ANNUAL REPORT 2019

MFCB
MEGA FIRST CORPORATION BERHAD

Reg. No. 196601000210 (6682-V)

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Chairman

Goh Nan Kioh

Executive Directors

Goh Nan Yang
(Also Alternate to Goh Nan Kioh)

Khoo Teng Keat

Senior Independent Director

Dato' Koh Hong Sun

Independent Directors

Yeow See Yuen

Dato' Tan Ang Meng

Datuk Hj. Pengiran Saifuddin bin Pengiran Tahir, JP

Jesper Bjorn Madsen

Professor Dato' Dr. Tan Hui Meng

Non-Independent Non-Executive Director

Tay Kheng Chiong

AUDIT COMMITTEE

Yeow See Yuen (Chairman)
Dato' Tan Ang Meng
Jesper Bjorn Madsen

REMUNERATION COMMITTEE

Jesper Bjorn Madsen (Chairman)
Dato' Koh Hong Sun
Dato' Tan Ang Meng

NOMINATING COMMITTEE

Dato' Koh Hong Sun (Chairman)
Dato' Tan Ang Meng
Yeow See Yuen

EMPLOYEES' SHARE OPTION COMMITTEE

Goh Nan Kioh (Chairman)
Yeow See Yuen
Dato' Koh Hong Sun

COMPANY SECRETARY

Foo Wen Yunn
SSM PC No. 201908000440
(MAICSA 7057965)

REGISTERED OFFICE

A-12-01, Level 12
Block A, PJ8
23 Jalan Barat
Seksyen 8
46050 Petaling Jaya
Tel : +603-7960 8818
Fax : +603-7960 7818
E-mail : mfcb@mega-first.com

SHARE REGISTRAR AND SHARE TRANSFER OFFICE

Boardroom Share Registrars Sdn Bhd
Reg. No.199601006647 (378993-D)
11th Floor, Menara Symphony,
No. 5 Jalan Prof. Khoo Kay Kim, Seksyen 13
46200 Petaling Jaya
Helpdesk : +603-7890 4700
Fax No. : +603-7890 4670
E-mail : BSR.Helpdesk@boardroomlimited.com

AUDITORS

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

STOCK EXCHANGE LISTING

Main Market, Bursa Malaysia Securities Berhad
Stock Code : 3069
Stock Name : MFCB
Sector : Utilities

WEBSITE ADDRESS

www.mega-first.com

PROFILE OF DIRECTORS

Goh Nan Kioh
Malaysian, Male, Aged 66
Executive Chairman and Chairman of the Employees' Share Option Committee

Mr Goh Nan Kioh joined the Board on 1 February 2003 as a Non-Independent Non-Executive Director. He was appointed as Chairman of the Board on 29 July 2003 and as Executive Chairman on 1 July 2011. Mr Goh holds a Bachelor of Economics (Honours) degree from the University of Malaya. He has wide and varied business investments in many countries.

Mr Goh Nan Kioh and his wife's siblings namely Dr Lim Thian Soo, Mr Lim Thiam Cheok and Ms Lim Yam Poh, are substantial shareholders of the Company. Mr Goh is also the brother of Mr Goh Nan Yang.

Goh Nan Yang
Malaysian, Male, Aged 56
Executive Director and Alternate Director to Mr Goh Nan Kioh

Mr Goh Nan Yang joined the Board on 13 March 2003 as the alternate director to Mr Goh Nan Kioh, who is his brother. He was appointed as Executive Director on 26 November 2004. Mr Goh graduated from the University of Toledo with a Bachelor of Science honours degree in Engineering. He joined a public listed company after graduation, during which period he was involved in several major infrastructure and housing projects. In the mid-1990s, he left employment and started his own business in property development and manufacturing activities in Melbourne, Australia. Since then, his business has diversified into hospitality and student education ventures.

Mr Goh Nan Yang is a non-executive director and deemed substantial shareholder of D&O Green Technologies Berhad ("D&O"), a company listed on Main Market of Bursa Malaysia Securities Berhad ("Bursa Malaysia"). He is deemed to be interested in various transactions between MFCB Group and D&O Group by virtue of his common directorships and substantial shareholding in D&O.

Khoo Teng Keat
Malaysian, Male, Aged 49
Executive Director

Mr Khoo Teng Keat joined the Board on 6 September 2011 as Executive Director. He holds a Bachelor of Commerce (Actuarial Science) honours degree from University of Melbourne, Australia. Prior to joining the Company, Mr Khoo has more than 14 years experience as an equity analyst and has held senior positions with several reputable international investment banks.

Dato' Koh Hong Sun
Malaysian, Male, Aged 67
Senior Independent Director
Chairman of the Nominating Committee, Member of the Remuneration Committee and the Employees' Share Option Committee

Dato' Koh Hong Sun joined the Board as an Independent Director on 1 December 2010. He holds a Master degree in Strategic and Security Studies from Universiti Kebangsaan Malaysia.

Dato' Koh had a distinguished career with the Royal Malaysian Police (RMP) for almost 40 years, having joined RMP as a Probationary Inspector in 1971 and retired in October 2010 as the Director of Commercial Crime Investigation Department. During the period as an officer of the RMP, he has held various important command posts including as Commandant of The Police Training Centre in Kuala Lumpur, Assistant Director NCB-Interpol, Officer-in-Charge of Brickfields Police District, Federal Traffic Chief, Deputy Chief Police Officer of Johor, Chief Police Officer of Penang and Commissioner of Police as Director of Commercial Crime Investigation Department.

Dato' Koh is also a Director of Genting Malaysia Berhad. He is a Director of GLM REIT Management Sdn Bhd, the manager of Tower Real Estate Investment Trust and the Chairman of QBE Insurance (Malaysia) Berhad.

