreign currency exposures arising from the Group's term loan denominated in currencies other than the functional currency of the Group entities.

NOTES TO THE FINANCIAL STATEMENTS

17. CASH AND CASH EQUIVALENTS

	Group			Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Cash and bank balances	43,429	81,128	300,018	175	405	35
Deposits with financial institutions	287,293	375,725	28,102	136	–	–
	330,722	456,853	328,120	311	405	35

Financial institutions include licensed investment banks and asset management companies in Malaysia.

Cash at banks and deposits with financial institutions earned interest at floating rates based on daily deposit rates that cater for immediate cash requirements of the Group and the Company. Deposits placed with licensed investment banks and asset management companies are in the form of fixed deposits and units placed in money market funds. These deposits are on call and/or repo basis and bear interest at rates ranging from 2.40% to 3.95% (31.12.2017: 3.00% to 3.60%, 1.1.2017 : 2.93% to 4.37%) per annum during the financial year.

Included in cash and bank balances of the Group are the deposits with a financial institution of Nil (31.12.2017: RM13,180,000, 1.1.2017: RM9,000,000) and RM215,030,000 (31.12.2017: RM203,283,000, 1.1.2017: Nil) charged for the revolving credit (Note 19(g)) and secured term loan (Note 19(d)(iii)) respectively.

Included in cash and bank balances of the Group is Designated Collection Accounts and Finance Service Reserve Account of RM864,000 (31.12.2017: RM1,819,000, 1.1.2017: RM868,000) charged for the term loans (Note 19(d)(ii)).

Included in cash and bank balances and deposits with financial institutions of the Group are Disbursement Accounts held for the Green Sustainable and Responsible Investment ("SRI") Sukuk Wakalah which are restricted from use for other operations amounting to RM2,000 (31.12.2017: RM12,352,000, 1.1.2017: Nil) and RM14,180,000 (31.12.2017: Nil, 1.1.2017: Nil) respectively (Note 19(e)).

18. CAPITAL AND RESERVES

(a) Share capital

	Number of shares 31.12.2018 '000	Amount 31.12.2018 RM'000	Number of shares 31.12.2017 RM'000	Amount 31.12.2017 RM'000	Number of shares 1.1.2017 RM'000	Amount 1.1.2017 RM'000
Group and Company						
Ordinary shares, issued and fully paid:						
At beginning of year	605,418	393,172	552,418	110,483	552,418	110,483
Issue for cash	–	–	53,000	60,950	–	–
Transfer from share premium in accordance with Section 618(2) of the Companies Act 2016	–	–	–	221,739	–	–
At end of year	605,418	393,172	605,418	393,172	552,418	110,483

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. In respect of the Company's treasury shares that are held by the Group (see below), all rights are suspended until those shares are reissued.

In accordance with Section 618 of Companies Act 2016, any amount standing to the credit of the share premium account has become part of the Company's share capital. The Company has twenty four (24) months upon the commencement of Companies Act 2016 on 31 January 2017 to utilise the credit in accordance with Section 618(3) of Companies Act 2016 on or before 30 January 2019 (24 months from commencement of Section 74 of Companies Act 2016). As at date of issuance of the financial statements, the Company did not utilise the share premium amounting to RM221,739,000.

In 2017, the Company issued 53,000,000 new ordinary shares of RM1.15 per ordinary share via a private placement to an eligible investor for a total cash consideration of RM60,950,000 to fund the Company's investment in subsidiaries.

(b) Share premium

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares.

In accordance with Section 618 of Companies Act 2016, any amount standing to the credit of the share premium amount has become part of the Company's share capital.

NOTES TO THE FINANCIAL STATEMENTS

18. CAPITAL AND RESERVES (CONTINUED)

(c) Treasury shares

Treasury shares related to ordinary shares of the Company that are held by the Company. This amount relates to the acquisition cost of treasury shares net of the proceeds received on their subsequent sale or issuance.

The shareholders of the Company, by a ordinary resolution passed in a general meeting held on 13 June 2018, gave mandate to the Board of Directors ("BOD") of the Company to repurchase its own ordinary shares. The BOD of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

During the financial year, the Company bought back a total of 930,000 (31.12.2017: 595,000, 1.1.2017: Nil) of its issued and fully paid-up ordinary shares from the open market for a total cost of RM848,000 (31.12.2017: RM539,000, 1.1.2017: Nil). The average price paid for the shares bought back was RM0.91 (31.12.2017: RM0.91, 1.1.2017: Nil) per share. The shares bought back were financed by internally generated funds and held as treasury shares.

Of the total 605,418,466 (31.12.2017: 605,418,466, 1.1.2017: 552,418,466) issued and fully paid ordinary shares as at 31 December 2018, 15,543,300 (31.12.2017: 14,613,300, 1.1.2017: 14,018,300) are held as treasury shares by the Company. As at 31 December 2018, the number of outstanding ordinary shares in issue after the set-off against treasury shares is therefore 589,875,166 (31.12.2017: 590,805,166, 1.1.2017: 538,400,166).

(d) Employees' share option reserve

Employees' share option reserve represents the equity-settled share options granted to employees (Note 22). The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity settled share options and is reduced by the expiry or exercise of the share options.

During the year, RM1,036,000 (31.12.2017: RM781,000, 1.1.2017: RM1,491,000) was transferred from the reserve to retained earnings upon forfeiture of the options upon resignation of employees.

(e) Foreign currency translation reserve

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

19. LOANS AND BORROWINGS

	Note	Group 31.12.2018 RM'000	Group 31.12.2017 RM'000	Group 1.1.2017 RM'000	Company 31.12.2018 RM'000	Company 31.12.2017 RM'000	Company 1.1.2017 RM'000
Non-current							
Unsecured:							
Islamic Medium Term Notes ("IMTN")	(a)	–	120,000	120,000	–	–	–
Euro Medium Term Notes ("EMTN")	(b)	–	243,940	269,310	–	–	–
		–	363,940	389,310	–	–	–
Secured							
Finance lease liabilities	(c)	3,741	5,516	423	263	–	–
Term loans	(d)	232,763	32,206	34,863	–	–	–
Green SRI Sukuk Wakalah	(e)	190,000	–	–	–	–	–
		426,504	37,722	35,286	263	–	–
		426,504	401,662	424,596	263	–	–
Current							
Unsecured:							
Invoice financing		13,663	–	–	–	–	–
Bank overdrafts	(f)	–	–	4,070	–	–	–
Revolving credits	(g)	44,000	40,000	40,000	–	–	–
Islamic Medium Term Notes ("IMTN")	(a)	67,500	–	240,000	–	–	–
Euro Medium Term Notes ("EMTN")	(b)	248,298	–	–	–	–	–
		373,461	40,000	284,070	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

19. LOANS AND BORROWINGS (CONTINUED)

	Note	Group 31.12.2018 RM'000	Group 31.12.2017 RM'000	Group 1.1.2017 RM'000	Company 31.12.2018 RM'000	Company 31.12.2017 RM'000	Company 1.1.2017 RM'000
Current (continued)							
Secured:							
Bank overdrafts	(f)	–	–	3,738	–	–	–
Revolving credits	(g)	81,860	98,000	98,000	–	–	–
Finance lease liabilities	(c)	4,782	3,366	205	149	–	–
Term loans	(d)	6,433	209,526	6,063	–	–	–
		93,075	310,892	108,006	149	–	–
		466,536	350,892	392,076	149	–	–
		893,040	752,554	816,672	412	–	–

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

	Group 31.12.2018 RM'000	Group 31.12.2017 RM'000	Group 1.1.2017 RM'000	Company 31.12.2018 RM'000	Company 31.12.2017 RM'000	Company 1.1.2017 RM'000
Within one year	466,536	350,892	392,076	149	–	–
More than 1 year and less than 2 years	221,649	373,712	6,487	263	–	–
2 to 5 years	58,228	25,624	407,499	–	–	–
5 years and above	147,627	2,326	10,610	–	–	–
	893,040	752,554	816,672	412	–	–

(a) IMTN

On 14 November 2013, MCB obtained the approval from the Securities Commission Malaysia for the establishment of an Islamic Commercial Paper programme ("ICP") and an IMTN subject to a combined aggregate limit of up to RM1.0 billion in nominal value Sukuk Programme ("SUKUK").

There were two tranches of IMTN totalling RM360 million issued under the SUKUK, with the following maturity dates:

	Amount RM'000	Maturity date
Tranche 1	240,000	23 January 2017
Tranche 2	120,000	23 January 2019

MCB has successfully redeemed the Tranche 1 on 23 January 2017 and Tranche 2 on 23 January 2019.

NOTES TO THE FINANCIAL STATEMENTS

19. LOANS AND BORROWINGS (CONTINUED)

(b) EMTN

On 28 December 2016, Mudajaya Ventures Limited ("MVL"), a wholly-owned subsidiary of the Company issued US$60 million Notes ("Notes") under the US$200 million Euro Medium Term Note Programme. The Notes are unsecured and bear an interest rate of 7% per annum payable semi-annually. As of to-date, all interest arising has been made timely. The tenure of the Notes is 3 years from the issue date and will mature on 28 December 2019.

The EMTN contains a debt covenant stating that at the end of each financial year, the Group's Net Debt to Equity Ratio shall not be more than 1.25 times. As at 31 December 2018, there is a technical breach and the noteholder is informed with no action taken at this juncture.

(c) Finance lease liabilities

Finance lease liabilities of the Group and the Company are payable as follows:

	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000
Group			
31.12.2018			
Less than one year	5,097	315	4,782
Between one and five years	3,841	100	3,741
	8,938	415	8,523
31.12.2017			
Less than one year	3,743	377	3,366
Between one and five years	5,978	462	5,516
	9,721	839	8,882
1.1.2017			
Less than one year	232	27	205
Between one and five years	445	22	423
	677	49	628
Company			
31.12.2018			
Less than one year	164	15	149
Between one and five years	273	10	263
	437	25	412
31.12.2017			
Less than one year	–	–	–
Between one and five years	–	–	–
	–	–	–
1.1.2017			
Less than one year	–	–	–
Between one and five years	–	–	–
	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

19. LOANS AND BORROWINGS (CONTINUED)

(d) Term loans

The term loans of the Group mainly comprise the following:

(i) A term loan of RM50,000,000 which bears interest rate of 2.00% (31.12.2017: 2.00%, 1.1.2017: 2.00%) per annum above the bank's cost of funds ("COF") and the bank's cost of maintaining statutory and liquidity reserves (if any).

The loan is repayable by 38 equal quarterly instalments commencing 6 months from the date of first drawdown.

(ii) A term loan of RM7,600,000 which bear interest rate of 2.00% (31.12.2017: 2.00%, 1.1.2017: 2.00%) per annum above the bank's COF and the bank's cost of maintaining statutory and liquidity reserves (if any).

The loan is repayable by 38 equal quarterly instalments commencing 6 months from the date of first drawdown.

The term loans (i) and (ii) are secured by the following:

- charge over cash deposits into Designated Collection Account ("DCA") and Finance Service Reserve Account ("FSRA") (Note 17);
- assignment of contract proceeds;
- assignment of all rights, interest and benefit under the all risk insurance policy and/or warranty by supplier/manufacturer;
- letter of undertaking from MCB to replenish FSRA; and
- corporate guarantee by MCB.

(iii) A term loan of USD50,000,000 which bears interest of 1.75% (31.12.2017: 1.75%, 1.1.2017: Nil) per annum over London Inter Bank Offer Rate. The term loan matured on 16 January 2019 and has been extended by another 12 months (with an option for a further 12 months extension thereafter). The term loan is secured by a charge over certain contra properties of the Group (Note 14(a)) and the deposits with a financial institution of RM215,030,000 (31.12.2017: RM203,283,000, 1.1.2017, Nil) of the Group (Note 17).

(iv) A term loan of RM3,600,000 which bears interest rate of 1.8% (31.12.2017: 2%, 1.1.2017: Nil) per annum below the bank lending rate ("BLR"). The term loan is repayable by 240 monthly instalments. The term loan is secured by a charge over 8 units of commercial shoplots (Note 3 and Note 4) and 8 units of residential units (Note 3) of the Group.

Other information on financial risk of borrowings is disclosed in Note 32.

NOTES TO THE FINANCIAL STATEMENTS

19. LOANS AND BORROWINGS (CONTINUED)

(e) Green SRI Sukuk Wakalah

On 30 January 2018, SKSB issued RM245 million Green SRI Sukuk Wakalah under the Shariah Principle of Wakalah Bi Al-Istithmar which bears interest at rates ranging from 4.96% to 6.35% per annum and was based on the Securities Commission's Sustainable and Responsible Investment ("SRI") Sukuk Framework ("Green SRI SUKUK WAKALAH").

The borrowing is secured by the following:

(a) a first ranking charge pursuant to the National Land Code, 1965 ("NLC") over the Photovoltaic ("PV") Site Lease ("Charge over PV Site Lease");

(b) a first ranking charge pursuant to the NLC over the Koperasi NLFCS Berhad ("NLFCS") SPA Land A ("Charge over NLFCS SPA Land A");

(c) a first ranking charge pursuant to the NLC over the NLFCS Lease ("Charge over NLFCS Lease");

(d) a first ranking debenture comprising fixed and floating charges over all present and future assets of SKSB;

(e) a first ranking legal and absolute assignment ("Deed of Assignment") of all the rights, titles, interests and benefits under the following and proceeds (Note 17) therefrom:-

(i) the Project Agreements (save and except for the Perak State Agricultural Development Corporation ("SADC") Lease Agreement);

(ii) all performance and/or maintenance bonds in respect of the Project and all other guarantees, advance payment bonds and other forms of payment or performance security issued in favour of the Issuer pursuant to any Project Agreements; and

(iii) all permits and licences required to undertake the Project (to the extent that such permits and licences are assignable).

(f) Bank overdrafts

Both secured and unsecured bank overdrafts were drawn down for working capital requirements and bore interest at 7.06% per annum. The bank overdrafts were secured by a charge over an investment property (Note 4) of the Group.

(g) Revolving credits

Both unsecured and secured revolving credit facilities were drawn down for working capital requirements. The revolving credit which was rolled-over on a quarterly basis bear interest at rates of Nil (31.12.2017: 5.45% - 5.46%, 1.1.2017: 5.45% - 5.65%) per annum. The revolving credits which were rolled-over on a monthly basis bear interest rate at 5.12% - 5.78% (31.12.2017: 4.60% - 5.51%, 1.1.2017: 4.41% - 6.14%) per annum. The interest rates are fixed at the date of each drawdown and might be revised at the commencement of each roll-over period.

The secured revolving credits are secured by a charge over certain buildings of the Group (Note 3.2), certain properties of the Group (Note 14(a)), certain investment property of the Group (Note 4) and certain properties held for sale of the Group (Note 13) and the deposits with a financial institution of Nil (31.12.2017: RM13,180,000, 1.1.2017: RM9,000,000) of the Group (Note 17).

