MUDAJAYA
GROUP BERHAD

Advancing The Future Together

ANNUAL REPORT
2019

17TH ANNUAL GENERAL MEETING

DATE:
7 AUGUST 2020
TIME:
3.00 p.m.

BROADCAST VENUE:
Level 11, Menara Mudajaya

30 JUNE 2020

Notice of 17th Annual General Meeting and issuance of Annual Report 2019

The online version of Mudajaya Group Berhad's **("Mudajaya")** Annual Report 2019 is available from our website. Go to **https://www.mudajaya.com** or scan the QR code with your smartphone.

ANNUAL REPORT

Advancing The Future Together

The four core sectors radiate from the centre like the rays of a sun. Designed to be akin to a rising sun, it shows the great optimism and vision for a brighter future for Mudajaya. The strong financial position, experienced upper management and skilled workforce of their construction, power, property, manufacturing and trading sectors are poised to take Mudajaya to new milestones and greater heights.

ONLINE VERSION

1. Download the "QR Code Reader" on Apple App Store or Google Play Store.
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 2019.

WHAT'S INSIDE

C O N T E N T S

AT A GLANCE

OVER
50 YEARS
OF EXPERIENCE

TOTAL REVENUE OF
RM393.8
MILLION

ORDER BOOK AT
RM1.4
BILLION

Awarded 5-STAR in the SAFETY AND HEALTH ASSESSMENT SYSTEM in CONSTRUCTION from CIDB Malaysia

FINANCIAL CALENDAR

ANNOUNCEMENT OF QUARTERLY RESULTS

30 MAY 2019
Announcement of the unaudited consolidated results for the 1st quarter ended 31 March 2019

29 AUG 2019
Announcement of the unaudited consolidated results for the 2nd quarter ended 30 June 2019

29 NOV 2019
Announcement of the unaudited consolidated results for the 3rd quarter ended 30 September 2019

28 FEB 2020
Announcement of the unaudited consolidated results for the 4th quarter and financial year ended 31 December 2019

Reporting Scope and Boundaries

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.

TULIP – OUR CORPORATE VALUES

The essence of Mudajaya's corporate culture is captured succinctly by the acronym, **TULIP**

It signifies 5 distinct values, which guide the organisation's principles and practices in its journey for excellence. Each value is set out below:

LEARNING

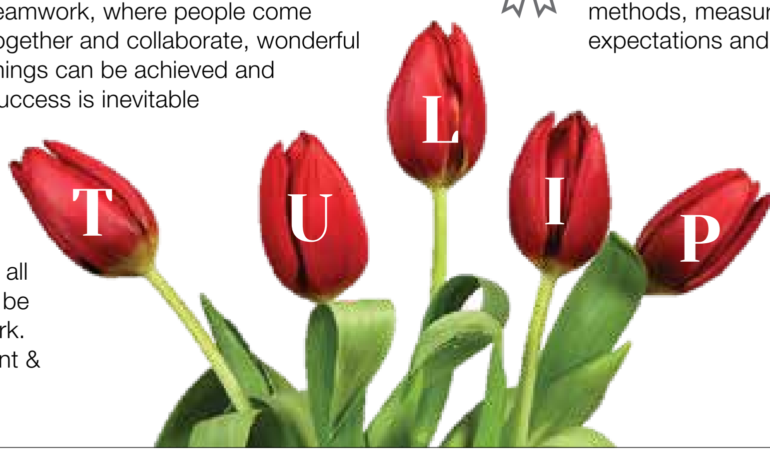
Change is the result of all true learning where there is no beginning and no end, but continuous improvement and growth. We advance together

UNITY

Unity is strength, when there is teamwork, where people come together and collaborate, wonderful things can be achieved and success is inevitable

INTEGRITY

Consistency in our actions, values, methods, measures & principles, expectations and outcomes



TRUST

Trust is the basis of all good relationships, be it personal or at work. Be open, transparent & stay respectful

PROGRESSION

Success is the progressive realisation of a worthy goal or ideal, step up to challenges

Reporting Scope & Boundaries

MUDAJAYA GROUP PROFILE

MUDAJAYA GROUP BERHAD ("MUDAJAYA" OR THE "COMPANY") AND ITS SUBSIDIARIES ARE PRIMARILY INVOLVED IN CONSTRUCTION, PROPERTY DEVELOPMENT, POWER, MANUFACTURING AND TRADING. CONSTRUCTION, UNDERTAKEN BY MUDAJAYA CORPORATION BERHAD ("MCB"), IS THE MAIN CONTRIBUTOR TO THE GROUP'S REVENUE. MCB IS INVOLVED IN GENERAL CONSTRUCTION, IN PARTICULAR CIVIL ENGINEERING AND BUILDING CONSTRUCTION ON BOTH DESIGN AND BUILD, AS WELL AS CONVENTIONAL CONSTRUCTION, CONTRACTS FOR GOVERNMENT, QUASI-GOVERNMENT AND THE PRIVATE SECTOR.

The Mudajaya Group has been involved in a portfolio of contracts (some of which were on joint venture basis) of national relevance, including critical infrastructure such as highways, roads, bridges, power stations, buildings, infrastructure, marine structures, dams and retaining structures, water supply works, drainage and sewerage works.

In fulfilling our purpose of 'Advancing The Future Together', we continue to be committed to progress towards building a more dynamic future for all. The Group remains optimistic of its current market position as well as its future prospects with a strong financial base, experienced management and skilled workforce. Our positive outlook is reinforced by our capacity to design and build, our expertise in power plants and tall chimneys, the potential to diversify and our robust business strategies.

At Mudajaya, we believe that by working as a team – within the organisation as well as with our valued clients – we can step together to meet current and future challenges with confidence, energy and determination.

10 Damansara Heights Bukit Damansara, Kuala Lumpur

Reporting Scope & Boundaries

ABOUT THIS REPORT

THE MUDAJAYA INTEGRATED REPORT 2019 PRESENTS THE GROUP'S COMMITMENT TO TRANSPARENT AND QUALITY DISCLOSURES ON OUR BUSINESS PERFORMANCE AND OUR ABILITY TO CREATE VALUE FOR MULTIPLE STAKEHOLDERS. THIS IS THE SECOND CONSECUTIVE YEAR IN OUR JOURNEY OF 'INTEGRATED REPORTING ("IR")'. WE HAVE ADHERED TO THE PRINCIPLES PRESCRIBED BY THE INTERNATIONAL INTEGRATED REPORTING COUNCIL, INCLUDING CONSISTENCY AND COMPARABILITY, STRATEGIC FOCUS AND FUTURE ORIENTATION. THIS REPORT INCLUDES BOTH FINANCIAL AND NON-FINANCIAL PERFORMANCE INDICATORS. OUR OBJECTIVE IS TO PROVIDE A HOLISTIC VIEW OF OUR CONTINUING PROGRESS AND FUTURE PLANS TO OUR STAKEHOLDERS, WHILE WE CONTINUE TO EMBED INTEGRATED THINKING INTO ALL OUR DECISION-MAKING PROCESSES THAT DRIVE POSITIVE CHANGE.

Over the past year we have worked to strengthen our strategy formulation and data collection processes and mechanisms and have also fine-tuned our 'value creation model'. The 2019 report serves as a communications tool and provides a perspective on the issues that matter to our stakeholders; both in the near-term as well as long-term.

Our financial statements have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") and the requirements of the Companies Act 2016 in Malaysia. We also adhered 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.

Reporting Scope and Boundary

This integrated annual report covers Mudajaya Group's financial and non-financial performance for the period **1 January 2019 to 31 December 2019**. This report covers information on our operations of Mudajaya Group Berhad and its subsidiaries , as well as our focus sectors including construction, property development, power, manufacturing and trading. The scope includes our Group performance in the context of governance, risks, opportunities, prospects and sustainability.

As this is only our second year of preparing an integrated report, we acknowledge the various areas of improvement. We remain committed to the IR journey and will continue to mature in our reporting standards over the next three years.

Materiality Determination

We recognise that materiality is a critical element in determining the strategies that we deploy towards value creation. Further to the in-depth materiality assessment and prioritisation exercise undertaken in 2018, we remain cognisant of various stakeholder' issues and the matters that impact our business performance. As we progress on our growth journey, the Board, specifically the Audit and Risk Committee, plays a central role in continuously evaluating the Group's current and emerging risks as well as opportunities for necessary action and course.

Statement of the Board of Directors of Mudajaya Group

The Board acknowledges responsibility for the presentation, integrity and completeness of the Integrated Report. The Board confirms that it has collectively reviewed the content of the Integrated Report and is satisfied that this Integrated Report is a fair representation of the performance of the Group.

Reporting Principles

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

Transparency

We have included disclosures, which will provide our stakeholders with a clearer understanding of our businesses and our value proposition. While we continue to meet all compliance requirements, in coming years as we mature in our quality of our reporting we intend to share more data on various aspects of our performance with our stakeholders.

Balanced Information

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

MUDAJAYA GROUP BERHAD

Comparability

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

Stakeholder Engagement & Materiality

STAKEHOLDER ENGAGEMENT

In advancing the future together with our stakeholders, it is absolutely important for us to take an inclusive approach to planning, implementation and growth. We continuously seek opportunities to engage with our stakeholders; including suppliers, customers, employees, regulators, shareholders and the communities where we operate. For the year in review, we assessed inputs and feedback from various stakeholder touchpoints in order to assess the relevance of our material topics determined in 2018.

The key platforms for stakeholder engagement when determining materiality include in-depth interviews, online surveys, face-to-face meetings and other forms of discussions.

Our first stakeholder engagement exercise was conducted in 2018 and was fully managed by a third-party consultant that encouraged our stakeholders to share their feedback without any inhibitions, in a neutral and objective environment. The exercise will be undertaken every three to five years based on market sector developments.

Below is a list of our priority stakeholders, the different modes and frequency of our engagement and the top concerns raised by each of the stakeholder groups.

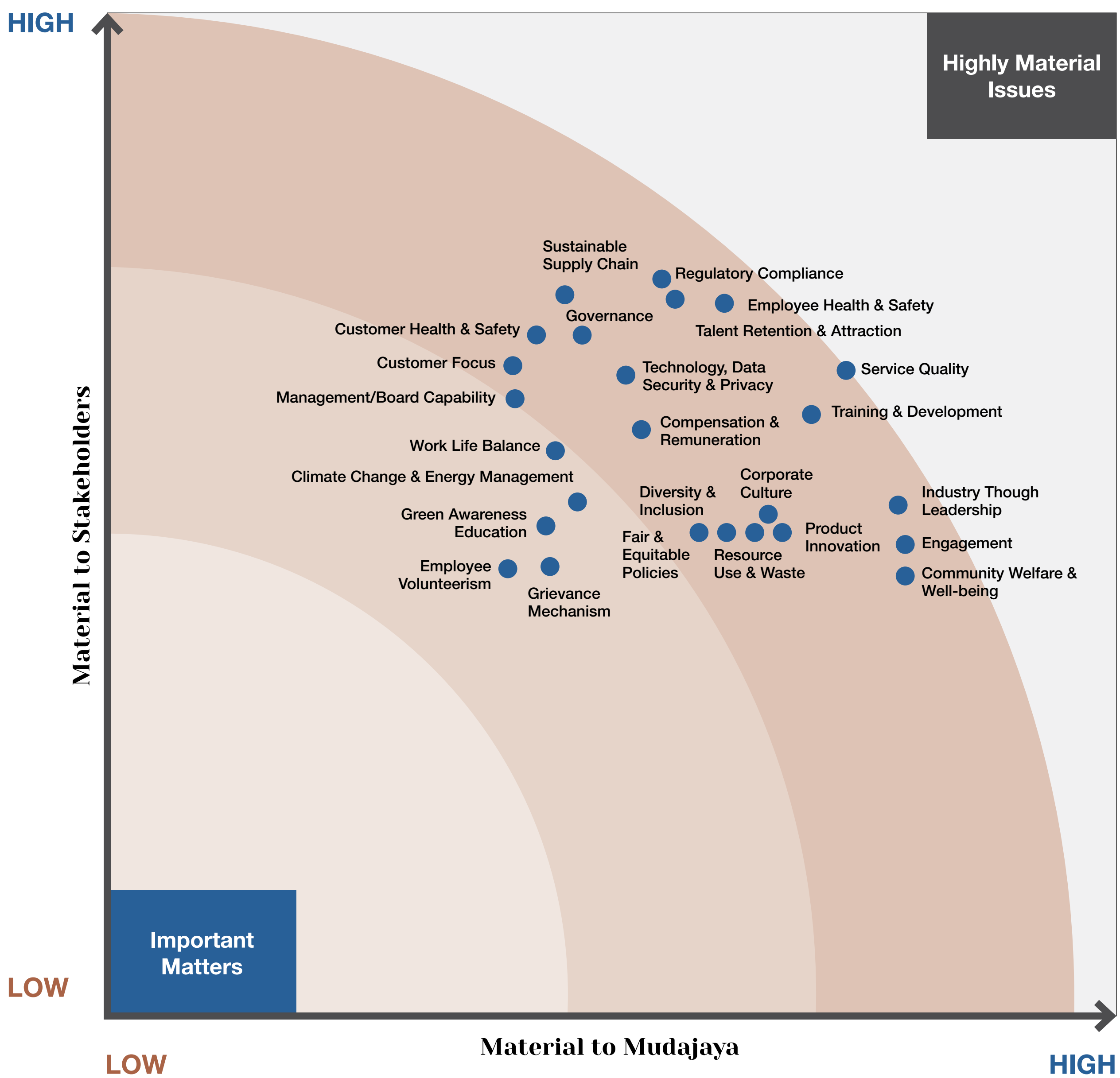
STAKEHOLDERS	MODE OF ENGAGEMENT & FREQUENCY
Customers & Partners	• Meetings (Quarterly)
Employees	• Townhalls (Quarterly); • Management-Staff Reviews (Monthly); • Appraisals (Yearly); • Internal Employee Gatherings/ Events (Monthly); and • External Focus Group Discussion (Yearly)
Regulators & Policy Makers	• Meetings (Quarterly & Yearly)
Suppliers	• Performance Reviews (Half-yearly); and • Procurement Processes (Half-yearly)
Communities	• Events & Participation Co-organised (Bi-monthly)

MATERIAL TOPICS AND OUR RESPONSE

We conducted a materiality assessment with our various stakeholders and based on their feedback and ranking of matters important to them on a simple Likert Scale of 1-5, we identified a total of 25 material topics. The scores were juxtaposed for all stakeholders to arrive at weighted averages to establish the level of importance of materiality.

The weighted average scores of all stakeholders were compared with the scores assigned by Mudajaya management. That is how we arrived to 25 materiality topics that are important to both stakeholders and the Group, as well as aligned to our business priorities.

Overall, the results of this year's evaluation were consistent with the 2018 baseline materiality.



Stakeholder Engagement & Materiality

For reporting purposes, we have further grouped the material topics based on their interrelationships and strategic linkages. These top eight material topics will remain our key areas of focus over the next two to four 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) **Capitals Inputs:** Financial Capital Human Capital	Talent is extremely critical to seamless delivery of business objectives. Skill-gaps, talent crunch and productivity of talent can directly impact the performance of the organisation, as well as its ability to attract new talent as an employer.	**Risk** Impacts Group's productivity and performance. **Opportunity** Talent retention and attraction through attractive career prospects and employee development policies, positioning Mudajaya as an employer of choice.	- To develop the organisation's brand to attract more experienced and dynamic workforces. - To benchmark with other similar industries to remain competitive in terms of compensation and remuneration. - "Employees' Share Option Scheme" ("ESOS") to retain the best talents in our Group.
2. Service Quality **Capitals Inputs:** Intellectual Capital Human Capital	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** Strengthen customer loyalty and secure repeat business.	We take pride in 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 staff, covering knowledge of latest technologies. - To attain QLASSIC certification for our projects and maintain ISO 9001:2015 certification. Power - To engage with relevant authorities, strengthen relationships and collaborate where possible. - To ensure our plants are operating at optimum levels and in compliance with the contracts. - To promote sustainable and renewable energy/green technology. Manufacturing - To upgrade in-house laboratory via Skim Akreditasi Makmal Malaysia ("SAMM") accreditation based on ISO/IEC 17025. - To maintain the latest edition of quality management standards - QMS ISO 9001:2015. - To ensure compliance with approved standard operating procedures ("SOP") via verification by authorised audit agencies.

Stakeholder Engagement & Materiality

IDENTIFIED TOP 8 MATERIAL TOPICS	STRATEGIC LINK TO OUR BUSINESS	RISKS AND OPPORTUNITIES	OUR LONG-TERM STRATEGIES
3. Governance (Regulatory Compliance; Industry Thought Leadership) **Capital Inputs:** Intellectual Capital	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 with laws and regulations.	**Risk** Losing license to business or financial losses due to regulatory fines and sanctions. **Opportunity** Build reputation that can help forge new business partnerships.	- To ensure the principles and best practices of good corporate governance are applied throughout the Group's operations, in keeping with the prescriptions of the Malaysian Code on Corporate Governance 2017. - Comply with the current regulators' requirements in construction, property development, power and manufacturing and trading segments. - To ensure compliance with the Anti-Bribery Management System ("ABMS") requirements under ISO 37001:2016.
4. Ethical Supply Chain **Capital Inputs:** Manufactured Capital Human Capital	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, poor project performance and regulatory fines and sanctions. **Opportunity** Create income opportunities and also improve performance through quality and diverse selection of suppliers.	The Group has adopted a centralised procurement system; with approved SOPs that are in compliance with ISO standards. - To select suppliers or contractors with consideration of the price/experience & expertise/sufficient resources and strong financial positions, in addition to various sustainability considerations. - To reassess the performance of the suppliers or contractors from the approved suppliers or contractors list every 6 months. - To conduct Pre-Q 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.

Stakeholder Engagement & Materiality

IDENTIFIED TOP 8 MATERIAL TOPICS	STRATEGIC LINK TO OUR BUSINESS	RISKS AND OPPORTUNITIES	OUR LONG-TERM STRATEGIES
5. Community Welfare & Well-being **Capital Inputs:** Relationship Capital Human Capital Financial Capital	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** Shape favourable employee, stakeholder, and community perceptions.	We provide financial assistance to support various Community Engagement programmes, with a focus on education and the underprivileged or disadvantaged members of the society. - To allow annual budget for Corporate Social Responsibility ("CSR") activities. - To encourage employee volunteerism. We are committed to environmental and waste management through "Reduce, Reuse & Recycle". - To consider environmental impact on activities with appropriate preventive actions and implementation of best environmental practices. We strongly advocate 'Good Health and Safety' culture in our workplace. - To comply with Health, Safety and Environment legislations. - To familiarise all employees and stakeholders with training, information and facilities available. We also promote Community Living via property development. - To prioritise amenity facilities such as park/bus stop/market/town square for events in the township.
6. Technology, Data Security & Privacy **Capital Inputs:** Financial Capital Intellectual Capital	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 to those who compromise data leakage and breach of customers' confidentiality.

Stakeholder Engagement & Materiality

IDENTIFIED TOP 8 MATERIAL TOPICS	STRATEGIC LINK TO OUR BUSINESS	RISKS AND OPPORTUNITIES	OUR LONG-TERM STRATEGIES
7. Customer Health & Safety **Capital Inputs** Intellectual Capital Human Capital	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 Management System ISO 45001:2018 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). Power - To engage with third party consultant to regularly check on critical equipment and system at our solar plant and thermal plant. Property Development - 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 **Capital Inputs:** Manufactured Capital Intellectual Capital Financial Capital	Development and introduction of new products to meet the dynamic needs of the customers. Keep pace with technology advancements that will reflect and reinforce 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. Power - To continuously improve Operation & Management methodology and adopting latest technology in new plants. Property Development - To promote eco-living, green sustainable living, eco-friendly environment. Manufacturing - To explore new technology for concrete design mix in order to improve the cycle time for better concrete quality.

Stakeholder Engagement & Materiality

For each of the eight (8) material topics we are continuously reviewing and deliberating on the following issues that determine our management approaches, strategies and actions:

- ✓ Strategic link to our business;
- ✓ The risks and opportunities;
- ✓ Our long-term strategy;
- ✓ The key performance indicators;
- ✓ Targets towards 2020; and
- ✓ Progress year on year.

Last year we had identified top line approaches based on these material topics and the risks or opportunities in relation to them. In 2019 and over the next two years, we will improve our narratives with clearly defined strategies and mitigation efforts to achieve positive economic, social and environmental impacts.

Based on our evaluation of the governance of various material topics as well as the current policy support that we have in place, we have devised various mitigation strategies. Below are the key enablers of the eight material topics which the Group will focus on over the next three to five 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
Ethical Supply Chain	• Procurement and Supplier Assessment Policy • Supplier Code of Conduct
Community Welfare & Well-being	• Staff Education and Volunteerism Policy
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

At Mudajaya, we understand that integrated thinking is fundamental to the integrated reporting framework; therefore, we continue to closely examine our business and the various inputs or capitals that drive our performance and growth. As we strategise 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 and increase understanding of our performance for all our stakeholders.

Manufactured Capital

Manufactured Capital are the physical assets, products and services of the Group encompassing landbanks, township, commercial space, solar photovoltaic plants, concrete precast production and construction works. In order to provide seamless delivery of products and services, we depend on the competency of our people, efficiency of the equipment, tools and transportation as well as 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 development, power as well as, manufacturing, trading and others, we are able to generate earnings to sustain and grow the organisation. A stable financial capital base allows 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 and a key driver of business success. We value each and every individual in the Group for their direct and indirect contributions to all our achievements and we want to ensure their work has meaningful impact not only to us, but to society at large. Employee experience and engagement are our main priorities in nurturing highly skilled and adept professionals; who in turn ensure efficient business operations and growth.

Social Capital

Social Capital includes the relationships that we have built and developed within and outside the organisation with various stakeholders - employees, shareholders, regulators, customers, suppliers and the communities in which we operate. We are also investing in strengthening our relationships based on trust and integrity and recognise that our stakeholder relationships are vital to our business' success.

Natural Capital

Natural Capital refers to the environmental resources that we utilise while delivering our solutions and we understand that an organisation cannot continue to prosper without due consideration for its impact on the environment. 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 environmentally friendly practices and technologies in order to 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 contribute to our evolution as a successful business. The Group's reputation continues to grow and is further 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 Kimari Sdn. Bhd., we uphold and demonstrate our strong capabilities in the industry.

Value Creation Business Model

OUR VALUE CREATION MODEL

INPUTS

Manufactured Capital

Owns **66.3 acres** of land bank
& fixed assets worth **RM 131.8 million**
1 TOWNSHIP & **4 POWER PLANTS**

Financial Capital

Total assets of **RM 1.3 billion**
RM 179.8 million of shareholders' funds

Human Capital

831 total number of contract and permanent employees
149 TRAINING PROGRAMMES
with a total of **1,781 hours**

Social Capital

Collaborated with **NOT LESS THAN 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 **GENERAL CONSTRUCTION**
with **30 years** experiences in **POWER GENERATION**

Fully functional in-house technical and O&M capabilities for solar plants

LEVERAGES

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

FINANCIAL MANAGEMENT
Maintain no-dividend policy and proposed to conserve cash by reducing debts and monetising current as well as future assets

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
Strengthen internal ISO 14001:2015 by abiding to local environmental regulations and compliance requirements

BRANDING ENHANCEMENT
Improving reputation through our commitment to our stakeholders

Value Creation Business Model

OUR VALUE CREATION MODEL IS DESIGNED TO ADDRESS THE SIGNIFICANT CAPITALS (AS INPUTS) AND MATERIAL TOPICS IN CONTEXT OF VALUE CREATION FOR OUR MULTIPLE STAKEHOLDERS.

MUDAJAYA'S CORE BUSINESSES

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

TREND	MATERIAL TOPICS	
Urbanisation	Financial	Market
Industrialisation	Environmental, Safety & Health	Development Strategy
Economic Growth	Project Development & Execution	Talent & Resource Management
Financial	Utilities & Supply	

STRATEGIES PRIORITIES IN 2019

- UNLOCKING ASSET VALUES
- SUSTAINING GROUP PERFORMANCE
- DIVERSIFYING KEY ASSETS
- DEVELOPING STRATEGIC PARTNERSHIPS

OUTPUTS

Manufactured Capital

Completed and on-going mega projects in **construction** and **power sectors** with a total contract sum of **RM4.6 billion**

Financial Capital

RM393.8 million of revenue reported

Incurred **RM63.4 million** of Loss Before Tax (LBT)

Human Capital

A Coffee Connection involving **29 employees** and **managers**

2 Technical Sharing Sessions involving **> 50 staff**

Social Capital

Various **CSR events/programmes & Industrial Talk** carried out in current year

Natural Capital

SOLAR FACILITY:

- Produced **100GWh** of clean and renewable energy; and
- Eliminated **58,000 metric ton** of CO_2 per annum.

Intellectual Capital

AWARDS GRANTED:

Focused Recognition Award for good performance from Petronas, **IFAWPCA Silver Medal for Civil Engineering Construction** from International Federation of Asian and Western Pacific Contractors' Associations, **Anugerah Kecemerlangan Industri Pembinaan Malaysia** ("MCIEA") & **Anugerah IBS** from Lembaga Pembangunan Industri Pembinaan Malaysia ("CIDB")

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

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

Options Committee

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

Company Secretaries

Lee Suan Choo (MAICSA 7017562)
(SSM PC No. 202008003634)
Cheah Wai Yuen (MAICSA 7025907)
(SSM PC No. 202008002515)

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
Registration No. 199601006647 (378993-D)
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13, 46200 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel No : (603) 7890 4700
Fax No : (603) 7890 4670
Helpdesk Email:
BSR.Helpdesk@boardroomlimited.com

Auditors

KPMG PLT
Chartered Accountants

Principal Bankers

United Overseas Bank (Malaysia) Berhad
AmBank Islamic Berhad
CIMB Bank Berhad
OCBC Bank (Malaysia) Berhad
Standard Chartered Bank Malaysia Berhad
Bangkok 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

The Office Club @ Menara Mudajaya

Video conferencing facilities, shower and nap room are one of the facilities offered at the Office Club for flexible living

The Office Club at Level 12, Menara Mudajaya is conceptualised in response to the need for small and exclusive co-working space in the city

Board of Directors

FROM LEFT TO RIGHT

Chew Hoy Ping
Senior Independent Non-Executive Director

Lee Eng Leong
Non-Independent Executive Director

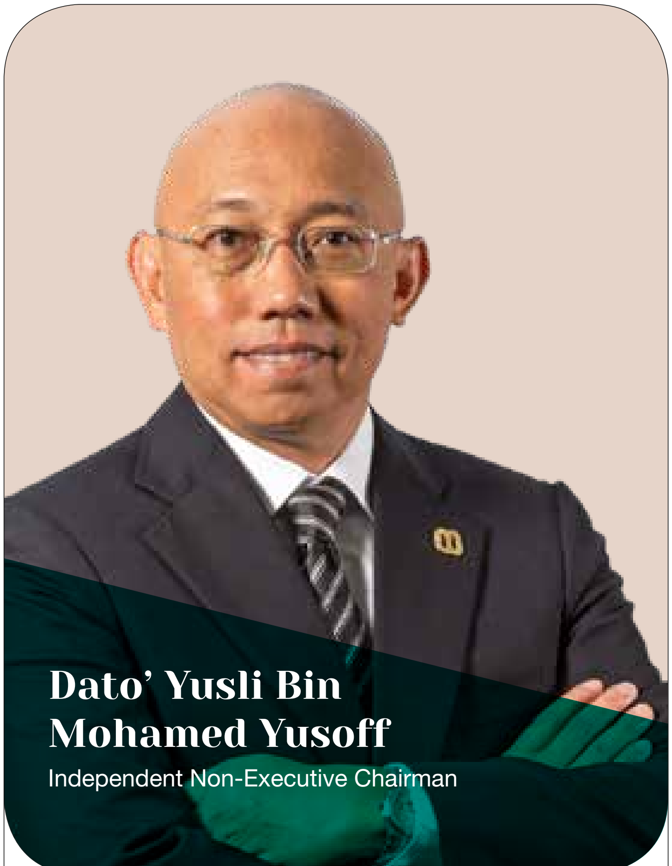
Dato' Yusli Bin Mohamed Yusoff
Independent Non-Executive Chairman

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

Nationality / Gender / Age

Malaysian, Male, 61

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 AirAsia X Berhad, Westports Holdings Berhad, FGV Holdings Berhad (as Independent Non-Executive Deputy Chairman) and KPJ Healthcare Berhad (as Independent Non-Executive Chairman). His directorships in non-listed public companies are Australaysia Resources and Minerals Berhad, and Malaysian Institute of Corporate Governance.

Directors' Profile

Ir. James Wong Tet Foh

Group Managing Director & Chief Executive Officer

Nationality / Gender / Age

Malaysian, Male, 59

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 Options Committee as well as a member of the Risk Management Committee and Investment Committee.

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

Directors' Profile

Lee Eng Leong

Non-Independent Executive Director

Nationality / Gender / Age

Malaysian, Male, 52

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 directorship in non-listed public company in Malaysia is Mudajaya Corporation Berhad.

Chew Hoy Ping

Senior Independent Non-Executive Director

Nationality / Gender / Age

Malaysian, Male, 62

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 work encompassing auditing, corporate finance and business recovery services. He held various leadership roles in PwC including the Asia Pacific Chairman of Financial Advisory Services, its Risk Management Leader, the Deputy Chairman of the Governance Board and a member of the Country Management Team. Mr Chew also had work secondment experiences with PwC Houston, Texas (1982-1984) and with Bank Negara Malaysia (1986-1988).

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 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 directorships in non-listed public companies in Malaysia.

Directors' Profile

Dato' Amin Rafie Bin Othman

Independent Non-Executive Director

Nationality / Gender / Age

Malaysian, Male, 60

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 Director of Corporate Affairs of Medika Natura Sdn Bhd. 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, and Investment Committee.

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

Wee Teck Nam

Non-Independent Non-Executive Director

Nationality / Gender / Age

Malaysian, Male, 80

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 the 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 non-listed 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 2019 is disclosed in the Corporate Governance Overview Statement.

Senior Management's Profile

Ir. Anthony Teoh Teik Thiam

Deputy Chief Executive Officer, Mudajaya Group Berhad

Managing Director, Mudajaya Corporation Berhad

Aged 51, Male, Malaysian

Ir. Anthony Teoh Teik Thiam 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. On 1 May 2020, he was redesignated as Managing Director of Mudajaya Corporation Berhad.

Ir. Anthony Teoh graduated with a Bachelor of Engineering (1st Class Honours) Degree in Civil Engineering in 1993 from 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. 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 Zelan Construction Sdn. Bhd. 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 non-listed public company is Mudajaya Corporation Berhad. He has no directorships in any listed issuers.

Ang Keng Hong

Executive Director of Construction, Mudajaya Corporation Berhad

Aged 51, Male, Malaysian

Mr. Ang Keng Hong 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 and 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 and 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 non-listed public companies.

Senior Management's Profile

Samantha Lee Tze Liu

General Manager - Property, Mudajaya Corporation Berhad

Aged 52, Female, Malaysian

Ms. Samantha Lee Tze Liu was appointed as the General Manager of the Property Division on 1 November 2015. She is a Bachelor of Law graduate from University of London, with 26 years of experience in property and township development, leasing and maintenance.