PROFILE OF DIRECTORS

[CONT'D]

Yeow See Yuen
Malaysian, Male, Aged 52
Independent Director
Chairman of the Audit Committee, Member of the Nominating Committee and the Employees' Share Option Committee

Mr Yeow See Yuen joined the Board as an Independent Director on 10 May 2006. He holds a first class honours degree in Accountancy from the National University of Singapore. Mr Yeow started his career in 1991 with Coopers & Lybrand, Singapore Office in the audit division. He left the firm in 1994 to join Deutsche Securities Asia Limited ("Deutsche Securities") where he spent 9 years working in the Equity Research Department. During that period, he progressed through a series of positions including Deputy Head of Indonesia Research, Head of Malaysian Research and Head of Consumer Research Asia. Since leaving Deutsche Securities in 2003, he has been actively involved in investment banking related work, including investor relations corporate advisory and research consultancy.

Mr Yeow is also a Director of D&O Green Technologies Berhad ("D&O") which is listed on Bursa Malaysia. He is deemed to be interested in certain transactions between MFCB Group and D&O Group by virtue of his common directorships.

Tay Kheng Chiong
Malaysian, Male, Aged 56
Non-Independent Non-Executive Director

Mr Tay Kheng Chiong joined the Board as a Non-Independent Non-Executive Director on 1 June 2006. He holds a Bachelor of Engineering (Honours) degree majoring in Electrical and Electronics from the University of Sunderland, England. He also holds a Master of Business Administration degree from the University of Stratchclyde, Scotland and is a Chartered Engineer with The Institution of Engineering and Technology, United Kingdom. Mr Tay has more than 25 years' experience in the semiconductor industry. He joined a multinational semiconductor company upon graduation in 1989 as Development Engineer and was promoted to Director of Manufacturing in 1999. During 2001 to 2005, he was the Managing Director of Dominant Opto Technologies Sdn Bhd.

Mr Tay is presently the Group Managing Director of D&O Green Technologies Berhad ("D&O") which is listed on Bursa Malaysia. He is deemed to be interested in certain transactions between MFCB Group and D&O Group by virtue of his common directorships.

Dato' Tan Ang Meng
Malaysian, Male, Aged 64
Independent Director
Member of the Audit Committee, the Remuneration Committee and the Nominating Committee

Dato' Tan Ang Meng joined the Board as an Independent Director on 1 December 2010. He is a certified public accountant and was admitted to the membership of the Malaysian Institute of Certified Public Accountants in 1980.

Dato' Tan started his career in 1975 with PricewaterhouseCoopers, Kuala Lumpur Office in the audit division. He left the firm in 1981 to join UMW Holdings Berhad as Group Accountant. In 1983, he joined Guinness Malaysia Berhad as Assistant Chief Accountant. Following the merger between Guinness Malaysia Berhad and Malayan Breweries (M) Sdn Bhd, he was transferred to Malayan Breweries Limited in 1991 (which later changed its name to Asia Pacific Breweries Ltd) and served with the Group until January 2001. During that period, he held various senior management positions with his last position as Regional Director based in Singapore with responsibility for the brewery operations in China, Vietnam, Cambodia and Myanmar. In March 2001, he joined as Chief Executive Officer of Fraser & Neave Holdings Bhd, a position he held until his retirement in November 2010.

Dato' Tan is also a Director of Red Sena Berhad (under members' voluntary liquidation), QBE Insurance (Malaysia) Berhad and Loob Berhad.

Datuk Hj. Pengiran Saifuddin bin Pengiran Tahir, JP
Malaysian, Male, Aged 62
Independent Director

Datuk Hj. Pengiran Saifuddin bin Pengiran Tahir joined the Board on 15 August 2014 as Independent Director. He holds a Law Degree from University of London, England and a Master Degree in Business Administration from Universiti Malaysia Sabah. Datuk Hj. Pengiran was admitted to the High Court of Borneo in 1988 and his career in the legal field included the appointment as a Senior Legal Officer in the Sabah State Attorney General Department from 1994 until 1996. Embarking into the corporate management field, he joined a fleet management services company, Angkatan Hebat Sdn Bhd as its Deputy Chief Executive Officer in 1996. A year later, he took up a similar position in K.K.I.P., the developer of Sabah's premier integrated industrial estate, and served in that capacity for over 13 years. Datuk Hj. Pengiran Saifuddin was appointed Managing Director of Sabah Urban Development Corporation Sdn Bhd in 2010 before moving on to Sabah Economic Development Corporation (SEDCO) to take up his current position as Group General Manager in December 2013.

Jesper Bjorn Madsen
Danish, Male, Aged 66
Independent Director
Chairman of the Remuneration Committee and Member of the Audit Committee

Mr Jesper Bjorn Madsen joined the Board as an Independent Director on 30 November 2016. He holds a Master degree in Law from Copenhagen University, Denmark and later studied Scottish/English Law at the University of Edinburgh, Scotland. Mr Madsen has worked in the legal field for 4 years before joining Carlsberg A/S Group in 1984 and retired in 2009. During his 25 years working for Carlsberg A/S Group, he has held positions as Vice-President responsible for overseas investments and markets, General Manager and Managing Director of Carlsberg Brewery Hong Kong Ltd, Chief Operating Officer of Carlsberg Asia Pte Ltd, Senior Vice-President of Carlsberg Breweries A/S with responsibility for Asia, among other markets. He was also a non-executive Chairman or Vice-Chairman in a number of Carlsberg's subsidiaries in Asia.

Mr Madsen is also a Director of D&O Green Technologies Berhad (listed on Bursa Malaysia) and the Independent and Non-Executive Chairman of Tibet Water Resources Ltd (listed on Hong Kong Stock Exchange).

Mr Madsen is deemed to be interested in certain transactions between MFCB Group and D&O Group by virtue of his common directorships.

Professor Dato' Dr. Tan Hui Meng
Malaysian, Male, Aged 65
Independent Director

Professor Dato' Dr. Tan Hui Meng joined the Board on 20 March 2017. He is a Consultant Urologist in a private hospital in Malaysia. He is also an Adjunct Professor in University of Malaya and the University of Pennsylvania, and a member of 21 learned societies. He is the Honorary President of the Asia Pacific Society and Japan ASEAN Council for Men's Health and Aging. He is currently an Executive Member of the International Society of Men's Health, World Chinese Urological Associations (USA), Asian Society of Endourology and the International Society for Study of the Aging Males.