NOTES TO THE FINANCIAL STATEMENTS

19. LOANS AND BORROWINGS (CONTINUED)

(h) Reconciliation of movement of liabilities to cash flow arising from financing activities

	At 1.1.2017 RM'000	Net changes from financing cash flows RM'000	Acquisition of new lease RM'000	Foreign exchange movement RM'000	At 31.12.2017/ 1.1.2018 RM'000	Net changes from financing cash flows RM'000	Acquisition of new lease RM'000	Foreign exchange movement RM'000	At 31.12.2018 RM'000
Group									
Islamic Medium Term Notes ("IMTN")	360,000	(240,000)	–	–	120,000	(52,500)	–	–	67,500
Euro Medium Term Notes ("EMTN")	269,310	–	–	(25,370)	243,940	–	–	4,358	248,298
Finance lease liabilities	628	(2,042)	10,296	–	8,882	(3,923)	3,564	–	8,523
Term loans	40,926	212,473	–	(11,667)	241,732	(17,835)	–	15,299	239,196
Bank overdrafts	7,808	(7,808)	–	–	–	–	–	–	–
Revolving credits	138,000	–	–	–	138,000	(12,140)	–	–	125,860
Green SRI Sukuk Wakalah	–	–	–	–	–	190,000	–	–	190,000
Invoice financing	–	–	–	–	–	13,663	–	–	13,663
Total liabilities from financing activities	816,672	(37,377)	10,296	(37,037)	752,554	117,265	3,564	19,657	893,040
Company									
Finance lease liabilities	–	–	–	–	–	(48)	460	–	412

NOTES TO THE FINANCIAL STATEMENTS

20. DEFERRED INCOME

The deferred income represents the deferred interest income during construction of the 56 units of service apartments in Lumi Tropicana receivable from MVSB pursuant to the settlement agreement as disclosed in Note 8 (ii). The deferred income will be recognised in profit or loss upon delivery of vacant possession of these service apartments.

21. TRADE AND OTHER PAYABLES

	Note	Group 31.12.2018 RM'000	Group 31.12.2017 RM'000	Group 1.1.2017 RM'000	Company 31.12.2018 RM'000	Company 31.12.2017 RM'000	Company 1.1.2017 RM'000
Trade							
Trade payables	(a)	337,179	317,406	444,136	–	–	–
Deposit liabilities	(b)	1,365	870	760	–	–	–
		338,544	318,276	444,896	–	–	–
Non-trade							
Deposits		8,211	286	766	–	–	–
Accruals		43,857	27,617	33,869	206	729	1,317
Other payables		10,906	2,147	7,871	55	8	–
Amount due to a subsidiary	(c)	–	–	–	14,602	13,506	12,004
Amount due to an associate	(c)	2,042	3,784	4,105	–	–	–
Goods and Service Tax ("GST") payable	(d)	7	505	10,896	–	–	–
		65,023	34,339	57,507	14,863	14,243	13,321
		403,567	352,615	502,403	14,863	14,243	13,321

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group are ranging from 7 to 90 days (31.12.2017: 7 to 90 days, 1.1.2017: 7 to 90 days).

(b) Deposit liabilities

Deposit liabilities represent cash deposits received from customers.

(c) Amounts due to a subsidiary and an associate

Amounts due to a subsidiary and an associate are unsecured, interest-free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

21. TRADE AND OTHER PAYABLES (CONTINUED)

(d) Goods and Service Tax ("GST") payable

The net amount of GST being the difference between input GST and output GST, receivable from or payable to the respective authorities at the reporting date, is included in other receivables or other payables in the statements of financial position.

(e) Reconciliation of movement of liabilities to cash flow arising from financing activities

	At 1.1.2017 RM'000	Net changes from financing cash flows RM'000	At 31.12.2017/ 1.1.2018 RM'000	Net changes from financing cash flows RM'000	At 31.12.2018 RM'000
Group					
Amount due to an associate	4,105	(321)	3,784	(1,742)	2,042
Company					
Amount due to a subsidiary	12,004	1,502	13,506	1,096	14,602

22. EMPLOYEE BENEFITS

Employees' share option scheme ("ESOS")

The ESOS of the Company ("Mudajaya ESOS") became effective on 30 September 2011.

Pursuant to the Mudajaya ESOS, the following share options were granted by the Company to eligible employees, including executive directors of the Group:

- On 3 October 2011, a total of 21,051,700 share options were granted at a subscription price of RM1.90 per share;
- On 16 July 2012, a total of 4,103,500 share options were granted at a subscription price of RM2.73 per share;
- On 3 October 2012, a total of 826,700 share options were granted at a subscription price of RM2.70 per share;
- On 2 May 2013, a total of 2,195,000 share options were granted at a subscription price of RM2.44 per share;
- On 3 October 2013, a total of 3,205,000 share options were granted at a subscription price of RM2.75 per share;
- On 18 February 2014, a total of 630,600 share options were granted at a subscription price of RM2.65 per share;
- On 15 July 2016, a total of 16,100,000 share options were granted at a subscription price of RM1.15 per share; and
- On 30 October 2017, a total of 600,000 share options were granted at a subscription price of RM1.15 per share.

NOTES TO THE FINANCIAL STATEMENTS

22. EMPLOYEE BENEFITS (CONTINUED)

Employees' share option scheme ("ESOS") (continued)

The salient features of the Mudajaya ESOS are as follows:

(i) The original scheme is in force for a period of 5 years from 30 September 2011, being the date of implementation and on 1 August 2016, the Board has approved to extend the share options for a further period of 5 years which will expire on 28 September 2021;

(ii) The total number of ordinary shares to be issued by the Company under the ESOS shall not exceed 10% of the total issued and paid-up ordinary shares of the Company, such that not more than 50% of the shares available under the ESOS is allocated, in aggregate, to directors and senior management;

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

(iv) An executive director of the Group or an employee of the Group who is employed full time (at least one year of continuous service prior to and up to the Date of Offer) and is on the payroll of the Group, but does not include employees under probation, are eligible to participate in the scheme, subject to the final decision of the Board;

(v) The option price under the ESOS is the average of the mean market quotation of the shares of the Company as quoted in the Daily Official List issued by Bursa Malaysia Securities Berhad, for the five market days preceding the offer date, or RM0.20, whichever is the higher; and

(vi) Options granted under the ESOS carry no dividend nor voting rights. Upon exercise of the options, shares issued rank pari passu in all respects with existing ordinary shares of the Company.

NOTES TO THE FINANCIAL STATEMENTS

22. EMPLOYEE BENEFITS (CONTINUED)

Employees' share option scheme ("ESOS") (Continued)

Group and Company				**Number of options**			
2018	**At 1.1.2018 '000**	**Granted '000**	**Rejected '000**	**Forfeited '000**	**Exercised '000**	**At 31.12.2018 '000**	**Exercisable 31.12.2018 '000**
Grant date							
3 October 2011	3,571	–	–	538	–	3,033	3,033
16 July 2012	685	–	–	261	–	424	424
3 October 2012	152	–	–	76	–	76	76
2 May 2013	1,390	–	–	30	–	1,360	1,360
3 October 2013	760	–	–	37	–	723	723
18 February 2014	631	–	–	–	–	631	631
15 July 2016	16,100	–	–	1,300	–	14,800	5,920
30 October 2017	600	–	–	–	–	600	120
	23,889	–	–	2,242	–	21,647	12,287
Weighted average exercise price ("WAEP") (RM)	1.48	–	–	1.61	–	1.47	1.71

Group and Company				**Number of options**			
2017	**At 1.1.2017 '000**	**Granted '000**	**Rejected '000**	**Forfeited '000**	**Exercised '000**	**At 31.12.2017 '000**	**Exercisable 31.12.2017 '000**
Grant date							
3 October 2011	4,135	–	30	534	–	3,571	3,571
16 July 2012	749	–	–	64	–	685	685
3 October 2012	225	–	–	73	–	152	152
2 May 2013	1,415	–	–	25	–	1,390	1,390
3 October 2013	1,006	–	96	150	–	760	760
18 February 2014	631	–	–	–	–	631	631
15 July 2016	16,100	–	–	–	–	16,100	3,220
30 October 2017	–	600	–	–	–	600	–
	24,261	600	126	846	–	23,889	10,409
Weighted average exercise price ("WAEP") (RM)	1.52	1.15	2.25	2.20	–	1.48	1.91

The options outstanding at 31 December 2018 have an exercise price in the range of RM1.15 to RM2.75 (31.12.2017: RM1.15 to RM2.75, 1.1.2017: RM1.15 to RM2.75) and a weighted average contractual life of 3 years (31.12.2017: 4 years, 1.1.2017: 5 years).

No option were exercised during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

22. EMPLOYEE BENEFITS (CONTINUED)

Employees' share option scheme ("ESOS") (continued)

Fair value of share options granted

The fair value of the share options granted under ESOS is estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions upon which the instruments were granted.

The following table lists the inputs to the option pricing models:

Group and Company Fair value of share options and assumptions	Grant date							
	30.10.2017	15.7.2016	18.2.2014	3.10.2013	2.5.2013	3.10.2012	16.7.2012	3.10.2011
Fair value at grant date	0.32	0.32	0.58	0.77	0.74	0.89	0.95	1.13
Dividend yield (%)	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Expected volatility (%)	35.00	35.00	35.00	35.00	35.00	35.00	35.00	35.00
Risk-free interest rate (% p.a.)	3.20	3.20	3.20	3.20	3.20	3.20	3.20	3.20
Expected life of option (years)	5	5	5	5	5	5	5	5
Weighted average share price (RM)	1.22	1.22	2.74	2.77	2.77	2.81	2.81	–

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

The Group recognised an ESOS expense of RM1,189,000 (2017: RM1,820,000) in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

23. REVENUE

23.1 Disaggregation of revenue

	Note	Group 2018 RM'000	Group 2017 RM'000
Revenue from contracts with customers			
Construction contracts			
- construction works		390,685	434,352
- furniture and fittings		263	2,799
Sale of development properties			
- properties		14,829	11,031
- furniture and fittings		–	276
- car park		35	150
Sale of construction materials		50,362	71,319
Sale of power energy arising from concession arrangement		15,529	15,264
Construction revenue from concession arrangement		282,897	5,881
	(a)	754,600	541,072
Other revenue			
Rental of office space	4	5,451	5,388
Total revenue		760,051	546,460

(a) Timing and recognition of revenue

	Group 2018 RM'000	Group 2017 RM'000
At a point in time	66,189	89,808
Over time	688,411	451,264
	754,600	541,072

NOTES TO THE FINANCIAL STATEMENTS

23. REVENUE (CONTINUED)

23.2 Nature of goods and services

Nature of goods or services	Timing of recognition or method used to recognise revenue	Significant payment terms	Variable element in consideration	Warranty
Construction contracts	Revenue is recognised progressively over time using input method on the basis of the actual construction costs incurred relative to the estimated total construction costs.	Based on agreed milestones. Credit period of 30-60 days from invoice date.	Promised consideration may vary if change of scope of work.	Defect liability period of 12 – 24 calendar months after the date of handing over of vacant possession to the customer.
Sale of development properties	Revenue is recognised progressively over time using input method on the basis of the actual property development costs incurred relative to the estimated total property development costs.	Credit period of 14 days from invoice date.	Not applicable.	Defect liability period of 18 calendar months after the date of handing over of vacant possession to the customer.
Sale of construction materials	Revenue is recognised at a point in time when the construction materials are certified by the customers or delivered and accepted by the customers at their premises.	Credit period of 30 days from invoice date.	Not applicable.	Not applicable.
Sale of power energy arising from concession arrangement	Revenue is recognised at the point in time as and when the electricity is delivered to the off-taker, based on the actual electricity delivered from the date of their last meter reading and period end at a pre-determined rate.	Credit period of 30 days from invoice date.	The consideration based on actual electricity delivered at a pre-determined rate.	Not applicable.

NOTES TO THE FINANCIAL STATEMENTS

23. REVENUE (CONTINUED)

23.2 Nature of goods and services (Continued)

Nature of goods or services	Timing of recognition or method used to recognise revenue	Significant payment terms	Variable element in consideration	Warranty
Construction revenue from concession arrangement	Revenue is recognised progressively over time using input method on the basis of the actual construction costs incurred relative to the estimated total construction costs.	No payment term for construction revenue from concession arrangement. Refer to Note 2(g) for further details.	Not applicable.	Not applicable.
Sale of furniture and fittings	Revenue is recognised at the point in time upon installation of the furniture and fittings.	Credit period of 14 days from invoice date.	Not applicable.	Not applicable.
Sale of car park	Revenue is recognised at the point in time upon delivery of the car park.	Credit period of 14 days from invoice date.	Not applicable.	Defect liability period of 18 calendar months after the date of handing over of vacant possession to the customer.

23.3 Transaction price allocated to the remaining performance obligations

The following table shows revenue from performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date. The disclosure is only providing information for contracts that have a duration of more than one year.

Group	Total RM'000
Construction contracts	1,007,615

The allocation of transaction price to the remaining performance obligations is based on the contracts term with the customers which are expected to be completed by year 2021.

The Group applies the practical expedients for exemption on disclosure of information on remaining performance obligations that have original expected durations of one year or less.

NOTES TO THE FINANCIAL STATEMENTS

24. COST OF SALES

	Note	Group 2018 RM'000	Group 2017 RM'000
Cost of inventories sold	13 (a)	56,154	71,408
Contract fulfilment costs	15 (b)(i)	610,356	361,732
Cost to obtain a contract	15 (b)(ii)	245	187
Property maintenance cost	4	2,367	2,407
		669,122	435,734

25. OTHER INCOME

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Fair value gain on derivatives	7,002	–	–	–
Fair value gain on other investments	387	–	–	–
Interest income	11,264	11,514	7	60
Rental of investment properties	127	140	–	–
Gain on disposal of property, plant and equipment	1,777	1,501	–	–
Income from material cost backcharged	31	1,119	–	–
Reversal of unrealised profits on equipment supply contract	4,677	3,033	–	–
Net gain on foreign exchange	–	8,187	–	–
Gain on disposal of investment in an associate	–	2,273	–	–
Corporate guarantee income from an associate	250	353	–	–
Corporate guarantee income from subsidiaries	–	–	4,617	3,388
Secondment fees	548	617	–	–
Miscellaneous	1,701	2,340	1	4
	27,764	31,077	4,625	3,452

NOTES TO THE FINANCIAL STATEMENTS

26. RESULTS FROM OPERATING ACTIVITIES

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Results from operating activities is arrived at after charging/(crediting):					
Auditors' remuneration:					
- Audit fees					
Statutory auditors		468	448	130	128
Other auditors		18	18	–	–
- Non-audit fees					
Statutory auditors		55	10	55	18
Amortisation of intangible asset	5	620	620	–	–
Amortisation of service concession assets	6	5,373	4,187	–	–
Bad debts written off		–	1,010	–	–
Depreciation of property, plant and equipment	3	11,987	12,353	43	–
Depreciation of investment property	4	1,045	992	–	–
Fair value (gain)/loss on derivative		(7,002)	12,323	–	–
Fair value gain on other investments		(387)	–	–	–
Fair value adjustment of service concession assets		(12,106)	(3,664)	–	–
Gain on disposal of property, plant and equipment		(1,777)	(1,501)	–	–
Gain on disposal of investment in an associate		–	(2,273)	–	–
Impairment loss of investment in an associate		145,551	–	–	–
(Reversal of)/Provision for impairment loss of contract assets		(7,272)	7,628	–	–
Property, plant and equipment written off		1,697	–	–	–
Impairment loss of trade and other receivables		39,771	4,691	–	–
Investment in subsidiaries written off	7.6	–	411	–	–
Employee benefits expenses	27	30,448	32,443	1,578	1,203
Net foreign exchange differences					
- realised		3,936	750	–	–
- unrealised		4,485	(8,937)	–	–
Non-executive directors' remuneration	27	670	542	670	542

27. EMPLOYEE BENEFITS EXPENSE AND KEY MANAGEMENT PERSONNEL COMPENSATION

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Wages and salaries		24,842	26,572	1,393	1,065
Social security contributions		163	143	1	1
Contributions to defined contribution plan		3,064	3,372	175	134
Share options granted under ESOS	22	1,189	1,820	–	–
Other benefits		1,190	536	9	3
		30,448	32,443	1,578	1,203

Included in employee benefits expenses of the Group and the Company are executive directors' remuneration amounting to RM3,136,000 (2017: RM2,398,000) and RM1,568,000 (2017: RM1,199,000) as further disclosed.