Ms. Lee started her working career in 1993 with MBF Property Services as a Marketing Executive. She 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 company's flagship township development at Batu Kawah New Township, 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 non-listed public companies.

Joseph Gomez A/L Thomas Gomez

Acting Head - Concession Assets, Mudajaya Corporation Berhad

Aged 57, Male, Malaysian

Mr. Joseph Gomez A/L Thomas Gomez joined Mudajaya Corporation Berhad as a Senior Finance Manager of Concession Assets on 19 January 2015 and was subsequently appointed as Acting Head of Concession Assets on 13 May 2019.

Mr. Gomez is a fellow member of the Chartered Institute of Management Accountants (CIMA), United Kingdom and a Chartered Accountant of the Malaysian Institute of Accountants.

He has more than 30 years of working experience in finance and operation roles in Malaysia and India. He has 10 years of working experience in India including 3 years with Delhi Airport Parking Services Pvt Ltd as the Chief Executive Officer.

Mr. Gomez has no directorships in any listed issuers or non-listed public companies.

Senior Management's Profile

Yam Keong Chee

General Manager - Manufacturing, Mudajaya Corporation Berhad

Aged 58, Male, Malaysian

Mr. Yam Keong Chee 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.

With MJC Precast Sdn. Bhd., Mr. Yam has secured various precast concrete product projects i.e. West Port CT8 & CT9, West Coast Expressway Sec 5 & Sec 9, SUKE CB2 & CA3, DASH CB1, DUKE 3, LRT3 –PC 2, MRT 2, Electrified Double Track Project (Johor) etc.

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

Anna Maria Verghis

Assistant General Manager – Human Resources & Admin, Mudajaya Corporation Berhad

Aged 38, Female, Malaysian

Ms. Anna Maria Verghis joined Mudajaya Corporation Berhad as the Assistant General Manager - Human Resources & Admin on 2 May 2019.

Ms. Verghis graduated with a Bachelor of Business, majoring in Human Resource Management and Marketing from Charles Sturt University, Australia. Thereafter, she completed her Master of Business Administration, majoring in Human Resource Management from University of Wales, United Kingdom. She is also an associate member of the Malaysian Institute of Management.

Ms. Verghis has 16 years of working experience in Human Resources involving various industries, mostly in construction, property development and concessions, as well as manufacturing, medical, legal and education industries. She is also a committee member of the Master Builders Association Malaysia's Human Resource Committee, as well as the Education & Special Institutions Committee.

Ms. Verghis has no directorships in any listed issuers or non-listed public companies.

NOTES:

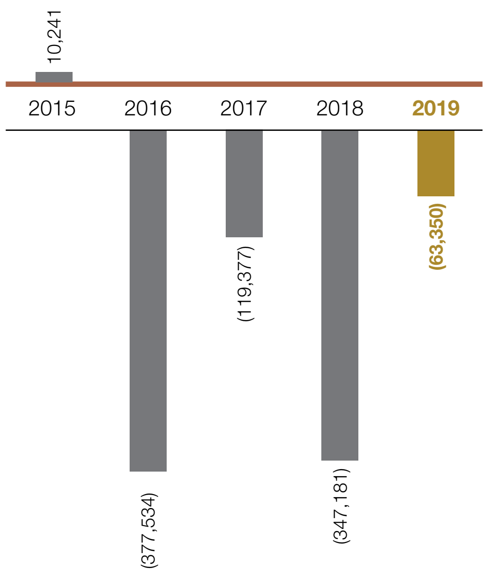
1. **Family Relationship with Director and/or Major Shareholder**
   None of the Senior Management has any family relationship with any director and/or major shareholder of Mudajaya.
2. **Conflict of Interest**
   None of the Senior Management has any conflict of interest with Mudajaya.
3. **Conviction 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.

Five Years' Financial Highlights

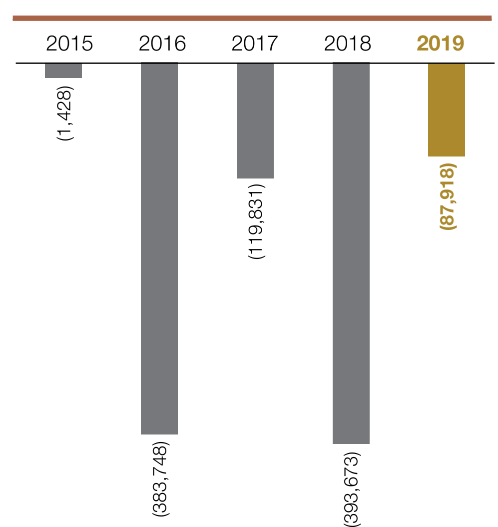
	2019 RM'000	2018 RM'000	2017 RM'000	2016 RM'000	2015 RM'000
Assets					
Non-Current Assets	469,020	506,182	624,978	736,560	871,254
Current Assets	858,474	1,091,098	1,220,679	1,308,279	1,169,716
Total Assets	1,327,494	1,597,280	1,845,657	2,044,839	2,040,970
Equity And Liabilities					
Capital And Reserves					
Share Capital	393,172	393,172	393,172	110,483	110,483
Reserves	(246,258)	(177,218)	217,150	558,046	995,438
Equity Attributable To					
Owners Of The Company	146,914	215,954	610,322	668,529	1,105,921
Non-Controlling Interests	32,927	28,560	35,312	34,045	(15,939)
Total Equity	179,841	244,514	645,634	702,574	1,089,982
Liabilities					
Non-Current Liabilities	521,036	441,161	415,065	428,859	404,791
Current Liabilities	626,617	911,605	784,958	913,406	546,197
Total Liabilities	1,147,653	1,352,766	1,200,023	1,342,265	950,988
Total Equity And Liabilities	1,327,494	1,597,280	1,845,657	2,044,839	2,040,970
Group Results					
(Loss)/Profit Before Tax	(63,350)	(347,181)	(119,377)	(377,534)	10,241
Taxation	(17,060)	(12,109)	1,605	(4,766)	(7,849)
Non-Controlling Interests	1,828	(6,478)	2,059	1,448	3,820
Loss Attributable To Owners Of The Company	(87,918)	(393,673)	(119,831)	(383,748)	(1,428)
Selected Ratios					
Loss Per Share (Sen)	(14.90)	(66.73)	(21.72)	(71.06)	(0.26)
Net Dividend Per Share (%)	–	–	–	–	–
Net Assets Per Share Attributable To Owners Of The Company (RM)	0.25	0.37	1.03	1.24	2.05
Return On Equity (%)	(59.84)	(182.29)	(19.63)	(57.40)	(0.13)
Gearing Ratio (%)	487.9	365.2	116.6	116.2	50.2
Share Price (Year-End Closing) (RM)	0.39	0.29	0.93	0.91	1.18

Five Years' Financial Highlights

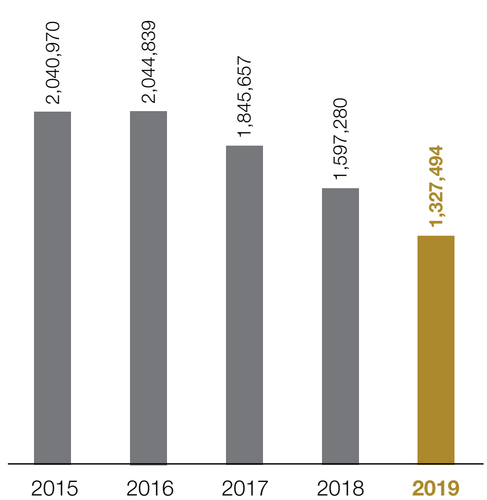
(Loss)/Profit Before Tax
(RM'000)



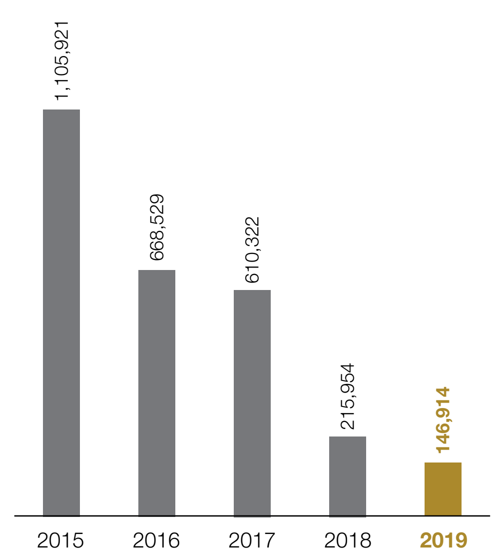
Loss Attributable to Owners of the Company
(RM'000)



Total Assets
(RM'000)



Equity Attributable to Owners of the Company
(RM'000)



Message from the Chairman

Message from the Chairman

Market

Malaysia's economic growth in 2019 remained moderate at 4.6% amid stable labour market conditions and robust growth in private consumption; with inflation also remaining modest. As the Prime Minister indicated in his 2020 Economic Outlook, the Malaysian GDP growth accelerated to 4.9% in the second quarter of 2019, up from 4.5% in the previous quarter despite the global economic slowdown.

Regionally, Bank Negara reported that equity markets, including Malaysia, were affected by foreign investors' portfolio rebalancing, following changes to the composition of the benchmark MSCJ EM Index.

Although consumer price inflation has been on the low side, consumer sentiments were weak during the year; with concerns on creditworthiness due to stringent credit terms by financiers. There were also concerns about the rising cost of living both among the public and within the government with one of the leading issues being the shortage of affordable housing. To counter this, the government is expanding its policies to ease the availability and financing of housing for those affected. This is a welcomed initiative and will no doubt act as a boost to the property sector where we foresee emerging opportunities from developers including Mudajaya in providing a structured approach to help communities thrive.

Corporate Developments

The third and fourth quarters of 2019 saw Mudajaya returning to the black after a number of consecutive quarters in the red. Although overall the Group is still making a loss, the positive performance during the second half of the year is encouraging for the Group moving into 2020.

We also closed the final accounts with PETRONAS for the Pengerang projects.

Additionally, part of the Group's strategic decision to offload our Independent Power Plant ("IPP") investments in India via RKM Powergen Pvt Ltd ("RKM") provided some reprieve for the group's balance sheet resulting from the net carrying amount of RKM in the Group's books having been fully adjusted to nil; hence, there is no further equity accounting for RKM losses from third quarter of 2019 onwards. In addition to the power supply to Uttar Pradesh Power Corporation Limited, RKM has in February 2020 commenced power supply to the state of Telengana pursuant to the Pilot Agreement entered into between RKM and PTC India Limited for the supply of 550 MW power.

We also disposed of our entire 80% equity interest in MIPP International Ltd in late 2019 via a Share Sale and Purchase Agreement for total cash consideration of RM150,000; mainly due to a challenging operating environment, tight local regulations and continual market uncertainties.

At present, Mudajaya's order book stands at RM1.4 billion, which is expected to last for the next two years. Another significant milestone for the Group in 2019 was the introduction of a new major shareholder who is able to inject fresh capital into the business; having the financial resources to support the company's funding proposals and his diverse experience will be an asset to the Group moving forward.

Our long-term commitment to environmental sustainability has also seen us integrate greener approaches to our property and construction sectors. One of our proposed construction projects is planned to be outfitted with a Rainwater Harvesting System which will offer a better and more efficient utilisation of energy resources as well as reduce our dependence on treated water.

Financial Performance

For the year ended 31 December 2019, the Group has reported a total revenue of RM393.8 million compared to RM760.1 million revenue in 2018. Our debt-to-equity ratio is at approximately 5 times but is still manageable given the cashflow generation ability of the Group. Mudajaya intends to improve its net gearing by considering various feasible financing options to further strengthen our corporate balance sheet; including the possibility of issuing shares to shareholders in order to raise funds, private placement of new shares or other financial securities issuance. The current uncertain business environment reinforces the importance of a strong balance sheet and Mudajaya's results reflect our business model, placing financial strength and sustainability at the forefront.

Message from the Chairman

Awards

It gives me great honour to report that our Musyati-Mudajaya JV reached a significant milestone in March 2019 with 5 Million Manhours without any lost time injury ("LTI") for work on the Pan Borneo Highway in Sibu, Sarawak. Additionally, the MRT V207 project received a Gold Class 2 Award in Occupational Safety & Health by Malaysian Society for Occupational Safety & Health ("MSOSH"). This rating indicates that any potential and significant high risk workplace hazards are managed and documented. These remarkable achievements clearly demonstrate our strong commitment to safety and exemplifies a culture where each and every person performs their tasks with the safety of themselves and the people around them as a top priority. I wish to extend my sincere congratulations to the project teams for these outstanding feats.

Human Capital

Our talent is our strongest resource and our aim has always been to provide a healthy and supportive work environment. In today's talent-driven and knowledge-based economy, smart organisations know the value of investing in developing their people. Mudajaya recognises the critical impact our human capital has in key business areas including product and service innovation, customer satisfaction and overall profitability.

After the 2018 General Elections, the Group was cognizant of strengthening the organisation while bringing down the cost structure. We continue to encourage active engagement amongst employees at all levels, provide opportunities for career development across the organisation and capture knowledge sharing to facilitate cross-team learning. Employee experience and engagement are our main priority areas and we work hard to engage with and retain our talented employees through our various skill and talent development programs; including upskilling and retraining to optimise our available resources and enhance productivity.

In 2019, we organised a casual 'coffee connection' between members of the management team and employees. We fully subscribe to the idea that an organisation is only as good as its people and we recognise our employees as our greatest assets.

Corporate Governance

Good corporate governance is a necessity for any successful corporation as it enables a business to run more efficiently, improves access to capital, manages risks and protects the interests' of all our shareholders. At Mudajaya, we believe in upholding the highest standards of ethics and corporate governance and build ours on a foundation of accountability, transparency and trust based on the principles and best practices set out in the new Malaysian Code of Corporate Governance.

As the new Section 17A of the MACC Act on corporate liability comes into force, the Group took appropriate action and subscribed to the ISO 37001:2016 – Anti Bribery Management Systems and we expect the certification process to be completed by mid 2020. We also continued with our own efforts of strengthening the Group's governance practices by updating our Anti-Bribery Policy Statement which takes a zero-tolerance approach against all forms of bribery and corruption in our daily operations. All staff are made aware of this policy and compliance is mandatory. We have also instituted an Integrity Unit within Mudajaya which comprises representation across the Group including the Board of Directors and Management; with representatives from the Finance, Legal and Human Resources Departments as well. We remain committed to the principles of integrity, transparency and good governance in the way we conduct our business and seek to enhance shareholders' value and the Group's financial performance.

Growth Strategy

As one of the oldest construction groups in Malaysia with a history spanning over 50 years, our experience and capabilities in our core business segments continue to develop and we are confident that we are able to grow our business despite less than favourable conditions.

We continue to take a page from our 2019 growth strategy and focus on the components that will deliver the best value to all our stakeholders, including:

1) **DIVERSIFICATION**
As global markets remain volatile – with multiple issues facing world economies including socio-political changes and most recently the COVID-19 pandemic – we recognise the need to diversify our portfolio and take advantage of opportunities across markets and revenue verticals. Over the next two years, we intend to explore business potential in markets such as Indonesia, China and the rest of ASEAN. Indonesia is of particular interest as the current government has a number of projects planned in the renewable energy sector; which we view as promising for the Group. In fact, by the end of 2020, we plan to initiate our procurement efforts in order to enter into the execution phase by 2021.

With a presence of over 20 years in East Malaysia, we continue our diversification efforts in Sabah and Sarawak which we believe are high-potential opportunity areas within Malaysia. Although our focus there has mainly been on development, we intend to shift beyond that and to escalate our revenue stream with projects in construction, power and manufacturing.

2) **VALUE PRESERVATION**
Given that the year 2020 is filled with many uncertainties, the Group will be looking at ways to preserve our capital and stabilise the business going forward. This includes bringing our cost structure down by streamlining our internal processes and managing our overhead.

3) **CONSOLIDATION AND STRENGTHENING OF THE CORE**
As we continue to be prudent and cautious in our approaches and strategies, the year 2020 will remain challenging across all sectors. We intend to focus on internal corporate exercises, including the planned capital restructuring to strengthen our position and gain new momentum with our diversification and other growth strategies for 2020 and beyond.

Pan Borneo Highway in Sibu, Sarawak

Message from the Chairman

KVMRT Line 2 Site

Way Forward

The unprecedented COVID-19 pandemic has impacted economic, social, political and religious structures all around the globe. Given the fact that world economies were ravaged, and oil prices had plummeted to disastrous levels, the IMF stated that for 2020 "…the outlook for global growth… is negative—a recession at least as bad as during the global financial crisis or worse." The Malaysian economy moderated sharply at 0.7% in the first quarter of 2020 due to the pandemic and ensuing restrictions particularly the Movement Control Order ("MCO"). Bank Negara clarified that while the growth of services and manufacturing sectors moderated, other sectors contracted and external demand and investments declined. It is definitely a source of concern to note that Malaysia's 1Q20 GDP growth of 0.7% still represents the lowest year-on-year growth since the 3Q09; and is the first time in over a decade that GDP has seen an outright contraction. BNM also stated that it expects an outright year-on-year contraction in the next quarter and is projecting growth for the full year to fall somewhere in the range of 0.5% to -2%.

In addition to this, Malaysia is also dealing with a recent change in government; and a weakening ringgit has been making the cost of sourcing raw materials more expensive. All this unpredictability in the economic environment also means that preserving fiscal space will be essential in mitigating the impact of any negative shock to the economy.

Confidence in our business strategies need to be balanced with realistic economic outlooks, particularly during such periods of uncertainty. Domestically, the construction industry is highly competitive and the Group's experience and strength in this sector will allow it to be selective in contract procurement. This includes government infrastructure projects such as the government's affordable housing program, and projects with other reputable clients such as PETRONAS; to ensure timely and quality receivables to strengthen the Group's financial position. At present, the domestic field is forecasted to have good development potential, with the Group having qualified for some potential construction contracts which we hope to be able to secure in the near future.

As we rely on our strong reputation in the construction industry, our business portfolio continues to grow to include facility management, renewable energy and pre-cast manufacturing.

Our main passion still lies in the public sector and projects of vital national interest; such as the ongoing Pan Borneo Highway project.

Acknowledgements

I am pleased with all we have achieved over the past year and would like to acknowledge that all our achievements are testament to the skill, passion and dedication of our directors, management and staff. Each and every person across our business plays a critical role in delivering on our vision and mission; ultimately providing long-term benefits for all our stakeholders. We are extremely privileged work with such a talented and motivated team of individuals and we look forward to an exciting year ahead with their continued support.

DATO' YUSLI BIN MOHAMED YUSOFF
Independent Non-Executive Chairman

6 May 2020

Menara Mudajaya

Management Discussion & Analysis

FOR THE YEAR ENDED 31 DECEMBER 2019, WE HAVE CONTINUED TO MANAGE OUR BUSINESSES SENSIBLY TAKING INTO ACCOUNT NUMEROUS UNCERTAIN AND UNCONTROLLABLE FACTORS; GIVEN OUR GOOD CASHFLOW GENERATION ABILITY.

Our Q3 of 2019 saw us return to the black, reporting a net profit for the first time in a few years; highlighting our commitment to robust cost discipline and increased operational efficiencies. Prudent with costs, the Group has continued to move towards debt reduction and strengthening our equity structure.

Although the Construction business remains the key revenue driver for the Group, it has also been impacted by the current overall industry downturn. Some of the Group's contracts which were already awarded have been under review and reassessment; but we look forward to a positive outcome by the relevant authorities. We continue to remain patient and hope for improved market conditions while bidding for potential projects.

Our Sustainable and Renewable Energy Business is currently a highlight of the Group and provides endless opportunities as the government is actively developing the renewable energy industry.

GROUP REVIEW AND PERFORMANCE

2019 marked a full year of the transition in government; with changes in policies and the introduction of new initiatives, and the government pledging to be an effective facilitator to businesses. 2019 saw us submitting project tenders amounting to RM4.2 billion.

During the year, the Group managed to generate sufficient operational cash flows to redeem both our Green SRI Sukuk Wakalah and IMTN amounting to RM5.0 million and RM81.8 million respectively. This has resulted in an overall decrease in Group borrowings which is expected to translate into interest savings for FY2020.

We are hereby to report that we have fully impaired our investment in RKM and going forward, we will no longer need to make any further provisions for the associated company; as the investment is currently stated as nil in the Groups' books. Additionally, the RKM's proposed resolution plan has been reviewed and approved by its lenders. Upon completion of the proposed restructuring plan, RKM is able to drawdown working capital to boost its operations by selling more power and generate better income. On 1 February 2020, the Group has been notified that RKM have commenced power supply to the State of Telangana pursuant to the Pilot Agreement entered into between RKM and PTC India Limited for the supply of 550 MW power.

We are also proud of many other significant accomplishments by the Group in a variety of areas such as health and safety, leadership and employee welfare. We are committed to the achievement of a world-class safety culture in Mudajaya; and this was reflected in our 5-star rating in the Safety and Health Assessment System in Construction (SHASSIC) from CIDB Malaysia in MRTV207 project.

KEY DRIVING FACTORS

Increasing the effectiveness of our workforce directly correlates to improved organisational performance. Thus, talent development and growth remains a top priority and one we consistently focus on at Mudajaya.

Understanding the components of talent management is essential, and the key to developing an effective workforce is to align talent management with business objectives and identify the specific competencies required for cultivating employee growth. Therefore, we continue to put a strong emphasis on attracting and retaining talent, developing skills and competencies and fostering a dynamic work environment.

OUTLOOK AND MARKET REVIEW

Due to the COVID-19 pandemic and ensuing turmoil it inflicted on the economy, Malaysia's 2020 GDP growth is currently forecasted at between 0.5% to -2%. For growth drivers, the exports segment clearly shows signs of damage; in large part owing to supply-chain disruptions at the start of the first quarter, followed by the unfortunate combination of production shutdowns and declining demand later as the pandemic resulted in severe movement restrictions. However, the movement restrictions did have a positive impact on private consumption as it has held up surprisingly well, growing 6.7 per cent compared to the year before and highlights the resilience of consumer demand, despite economic uncertainties. This could however also be attributed to cash handouts to the B40 group of the population which were part of the government's RM260 billion pandemic stimulus package, as well as the wage subsidy scheme.

As one of the largest contributors to GDP growth, Malaysia's construction sector was among the few industries initially exempted from the MCO. However, a covid-19 infection cluster among the sectors predominantly migrant workers surfaced in mid-May 2020 resulting in shutdown of all construction sites. Even as the government lifted restrictions, most developers chose to remain closed due to concerns over exposure to the disease, mounting costs and supply disruptions.

Furthermore, given that the pandemic is ongoing, construction industry players are now also expected to ensure compliance with increased health and safety protocols; necessary to protect the welfare of employees, workers and the community at large.

It is still too early to predict the full quantum, economic costs and 2020 growth figures with regards to the construction and property sectors but what is clear is that the MCO has hit both industries hard. Currently, work on mega infrastructure projects including the Pan-Borneo Highway, Bandar Malaysia and the RTS from Johor Bahru to Singapore have been halted. Budget 2020 did however provide higher allocation to cover the developments of rural connectivity, general infrastructure and East Malaysia but it remains to be seen just how many projects can resume given the current situation and the ensuing complications.

Delays in construction projects will also affect property developers' ability to deliver to their buyers and some analysts expect a decline in property priced by as much as 20%; shifting the real estate market to a buyer's market in the wake of COVID-19. However, from observing past market recovery following previous crises, property prices are expected to rebound quickly.

Malaysia's construction sector is expected to grow by 3.7% next year amid mega infrastructure projects including the Pan-Borneo Highway, Bandar Malaysia and the RTS from Johor Bahru to Singapore. Budget 2020 also provided higher allocation to cover the developments of rural connectivity, general infrastructure and East Malaysia. Although some mega projects are currently deferred, particularly the high speed rail and MRT3, the industry as a whole should still benefit from the various urban and rural development projects.

The property sector continues to suffer overhang properties as Budget 2020 lacked new incentives to stimulate this sector. A downward trend of asking prices since 2015, and various government incentives still don't seem to be enough yet to stimulate the market but analysts are hoping for the second half of 2020 to provide some reprieve.

The Malaysian power sector saw sustained growth in 2019 between 2% to 2.5%. Meanwhile, the Ministry of Energy, Science, Technology, Environment and Climate change ("Mestecc") is a strong proponent of renewable energy ("RE") and has set a target of 20% of the country's power generation to be from RE; including large and small-scale hydropower generation, by 2025. This bodes well for the Group as we expect Mestecc to push for more solar power projects in future, to fulfil the growing power demand.

KEY RISKS AND MITIGATION STRATEGIES

Risk management is an essential component of any organisation and given the nature of our core business segments, an intrinsic part of the way we work. In ensuring we have an efficient risk management plan in place, we are able to achieve our strategic and operational goals; recognising that there is a balance between managing risks and exploring opportunities. By closely monitoring and examining all potential risks in the context of business and our stakeholders, we have identified effective mitigating strategies to continue to facilitate achievements, reach our objectives and deliver value.

The Group recognises that in order to seize market opportunities and continue to grow our businesses, a robust risk management framework is needed to address any potential threats to our organisation and enable rational decision-making. Thus, Mudajaya has developed a pragmatic overall risk management approach to mitigate potential risks facing the Group.

Management Discussion & Analysis

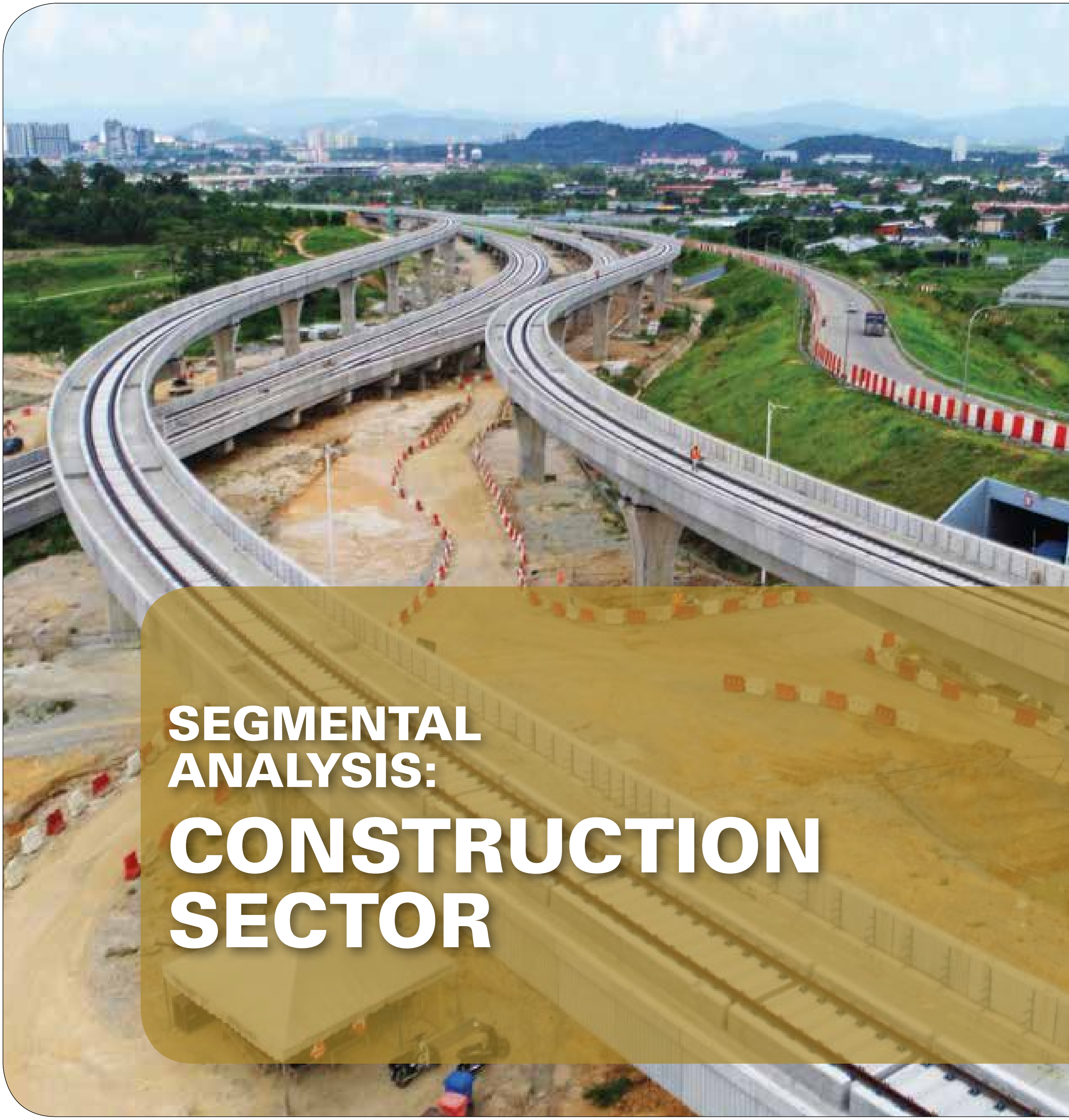
For the year 2019, a total of seven (7) key risk areas – both internal and external - impacted our Group businesses.

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; ✓ Less returns; and ✓ Lack of productivity.	✓ Investors ✓ Employees ✓ Suppliers/ Business Partners	✓ Diversify income source; ✓ Develop recurring income stream; and ✓ Strengthen cordial business relationships with bankers.
2. Market Lumpy order books due to large number of major local infrastructure jobs, 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; ✓ Deliver positive impacts of projects in terms of social, economic & environmental equity created; and ✓ Limit overreliance on a single project or client by diversifying risks and creating 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; ✓ Build on employee value propositions to emerge as an employer of choice; and ✓ Organise internal & external upskilling and reskilling programmes in keeping with business priorities.

Management Discussion & 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 look 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.

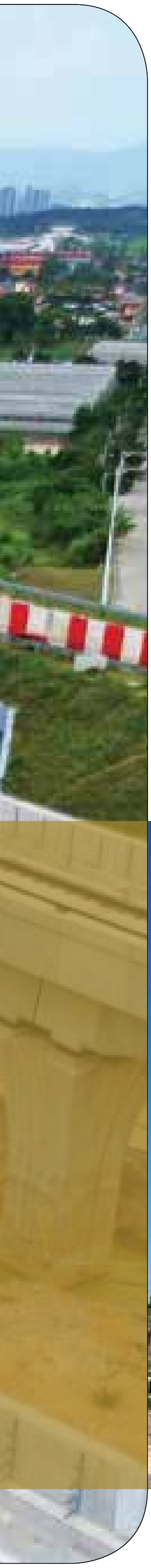
Management Discussion & Analysis



SEGMENTAL ANALYSIS:

CONSTRUCTION SECTOR

Management Discussion & Analysis



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KVMRT Line 2 Site

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Pengerang - Data Centre Project

Sectoral Landscape

Mudajaya's construction unit comprises of civil engineering, building and power engineering construction works. The construction activities continued to drive the revenue for the group in 2019. In line with the fiscal spending control by the government, there was very few sizeable new projects launched through out the year. In order to increase the new job opportunity, we had widened the conventional scopes of tender and offering additional scope of works to the existing customers. The results on the later has seen positive respond in view of the good service and performance rendered thus far.

Although some of the existing projects were revised from Project Delivery Partner model to conventional contract model, there was little impact to the unit as Works Package Contractor. In 2019, the unit focused to deliver the existing projects in hand to achieve the agreed completion dates.