His research interest includes urolithiasis (stone diseases) prostate cancer, bladder dysfunction, erectile dysfunction and hormonal changes in the ageing male. He has published 239 articles and abstracts in peer-reviewed international journal and 14 books on men's health and sexual medicine. Dato' Prof. Tan has been on the editorial boards of at least 10 journals. He has been a consultant and panelist for the past three WHO Sponsored Consultations in Sexual Medicine in 1999, 2003 and 2009, as well the WHO affiliated the International Consultation of Urological Disease (ICUD)-Men's Health and Infertility in 2015/2016. Prof Dato' Dr Tan was bestowed the Outstanding Urologist Award by the World Chinese Urological Association (WCUA), an affiliate of the American Urological Association (AUA) in 2010 and also by the Society for Men's Health, Singapore in 2019.

Note:

Save as disclosed above, the Directors have no family relationship with any Director and/or major shareholder of the Company, have no conflict of interest with the Company and have not been convicted for any offence within the past 5 years.

PROFILE OF KEY SENIOR MANAGEMENT

Chu Beng Han
Malaysian, Male, Aged 55
Head, Resources Division

Mr Chu Beng Han is the Head of the Resources Division. He joined Rock Chemical Industries (Malaysia) Berhad on 1 July 2004 as Group Operations Manager and later promoted as Executive Director on 26 November 2004. He was re-designated as Head of the Resources Division in March 2012.

Mr Chu Beng Han obtained a Bachelor of Engineering (Civil) degree from National University of Singapore. Prior to joining the Group, he has over 8 years of working experience in an international building and structural forensic consultancy firm and another 7 years in a senior management position in a public listed company involved in cement and ready-mixed concrete business.

He is the nephew of Mr Goh Nan Kioh and Mr Goh Nan Yang.

IR. Yeong Chee Meng
Malaysian, Male, Aged 67
Head, Don Sahong Hydropower Project

Mr Yeong Chee Meng is the Head of the Don Sahong Hydropower Project. He joined the Company in April 2008 as Project Director for the Don Sahong Hydropower Project in Lao PDR. He is responsible for managing the development of the Don Sahong Hydropower Project, organizing all investigative works, formulating all works contracts, supervising consultants and contractors, and control and manage project schedule and cost to ensure all project milestones and targets such as land acquisition, environmental approval, construction schedule and cost, testing and commissioning, and commercial operation, are met.

Mr Yeong Chee Meng obtained a Bachelor of Engineering (Civil) honours degree from University Malaya. He also holds a Master of Applied Science in Project Management degree from University of South Australia. Upon graduation in 1978, he spent 22 years with the Public Works Department of Malaysia ("PWD"). During that period, he progressed through a series of positions including District Engineer – Sabak Bernam, Selangor, Assistant Director (Roads) – Penang State, Deputy Director – Negeri Sembilan State and Head of Computer/IT Centre – Kuala Lumpur Headquarters. Over the next 14 years, his career progressed to several senior management positions such as General Manager (Construction) with KL International Airport Berhad, Managing Director of Sarawak Hidro Sdn Bhd, Project Director for Alfaisal University in Saudi Arabia and Senior General Manager (Non-Revenue Water Division) with SYABAS.

PROFILE OF KEY SENIOR MANAGEMENT

[CONT'D]

Sim See Sheng
Malaysian, Male, Aged 62
Chief Resident Engineer, Don Sahong Power Company Ltd

Mr Sim See Sheng joined Don Sahong Power Company Ltd as the Chief Resident Engineer for the Don Sahong Hydropower Project in Lao PDR. He is responsible for the timely completion of the Don Sahong Hydropower Project.

Mr Sim holds a Bachelor of Science (Honours) Degree from University of Birmingham, England (1982). He has more than 37 years of experience in construction supervision and engineering management as owner's engineer, consultant engineer and contractor's project in mega and small hydropower projects, dam construction, general civil and building works. He is specialised in project implementation and supervision management of mega hydropower projects which includes feasibility studies, due diligence of hydro plants, project feasibility design and construction supervision of concrete buttress dam, earth blanket, clay core and concrete face rockfill dams, RCC dam, tunnels, power intake structures, low level outlets, canal headworks, spillway, storage ponds, surge tank, low & high pressure pipe line conduit, power house, foundation engineering, plinth grouting, dam instrumentation and reservoir impoundment procedures.

He started his career in Sarawak Electricity Supply Corporation as the Senior Civil Engineer. Thereafter, he held several senior engineering positions in various companies in Asia, Eurasia and Europe, before joined Don Sahong Power Company Ltd.

Neo Hong Chee
Malaysian, Male, Aged 47
Financial Controller, Mega First Corporation Berhad

Mr Neo Hong Chee is the Financial Controller of the Company. He joined the Company in October 2007 and is responsible for the finance and treasury function within the Group.

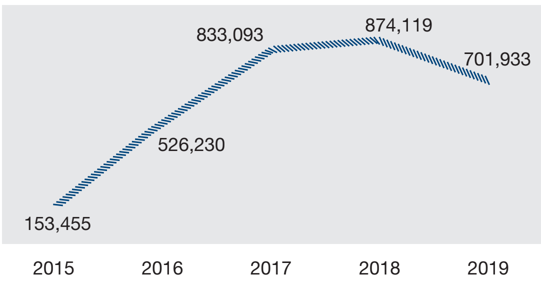
Mr Neo began his career in Crowe Horwath in the audit and assurance department, before moving on to a multinational corporation, where he held various roles including finance manager and international business development manager. He also has experience in cross-border joint venture, project management and HR processes. He has obtained a pass in the Certificate Stage examinations of the Association of Chartered Certified Accountants.

Note:

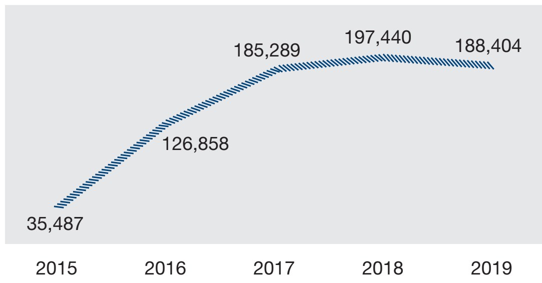
Save as disclosed above, the key senior management staff have no family relationship with any Director and/or major shareholder of the Company, have no directorship in public companies and listed issuers, have no conflict of interest with the Company and have not been convicted for any offence within the past 5 years.