The key management personnel compensations are as follows:

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Executive Directors:				
Salaries and other emoluments	2,069	1,720	1,035	860
Bonus	717	410	358	205
Defined contribution plan	350	268	175	134
	3,136	2,398	1,568	1,199
Non-executive Directors:				
Fees	428	340	428	340
Other emoluments	242	202	242	202
	670	542	670	542
Total Directors' remuneration	3,806	2,940	2,238	1,741
Estimated money value of benefits-in-kind	80	55	20	–
Total key management personnel compensation	3,886	2,995	2,258	1,741

NOTES TO THE FINANCIAL STATEMENTS

28. FINANCE COSTS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss	44,559	44,668	7	–
Recognised in profit or loss	44,559	44,668	7	–
Capitalised on qualifying assets:				
- Service concession assets	8,244	–	–	–
	52,803	44,668	7	–

NOTES TO THE FINANCIAL STATEMENTS

29. TAXATION

Recognised in profit or loss

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Income tax expense				
Current year	5,073	2,825	515	337
(Over)/Under provision in prior years	(287)	(591)	9	436
	4,786	2,234	524	773
Deferred tax expense (Note 11)				
Current year	7,538	(6,677)	–	–
(Over)/Under provision in prior years	(215)	2,838	–	–
	7,323	(3,839)	–	–
Total tax expense	12,109	(1,605)	524	773
Reconciliation of tax expense				
(Loss)/Profit before tax	(388,042)	(119,377)	1,910	946
Income tax calculated using Malaysian tax rate of 24% (2017: 24%)	(93,130)	(28,650)	458	227
Non-deductible expenses	51,904	2,167	62	148
Non-taxable income	(13,293)	(2,339)	(5)	(38)
Effect of share of associates' loss	51,371	32,932	–	–
Effect of tax rates in different jurisdiction	394	–	–	–
Effect of tax losses incurred in tax exempt jurisdiction	9,824	135	–	–
Recognition of previously unrecognised temporary differences	–	(8,233)	–	–
Effect of deferred tax assets not recognised	5,526	22	–	–
Other items	15	114	–	–
(Over)/Under provision in prior years	(502)	2,247	9	436
	12,109	(1,605)	524	773

NOTES TO THE FINANCIAL STATEMENTS

30. LOSS PER ORDINARY SHARE

Basic and diluted loss per ordinary share

The calculation of basic and diluted loss per ordinary share at 31 December 2018 was based on the loss attributable to ordinary shareholders over weighted average number of ordinary shares outstanding as at 31 December, as follows:

Loss attributable to ordinary shareholders:

	Group	
	2018	**2017**
	RM'000	**RM'000**
Loss for the year attributable to owners of the Company	(393,673)	(119,831)

	Group	
	2018	**2017**
	RM'000	**RM'000**
Basic loss per ordinary shares		
Weighted average number of ordinary shares at 31 December	589,914	551,600
Basic and diluted loss per ordinary share (sen)	(66.73)	(21.72)

The share option of 21,647,000 units (2017: 23,889,000 units) could potentially dilute the earning per share when it is exercised. However, they are anti-dilutive for the periods presented.

31. OPERATING SEGMENTS

Segment information

The Group has four reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group Managing Director & Chief Executive Officer reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

(a) Construction contracts - undertaking engineering, constructions works and equipment procurement;
(b) Property - the development of residential and commercial properties plus rental;
(c) Power - sale of power energy and facilities management; and
(d) Trading and manufacturing - trading in construction materials and manufacturing of construction related products.

31. OPERATING SEGMENTS (CONTINUED)

The management monitors the operating results of its business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain aspects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments have been entered into in normal course of business and have been established on mutually agreed terms and conditions.

Segment assets

The total of segment asset is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the Group Managing Director & Chief Executive Officer. Segment total asset is used to measure the return on assets of each segment.

Segment liabilities

Segment liabilities information is based on the liabilities of a segment as included in the internal management reports that are reviewed by the Group Managing Director & Chief Executive Officer.

Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment and intangible assets.

NOTES TO THE FINANCIAL STATEMENTS

31. OPERATING SEGMENTS (CONTINUED)

2018	Construction contracts RM'000	Property RM'000	Power RM'000	Trading, manu-facturing and others RM'000	Adjust-ments and eliminations RM'000	Note	Per consolidated financial statements RM'000
Revenue:							
External customers	390,948	20,315	298,426	50,362	–		760,051
Inter-segment	247,566	17,898	476	28,253	(294,193)	(i)	–
Total revenue	638,514	38,213	298,902	78,615	(294,193)		760,051
Results:							
Included in the measure of segment profit/(loss) are:							
Interest income	6,728	67	2,641	4,762	(2,935)		11,264
Finance costs	(24,190)	(362)	(3,227)	(17,064)	284		(44,559)
Depreciation of property, plant and equipment	(9,278)	(371)	(23)	(2,315)	–		(11,987)
Share of loss of associates	295	–	(214,339)	–	–		(214,044)
(Loss)/Profit after tax	(23,907)	2,111	(339,647)	(9,461)	(29,347)	(ii)	(400,151)
Assets:							
Included in the measure of segment assets are:							
Investment in associates	4,210	–	67,245	–	–		71,455
Additions to non-current assets	3,907	276	254,569	2,688	–	(iii)	261,440
Segment assets	886,803	229,656	475,031	731,931	(726,141)	(iv)	1,597,280
Segment liabilities	838,199	116,657	445,759	332,117	(379,966)	(v)	1,352,766

NOTES TO THE FINANCIAL STATEMENTS

31. OPERATING SEGMENTS (CONTINUED)

2017	Construction contracts RM'000	Property RM'000	Power RM'000	Trading, manu-facturing and others RM'000	Adjust-ments and eliminations RM'000	Note	Per consolidated financial statements RM'000
Revenue:							
External customers	437,151	16,845	21,145	71,319	–		546,460
Inter-segment	–	1,466	–	15,642	(17,108)	(i)	–
Total revenue	437,151	18,311	21,145	86,961	(17,108)		546,460
Results:							
Included in the measure of segment profit/(loss) are:							
Interest income	3,975	106	3,607	3,887	(61)		11,514
Finance costs	(24,381)	(32)	(2,222)	(18,094)	61		(44,668)
Depreciation of property, plant and equipment	(9,634)	(1,399)	–	(1,320)	–		(12,353)
Share of loss of associates	(99)	(56)	(137,063)	–	–		(137,218)
Profit/(Loss) after tax	21,919	6,723	(131,028)	(14,967)	(419)	(ii)	(117,772)
Assets:							
Included in the measure of segment assets are:							
Investment in associates	3,915	–	423,814	–	–		427,729
Additions to non-current assets	11,662	682	9,543	7,087	–	(iii)	28,974
Segment assets	1,743,945	239,573	189,223	720,182	(1,047,266)	(iv)	1,845,657
Segment liabilities	878,296	95,247	179,918	286,588	(240,026)	(v)	1,200,023

NOTES TO THE FINANCIAL STATEMENTS

31. OPERATING SEGMENTS (CONTINUED)

(i) Inter-segment revenues are eliminated on consolidation.

(ii) The following items are deducted from segment profit to arrive at (Loss)/Profit before tax presented in the consolidated statement of profit or loss and other comprehensive income:

	Group	
	2018 RM'000	2017 RM'000
Loss from inter-segment	(29,347)	(419)

(iii) Additions to non-current assets consist of property, plant and equipment (Note 3), investment properties (Note 4) and service concession assets (Note 6).

(iv) The following items are deducted from segment assets to arrive at total assets reported in the consolidated statement of financial position:

	Group	
	2018 RM'000	2017 RM'000
Inter-segment assets	(726,141)	(1,047,266)

(v) The following items are deducted from segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	Group	
	2018 RM'000	2017 RM'000
Unallocated liabilities	(379,966)	(240,026)

31. OPERATING SEGMENTS (CONTINUED)

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers. Segment assets are based on the geographical location of the assets. The amounts of non-current assets do not include financial instruments (including investments in associates) and deferred tax assets.

Company	Total revenue from external customers 2018 RM'000	2017 RM'000	Segment assets 2018 RM'000	2017 RM'000	Additions to non-current assets 2018 RM'000	2017 RM'000
Malaysia	760,051	540,629	431,697	189,074	261,440	28,974
India	–	5,831	–	–	–	–
Consolidated	760,051	546,460	431,697	189,074	261,440	28,974

Major customers

Approximately 53% (2017: 76%) of total revenue during the year is mainly contributed from four (4) (2017: three (3)) customers.

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL INSTRUMENTS

32.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Fair value through profit or loss ("FVTPL") - Mandatorily required by MFRS 9; and
(b) Amortised cost ("AC")

31.12.2018	Carrying amount RM'000	AC RM'000	Mandatorily at FVTPL RM'000
Financial assets			
Group			
Other investments	964	–	964
Trade and other receivables	292,824	292,824	–
Cash and cash equivalents	330,722	330,722	–
Derivatives financial assets	7,002	–	7,002
	631,512	623,546	7,966
Company			
Trade and other receivables	89,406	89,406	–
Cash and cash equivalents	311	311	–
	89,717	89,717	–
Financial liabilities			
Group			
Trade and other payables	403,560	403,560	–
Refundable deposits	1,717	1,717	–
Loans and borrowings	893,040	893,040	–
	1,298,317	1,298,317	–
Company			
Trade and other payables	14,863	14,863	–
Loans and borrowings	412	412	–
	15,275	15,275	–

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.1 Categories of financial instruments (Continued)

31.12.2017	Carrying amount RM'000	AC RM'000	Mandatorily at FVTPL RM'000
Financial assets			
Group			
Other investments	542	–	542
Trade and other receivables	230,115	230,115	–
Cash and cash equivalents	456,853	456,853	–
	687,510	686,968	542
Company			
Trade and other receivables	87,988	87,988	–
Cash and cash equivalents	405	405	–
	88,393	88,393	–
Financial liabilities			
Group			
Trade and other payables	352,110	352,110	–
Refundable deposits	2,219	2,219	–
Loans and borrowings	752,554	752,554	–
Derivatives financial liabilities	12,323	–	12,323
	1,119,206	1,106,883	12,323
Company			
Trade and other payables	14,243	14,243	–

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.1 Categories of financial instruments (Continued)

1.1.2017	Carrying amount RM'000	AC RM'000	Mandatorily at FVTPL RM'000
Financial assets			
Group			
Other investments	816	–	816
Trade and other receivables	378,613	378,613	–
Cash and cash equivalents	328,120	328,120	–
	707,549	706,733	816
Company			
Trade and other receivables	25,415	25,415	–
Cash and cash equivalents	35	35	–
	25,450	25,450	–
Financial liabilities			
Group			
Trade and other payables	491,507	491,507	–
Refundable deposits	2,039	2,039	–
Loans and borrowings	816,672	816,672	–
	1,310,218	1,310,218	–
Company			
Trade and other payables	13,321	13,321	–

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.2 Net gains and losses arising from financial instruments

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Net gains/(losses) on				
Financial assets at fair value through profit or loss:				
- Mandatorily required by MFRS 9	7,389	–	–	–
Financial liabilities at fair value through profit or loss:				
- Mandatorily required by MFRS 9	–	(12,323)	–	–
Financial assets at amortised cost	(34,051)	14,000	7	60
Financial liabilities at amortised cost	(47,436)	(44,668)	(7)	–
Net (losses)/gains	(74,098)	(42,991)	–	60
Net gains/(losses) on impairment of financial instruments and contract assets:				
Financial assets at amortised costs	(39,771)	(5,701)	–	–
Contract assets	7,272	(7,628)	–	–
	(32,499)	(13,329)	–	–

32.3 Financial risk management

The Group and the Company have exposure to the following risks from its financial instruments:

- Credit risk
- Liquidity risk
- Market risk

32.4 Credit risk

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from the individual characteristics of each customer and cash and cash equivalents. The Company's exposure to credit risk arises principally from amount due from subsidiaries, financial guarantee given to banks for credit facilities granted to subsidiaries and cash and cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.4 Credit risk (Continued)

Trade receivables and contract assets

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

At each reporting date, the Group assesses whether any of the trade receivables and contract assets are credit impaired.

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

There are no significant changes as compared to previous years.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables and contract assets are represented by the carrying amounts in the statement of financial position.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk arising from the financial assets is the carrying amount of each class of financial assets as recognised in the statements of financial position. A significant portion of these receivables are regular customers that have been transacting with the Group.

Concentration of credit risk

At the end of the reporting period, approximately 84% (31.12.2017: 86%, 1.1.2017: 87%) of the Group's trade receivables were due from 4 (31.12.2017: 5, 1.1.2017: 5) major customers.

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.4 Credit risk (Continued)

Trade receivables and contract assets (Continued)

Concentration of credit risk (Continued)

The exposure of credit risk for trade receivables and contract assets as at the end of the reporting period by industry sector and geographic region were:

Group	31.12.2018 RM'000	31.12.2018 % of total	31.12.2017 RM'000	31.12.2017 % of total	1.1.2017 RM'000	1.1.2017 % of total
By industry sector:						
Construction	255,513	89	282,286	92	508,435	93
Property development	11,574	4	6,021	2	8,665	1
Power	5,048	2	896	1	835	1
Manufacturing, trading and others	15,220	5	16,632	5	27,119	5
	287,355	100	305,835	100	545,054	100
By geographical:						
Malaysia	179,896	63	161,231	53	375,502	69
India	107,459	37	144,604	47	169,552	31
	287,355	100	305,835	100	545,054	100

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.4 Credit risk (Continued)

Trade receivables and contract assets (Continued)

Recognition and measurement of impairment losses

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. The Group assessed the risk of loss of each customer individually based on their financial information, past trend of payments, letter of undertaking from banks and external credit ratings, where applicable.