Achievements in 2019

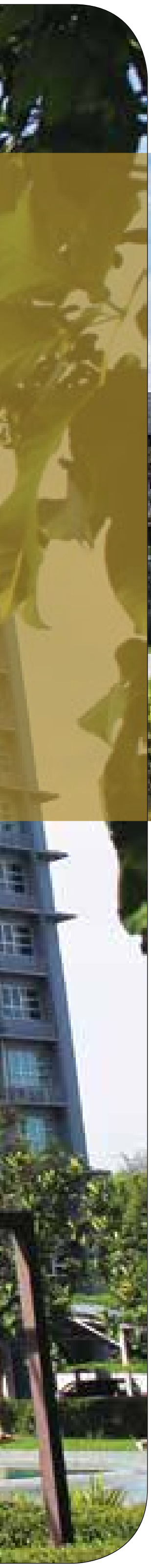
With the concerted effort to complete the projects in hand, we had completed Warehouse package, Data Centre package and Utilities Infrastructures package in Rapid Pengerang on time. Besides, the New Austria Tunneling Method ("NATM") tunnel construction in MRT V207 package was successfully completed and handed over for track work installation. This completion marked the success of first tunnel undertaken by Mudajaya.

Way Forward

Under the midterm review of the 11th Malaysia Plan, several projects were expected to launch to boost the economy particularly construction sector. These projects include railway projects such as the East Coast Railway Link ("ECRL"), KL-Singapore High Speed Rail, several highway projects, Johor Baharu-Singapore RTS, power plant projects and many more road projects in Sarawak. Besides, the e-commerce boost is expected to surge the needs for more transportation hubs including warehouses at strategic locations. The launching of new projects are expected to set back by the outburst of COVID-19, but it is expected to recover quickly once the pandemic is put under control.

SEGMENTAL ANALYSIS: PROPERTY SECTOR

Management Discussion & Analysis



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SkyVilla at Batu Kawah New Township, Kuching is the winner for Best High Rise Residential Development awarded by the Sarawak Housing Developers' Association (SHEDA)

top

One Residency Garden and Courtyard Villas, Batu Kawah New Township, Kuching offers comprehensive gated and guarded resort-styled living environment

Sectoral Landscape

Mudajaya's property unit involves in the development, sale and leasing of both residential and commercial properties. Although the current outlook for the sector is neutral, it is expected to improve in the second half of 2020 especially after the announcement by the government under the PENJANA scheme.

Achievements in 2019

The company took a cautious and prudent approach in 2019.

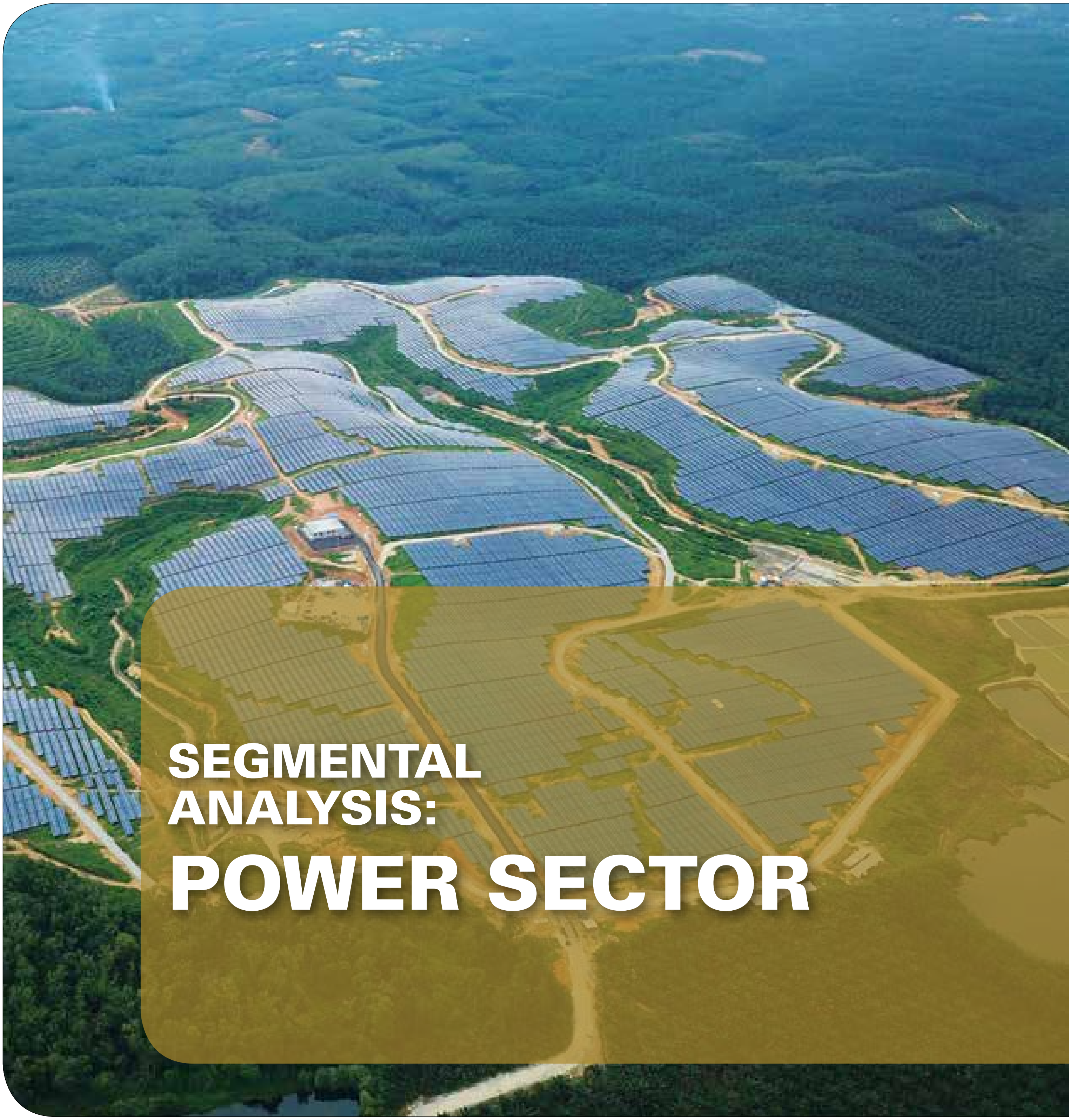
While we did not launch any new properties during the year, our team was consistent in promoting sales of our existing projects; whose desirable location and facilities are the primary sales contributor in both medium and high cost segments.

Way Forward

As the world is weathering the unprecedented pandemic in 2020, the company shall continue to be cautious by selling the balance stocks, and fill up office spaces in its commercial building.

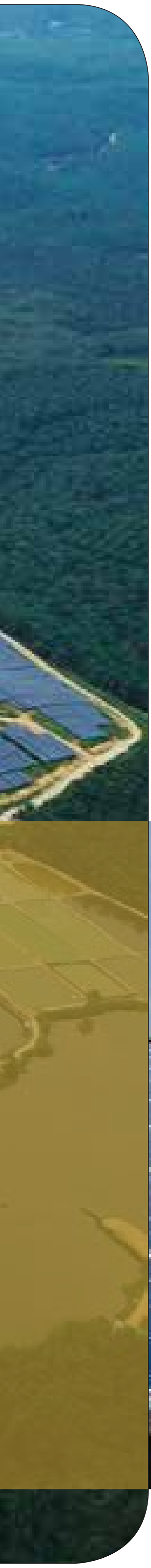
Innovative ideas to convert conventional office spaces into smaller but exclusive offices with conference facilities, guest lounge, shower and nap room received overwhelming response.

With the backing of the new shareholders, we intend to explore new development opportunities in other parts of Malaysia.



SEGMENTAL ANALYSIS: POWER SECTOR

Management Discussion & Analysis



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49 MW Solar Photovoltaic Power Plant, Sungai Siput, Perak

Sectoral Landscape

Mudajaya's power unit undertakes the concession and IPP assets within the energy sector. In its commitment towards supporting the renewable energy expansion and development in Malaysia, the Group has successfully completed two major solar projects in the country.

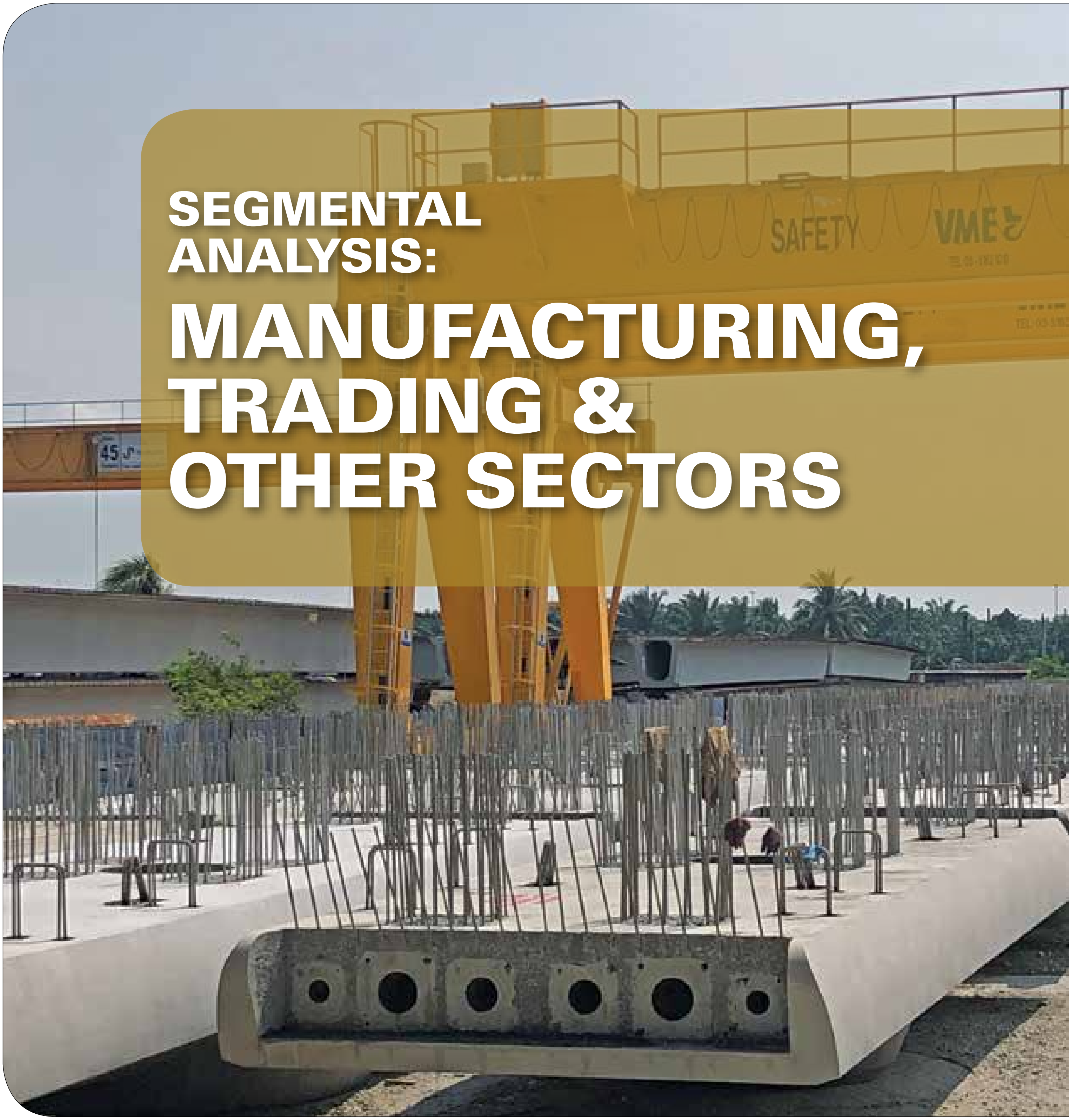
Achievements in 2019

Our 2 Solar Power Plants, ie 10 MW in Gebeng, Pahang & 49 MW in Sungai Siput, Perak as well as the 2x7 MW coal-fired power plant in Indonesia continues to operate steadily and has been profitable. In addition, the Group received a Letter of Notification from RKM, our partners in India in early 2020, stating that it has commenced power supply to the state of Telangana via PTC pursuant to the Pilot Agreement entered into between the two companies for the supply of 550 MW power.

Way Forward

Mudajaya participated in the Large Scale Solar Programme 3 ("LSS3"); a competitive bidding initiative designed to drive down the Levelized Cost of Energy ("LCOE") for the development of large scale solar photovoltaic plants. Although we were ultimately unsuccessful, the experience made us re-evaluate our strategy and we have decided to take a step back from our role as a Concessionaire and instead work to strengthen our value proposition in order to tap opportunities with any possible Engineering, Procurement, Construction and Commissioning ("EPCC") contracts. The Government has offered 1,000 MW of solar quota through competitive bidding process for LSS4 programme to attract Renewable Energy Investment (LSS@MenTARI) on 31 May 2020 and the bidding is open to local companies only. We see this as great opportunity for us to participate in the bid. An important point to note is that economies of scale are key, and tariffs need to be maintained at a level which can be sustained.

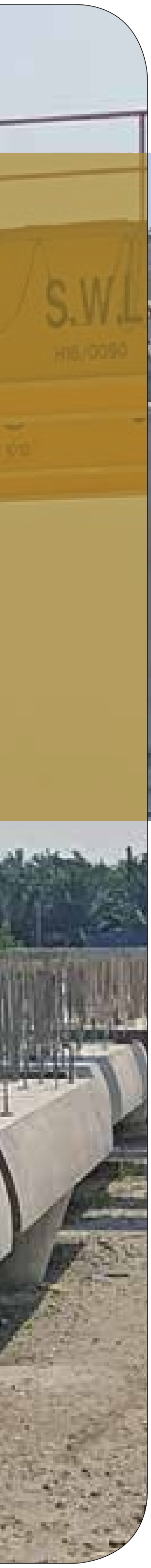
Management Discussion & Analysis



SEGMENTAL ANALYSIS:

MANUFACTURING, TRADING & OTHER SECTORS

Management Discussion & Analysis



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Precast Manufacturing Plant in Mukim Ijok, Selangor

top

MJC Precast Sdn Bhd - M-beam for TRX project

Sectoral Landscape

Mudajaya's manufacturing, trading and other units mainly covers the trading, production and investment divisions. The main activities here include trading construction materials, production of ready-mixed concrete and precast concrete products.

Achievements in 2019

Our manufacturing and trading sector is still performing well with consistent roll-outs and a healthy order book from our existing infrastructiure projects like TRX, MRT2, LRT 3, SUKE, DASH and etc. We believe this sector will continue to flourish in the coming years.

Way Forward

Post COVID-19 pandemic disruptions have impacted growth in the Construction Sector which affected our country's supply-demand chains. However, the Government's recovery effort in announcing RMCO from 10th June 2020 onwards see the revival of productivity and resumption of activities related to all projects, coupled with industry push for greater use of IBS in property projects and our continous ground gaining in securing infrastructure concrete precasting works. Mudajaya intends to participate selectively in various tenders to replenish the order book of RM56 million, based on the current production capacity and production schedule.

Value-Added Statement

Mudajaya Group aims to create sustainable value by relentlessly looking for opportunities for sustainable revenue growth and enhanced profitability. We work hard to maintain a strong financial position and increase our positive contribution to society to ensure the wellbeing of all our stakeholders.

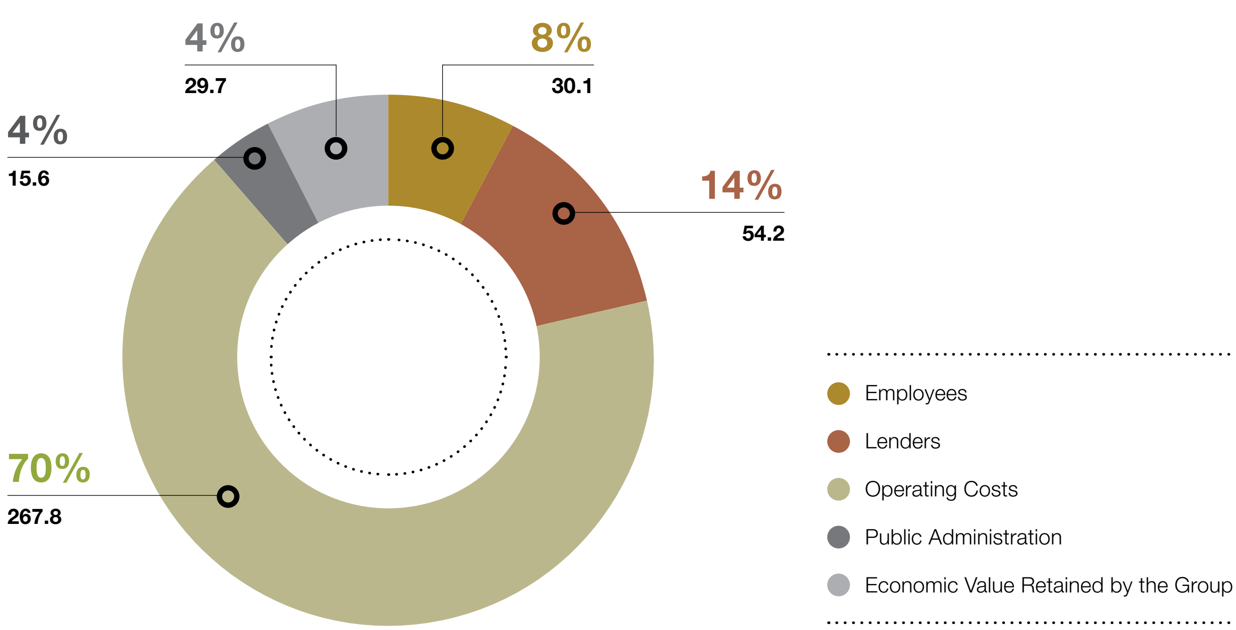
This statement is a measure of the wealth created by the Group through its various business activities and shows how the Group's economic activities provide value to our employees, partners, shareholders, investors and the community. In 2019, Mudajaya Group's value added amounted to RM397.4 million – with 70% of the value added (RM267.8 million) going towards operating costs. In addition, a significant portion was distributed to the providers of capital in the form of interest payment (RM54.2 million).

For the year 2019, the Group reported approximately RM30 million of retained economic value.

WE IMPACT LIVES EVERY DAY.

WE STRIVE TO GROW OUR BUSINESS SUSTAINABLY AND RESPONSIBLY AND CREATE MORE VALUE FOR ALL OUR STAKEHOLDERS.

DISTRIBUTION OF VALUE ADDED (RM MILLION)



Investor Relations

We live in a time of unprecedented change; where change is happening economically, technologically, politically and environmentally. For businesses that want to move forward and keep up with this rapidly advancing world, change management skills and adaptability are paramount for a company's success. Mudajaya Group has proven time and again to be able to adapt quickly to changing requirements and leverages its leadership across its various value chains to achieve capability-based growth for all stakeholders.

In any industry, the market is never stagnant and our company is constantly adapting to meet our customers' evolving needs and requirements in order to remain competitive and relevant. For 2019, the Department of Statistics Malaysia estimated that the value of construction work done grew by about 0.6 per cent, accumulating up to RM146.4 billion, compared to RM145.5 billion in 2018. In 2020 the construction arm is expected to grow by 3.7% year-on-year (Y-o-Y) largely due to the acceleration and revival of mega projects mentioned in budget 2020 including the East Coast Rail Link, Mass Rapid Transit Line 2, Light Rail Transit Line 3, Pan Borneo Highway and JB-Singapore Rapid Transit System. Despite this expected growth, Mudajaya's construction revenue dropped by about 41% in 2019; partly due to the completion of our 49MW solar photovoltaic power plant construction in Sungai Siput, Perak in November 2018. However, we are confident that the revival of the mega projects will be able to increase the Group's earnings.

Unlike its competitors, Mudajaya does not focus solely on construction; we are also involved in power sector (renewable energy), property development, manufacturing and trading. The property development sector's innovative concept and quick response to the changing market demand has contributed positively to the Group's bottom line despite the sluggish market and amid slower economic growth. The Renewable Energy sector shows promising potential in 2020; with the Government set to maximise the green industry by providing the Green Investment Tax Allowance ("GITA"), and Green Income Tax Exemption ("GITE") within Budget 2020. Furthermore, tax incentives will be introduced to companies implementing solar leasing activities with income tax exemption of 70% for up to 10 years. All in all, the Group is expecting a better outlook in 2020 both in terms of our top and bottom lines.

49MW Solar Photovoltaic Power Plant, Sungai Siput, Perak

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 2019 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 2019 is disclosed in the Company's Corporate Governance Report **("CG 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 is critical to business integrity and performance, and key to delivering shareholder value. The Board continuously evaluates and adapts existing corporate governance practices in line with other known best practices and developments in the corporate sector.

Principle A: Board Leadership And Effectiveness

I. BOARD RESPONSIBILITIES

The Board has general oversight of management of the Group. The Board provides direction to Management on the Group's strategy and overall policies for long-term value creation for all stakeholders including shareholders and employees. It endeavours to do this by taking into account the interests of all stakeholders in its decisions.

The Board is not directly involved in the day-to-day management of the Group but implements and monitors adequate guidelines and policies to ensure that Management acts in the best interest of the Group and its stakeholders, and observes and conforms to proper ethical, regulatory and legal requirements. In doing so, the Board will set limits of authority and boundaries for the actions that may be taken by Management and matters that it considers sufficiently material for its deliberation and approval.

In the interest of business efficacy, the Board may delegate authority to achieve the corporate objectives of the Group 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 all actions taken by them pursuant to any such authority as well as for their performance in accordance with their contracts of service. Notwithstanding, the Board reserves the authority to consider and make decisions on any matter that it deems of significance to stakeholders and the Group. Furthermore, the Board may establish Key Performance Indicators (KPIs) for Management to ensure that they meet performance and delivery targets for the Group and will provide incentives for performance, and link remuneration and benefits to performance.

The role of the Independent Directors is to take into account the interest of all shareholders and adopt an independent and objective stand on all matters before the Board. Independent Directors must vocalise their views on all matters and act in the best interest of the Group as a whole.

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 assist the Board with specific matters within their respective terms of reference. The terms of reference of these Board Committees have been approved by the Board but are continuously evaluated to ensure that they are adequate and relevant. Although specific powers are delegated to the Board Committees, the Board keeps itself abreast through the reports from the respective Chairmen of the Board Committees and the minutes of the Board Committee 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 neither individual has unfettered power 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. The Chairman moderates and guides all meetings, and encourages active participation and contribution from all members of the Board. 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 manage and direct 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

Each Director has 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 meets quarterly to review financial, operational and business performances, with additional meetings convened when necessary. The Board endeavours to deliberate on all important and material matters at physical meetings, however where urgent and unforeseen matters require a decision of the Board and a physical meeting is not possible, the available Directors endeavour to arrive at a consensus by conferring via telephone or other electronic means. The Board may make routine or administrative decisions via circular resolutions. In all cases, the Board decides after receiving the information it requires 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 Management, or request further explanation, information or updates, where necessary. Additionally, the Board may receive further updates, reports and information to ensure that it is apprised of the latest key business, financial and operational matters.

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 the conduct of business, workplace behaviour, relations with stakeholders and the wider community. It also includes guidance on disclosure of conflict of interests; maintaining confidentiality and disclosure of information; good practices and internal controls; compliance with 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 & Procedure

Mudajaya has in place a Whistleblowing Policy & Procedure to provide an avenue and mechanism to all employees and stakeholders of the Group to report concerns in strict confidence, about any suspected wrongdoing, inappropriate behaviour or misconduct relating to fraud, corrupt practices and/or other forms of inappropriate or unethical behaviour. 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 & Procedure 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, of which are skill sets 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 conformity 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.

Corporate Governance Overview Statement

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

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

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 complement the existing 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 both suitable male and women candidates, and candidates of all ethnicities 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 Constitution 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 Committees' 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 2019 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	4/4	100
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 2019 are as follows:-

Name of Directors	Training Programmes Attended	Organiser	Date
Dato' Yusli Bin Mohamed Yusoff	1) Training on Corporate Governance: Offence by Commercial Organisation Anti-Bribery Management System MS ISO 37001:2016	FGV Holdings Berhad	13 May 2019
	2) Corporate Governance	KPMG Management & Risk Consulting Sdn Bhd	13 May 2019
	3) Financing the SDGS: Malaysian Private Sector Role in Bridging the Gap from Goals to Actions	Global Compact Network Malaysia & United Nations Malaysia	11 September 2019
	4) Bursa Malaysia Diversity Xperience: The Board "Agender"	Bursa Malaysia Berhad	2 October 2019
	5) Malaysian Financial Reporting Standards (MFRS) 16 Leases	Deloitte PLT	21 October 2019
Ir. James Wong Tet Foh	1) Migration to ISO45001:2018 Occupational Health and Safety Management Systems	IMD Management Consulting Sdn Bhd	15 July 2019
	2) Understanding of ISO 37001:2016	SQC Consulting Group	22 July 2019
	3) Bribery Risk Assessment	SQC Consulting Group	23 July 2019
	4) Contractors' Integrity & Code of Ethics	Construction Industry Development Board Malaysia	23 July 2019
	5) Bursa Malaysia Thought Leadership: The Convergence of Digitisation and Sustainability	Bursa Malaysia Berhad	23 August 2019
Lee Eng Leong	1) Bursa Malaysia Thought Leadership Series – Leadership Greatness in Turbulent Times: Building Corporate Longevity	Bursa Malaysia Berhad	26 June 2019
	2) 2019 IIA Malaysia National Conference: Audit Committee Leadership Track	The Institute of Internal Auditors Malaysia	8 October 2019
	3) MIA International Accountants Conference 2019	Malaysian Institute of Accountants	22 & 23 October 2019
	4) Corporate Governance and Anti-Corruption	Bursa Malaysia Berhad & Securities Commission	31 October 2019

Corporate Governance Overview Statement

Name of Directors	Training Programmes Attended	Organiser	Date
Chew Hoy Ping	1) Audit Committee Conference 2019	Malaysian Institute of Accountants & The Institute of Internal Auditors Malaysia	15 April 2019
	2) Cyber Security in the Boardroom: Accelerating from Acceptance to Action	Deloitte PLT	27 June 2019
	3) Introduction to Integrated Reporting <IR>	Malaysian Institute of Accountants	14 October 2019
	4) Corporate Liability under Section 17A of the MACC (Amendment) Act 2018	Malaysian Institute of Accountants	6 November 2019
	5) Audit Oversight Board: Conversation with Audit Committees	Securities Commission	8 November 2019
Dato' Amin Rafie Bin Othman	1) The Role of Audit Committees in ensuring Organisational Integrity, Risk & Governance	Institute of Corporate Directors Malaysia	9 & 10 April 2019
	2) Bursa Malaysia Thought Leadership: Leadership Greatness in Turbulent Times: Building Corporate Longevity	Bursa Malaysia Berhad	26 June 2019
	3) Understanding of ISO 37001:2016	SQC Consulting Group	22 July 2019
	4) Bursa Malaysia Thought Leadership: The Convergence of Digitisation and Sustainability	Bursa Malaysia Berhad	23 August 2019
	5) The Cooler Earth Sustainability Summit	CIMB Bank Berhad	1 & 2 October 2019
Wee Teck Nam	Audit Committee Conference 2019	Malaysian Institute of Accountants & The Institute of Internal Auditors Malaysia	15 April 2019

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.

Corporate Governance Overview Statement

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 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.

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 2019 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	–	600	143	96	–	–	–	839
Lee Eng Leong	–	542	129	81	–	–	–	752
Non-Executive Directors								
Dato' Yusli Bin Mohamed Yusoff	200	–	–	–	106	32	32	370
Chew Hoy Ping	80	–	–	–	55	26	–	161
Dato' Amin Rafie Bin Othman	80	–	–	–	6	18	–	104
Wee Teck Nam	80	–	–	–	–	20	–	100
Received from the Company	**440**	**1,142**	**272**	**177**	**167**	**96**	**32**	**2,326**
Executive Directors								
Ir. James Wong Tet Foh	–	600	143	96	–	–	37	876
Lee Eng Leong	–	542	129	81	–	–	33	785
Received from a subsidiary	**–**	**1,142**	**272**	**177**	**–**	**–**	**70**	**1,661**
Total Group	**440**	**2,284**	**544**	**354**	**167**	**96**	**102**	**3,987**

Corporate Governance Overview Statement

Principle B: Effective Audit And Risk Management

I. AC

The Board is assisted by the AC in governing its oversight of the Group's financial reporting, as well as the quality and integrity 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 2019, 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.

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 oversight of the RMC and reports received from this Committee, makes high level assessments of the key risks inherent in the Group and proposes or endorses mitigating measures for any identified risks, including business disruption risks and investment risks.

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 & Risk Management Department **("IARMD")**, 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.

Corporate Governance Overview Statement

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.

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 matters affecting the business and performance of the Company. Announcements to Bursa Securities are made on developments or events significantly affecting 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.

Corporate Governance Overview Statement

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 2019, 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.

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 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 2019 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 2019 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 28 May 2020.

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 2019.

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 2019 are as follows:-

	Group RM'000	Company RM'000
Audit fees		
- Statutory auditors	445	130
- Other auditors	6	–
Subtotal:	**451**	**130**
Non-audit fees		
- Statutory auditors	47	25
Subtotal:	**47**	**25**
Total:	**498**	**155**

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 2019.

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

The Company has one ESOS in existence and during the financial year ended 31 December 2019, 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 2019 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	–	(23,380,700)	(23,380,700)
Total options outstanding	**9,200,000**	**11,038,000**	**20,238,000**

* *Include 4,455,000 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 2019, 28.6% 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 2019, 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	5/5

The Group CEO, Executive Director, Financial Controller, Deputy Financial Controller and Head of 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 met with the external auditors 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, 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 25 February 2019, 28 May 2019, 27 August 2019, 28 November 2019 and 25 February 2020. The financial and cash flow reports were also tabled to the Board for notation.

- Reviewed the quarterly financial results for the 4th quarter of 2018 and the annual audited financial statements of 2018 for recommendation to the Board for approval and release to Bursa Securities, at the AC meetings held on 25 February 2019 and 4 April 2019 respectively.

- Reviewed the quarterly financial results for the 1st, 2nd, 3rd and 4th quarters of 2019, and the annual audited financial statements of 2019 for recommendation to the Board for approval and release to Bursa Securities, focusing particularly on:

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

  at the AC meetings held on 28 May 2019, 27 August 2019, 28 November 2019, 25 February 2020 and 9 April 2020 respectively.

2. Annual Report Requirements

- 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 requirements under paragraphs 41 & 42 of the *Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers* **("Guidelines")**.

Audit Committee Report

- 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 AGM for inclusion in the 2018 Annual Report, as well as the CG Report for submission to Bursa Securities at the AC meeting held on 4 April 2019.

- Reviewed and recommended to the Board for approval, the Statement on Risk Management and Internal Control for inclusion in the 2019 Annual Report, at the AC meeting held on 25 February 2020.

  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 2019 Annual Report, at the AC meeting held on 9 April 2020.

- Reviewed and recommended to the Board for approval, the Corporate Governance Overview Statement and Notice of AGM for inclusion in the 2019 Annual Report, as well as the CG Report for submission to Bursa Securities at the AC meeting held on 9 April 2020.