FINANCIAL HIGHLIGHTS

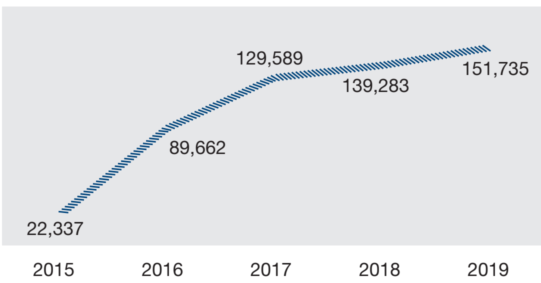
REVENUE
RM'000



PROFIT BEFORE TAX
RM'000



NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS
RM'000



BASIC EARNINGS PER SHARE
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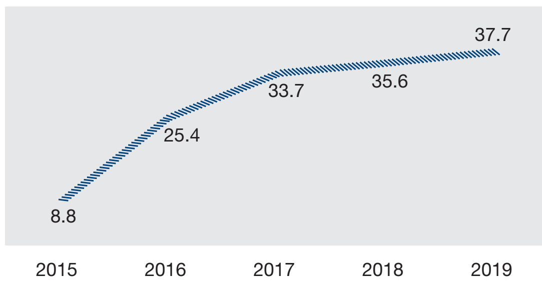
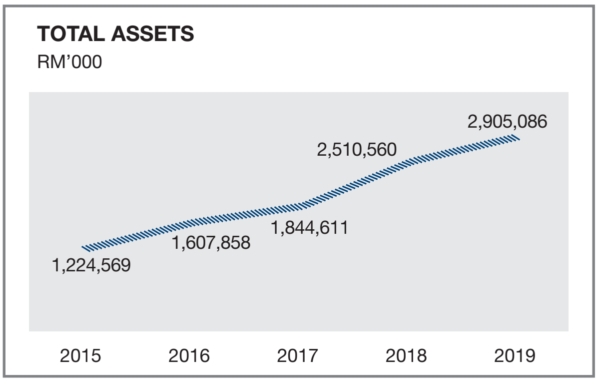
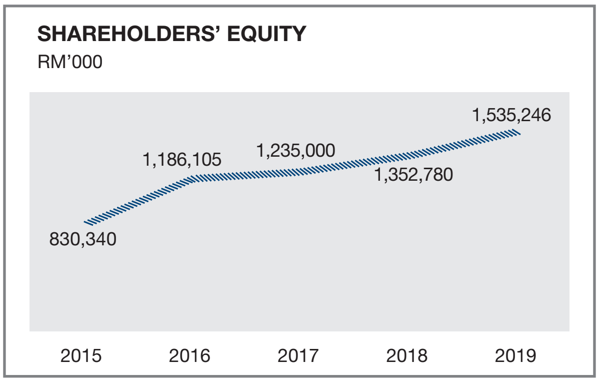


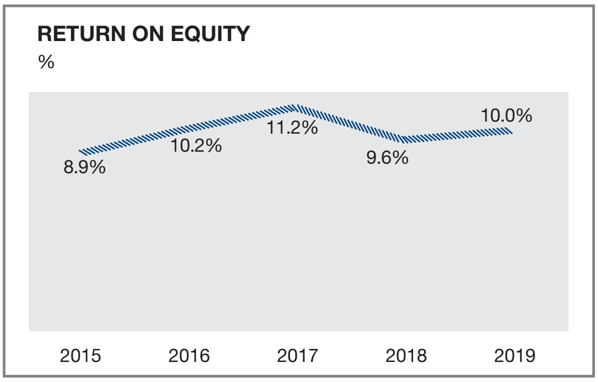
Financial Year Ended 31 December CONTINUING OPERATIONS	**2015**	**2016**	**2017**	**2018**	**2019**
Consolidated Statements of Profit or Loss and Other Comprehensive Income					
Revenue (RM'000)	153,455	526,230	833,093	874,119	**701,933**
Earnings before interest, taxes, depreciation and amortisation (RM'000)	51,028	144,663	207,338	221,510	**217,930**
Profit before tax (RM'000)	35,487	126,858	185,289	197,440	**188,404**
Profit after tax (RM'000)	22,261	107,003	151,934	159,532	**176,420**
Net profit attributable to equity holders (RM'000)	22,337	89,662	129,589	139,283	**151,735**
Additional Information					
Interest expenses (RM'000)	5,391	6,083	6,759	7,743	**8,433**
Depreciation (RM'000)	10,150	11,722	15,290	16,327	**21,093**

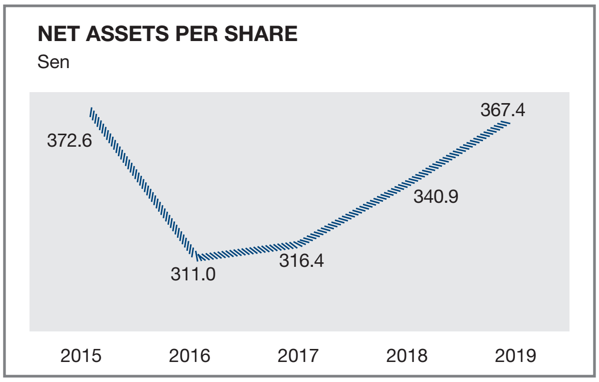
FINANCIAL HIGHLIGHTS

[CONT'D]