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets which are grouped together as they are expected to have similar risk nature.

Group	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
31.12.2018			
Current (not past due)	144,827	(356)	144,471
1-30 days past due	6,986	–	6,986
31-60 days past due	4,116	–	4,116
61-90 days past due	7,746	–	7,746
91-120 days past due	12,569	–	12,569
More than 120 days past due	156,352	(44,885)	111,467
	332,596	(45,241)	287,355
Trade receivables	260,271	(44,885)	215,386
Contract assets	72,325	(356)	71,969
	332,596	(45,241)	287,355

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.4 Credit risk (Continued)

Trade receivables and contract assets (Continued)

Recognition and measurement of impairment losses (Continued)

Group	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
31.12.2017			
Current (not past due)	207,700	(7,628)	200,072
1-30 days past due	44,183	–	44,183
31-60 days past due	2,972	–	2,972
61-90 days past due	4,878	–	4,878
91-120 days past due	8	–	8
More than 120 days past due	58,279	(4,557)	53,722
	318,020	(12,185)	305,835
Trade receivables	180,080	(4,557)	175,523
Contract assets	137,940	(7,628)	130,312
	318,020	(12,185)	305,835

Group	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
1.1.2017			
Current (not past due)	366,034	–	366,034
1-30 days past due	11,106	–	11,106
31-60 days past due	2,567	–	2,567
61-90 days past due	337	–	337
91-120 days past due	104	–	104
More than 120 days past due	192,556	(27,650)	164,906
	572,704	(27,650)	545,054
Trade receivables	293,562	(27,650)	265,912
Contract assets	279,142	–	279,142
	572,704	(27,650)	545,054

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.4 Credit risk (Continued)

Trade receivables and contract assets (Continued)

Recognition and measurement of impairment losses (Continued)

There are trade receivables that are past due but not impaired where the Group has not recognised any loss allowance. Based on past trend, these receivables are collected within the next 12 months subsequent to the immediate financial year end. These receivables are unsecured in nature.

The movements in the allowance for impairment in respect of trade receivables and contract assets during the year are shown below.

Credit impaired	Trade receivables RM'000	Contract assets RM'000	Total RM'000
Balance at 1 January 2017	27,650	–	27,650
Write off during the year	(27,650)	–	(27,650)
Net measurement of loss allowance	4,557	7,628	12,185
Balance at 31 December 2017/1 January 2018	4,557	7,628	12,185
Net measurement of loss allowance	40,328	(7,272)	33,056
Balance at 31 December 2018	44,885	356	45,241

As at 31 December 2018, RM25,000,000 were recovered via legal enforcement activities.

Cash and cash equivalents

The cash and cash equivalent are held with banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

These banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.4 Credit risk (Continued)

Other receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

At each reporting date, the Group assesses whether any of the other receivables are credit impaired.

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

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk are represented by their carrying amounts in the statement of financial position.

Recognition and measurement of impairment losses

As there are only a few other receivables, the Group assessed the risk of loss of each other receivables individually based on past trend of payment.

The other receivables also consist of deposits paid for fixtures rented. These deposits will be received at the end of each lease terms. The Group manages the credit risk together with the leasing arrangement.

The movements in the allowance for impairment loss during the financial year were:

	2018 RM'000	2017 RM'000
At beginning of year	3,211	7,388
Write off during the year	–	(4,311)
Reversal of impairment loss recognised	(557)	134
At end of year	2,654	3,211

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.4 Credit risk (Continued)

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks, customers and payables as performance bonds, bid bonds, security deposits or in respect of guarantee for banking facilities granted to certain subsidiaries and associates.

Exposure to credit risk, credit quality and collateral

The Company's maximum exposure to credit risk arising from financial guarantees amounted to RM328,660,000 (31.12.2017: RM363,197,000, 1.1.2017:RM236,649,000).

The financial guarantees are provided as credit enhancements to banks, customers and payables.

Recognition and measurement of impairment loss

The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. The Company considers a financial guarantee to be credit impaired when:

- The subsidiary is unlikely to repay its credit obligation to the bank in full; or
- The subsidiary is continuously loss making and is having a deficit shareholders' fund.

The Company determines the probability of default of the debts individually using internal information available.

As at the end of the reporting period, the Company did not recognise any allowance for impairment losses on financial guarantees.

Inter-company loans and advances

Risk management objectives, policies and processes for managing the risk

The Group provides advances to associates. The Group monitors the ability of the associates to repay the advances on an individual basis. The Company provides unsecured advances to subsidiaries. The Company monitors the ability of the subsidiaries to repay the advances on an individual basis.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Advances provided are not secured by any collateral or supported by any other credit enhancements.

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.4 Credit risk (Continued)

Inter-company loans and advances (Continued)

Recognition and measurement of impairment loss

Generally, the Group and the Company considers advances to associates or subsidiaries have low credit risk. The Group and the Company assume that there is a significant increase in credit risk when an associate or subsidiary's financial position deteriorates significantly. The Group and the Company considers advances to an associates or subsidiary to be credit impaired when:

- The associate or the subsidiary is unlikely to repay its advance to the Company in full; or
- The associate or the subsidiary is continuously loss making and is having a deficit shareholders' fund.

As at the end of the reporting period, the Group and the Company do not recognise any allowance for impairment losses.

32.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, refundable deposits and loans and borrowings. The Company's exposure to liquidity risk arises principally from its various payables.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash terms included in the maturity analysis occur significantly earlier or at significant different amounts.

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.5 Liquidity risk (Continued)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

Group	Carrying amount RM'000	Contractual interest rate	Contractual cash flows RM'000	Under 1 year RM'000	1-5 years RM'000	More than 5 years RM'000
31.12.2018						
Non-derivative financial liabilities						
Trade and other payables	403,560	–	403,560	403,560	–	–
Refundable deposits	1,717	–	1,717	–	1,717	–
Revolving credits	125,860	5.11% - 5.96%	126,335	126,335	–	–
Finance lease liabilities	8,523	4.38% - 5.26%	8,938	5,097	3,841	–
Term loans	239,196	4.92% - 6.05%	266,669	17,766	242,856	6,047
IMTN	67,500	4.8%	69,133	69,133	–	–
EMTN	248,298	7.0%	265,536	265,536	–	–
Invoice financing	13,663	4.96% - 5.55%	13,676	13,676	–	–
Green SRI Sukuk Wakalah	190,000	4.96% - 6.35%	282,933	10,638	82,922	189,373
	1,298,317		1,438,497	911,741	331,336	195,420
Derivative financial liabilities						
Cross currency interest rate swap (gross settled):						
Outflow	–		(200,402)	(200,402)	–	–
Inflow	7,002		207,404	207,404	–	–
	7,002		7,002	7,002	–	–

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.5 Liquidity risk (Continued)

Maturity analysis (Continued)

Group	Carrying amount RM'000	Contractual interest rate	Contractual cash flows RM'000	Under 1 year RM'000	1-5 years RM'000	More than 5 years RM'000
31.12.2017						
Non-derivative financial liabilities						
Trade and other payables	352,110	–	352,110	352,110	–	–
Refundable deposits	2,219	–	2,219	–	2,219	–
Revolving credits	138,000	4.60% - 5.51%	138,668	138,668	–	–
Finance lease liabilities	8,882	4.38% - 5.26%	9,721	3,743	5,978	–
Term loans	241,732	4.92% - 5.78%	247,275	209,873	26,359	11,043
IMTN	120,000	4.8%	131,520	5,760	125,760	–
EMTN	243,940	7%	278,092	17,076	261,016	–
	1,106,883		1,159,605	727,230	421,332	11,043
Derivative financial liabilities						
Cross currency interest rate swap (gross settled):						
Outflow	(12,323)	–	(215,753)	(215,753)	–	–
Inflow	–	–	203,430	203,430	–	–
	(12,323)		(12,323)	(12,323)	–	–

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.5 Liquidity risk (Continued)

Maturity analysis (Continued)

Group	Carrying amount RM'000	Contractual interest rate	Contractual cash flows RM'000	Under 1 year RM'000	1-5 years RM'000	More than 5 years RM'000
1.1.2017						
Non-derivative financial liabilities						
Bank overdrafts	7,808	7.06%	7,808	7,808	–	–
Trade and other payables	491,507	–	491,507	491,507	–	–
Refundable deposits	2,039	–	2,039	–	2,039	–
Revolving credits	138,000	4.41% - 6.14%	138,583	138,583	–	–
Finance lease liabilities	628	4.38% - 5.26%	677	232	445	–
Term loans	40,926	5.78%	43,362	6,424	25,696	11,242
IMTN	360,000	4.6% - 4.8%	377,720	246,200	131,520	–
EMTN	269,310	7.0%	325,865	18,852	307,013	–
	1,310,218		1,387,561	909,606	466,713	11,242

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.5 Liquidity risk (Continued)

Maturity analysis (Continued)

Company	Carrying amount RM'000	Contractual interest rate	Contractual cash flows RM'000	Under 1 year RM'000	1-5 years RM'000	More than 5 years RM'000
31.12.2018						
Non-derivative financial liabilities						
Trade and other payables	14,863	–	14,863	14,863	–	–
Finance lease liabilities	412	4.38%	437	164	273	–
Financial guarantee	–	–	328,660	53,286	247,442	27,932
	15,275		343,960	68,313	247,715	27,932
31.12.2017						
Non-derivative financial liabilities						
Trade and other payables	14,243	–	14,243	14,243	–	–
Financial guarantee	–	–	394,754	100,631	294,123	–
	14,243		408,997	114,874	294,123	–
1.1.2017						
Non-derivative financial liabilities						
Trade and other payables	13,321	–	13,321	13,321	–	–
Financial guarantee	–	–	236,649	112,675	123,974	–
	13,321		249,970	125,996	123,974	–

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect the Group's financial position or cash flows.

32.6.1 Currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily Ringgit Malaysia ("RM"), United States Dollar ("US Dollar") and Indian Rupee ("INR"). The foreign currencies in which these transactions are denominated are mainly Indian Rupee ("INR"), Renminbi ("RMB"), Brunei Dollar ("BND"), United State Dollar ("USD") and Australian Dollar ("AUD").

Risk management objectives, policies and processes for managing the risk

As at the reporting date, the Group entered into cross currency interest rate contract to manage the foreign currency exposures arising from the Group's term loan denominated in currencies other than the functional currency of the Group entities.

Exposure of foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period are as follows:

Group			***Denominated in***			
	INR **RM'000**	***RMB*** **RM'000**	***BND*** **RM'000**	***USD*** **RM'000**	***AUD*** **RM'000**	***Total*** **RM'000**
31.12.2018						
Balances recognised in the statements of financial position						
Cash and bank balances	409	–	–	46	–	455
Trade and other payables	–	(7)	–	(41,019)	–	(41,026)
Borrowings	–	–	–	(206,915)	–	(206,915)
	409	(7)	–	(247,888)	–	(247,486)
Forecast transactions						
Cross currency interest rate swaps	–	–	–	199,750	–	199,750
Net exposure	409	(7)	–	(48,138)	–	(47,736)

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.6 Market risk (continued)

32.6.1 Currency risk (continued)

Group	INR RM'000	RMB RM'000	*Denominated in* BND RM'000	USD RM'000	AUD RM'000	Total RM'000
31.12.2017						
Balances recognised in the statements of financial position						
Trade and other receivables	–	15	21	–	–	36
Cash and bank balances	663	53	4	–	–	720
Trade and other payables	–	(108)	–	–	–	(108)
Borrowings	–	–	–	(203,283)	–	(203,283)
	663	(40)	25	(203,283)	–	(202,635)
Forecast transactions						
Cross currency interest rate swaps	–	–	–	214,950	–	214,950
Net exposure	663	(40)	25	11,667	–	12,315
1.1.2017						
Trade and other receivables	–	16	36	–	–	52
Cash and bank balances	254	142	242	–	65	703
Trade and other payables	–	(116)	(1)	–	–	(117)
Net exposure	254	42	277	–	65	638

The Group has overseas operations and is exposed to currency risk as a result of the foreign currency transactions entered into by companies in currencies other than their functional currencies.

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32. FINANCIAL INSTRUMENTS (CONTINUED)

32.6 Market risk (Continued)

32.6.1 Currency risk (Continued)

Currency risk sensitivity analysis

A 3% (2017: 3%) strengthening of the Ringgit Malaysia against the following currencies at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

Group profit or loss	2018 RM'000	2017 RM'000
INR	(9)	(15)
RMB	–	1
BND	–	(1)
USD	1,098	(266)
AUD	–	–

A 3% (2017: 3%) weakening of Ringgit Malaysia against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

32.6.2 Interest rate risk

The Group's fixed rate borrowing is exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investment in financial assets, short-term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate loans and borrowings. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes.

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.6 Market risk (Continued)

32.6.2 Interest rate risk (Continued)

Exposure to interest rate risk

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period are as follows:

	Group		
	31.12.2018 RM'000	**31.12.2017 RM'000**	**1.1.2017 RM'000**
Fixed rate instruments			
Amount due from associates	21,291	20,999	23,182
Euro Medium Term Notes ("EMTN")	(248,298)	(243,940)	(269,310)
Islamic Medium Term Notes ("IMTN")	(67,500)	(120,000)	(360,000)
Finance leases liabilities	(8,523)	(8,882)	(628)
Green SRI Sukuk Wakalah	(190,000)	–	–
Deposits with financial institutions	220,341	217,206	13,533
	(272,689)	(134,617)	(593,223)
Floating rate instruments			
Deposits with financial institutions	66,952	158,519	14,569
Term loans	(239,196)	(241,732)	(40,926)
Revolving credits	(125,860)	(138,000)	(138,000)
Bank overdrafts	–	–	(7,808)
Invoice financing	(13,663)	–	–
	(311,767)	(221,213)	(172,165)

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.6 Market risk (Continued)

32.6.2 Interest rate risk (Continued)

Interest rate risk sensitivity analysis

(a) Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

(b) Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points (bp) in interest rates at the end of the reporting period would have increased/(decreased) post-tax profit or loss by amounts shown below. The analysis assumes that all other variables, in particular foreign currency rate, remained constant.

	Profit or loss	
Group	**100 bp increase RM'000**	**100 bp decrease RM'000**
31.12.2018		
Floating rate instruments	(2,369)	2,369
Cross currency interest rate swap	1,518	(1,518)
Cash flow sensitivity (net)	(851)	851
31.12.2017		
Floating rate instruments	(1,681)	1,681
Cross currency interest rate swap	1,634	(1,634)
Cash flow sensitivity (net)	(47)	(47)
1.1.2017		
Floating rate instruments	(1,308)	1,308

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.7 Fair value information

The carrying amounts of cash and cash equivalents, short-term receivables and payables reasonably approximate fair values due to the relatively short-term nature of these financial instruments.