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 25 February 2019, 28 May 2019, 27 August 2019, 28 November 2019 and 25 February 2020. A total of 9 audit engagements were completed in 2019.

  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, liquidated damages risk, and power plant and construction projects.

  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 2019-2021 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 2019.

  The revised 3-year internal audit plan was approved by the AC on 1 July 2019 via a Circular Resolution.

- Reviewed and approved the risk-based 3-year internal audit plan for 2020-2022 at the AC meeting held on 28 November 2019. The areas which were covered in the audit plan included construction and property projects, concession assets, precast, enterprise risk management, central purchasing and Anti-Bribery Management System **("ABMS")**.

- Reviewed and recommended to the Board for approval, the revised Whistleblowing Policy & Procedure, the revised Enterprise Risk Management Policy & Procedure and the Anti-Bribery Policy Statement for compliance with the ISO 37001:2016 ABMS, at the AC meeting held on 25 February 2020.

- Reviewed and discussed the status of progress of the implementation of ABMS, at the AC meeting held on 25 February 2020.

Audit Committee Report

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 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 Malaysian Financial Reporting Standards **("MFRS")** 16 *(Leases)*.

- Reviewed with the external auditors on 25 February 2019, 28 November 2019 and 25 February 2020 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 2019, 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 2019 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 25 February 2019. 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 27 February 2019 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 19 June 2019.

- 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 services 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.

Audit Committee Report

- Reviewed with the external auditors, their audit plan, scope of audit, audit timeline and focus areas on potential key audit matters, assessment of adoption of the new accounting standard – MFRS 16 and other significant audit matters in relation to the audit of the financial statements for the year ended 31 December 2019, at the AC meeting held on 28 November 2019.

- Reviewed with the external auditors, the audit report, issues, outstanding matters, audit focus areas, audit findings and conclusions, as well as Management responses arising from their audit of the financial statements for the year ended 31 December 2019, at the AC meeting held on 25 February 2020.

  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.

  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 key audit matter which was highlighted to the AC (to be disclosed in the Independent Auditors' Report contained in the Audited Financial Statements) was Revenue, Profit Recognition and Provisions on Long-Term Construction Contracts.

- In February 2020, the AC assessed the suitability and independence of the external auditors for their re-appointment as Auditors of the Company at the forthcoming 2020 AGM, via the same assessment tool as described above. The evaluation results were tabled at the AC meeting held on 25 February 2020, 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 2020 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 2019, at the AC meeting held on 25 February 2020.

  The non-audit services comprised the review of the Statement on Risk Management and Internal Control; audit of transition of MFRS 16; re-audit of opening balance of statement of financial position in relation to the transition to MFRS; verification of MCB's audited financial statements for tender purposes; and training for the Finance team. 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 9 April 2020, the annual audited financial statements including the Independent Auditors' Report for the financial year ended 31 December 2019, 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.

Audit Committee Report

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 25 February 2019, 28 May 2019, 27 August 2019, 28 November 2019 and 25 February 2020.

7. Other Matters

- 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.

- Reviewed and recommended to the Board for approval, 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.

- Discussed with Management on the implication of Section 17A of Malaysian Anti-Corruption Commission Act as well as the timeline and deliverables for implementation of ABMS by the Group and its employees, at the AC meeting held on 28 November 2019.

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 9 audit engagements were completed in 2019.

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 the 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:

(a) Performed and completed 9 audits on selected business units within the Group based on the approved internal audit plan and Management's request. The audit areas which were covered included project management, project cost management, purchasing processes, liquidated damages risk, and power plant and construction projects.

(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 2018 Annual Report, at the AC meeting held on 25 February 2019.

(e) Prepared and tabled for AC's approval, the risk-based 3-year internal audit plan at the AC meeting held on 28 May 2019, which was approved by the AC on 1 July 2019 via a Circular Resolution.

(f) Prepared and tabled the Statement on Risk Management and Internal Control for inclusion in the 2019 Annual Report, at the AC meeting held on 25 February 2020.

(g) Prepared and tabled the revised Whistleblowing Policy & Procedure, the revised Enterprise Risk Management Policy & Procedure and the Anti-Bribery Policy Statement for compliance with the ISO 37001:2016 ABMS, at the AC meeting held on 25 February 2020.

(h) Prepared and tabled the status of progress of the implementation of ABMS, at the AC meeting held on 25 February 2020.

In February 2019, the AC carried out an evaluation of the effectiveness of the internal audit function in respect of financial year 2018. 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 25 February 2019. Overall, the AC was satisfied with the performance of the IARMD.

In February 2020, the AC also undertook an evaluation of the effectiveness of the internal audit function for financial year 2019, which covered the areas mentioned above. The results of the evaluation were tabled at the AC meeting held on 25 February 2020. The AC was satisfied with the performance of the IARMD. Certain areas which required improvement were also highlighted.

The costs incurred by IARMD in discharging its functions and responsibilities during the financial year ended 31 December 2019 amounted to RM344,829.

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 included 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 Group's 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 2020.

Sustainability Statement

Mudajaya operates in an integrated manner, with our core businesses in construction, property, power and trading and manufacturing sectors. To create value for our stakeholders, we recognise that it is necessary for the Group to be both financially stable as well as conduct our business activities sustainably. Our mission has always been about going beyond profits and we aim to manage our Economic, Environmental and Social ("EES") impacts and focus on how we can embed sustainability across the organisation and leverage on our strengths to achieve the best outcome possible for all our stakeholders. As we share our sustainability journey with you, we are also fully aware that this is a gradual process and we continue to carefully determine the various points of impact, before devising appropriate measures to reduce our carbon footprint.

We are currently in our third year of instilling sustainability elements progressively into our business operations and will be carefully reviewing our integrated report in order to continue enhancing disclosures and increasing transparency in line with MFRS requirements. One example is our revamped Anti-Bribery Policy Statement which takes a zero-tolerance approach to all instances of bribery and corruption, as well as the establishment of our Integrity Unit with strategic oversight from the Board and management team. We believe that good governance is the cornerstone of a successful business and makes it more resilient, robust and ensures the wellbeing of all our stakeholders.

As this is our second integrated report, we will start reporting our EES impacts according to the top material topics which we have already identified. We remain resolute in mitigating serious EES concerns with regards to our business operations and pay particular attention to the multitude communication channels with all our stakeholders to determine their needs, expectations and concerns.

"

OUR COMMITMENT TO SUSTAINABILITY IS WOVEN INTO EVERY ASPECT OF OUR BUSINESS AND IN DOING SO, WE ASPIRE TO LEAD THE GROUP INTO POSITIVE GROWTH WHILE SIMULTANEOUSLY ENSURING THE WELLBEING OF OUR PEOPLE AND THE COMMUNITIES WHO MATTER TO US.

For the year under review, Mudajaya endeavoured to go beyond the basics of ethical business practices and embrace our responsibility towards the environment as a responsible corporate citizen. It is our belief that in doing so we will create sustained, collective value to all our stakeholders.

Sustainability at Mudajaya

Led by our Board of Directors and supported by the Management team, the Group's mission is to uphold our objective of building sustainable communities and cities; as well as be an active participant in the creation of long-lasting social change. Information and figures provided in this section covers the period of 1 January 2019 to 31 December 2019.

Sustainability Governance

We understand that the nature of our business affects the environment and our goal is to improve our use of resources to actively reduce our environmental impact while meeting our business objectives. As such, we have developed a set of Sustainability Key Performance Indicators ("KPIs") to focus on business areas that have a significant impact on the environment. The Group CEO, supported by the Board, is basically the defacto head of sustainability as he is tasked with identifying CSR issues, implementing all strategies and addressing concerns in relation to the Group's sustainability agenda.

Sustainability Statement

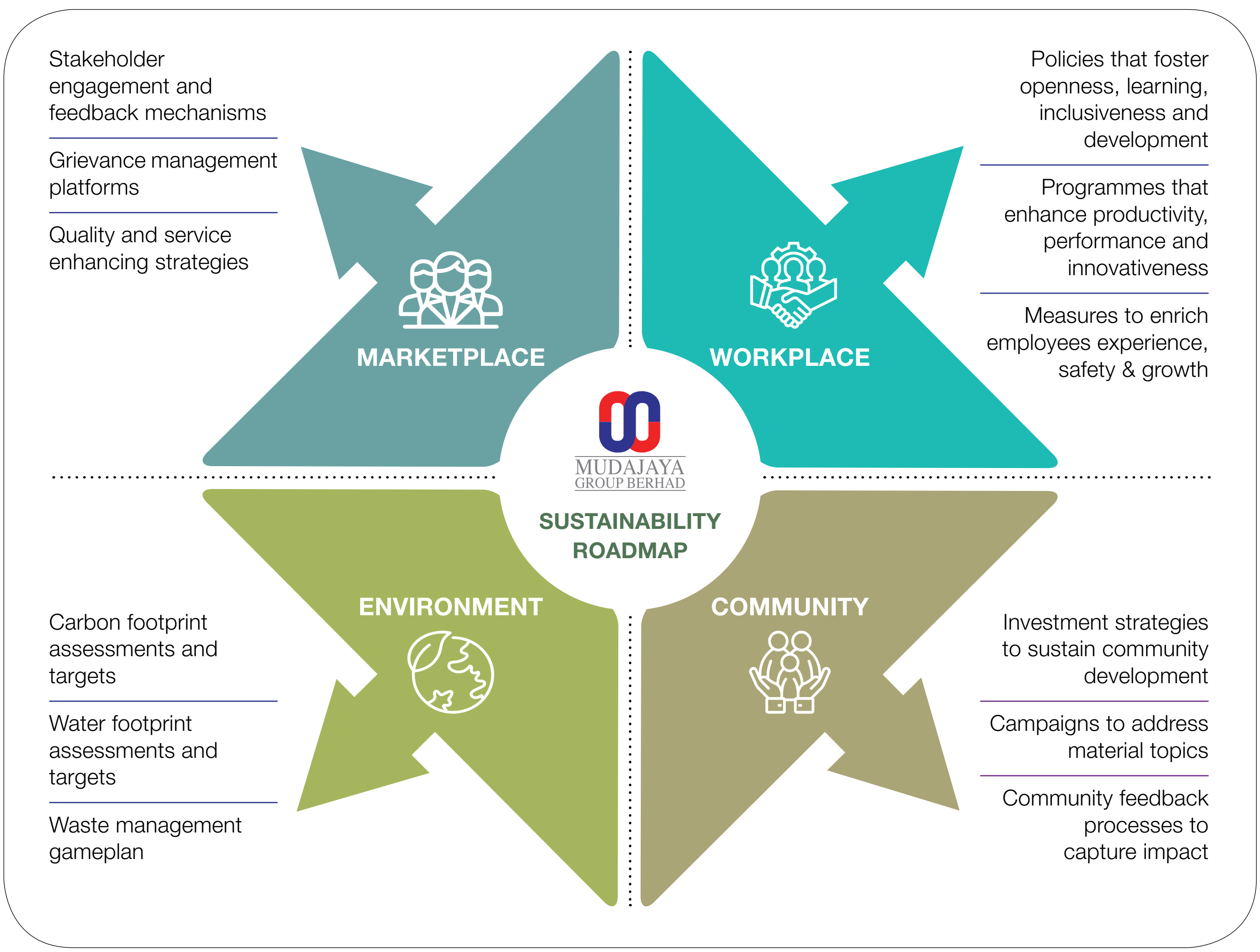
Approach to Sustainability

Mudajaya's approach to sustainability is still very much a work-in-progress as we continue to educate and immerse ourselves in understanding sustainability principles and ethics as it relates to our business operations. We are taking every effort to help the Group move towards sustainability faster and more efficiently and fully recognise that sustainability is important to our long-term business performance. Under the full guidance and support of Management, over the next few years we plan to gradually adopt further sustainable practices and integrate them into our business model. It is our belief that by taking care of the environment and communities in which we operate, we can achieve the foundation of sustainability and reap the tangible economic benefits.

Our Three-Year Sustainability Roadmap

In order to embed sustainable practices within the organisation, Mudajaya's Management and Sustainability Committee has designed a three-year Sustainability Roadmap (2018-2020) based on guidance from Bursa Malaysia's Sustainability Reporting Guide. We hope to use this Roadmap to effectively implement our sustainability aspirations throughout the organisation in a way that would balance all three dimensions - Economic, Environmental and Social.

The four key priority areas of focus in line with the roadmap are highlighted below.



Sustainability Statement

ECONOMIC IMPACT (MARKETPLACE)

At the core of our business is the drive to deliver outstanding business results and contribute positively to the economic growth of the country. We recognise that growth and prosperity should be beneficial to all our stakeholders and that it is fundamental that we be financially stable as well as conduct our business in a sustainable manner. By leveraging on the expertise, support and cooperation from our partners and suppliers, we are able to continue to create economic value while upholding the principles of integrity, responsibility and accountability throughout our business operations. We expect our employees as well as third-party contractors to abide by all the policies we have in place; which is imperative given the nature of our principal businesses. We view all our relationships as important and want our partners and suppliers to benefit holistically with us; from a business perspective as well as improving their socio-economic status and overall quality of life.

Governance

As an organisation with decades of experience, over the years we have built a reputation as one of the leading organisations in the industry. We achieved this in part by ensuring compliance with applicable laws and regulations, as well as adherence to various recognised international standards and certifications; effectively doing our part as a good corporate citizen. Furthermore, accreditation matters greatly in our industry; our ISO 45001 accreditation emphasises our commitment to occupational health and safety management practices, and our ISO 14001:2015 certification assures our stakeholders that our environmental management system meets international industry specific environmental standards.

Supplier Code of Conduct

The Group is committed to conducting business with the highest integrity and in compliance with the law, thus it is only natural we expect the same from our partners. All suppliers and contractors of Mudajaya are required to observe our 'Supplier Code of Conduct' in accordance with all local laws and regulations. We recognise that our suppliers are critical to our success and have designed our policies to ensure all suppliers and contractors are treated equally and fairly, and free from any exploitation. We also believe in the benefits of mentoring and knowledge sharing and we do that by equipping our local contractors with new skills and capabilities.

Our supply-chain and vendors are managed via responsible procurement and supplier assessment; taking into account critical aspects including quality and lead time, cost control as well as the high expectations of our quality-conscious customers.

Whistle Blowing Policy

At Mudajaya, we have high standards of professionalism and ethics and we require all employees to conduct themselves in accordance to those standards as they discharge their duties. In accordance with good corporate governance practices, we have established a whistle blowing policy that will enable you to raise your concerns of serious wrongdoing in an appropriate manner, without fear of reprisal. This platform allows any legitimate concerns about illegal, unethical or questionable practices to be objectively investigated and addressed. This policy is impartial, free of assumptions and can be done either by means of an email or through snail mail to the Chairman of the Audit Committee. The General Manager of Human Resources & Administration is tasked with the administration, interpretation and application of our Whistle Blowing policy.

Anti-Bribery Policy

Mudajaya is committed to complying with all laws and regulations which govern our business and operations. Our Anti-Bribery Policy outlines our responsibility to comply with anti-bribery laws in any country in which we operate and highlights our zero-tolerance approach towards bribery. The policy is mandatory and applies to all staff, business associates and third parties who are performing works or services on behalf of the Group. The penalties for violating these laws can be severe and any violation of this Policy by any employee may result in disciplinary action including dismissal, fines and imprisonment. We are committed to doing business ethically and hold all our staff to the same high standards of professional conduct.

AT MUDAJAYA GROUP, OUR MISSION INCLUDES A COMMITMENT TO MEETING INTERNATIONAL STANDARDS AND THE EXPECTATIONS OF OUR STAKEHOLDERS

FOR US, THAT MEANS STANDING AGAINST BRIBERY AND CORRUPTION WITH THE HIGHEST LEVEL OF INTEGRITY AND TRANSPARENCY. EARNING ISO 37001 CERTIFICATION IS A PERFECT WAY FOR MUDAJAYA TO DEMONSTRATE THAT COMMITMENT.

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

Mudajaya Group certified for ISO 37001 Anti-Bribery Management System by ABAC Center of Excellence

Mudajaya has successfully attained ISO 37001: 2016 Anti-Bribery Management System ("ABMS") certification on 10 June 2020, being the **FIRST Construction Company** in Malaysia certified for this world-recognised, respected certification, with accreditation from United Kingdom Accreditation Service ("UKAS"). The certification was granted by the Anti-Bribery Anti-Corruption Center of Excellence Limited and presented to our Group MD & CEO, Ir. James Wong during an official ceremony held at Menara Mudajaya.

Sustainability Statement

Integrity

Integrity is the most important principle of leadership and we believe that by creating a culture of integrity, it will spread throughout the organisation and allow our employees to make better decisions with the long-term interests of all stakeholders in mind.

At Mudajaya, we have recently established an independent Integrity Unit that is authorised to implement and enforce effective policies and procedures to prevent, monitor and minimise the risk of bribery and corruption. The Unit is overseen by the Board of Directors and has a clear chain of command with representation from relevant departments all across the Group; to oversee all issues related to governance and to prevent corruption. As the Board strongly believes in good business ethics and good corporate governance, the Board will exercise reasonable oversight with respect to adequacy, effectiveness and implementation of the Anti-Bribery Policy with regular reviews of the policy as and when required.

AS AT 31 DECEMBER 2019:

7 mega projects in **CONSTRUCTION** and **POWER SECTORS**, with total contract sum of **RM4.6 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 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 generally defined as meeting the needs of the present without compromising the ability of future generations to meet theirs. Business sustainability refers to the management and coordination of environmental, social and financial demands and concerns of a business to ensure responsible, ethical and ongoing success. Every single day the news reminds us of the damaging effects people have on the planet and the environment; making environmental sustainability a crucial public policy issue. More companies now than ever before are working on achieving policy initiatives as outlined in the UN's Sustainable Development Goals ("SDGs"). Many business operations, even Mudajaya's, depend on the environment whether as a primary source of raw materials or in the usage of natural resources. Businesses must start to integrate environmental interest and become proactive in reducing their environmental impact to create a positive cycle of sustainability. Here at Mudajaya, we believe that every affirmative action, even the smallest one, is the first step towards adopting more environmentally sound business practices, reducing environmental impact and increasing operating efficiency.

With all this in mind, the Group via its wholly-owned power generation subsidiary, Sinar Kamiri Sdn Bhd, undertook the development of a 49MW large scale solar PV facility in Perak to preserve the environmental features of the site with minimum disturbance to the ground and existing vegetation. The plant is projected to supply the national grid with clean energy for a period of 21 years and the equivalent of 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.

Emissions & Waste Management

In 2019, we continued to report our real-time emissions data from our construction sites to the respective Department of Environment databases for online monitoring. Although we constantly ensure that we are operating within the emission limits, Mudajaya is always looking at ways to further reduce our emissions by applying the 'emissions-control equipment maintenance schedule' on projects. Addressing our own carbon footprint helps us ensure that we are mitigating any negative effects of our operations on climate change. Additionally, all our construction wastes such as used rods, concrete debris and contaminated solid waste are collected by appointed licensed domestic contractors and disposed of appropriately either through incineration or landfill disposal.

Environmental Awareness

We are fully aware that sustainability must start with our people; as a common mission and value will unite them to help create a better work culture, work-life balance and contribute positively to the business operations. The Group has continued to instil awareness on sustainability and environmental issues to all our employees ensuring that we educate them appropriately so they can be sustainability advocates. On their part, they have remained steadfast and supportive; adhering to paperless information transmission, recycling as well as energy and water consumption.

In our commercial and residential development projects we also promote a sustainable lifestyle by including rainwater harvesting features, rooftop solar panels, sensor lights and taps, and charging stations for electric vehicles to help residents and tenants reduce their carbon footprint. On this front we are pleased to report that our very own Menara Mudajaya was outfitted with rooftop solar panels and a rainwater harvesting system ("RWHS"). The solar panels are expected to reduce CO_2 emissions by approximately 5 tonnes per year, while the RWHS allows us to collect approximately 11,000 litres of rainwater per day for a potential annual waterbill saving of over RM9,000 a year.

We are also proponents of effective tree preservation and believe that existing trees and landscape must be integrated with any project design and land development process. As such, we have put in place a tree preservation policy, which ensures that trees growing on original project sites are preserved whenever possible and included in the design planning of the projects.

Sustainability Statement

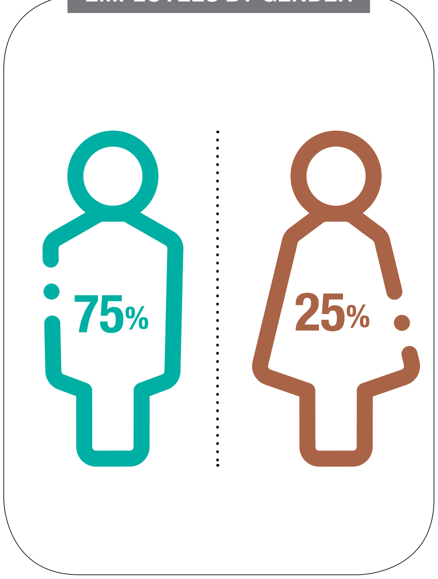
SOCIAL IMPACT (WORKPLACE)

At Mudajaya, we recognise that our employees are our greatest assets and we work to ensure that they are motivated and engaged as they are the driving force of our business operations and at the forefront of building the Group's industry reputation. We strive to build a culture of mutual trust and respect through strong leadership and open communication. Finally, we want to provide a safe and inclusive work environment while nurturing and developing talent.

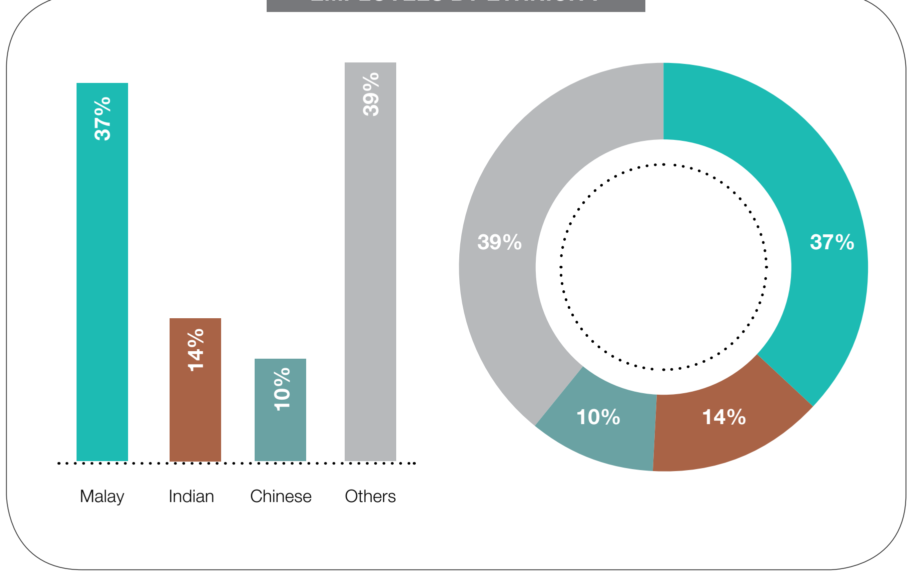
Diversity

Mudajaya believes that diversity in the workplace will improve a company's culture and performance as well as provide a better representation of society. A diversified work environment is essential in helping employees feel included, fostering mutual respect and increasing morale. From a business perspective, a workforce comprised of people with different backgrounds, experiences and skills will lead to more innovation and creativity. Our recruitment policies strongly emphasise on diversity in talent acquisition and development as we recognise that a diverse work culture also promotes better hiring and retention of talent. Mudajaya does not practise any form of discrimination; we welcome all social group regardless of racial or ethnic origin, age, gender, sexual orientation, marital status or disability.

EMPLOYEES BY GENDER



EMPLOYEES BY ETHNICITY



Employee Training

Mudajaya continues to focus on and nurture a learning culture and we aim to support our talent in achieving their ambitions by enabling them to explore new opportunities and build expertise. We provide learning and development opportunities at every level in line with job requirements and career aspirations. All Heads of Department within our organisation are responsible for ensuring that their team members attend relevant training sessions and upskilling courses to focus on their personal growth and enhance their leadership, technical skills and soft-skills. We aim to provide all our employees with a minimum of eight 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 2019, we conducted a total of 149 training programmes and clocked over 1,781 hours of training for our employees.

2019

149 TRAINING PROGRAMMES

1,781 HOURS OF TRAINING

2018

88 TRAINING PROGRAMMES

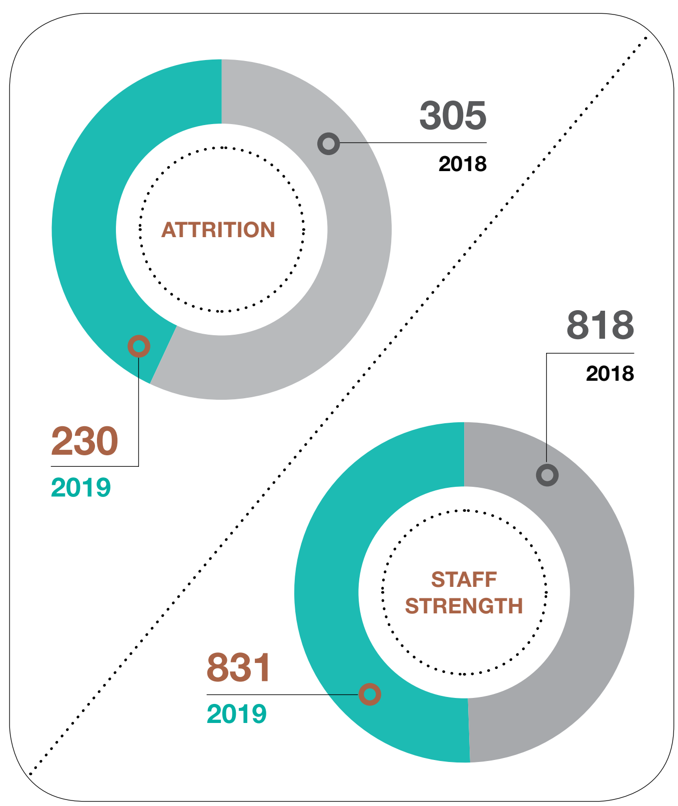
1,739 HOURS OF TRAINING

Work-Life Balance

Work-life balance is an important facet of a healthy work environment and most employees rate a balanced work-life as a crucial factor when they are being recruited. Maintaining a healthy work-life is vital in reducing stress and preventing burnout at work; thus we encourage our employees to maintain a balanced work-life because we know that when employees are happy they are more efficient at their job, are more engaged and also more likely to stay in their jobs. We strive to go beyond legislative requirements and have established a sports and recreation club which organises various outings and activities for our employees; helping us build a more engaged and productive team.

Mudajaya regularly reviews its Employee Benefits and Code of Conduct in keeping with the ever-changing business landscape. Since 2016, our employees who are primary care-givers of children and aging parents have benefitted from our flexible worktime arrangements. Some other employee benefits include

- Study Leave & Examination Leave for those who qualify of up to three (3) days per year
- Bonuses for outstanding employee & company performance
- Additional Healthcare benefits such as Group Hospital & Surgical Insurance
- Maternity & Paternity Leave



Sustainability Statement

Employee Engagement

High levels of employee engagement drive business outcomes, improve organisational performance and increase stakeholder value. At Mudajaya, we want to create a respectful and trusting work environment for all our staff and encourage active dialogue between leadership and employees as well as improve inter-department communication. To that end, we have a range of opportunities and platforms for our employees to provide feedback including townhalls, the company intranet as well as department-level managerial meetings. Internally, our communications team amplifies key organisational initiatives and employee-focused activities to strengthen work culture and keep people informed and involved.

In 2019, we organised **One Coffee Connection** session between **29 EMPLOYEES** and **MEMBERS OF THE MANAGEMENT TEAM**

Remuneration and Appraisal System

We know that our talent is our most important asset, thus we are committed to rewarding exceptional employees appropriately. Employees are motivated to perform better when their past performance is recognised and rewarded adequately. Our merit-based remuneration policy outlines the key performance indicators for our employees; with 60% based on a balance scorecard and the employee's skills and competencies making up the remaining 40%. Each employee is rated on their yearly performance and is compensated according to merits. Our compensation system for all permanent staff adheres to industry-standards, is fair and competitive and 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.

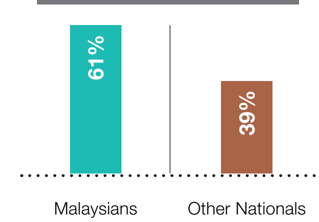
Workforce Breakdown

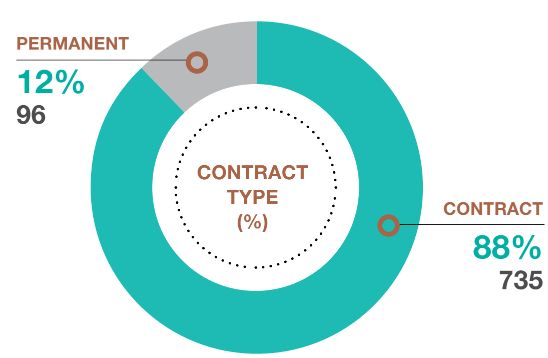
It is important to us that our workforce accurately reflect changing demographics and provide accurate representation across all age groups, ethnic and cultural backgrounds. Our employees come to us from different nationalities; with various professional qualifications, skill-sets, and interests. Having such diverse talent promotes a culture of tolerance, acceptance, open communication and cultivates a dynamic, innovative and productive team working together to achieve our organisation's vision and mission.