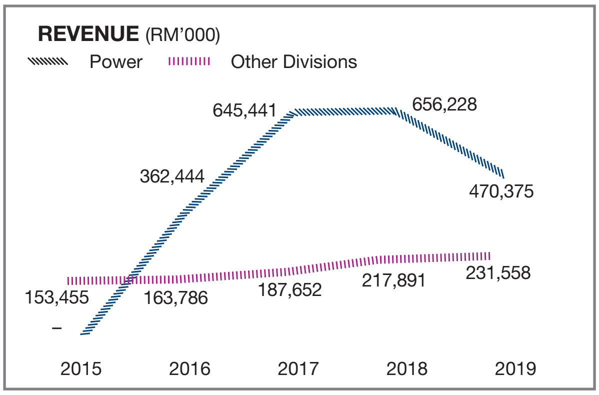


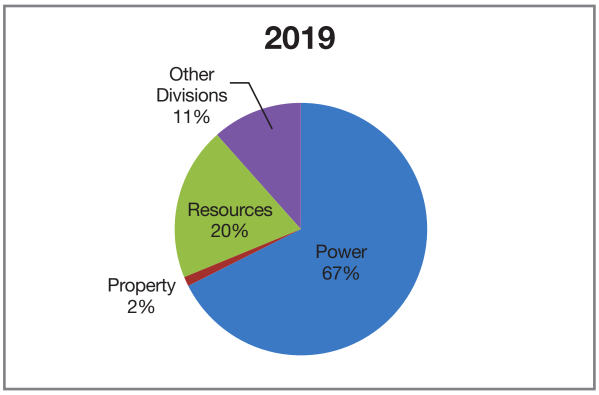
Financial Year Ended 31 December	2015	2016	2017	2018	2019
Consolidated Statements of Financial Position					
Total assets (RM'000)	1,224,569	1,607,858	1,844,611	2,510,560	**2,905,086**
Total borrowings (RM'000)	139,976	88,631	221,177	598,695	**746,140**
Shareholders' equity (RM'000)	830,340	1,186,105	1,235,000	1,352,780	**1,535,246**
Bank balances and deposits (RM'000)	198,045	291,326	138,750	130,508	**91,031**
Financial Indicators					
Return on equity (%)	8.9%	10.2%	11.2%	9.6%	**10.0%**
Return on total assets (%)	6.1%	7.5%	7.5%	5.1%	**5.3%**
Gearing ratio (%)	16.9%	7.5%	17.9%	44.3%	**48.6%**
Net assets per share (sen)	372.6	311.0	316.4	340.9	**367.4**
Dividend per share (sen)	8.0	5.0	4.0	4.0	**6.0**
Gross dividend yield (%)	3.2%	2.3%	1.1%	1.3%	**1.2%**
Interest cover (times)	28.2	33.4	30.8	25.5	**23.4**
Basic earnings per share (sen) ^	29.2	34.2	36.0	33.0	**38.2**
Price earning ratio (times)	8.5	6.3	10.2	9.4	**13.4**
Share price as at the financial year end	2.49	2.15	3.67	3.10	**5.11**

^ Basic earnings per share is calculated by dividing the Group's net profit attributable to equity holders by the weighted average number of ordinary shares in issue during the financial year excluding treasury shares held by the Company.

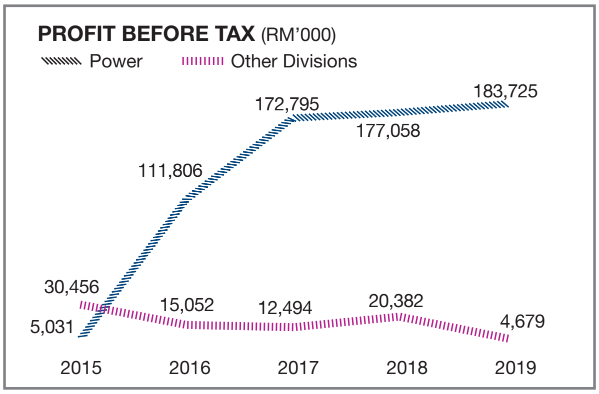
FINANCIAL HIGHLIGHTS

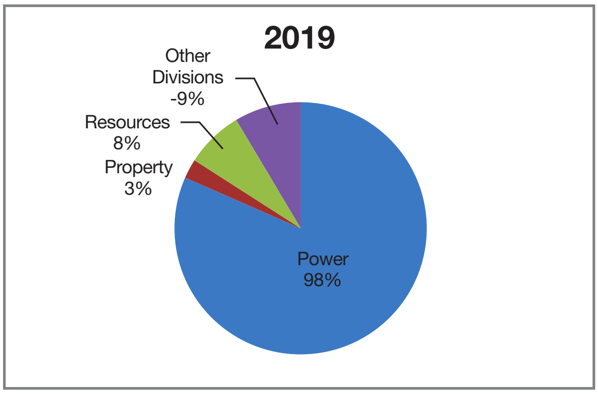
[CONT'D]





Financial Year Ended 31 December CONTINUING OPERATIONS	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000
Revenue					
Power	–	362,444	645,441	656,228	**470,375**
Resources	94,692	98,538	119,945	142,249	**143,624**
Property	26,356	18,685	9,150	9,455	**10,851**
Investment Holding and Others	32,407	46,563	58,557	66,187	**77,083**
	153,455	526,230	833,093	874,119	**701,933**





Financial Year Ended 31 December CONTINUING OPERATIONS	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000
Profit Before Tax					
Power	5,031	111,806	172,795	177,058	**183,725**
Resources	11,337	15,026	19,295	18,606	**16,460**
Property	7,428	12,323	12,512	12,315	**6,177**
Investment Holding and Others	11,691	(12,297)	(19,313)	(10,539)	**(17,958)**
	35,487	126,858	185,289	197,440	**188,404**

CORPORATE STRUCTURE

MFCB GROUP

INVESTMENT HOLDING AND OTHERS

100%	Authentic Excellence Sdn Bhd
100%	Bloxwich International Sdn Bhd
100%	Bloxwich (Malaysia) Sdn Bhd
100%	Geo-Mobile Asia Sdn Bhd
52.4%	Hexachase Corporation Sdn Bhd
55.2%	Hexachase Flexipack Sdn Bhd
47.1%	Hexachase Labels Sdn Bhd
41.9%	Hexachase Packaging Sdn Bhd
100%	Mega First Plantation (Cambodia) Limited