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted market prices in an active market and the fair value cannot be reliably measured.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments not carried at fair value				**Total fair value**	**Carrying amount**
Group	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**	**RM'000**	**RM'000**
31.12.2018						
Financial liabilities						
Refundable deposits	–	–	1,622	1,622	1,622	1,717
Finance lease liabilities	–	–	8,938	8,938	8,938	8,523
Term loans	–	–	239,196	239,196	239,196	239,196
Cross currency interest rate swaps	–	7,002	–	7,002	7,002	7,002
Green SRI Sukuk Wakalah	–	–	194,530	194,530	194,530	190,000
	–	7,002	444,286	451,288	451,288	446,438

	Fair value of financial instruments not carried at fair value				**Total fair value**	**Carrying amount**
Group	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**	**RM'000**	**RM'000**
31.12.2017						
Financial liabilities						
Refundable deposits	–	–	2,094	2,094	2,094	2,219
Finance lease liabilities	–	–	9,721	9,721	9,721	8,882
Term loans	–	–	241,732	241,732	241,732	241,732
Islamic Medium Term Notes ("IMTN")	–	–	119,748	119,748	119,748	120,000
Euro Medium Term Notes ("EMTN")	–	–	243,428	243,428	243,428	243,940
Cross currency interest rate swaps	–	12,323	–	12,323	12,323	12,323
	–	12,323	616,723	629,046	629,046	629,096

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.7 Fair value information (Continued)

Group	Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	RM'000	RM'000
1.1.2017						
Financial liabilities						
Refundable deposits	–	–	1,923	1,923	1,923	2,039
Finance lease liabilities	–	–	677	677	677	628
Term loans	–	–	40,926	40,926	40,926	40,926
Islamic Medium Term Notes ("IMTN")	–	–	357,889	357,889	357,889	360,000
Euro Medium Term Notes ("EMTN")	–	–	267,731	267,731	267,731	269,310
	–	–	669,146	669,146	669,146	672,903

Policy on transfer between levels

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

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

The fair value of derivatives are obtained from observable market prices in active markets, including recent market transactions and valuation techniques that include discounted cash flow models and option pricing models, as appropriate.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the financial year (2017: no transfer in either directions).

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models.

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.7 Fair value information (Continued)

Level 3 fair value (Continued)

Type	Description of valuation technique and inputs used	Discount rate
31.12.2018		
Refundable deposits, finance lease liabilities, term loans, Green SRI Sukuk Wakalah	Discounted cash flow using a rate based on the indicative current market rate of borrowing of the Group entities at the reporting date	4.92% - 6.35%
31.12.2017		
Refundable deposits, finance lease liabilities, term loans, IMTN, EMTN	Discounted cash flow using a rate based on the indicative current market rate of borrowing of the Group entities at the reporting date	Ranging from 4.8% - 7.0%
1.1.2017		
Refundable deposits, finance lease liabilities, term loans, IMTN, EMTN	Discounted cash flow using a rate based on the indicative current market rate of borrowing of the Group entities at the reporting date	Ranging from 4.8% - 7.0%

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

32.8 Master netting or similar agreements

The Group enters into derivative transactions under International Swaps and Derivatives Association ("ISDA") master netting agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. In certain circumstances – e.g. when a credit event such as a default occurs, all outstanding agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.8 Master netting or similar agreements (Continued)

The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements.

Group	Carrying amounts of financial instruments in the statement of financial position RM'000	Related financial instruments that are not offset RM'000	Net amount RM'000
31.12.2018			
Derivative financial assets			
Cross currency interest rate swap held for trading at FVTPL	7,002	–	7,002
31.12.2017			
Derivative financial liabilities			
Cross currency interest rate swap held for trading at FVTPL	12,323	–	12,323
1.1.2017			
Derivative financial liabilities			
Cross currency interest rate swap held for trading at FVTPL	–	–	–

33. OPERATING LEASES

Operating lease commitments - As lessee

The Group leases a number of land under operating lease for 21-23 years lease period, with an option to renew after that date. The lease payment is increased every 4-5 years.

Non-cancellable operating lease rentals are payable as follows:

	Group 31.12.2018 RM'000	Group 31.12.2017 RM'000	Group 1.1.2017 RM'000
Within 1 year	3,333	786	600
Between 1 year to 5 years	17,890	4,048	3,600
More than 5 years	59,617	10,780	10,530
	80,840	15,614	14,730

NOTES TO THE FINANCIAL STATEMENTS

33. OPERATING LEASES (CONTINUED)

Operating lease commitments - As lessor

The Group has entered into commercial property leases on its investment property. These non-cancellable leases have remaining lease terms between two and three years.

Future minimum rentals receivable under non-cancellable operating leases at the reporting date are as follows:

	Group		
	31.12.2018 RM'000	**31.12.2017 RM'000**	**1.1.2017 RM'000**
Within 1 year	4,274	4,538	5,077
Between 1 year to 5 years	8,004	1,139	4,467
More than 5 years	–	–	69
	12,278	5,677	9,613

34. CAPITAL MANAGEMENT

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

The Group manages its capital structure and make adjustments to it, in light of changes in economic conditions or expansion plans of the Group. The Group may adjust the capital structure by issuing new shares, returning capital to shareholders or adjusting dividend payment policies.

There are no externally imposed capital requirements.

35. RELATED PARTIES

Identity of related parties

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

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly and entity that provide key management personnel services to the Group. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

The Group has related party relationship with its subsidiaries, associates and key management personnel.

NOTES TO THE FINANCIAL STATEMENTS

35. RELATED PARTIES (CONTINUED)

Significant related party transactions

The related party transactions of the Group and the Company, other than key management personnel compensation (see Note 27), are as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Subsidiaries				
Corporate guarantee fee	–	–	4,617	3,388
Associates				
Sales	–	5,831	–	–
Interest income	2,584	2,469	–	–
Dividend income	1,075	902	–	–
Secondment fee	548	617	–	–
Project management fee	2,528	1,117	–	–
Corporate guarantee fee	250	353	–	–
Advance to an associate	(2,833)	(4,072)	–	–
Repayment to an associate	(1,742)	(321)	–	–

Balances with related parties at the reporting date are disclosed in Note 12 and Note 21 to the financial statements.

These transactions have been entered into on a negotiated term basis.

36. SUBSEQUENT EVENT

The Group has received a letter of notification from R.K.M. Powergen Private Limited ("RKM") informing that its Unit 4 of the power plant has achieved commercial operation dates ("COD") on 20 March 2019.

37. EXPLANATION OF TRANSITION TO MFRSs

As stated in Note 1(a), these are the first financial statements of the Group and of the Company prepared in accordance with MFRSs.

The accounting policies set out in Note 2 have been applied in preparing the financial statements of the Company for the financial year ended 31 December 2018, the comparative information presented in these financial statements for the financial year ended 31 December 2017 and in the preparation of the opening MFRS statement of financial position at 1 January 2017 (the Group's date of transition to MFRSs).

The transition to MFRSs does not have financial impact to the separate financial statements of the Company.

In preparing the opening consolidated statement of financial position at 1 January 2017, the Group has adjusted amounts reported previously in financial statements prepared in accordance with previous FRSs. An explanation of how the transition from previous FRSs to MFRSs has affected the Group's financial position, financial performance and cash flows is set out as follows:

37. EXPLANATION OF TRANSITION TO MFRSs (CONTINUED)

37.1 Reconciliation of statement of financial position

Group	Note	31.12.2017 FRSs RM'000	31.12.2017 Effect of transition to MFRSs RM'000	31.12.2017 MFRSs RM'000	1.1.2017 FRSs RM'000	1.1.2017 Effect of transition to MFRSs RM'000	1.1.2017 MFRSs RM'000
Assets							
Property, plant and equipment		48,018	–	48,018	43,689	–	43,689
Investment properties		50,935	–	50,935	49,116	–	49,116
Intangible asset		10,533	–	10,533	11,153	–	11,153
Service concession assets		74,839	–	74,839	69,483	–	69,483
Investments in associates		427,729	–	427,729	561,810	–	561,810
Other investments		5,291	(4,749)	542	816	–	816
Deferred tax assets		7,633	–	7,633	493	–	493
Trade and other receivables		–	4,749	4,749	–	–	–
Total non-current assets		624,978	–	624,978	736,560	–	736,560
Inventories		45,257	56,547	101,804	41,718	40,334	82,052
Property development costs		55,625	(55,625)	–	39,235	(39,235)	–
Other current assets		334,023	(130,100)	203,923	485,121	(281,545)	203,576
Contract assets		–	130,312	130,312	–	279,142	279,142
Contract costs		–	103	103	–	104	104
Trade and other receivables		312,662	(2,917)	309,745	402,715	(3,403)	399,312
Tax recoverable		17,939	–	17,939	15,973	–	15,973
Cash and cash equivalents		456,853	–	456,853	328,120	–	328,120
Total current assets		1,222,359	(1,680)	1,220,679	1,312,882	(4,603)	1,308,279
Total assets		1,847,337	(1,680)	1,845,657	2,049,442	(4,603)	2,044,839

37. EXPLANATION OF TRANSITION TO MFRSs (CONTINUED)

37.1 Reconciliation of statement of financial position (Continued)

		31.12.2017			1.1.2017		
	Note	FRSs RM'000	Effect of transition to MFRSs RM'000	MFRSs RM'000	FRSs RM'000	Effect of transition to MFRSs RM'000	MFRSs RM'000
Equity							
Share capital		393,172	–	393,172	110,483	–	110,483
Share premium		–	–	–	221,739	–	221,739
Treasury shares		(35,227)	–	(35,227)	(34,688)	–	(34,688)
Capital reserve		4,900	(4,900)	–	4,900	(4,900)	–
Employees' share option reserve		9,574	–	9,574	8,535	–	8,535
Foreign currency translation reserve		(13,773)	243	(13,530)	(13,955)	–	(13,955)
Retained earnings		306,139	(49,806)	256,333	430,291	(53,876)	376,415
Equity attributable to owners of the Company		664,785	(54,463)	610,322	727,305	(58,776)	668,529
Non-controlling interests		(15,865)	51,177	35,312	(18,181)	52,226	34,045
Total equity		648,920	(3,286)	645,634	709,124	(6,550)	702,574
Liabilities							
Loans and borrowings		401,662	–	401,662	424,596	–	424,596
Refundable deposits		2,219	–	2,219	2,039	–	2,039
Deferred income		5,659	–	5,659	–	–	–
Deferred tax liabilities		5,525	–	5,525	2,224	–	2,224
Total non-current liabilities		415,065	–	415,065	428,859	–	428,859

37. EXPLANATION OF TRANSITION TO MFRSs (CONTINUED)

37.1 Reconciliation of statement of financial position (Continued)

	Note	31.12.2017 FRSs RM'000	31.12.2017 Effect of transition to MFRSs RM'000	31.12.2017 MFRSs RM'000	1.1.2017 FRSs RM'000	1.1.2017 Effect of transition to MFRSs RM'000	1.1.2017 MFRSs RM'000
Liabilities (Continued)							
Loans and borrowings		350,892	–	350,892	392,076	–	392,076
Trade and other payables		351,247	1,368	352,615	500,974	1,429	502,403
Amount due to contract customers		68,818	(68,818)	–	17,945	(17,945)	–
Contract liabilities		–	69,056	69,056	–	18,463	18,463
Tax liabilities		72	–	72	464	–	464
Derivative financial liabilities		12,323	–	12,323	–	–	–
Total current liabilities		783,352	1,606	784,958	911,459	1,947	913,406
Total liabilities		1,198,417	1,606	1,200,023	1,340,318	1,947	1,342,265
Total equity and liabilities		1,847,337	(1,680)	1,845,657	2,049,442	(4,603)	2,044,839

NOTES TO THE FINANCIAL STATEMENTS

37. EXPLANATION OF TRANSITION TO MFRSs (CONTINUED)

37.2 Reconciliation of statement of profit or loss and other comprehensive income for the year ended 31 December 2017

	FRSs RM'000	Effect of transition to MFRSs RM'000	MFRSs RM'000
Revenue	545,380	1,080	546,460
Cost of sales	(434,424)	(1,310)	(435,734)
Gross profit	110,956	(230)	110,726
Other income	29,958	1,119	31,077
Impairment loss of financial instruments and other assets	(14,473)	14,473	–
Impairment loss of financial instruments and contract assets	–	(13,329)	(13,329)
Administrative expenses	(66,963)	998	(65,965)
Results from operating activities	59,478	3,031	62,509
Finance costs	(44,668)	–	(44,668)
Share of loss of equity accounted associates, net of tax	(137,218)	–	137,218)
Loss before tax	(122,408)	3,031	(119,377)
Taxation	1,605	–	1,605
Loss for the year	(120,803)	3,031	(117,772)
Other comprehensive expense, net of tax			
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations	(1,814)	233	(1,581)
Total comprehensive expense for the year	(122,617)	3,264	(119,353)
(Loss)/Profit attributable to:			
Owners of the Company	(123,912)	4,081	(119,831)
Non-controlling interests	3,109	(1,050)	2,059
Loss for the year	(120,803)	3,031	(117,772)
Total comprehensive (expense)/income attributable to:			
Owners of the Company	(125,207)	4,312	(120,895)
Non-controlling interests	2,590	(1,048)	1,542
Total comprehensive expense for the year	(122,617)	3,264	(119,353)
Loss/Diluted loss per ordinary share (sen):			
Basic and diluted loss per share	(22.46)	0.74	(21.72)

37. EXPLANATION OF TRANSITION TO MFRSs (CONTINUED)

37.3 Reconciliation of statement of cash flows for the year ended 31 December 2017

	FRSs RM'000	Effect of transition to MFRSs RM'000	MFRSs RM'000
Cash flows from operating activities			
Loss before tax	(122,408)	3,031	(119,377)
Adjustments for:			
Amortisation of intangible asset	620	–	620
Amortisation of service concession assets	4,187	–	4,187
Bad debts written off	1,010	–	1,010
Interest income	(11,514)	–	(11,514)
Interest expense	44,668	–	44,668
Depreciation of property, plant and equipment	12,353	–	12,353
Depreciation of investment properties	992	–	992
Fair value loss on derivative	12,323	–	12,323
Gain on disposal of property, plant and equipment	(1,501)	–	(1,501)
Gain on disposal of investment in an associate	(2,273)	–	(2,273)
Impairment loss of other assets	7,628	(7,628)	–
Impairment loss of contract assets	–	7,628	7,628
Impairment loss of trade and other receivables	5,835	(1,144)	4,691
ESOS expenses	1,820	–	1,820
Reversal of unrealised profits on equipment supply contract	(3,033)	–	(3,033)
Fair value adjustment of service concession assets	(3,664)	–	(3,664)
Net unrealised gain on foreign exchange	(8,937)	–	(8,937)
Share of loss of equity accounted associates	137,218	–	137,218
Investment in subsidiarie written off	411	–	411
Operating profit before changes in working capital	75,735	1,887	77,622