TOTAL NUMBER OF EMPLOYEES

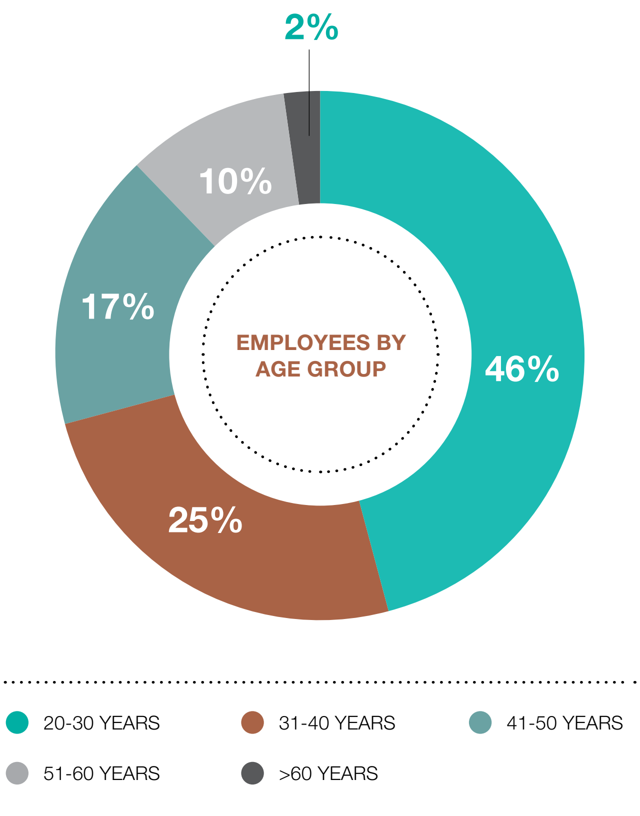
2019:
831

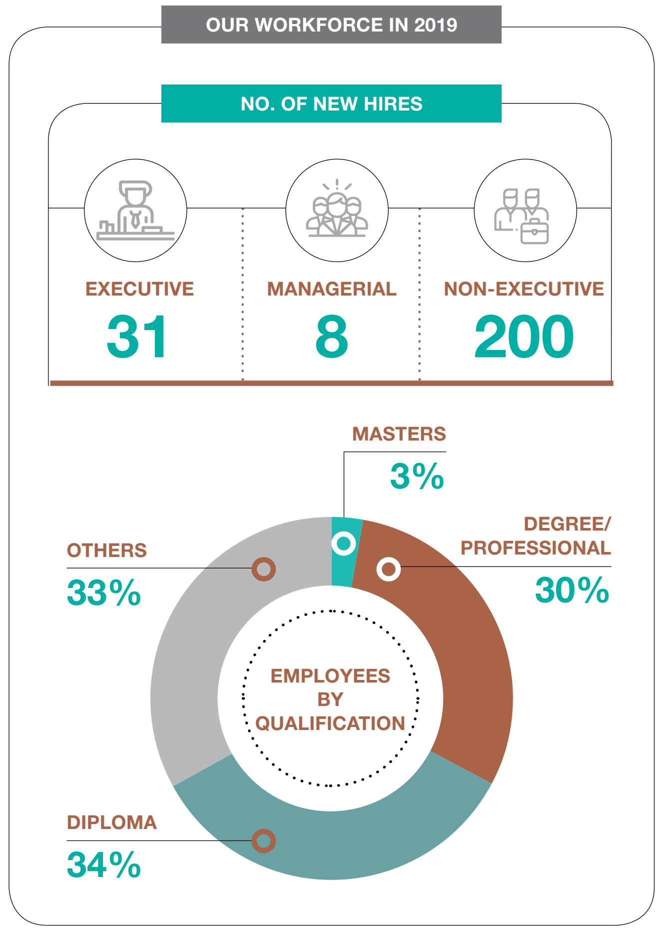
BREAKDOWN OF EMPLOYEES (%) IN 2019





Sustainability Statement





Health, Safety & Environment

At Mudajaya, the health and safety of our employees is of paramount importance to the Group and we are committed to providing a safe work environment where employees and contractors can thrive. Our Occupational Health & Safety and Environmental (HSE) Policy was formulated based on a number of factors including the Group's policies and guidelines; significant environmental risks and impact; hazard identification and risk assessment; commitment to the protection of the environment and views of interested external parties including our employees. All personnel and contractors who perform tasks with significant environmental and Occupational Health & Safety risks are required to undergo adequate training. The Group has established and will maintain procedures to educate all employees or persons working on behalf of the company on the importance of conformity with the HSE Policy, procedures and the requirements of the ISO 14001 and ISO 45001 standards.

Sustainability Statement

SOCIAL IMPACT (COMMUNITY)

Mudajaya is committed to being a responsible corporate citizen; believing that we have a responsibility to the communities in which we operate and that it is a privilege to invest in activities that contribute to the wellbeing of the community and environment. In 2019, we organised several different events for the local communities in areas where we operate as well as provided opportunities for our staff to volunteer their time in carrying out meaningful activities.

Tree Planting in Batu Kawa, Kuching

In 2019, we continued to organise activities for residents in and around the Batu Kawa region, Sarawak with the launch of MJC City Town Square which is designed and built with a low carbon footprint. The Town Square is furnished with benches in raw cement finished, existing trees native to the Town Square are preserved or carefully transplanted to ensure minimal disruption to the environment.

At the same launch, a Tree Planting initiative in collaboration with The Sarawak Forestry Department, The Padawan Municipal Council and MJC City Development's landscape contractors were organised to add more greeneries to the Township. School children from 8 local schools, residents of the Township and representative of NGOs were invited to plant 110 seedlings from 6 species, donated by The Sarawak Forestry Department and landscape contractors. The trees were selected based on their CO_2 absorption capabilities in the hope to offset carbon emission in a city living environment.

Dato Sri Dr Sim Kui Hian, Minister of Local Government and Housing officiated the opening of Town Square flanked by the Chairman of Padawan Municipal Council, YB Ir. Lawrence Lo Khere Chiang

8 schools and 4 non-governmental organisations received the cheque of RM3,000 each from MJC City Development

Children enjoying the tree-planting organised by MJC City Development

Dr Sim waters a sapling during the tree-planting activity

Sustainability Statement

Redevelopment of SK Sg Buloh, Selangau, Sarawak

The contractors who are awarded with Pan Borneo Highway project has agreed to contribute to CSR project in the state. The contractor from WPC08, Musyati -Mudajaya JV Sdn Bhd, has volunteered to renovate and to build new toilets and new teacher's quarters at Sekolah Kebangsaan Sungai Buluh. There are 2 phases of this project where the first phase is to renovate the existing dining & resting hall and hostel for the students. The second phase will be the new toilets and new teacher's quarters.

Musyati-Mudajaya JV Sdn Bhd has allocated a total of RM1.5 million fund for this CSR project. The first phase of this project was started in the first quarter of 2019. The work was carried out during the mid-term break and completed before the school reopen. Parents and Teacher Association (PTA) from Sekolah Kebangsaan Sungai Buluh are very pleased with the work carried out at the school. It benefits not only the students but the teachers as well. This project gave the students a better environment to live in and study.

The second phase of the project is expected to start next year. Musyati-Mudajaya JV Sdn Bhd is still looking for sub-contractors that are capable to complete the job. Transporting material and machineries into the construction site is a big challenge to the contractor as there is only one entrance and the bridge is made of timber. We hope that the work can be completed as soon as possible so that the students and teachers are able to enjoy the new facilities in the school.

Sustainability Statement

Redevelopment of SK Sg Buloh, Selangau, Sarawak (cont'd)

Before and After Upgrading Works of dining & resting hall and hostel for the students:

DINING HALL

Before



After

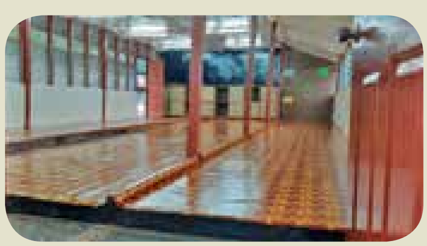


HOSTEL FOR THE STUDENTS

Before



After


Sustainability Statement

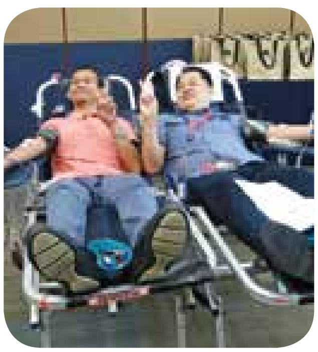
As a company committed to health and safety in the workplace, Mudajaya regularly organises HSE campaigns throughout the year to educate all staff on safe work practices while encouraging engagement, participation and communication between workers, management and other partners on safety-related issues. In 2019, we organised numerous HSE campaigns featuring the theme 'Health is Precious' including:

- A 'Stop Smoking' briefing conducted by PKD Petaling
- Health Screenings conducted by the Malaysian Red Crescent Society
- Blood donation drives conducted by Pusat Perubatan Universiti Malaya
- Firefighting and safety training conducted by Balai Bomba Serdang

Sustainability Statement

Blood Donation Drive & Health Awareness Talk 2019

Mudajaya organised a blood donation drive and Health Awareness Talk: General Eye Health in Working Adults on 20 September 2019 at our HQ auditorium in collaboration with Sunway Specialist Centre Damansara.



MMSRC Challenge Cup 2019

- Employees engagement
- Encourages work-life balance and healthy lifestyle

Earth Hour 2020

On 30 March 2020, we joined millions around the world for Earth Hour at our MRTv207 CLQ premises. The lights were turned off for 1 hour to raise awareness for climate change using the hashtags #Connect2Earth and #SwitchOff.

FINANCIALS

FINANCIAL STATEMENTS

Directors' Report

FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding activities whilst the principal activities of the subsidiaries are as stated in Note 8 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 8 to the financial statements.

RESULTS

	GROUP RM'000	COMPANY RM'000
(Loss)/Profit for the year attributable to:		
Owners of the Company	(87,918)	(21,134)
Non-controlling interests	1,828	–
	(86,090)	(21,134)

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year under review.

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
Dato' Amin Rafie bin Othman
James Wong Tet Foh
Lee Eng Leong
Chew Hoy Ping
Wee Teck Nam

The list of Directors in respective subsidiaries are disclosed in Note 8.

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 1.1.2019	ACQUIRED	SOLD	AT 31.12.2019
Interest in the Company:				
Direct interest				
Wee Teck Nam	660,400	–	(507,900)	152,500

	NUMBER OF ORDINARY SHARES			
	AT 1.1.2019	ACQUIRED	SOLD	AT 31.12.2019
Interest in the Company:				
Indirect interest				
Wee Teck Nam	162,913,333	–	(162,913,333)	–

	NUMBER OF OPTIONS OVER ORDINARY SHARES			
	AT 1.1.2019	GRANTED	EXERCISED	AT 31.12.2019
Interest in the Company:				
James Wong Tet Foh	5,200,000	–	–	5,200,000
Lee Eng Leong	4,000,000	–	–	4,000,000

None of the other Directors holding office at 31 December 2019 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.

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").

Directors' Report

FOR THE YEAR ENDED 31 DECEMBER 2019

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

There were no repurchase of ordinary shares during the financial year.

As at 31 December 2019, 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 2019. Such treasury shares are held at a carrying amount of RM36,075,000 and further details are disclosed in Note 19 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 23 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 RM27,000 respectively.

Directors' Report
FOR THE YEAR ENDED 31 DECEMBER 2019

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 9 to the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 December 2019 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 37 of the financial statements for the details.

Directors' Report
FOR THE YEAR ENDED 31 DECEMBER 2019

AUDITORS

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

The auditors' remuneration is disclosed in Note 27 to the financial statements.

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

Dato' Yusli bin Mohamed Yusoff
Director

James Wong Tet Foh
Director

Petaling Jaya

6 May 2020

Statements of Financial Position

AS AT 31 DECEMBER 2019

	NOTE	GROUP 2019 RM'000	GROUP 2018 RM'000	COMPANY 2019 RM'000	COMPANY 2018 RM'000
Assets					
Property, plant and equipment	3	26,028	42,903	–	469
Right-of-use assets	4	53,366	–	367	–
Investment properties	5	52,413	50,441	–	–
Intangible asset	6	9,293	9,913	–	–
Service concession assets	7	317,079	323,691	–	–
Investments in subsidiaries	8	–	–	317,771	317,771
Investments in associates	9	7,839	71,455	–	–
Other investments	11	936	964	–	–
Deferred tax assets	12	2,066	2,066	–	–
Trade and other receivables	13	–	4,749	–	–
Total non-current assets		469,020	506,182	318,138	318,240
Inventories	14	123,279	132,915	–	–
Other current assets	15	199,587	199,587	–	–
Contract assets	16 (a)	65,014	71,969	–	–
Contract costs	16 (b)	–	68	–	–
Trade and other receivables	13	166,064	332,500	149,689	89,445
Tax recoverable		2,655	16,335	62	–
Derivative financial assets	17	–	7,002	–	–
Cash and cash equivalents	18	301,875	330,722	247	311
Total current assets		858,474	1,091,098	149,998	89,756
Total assets		1,327,494	1,597,280	468,136	407,996
Equity					
Share capital		393,172	393,172	393,172	393,172
Treasury shares		(36,075)	(36,075)	(36,075)	(36,075)
Employees' share option reserve		10,065	9,727	10,065	9,727
Foreign currency translation reserve		2,537	(14,566)	–	–
(Accumulated losses)/Retained earnings		(222,785)	(136,304)	4,760	25,894
Equity attributable to owners of the Company	19	146,914	215,954	371,922	392,718
Non-controlling interests		32,927	28,560	–	–
Total equity		179,841	244,514	371,922	392,718

Statements of Financial Position

AS AT 31 DECEMBER 2019
(CONT'D)

	NOTE	GROUP 2019 RM'000	GROUP 2018 RM'000	COMPANY 2019 RM'000	COMPANY 2018 RM'000
Liabilities					
Loans and borrowings	20	464,107	426,504	–	263
Lease liabilities		46,018	–	108	–
Refundable deposits		2,201	1,717	–	–
Deferred income	21	–	5,659	–	–
Deferred tax liabilities	12	8,710	7,281	–	–
Total non-current liabilities		521,036	441,161	108	263
Loans and borrowings	20	413,258	466,536	81,774	149
Lease liabilities		4,886	–	156	–
Trade and other payables	22	177,873	403,567	14,176	14,863
Contract liabilities	16 (a)	14,046	41,490	–	–
Tax liabilities		10,384	12	–	3
Derivative financial liabilities	17	511	–	–	–
Deferred income	21	5,659	–	–	–
Total current liabilities		626,617	911,605	96,106	15,015
Total liabilities		1,147,653	1,352,766	96,214	15,278
Total equity and liabilities		1,327,494	1,597,280	468,136	407,996

The notes on pages 101 to 202 are an integral part of these financial statements.

Statements of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2019

	NOTE	GROUP 2019 RM'000	GROUP 2018 RM'000	COMPANY 2019 RM'000	COMPANY 2018 RM'000
Continuing operations					
Revenue	24	393,770	760,051	–	–
Cost of sales	25	(297,856)	(668,830)	–	–
Gross profit		95,914	91,221	–	–
Other income	26	272,378	27,740	4,362	4,625
Net loss on impairment of financial instruments and contract assets		(26,397)	(32,499)	(21,573)	–
Impairment loss on investment in associates		(39,545)	(145,551)	–	–
Administrative expenses		(51,636)	(29,489)	(3,481)	(2,708)
Results from operating activities	27	250,714	(88,578)	(20,692)	1,917
Finance costs	29	(54,159)	(44,559)	(140)	(7)
Share of loss of equity accounted associates, net of tax		(259,905)	(214,044)	–	–
(Loss)/Profit before tax		(63,350)	(347,181)	(20,832)	1,910
Tax expense	30	(17,060)	(12,109)	(302)	(524)
(Loss)/Profit for continuing operations		(80,410)	(359,290)	(21,134)	1,386
Discontinued operation					
Loss from discontinued operation, net of tax	8.3	(5,680)	(40,861)	–	–
(Loss)/Profit for the year		(86,090)	(400,151)	(21,134)	1,386
Other comprehensive income/(expense), net of tax					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		19,977	(1,310)	–	–
Total comprehensive (expense)/income for the year		(66,113)	(401,461)	(21,134)	1,386
(Loss)/Profit attributable to:					
Owners of the Company		(87,918)	(393,673)	(21,134)	1,386
Non-controlling interests		1,828	(6,478)	–	–
(Loss)/Profit for the year		(86,090)	(400,151)	(21,134)	1,386
Total comprehensive (expense)/income attributable to:					
Owners of the Company		(70,815)	(394,709)	(21,134)	1,386
Non-controlling interests		4,702	(6,752)	–	–
Total comprehensive (expense)/income for the year		(66,113)	(401,461)	(21,134)	1,386
Loss/Diluted loss per ordinary share (sen):					
Basic and diluted loss per share	31	(14.90)	(66.73)		

The notes on pages 101 to 202 are an integral part of these financial statements.

Statements of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2019

GROUP	NOTE	SHARE CAPITAL RM'000	TREASURY SHARES RM'000	EMPLOYEES' SHARE OPTION RESERVE RM'000	FOREIGN CURRENCY TRANSLATION RESERVE RM'000	RETAINED EARNINGS/ (ACCUMULATED LOSSES) 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 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 for the year		–	–	–	–	(393,673)	(393,673)	(6,478)	(400,151)
Total comprehensive expense		–	–	–	(1,036)	(393,673)	(394,709)	(6,752)	(401,461)
Contribution by and distributions to owners of the Company									
Share-based payment transaction	19	–	–	(1,036)	–	1,036	–	–	–
Grant of equity-settled share options to employees	23	–	–	1,189	–	–	1,189	–	1,189
Repurchase of ordinary shares	19	–	(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 19(a)	Note 19(b)	Note 19(c)	Note 19(d)				

Statements of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2019
(CONT'D)

		ATTRIBUTABLE TO OWNERS OF THE COMPANY							
		NON-DISTRIBUTABLE				*DISTRIBUTABLE*			
GROUP	NOTE	SHARE CAPITAL RM'000	TREASURY SHARES RM'000	EMPLOYEES' SHARE OPTION RESERVE RM'000	FOREIGN CURRENCY TRANSLATION RESERVE RM'000	(ACCUMULATED LOSSES) /RETAINED EARNINGS RM'000	TOTAL RM'000	NON-CONTROLLING INTERESTS RM'000	TOTAL EQUITY RM'000
At 1 January 2019, as previously reported		393,172	(36,075)	9,727	(14,566)	(136,304)	215,954	28,560	244,514
Adjustment on initial application of MFRS 16, net of tax		–	–	–	–	1,042	1,042	65	1,107
At 1 January 2019, *restated*		393,172	(36,075)	9,727	(14,566)	(135,262)	216,996	28,625	245,621
Foreign currency translation differences for foreign operations		–	–	–	262	–	262	7	269
Disposal of a subsidiary		–	–	–	16,841	–	16,841	2,867	19,708
Loss for the year		–	–	–	–	(87,918)	(87,918)	1,828	(86,090)
Total comprehensive expense		–	–	–	17,103	(87,918)	(70,815)	4,702	(66,113)
Contribution by and distributions to owners of the Company									
Share-based payment transaction	19	–	–	(395)	–	395	–	–	–
Grant of equity-settled share options to employees	23	–	–	733	–	–	733	–	733
Dividend paid		–	–	–	–	–	–	(400)	(400)
Total transactions with owners of the Company		–	–	338	–	395	733	(400)	333
At 31 December 2019		393,172	(36,075)	10,065	2,537	(222,785)	146,914	32,927	179,841
		Note 19(a)	Note 19(b)	Note 19(c)	Note 19(d)				

Statements of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2019
(CONT'D)

		ATTRIBUTABLE TO OWNERS OF THE COMPANY				
		NON-DISTRIBUTABLE			DISTRIBUTABLE	
COMPANY	**NOTE**	**SHARE CAPITAL RM'000**	**TREASURY SHARES RM'000**	**EMPLOYEES' SHARE OPTION RESERVE RM'000**	**RETAINED EARNINGS RM'000**	**TOTAL RM'000**
At 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
Contribution by and distributions to owners of the Company						
Share-based payment transactions	19	–	–	(1,036)	–	(1,036)
Grant of equity-settled share options to employees	23	–	–	1,189	–	1,189
Repurchase of ordinary shares	19	–	(848)	–	–	(848)
Total transactions with owners of the Company		–	(848)	153	–	(695)
At 31 December 2018/1 January 2019		393,172	(36,075)	9,727	25,894	392,718
Loss and total comprehensive expense for the year		–	–	–	(21,134)	(21,134)
Contribution by and distributions to owners of the Company						
Share-based payment transactions	19	–	–	(395)	–	(395)
Grant of equity–settled share options to employees	23	–	–	733	–	733
Total transactions with owners of the Company		–	–	338	–	338
At 31 December 2019		393,172	(36,075)	10,065	4,760	371,922
		Note 19(a)	Note 19(b)	Note 19(c)		

The notes on pages 101 to 202 are an integral part of these financial statements.

Statements of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2019

	NOTE	GROUP 2019 RM'000	GROUP 2018 RM'000	COMPANY 2019 RM'000	COMPANY 2018 RM'000
Cash flows from operating activities					
(Loss)/Profit before tax					
- continuing operations		(63,350)	(347,181)	(20,832)	1,910
- discontinued operations	8.3	(5,680)	(40,861)	–	–
		(69,030)	(388,042)	(20,832)	1,910
Adjustments for:					
Amortisation of intangible asset	6	620	620	–	–
Amortisation of service concession assets	7	18,493	5,373	–	–
Interest income	26	(11,472)	(11,264)	(7)	(7)
Interest expense	29	54,159	44,559	140	7
Depreciation of property, plant and equipment	3	5,160	11,987	–	43
Depreciation of investment properties	5	1,045	1,045	–	–
Depreciation of right-of-use assets	4	6,043	–	102	–
Fair value loss/(gain) on derivative	27	7,513	(7,002)	–	–
Fair value loss/(gain) on other investments	27	28	(387)	–	–
Loss on disposal of subsidiaries	8.3	5,227	–	–	–
Gain on disposal of investment in an associate	26	(4,230)	–	–	–
Gain on disposal of property, plant and equipment	26	(267)	(1,777)	–	–
Loss on disposal of right-of-use assets	27	3	–	–	–
Property, plant and equipment written off	27	143	1,697	–	–
Impairment loss of investment in an associate	27	39,545	145,551	–	–
Reversal of impairment loss of contract assets	27	–	(7,272)	–	–
Impairment loss of trade and other receivables	27	26,397	39,771	21,573	–
ESOS expenses	23	733	1,189	–	–
Reversal of unrealised profits on equipment supply contract	26	(244,646)	(4,677)	–	–
Fair value adjustment of service concession assets	27	(1,712)	(12,106)	–	–
Net unrealised (gain)/loss on foreign exchange	27	(7,554)	4,485	–	–
Share of loss of equity accounted associates		259,905	214,044	–	–
Operating profit before changes in working capital		86,103	37,794	976	1,953
Change in inventories		9,636	(33,470)	–	–
Change in other current assets		–	4,336	–	–
Change in contract assets		6,955	65,615	–	–
Change in contract costs		68	35	–	–
Change in trade and other receivables		46,966	(59,539)	(5)	(1,447)
Change in refundable deposits		484	(502)	–	–
Change in trade and other payables		(104,125)	50,296	718	(323)
Change in contract liabilities		(27,444)	(27,566)	–	–
Cash generated from operations		18,643	36,999	1,689	183
Tax paid		(5,725)	(3,645)	(454)	(425)
Tax refunded		14,146	403	87	–

Statements of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2019
(CONT'D)

	NOTE	GROUP 2019 RM'000	GROUP 2018 RM'000	COMPANY 2019 RM'000	COMPANY 2018 RM'000
Net cash generated from/(used in) operating activities		27,064	33,757	1,322	(242)
Cash flows from investing activities					
Purchase of property, plant and equipment	(ii)	(2,291)	(3,396)	–	(52)
Disposal of discontinued operations, net of cash and cash equivalents disposed off	8.3	71	–	–	–
Proceeds from disposal of investment in an associate		12,676	–	–	–
Proceeds from disposal of property, plant and equipment		331	2,231	–	–
Proceeds from disposal of right-of-use assets		247	–	–	–
Additional expenditure in investment property	5	(115)	(255)	–	–
Addition in service concession assets	7	(10,169)	(242,119)	–	–
Advances to an associate		(2,565)	(2,833)	–	–
Advances to a subsidiary		–	–	(81,812)	–
Addition in other investments		–	(35)	–	–
Interest received		11,472	11,264	7	7
Dividend income from associate		366	1,356	–	–
Dividend paid to non-controlling interest		(400)	–	–	–
Change in pledged deposits		(18,149)	558	–	–
Net cash used in investing activities		(8,526)	(233,229)	(81,805)	(45)
Cash flows from financing activities					
Net drawdown of loans and borrowings		576	121,188	81,774	–
(Repayment)/Advances from a subsidiary		–	–	(1,067)	1,096
Repayment to an associate		(2,042)	(1,742)	–	–
Repayment of financial lease liabilities		–	(3,923)	–	(48)
Repayment for lease liabilities		(6,383)	–	(148)	–
Interest paid		(54,159)	(44,559)	(140)	(7)
Repurchase of ordinary shares		–	(848)	–	(848)
Net cash (used in)/generated from financing activities		(62,008)	70,116	80,419	193
Net decrease in cash and cash equivalents		(43,470)	(129,356)	(64)	(94)
Effect of exchange rate fluctuations on cash held		(3,526)	3,783	–	–
Cash and cash equivalents at beginning of year		100,646	226,219	311	405
Cash and cash equivalents at end of year		53,650	100,646	247	311

Statements of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2019
(CONT'D)

(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 2019 RM'000	GROUP 2018 RM'000	COMPANY 2019 RM'000	COMPANY 2018 RM'000
Cash and bank balances	18	40,005	43,429	156	175
Deposits placed with financial institutions	18	261,870	287,293	91	136
		301,875	330,722	247	311
Less: Pledged deposits	18	(248,225)	(230,076)	–	–
		53,650	100,646	247	311

(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 RM2,291,000 (2018: RM6,960,000) and Nil (2018: RM512,000) respectively, of which Nil (2018: RM3,564,000) and Nil (2018: RM460,000) respectively were acquired by means of finance leases.

(iii) Cash outflows for leases as a lessee

	NOTE	GROUP 2019 RM'000	GROUP 2018 RM'000	COMPANY 2019 RM'000	COMPANY 2018 RM'000
Included in net cash from operating activities:					
Payment relating to short-term leases	27	(3,248)	–	–	–
Interest in relation to lease liabilities	29	(2,852)	–	(15)	–
Included in net cash from financing activities:					
Repayment of lease liabilities		(6,383)	–	(148)	–
Total cash outflows for leases		(12,483)	–	(163)	–

Statements of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2019
(CONT'D)

(iv) Reconciliation of movement of liabilities to cash flow arising from financing activities

GROUP	AT 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	ADJUSTMENT ON INITIAL APPLICATION OF MFRS 16 RM'000	AT 1.1.2019 RM'000	NET CHANGES FROM FINANCING CASH FLOWS RM'000	ACQUISITION OF NEW LEASE RM'000	FOREIGN EXCHANGE MOVEMENT RM'000	AT 31.12.2019 RM'000
Islamic Medium Term Notes ("IMTN")	120,000	(52,500)	–	–	67,500	–	67,500	(67,500)	–	–	–
Euro Medium Term Notes ("EMTN")	243,940	–	–	4,358	248,298	–	248,298	(84,751)	–	–	163,547
Term loans	241,732	(17,835)	–	15,299	239,196	–	239,196	80,847	–	(7,728)	312,315
Revolving credits	138,000	(12,140)	–	–	125,860	–	125,860	4,640	–	–	130,500
Green SRI Sukuk Wakalah	–	190,000	–	–	190,000	–	190,000	55,000	–	–	245,000
Invoice financing	–	13,663	–	–	13,663	–	13,663	4,983	–	–	18,646
Bankers' acceptance	–	–	–	–	–	–	–	7,357	–	–	7,357
Net drawdown of loan and borrowings	743,672	121,188	–	19,657	884,517	–	884,517	576	–	(7,728)	877,365
Finance lease liabilities	8,882	(3,923)	3,564	–	8,523	(8,523)	–	–	–	–	–
Lease liabilities	–	–	–	–	–	57,074	57,074	(6,383)	213	–	50,904
Amount due to an associate	3,784	(1,742)	–	–	2,042	–	2,042	(2,042)	–	–	–
Total liabilities from financing activities	756,338	115,523	3,564	19,657	895,082	48,551	943,633	(7,849)	213	(7,728)	928,269

COMPANY	AT 1.1.2018 RM'000	NET CHANGES FROM FINANCING CASH FLOWS RM'000	ACQUISITION OF NEW LEASE RM'000	AT 31.12.2018 RM'000	ADJUSTMENT ON INITIAL APPLICATION OF MFRS 16 RM'000	AT 1.1.2019 RM'000	NET CHANGES FROM FINANCING CASH FLOWS RM'000	AT 31.12.2019 RM'000
Term loan	–	–	–	–	–	–	81,774	81,774
Amount due to subsidiaries	13,506	1,096	–	14,602	–	14,602	(1,067)	13,535
Finance lease liabilities	–	(48)	460	412	(412)	–	–	–
Lease liabilities	–	–	–	–	412	412	(148)	264
Total liabilities from financing activities	13,506	1,048	460	15,014	–	15,014	80,559	95,573

The notes on pages 101 to 202 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 2019 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 2019 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 8 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 6 May 2020.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and 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.

The following are accounting standards, interpretations and amendments 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 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*
- Amendments to MFRS 9, *Financial Instruments,* MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosure – Interest Rate Benchmark Reform**

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 1 January 2022
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*

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*

Notes to the Financial Statements
(CONT'D)

1. BASIS OF PREPARATION (cont'd)

(a) Statement of compliance (cont'd)

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

- 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, except for the amendments marked with "*" which is not applicable to the Group and the Company.

- from the annual period beginning on 1 January 2022 for the amendments that is effective for annual periods beginning on or after 1 January 2022.

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

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

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2 to the financial statements and on the assumption that the financial statements have been prepared on a going concern basis.

The Directors have considered the available credit facilities and future profitability of the Group and the Company, and continuous support from bankers, creditors and shareholders in determining the appropriateness of the going concern basis for the preparation of financial statements to the Group and the Company.

(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.

(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.

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

(d) Use of estimates and judgements (cont'd)

(i) Property development and construction contracts (cont'd)

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 12.

(iii) Expected credit loss ("ECL")

The Group 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.

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.

(iv) Significant judgements and assumptions in relation to leases

The Group assesses at lease commencement by applying significant judgement whether it is reasonably certain to exercise the extension options. Group entities consider all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

The Group also applied judgement and assumptions in determining the incremental borrowing rate of the respective leases. Group entities first determine the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

Notes to the Financial Statements
(CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

Arising from the adoption of MFRS 16, *Leases*, there are changes to the accounting policies applied to lease contracts entered into by the Group entities as compared to those applied in previous financial statements. The impacts arising from the changes are disclosed in Note 38.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of consolidation (cont'd)

(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 or 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.

Notes to the Financial Statements
(CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of consolidation (cont'd)

(vi) Associates (cont'd)

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 accounts 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. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Financial instruments (cont'd)

(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.

  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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Financial instruments (cont'd)

(ii) Financial instrument categories and subsequent measurement (cont'd)

Financial assets **(cont'd)**

- ***Fair value through profit or loss*** **(cont'd)**

  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 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;

  (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.

Notes to the Financial Statements
(CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Financial instruments (cont'd)

(ii) Financial instrument categories and subsequent measurement (cont'd)

Financial liabilities **(cont'd)**

- ***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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Financial instruments (cont'd)

(iv) Financial guarantee contracts (cont'd)

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.

(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.

Notes to the Financial Statements
(CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

(i) Recognition and measurement (cont'd)

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

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

(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. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Leases

The Group has applied MFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised as an adjustment to retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported under MFRS 117, *Leases* and related interpretations.

Current financial year

(i) Definition of a lease

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

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their related stand-alone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease component as a single lease component.

(ii) Recognition and initial measurement

(a) As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measure at cost, which comprises the initial amount of the lease liability adjusted for any lease payment made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate. Generally, the Group entities use their incremental borrowing rate as the discount rate.

Notes to the Financial Statements
(CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Leases (cont'd)

Current financial year (cont'd)

(ii) Recognition and initial measurement (cont'd)

(a) As a lessee (cont'd)

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentive receivables;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group excludes variables lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

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

(b) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Leases (cont'd)

Current financial year (cont'd)

(iii) Subsequent measurement

(a) As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) As a lessor

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "revenue".

Previous financial year

(a) As a lessee

(i) Finance lease

Leases in terms of which the Group or the Company assumed substantially all the risks and rewards of ownership were classified as finance leases. Upon initial recognition, the leased asset was 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 was accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases were apportioned between the finance expense and the reduction of the outstanding liability. The finance expense was 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 were accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment was confirmed.