Other Subsidiaries

RESOURCES DIVISION

100%	Rock Chemical Industries (Malaysia) Sdn Berhad
100%	RCI Lime Sdn Bhd
100%	Batamas Sdn Berhad
100%	Mega First Resources Sdn Bhd
100%	Anting Sendirian Berhad
99.6%	Cheng Sun Industries Sdn Bhd
99.6%	Syarikat Cheng Sun Quarry Sdn Bhd

Other Subsidiaries

PROPERTY DIVISION

100%	Mega First Housing Development Sdn Bhd
100%	Gombak Land Sdn Bhd
65%	Idaman Harmoni Sdn Bhd
60%	Paya Emas Sdn Bhd
100%	Greentown Parking Sdn Bhd

Other Subsidiaries

POWER DIVISION

100%	Mega First Investments (L) Limited
100%	Don Sahong Holdings Limited
80%	Don Sahong Power Company Ltd

Other Subsidiaries

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

On behalf of the Board of Directors of Mega First Corporation Berhad. I hereby present to you our annual report and audited financial statements for the financial year ended 31 December 2019.

Overview of the Group's Financial Performance

For the financial year ended 2019, the Group recorded from its continuing operations a gross revenue of RM701.9 million (2018: RM874.1 million) and pre-tax profit of RM188.4 million (2018: RM197.4 million).

The decline in gross revenue compared to the previous year was mainly due to lower progressive construction revenue recognition from the Don Sahong Hydropower Project ("DSHP") as its construction reached completion in 4Q2019.

The decrease in Group's pre-tax profit was primarily due to lower construction profit, the absence of RM6.4 million fair value gain on investment property, a decrease in pre-tax profit contribution from the Resources Division and higher losses at Investment Holding & Others, substantially offset by inaugural profit contribution from energy sales.

Construction revenue and construction profit on DSHP was RM220.9 million and RM20.6 million respectively lower than financial year 2018 when construction was in full force. While construction profits have declined, it should be noted that the DSHP has commenced operations with RM35.1 million in revenue and RM26.4 million in profit contribution from the sales of energy.

Looking forward, the sales of energy from the DSHP will be the main driver of revenue and profits in the coming financial years for the Group.

For further details on the Group's financial performance for the financial year, please refer to the Management's Discussion & Analysis in this Annual Report.

PROSPECTS AND FUTURE PLANS

Power Division

The DSHP commenced full commercial operations on 7 January 2020. DSHP is the Group's first renewable energy project and is the culmination of 15 years of hard work from the date of signing the Memorandum of Understanding with the Government of Lao People's Democratic Republic ("Lao PDR"). The Executive Management team has been prudent and diligent in the execution of all aspects of this project - from feasibility studies, compliance with all regulatory and environmental requirements, financing and project construction management and their efforts have certainly paid off. The DSHP was completed on time with no cost overruns.

As the world deals with climate change concerns, there is increasingly more demand for affordable and sustainable energy. As a Group, we believe that we have a part to play in this and have been taking steps to move into the renewable energy space. Some of the steps we have taken include:-

i. Evaluating the potential of a plant expansion on the DSHP in order to meet the demands of Lao PDR as well as its neighboring country, Kingdom of Cambodia ("Cambodia").

PROSPECTS AND FUTURE PLANS (CONT'D)

Power Division (Cont'd)

ii. Entering into a joint venture with Pekat Teknologi Sdn. Bhd. to jointly invest in commercial and industrial rooftop solar projects in Malaysia and the region through our 55% owned subsidiary, MFP Solar Sdn Bhd.

iii. Bidding for the Large Scale Solar in Malaysia ("LSS"). While it was disappointing that we were not shortlisted by the Energy Commission for open tender under the third cycle of the LSS despite having a lower price bid than two out of five shortlisted bidders, we will continue to explore large scale solar projects domestically as well as in the region.

The Power Division will continue to be the main revenue generator of the Group and we believe that with the commercial operation of the DSHP, we are now in a strong position to take advantage of opportunities that come our way. Having said that, we will continue to take a prudent and calculated approach in all our project evaluations.

Resources Division

The Resources Division is the second largest income driver to the Group after the Power Division. During the financial year, the profits of the division were negatively impacted by the economic uncertainties regionally as well as the slowdown in construction activities domestically.

Moving forward into 2020, we expect that economic conditions will continue to remain soft and our main focus will be to embark on an aggressive sales and marketing strategy to secure more sales and new customers in the Asia Pacific region. We will also be placing more focus on cost cutting and improving the plant's operating efficiencies. We remain confident that the Resource Division is well positioned to weather the volatile market conditions in the coming year.

Property Division

The Malaysian property market continues to face oversupply and weak demand across both residential and commercial segments. The Group has no plans to restart property development activities until market conditions improve. In the meantime, we will continue to collect rental income from our PJ8 units as well as Ipoh Greentown carparks. Efforts are also continuously ongoing to dispose of current inventories.

SHAREHOLDER VALUE CREATION

The creation of shareholder value continues to be the top priority of the Board of Directors and management. We believe that we are growing from strength to strength and making great strides in creating shareholder value each year.

Five years ago, in financial year 2015, shareholders equity stood at RM830.3 million. Now, at the end of financial year 2019, shareholders equity has surged 85% to RM1.5 billion. Similarly, the market capitalisation of the Group has risen nearly four-folds from RM554.9 million at 31 December 2015 to RM2.1 billion at 31 December 2019.

Our cash position also remains strong despite challenging business conditions and will continue to remain strong as the DSHP starts to generate energy income.

Taking into consideration the Group's funding requirements in the coming year, in particular to repayment of debt on the DSHP, the Board of Directors is pleased to recommend a final single-tier dividend of 6.0 sen per ordinary share for the financial year ended 2019 to be approved by Shareholders at the forthcoming Annual General Meeting.

ACKNOWLEDGEMENT AND APPRECIATION

On behalf of the Board of Directors, I would like to express my sincere thanks firstly to the management team and all employees. Our Group's performance today is the result of their disciplined management approach, hard work and dedication over the years.
I would also like to convey my sincere appreciation to all our bankers, customers, suppliers and business associates for their unwavering support and confidence in us.

To my fellow Board Members, I have enjoyed working with you and hope that we continue to share ideas and knowledge in the coming year.