NOTES TO THE FINANCIAL STATEMENTS

37. EXPLANATION OF TRANSITION TO MFRSs (CONTINUED)

37.3 Reconciliation of statement of cash flows for the year ended 31 December 2017 (Continued)

	FRSs RM'000	Effect of transition to MFRSs RM'000	MFRSs RM'000
Operating profit before changes in working capital (continued)			
Change in inventories	(3,539)	(16,214)	(19,753)
Change in property development costs	(16,390)	16,390	–
Change in other current assets	–	(347)	(347)
Change in contract assets	–	141,202	141,202
Change in contract costs		1	1
Change in trade and other receivables	221,476	(176,839)	44,637
Change in refundable deposits	–	180	180
Change in deferred income	–	5,659	5,659
Change in trade and other payables	(105,616)	(45,678)	(151,294)
Change in contract liabilities	–	50,593	50,593
Cash generated from operations	171,666	(23,166)	148,500
Tax paid	(4,696)	–	(4,696)
Tax refunded	104	–	104
Net cash generated from operating activities	167,074	(23,166)	143,908
Cash flows from investing activities			
Purchase of property, plant and equipment	(8,453)	–	(8,453)
Proceeds from disposal of property, plant and equipment	1,720	–	1,720
Additional expenditure in investment property	(682)	–	(682)
Addition in service concession assets	(5,879)	–	(5,879)
Acquisition of an associate	(11,330)	–	(11,330)
Advances to an associate	(4,072)	–	(4,072)
Proceeds from disposal of an associate	1,025	–	1,025
Addition in other investment	–	–	–
Interest received	11,514	–	11,514
Purchase of additional shares in a subsidiary	(229)	–	(229)
Change in pledged deposits	(220,766)	–	(220,766)
Net cash used in investing activities	(237,152)	–	(237,152)

NOTES TO THE FINANCIAL STATEMENTS

37. EXPLANATION OF TRANSITION TO MFRSs (CONTINUED)

37.3 Reconciliation of statement of cash flows for the year ended 31 December 2017 (Continued)

	FRSs RM'000	Effect of transition to MFRSs RM'000	MFRSs RM'000
Cash flows from financing activities			
Issue of ordinary shares	60,950	–	60,950
Net repayment of loans and borrowings	(27,527)	–	(27,527)
Repayment to an associate	(321)	–	(321)
Repayment of financial lease liabilities	(2,042)	–	(2,042)
Interest paid	(44,668)	–	(44,668)
Repurchase of ordinary shares	(539)	–	(539)
Net cash used in financing activities	(14,147)	–	(14,147)
Net decrease in cash and cash equivalents	(84,225)	(23,166)	(107,391)
Effect of exchange rate fluctuations on cash held	–	23,166	23,166
Cash and cash equivalents at beginning of year	310,444	–	310,444
Cash and cash equivalents at end of year	226,219	–	226,219

37.4 Accounting for financial instruments

(a) Transition

In the adoption of MFRS 9, the following transitional exemptions as permitted by the standard have been adopted:

(i) The following assessments have been made based on the facts and circumstances that existed at the date of initial application:

- the determination of the business model within which a financial asset is held; and
- the designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

(ii) If an investment in a debt security had low credit risk at date of initial application of MFRS 9, the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

(iii) Loss allowance for receivables (other than trade receivables) is recognised at an amount equal to lifetime expected credit losses until the receivable is derecognised.

37. EXPLANATION OF TRANSITION TO MFRSs (CONTINUED)

37.4 Accounting for financial instruments (Continued)

(b) Classification of financial assets and financial liabilities on the date of initial application of MFRS 9

The following table shows measurement categories under FRS 139 and the new measurement categories under MFRS 9 for each class of the Group's and the Company's financial assets and financial liabilities.

Financial assets	Classification under FRS 139	New classification under MFRS 9	31.12.2017 Carrying amount under FRS 139 RM'000	31.12.2017 Carrying amount under MFRS 9 RM'000	1.1.2017 Carrying amount under FRS 139 RM'000	1.1.2017 Carrying amount under MFRS 9 RM'000
Group						
Other investment	Available-for-sale	Fair value through profit or loss	5,291	542	816	816
Trade and other receivables	Loans and receivables	Amortised cost	233,032	230,115	382,016	378,613
Cash and cash equivalents	Loans and receivables	Amortised cost	456,853	456,853	328,120	328,120
Total financial assets			695,176	687,510	710,952	707,549
Company						
Trade and other receivables	Loans and receivables	Amortised cost	87,988	87,988	25,415	25,415
Cash and cash equivalents	Loans and receivables	Amortised cost	405	405	35	35
Total financial assets			88,393	88,393	25,450	25,450

37. EXPLANATION OF TRANSITION TO MFRSs (CONTINUED)

37.4 Accounting for financial instruments (Continued)

(b) Classification of financial assets and financial liabilities on the date of initial application of MFRS 9 (Continued)

Financial liabilities	Classification under FRS 139	New classification under MFRS 9	31.12.2017 Carrying amount under FRS 139 RM'000	31.12.2017 Carrying amount under MFRS 9 RM'000	1.1.2017 Carrying amount under FRS 139 RM'000	1.1.2017 Carrying amount under MFRS 9 RM'000
Group						
Trade and other payables	Financial liabilities measured at amortised cost	Financial liabilities measured at amortised cost	350,742	352,110	490,078	491,507
Refundable deposits	Financial liabilities measured at amortised cost	Financial liabilities measured at amortised cost	2,219	2,219	2,039	2,039
Loans and borrowings	Financial liabilities measured at amortised cost	Financial liabilities measured at amortised cost	752,554	752,554	816,672	816,672
Derivative financial liabilities	Fair value through profit or loss held-for-trading	Fair value through profit or loss	12,323	12,323	–	–
Total financial liabilities			1,117,838	1,119,206	1,308,789	1,310,218
Company						
Trade and other payables	Financial liabilities measured at amortised cost	Financial liabilities measured at amortised cost	14,243	14,243	13,321	13,321
Total financial liabilities			14,243	14,243	13,321	13,321

NOTES TO THE FINANCIAL STATEMENTS

37. EXPLANATION OF TRANSITION TO MFRSs (CONTINUED)

37.4 Accounting for financial instruments (Continued)

(i) Reclassification from loans and receivables to amortised cost

Trade and other receivables that were classified as loans and receivables under FRS 139 are now reclassified at amortised cost. An increase of RM2,252,000 in allowance for impairment was recognised in opening retained earnings of the Group at 1 January 2017 on transition to MFRS 9.

(ii) Reclassification from AFS to FVTPL

These are investments which are not held for strategic purposes. As a result, the carrying amount of RM816,000 was reclassified from available-for-sale to fair value through profit or loss. No fair value adjustment impact as at 1 January 2017.

37.5 Accounting for revenue

In the adoption of MFRS 15, the following practical expedients as permitted by the standard have been adopted:

(a) for completed contracts, the Group does not restate contracts that:

(i) begin and end within the same annual reporting period; or
(ii) are completed contracts at the beginning of the earliest period presented.

The application of this practical expedient is not expected to have material impact to the Group.

(b) for completed contracts that have variable consideration, the Group uses the transaction price at the date the contract was completed rather than estimating variable consideration amounts in the comparative reporting periods.

The Group is unable to estimate the effects arising from the application of this practical expedient.

(c) for contracts that were modified before the beginning of the earliest period presented, the Group does not retrospectively restate the contract for those contract modifications. Instead, the Group or the Company reflects the aggregate effect of all of the modifications that occur before the beginning of the earliest period presented when:

(i) identifying the satisfied and unsatisfied performance obligations;
(ii) determining the transaction price; and
(iii) allocating the transaction price to the satisfied and unsatisfied performance obligations.

The application of this practical expedient is not expected to have material impact to the Group.

(d) for comparatives, the Group does not disclose the amount of consideration allocated to the remaining performance obligations and an explanation of when the Group expects to recognise revenue.

NOTES TO THE FINANCIAL STATEMENTS

37. EXPLANATION OF TRANSITION TO MFRSs (CONTINUED)

37.5 Accounting for revenue (Continued)

Type of revenue	Previous year's revenue recognition	Current year's revenue recognition
Construction contracts and construction revenue from concession arrangement	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.	For construction contracts whereby the Group or the Company has an enforceable right to payment for performance completed to date, revenue is recognised progressively over time using input method on the basis of the actual construction costs incurred relative to the estimated total construction costs. Revenue is recognised only in respect of finalised construction contracts to the extent that such revenue relates to the progress of the construction work.
Sale of development properties	When the financial outcome of a development activity can be reliably estimated, property development revenue was recognised when the Company signed the sales and purchase agreement with customers using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.	Under MFRS 15, the Company will identify the contract with a customer and assess the collectability of the considerations from customers as part of the initial assessment. The total considerations in the contract is allocated to all performance obligations based on their stand-alone selling prices and residual approach. Revenue is recognised progressively over time using input method on the basis of the actual property development costs incurred relative to the estimated total property development costs. Where revenue is not recognised due to the collectability threshold is not met, the cash received from customers will be presented as deposit liabilities.
Sale of construction materials	Revenue is recognised when the construction materials is certified by the customers or delivered and accepted by the customers at its premise.	Revenue is recognised at a point in time when the construction materials is certified by the customers or delivered and accepted by the customers at its premise.

NOTES TO THE FINANCIAL STATEMENTS

37. EXPLANATION OF TRANSITION TO MFRSs (CONTINUED)

37.5 Accounting for revenue (Continued)

Type of revenue	Previous year's revenue recognition	Current year's revenue recognition
Sale of power energy arising from concession arrangement	Revenue from the sale of power energy arising from concession arrangement and generated from the solar power plant is recognised at the point in time as and when the electricity is delivered to the off-taker, based on the actual electricity delivered from the date of their last meter reading and period end at a pre-determined rate.	Revenue from the sale of power energy arising from concession arrangement and generated from the solar power plant is recognised at the point in time as and when the electricity is delivered to the off-taker, based on the actual electricity delivered from the date of their last meter reading and period end at a pre-determined rate.
Furniture and fittings	The Company recognised the revenue for these contracts together with the sale of development properties.	Revenue is recognised at the point in time upon installation of the furniture and fittings.
Sale of car park	The Company recognised the revenue for these contracts together with the sale of development properties.	Revenue is recognised at the point in time upon delivery of the car park.

37.6 Retained earnings

The changes that affected the retained earnings are as follows:

	Group	
	31.12.2017 RM'000	1.1.2017 RM'000
Accounting for financial Instruments	1,108	2,252
Accounting for revenue	(50,914)	(56,128)
Decrease in retained earnings	(49,806)	(53,876)

The transition to MFRSs does not have financial impact to the separate financial statements of the Company.

STATEMENT BY DIRECTORS

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

In the opinion of the Directors, the financial statements set out on pages 87 to 224 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2018 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Wee Teck Nam
Director

James Wong Tet Foh
Director

Petaling Jaya

10 April 2019

STATUTORY DECLARATION

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

I, **Kang Boon Beng**, the officer primarily responsible for the financial management of Mudajaya Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 87 to 224 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovenamed Kang Boon Beng, NRIC: 710327-08-5453, MIA CA15431, at Petaling Jaya in the state of Selangor Darul Ehsan on 10 April 2019.

Kang Boon Beng

Before me:

Wong Choy Yin
(No. B508)
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MUDAJAYA GROUP BERHAD

(COMPANY NO. 605539-H)
(INCORPORATED IN MALAYSIA)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Mudajaya Group Berhad, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 87 to 224.

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 2018 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 auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

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

KEY AUDIT MATTERS

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

Revenue, profit recognition and provisions on long-term construction contracts
(Refer to Note 2(q) - Significant accounting policy: Revenue and other income, Note 2(p) - Significant accounting policy: Provision and Note 23 - Revenue and Note 24 - Cost of sales).

The key audit matter

The Group has significant long term construction contracts. The recognition of revenue and profit on these contracts is based on input method (on the basis of the entity's efforts or inputs to the satisfaction of the performance obligation relative to the total expected inputs to the satisfaction of that performance obligation).

INDEPENDENT AUDITORS' REPORT

KEY AUDIT MATTERS (CONTINUED)

The key audit matter (Continued)

Revenue and profit recognition on long term construction contracts is a key audit matter because of the judgement and estimates exercised by the management on the following areas:

- assessment of performance obligation
- revenue recognition arising from variations to the original contracts
- assessment of progress towards complete satisfaction of the performance obligation
- assessment of contract costs
- appropriateness of provision for foreseeable losses and liquidated damages

How the matter was addressed in our audit

We performed the following audit procedures, among others:

- evaluated the design and implementation of key controls over the review and approval of forecast costs and actual contract cost for respective projects;

- inspected the approved sales contract, approved variation order, correspondence and meeting minutes with customers;

- Identified and assessed the agreed and variation works to be provided to customers, payment terms and expected consideration to be received;

- Checked the status of the contracts by enquiring the project team;

- Challenged the Group on the preparation of forecast budget and appropriateness of assumptions used based on historical performance in the Group and industry knowledge, including obtained and assessed information provided by management to determine whether the forecast assumptions are consistent with the terms of the relevant contracts. These assumptions normally apply to the computation of variations, claims and compensation events included in the forecast;

- evaluated the management's updated budget costs and forecast costs to complete by assessing the basis of their calculation, which included supplier quotes, forecast estimates and contracts awarded to suppliers;

- recalculated the revenue using approved contract sum, actual costs incurred to date that reflect the progress towards completion of the agreed works to customer and latest revised budgets;

- inspected the actual costs incurred to the corresponding supporting documents;

- inspected manual journal entries related to cost of sales and determine whether there are any unusual, unauthorised or unsupported entries made;

- compared the forecast costs of individual contract against the corresponding income to determine whether provision for foreseeable losses, if any, has been adequately made for loss making contracts; and

- assessed the exposures to liquidated damages for late delivery of the construction works by making enquiries and read correspondences and minutes of meetings with contract customers on the expected delivery date and the ability of the Group to deliver on time based on historical progress of the construction works.

KEY AUDIT MATTERS (CONTINUED)

How the matter was addressed in our audit (Continued)

We performed the following audit procedures, among others: (Continued)

VALUATION OF INVESTMENT IN AN ASSOCIATE – R.K.M. POWERGEN PRIVATE LIMITED ("RKM")
(Refer to Note 2(m) - Significant accounting policy: Impairment and Note 8 – Investment in associates).

The key audit matter

The Group has 26% equity interest in RKM and the carrying amount of the Group's investment in RKM amounted to RM57,531,000. RKM owns coal-fired power plants in Chhattisgarh, India, which are the core assets of RKM.

Due to the share of losses from results of the associate amounting to RM211,188,000 for the 12 months period ended 31 December 2018 and the restructuring plan with their lenders, there is a significant risk of impairment in the carrying amount of the Group's investment in RKM.