Leasehold land which in substance was a finance lease was 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 (cont'd)**

(e) **Leases (cont'd)**

Previous financial year (cont'd)

(a) **As a lessee (cont'd)**

(ii) **Operating lease**

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

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

(f) **Intangible asset**

Intangible asset acquired by the Group, which have finite 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.

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).

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Investment property

(i) Investment property carried at cost

Investment properties are properties which are owned or right-of-use asset held under a lease contract to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties initially and subsequently 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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 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 statements of cash flows, cash and cash equivalents are presented net of pledged deposits.

(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 month 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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(m) Impairment (cont'd)

(i) Financial assets (cont'd)

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.

(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.

Notes to the Financial Statements
(CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(m) Impairment (cont'd)

(ii) Other assets (cont'd)

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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) Employee benefits (cont'd)

(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.

(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

Notes to the Financial Statements
(CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(q) Revenue and other income (cont'd)

(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.

(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)).

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(q) Revenue and other income (cont'd)

(ii) Sale of development properties (cont'd)

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.

(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.

Notes to the Financial Statements
(CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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.

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) Discontinued operation

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale or distribution, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(u) Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

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.

(v) 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.

(w) Fair value measurements

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

For 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
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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 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 properties	5	–	2,491	–	–	–	–	–	2,491
Transfer from inventories	14(a)	–	564	–	–	–	–	–	564
Reclassifications		–	–	(1,381)	411	970	–	–	–
Effect of movements in exchange rates		–	–	–	–	–	(8)	4	(4)
At 31 December 2018, as previously reported		9,572	14,288	–	8,263	64,146	11,524	20,095	127,888
Adjustment on initial application of MFRS 16		–	–	–	–	(4,637)	–	(10,082)	(14,719)
At 1 January 2019, *as restated*		9,572	14,288	–	8,263	59,509	11,524	10,013	113,169
Additions		–	637	–	520	744	337	53	2,291
Disposals		–	–	–	–	(8)	–	(1,107)	(1,115)
Written off		–	–	–	–	(348)	–	–	(348)
Transfer to investment properties	5	–	(3,175)	–	–	–	–	–	(3,175)
Effect of movements in exchange rates		–	–	–	–	–	(7)	(1)	(8)
At 31 December 2019		9,572	11,750	–	8,783	59,897	11,854	8,958	110,814

3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

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 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 properties	5	–	992	–	–	–	–	–	992
Effect of movements in exchange rates		–	–	–	–	–	(8)	4	(4)
At 31 December 2018, as previously reported		–	3,722	–	5,092	55,256	9,425	11,490	84,985
Adjustment on initial application of MFRS 16		–	–	–	–	(1,151)	–	(2,673)	(3,824)
At 1 January 2019, *as restated*		–	3,722	–	5,092	54,105	9,425	8,817	81,161
Depreciation charged for the year		–	310	–	516	2,530	1,288	516	5,160
Disposals		–	–	–	–	(8)	–	(1,043)	(1,051)
Written off		–	–	–	–	(205)	–	–	(205)
Transfer to investment properties	5	–	(273)	–	–	–	–	–	(273)
Effect of movements in exchange rates		–	–	–	–	–	(5)	(1)	(6)
At 31 December 2019		–	3,759	–	5,608	56,422	10,708	8,289	84,786
Carrying amounts									
At 1 January 2018		9,572	10,794	1,665	2,786	12,913	3,408	6,880	48,018
At 31 December 2018/ 1 January 2019		9,572	10,566	–	3,171	8,890	2,099	8,605	42,903
At 31 December 2019		9,572	7,991	–	3,175	3,475	1,146	669	26,028

3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

COMPANY	MOTOR VEHICLES RM'000
Cost	
At 1 January 2018	–
Additions	512
At 31 December 2018, as previously reported	512
Adjustment on initial application of MFRS 16	(512)
At 1 January 2019, *as restated*/31 December 2019	–
Accumulated depreciation	
At 1 January 2018	–
Depreciation charge for the year	43
At 31 December 2018, as previously reported	43
Adjustment on initial application of MFRS 16	(43)
At 1 January 2019, *as restated*/31 December 2019	–
Carrying amounts	
At 1 January 2018	–
At 31 December 2018	469
At 31 December 2019	–

3.1 Leased property, plant and equipment

As at 31 December 2018, the net carrying amounts of property, plant and equipment of the Group and the Company which were held under hire purchase arrangements amounted to RM10,920,000 and RM469,000 respectively.

3.2 Security

Certain buildings of the Group with carrying amount of RM1,232,000 (2018: RM1,265,000) and RM360,000 (2018: RM370,000) were pledged to secure the Group's term loan (Note 20(b)(v)) and revolving credit (Note 20(f)) respectively.

3.3 Transfer from inventories

As at 31 December 2019, there are no transfer from inventories to property, plant and equipment. In financial year ended 31 December 2018, 7 units of properties with cost of RM564,000 (Note 14(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.

4. RIGHT-OF-USE ASSETS

GROUP	LAND RM'000	BUILDINGS RM'000	PLANT, MACHINERY AND EQUIPMENT RM'000	MOTOR VEHICLES RM'000	TOTAL RM'000
At 1 January 2019	47,848	632	3,558	7,408	59,446
Additions	–	61	152	–	213
Disposal	–	–	–	(250)	(250)
Depreciation charged for the year	(2,730)	(385)	(985)	(1,943)	(6,043)
At 31 December 2019	45,118	308	2,725	5,215	53,366

COMPANY	MOTOR VEHICLES RM'000
At 1 January 2019	469
Depreciation charged for the year	(102)
At 31 December 2019	367

The Group leases a number of plant, machinery and equipment and a few parcels of land that run between 2 years and 25 years. Some leases contain extension option to renew the lease. Lease payment for the land lease agreement is increased every 1-6 years.

4.1 Extension options

Some leases of office buildings and office equipment contains extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

GROUP	LEASE LIABILITIES RECOGNISED (DISCOUNTED) RM'000	POTENTIAL FUTURE LEASE PAYMENTS NOT INCLUDED IN LEASE LIABILITIES (DISCOUNTED) RM'000	HISTORICAL RATE OF EXERCISE OF EXTENSION OPTIONS %
Land	46,333	–	–
Buildings	316	–	–
Office equipment	128	35	–

Notes to the Financial Statements
(CONT'D)

4. RIGHT-OF-USE ASSETS (cont'd)

4.2 Restriction imposed by lease

The lease contracts for land restrict the Group's ability to sublease the leased assets in the respective contracts. The land shall be used solely and exclusively for the solar panel facility.

5. INVESTMENT PROPERTIES

GROUP	NOTE	INVESTMENT PROPERTIES RM'000
Cost		
At 1 January 2018		55,840
Additional expenditure in investment properties		255
Transfer to property, plant and equipment	3	(2,491)
Transfer from inventories	14 (a)	1,795
At 31 December 2018/1 January 2019		55,399
Additional expenditure in investment properties		115
Transfer from property, plant and equipment	3	3,175
At 31 December 2019		58,689
Accumulated depreciation		
At 1 January 2018		4,905
Transfer to property, plant and equipment	3	(992)
Depreciation charged for the year		1,045
At 31 December 2018/1 January 2019		4,958
Transfer from property, plant and equipment	3	273
Depreciation charged for the year		1,045
At 31 December 2019		6,276
Carrying amounts		
At 1 January 2018		50,935
At 31 December 2018/1 January 2019		50,441
At 31 December 2019		52,413

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

5. INVESTMENT PROPERTIES (cont'd)

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

	NOTE	GROUP 2019 RM'000	GROUP 2018 RM'000
Rental income			
- Revenue	24	4,762	5,451
- Other income	26	116	127
Property maintenance cost from income generating investment properties	25	(2,831)	(2,367)

Fair value information

	GROUP 2019 RM'000	GROUP 2018 RM'000
Estimated fair value	89,997	89,997

Fair value of investment properties are categorised as Level 3. The fair value of the investment properties are derived based on sales 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 RM50,427,000 (2018: RM48,691,000) and its rental proceeds were pledged to secure the Group's revolving credits (Note 20(f)).

Certain investment properties with carrying amount of RM639,000 (2018: RM656,000) and RM653,000 (2018: RM670,000) were pledged to secure the Group's term loan (Note 20(b)(v)) and revolving credit (Note 20(f)) respectively.

Operating lease payments receivable

The operating lease payments to be received are as follows:

	GROUP 2019 RM'000
Less than one year	3,438
One to two years	1,593
Two to three years	421
Total undiscounted lease payments	5,452

Notes to the Financial Statements
(CONT'D)

5. INVESTMENT PROPERTIES (cont'd)

Operating lease payments receivable (cont'd)

The operating lease payments to be received are as follows:

	GROUP 2018 RM'000
Less than one year	4,274
Between one year to five years	8,004
Total undiscounted lease payments	12,278

6. INTANGIBLE ASSET

GROUP	INTANGIBLE ASSET RM'000
Cost	
At 1 January 2018/31 December 2018/1 January 2019/31 December 2019	12,393
Accumulated amortisation	
At 1 January 2018	1,860
Amortisation for the year	620
At 31 December 2018/1 January 2019	2,480
Amortisation for the year	620
At 31 December 2019	3,100
Carrying amounts	
At 1 January 2018	10,533
At 31 December 2018/1 January 2019	9,913
At 31 December 2019	9,293

7. SERVICE CONCESSION ASSETS

GROUP	SERVICE CONCESSION ASSETS RM'000
Cost	
At 1 January 2018	89,925
Additions	254,225
At 31 December 2018/1 January 2019	344,150
Additions	11,881
At 31 December 2019	356,031
Accumulated amortisation	
At 1 January 2018	15,086
Amortisation for the year	5,373
At 31 December 2018/1 January 2019	20,459
Amortisation for the year	18,493
At 31 December 2019	38,952
Carrying amounts	
At 1 January 2018	74,839
At 31 December 2018/1 January 2019	323,691
At 31 December 2019	317,079

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, a 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
(CONT'D)

8. INVESTMENTS IN SUBSIDIARIES

	COMPANY 2019 RM'000	COMPANY 2018 RM'000
At cost:		
Unquoted shares	317,771	317,771

Details of the subsidiaries are as follows:

NAME OF SUBSIDIARIES	COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITIES	EFFECTIVE EQUITY INTEREST 2019 %	EFFECTIVE EQUITY INTEREST 2018 %	DIRECTOR*
Held by the Company:					
Mudajaya Corporation Berhad ("MCB")	Malaysia	Civil engineering and building construction	100	100	JW LEL TTT
MJC Development Sdn. Bhd. ("MJCD")	Malaysia	Property management, development and building construction	100	100	JW LEL LTL
MJC Industries Sdn. Bhd. ("MJCI")	Malaysia	Investment holding	100	100	JW TTT YKC
Mudajaya Energy Sdn. Bhd. ("MESB")	Malaysia	Investment holding	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	JW LEL
Held through MCB:					
Mudajaya Land Sdn. Bhd.	Malaysia	Property management and development	100	100	JW LEL LTL
MJC City Development Sdn. Bhd. ("MJCC")	Malaysia	Property development	70	70	JW LEL LTL CKS SHP

8. INVESTMENTS IN SUBSIDIARIES (cont'd)

NAME OF SUBSIDIARIES	COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITIES	EFFECTIVE EQUITY INTEREST 2019 %	2018 %	DIRECTOR*
Held through MCB: (cont'd)					
Great Hill International Ltd. #^	Republic of Mauritius	Has not commenced operations	100	100	JW LEL
MIPP International Ltd. ("MIPP")^	Republic of Mauritius	Equipment procurement services	–	80	–
Entrutech Sdn. Bhd.	Malaysia	Engineering, procurement, construction and commissioning ("EPCC")	100	100	JW LEL TTT
Indah Kirana (M) Sdn. Bhd.	Malaysia	Dormant	100	100	JW LEL
MJC Quarry Sdn. Bhd.	Malaysia	Ceased operations	–	100	–
Mudajaya Middle East Ltd. ("MMEL") #^	Kingdom of Saudi Arabia	General construction and investment holding	75	75	YYC ASFJ MAAR AHAS NCK
Mudajaya International Investment Ltd. ("MIIL") #^	British Virgin Island	Has not commenced operations	100	100	MCB
Desiran Johan Sdn. Bhd.	Malaysia	Property development and construction	70	70	JW LEL TTT TTL ABR
Dayang Pertiwi Sdn. Bhd. ("DPSB") #^	Malaysia	Has not commenced operations	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
(CONT'D)

8. INVESTMENTS IN SUBSIDIARIES (cont'd)

NAME OF SUBSIDIARIES	COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITIES	EFFECTIVE EQUITY INTEREST 2019 %	EFFECTIVE EQUITY INTEREST 2018 %	DIRECTOR*
Held through MCB: (cont'd)					
Mudajaya Facilities Management 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	JW JSK
Held through MJCI:					
MJC Precast Sdn. Bhd. ("MJCP")	Malaysia	Manufacture of pre-cast concrete and other related products	100	100	JW TTT YKC
MJC Trading Sdn. Bhd. ("MJCT")	Malaysia	Trading in construction related materials	100	100	JW LEL
Held through MJCP:					
Mudajaya IBS Sdn. Bhd. ("MIBS")	Malaysia	Manufacture of precast concrete and other related products	100	100	JW LEL TTT YKC
Held through MESB:					
Active Flora Sdn. Bhd. ("AFSB")	Malaysia	Investment holding	100	100	JW TTT CMH
Positive Range Sdn. Bhd. ("PRSB")	Malaysia	Investment holding	100	100	JW TTT
Mudajaya Power International Sdn. Bhd. ("MPISB")	Malaysia	Civil engineering and building construction	100	100	JW TTT
Mudajaya RE Sdn. Bhd.	Malaysia	Investment holding	100	100	JW LEL

8. INVESTMENTS IN SUBSIDIARIES (cont'd)

NAME OF SUBSIDIARIES	COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITIES	EFFECTIVE EQUITY INTEREST 2019 %	EFFECTIVE EQUITY INTEREST 2018 %	DIRECTOR*
Held through MIPP:					
MIPP (B) Sdn. Bhd. #	Negara Brunei Darussalam	Equipment procurement and related support services	–	100	–
Held through AFSB and PRSB:					
Special Universal Sdn. Bhd. ("SUSB")	Malaysia	Photovoltaic power plant	60	60	JW LEL TTT OKJ OAH
Held through MPISB:					
PT Mudajaya Energi Indonesia #	Indonesia	Investment holding	95	95	JW TTT THP
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	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
(CONT'D)

8. INVESTMENTS IN SUBSIDIARIES (cont'd)

8.1 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)
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)
Tan Tong Lai (TTL)
Ahmad Badri bin Ramli (ABR)
Jayasree S. Kumar (JSK)
Chai Min Hon (CMH)
Ong Kah Joon (OKJ)
Ong Ah Hua (OAH)
Turima Heri Purwanto (THP)

8.2 Group restructuring activities

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 consideration of RM2.00.

8.3 Disposal of subsidiaries and 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 was held on 6 May 2019.

On 27 December 2019, the Group signed a Share Sale and Purchase Agreement for disposal of 80% equity interest in MIPP, comprising 1,600,000 ordinary shares to Master One Global Limited for a total cash consideration of RM150,000. Accordingly, MIPP and MIPP (B) Sdn. Bhd. ceased as the subsidiaries of the Group.

All these subsidiaries were not disclosed as discontinued operation or classified as held for sale as at 31 December 2018 and the comparative consolidated statement of profit or loss and other comprehensive income has been re-presented to show the discontinued operation separately from continuing operations.

8. INVESTMENTS IN SUBSIDIARIES (cont'd)

8.3 Disposal of subsidiaries and winding up of a subsidiary (cont'd)

	GROUP	
	2019 RM'000	2018 RM'000
Cost of sales	–	(292)
Other income	–	24
Administrative expenses	(453)	(40,593)
Results from operating activities	(453)	(40,861)
Loss on disposal of subsidiaries	(5,227)	–
Loss on the year	(5,680)	(40,861)

The loss on disposal of subsidiaries of RM5,227,000 is attributable entirely to the owners of the Company.

Effect of the disposal on financial position of the Group

	GROUP	
	2019 RM'000	2018 RM'000
Trade and other receivables	106,226	–
Cash and cash equivalents	138	–
Trade and other payables	(120,636)	–
Foreign currency translation reserve	16,841	–
Non-controlling interest	2,867	–
Net assets	5,436	–
Loss on disposal of subsidiaries	(5,227)	–
Consideration received, satisfied in cash	209	–
Cash and cash equivalents disposed off	(138)	–
Net cash inflow	71	–

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8. INVESTMENTS IN SUBSIDIARIES (cont'd)

8.4 Non-controlling interest in subsidiaries

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

	MJCC RM'000	SUSB RM'000	OTHER SUBSIDIARIES WITH IMMATERIAL NCI RM'000	TOTAL RM'000
2019				
NCI percentage of ownership interest and voting interest	30%	40%		
Carrying amount of NCI	20,899	13,600	(1,572)	32,927
Profit/(Loss) allocated to NCI	344	1,502	(18)	1,828
Summarised financial information before intra-group elimination				
As at 31 December				
Non-current assets	3,640	70,287		
Current assets	91,284	5,668		
Non-current liabilities	(2,833)	(32,147)		
Current liabilities	(22,427)	(9,808)		
Net assets	69,664	34,000		
Year ended 31 December				
Revenue	14,575	12,285		
Profit for the year	1,148	3,756		
Total comprehensive income	1,148	3,756		
Dividends paid to NCI	–	400		

8. INVESTMENTS IN SUBSIDIARIES (cont'd)

8.4 Non-controlling interest in subsidiaries (cont'd)

	MIPP RM'000	MJCC RM'000	SUSB RM'000	OTHER SUBSIDIARIES WITH IMMATERIAL NCI RM'000	TOTAL RM'000
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 (liabilities)/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
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9. INVESTMENTS IN ASSOCIATES

	NOTE	GROUP 2019 RM'000	GROUP 2018 RM'000
At cost			
Unquoted shares		951,030	962,360
Share of post-acquisition reserves		(756,292)	(498,905)
Less: Impairment loss		(186,899)	(147,354)
		7,839	316,101
Less: Unrealised profits	(a)	–	(244,646)
		7,839	71,455

(a) The unrealised profit represented the unrealised gain on the equipment supply contract between a subsidiary, MIPP and R.K.M. Powergen Private Limited ("RKM"). This unrealised profits was eliminated to the extent of the Group's interest in RKM and was 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. During the financial year, the unrealised profits was fully recognised in the statement of comprehensive income upon disposal of MIPP.

NAME OF ASSOCIATES	NOTE	COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITIES	EFFECTIVE EQUITY INTEREST 2019 %	EFFECTIVE EQUITY INTEREST 2018 %	ACCOUNTING MODEL APPLIED
Held by MCB:						
R.K.M. Powergen Private Limited ("RKM") #	(i)	India	Power producer	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	Equity method
Held through MPISB:						
Amihan Energy Corporation		Philippines	Power producer	40	40	Equity method
PT Harmoni Energy Indonesia # ("PT Harmoni")		Indonesia	Power producer	46	46	Equity method
Held through MESB:						
Adab Menang Sdn. Bhd. ("Adab Menang")	(ii)	Malaysia	Power producer	–	49	Equity method

\# Not audited by member firms of KPMG International

Notes to the Financial Statements
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9. INVESTMENTS IN ASSOCIATES (cont'd)

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:

	2019 RKM RM'000	2019 PT HARMONI RM'000	2018 RKM RM'000	2018 PT HARMONI RM'000
Summarised statement of financial position				
Current assets	366,659	12,758	235,058	11,284
Non-current assets	7,375,458	130,799	7,810,045	134,025
Total assets	7,742,117	143,557	8,045,103	145,309
Current liabilities	(4,606,520)	(133,791)	(7,976,125)	(124,670)
Non-current liabilities	(4,595,677)	(15,009)	(562,060)	(29,838)
Total liabilities	(9,202,197)	(148,800)	(8,538,185)	(154,508)
Summarised statement of comprehensive income				
(Loss)/Profit for the year	(1,010,121)	4,197	(812,263)	(7,201)

The reconciliation of summarised financial information presented above to the carrying amount of the Group's interest in material associates as follows:

	2019 RKM RM'000	2019 PT HARMONI RM'000	2018 RKM RM'000	2018 PT HARMONI RM'000
Net (liabilities)/assets at 1 January	(493,082)	(9,199)	342,222	(2,011)
Exchange rate movement	43,123	(226)	(23,041)	13
(Loss)/Profit for the year	(1,010,121)	4,197	(812,263)	(7,201)
	(1,460,080)	(5,228)	(493,082)	(9,199)
Interest in an associate	26%	46%	26%	46%
Group's share of net liabilities	(379,621)	(2,405)	(128,201)	(4,232)

Notes to the Financial Statements
(CONT'D)

9. INVESTMENTS IN ASSOCIATES (cont'd)

	RKM RM'000	PT HARMONI RM'000	OTHER IMMATERIAL ASSOCIATES RM'000	TOTAL RM'000
2019				
Reconciliation of net assets carrying amount as at 31 December				
Group's share of net (liabilities)/assets	(379,621)	(2,405)	4,880	(377,146)
Goodwill	613,061	7,783	–	620,844
Exchange rate movement	(48,344)	(616)	–	(48,960)
Impairment loss	(185,096)	(1,803)	–	(186,899)
Carrying amount in the statement of financial position	–	2,959	4,880	7,839
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

The aggregate information of associates that are not individually material, is as follows:

	2019 RM'000	2018 RM'000
The Group's share of profit for the year	796	457

(i) RKM has a 4x360MW Coal-Fired Independent Power Producer Project with a project cost amounting to INR127.06 billion (RM7.29 billion) in the state of Chhattisgarh, India at closing exchange rate of INR17.4186: 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.

9. INVESTMENTS IN ASSOCIATES (cont'd)

RKM is currently working on a proposed resolution plan with its lenders under the Reserve Bank of India's ("RBI") Resolution of Stressed Assets – Revised Framework dated 12 February 2018. In 2018, the Group 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 financial year amounted to RM39,545,000 (2018: RM145,551,000).

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 at 31 December 2019, 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.

Unit 4 of the power plant has achieved commercial operations on 20 March 2019.

(ii) On 8 April 2019, MESB, a wholly-owned subsidiary of the Company has entered into a share sales and purchase agreement with a third party to dispose 49 ordinary shares and 11,330,000 Redeemable, Convertible, Cumulative and Participating Preference Shares ("RCPPS") in Adab Menang for a sales consideration of RM15,000,000.

10. INVESTMENTS IN JOINT OPERATIONS

Details of the joint operations are as follows:

NAMES OF JOINT OPERATIONS	COUNTRY	PRINCIPAL ACTIVITIES	PROPORTION OF OWNERSHIP INTEREST 2019 %	2018 %
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
Bina Rezeki – Mudajaya Joint Venture* - joint operation	Malaysia	Design and construction of the Boulevard Plaza Development at Lot 3C7 at Putrajaya, Malaysia	–	51

* Consolidated based on management accounts

10. INVESTMENTS IN JOINT OPERATIONS (cont'd)

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	
	2019 RM'000	2018 RM'000
Assets and liabilities		
Current assets/total assets	–	2,067
Current liabilities/total liabilities	–	(1,023)
Income	–	–
Expenses	–	–

The joint operations projects were completed in previous years, hence, the Group has ceased to share the interests in the joint operations and remaining balance of RM1,044,000 was recognised to profit or loss in current year.

11. OTHER INVESTMENTS

	GROUP	
	2019 RM'000	2018 RM'000
Non-current		
Fair value through profit or loss		
- Club memberships	936	964

12. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	ASSETS		LIABILITIES		NET	
GROUP	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Property, plant and equipment	–	–	(42,000)	(34,429)	(42,000)	(34,429)
Investment properties	–	–	(2,540)	(2,378)	(2,540)	(2,378)
Right-of-use assets	–	–	(2,188)	–	(2,188)	–
Tax losses carry-forwards	9,203	9,203	–	–	9,203	9,203
Capital allowance carried forward	32,476	26,948	–	–	32,476	26,948
Lease liabilities	2,264	–	–	–	2,264	–

12. DEFERRED TAX ASSETS/(LIABILITIES) (cont'd)

Recognised deferred tax assets/(liabilities) (cont'd)

GROUP	ASSETS 2019 RM'000	ASSETS 2018 RM'000	LIABILITIES 2019 RM'000	LIABILITIES 2018 RM'000	NET 2019 RM'000	NET 2018 RM'000
Others	1,366	666	(5,225)	(5,225)	(3,859)	(4,559)
Tax assets/(liabilities)	45,309	36,817	(51,953)	(42,032)	(6,644)	(5,125)
Set off for tax	(43,243)	(34,751)	43,243	34,751	–	–
Net tax assets/(liabilities)	2,066	2,066	(8,710)	(7,281)	(6,644)	(5,215)

Movement in temporary differences during the year

GROUP	AT 1.1.2018 RM'000	RECOGNISED IN PROFIT OR LOSS (NOTE 30) RM'000	AT 31.12.2018/ 1.1.2019 RM'000	RECOGNISED IN PROFIT OR LOSS (NOTE 30) RM'000	AT 31.12.2019 RM'000
Property, plant and equipment	(9,820)	(24,609)	(34,429)	(7,571)	(42,000)
Investment properties	(2,026)	(352)	(2,378)	(162)	(2,540)
Right-of-use assets	–	–	–	(2,188)	(2,188)
Accrued rental income	(34)	34	–	–	–
Tax losses carried forward	7,828	1,375	9,203	–	9,203
Capital allowance carried forward	6,075	20,873	26,948	5,528	32,476
Lease liabilities	–	–	–	2,264	2,264
Others	85	(4,644)	(4,559)	700	(3,859)
	2,108	(7,323)	(5,215)	(1,429)	(6,644)

Notes to the Financial Statements
(CONT'D)

12. DEFERRED TAX ASSETS/(LIABILITIES) (cont'd)

Unrecognised deferred tax assets

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

	GROUP 2019 RM'000	GROUP 2018 RM'000
Tax loss carry-forward	137,259	52,388
Unabsorbed capital allowances	–	32,464
Other deductible temporary differences	264,342	227,900
	401,601	312,752
Deferred tax assets at 24%	96,384	75,060

Deferred tax has not been recognised as there is no sufficient future taxable profits will be available against which they can be utilised.

Under current tax legislation, the tax loss carry-forward amounting to RM52,388,000 will expire in year assessment 2025 while the remaining balance of RM84,871,000 will expire in year assessment 2026. The unabsorbed capital allowances do not expire under current tax legislation.

13. TRADE AND OTHER RECEIVABLES

		GROUP		COMPANY	
	NOTE	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-current					
Non-trade					
Deposits	(a)	–	4,749	–	–
Current					
Trade					
Trade receivables from contracts with customers		59,528	225,967	–	–
Other trade receivables		172	199	–	–
	(b)	59,700	226,166	–	–
Less: Impairment loss		(1,362)	(44,885)	–	–
		58,338	181,281	–	–
Retention sums		49,613	34,105	–	–
Less: Impairment loss		(5,058)	–	–	–
	(c)	44,555	34,105	–	–
Total trade receivables		102,893	215,386	–	–

13. TRADE AND OTHER RECEIVABLES (cont'd)

	NOTE	GROUP 2019 RM'000	GROUP 2018 RM'000	COMPANY 2019 RM'000	COMPANY 2018 RM'000
Non-trade					
Other receivables		12,083	42,570	–	–
Less: Impairment loss		(3,101)	(2,654)	–	–
		8,982	39,916	–	–
Amount due from subsidiaries	(d)	–	–	171,216	89,404
Less: Impairment loss		–	–	(21,573)	–
		–	–	149,643	89,404
Amount due from associates	(e)	34,401	31,836	–	–
Less: Impairment loss		(11,105)	–	–	–
		23,296	31,836	–	–
Deposits	(f)	25,566	23,781	2	2
Advance payments	(g)	3,489	7,265	16	9
Goods and Service Tax ("GST") receivables	(h)	1,838	14,316	28	30
		63,171	117,114	149,689	89,445
		166,064	332,500	149,689	89,445
		166,064	337,249	149,689	89,445

(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.

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.

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.

During the financial year, the deposits were classified as current asset as amount will be settled in next financial year upon delivery of vacant possession of the 56 units of service apartments in Lumi Tropicana.

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13. TRADE AND OTHER RECEIVABLES (cont'd)

(b) Trade receivables

Trade receivables are non-interest bearing and the Group's normal trade credit terms are generally on 30 to 90 days (2018: 30 to 90 days) terms.

Included in trade receivables was amount due from an associate of Nil (2018: RM107,459,000).

(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	
	2019 RM'000	2018 RM'000
Within 1 year	8,552	21,398
More than 1 year	36,003	12,707
	44,555	34,105

(d) Amount due from subsidiaries

The amount due from subsidiaries are unsecured, non-interest bearing and repayable on demand.

(e) Amount due from associates

Included in the amount due from associates are two amounts of advances amounting to RM19,947,000 (2018: RM19,788,000) and RM2,344,000 (2018: RM1,503,000) respectively extended to PT Harmoni and are subjected to interest at 12% (2018: 12%) and 16% (2018: 16%) per annum respectively. The remaining balance is non-interest bearing. The amount due from associates are unsecured and repayable on demand.

(f) Deposits

Included in deposits is an amount of RM19,795,000 (2018: RM18,095,000) placed with MVSB for the purchase of 56 units of apartments in Lumi Tropicana, a property development project by Thriven as disclosed in Note 13(a).

(g) Advance payments

These are mainly contractual advance payments to subcontractors for construction works.

(h) 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.

14. INVENTORIES

	NOTE	GROUP 2019 RM'000	GROUP 2018 RM'000
At cost:			
Properties held for sale	(a)	79,271	34,715
Properties under development	(b)	37,833	90,327
Raw materials		6,175	7,873
		123,279	132,915

(a) Properties held for sale

	NOTE	GROUP 2019 RM'000	GROUP 2018 RM'000
Recognised in profit or loss:			
Inventories recognised as cost of sales			
- Properties held for sale		11,086	5,977
- Raw materials		63,824	50,177
	25	74,910	56,154
Cost			
At beginning of year		34,715	43,290
Reduction		–	(239)
Add: Transfer from properties under development			
- Leasehold land	14 (b)	6,402	–
- Development costs	14 (b)	49,240	–
		90,357	43,051
Less: Cost recognised as cost of sales in profit or loss		(11,086)	(5,977)
Less: Transfer to property, plant and equipment	3	–	(564)
Less: Transfer to investment properties	5	–	(1,795)
At end of year		79,271	34,715

In financial year ended 31 December 2018, 7 of properties with cost of RM564,000 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 (Note 3.3).

In financial year ended 31 December 2018, 14 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 5).

Included in properties held for sale of the Group with carrying amount of RM108,000 (2018: RM108,000) are pledged to secure the Group's revolving credit (Note 20(f)).