Finally, I would like to thank all our shareholders for continuing to believe in us and the future of the Group. I assure you that your confidence in us is not misplaced and we remain committed to the long-term success of the Group.

Goh Nan Kioh
Executive Chairman
16 March 2020

Updates on 28 May 2020

Since the date of the Chairman's statement, the unprecedented Coronavirus Disease 2019 ("COVID-19") outbreak has wreaked havoc with global economies and greatly impacted the profits and survival of companies across various industries.

Despite the challenges that lie ahead, we believe that the Group is well positioned to weather this economic storm given its strong cash flow from the Don Sahong Power Plant, the diversity of its business operations and management with a strong focus on business growth and development, operational costs and efficiencies. Hence, the COVID-19 outbreak is not expected to have a material impact to the overall earnings of the Group for 2020.

We will continue to take a prudent and cautious approach in evaluating new opportunities to ensure the long-term profitability and sustainability of the Company.

SUSTAINABILITY REPORT

1. INTRODUCTION

We are pleased to present our Sustainability Report which has been prepared in accordance with the Sustainability Reporting Guide issued by Bursa Malaysia Securities Berhad.

MFCB Group Sustainability Report 2019 reiterates our commitment towards developing global business investments in a sustainable and responsible manner. In a nutshell, this Report provides an overview as to how we operate sustainably, our strategy and how we manage our day-to-day business to address our sustainability commitments and evaluate our performance.

This Sustainability Report should be read in conjunction with MFCB Group's 2019 Annual Report to provide a clear and comprehensive representation of our annual progress in creating economic, environmental and social value by addressing the interests of our stakeholders.

The core businesses of MFCB Group comprise power, resources and property investment. The Group also engaged in other businesses such as manufacturing of label and packaging products and agricultural cultivation and development.

The importance of business sustainability has not only aroused wide attention within the corporate world, but also society as a whole considering increasing demand on the earth's available (scarce) resources. Hence, it has never been more important for us to adopt smart, sustainable solutions to ensure that we can continue to meet the needs of the present while enhancing the ability of future generations to meet their own.

In view of that, we acknowledge our responsibility to address the requirements of our stakeholders who are demanding for more information and our drive to benefit the community, environment and people.

Our commitment to operate a sustainable business makes a positive difference in the perception of all our stakeholders. As a corporate that operates across different countries with various business activities, we are mindful that our actions have an impact to the community, environment and people. A strong sustainability performance underpins a company's ability to deliver consistent and superior business results, pursue profitable growth, and attract and retain talented people.

We are committed to be a responsible corporate citizen and make good business practices our top priority. By fulfilling our responsibilities as we move forward in our aspirations, we will ensure that we do not lose sight of matters that are of concern to our stakeholders and our business which allows us to manage our Group in a way that our stakeholders will be rewarded with sustainable value in the long run.

2. SCOPE

MFCB is a Malaysian-based conglomerate with overseas operations in Lao People's Democratic Republic ("Lao PDR") and Kingdom of Cambodia ("Cambodia").

Due to the diverse nature of the Group's businesses, we are mindful of the topics that matter most to our stakeholders. Hence, the Group's sustainability themes would vary across its business operations.

This Sustainability Report covers activities carried out by the two most significant operating units, namely the Resources Division and the Don Sahong Hydropower Project where data is readily available.

Our focus this year is to continue to streamline our key sustainability risks and opportunities through a groupwide materiality assessment exercise in collating baseline data for relevant material issues that will chart our sustainability journey and use them to expand our scope into other divisions in future sustainability reporting.

In line with the 2019 Annual Report, the information presented in this Report is in respect of the period beginning 1 January 2019 until 31 December 2019 (unless otherwise stated) and where applicable, comparative data from the preceding year(s) has been included.

3. GOVERNANCE PRINCIPLE & STRUCTURE

3.1 Governance Principle

Our Group's governance principles can be broadly described in the following phases:

(a) Strategy planning;

(b) Oversee the conduct of the Group's business operations against the economic, environmental and social performance;

(c) Identify principal risks affecting the Group's businesses and maintain a sound system of internal controls;

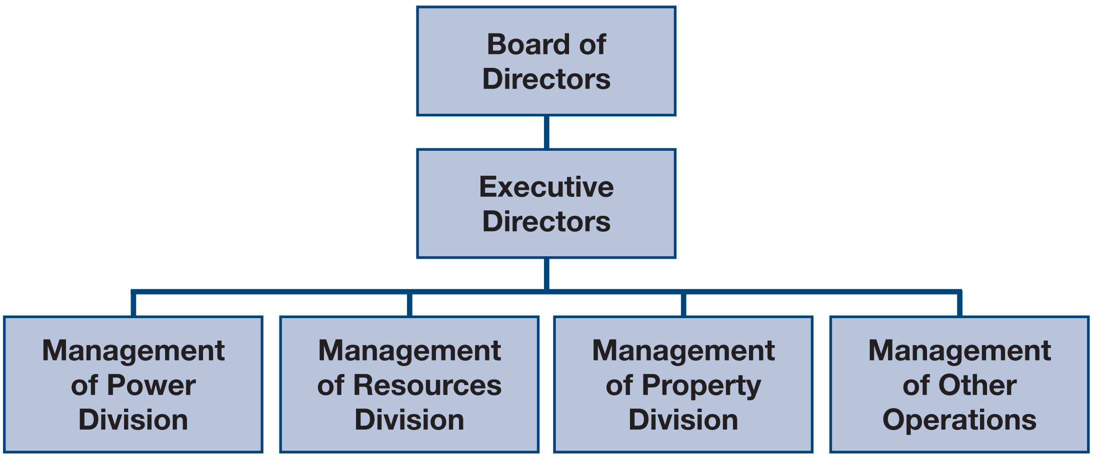
(d) Stakeholders engagement; and

(e) Review the adequacy and integrity of systems, policies and procedures that are in place.

3.2 Governance Structure

Sustainability is embedded in our organisation's culture and is led from the top. The Group's governance structure supports and drives the sustainable development journey. We are guided by our code of conduct and ethics which promotes healthy corporate culture and drives the conduct of our various business activities.