How the matter was addressed in our audit

The power plants valuation was prepared by Group based on the discounted cash flow projections prepared by external valuers for restructuring purposes. In respect of these assets, we assessed and challenged the valuation approach and assumptions used. This included understanding and challenging the independence of the external valuers, their scope of work, growth rate and discount rate assumptions used by external valuers and the Group. We have also engaged specialist within KPMG to test these key assumptions by comparing them against published market data of similar industry and the tariff rates achieved in India.

TRANSITION TO MFRS FRAMEWORK
(Refer to Note 2 - Significant accounting policy and Note 37 Explanation of transition to MFRSs).

The key audit matter

The Group and the Company fall within the scope of IC Interpretation 15, *Agreements for the Construction of Real Estate*. Therefore, the Group and the Company were exempted from adopting the Malaysian Financial Reporting Standards ("MFRS") and are referred to as a "Transitioning Entity".

In the previous financial years, the financial statements of the Group and of the Company were prepared in accordance with Financial Reporting Standards ("FRSs") in Malaysia. This is the first-time for the Group and the Company to prepare their financial statements in accordance with Malaysian Financial Reporting Standards.

Transition to MFRS framework is a key audit matter because of the followings areas:
- new accounting policies and disclosures
- new judgements and estimates
- complexity of the new standards

MFRS 15, *Revenue from Contracts with Customers* requires judgement to measure and recognises revenue such as identification of contracts, assessment of performance obligations and allocation of transaction price.

INDEPENDENT AUDITORS' REPORT

TRANSITION TO MFRS FRAMEWORK (COTINUED)

The key audit matter (Continued)

MFRS 9, *Financial instruments* requires the Group to change the accounting policies to account for their financial instruments. New judgments were applied to classify financial assets and to measure impairment loss using the expected credit loss ("ECL") model. In addition, additional disclosures were made to comply with the requirements of MFRS 7, *Financial Instruments: Disclosures*.

How the matter was addressed in our audit

We performed the following audit procedures, among others:

- evaluated the appropriateness of the accounting policies based on the requirements of the new standards, our business understanding and industry practice;

- assessed the appropriateness of management's revenue recognition under MFRS 15 across significant revenue streams for a sample of contracts;

- assessed the appropriateness of ECL model adopted in accordance with MFRS 9 requirements; and

- assessed the completeness, accuracy and relevance of the transition disclosures and requirements of new standards.

We have determined that there is no key audit matter in the audit of the financial statements of the Company to communicate in our auditors report.

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 Directors' Report and Statement on Risk Management and Internal Control 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 remaining parts of the annual report, which are expected to be made available to us after that date.

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.

INDEPENDENT AUDITORS' REPORT

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

- Obtain an understanding of internal controls 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 internal control of the Group and of the Company.

- 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 ability of the Group or of the Company 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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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: (Continued)

- 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 gives a true and fair view.

- 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 auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 7 to the financial statements.

INDEPENDENT AUDITORS' REPORT

OTHER MATTERS

1. As stated in Note 1(a) to the financial statements, the Group and the Company adopted Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS") on 1 January 2018 with a transition date of 1 January 2017. These standards were applied retrospectively by the Directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2017 and 1 January 2017, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year ended 31 December 2017 and related disclosures. We were not engaged to report on the comparative information that is prepared in accordance with MFRS and IFRS, and hence it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the year ended 31 December 2018 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2018 do not contain misstatements that materially affect the financial position as at 31 December 2018, and the financial performance and cash flows for the year then ended.

2. 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.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Tai Yoon Foo
Approval number: 02948/05/2020 J
Chartered Accountant

Petaling Jaya, Malaysia

10 April 2019

PROPERTIES OF THE GROUP

AS AT 31 DECEMBER 2018

	Location/Address	Year of Acquisition	Tenure	Year Lease Expiring	Age of Building	Land Area/ Built Up Area (sq.m)	Description/ Existing Use	Net Book Value RM'000
1	No. 12A, Jalan PJU 7/3 Mutiara Damansara 47810 Petaling Jaya Selangor Darul Ehsan	2008	Freehold	N/A	7	4,269	Commercial land and office building	58,969
2	Lot No. 31 Mukim Ijok Jalan Bukit Badong Daerah Kuala Selangor	2004	Freehold	N/A	N/A	20,234	Agriculture land/ Casting yard	1,650
3	Lot No. 32 & 33 Mukim Ijok Jalan Bukit Badong Daerah Kuala Selangor	1998	Freehold	N/A	22	40,486/ 2,480	Industrial land and building/ Casting yard	4,058
4	Lot 2472 Mukim Ijok Jalan Bukit Badang Daerah Kuala Selangor	2012	Freehold	N/A	N/A	20,234	Agriculture land/Storage	3,864
5	Bd107-109, Bd207-209, Bd313-319 Bd412, 414-419 Batu Kawah New Township Jalan Batu Kawah 93250 Kuching Sarawak	2000	Leasehold	Year 2058	18	12,012	Office building and store room	1,741

ANALYSIS OF SHAREHOLDINGS

AS AT 20 MARCH 2019

Total Number of Issued Shares	: 605,418,466 ordinary shares (including 15,543,300 treasury shares)
Class of Shares	: Ordinary shares
Voting Rights	: One vote per ordinary share on a poll

DISTRIBUTION OF SHAREHOLDINGS BASED ON RECORD OF DEPOSITORS

Size of Shareholdings	Number of Shareholders	% of Shareholders	Number of Shares held	% of Shareholdings
Less than 100	533	2.88	20,800	0.01
100 - 1,000	9,880	53.29	3,444,274	0.59
1,001 - 10,000	5,818	31.38	23,320,032	3.95
10,001 - 100,000	2,010	10.84	60,700,466	10.29
100,001 - 29,493,757 (less than 5% of issued shares)	295	1.59	255,610,761	43.33
29,493,758 (5%) and above	4	0.02	246,778,833	41.84
Total	**18,540**	**100.00**	**589,875,166**[1]	**100.00**

[1] *Excludes 15,543,300 treasury shares retained by the Company as per the Record of Depositors.*

SUBSTANTIAL SHAREHOLDERS BASED ON REGISTER OF SUBSTANTIAL SHAREHOLDERS

	Direct		Indirect	
Name of Substantial Shareholders	Number of Shares held	%[1]	Number of Shares held	%[1]
Dataran Sentral (M) Sdn Bhd	109,913,333	18.63	[2]53,000,000	8.98
Urusharta Jamaah Sdn Bhd	53,865,500	9.13	–	–
Kingsman Capital Limited	53,000,000	8.98	–	–
Winners Spectrum Investment Holdings Sdn Bhd	273,333	0.05	[3]162,913,333	27.61
First Positive Sdn Bhd	–	–	[3]162,913,333	27.61
Yong Pit Chin	2,492,309	0.42	[4]38,563,935	6.54
Lee Seng Huang	3,392,705	0.58	[5]41,056,244	6.96
Ng Ying Loong	3,500	0.001	[6]163,186,666	27.66
Wee Teck Nam	660,400	0.11	[7]162,913,333	27.61
Fairfax Asia Limited	–	–	[8]41,557,200	7.05
Fairfax (Barbados) International Corp.	–	–	[9]48,702,500	8.26
FFHL Group Ltd	–	–	[10]78,702,500	13.34
Fairfax Financial Holdings Ltd	–	–	[11]78,702,500	13.34
Odyssey Reinsurance Company	30,000,000	5.09	–	–
Odyssey Re Holdings Corporation	–	–	[12]76,642,500	12.99
Odyssey US Holdings Inc.	–	–	[13]76,642,500	12.99
Fairfax (U.S.) Inc.	–	-	[14]76,642,500	12.99

ANALYSIS OF SHAREHOLDINGS

AS AT 20 MARCH 2019

SUBSTANTIAL SHAREHOLDERS BASED ON REGISTER OF SUBSTANTIAL SHAREHOLDERS (cont'd)

Notes:

(1) Excludes 15,543,300 treasury shares retained by the Company as per the Record of Depositors.
(2) Deemed interest pursuant to Section 8 of the Companies Act 2016 ("the Act") by virtue of its shareholding in Kingsman Capital Limited.
(3) Deemed interest pursuant to Section 8 of the Act by virtue of its shareholdings in Dataran Sentral (M) Sdn Bhd and Kingsman Capital Limited.
(4) Deemed interest pursuant to Section 8 of the Act by virtue of her shareholdings in Mount Glory Investments Limited and Klang Enterprise Sdn Bhd.
(5) Deemed interest pursuant to Section 8 of the Act by virtue of his family relationship with Yong Pit Chin and his shareholding in Klang Enterprise Sdn Bhd.
(6) Deemed interest pursuant to Section 8 of the Act by virtue of his shareholdings in Winners Spectrum Investment Holdings Sdn Bhd, Dataran Sentral (M) Sdn Bhd and Kingsman Capital Limited.
(7) Deemed interest pursuant to Section 8 of the Act by virtue of his shareholdings in First Positive Sdn Bhd, Dataran Sentral (M) Sdn Bhd and Kingsman Capital Limited.
(8) Deemed interest pursuant to Section 8 of the Act by virtue of its collective shareholdings in First Capital Insurance Limited, Falcon Insurance Company (Hong Kong) Ltd and The Pacific Insurance Berhad.
(9) Deemed interest pursuant to Section 8 of the Act by virtue of its shareholdings in Wentworth Insurance Company Ltd and Fairfax Asia Limited.
(10) Deemed interest pursuant to Section 8 of the Act by virtue of its shareholdings in Fairfax (Barbados) International Corp and Fairfax (U.S.) Inc.
(11) Deemed interest pursuant to Section 8 of the Act by virtue of its shareholding in FFHL Group Ltd.
(12) Deemed interest pursuant to Section 8 of the Act by virtue of its shareholding in Odyssey Reinsurance Company.
(13) Deemed interest pursuant to Section 8 of the Act by virtue of its shareholding in Odyssey Re Holdings Corporation.
(14) Deemed interest pursuant to Section 8 of the Act by virtue of its shareholding in Odyssey US Holdings Inc.

DIRECTORS' SHAREHOLDINGS IN MUDAJAYA GROUP BERHAD AND ITS SUBSIDIARIES BASED ON REGISTER OF DIRECTORS' SHAREHOLDINGS

Name of Directors	Direct Number of Shares held	%[1]	Indirect Number of Shares held	%[1]
Dato' Yusli Bin Mohamed Yusoff	–	–	–	–
Ir. James Wong Tet Foh	–	–	–	–
Lee Eng Leong	–	–	–	–
Chew Hoy Ping	–	–	–	–
Dato' Amin Rafie Bin Othman	–	–	–	–
Wee Teck Nam	660,400	0.11	[2]162,913,333	27.61

By virtue of Wee Teck Nam's substantial interest in the shares of Mudajaya Group Berhad, he is also deemed interested in the shares of all the subsidiaries to the extent that Mudajaya Group Berhad has an interest.

Notes:

[1] Excludes 15,543,300 treasury shares retained by the Company as per the Record of Depositors.
[2] Deemed interest pursuant to Section 8 of the Act by virtue of his shareholdings in First Positive Sdn Bhd, Dataran Sentral (M) Sdn Bhd and Kingsman Capital Limited.

ANALYSIS OF SHAREHOLDINGS

AS AT 20 MARCH 2019

30 LARGEST SECURITIES ACCOUNT HOLDERS BASED ON RECORD OF DEPOSITORS

No.	Name of Shareholders	Number of Shares Held	%[1]
1	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD – PLEDGED SECURITIES ACCOUNT - SUN HUNG KAI INVESTMENT SERVICES LIMITED FOR DATARAN SENTRAL (M) SDN BHD	109,913,333	18.63
2	URUSHARTA JAMAAH SDN BHD	53,865,500	9.13
3	ALLIANCEGROUP NOMINEEES (ASING) SDN BHD – SUN HUNG KAI INVESTMENT SERVICES LIMITED FOR KINGSMAN CAPITAL LIMITED	53,000,000	8.98
4	DB (MALAYSIA) NOMINEE (ASING) SDN BHD – THE BANK OF NEW YORK MELLON FOR ODYSSEY REINSURANCE COMPANY	30,000,000	5.09
5	DB (MALAYSIA) NOMINEE (ASING) SDN BHD – THE BANK OF NEW YORK MELLON FOR WENTWORTH INSURANCE COMPANY LIMITED, LABUAN BRANCH	26,572,200	4.50
6	NAUTICAL INVESTMENTS LIMITED	21,347,752	3.62
7	ALLIANCEGROUP NOMINEES (ASING) SDN BHD – EXEMPT AN FOR SUN HUNG KAI INVESTMENT SERVICES LIMITED	19,335,832	3.28
8	MAGIC UNICORN LIMITED	14,141,913	2.40
9	HSBC NOMINEES (ASING) SDN BHD – EXEMPT AN FOR CREDIT SUISSE (SG BR-TST-ASING)	10,963,432	1.86
10	GLOBAL INVESTMENTS (BVI) LTD	10,666,666	1.81
11	CITIGROUP NOMINEES (ASING) SDN BHD – CBNY FOR WENTWORTH INSURANCE COMPANY LTD.	7,145,300	1.21
12	THE PACIFIC INSURANCE BERHAD	7,060,000	1.20
13	CITIGROUP NOMINEES (ASING) SDN BHD – CBHK FOR FALCON INSURANCE COMPANY (HONG KONG) LIMITED (INVESTMENT AC)	6,325,000	1.07
14	CIMSEC NOMINEES (ASING) SDN BHD – CIMB FOR GLOBAL INVESTMENTS (BVI) LTD	5,333,333	0.90
15	CITIGROUP NOMINEES (ASING) SDN BHD – CBNY FOR DIMENSIONAL EMERGING MARKETS VALUE FUND	4,766,526	0.81
16	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD – GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LPF)	4,467,500	0.76