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14. INVENTORIES (cont'd)

(b) Properties under development

	NOTE	2019 RM'000	2018 RM'000
Cost			
At beginning of year			
Leasehold land		6,402	6,417
Development costs		83,925	49,127
		90,327	55,544
Leasehold land			
- net transfer to properties held for sale	14 (a)	(6,402)	–
- net transfer to contract cost	16 (b)(i)	–	(15)
		(6,402)	(15)
Development costs			
- cost incurred during the year		3,148	38,323
- net transfer to properties held for sale	14 (a)	(49,240)	–
- net transfer to contract cost	16 (b)(i)	–	(3,525)
		(46,092)	34,798
At end of year			
Leasehold land		–	6,402
Development costs		37,833	83,925
		37,833	90,327

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.

15. OTHER CURRENT ASSETS

	GROUP	
	2019 RM'000	2018 RM'000
Contra properties	199,587	199,587

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 20(b)(iv)) and revolving credits (Note 20(f)).

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.

16. CONTRACT WITH CUSTOMERS

(a) Contract assets/(liabilities)

	GROUP	
	2019 RM'000	2018 RM'000
Contract assets	65,014	71,969
Contract liabilities	(14,046)	(41,490)

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.

16. CONTRACT WITH CUSTOMERS (cont'd)

(a) Contract assets/(liabilities) (cont'd)

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	
	2019 RM'000	2018 RM'000
Contract liabilities at the beginning of the period recognised as revenue	35,305	60,658
Contract liabilities at the beginning of the period not recognised as revenue due to change in time frame	6,185	4,927
Contract assets at the beginning of the period not transferred to trade receivables due to change in time frame	3,888	37,986

(b) Contract costs

		GROUP	
	NOTE	2019 RM'000	2018 RM'000
Contract fulfilment costs	(i)	–	68
Cost to obtain a contract	(ii)	–	–
		–	68

16. CONTRACT WITH CUSTOMERS (cont'd)

(b) Contract costs (cont'd)

(i) Contract fulfilment costs

		GROUP	
	NOTE	2019 RM'000	2018 RM'000
Contract fulfilment costs			
At beginning of year			
Leasehold land		2	1
Development costs		66	102
		68	103
Construction costs			
- cost incurred during the year		193,234	330,433
Leasehold land			
- net transfer from inventories	14(b)	–	15
Development costs			
- net transfer from inventories	14(b)	–	3,525
Power plant costs			
- cost incurred during the year		26,813	276,056
Less: Cost recognised as cost of sales in profit or loss			
- Construction costs		(193,234)	(330,433)
- Leasehold land		(2)	(14)
- Development costs		(66)	(3,561)
- Power plant costs		(26,813)	(276,056)
	25	(220,115)	(610,064)
At end of year			
Leasehold land		–	2
Development costs		–	66
		–	68

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.

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16. CONTRACT WITH CUSTOMERS (cont'd)

(b) Contract costs (cont'd)

(ii) Cost to obtain a contract

	NOTE	GROUP 2019 RM'000	GROUP 2018 RM'000
At beginning of year		–	–
Cost incurred during the year		–	245
Cost recognised as cost of sales in profit or loss	25	–	(245)
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.

17. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

GROUP	2019 NOMINAL VALUE RM'000	2019 (LIABILITIES) RM'000	2018 NOMINAL VALUE RM'000	2018 ASSETS RM'000
Derivative at fair value through profit or loss				
Cross currency interest rate swap	204,435	(511)	199,750	7,002

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.

18. CASH AND CASH EQUIVALENTS

	GROUP 2019 RM'000	GROUP 2018 RM'000	COMPANY 2019 RM'000	COMPANY 2018 RM'000
Cash and bank balances	40,005	43,429	156	175
Deposits with financial institutions	261,870	287,293	91	136
	301,875	330,722	247	311

18. CASH AND CASH EQUIVALENTS (cont'd)

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 2.55% to 4.21% (2018: 2.40% to 3.95%) per annum during the financial year.

Included in cash and bank balances of the Group is Designated Collection Accounts and Finance Service Reserve Account of RM1,778,000 (2018: RM864,000) charged for the term loans (Note 20(b)(iii)).

Included in cash and bank balances of the Group are the deposits with a financial institution of RM204,435,000 (2018: RM215,030,000) charged for the secured term loan (Note 20(b)(iv)).

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 RM292,000 (2018: RM2,000) and RM41,720,000 (2018: RM14,180,000) respectively (Note 20(c)).

19. CAPITAL AND RESERVES

(a) Share capital

GROUP AND COMPANY	NUMBER OF SHARES 2019 '000	AMOUNT 2019 RM'000	NUMBER OF SHARES 2018 '000	AMOUNT 2018 RM'000
Ordinary shares, issued and fully paid:				
At beginning/end of year	605,418	393,172	605,418	393,172

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.

(b) 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 an ordinary resolution passed in a general meeting held on 19 June 2019, 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.

19. CAPITAL AND RESERVES (cont'd)

(b) Treasury shares (cont'd)

In the previous 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. The average price paid for the shares bought back was RM0.91 per share. The shares bought back were financed by internally generated funds and held as treasury shares.

Of the total 605,418,466 (2018: 605,418,466) issued and fully paid ordinary shares as at 31 December 2019, 15,543,300 (2018: 15,543,300) are held as treasury shares by the Company. As at 31 December 2019, the number of outstanding ordinary shares in issue after the set-off against treasury shares is therefore 589,875,166 (2018: 589,875,166).

(c) Employees' share option reserve

Employees' share option reserve represents the equity-settled share options granted to employees (Note 23). 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, RM395,000 (2018: RM1,036,000) was transferred from the reserve to retained earnings upon forfeiture of the options upon resignation of employees.

(d) 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.

20. LOANS AND BORROWINGS

		GROUP		COMPANY	
	NOTE	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-current					
Secured:					
Finance lease liabilities	(a)	–	3,741	–	263
Term loans	(b)	224,107	232,763	–	–
Green SRI Sukuk Wakalah	(c)	240,000	190,000	–	–
		464,107	426,504	–	263
Current					
Unsecured:					
Invoice financing		–	13,663	–	–
Bankers' acceptance		7,357	–	–	–
Islamic Medium Term Notes ("IMTN")	(d)	–	67,500	–	–
Euro Medium Term Notes ("EMTN")	(e)	163,547	248,298	–	–
Term loans	(b)	81,774	–	81,774	–
Revolving credits	(f)	4,000	44,000	–	–
		256,678	373,461	81,774	–

20. LOANS AND BORROWINGS (cont'd)

	NOTE	GROUP 2019 RM'000	GROUP 2018 RM'000	COMPANY 2019 RM'000	COMPANY 2018 RM'000
Current (cont'd)					
Secured:					
Invoice financing		18,646	–	–	–
Finance lease liabilities	(a)	–	4,782	–	149
Term loans	(b)	6,434	6,433	–	–
Green SRI Sukuk Wakalah	(c)	5,000	–	–	–
Revolving credits	(f)	126,500	81,860	–	–
		156,580	93,075	–	149
		413,258	466,536	81,774	149
		877,365	893,040	81,774	412

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

	GROUP 2019 RM'000	GROUP 2018 RM'000	COMPANY 2019 RM'000	COMPANY 2018 RM'000
Within one year	413,258	466,536	81,774	149
More than 1 year and less than 2 years	220,394	220,649	–	263
2 to 5 years	71,222	58,228	–	–
5 years and above	172,491	147,627	–	–
	877,365	893,040	81,774	412

(a) Finance lease liabilities

Finance lease liabilities of the Group and the Company were payable as follows:

GROUP	FUTURE MINIMUM LEASE PAYMENTS 2018 RM'000	INTEREST 2018 RM'000	PRESENT VALUE OF MINIMUM LEASE PAYMENTS 2018 RM'000
Less than one year	5,097	315	4,782
Between one and five years	3,841	100	3,741
	8,938	415	8,523

Notes to the Financial Statements
(CONT'D)

20. LOANS AND BORROWINGS (cont'd)

(a) Finance lease liabilities (cont'd)

	FUTURE MINIMUM LEASE PAYMENTS 2018 RM'000	INTEREST 2018 RM'000	PRESENT VALUE OF MINIMUM LEASE PAYMENTS 2018 RM'000
Company			
Less than one year	164	15	149
Between one and five years	273	10	263
	437	25	412

(b) Term loans

The term loans of the Group and the Company mainly comprise the following:

(i) During the financial year, the Company has accepted a loan facility of USD20,000,000 from a lender which bore interest rate of 10.94% per annum for the first month from the drawdown date and 7.50% per annum thereafter.

The loan is repayable in 6 months from the drawdown date with an option for a further 6 months extension upon mutual written agreement between the lender and the Company.

(ii) A term loan of RM50,000,000 which bears interest rate of 2.00% (2018: 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.

(iii) A term loan of RM7,600,000 which bear interest rate of 2.00% (2018: 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 (ii) and (iii) are secured by the following:

- charge over cash deposits into Designated Collection Account ("DCA") and Finance Service Reserve Account ("FSRA") (Note 18);
- 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.

20. LOANS AND BORROWINGS (cont'd)

(b) Term loans (cont'd)

(iv) A term loan of USD50,000,000 which bears interest rate of 1.75% (2018: 1.75%) per annum over London Inter Bank Offer Rate. The term loan matured on 16 January 2020 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 15) and the deposits with a financial institution of RM204,435,000 (2018: RM215,030,000) of the Group (Note 18).

(v) A term loan of RM3,600,000 which bears interest rate of 1.8% (2018: 1.8%) 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 3.2 and Note 5) and 8 units of residential units (Note 3) of the Group.

Other information on financial risk of borrowings is disclosed in Note 33.

(c) 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 18) 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).

Notes to the Financial Statements
(CONT'D)

20. LOANS AND BORROWINGS (cont'd)

(d) IMTN

On 14 November 2013, Mudajaya Corporation Berhad ("MCB"), a wholly-owned subsidiary of the Company 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.

Subsequently, MCB has terminated and cancelled the SUKUK on 16 December 2019.

(e) 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 matured on 28 December 2019.

On 27 December 2019, MVL obtained approval from the noteholder for an extension of the maturity date of the Notes to 28 December 2020. Simultaneous with such extension, MVL has on even date, redeemed US$20 million of the Notes.

(f) Revolving credits

Both unsecured and secured revolving credit facilities were drawn down for working capital requirements. The revolving credits which were rolled-over on a monthly basis bear interest at rates ranging from 4.82% to 5.53% (2018: 5.12% to 5.78%) 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 15), certain investment property of the Group (Note 5) and certain properties held for sale of the Group (Note 14).

Revolving credits amounting to RM35,000,000 has a covenant which requires, the Group and the subsidiary, MCB to maintain a consolidated net Finance to Equity ratio of not more than 1.25 times. As at 31 December 2019, the Group and MCB has not met this covenant. The Group will be seeking indulgence from the bank in due course.

Notes to the Financial Statements
(CONT'D)

21. 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. The deferred income will be recognised in profit or loss upon delivery of vacant possession of these service apartments.

As at 31 December 2019, the deferred income has been reclassified from non-current liabilities to current liabilities as the vacant possession to be delivered in the next financial year.

22. TRADE AND OTHER PAYABLES

		GROUP		COMPANY	
	NOTE	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Trade					
Trade payables	(a)	130,067	337,179	–	–
Deposit liabilities	(b)	1,216	1,365	–	–
		131,283	338,544	–	–
Non-trade					
Deposits		7,976	8,211	–	–
Accruals		24,858	43,857	564	206
Other payables		13,756	10,906	77	55
Amount due to a subsidiary	(c)	–	–	13,535	14,602
Amount due to an associate	(c)	–	2,042	–	–
Goods and Service Tax ("GST") payable	(d)	–	7	–	–
		46,590	65,023	14,176	14,863
		177,873	403,567	14,176	14,863

(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 (2018: 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, non-interest bearing and repayable on demand.

(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.

Notes to the Financial Statements
(CONT'D)

23. 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.

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.

23. EMPLOYEE BENEFITS (cont'd)

Employees' share option scheme ("ESOS") (cont'd)

GROUP AND COMPANY				NUMBER OF OPTIONS			
2019	**AT 1.1.2019 '000**	**GRANTED '000**	**REJECTED '000**	**FORFEITED '000**	**EXERCISED '000**	**AT 31.12.2019 '000**	**EXERCISABLE 31.12.2019 '000**
Grant date							
3 October 2011	3,033	–	–	137	–	2,896	2,896
16 July 2012	424	–	–	9	–	415	415
3 October 2012	76	–	–	–	–	76	76
2 May 2013	1,360	–	–	–	–	1,360	1,360
3 October 2013	723	–	–	63	–	660	660
18 February 2014	631	–	–	–	–	631	631
15 July 2016	14,800	–	–	600	–	14,200	8,520
30 October 2017	600	–	–	600	–	–	–
	21,647	–	–	1,409	–	20,238	14,558
Weighted average exercise price ("WAEP") (RM)	1.47	–	–	1.30	–	1.48	1.61

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

The options outstanding at 31 December 2019 have an exercise price in the range of RM1.15 to RM2.75 (2018: RM1.15 to RM2.75) and a weighted average contractual life of 2 years (2018: 3 years).

No option were exercised during the financial year.

Notes to the Financial Statements
(CONT'D)

23. EMPLOYEE BENEFITS (cont'd)

Employees' share option scheme ("ESOS") (cont'd)

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	GRANT DATE							
FAIR VALUE OF SHARE OPTIONS AND ASSUMPTIONS	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 RM733,000 (2018: RM1,189,000) in profit or loss.

24. REVENUE

24.1 Disaggregation of revenue

	NOTE	GROUP 2019 RM'000	GROUP 2018 RM'000
Revenue from contracts with customers			
Construction contracts			
- construction works		261,698	390,685
- furniture and fittings		–	263
Sale of development properties			
- properties		13,851	12,846
- car park		725	729
- furniture and fittings		–	1,289
Sale of construction materials		64,021	50,362
Sale of power energy arising from concession arrangement		47,031	15,529
Construction revenue from concession arrangement		1,682	282,897
	(a)	389,008	754,600
Other revenue			
- Rental of office space	5	4,762	5,451
Total revenue		393,770	760,051

(a) Timing and recognition of revenue

	GROUP 2019 RM'000	GROUP 2018 RM'000
At a point in time	111,777	68,172
Over time	277,231	686,428
	389,008	754,600

Notes to the Financial Statements
(CONT'D)

24. REVENUE (cont'd)

24.2 Nature of goods and services

The following information reflects the typical transactions of the Group:

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.
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.

24. REVENUE (cont'd)

24.2 Nature of goods and services (cont'd)

NATURE OF GOODS OR SERVICES	TIMING OF RECOGNITION OR METHOD USED TO RECOGNISE REVENUE	SIGNIFICANT PAYMENT TERMS	VARIABLE ELEMENT IN CONSIDERATION	WARRANTY
Sale of completed properties	Revenue is recognised at a point in time upon delivery of vacant possession.	Credit period of 30 days from invoice date.	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.

24.3 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	
	2019 RM'000	2018 RM'000
Construction contracts	783,534	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
(CONT'D)

25. COST OF SALES

		GROUP	
	NOTE	2019 RM'000	2018 RM'000
Cost of inventories sold	14(a)	74,910	56,154
Contract fulfilment costs	16(b)(i)	220,115	610,064
Cost to obtain a contract	16(b)(ii)	–	245
Property maintenance cost	5	2,831	2,367
		297,856	668,830

26. OTHER INCOME

	GROUP		COMPANY	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Fair value gain on derivatives	–	7,002	–	–
Fair value gain on other investments	–	387	–	–
Interest income	11,472	11,264	7	7
Rental of investment properties	116	127	–	–
Gain on disposal of investment in an associate	4,230	–	–	–
Gain on disposal of property, plant and equipment	267	1,777	–	–
Income from material cost backcharged	60	31	–	–
Reversal of unrealised profits on equipment supply contract (Note 9)	244,646	4,677	–	–
Net gain on foreign exchange	8,200	–	–	–
Corporate guarantee income from an associate	299	250	–	–
Corporate guarantee income from subsidiaries	–	–	4,355	4,617
Secondment fees	528	548	–	–
Miscellaneous	2,560	1,677	–	1
	272,378	27,740	4,362	4,625

27. RESULTS FROM OPERATING ACTIVITIES

		GROUP		COMPANY	
	NOTE	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Results from operating activities is arrived at after charging/(crediting):					
Auditors' remuneration:					
- Audit fees					
Statutory auditors		445	468	130	130
Other auditors		6	18	–	–
- Non-audit fees					
Statutory auditors		47	55	25	55
Material expense/(income)					
Amortisation of intangible asset	6	620	620	–	–
Amortisation of service concession assets	7	18,493	5,373	–	–
Depreciation of property, plant and equipment	3	5,160	11,987	–	43
Depreciation of investment properties	5	1,045	1,045	–	–
Depreciation of right-of-use assets	4	6,043	–	102	–
Fair value loss/(gain) on derivative		7,513	(7,002)	–	–
Fair value loss/(gain) on other investments		28	(387)	–	–
Loss on disposal of subsidiaries	8.3	5,227	–	–	–
Fair value adjustment of service concession assets		(1,712)	(12,106)	–	–
Gain on disposal of investment in an associate		(4,230)	–	–	–
Gain on disposal of property, plant and equipment		(267)	(1,777)	–	–
Loss on disposal of right-of-use assets		3	–	–	–
Impairment loss of investment in an associate		39,545	145,551	–	–
Reversal of impairment loss of contract assets		–	(7,272)	–	–
Property, plant and equipment written off		143	1,697	–	–
Impairment loss of trade and other receivables		26,397	39,771	21,573	–
Employee benefits expenses	28	29,379	30,448	1,792	1,578
Net foreign exchange differences					
- realised		(646)	3,936	–	–
- unrealised		(7,554)	4,485	–	–
Non-executive directors' remuneration	28	703	670	703	670
Expense arising from lessee					
Expenses relating to short-term leases	a	3,248	–	–	–
Net loss on impairment of financial instruments and contract assets					
- financial assets at amortised cost		26,397	39,771	21,573	–
- contract assets		–	(7,272)	–	–

Note a

The Group leases properties and plant and equipment with contract term of less than 1 year. These leases are short-term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

Notes to the Financial Statements
(CONT'D)

28. EMPLOYEE BENEFITS EXPENSE AND KEY MANAGEMENT PERSONNEL COMPENSATION

		GROUP		COMPANY	
	NOTE	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Wages and salaries		25,250	24,842	1,585	1,393
Social security contributions		147	163	1	1
Contributions to defined contribution plan		2,886	3,064	198	175
Share options granted under ESOS	23	733	1,189	–	–
Other benefits		363	1,190	8	9
		29,379	30,448	1,792	1,578

Included in employee benefits expenses of the Group and the Company are executive directors' and other key management personnel remuneration amounting to RM6,215,000 (2018: RM5,699,000) and RM1,591,000 (2018: RM1,568,000) as further disclosed.

The key management personnel compensations are as follows:

	GROUP		COMPANY	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Executive Directors:				
Salaries and other emoluments	2,284	2,069	1,142	1,035
Bonus	544	717	272	358
Defined contribution plan	354	350	177	175
	3,182	3,136	1,591	1,568
Non-executive Directors:				
Fees	440	428	440	428
Other emoluments	263	242	263	242
	703	670	703	670
	3,885	3,806	2,294	2,238
Estimated money value of benefits-in-kind	102	80	32	20
Total Directors' remuneration	3,987	3,886	2,326	2,258
Other key management personnel:				
Salaries and other emoluments	2,368	1,851	–	–
Bonus	335	434	–	–
Defined contribution plan	330	278	–	–
	3,033	2,563	–	–
Estimated money value of benefits-in-kind	51	44	–	–
Total other key management personnel compensation	3,084	2,607	–	–

29. FINANCE COSTS

	GROUP 2019 RM'000	GROUP 2018 RM'000	COMPANY 2019 RM'000	COMPANY 2018 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss	51,307	44,559	125	7
Interest expense on lease liabilities	2,852	–	15	–
Recognised in profit or loss	54,159	44,559	140	7
Capitalised on qualifying assets:				
- Service concession assets	–	8,244	–	–
	54,159	52,803	140	7

30. TAX EXPENSE

Recognised in profit or loss

	GROUP 2019 RM'000	GROUP 2018 RM'000	COMPANY 2019 RM'000	COMPANY 2018 RM'000
Income tax expense				
Current year	2,409	5,073	298	515
Prior years	13,222	(287)	4	9
	15,631	4,786	302	524
Deferred tax expense (Note 12)				
Current year	1,420	7,538	–	–
Prior years	9	(215)	–	–
	1,429	7,323	–	–
Total tax expense	17,060	12,109	302	524

Notes to the Financial Statements
(CONT'D)

30. TAX EXPENSE (cont'd)

Recognised in profit or loss (cont'd)

	GROUP 2019 RM'000	GROUP 2018 RM'000	COMPANY 2019 RM'000	COMPANY 2018 RM'000
Reconciliation of tax expense				
(Loss)/Profit before tax	(63,350)	(347,181)	(20,832)	1,910
Income tax calculated using Malaysian tax rate of 24%	(15,204)	(83,323)	(5,000)	458
Non-deductible expenses	27,415	42,097	5,301	62
Non-taxable income	(95,833)	(13,293)	(2)	(5)
Effect of share of associates' loss	62,378	51,371	–	–
Effect of tax rates in different jurisdiction	–	394	–	–
Effect of tax losses incurred in tax exempt jurisdiction	3,749	9,824	–	–
Recognition of previously unrecognised temporary differences	–	–	(1)	
Effect of deferred tax assets not recognised	21,324	5,526	–	–
Other items	–	15	–	–
Under/(Over) provision in prior years	13,231	(502)	4	9
	17,060	12,109	302	524

31. LOSS PER ORDINARY SHARE

Basic and diluted loss per ordinary share

The calculation of basic and diluted loss per ordinary share at 31 December 2019 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 2019 RM'000	GROUP 2018 RM'000
Loss for the year attributable to owners of the Company	(87,918)	(393,673)

	GROUP 2019 RM'000	GROUP 2018 RM'000
Basic loss per ordinary shares		
Weighted average number of ordinary shares at 31 December ('000)	589,875	589,914
Basic and diluted loss per ordinary share (sen)	(14.90)	(66.73)

The share option of 20,238,000 units (2018: 21,647,000 units) could potentially dilute the earning per share when it is exercised. However, they are anti-dilutive for the periods presented.

32. 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.

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
(CONT'D)

32. OPERATING SEGMENTS (cont'd)

2019	CONSTRUCTION CONTRACTS RM'000	PROPERTY RM'000	POWER RM'000	TRADING, MANUFACTURING AND OTHERS RM'000	ADJUSTMENTS AND ELIMINATIONS RM'000	NOTE	PER CONSOLIDATED FINANCIAL STATEMENTS RM'000
Revenue:							
External customers	261,698	19,338	48,713	64,021	–		393,770
Inter-segment	(3,438)	1,749	1,872	11,479	(11,662)	(i)	–
Total revenue	258,260	21,087	50,585	75,500	(11,662)		393,770
Results:							
Included in the measure of segment profit/(loss) are:							
Interest income	1,633	118	4,595	5,126	–		11,472
Finance costs	(18,679)	(256)	(17,171)	(18,053)	–		(54,159)
Depreciation of property, plant and equipment	(2,732)	(407)	(76)	(1,945)	–		(5,160)
Share of loss of associates	671	–	(260,576)	–	–		(259,905)
Profit/(Loss) after tax	2,814	3,303	(57,630)	(29,598)	(4,979)	(ii)	(86,090)
Assets:							
Included in the measure of segment assets are:							
Investment in associates	4,881	–	2,958	–	–		7,839
Additions to non-current assets	109	990	12,182	1,219	–	(iii)	14,500
Segment assets	567,090	235,023	488,004	719,751	(682,374)	(iv)	1,327,494
Segment liabilities	507,995	105,088	453,359	344,869	(263,658)	(v)	1,147,653

32. OPERATING SEGMENTS (cont'd)

2018	CONSTRUCTION CONTRACTS RM'000	PROPERTY RM'000	POWER RM'000	TRADING, MANUFACTURING AND OTHERS RM'000	ADJUSTMENTS 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	2,642	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)	2,211	(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
(CONT'D)

32. OPERATING SEGMENTS (cont'd)

(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 2019 RM'000	GROUP 2018 RM'000
Loss from inter-segment	(4,979)	(29,347)

(iii) Additions to non-current assets consist of property, plant and equipment (Note 3), investment properties (Note 5) and service concession assets (Note 7).

(iv) The following items are deducted from segment assets to arrive at total assets reported in the consolidated statement of financial position:

	GROUP 2019 RM'000	GROUP 2018 RM'000
Inter-segment assets	(682,374)	(726,141)

(v) The following items are deducted from segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	GROUP 2019 RM'000	GROUP 2018 RM'000
Unallocated liabilities	(263,658)	(379,966)

32. OPERATING SEGMENTS (cont'd)

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 investments in associates, other investments and deferred tax assets.

	TOTAL REVENUE FROM EXTERNAL CUSTOMERS		NON-CURRENT ASSETS		ADDITIONS TO NON-CURRENT ASSETS	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Malaysia	393,770	760,051	458,179	431,697	14,500	261,440

Major customers

Approximately 72% (2018: 51%) of total revenue during the year is mainly contributed from four (4) (2018: five (5)) customers.

33. FINANCIAL INSTRUMENTS

33.1 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")

2019	CARRYING AMOUNT RM'000	AC RM'000	MANDATORILY AT FVTPL RM'000
Financial assets			
Group			
Other investments	936	–	936
Trade and other receivables	140,942	140,942	–
Cash and cash equivalents	301,875	301,875	–
	443,753	442,817	936
Financial assets			
Company			
Trade and other receivables	149,645	149,645	–
Cash and cash equivalents	247	247	–
	149,892	149,892	–

33. FINANCIAL INSTRUMENTS (cont'd)

33.1 Categories of financial instruments (cont'd)

2019	CARRYING AMOUNT RM'000	AC RM'000	MANDATORILY AT FVTPL RM'000
Financial liabilities			
Group			
Trade and other payables	177,873	177,873	–
Refundable deposits	2,201	2,201	–
Loans and borrowings	877,365	877,365	–
Derivatives financial liabilities	511	–	511
	1,057,950	1,057,439	511
Company			
Trade and other payables	14,176	14,176	–
Loans and borrowings	81,774	81,774	–
	95,950	95,950	–
2018			
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
Financial assets			
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	–

33. FINANCIAL INSTRUMENTS (cont'd)

33.2 Net gains and losses arising from financial instruments

	GROUP		COMPANY	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Net gains/(losses) on				
Financial assets at fair value through profit or loss:				
- Mandatorily required by MFRS 9	(28)	7,389	–	–
Financial liabilities at fair value through profit or loss:				
- Mandatorily required by MFRS 9	(7,513)	–	–	–
Financial assets at amortised cost	(14,925)	(34,051)	(21,566)	7
Financial liabilities at amortised cost	(43,107)	(47,436)	(125)	(7)
Net losses	(65,573)	(74,098)	(21,691)	–
Net gains/(losses) on impairment of financial instruments and contract assets:				
Financial assets at amortised costs	(26,397)	(39,771)	(21,573)	–
Contract assets	–	7,272	–	–
	(26,397)	(32,499)	(21,573)	–

33.3 Financial risk management

The Group and the Company have exposure to the following risks from its financial instruments:

- Credit risk
- Liquidity risk
- Market risk

33.4 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.

33. FINANCIAL INSTRUMENTS (cont'd)

33.4 Credit risk (cont'd)

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 80% (2018: 84%) of the Group's trade receivables were due from 4 (2018: 4) major customers.

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	2019 RM'000	2019 % OF TOTAL	2018 RM'000	2018 % OF TOTAL
By industry sector:				
Construction	145,236	86	255,513	89
Property development	6,625	4	11,574	4
Power	5,976	4	5,048	2
Manufacturing, trading and others	10,070	6	15,220	5
	167,907	100	287,355	100

33. FINANCIAL INSTRUMENTS (cont'd)

33.4 Credit risk (cont'd)

Trade receivables and contract assets (cont'd)

Concentration of credit risk (cont'd)

GROUP	2019 RM'000	2019 % OF TOTAL	2018 RM'000	2018 % OF TOTAL
By geographical:				
Malaysia	167,907	100	179,896	63
India	–	–	107,459	37
	167,907	100	287,355	100

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
2019			
Current (not past due)	133,619	(5,058)	128,561
1-30 days past due	7,087	–	7,087
31-60 days past due	38	–	38
61-90 days past due	15	–	15
91-120 days past due	8,361	–	8,361
More than 120 days past due	25,207	(1,362)	23,845
	174,327	(6,420)	167,907
Trade receivables	109,313	(6,420)	102,893
Contract assets	65,014	–	65,014
	174,327	(6,420)	167,907

33. FINANCIAL INSTRUMENTS (cont'd)

33.4 Credit risk (cont'd)

Trade receivables and contract assets (cont'd)

Recognition and measurement of impairment losses (cont'd)

GROUP	GROSS CARRYING AMOUNT RM'000	LOSS ALLOWANCE RM'000	NET BALANCE RM'000
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

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 2018	4,557	7,628	12,185
Net measurement of loss allowance	40,328	(7,272)	33,056
Balance at 31 December 2018/1 January 2019	44,885	356	45,241
Amount written off	(52,382)	(356)	(52,738)
Net measurement of loss allowance	13,917	–	13,917
Balance at 31 December 2019	6,420	–	6,420

In previous financial year, there were RM25,000,000 recovered via legal enforcement activities.

33. FINANCIAL INSTRUMENTS (cont'd)

33.4 Credit risk (cont'd)

Cash and cash equivalents

The cash and cash equivalents 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.

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:

	2019 RM'000	2018 RM'000
At beginning of year	2,654	3,211
Net measurement of loss allowance	1,375	(557)
At end of year	4,029	2,654

33. FINANCIAL INSTRUMENTS (cont'd)

33.4 Credit risk (cont'd)

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 RM227,086,000 (2018: RM328,660,000).

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.

33. FINANCIAL INSTRUMENTS (cont'd)

33.4 Credit risk (cont'd)

Inter-company loans and advances (cont'd)

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 associate 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.

The following table provides information about the exposure to credit risk and ECLs for amount due from associates:

GROUP	GROSS CARRYING AMOUNT RM'000	IMPAIRMENT LOSS ALLOWANCES RM'000	NET BALANCE RM'000
2019			
Low credit risk	23,296	–	23,296
Credit impaired	11,105	(11,105)	–
	34,401	(11,105)	23,296
2018			
Low credit risk	31,836	–	31,836

The following table provides information about the exposure to credit risk and ECLs for amount due from subsidiaries:

COMPANY	GROSS CARRYING AMOUNT RM'000	IMPAIRMENT LOSS ALLOWANCES RM'000	NET BALANCE RM'000
2019			
Low credit risk	149,643	–	149,643
Credit impaired	21,573	(21,573)	–
	171,216	(21,573)	149,643
2018			
Low credit risk	89,404	–	89,404

Notes to the Financial Statements
(CONT'D)

33. FINANCIAL INSTRUMENTS (cont'd)

33.4 Credit risk (cont'd)

Inter-company loans and advances (cont'd)

Recognition and measurement of impairment loss (cont'd)

The movement in the allowance for impairment in respect of amount due from associates or subsidiaries during the year is as follows:

GROUP	LIFETIME ECL RM'000
Balance at 1 January 2018/31 December 2018/1 January 2019	–
Net remeasurement of loss allowance	11,105
Balance at 31 December 2019	11,105

COMPANY	RM'000
Balance at 1 January 2018/31 December 2018/1 January 2019	–
Net remeasurement of loss allowance	21,573
Balance at 31 December 2019	21,573

33.5 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.