ANALYSIS OF SHAREHOLDINGS

AS AT 20 MARCH 2019

30 LARGEST SECURITIES ACCOUNT HOLDERS BASED ON RECORD OF DEPOSITORS (cont'd)

No.	Name of Shareholders	Number of Shares Held	%[1]
17	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD – GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LEEF)	4,278,600	0.73
18	CITIGROUP NOMINEES (ASING) SDN BHD – CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC	3,825,410	0.65
19	HSBC NOMINEES (TEMPATAN) SDN BHD – EXEMPT AN FOR CREDIT SUISSE AG (HK-CLT-T-OS PR)	3,392,705	0.58
20	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD – GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LBF)	3,086,000	0.52
21	CIMB GROUP NOMINEES (ASING) SDN BHD – EXEMPT AN FOR DBS BANK LTD (SFS)	3,079,126	0.52
22	HSBC NOMINEES (ASING) SDN BHD – EXEMPT AN FOR BANK JULIUS BAER & CO. LTD. (SINGAPORE BCH)	2,778,150	0.47
23	CITIGROUP NOMINEES (ASING) SDN BHD – CBNY FOR DFA EMERGING MARKETS SMALL CAP SERIES	2,539,423	0.43
24	CIMSEC NOMINEES (TEMPATAN) SDN BHD – CIMB BANK FOR ANTO A/L S F JOSEPH (PBCL-0G0155)	2,266,666	0.38
25	JF APEX NOMINEES (TEMPATAN) SDN BHD – PLEDGED SECURITIES ACCOUNT FOR PARAMJIT SINGH GILL (MARGIN)	2,224,286	0.38
26	KENANGA NOMINEES (TEMPATAN) SDN BHD – RAKUTEN TRADE SDN BHD FOR CHA THOONG HAN	1,917,700	0.33
27	KLANG ENTERPRISE SENDIRIAN BERHAD	1,891,620	0.32
28	KOH HEOK TEO	1,850,000	0.31
29	AMSEC NOMINEES (TEMPATAN) SDN BHD – PLEDGED SECURITIES ACCOUNT FOR VISTA POWER SDN BHD	1,827,490	0.31
30	THE PACIFIC INSURANCE BERHAD (FUND A/C)	1,600,000	0.27

Note:

[1] *Excludes 15,543,300 treasury shares retained by the Company as per the Record of Depositors.*

NOTICE OF 16TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 16th Annual General Meeting ("AGM") of Mudajaya Group Berhad will be held at Level 11, Menara Mudajaya, No. 12A, Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Wednesday, 19 June 2019 at 2.30 p.m. for the following purposes:-

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2018 together with the Directors' and Auditors' Reports thereon. *(Please refer to Explanatory Note 1)*

2. To re-elect the following Directors who retire by rotation pursuant to Article 76 of the Company's Articles of Association and being eligible, have offered themselves for re-election:-

   (a) Mr Chew Hoy Ping *(Ordinary Resolution 1)*
   (b) Mr Wee Teck Nam *(Ordinary Resolution 2)*

3. To approve the payment of Directors' fees and benefits to the Non-Executive Directors of the Company for the period from 20 June 2019 until the next AGM of the Company to be held in 2020. *(Ordinary Resolution 3)*

4. To re-appoint Messrs KPMG PLT as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. *(Ordinary Resolution 4)*

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following Resolutions:-

5. **ORDINARY RESOLUTION:**
   Authority to Issue Shares pursuant to Sections 75 and 76 of the Companies Act 2016

   "THAT subject always to the Companies Act 2016 ("the Act"), the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Company's Articles of Association and the approvals of the relevant government and/or regulatory authorities, the Directors be and are hereby empowered pursuant to Sections 75 and 76 of the Act to issue and allot new shares in the Company at any time at such price, upon such terms and conditions, for such purposes and to such person(s) whomsoever as the Directors may in their absolute discretion deem fit and expedient in the interest of the Company, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company for the time being and THAT the Directors be and are also empowered to obtain the approval from Bursa Securities for the listing of and quotation for the additional shares so issued and THAT such authority shall continue to be in force until the conclusion of the next AGM of the Company." *(Ordinary Resolution 5)*

NOTICE OF 16TH ANNUAL GENERAL MEETING

6. **ORDINARY RESOLUTION:**
Proposed Renewal of Authority for the Purchase by the Company of its Own Shares

"THAT subject to compliance with the Act, the Company's Articles of Association, the Main Market Listing Requirements of Bursa Securities and any other relevant rules and regulations that may be in force from time to time, the Company be and is hereby authorised to purchase such amount of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities, upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company PROVIDED THAT:

(a) the aggregate number of ordinary shares in the Company which may be purchased and/or held by the Company shall not exceed 10% of the total number of issued shares of the Company at any point in time; and

(b) the maximum funds to be allocated by the Company for the purpose of purchasing the ordinary shares shall not exceed the latest audited retained profits of the Company.

THAT such authority shall commence upon the passing of this ordinary resolution and shall remain in force until:

(i) the conclusion of the next AGM of the Company at which time such authority shall lapse unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or

(ii) the expiration of the period within which the next AGM after that date is required by law to be held; or

(iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting,

whichever occurs first.

THAT authority be and is hereby given to the Directors of the Company to decide in their discretion to retain the ordinary shares in the Company so purchased by the Company as treasury shares and/or to cancel them and/or to resell the treasury shares and/or to distribute them as share dividends and/or subsequently cancel them or such other manner as may be allowed under the Act and the Main Market Listing Requirements of Bursa Securities.

AND THAT the Directors of the Company be and are hereby authorised to take all such steps as are necessary or expedient to implement, finalise or to give full effect to the aforesaid with full power to assent to any conditions, modifications, variations and/or amendments as may be required or imposed by the relevant authorities and to do all such acts and things (including executing all documents) as the Directors may deem fit and expedient in the best interest of the Company."

(Ordinary Resolution 6)

NOTICE OF 16TH ANNUAL GENERAL MEETING

7. **SPECIAL RESOLUTION:**
   Proposed Adoption of New Constitution of the Company

   "THAT approval be and is hereby given to the Company to revoke the existing Memorandum and Articles of Association of the Company with immediate effect and in place thereof, to adopt the proposed new Constitution of the Company as set out in Appendix III of the Circular to Shareholders dated 30 April 2019 ("Proposed New Constitution").

   AND THAT the Directors of the Company be and are hereby authorised to do all acts, deeds and things as are necessary and/or expedient in order to give full effect to the Proposed New Constitution with full powers to assent to any conditions, modifications, variations and/or amendments as may be required by any relevant authorities." *(Special Resolution 1)*

8. To transact any other business of which due notice shall have been received.

By Order of the Board

LEE SUAN CHOO (MAICSA 7017562)
CHEAH WAI YUEN (MAICSA 7025907)
Company Secretaries

Petaling Jaya
30 April 2019

NOTES:
1. A member of the Company who is entitled to attend and vote at a general meeting of the Company, is entitled to appoint a proxy or proxies to attend and vote in his stead.
2. A proxy or proxies may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy and the proxy shall have the same rights as the member to speak at the meeting.
3. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies.
4. Where a member 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 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of the SICDA.
5. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing, or if the appointer is a corporation, either under its common seal or under the hand of its officer duly authorised.
6. The instrument appointing a proxy must be deposited at the Registered Office of the Company at PH1, Menara Mudajaya, No. 12A, Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
7. For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a Record of Depositors as at **11 June 2019** and only members whose names appear in the Record of Depositors shall be entitled to attend, speak and vote at this meeting.

NOTICE OF 16TH ANNUAL GENERAL MEETING

Personal Data Privacy:
By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof), and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"); (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

EXPLANATORY NOTES ON ORDINARY AND SPECIAL BUSINESS:

1. **Item 1 of the Agenda – Audited Financial Statements for the financial year ended 31 December 2018**

   This agenda item is meant for discussion only as the provision of Section 340(1)(a) of the Act requires the Audited Financial Statements to be laid at the AGM. As such, this agenda item does not require shareholders' approval and hence, is not put forward for voting.

2. **Ordinary Resolutions 1 & 2 – Re-Election of Retiring Directors**

   Pursuant to Article 76 of the Company's Articles of Association, one-third or the number nearest to one-third of the Directors of the Company shall retire from office by rotation annually and subject to re-election at the AGM. All Directors shall retire from office once at least in each 3 years but shall be eligible for re-election.

   Mr Chew Hoy Ping and Mr Wee Teck Nam are standing for re-election as Directors of the Company and being eligible, have offered themselves for re-election at this AGM.

   The Combined Nomination and Remuneration Committee had assessed the performance and contribution of these retiring Directors and recommended them for re-election as Directors of the Company. Their profiles are set out in the Directors' Profile section of this Annual Report. The Board has endorsed the Combined Nomination and Remuneration Committee's recommendation subject to the shareholders' approval at this AGM.

3. **Ordinary Resolution 3 – Payment of Directors' Fees and Benefits**

   Section 230(1) of the Act provides amongst others, that the fees and benefits ("Remuneration") payable to the Directors of a listed company shall be approved by the shareholders at a general meeting. The Remuneration payable to the Non-Executive Directors of the Company comprises Directors' fees, fixed allowance and meeting attendance allowance, which are the same amount as the previous year. The other benefits accorded to the Chairman of the Board are company car and driver, which were also provided to him in the previous year.

NOTICE OF 16TH ANNUAL GENERAL MEETING

This Resolution is to seek shareholders' approval for payment of the Remuneration to the Non-Executive Directors for the period from 20 June 2019 until the next AGM of the Company to be held in 2020, in accordance with the remuneration structure as set out below:

	Chairman of the Board	Chairman of Audit Committee	Chairman of other Board Committees	Other Non-Executive Directors
Directors' Fees *(payable on monthly basis)*	RM200,000 per annum	RM80,000 per annum	RM80,000 per annum	RM80,000 per annum
Fixed Allowance *(payable on quarterly basis)*	RM100,000 per annum	RM55,000 per annum	RM6,000 per annum	–
Meeting Allowance for attendance of Board and Board Committee Meetings, and general meetings *(payable after each meeting)*	RM2,000 per meeting	RM2,000 per meeting	RM2,000 per meeting	RM2,000 per meeting
Other Benefits	Company car and driver	–	–	–

4. **Ordinary Resolution 4 – Re-Appointment of Auditors**

The Audit Committee has considered the re-appointment of Messrs KPMG PLT as Auditors of the Company based on the criteria prescribed under Paragraph 15.21 of the Main Market Listing Requirements of Bursa Securities. Both the Audit Committee and the Board have recommended the re-appointment of Messrs KPMG PLT as Auditors of the Company.

5. **Ordinary Resolution 5 – Authority to Issue Shares pursuant to Sections 75 and 76 of the Act**

This Resolution is to empower the Directors to issue shares in the Company up to an aggregate amount not exceeding 10% of the total number of issued shares of the Company for such purposes as they consider would be in the interest of the Company, such as investment(s), acquisition of asset(s) or working capital. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company. The Company did not issue any shares pursuant to the mandate granted last year. Nevertheless, a renewal of the mandate is sought to avoid any delay and cost involved in convening a general meeting to approve such issue of shares.

6. **Ordinary Resolution 6 – Proposed Renewal of Authority for the Purchase by the Company of its Own Shares**

The details on the proposed renewal of authority for the purchase by the Company of its own shares are set out in the Share Buy-back Statement dated 30 April 2019.

NOTICE OF 16TH ANNUAL GENERAL MEETING

7. Special Resolution 1 - Proposed Adoption of New Constitution of the Company

In view of the substantial amount of proposed amendments to the existing Memorandum and Articles of Association, the Board proposed to revoke the existing Memorandum and Articles of Association in its entirety and in place thereof, to adopt a new Constitution as set out in Appendix III of the Circular to Shareholders dated 30 April 2019 ("Proposed New Constitution").

This Resolution, if passed, will streamline the Company's Constitution with the new provisions of the Act and the amendments made to the Main Market Listing Requirements of Bursa Securities, as well as to enhance administrative efficiency.

The Proposed New Constitution shall take effect once it has been passed by a majority of not less than 75% of such members of the Company who are entitled to attend and vote, and do vote in person or by proxy at this AGM.

Please refer to the Circular to Shareholders dated 30 April 2019 for further information.

STATEMENT ACCOMPANYING NOTICE OF 16TH ANNUAL GENERAL MEETING

(PURSUANT TO PARAGRAPH 8.27(2) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES)

1. Details of persons who are standing for election as Directors (excluding Directors standing for re-election)

No individual is seeking for election as a Director at the 16th AGM of the Company.

2. A statement relating to general mandate for issue of securities in accordance with Paragraph 6.03(3) of the Main Market Listing Requirements of Bursa Securities

The proposed Ordinary Resolution 5 for the general mandate for issue of securities is a renewal mandate. As at the date of this Notice, no new shares were issued pursuant to the said mandate granted to the Directors at the last AGM held on 13 June 2018.

MUDAJAYA GROUP BERHAD (605539-H)
Incorporated in Malaysia

PROXY FORM

No. of Shares held	
CDS Account No.	

I/We ______________________________ NRIC No./Company No. ______________ Tel No. ______________

of ____

being a member of the Company, hereby appoint ____

NRIC No. ______________________ of ____

______________________________ and/or ______________________ NRIC No. ______________

of ____

or failing him/her, the Chairman of the Meeting as my/our proxy to attend and vote on my/our behalf at the 16th Annual General Meeting of the Company to be held at Level 11, Menara Mudajaya, No. 12A, Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan, Malaysia on **Wednesday, 19 June 2019** at **2.30 p.m.** and at any adjournment thereof.

Please indicate with 'X' in the space below how you wish your votes to be cast. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion.

ORDINARY RESOLUTIONS		**FOR**	**AGAINST**
Resolution 1	Re-election of Mr Chew Hoy Ping		
Resolution 2	Re-election of Mr Wee Teck Nam		
Resolution 3	Payment of Directors' fees and benefits		
Resolution 4	Re-appointment of KPMG PLT as Auditors		
Resolution 5	Authority to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016		
Resolution 6	Proposed renewal of authority for the purchase by the Company of its own shares		
SPECIAL RESOLUTION		**FOR**	**AGAINST**
Resolution 1	Proposed adoption of new Constitution of the Company		

Dated this ____________ day of ________________ 2019

For appointment of 2 proxies, the percentage of shareholdings to be represented by the proxies:-		
	No. of Shares	**Percentage**
1st Proxy		%
2nd Proxy		%
Total:		100 %

Common
Seal
(for Corporate Members)

____
Signature of Member

NOTES:

1. *A member of the Company who is entitled to attend and vote at a general meeting of the Company, is entitled to appoint a proxy or proxies to attend and vote in his stead.*
2. *A proxy or proxies may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy and the proxy shall have the same rights as the member to speak at the meeting.*
3. *Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies.*
4. *Where a member 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 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of the SICDA.*
5. *The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing, or if the appointer is a corporation, either under its common seal or under the hand of its officer duly authorised.*
6. *The instrument appointing a proxy must be deposited at the Registered Office of the Company at PH1, Menara Mudajaya, No. 12A, Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.*
7. *For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a Record of Depositors as at* ***11 June 2019*** *and only members whose names appear in the Record of Depositors shall be entitled to attend, speak and vote at this meeting.*

Personal Data Privacy:
By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the Personal Data Privacy terms set out in the Notice of Annual General Meeting dated 30 April 2019.

FOLD THIS FLAP TO SEAL

2ND FOLD HERE

AFFIX
STAMP
HERE

The Company Secretary
MUDAJAYA GROUP BERHAD (605539-H)
PH1, Menara Mudajaya
No. 12A, Jalan PJU 7/3
Mutiara Damansara
47810 Petaling Jaya
Selangor Darul Ehsan
Malaysia

1ST FOLD HERE

MUDAJAYA GROUP BERHAD (605539-H)

Level 11, Menara Mudajaya
No. 12A, Jalan PJU 7/3, Mutiara Damansara
47810 Petaling Jaya, Selangor Darul Ehsan
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