33. FINANCIAL INSTRUMENTS (cont'd)

33.5 Liquidity risk (cont'd)

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
2019						
Non-derivative financial liabilities						
Trade and other payables	177,873	–	177,873	177,873	–	–
Refundable deposits	2,201	–	2,201	–	2,201	–
Revolving credits	130,500	4.82% - 5.53%	130,817	130,817	–	–
Lease liabilities	50,904	4.05% - 5.68%	82,234	7,561	15,056	59,617
Term loans	312,315	5.78% - 10.94%	330,756	306,741	18,325	5,690
Bankers' acceptance	7,357	3.44% - 3.96%	7,396	7,396	–	–
EMTN	163,547	7.00%	174,995	174,995	–	–
Invoice financing	18,646	4.74% - 5.15%	18,747	18,747	–	–
Green SRI Sukuk Wakalah	245,000	4.96% - 6.35%	370,999	18,685	103,223	249,091
	1,108,343		1,296,018	842,815	138,805	314,398
Derivative financial liabilities						
Cross currency interest rate swap (gross settled):						
Outflow	(511)		(205,560)	(205,560)	–	–
Inflow	–		205,049	205,049	–	–
	(511)		(511)	(511)	–	–

Notes to the Financial Statements
(CONT'D)

33. FINANCIAL INSTRUMENTS (cont'd)

33.5 Liquidity risk (cont'd)

Maturity analysis (cont'd)

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
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	4.80%	69,133	69,133	–	–
EMTN	248,298	7.00%	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	–	–

33. FINANCIAL INSTRUMENTS (cont'd)

33.5 Liquidity risk (cont'd)

Maturity analysis (cont'd)

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
2019						
Non-derivative financial liabilities						
Trade and other payables	14,176	–	14,176	14,176	–	–
Lease liabilities	264	4.38%	437	164	273	–
Term loan	81,774	7.50% - 10.94%	85,088	85,088	–	–
Financial guarantee	–	–	227,086	107,677	119,409	–
	96,214		326,787	207,105	119,682	–
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

33.6 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.

33.6.1 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 ("USD") and Indian Rupee ("INR"). The foreign currencies in which these transactions are denominated are mainly Indian Rupee ("INR") and United State Dollar ("USD").

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.

33. FINANCIAL INSTRUMENTS (cont'd)

33.6 Market risk (cont'd)

33.6.1 Currency risk (cont'd)

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 was:

	DENOMINATED IN		
GROUP	***INR*** **RM'000**	***USD*** **RM'000**	***TOTAL*** **RM'000**
2019			
Balances recognised in the statements of financial position			
Cash and bank balances	410	–	410
Trade and other receivables	–	26	26
Trade and other payables	–	(614)	(614)
Borrowings	–	(286,209)	(286,209)
	410	(286,797)	(286,387)
Forecast transactions			
Cross currency interest rate swaps	–	205,560	205,560
Net exposure	410	(81,237)	(80,827)
COMPANY			
2019			
Balance recognised in the statement of financial position			
Borrowing	–	(81,774)	(81,774)
GROUP			
2018			
Balances recognised in the statements of financial position			
Cash and bank balances	409	46	455
Trade and other payables	–	(41,019)	(41,019)
Borrowings	–	(206,915)	(206,915)
	409	(247,888)	(247,479)
Forecast transactions			
Cross currency interest rate swaps	–	199,750	199,750
Net exposure	409	(48,138)	(47,736)

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.

33. FINANCIAL INSTRUMENTS (cont'd)

33.6 Market risk (cont'd)

33.6.1 Currency risk (cont'd)

Currency risk sensitivity analysis

A 3% (2018: 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		COMPANY	
PROFIT OR LOSS	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
INR	(9)	(9)	–	–
USD	1,852	1,098	1,864	–

A 3% (2018: 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.

33.6.2 Interest rate risk

The Group's and the Company's fixed rate borrowing is exposed to a risk of change in their fair value due to changes in interest rates. The Group's and the Company'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 and the Company 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
(CONT'D)

33. FINANCIAL INSTRUMENTS (cont'd)

33.6 Market risk (cont'd)

33.6.2 Interest rate risk (cont'd)

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period were:

	GROUP		COMPANY	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Fixed rate instruments				
Amount due from associates	22,291	21,291	–	–
Euro Medium Term Notes ("EMTN")	(163,547)	(248,298)	–	–
Islamic Medium Term Notes ("IMTN")	–	(67,500)	–	–
Finance leases liabilities	–	(8,523)	–	–
Green SRI Sukuk Wakalah	(245,000)	(190,000)	–	–
Term loan	(81,774)	–	(81,774)	–
Deposits with financial institutions	208,626	220,341	–	–
	(259,404)	(272,689)	(81,774)	–
Floating rate instruments				
Deposits with financial institutions	53,244	66,952	–	–
Term loans	(230,541)	(239,196)	–	–
Revolving credits	(130,500)	(125,860)	–	–
Bankers' acceptance	(7,357)	–	–	–
Invoice financing	(18,646)	(13,663)	–	–
	(333,800)	(311,767)	–	–

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.

33. FINANCIAL INSTRUMENTS (cont'd)

33.6 Market risk (cont'd)

33.6.2 Interest rate risk (cont'd)

Interest rate risk sensitivity analysis (cont'd)

(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.

GROUP	PROFIT OR LOSS 100 BP INCREASE RM'000	 100 BP DECREASE RM'000
2019		
Floating rate instruments	(2,537)	2,537
Cross currency interest rate swap	1,562	(1,562)
Cash flow sensitivity (net)	(975)	975
2018		
Floating rate instruments	(2,369)	2,369
Cross currency interest rate swap	1,518	(1,518)
Cash flow sensitivity (net)	(851)	851

33.7 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.

Notes to the Financial Statements
(CONT'D)

33. FINANCIAL INSTRUMENTS (cont'd)

33.7 Fair value information (cont'd)

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 statements of financial position.

	FAIR VALUE OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE				FAIR VALUE OF FINANCIAL INSTRUMENTS NOT CARRIED AT FAIR VALUE				TOTAL FAIR VALUE	CARRYING AMOUNT
	LEVEL 1 RM'000	LEVEL 2 RM'000	LEVEL 3 RM'000	TOTAL RM'000	LEVEL 1 RM'000	LEVEL 2 RM'000	LEVEL 3 RM'000	TOTAL RM'000	RM'000	RM'000
Group										
2019										
Financial assets										
Other investments	–	936	–	936	–	–	–	–	936	936
Financial liabilities										
Refundable deposits	–	–	–	–	–	–	2,080	2,080	2,080	2,201
Term loans	–	–	–	–	–	–	312,315	312,315	312,315	312,315
Green SRI Sukuk Wakalah	–	–	–	–	–	–	280,074	280,074	280,074	245,000
Cross currency interest rate swaps	–	511	–	511	–	–	–	–	511	511
	–	511	–	511	–	–	594,469	594,469	594,980	560,027
Company										
2019										
Term loan	–	–	–	–	–	–	81,774	81,774	81,774	81,774

Notes to the Financial Statements
(CONT'D)

33. FINANCIAL INSTRUMENTS (cont'd)

33.7 Fair value information (cont'd)

	FAIR VALUE OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE				FAIR VALUE OF FINANCIAL INSTRUMENTS NOT CARRIED AT FAIR VALUE				TOTAL FAIR VALUE	CARRYING AMOUNT
	LEVEL 1 RM'000	LEVEL 2 RM'000	LEVEL 3 RM'000	TOTAL RM'000	LEVEL 1 RM'000	LEVEL 2 RM'000	LEVEL 3 RM'000	TOTAL RM'000	RM'000	RM'000
Group										
2018										
Financial assets										
Other investments	–	964	–	964	–	–	–	–	964	964
Cross currency interest rate swaps	–	7,002	–	7,002	–	–	–	–	7,002	7,002
	–	7,966	–	7,966	–	–	–	–	7,966	7,966
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
Green SRI Sukuk Wakalah	–	–	–	–	–	–	194,530	194,530	194,530	190,000
	–	–	–	–	–	–	444,286	444,286	444,286	439,436

33. FINANCIAL INSTRUMENTS (cont'd)

33.7 Fair value information (cont'd)

Policy on transfer between levels

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

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.

The fair value of other investments are obtained from observable market prices in active markets, including recent market transactions.

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 (2018: 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.

TYPE	DESCRIPTION OF VALUATION TECHNIQUE AND INPUTS USED	DISCOUNT RATE
2019		
Refundable deposits, term loans	Discounted cash flow using a rate based on the indicative current market rate of borrowing of the Group entities at the reporting date	4.96% - 6.35%
2018		
Refundable deposits, finance lease liabilities, term loans	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%

33. FINANCIAL INSTRUMENTS (cont'd)

33.7 Fair value information (cont'd)

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.

33.8 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.

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
2019			
Derivative financial liabilities			
Cross currency interest rate swap held for trading at FVTPL	511	–	511
2018			
Derivative financial assets			
Cross currency interest rate swap held for trading at FVTPL	7,002	–	7,002

34. 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 2018 RM'000
Within 1 year	3,333
Between 1 year to 5 years	17,890
More than 5 years	59,617
	80,840

35. 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.

36. 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.

Significant related party transactions

The related party transactions of the Group and the Company, other than key management personnel compensation (see Note 28), are as follows:

	GROUP		COMPANY	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Subsidiaries				
Corporate guarantee fee	–	–	4,355	4,617
Associates				
Interest income	2,592	2,584	–	–
Dividend income	366	1,356	–	–
Secondment fee	528	548	–	–
Project management fee	2,528	2,528	–	–
Corporate guarantee fee	299	250	–	–
Advances to associates	2,565	2,833	–	–
Advances to subsidiaries	–	–	(81,812)	–
Advances from a subsidiary	–	–	1,067	1,096
Repayment from associates	(2,042)	(1,742)	–	–

Balances with related parties at the reporting date are disclosed in Note 13 and Note 22 to the financial statements.

These transactions have been entered into on a negotiated term basis.

37. SUBSEQUENT EVENTS

On 1 February 2020, the Group has been notified that RKM have commenced power supply to the State of Telangana pursuant to the Pilot Agreement entered into between RKM and PTC India Limited for the supply of 550MW power.

On 11 March 2020, the World Health Organisation declared the outbreak of a coronavirus (COVID-19) a pandemic. The Government of Malaysia has issued an order for the restriction of movements pursuant to the Prevention and Control of Disease Act 1988 (PCDA) which takes effect from 18 March 2020 which lasted for a period of time. As a result, economic uncertainties have arisen which are likely to negatively impact net income of the Group. Management is currently assessing the financial impact to the future financial statements of the Group.

38. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

During the year, the Group and the Company adopted MFRS 16.

Definition of a lease

On transition to MFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied MFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under MFRS 117 and IC Interpretation 4, *Determining whether an Arrangement contains a Lease* were not reassessed. Therefore, the definition of a lease under MFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee

Where the Group and the Company are a lessee, the Group and the Company applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings at 1 January 2019.

At 1 January 2019, for leases that were classified as operating lease under MFRS 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group entities' incremental borrowing rate as at 1 January 2019. The weighted-average rate applied is 4.05%. Right-of-use assets are measured at either:

- their carrying amount as if MFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at 1 January 2019; or

- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying MFRS 16 to leases previously classified as operating lease under MFRS 117:

- applied a single discount rate to a portfolio of leases with similar characteristics;

- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term as at 1 January 2019;

- excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and

- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

For leases that were classified as finance lease under MFRS 117, the carrying amounts of the right-of-use asset and the lease liability at 1 January 2019 are determined to be the same as the carrying amount of the leased asset and lease liability under MFRS 117 immediately before that date.

Notes to the Financial Statements
(CONT'D)

38. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (cont'd)

38.1 IMPACTS ON FINANCIAL STATEMENTS

Since the Group and the Company applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application at 1 January 2019, there are no adjustments made to the prior period presented.

The following table explains the difference between operating lease commitments disclosed applying MFRS 117 at 31 December 2018, and lease liabilities recognised in the statements of financial position at 1 January 2019.

GROUP	GROUP RM'000	COMPANY RM'000
Operating lease commitments at 31 December 2018 as disclosed in the Group's consolidated financial statements	80,840	–
Discounted using the incremental borrowing rate at 1 January 2019	47,145	–
Lease liabilities recognised	1,619	–
Finance lease liabilities recognised at 31 December 2018	8,523	412
Lease liabilities recognised at January 2019	57,287	412

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 91 to 202 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2019 and of their financial performance and cash flows for the financial year then ended.

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

Dato' Yusli bin Mohamed Yusoff
Director

James Wong Tet Foh
Director

Petaling Jaya

6 May 2020

Statutory Declaration

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

I, **Lee Eng Leong**, the Director primarily responsible for the financial management of Mudajaya Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 91 to 202 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 Lee Eng Leong, NRIC: 670923-10-6181, MIA CA 7313, at Petaling Jaya in the state of Selangor Darul Ehsan on 6 May 2020.

Lee Eng Leong

Before me:

Raymond Cha Kar Siang
(No. B362)
Commissioner for Oaths

Independent Auditors' Report

TO THE MEMBERS OF MUDAJAYA GROUP BERHAD

(COMPANY NO. 200301003119 (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 2019 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 91 to 202.

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

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our 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.

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

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 24 - Revenue and Note 25 - Cost of sales).

Independent Auditors' Report

TO THE MEMBERS OF MUDAJAYA GROUP BERHAD
(COMPANY NO. 200301003119 (605539-H))
(INCORPORATED IN MALAYSIA)

KEY AUDIT MATTERS (CONTINUED)

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).

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;

KEY AUDIT MATTERS (CONTINUED)

How the matter was addressed in our audit (Continued)

- 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.

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.

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.

Independent Auditors' Report

TO THE MEMBERS OF MUDAJAYA GROUP BERHAD
(COMPANY NO. 200301003119 (605539-H))
(INCORPORATED IN MALAYSIA)

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.

- 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.

Independent Auditors' Report

TO THE MEMBERS OF MUDAJAYA GROUP BERHAD
(COMPANY NO. 200301003119 (605539-H))
(INCORPORATED IN MALAYSIA)

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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 8 to the financial statements.

OTHER MATTER

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: 02948/05/2022 J
Chartered Accountant

Petaling Jaya, Malaysia

Date: 6 May 2020

Properties of the Group

AS AT 31 DECEMBER 2019

	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	8	4,269	Commercial land and office building	58,042
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	23	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	2058	19	12,012	Office building and store room	1,882

Analysis of Shareholdings

AS AT 29 MAY 2020

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	759	4.10	28,727	0.00
100 - 1,000	9,276	50.03	3,177,127	0.54
1,001 - 10,000	5,600	30.20	23,882,657	4.05
10,001 - 100,000	2,510	13.54	81,534,476	13.82
100,001 - 29,493,757 (less than 5% of issued shares)	392	2.11	242,926,846	41.18
29,493,758 (5%) and above	3	0.02	238,325,333	40.41
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]
Yakin Setiamas Sdn Bhd	162,325,333	27.52	–	–
Ample Full Profits Limited	–	–	[2]162,325,333	27.52
Jovial Day Holdings Limited	–	–	[3]162,325,333	27.52
Cheerful Talent Holdings Limited	–	–	[4]162,325,333	27.52
Kuo Jen-Hao	–	–	[5]162,325,333	27.52
Urusharta Jamaah Sdn Bhd	46,000,000	7.80	–	–
Lee Seng Huang	3,392,705	0.58	[6]40,409,341	6.85
Lee Ming Tee	2,361,407	0.40	[7]38,047,934	6.45
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 29 MAY 2020

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 Yakin Setiamas Sdn Bhd.*
(3) *Deemed interest pursuant to Section 8 of the Act by virtue of its shareholding in Ample Full Profits Limited.*
(4) *Deemed interest pursuant to Section 8 of the Act by virtue of its shareholding in Jovial Day Holdings Limited.*
(5) *Deemed interest pursuant to Section 8 of the Act by virtue of his shareholding in Cheerful Talent Holdings Limited.*
(6) *Deemed interest pursuant to Section 8 of the Act by virtue of his family relationship with Mr Lee Ming Tee and his shareholding in Klang Enterprise Sdn Bhd.*
(7) *Deemed interest pursuant to Section 8 of the Act by virtue of his shareholdings in Mount Glory Investments Limited and Klang Enterprise Sdn Bhd.*
(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

	DIRECT		INDIRECT	
NAME OF DIRECTORS	NUMBER OF SHARES HELD	%[1]	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	152,500	0.02	–	–

Note:

[1] *Excludes 15,543,300 treasury shares retained by the Company as per the Record of Depositors.*

Analysis of Shareholdings
AS AT 29 MAY 2020

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 YAKIN SETIAMAS SDN BHD	162,325,333	27.52
2	CITIGROUP NOMINEES (TEMPATAN) SDN BHD - URUSHARTA JAMAAH SDN BHD	46,000,000	7.80
3	DB (MALAYSIA) NOMINEE (ASING) SDN BHD - THE BANK OF NEW YORK MELLON FOR ODYSSEY REINSURANCE COMPANY	30,000,000	5.09
4	DB (MALAYSIA) NOMINEE (ASING) SDN BHD - THE BANK OF NEW YORK MELLON FOR WENTWORTH INSURANCE COMPANY LIMITED, LABUAN BRANCH	26,572,200	4.50
5	NAUTICAL INVESTMENTS LIMITED	21,347,752	3.62
6	MAGIC UNICORN LIMITED	14,141,913	2.40
7	CITIGROUP NOMINEES (ASING) SDN BHD - CBNY FOR WENTWORTH INSURANCE COMPANY LIMITED	7,145,300	1.21
8	THE PACIFIC INSURANCE BERHAD	7,060,000	1.20
9	CITIGROUP NOMINEES (ASING) SDN BHD - CBHK FOR FALCON INSURANCE COMPANY (HONG KONG) LIMITED (INVESTMENT AC)	6,325,000	1.07
10	ALLIANCEGROUP NOMINEES (ASING) SDN BHD - SUN HUNG KAI INVESTMENT SERVICES LIMITED FOR NG QING HAI	4,000,000	0.68
11	MUHAMAD ALOYSIUS HENG	3,696,100	0.63
12	CITIGROUP NOMINEES (TEMPATAN) SDN BHD - GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LPF)	3,686,700	0.62
13	HSBC NOMINEES (TEMPATAN) SDN BHD - EXEMPT AN FOR CREDIT SUISSE AG (HK-CLT-T-OS PR)	3,392,705	0.58
14	CITIGROUP NOMINEES (TEMPATAN) SDN BHD - GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LBF)	2,900,400	0.49
15	HSBC NOMINEES (ASING) SDN BHD - EXEMPT AN FOR BANK JULIUS BAER & CO. LTD. (SINGAPORE BCH)	2,778,150	0.47
16	WONG YOON CHEE	2,568,600	0.44

Analysis of Shareholdings
AS AT 29 MAY 2020

30 LARGEST SECURITIES ACCOUNT HOLDERS BASED ON RECORD OF DEPOSITORS (cont'd)

NO.	NAME OF SHAREHOLDERS	NUMBER OF SHARES HELD	%[1]
17	AMSEC NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR LIM MEE KIAN	2,510,065	0.43
18	CIMSEC NOMINEES (TEMPATAN) SDN BHD - CIMB BANK FOR ANTO A/L S F JOSEPH (PBCL-0G0155)	2,266,666	0.38
19	JF APEX NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR PARAMJIT SINGH GILL (MARGIN)	2,224,286	0.38
20	KENANGA NOMINEES (TEMPATAN) SDN BHD - RAKUTEN TRADE SDN BHD FOR CHA THOONG HAN	2,017,700	0.34
21	LEE ENG KEONG	1,995,000	0.34
22	MAYBANK NOMINEES (TEMPATAN) SDN BHD - JINCAN SDN BHD	1,920,000	0.33
23	CHONG KWAI LEONG	1,867,400	0.32
24	SUBRAMANIAM PILLAI A/L SANKARAN PILLAI	1,821,600	0.31
25	KLANG ENTERPRISE SENDIRIAN BERHAD	1,818,320	0.31
26	DENNIS KOH SENG HUAT	1,775,000	0.30
27	THE PACIFIC INSURANCE BERHAD (FUND A/C)	1,600,000	0.27
28	MAYBANK NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR GAN TEE JIN	1,580,000	0.27
29	CHIN NYEK YUN	1,550,000	0.26
30	NITHIYANANDA VEL A/L ARJUNAN	1,509,500	0.26

Note:

[1] *Excludes 15,543,300 treasury shares retained by the Company as per the Record of Depositors.*

Notice of 17th Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the 17th Annual General Meeting **("AGM")** of Mudajaya Group Berhad **("the Company")** will be conducted fully virtual from the broadcast venue at Level 11, Menara Mudajaya, No. 12A, Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan, Malaysia **("Broadcast Venue")** on Friday, 7 August 2020 at 3.00 p.m. for the following purposes:-

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2019 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 Clause 106 of the Company's Constitution and being eligible, have offered themselves for re-election:

   (a) Dato' Amin Rafie Bin Othman *(Ordinary Resolution 1)*
   (b) Mr Lee Eng Leong *(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 8 August 2020 until the conclusion of the next AGM of the Company to be held in 2021. *(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 and Allot 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 Constitution and the approvals of the relevant government and/or regulatory authorities, the Directors be and are hereby authorised and empowered pursuant to Sections 75 and 76 of the Act:

   (a) to issue and allot new shares in the Company; and/or
   (b) to grant rights to subscribe for shares in the Company; and/or
   (c) to convert any security into shares in the Company; and/or
   (d) to allot shares under an agreement or option or offer,

   at any time and from time to 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 20% of the total number of issued shares of the Company for the time being (excluding treasury shares, if any) and THAT such authority shall continue to be in force until the conclusion of the next AGM of the Company.

   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 the Directors be further authorised to do all such acts and things including executing all relevant documents as they may consider expedient or necessary to complete and give full effect to the abovesaid mandate." *(Ordinary Resolution 5)*

Notice of 17th 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 Constitution, 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 number 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)*

7. **ORDINARY RESOLUTION:**
Continuing in Office as Independent Non-Executive Director

"THAT approval be and is hereby given to Dato' Yusli Bin Mohamed Yusoff, who will be serving as an Independent Non-Executive Director of the Company for a cumulative term of 9 years, to continue to serve as an Independent Non-Executive Director of the Company, in accordance with the Malaysian Code on Corporate Governance 2017." *(Ordinary Resolution 7)*

Notice of
17th Annual General Meeting

8. To transact any other business of which due notice shall have been received.

By Order of the Board

LEE SUAN CHOO (MAICSA 7017562) (SSM PC No. 202008003634)
CHEAH WAI YUEN (MAICSA 7025907) (SSM PC No. 202008002515)
Company Secretaries

Petaling Jaya
30 June 2020

NOTES:
1. The AGM will be conducted on a virtual basis through live streaming and online remote voting via Remote Participation and Voting facilities **("RPV")** which are available on Boardroom Smart Investor Portal at https://www.boardroomlimited.my. Please follow the procedures as set out in the Administrative Guide for the AGM in order to register, participate and vote remotely via RPV.
2. The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Act which requires the Chairman of the Meeting to be present at the main venue. No members/proxies from the public shall be physically present at nor admitted to the Broadcast Venue.
3. A member of the Company who is entitled to attend, participate and vote at a general meeting of the Company, may appoint not more than 2 proxies to attend, participate and vote instead of the member at the meeting. A proxy 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.
4. Where a member is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991 **("SICDA")**, it may appoint not more than 2 proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
5. Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in 1 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 SICDA which is exempted from compliance with the provisions of subsection 25A(1) of the SICDA.
6. Where a member or the authorised nominee appoints 2 proxies, or where an exempt authorised nominee appoints 2 or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, otherwise the appointment shall be invalid. An exempt authorised nominee which intends to appoint multiple proxies, must submit separate instruments of proxy.
7. 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 such appointer is a corporation, either under its common seal or under the hand of its officer or attorney duly authorised.
8. The instrument appointing a proxy must be deposited at the office of the Company's Share Registrar, Boardroom Share Registrars Sdn Bhd at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia either personally, by fax at (603) 7890 4670, by electronic mail to BSR.Helpdesk@boardroomlimited.com or by sending it through the post not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Alternatively, the Proxy Form can be deposited electronically through the Boardroom Smart Investor Online Portal at https://www.boardroomlimited.my not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
9. For the purpose of determining who shall be entitled to attend this AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a Record of Depositors as at **29 July 2020** and only members whose names appear in the Record of Depositors shall be entitled to attend, participate and vote at this AGM via RPV.
10. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Securities, all resolutions set out in the Notice of AGM shall be put to vote by way of poll.

Notice of
17th Annual General Meeting

Personal Data Privacy:
By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend 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 2019**

   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 Clause 106 of the Company's Constitution, 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.

   Dato' Amin Rafie Bin Othman and Mr Lee Eng Leong 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 has 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.

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This Resolution is to seek shareholders' approval for payment of the Remuneration to the Non-Executive Directors for the period from 8 August 2020 until the conclusion of the next AGM of the Company to be held in 2021, 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 and Allot Shares pursuant to Sections 75 and 76 of the Act**

Pursuant to the letter dated 16 April 2020 issued by Bursa Securities, listed issuers are allowed to seek a higher limit of general mandate to issue shares of not more than 20% of the total number of issued shares (excluding treasury shares) **("20% General Mandate")** to facilitate capital raising in a timely and cost effective manner during this challenging time due to the COVID-19 pandemic. The 20% General Mandate may be utilised by listed issuers to issue shares until 31 December 2021 and thereafter the 10% limit will be reinstated.

Having considered the current economic climate and future financial needs of the Group to ensure the long-term sustainability and interest of the Company and its shareholders, the Board would like to seek approval for the 20% General Mandate from its shareholders at the AGM.

The Board is of the view that the 20% General Mandate would be in the best interest of the Company and its shareholders as the 20% General Mandate would allow the Company to raise funds efficiently and expeditiously to meet its funding requirements, should the Company be required to do so. It will provide flexibility to the Company for any possible fund raising activities, including but not limited to placement of shares for the purpose of funding current and future investment(s), project(s), acquisition(s) and/or working capital. The 20% General Mandate is sought to avoid any delay and cost involved in convening a general meeting merely to approve such issue of shares.

This Resolution is to empower the Directors to issue and allot shares in the Company provided that the aggregate number of shares issued does not exceed 20% of the total number of issued shares of the Company for the time being (excluding treasury shares, if any) at any time at such price, upon such terms and conditions, for such purposes and to such person(s) as they consider would be in the interest of the Company. This authority, unless revoked or varied by the shareholders at a general meeting, will expire at the conclusion of the next AGM of the Company.

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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 June 2020.

7. **Ordinary Resolution 7 – Continuing in Office as Independent Non-Executive Director**

   This Resolution is to seek the shareholders' approval to retain Dato' Yusli Bin Mohamed Yusoff **("Dato' Yusli")** as an Independent Non-Executive Director of the Company. Dato' Yusli will be holding the position as an Independent Non-Executive Director for 9 years on 13 July 2020.

   The Board has via the Combined Nomination and Remuneration Committee, assessed the independence of Dato' Yusli and recommended him to continue to serve as an Independent Non-Executive Director based on the following justifications:-

   (a) Dato' Yusli fulfilled the criteria under the definition of "Independent Director" as stated in the Main Market Listing Requirements of Bursa Securities and thus, he would be able to function as a check and balance to the Board.

   (b) Dato' Yusli performed his duties diligently and in the best interest of the Company, and brings an element of objectivity and independent judgement to the Board without being subject to influence of the Management.

   (c) Based on the Director's Peer Evaluation undertaken by the Board, Dato' Yusli has performed satisfactorily in fulfilling his duties and responsibilities, including among others, contribution to Board deliberations, regular and timely attendance of Board meetings and understanding of the roles and responsibilities of an Independent Director. He has devoted time and commitment, and continued to exercise his independence and due care in discharging his duties and responsibilities as an Independent Non-Executive Director.

   (d) Dato' Yusli's length of service with the Company enhanced his knowledge and developed valuable insights of the business operations of the Group, which enabled him to participate actively and contribute effectively during deliberations at Board and Board Committee meetings.

Statement Accompanying Notice of 17th 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 17th 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 19 June 2019, to issue shares of up to 10% of the total number of issued shares of the Company.

MUDAJAYA GROUP BERHAD
Registration No. 200301003119 (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 17th Annual General Meeting **("AGM")** of the Company to be conducted fully virtual from the Broadcast Venue at Level 11, Menara Mudajaya, No. 12A, Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan, Malaysia on **Friday, 7 August 2020** at **3.00 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 Dato' Amin Rafie Bin Othman		
Resolution 2	Re-election of Mr Lee Eng Leong		
Resolution 3	Payment of Directors' fees and benefits		
Resolution 4	Re-appointment of KPMG PLT as Auditors		
Resolution 5	Authority to issue and allot 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		
Resolution 7	Continuing in office as Independent Non-Executive Director – Dato' Yusli Bin Mohamed Yusoff		

Dated this ________ day of ______________ 2020

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. *The AGM will be conducted on a virtual basis through live streaming and online remote voting via Remote Participation and Voting facilities **("RPV")** which are available on Boardroom Smart Investor Portal at https://www.boardroomlimited.my. Please follow the procedures as set out in the Administrative Guide for the AGM in order to register, participate and vote remotely via RPV.*
2. *The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the Meeting to be present at the main venue. No members/proxies from the public shall be physically present at nor admitted to the Broadcast Venue.*
3. *A member of the Company who is entitled to attend, participate and vote at a general meeting of the Company, may appoint not more than 2 proxies to attend, participate and vote instead of the member at the meeting. A proxy 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.*
4. *Where a member is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991 **("SICDA")**, it may appoint not more than 2 proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.*
5. *Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in 1 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 SICDA which is exempted from compliance with the provisions of subsection 25A(1) of the SICDA.*
6. *Where a member or the authorised nominee appoints 2 proxies, or where an exempt authorised nominee appoints 2 or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, otherwise the appointment shall be invalid. An exempt authorised nominee which intends to appoint multiple proxies, must submit separate instruments of proxy.*
7. *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 such appointer is a corporation, either under its common seal or under the hand of its officer or attorney duly authorised.*
8. *The instrument appointing a proxy must be deposited at the office of the Company's Share Registrar, Boardroom Share Registrars Sdn Bhd at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia either personally, by fax at (603) 7890 4670, by electronic mail to BSR.Helpdesk@boardroomlimited.com or by sending it through the post not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Alternatively, the Proxy Form can be deposited electronically through the Boardroom Smart Investor Online Portal at https://www.boardroomlimited.my not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.*
9. *For the purpose of determining who shall be entitled to attend this AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a Record of Depositors as at **29 July 2020** and only members whose names appear in the Record of Depositors shall be entitled to attend, participate and vote at this AGM via RPV.*

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 AGM dated 30 June 2020.

FOLD THIS FLAP TO SEAL

2ND FOLD HERE

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MUDAJAYA GROUP BERHAD
Registration No. 200301003119 (605539-H)

c/o Boardroom Share Registrars Sdn Bhd
Registration No. 199601006647 (378993-D)
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13, 46200 Petaling Jaya
Selangor Darul Ehsan
Malaysia

1ST FOLD HERE

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