Currently, our sustainability initiatives are led by the Executive Directors, who report directly to the Board and provide stewardship towards incorporating sustainability into the Group's business strategies with the participation from management of respective division or business unit, as illustrated below:



4. MATERIALITY PROCESS

Our Management has sought to deliver value to our stakeholders through business strategies adopted and operational activities designed. In relation to this, an internal review and evaluation on key operations was carried out to gain feedback from heads of divisions/business units on how sustainability within the organisation can be better managed.

A list of sustainability matters was first generated with inputs from directors and key management personnel of the Resources Division and the Don Sahong Hydropower Project, with considerations of stakeholders' expectations and regulatory framework. To identify matters that are most significant to our stakeholders and business operations, we conducted a materiality assessment during annual period ended 31 December 2019 using the following methodology:

(a) Step 1 Identification

A list of materiality matters was identified in accordance with Bursa Malaysia's Guide. The following factors were also taken into consideration:

- Changing global and local trends
- The direction of the energy market
- Regulatory changes
- Our strategies and internal policies

(b) Step 2 Prioritisation

Material matters were prioritised by taking into account internal and external stakeholder opinions and their importance to our Group. Meetings and discussions with representatives from operational and corporate functional departments of each business division were conducted.

(c) Step 3 Validation

The list of prioritised material matters, was verified through discussions with management and/or relevant stakeholders on the subject matters.

Determining materiality helps us to identify and prioritise which issues to focus our efforts on. We define material issues as those that would be more likely to have a significant impact to the Group and are relevant to our key stakeholders.

Accordingly, list of sustainability matters which are relevant to our Group's business operations have been systematically assessed based on their importance and material sustainability matters were identified as disclosed in Section 6 to this report.

We will continue to conduct materiality assessment and engage with key external stakeholders where the results and analysis will be updated in our next report.

5. STAKEHOLDER ENGAGEMENT

The management understands the complex groups of stakeholders (both within and outside the Group) considering the influence and importance each stakeholder has on our Group's daily business operations as well as their needs and expectations of the Group as a whole. Hence, there is a need to strike a balance between that and addressing the issues that are not only material to MFCB but also to other stakeholders.

At MFCB, our key stakeholders, notably regulatory bodies, employees, customers, suppliers, investors, financial institutions and communities are the essential elements of our success. None of our business units can thrive without the equitable treatment of these important stakeholders, be it in commercial ventures or in sustainability efforts that require broader support and expertise.

5. STAKEHOLDER ENGAGEMENT (CONT'D)

As a conglomerate, we have a wide spectrum of stakeholders from different geographical locations, with broadly varying appetites and preferences. Staying committed to our philosophy of producing quality products and services at competitive prices means to serve our customers and to treat our stakeholders with respect.

Engaging with our diverse stakeholder groups allows us to have meaningful conversation and build strong relationship with them over the years. In addition, it also enables us gather unbiased material feedbacks and better respond to their concerns, which in turn facilitate us in prioritising our material topics. Communication channels with stakeholders are listed below:

Stakeholder	Engagement Methods	Frequency	Areas of Stakeholder Concern
Government and Regulators	Official meetings and briefings Compliance report Site visits Direct contacts Industry events and seminars	Annually Quarterly Monthly Ongoing	Compliance with rules and regulations Opportunities for business investment Community investment
Financial Institutions	Meetings and visits Annual Report Corporate website Analyst briefing Announcement to Bursa Malaysia Media Release	Annually Quarterly Ongoing	Organisation growth Economic performance Business strategy and direction
Investor	Shareholders' Annual General Meeting Corporate website Analyst briefing Announcement to Bursa Malaysia Media Release	Annually Quarterly Ongoing	Business strategy and direction Economic performance Organisational growth
Employees	Interview Outreach programmes Surveys	Annually Ongoing	Workplace health and safety Reward and recognition Training and career development Welfare and benefits Respect of human rights and ethics
Local Community	Direct Contact CSR programmes	Annually Monthly Ongoing	Social welfare Charitable contributions Investment and development Business activities carried out in an environmental and responsible manner
Suppliers	Meetings and site visits Evaluation form	Annually Ongoing	Compliance with rules and regulations Fair treatment of suppliers/business partners Opportunities for business collaboration
Customers	Website and social media Direct contact Emails, phone calls	Annually Ongoing	Products and services quality Competitive pricing Prompt delivery
Non-Governmental Organisations	Environmental report Outreach programmes	Ongoing	Environmental protection

6. MATERIAL SUSTAINABILITY MATTERS

We have included throughout this Report of material sustainability matters which are of stakeholders' concerns and with significant business impact. Material Matters include:

(a) Economic
- Community Investment - Section 7.1
- Procurement Practice - Section 7.2

(b) Environmental
- Biodiversity - Section 8.1
- Emissions - Section 8.2
- Water - Section 8.3
- Materials - Section 8.4
- Waste and Effluents - Section 8.5
- Compliance - Section 8.6

(c) Social
- Occupational Safety and Health ("OSH") - Section 9.1
- Labour practice - Section 9.2

7. ECONOMIC

7.1 Community Investment

Community development is a practice that is important to us. Each of our business sets aside monetary aid to support the communities in which they operate in and to the best of our ability, we try to provide job opportunities to the local people.

As at 31 December 2019, the Group has spent a cumulative sum of US$12.54 million on improving the infrastructure and livelihood of the local communities for Don Sahong Hydropower Project ("Project"):

	2017 & before US$	2018 US$	2019 US$	Total US$
Total spent on resettlement, livelihood restoration and community development	11,367,368	372,997	804,126	12,544,491

Initiatives, programmes and activities carried out by the Group for the abovementioned expenses are detailed in Sections 7.1.1 and 7.1.2 to this Report.

7. ECONOMIC (CONT'D)

7.1 Community Investment (Cont'd)

7.1.1 Infrastructure Development

Over the years, MFCB Group has supported various programmes that have benefited surrounding communities within the vicinity of the Don Sahong Hydropower Project. It is our way of giving back, and represents one of our core values of being a socially responsible organisation.

With the exception of a short section of access road (with length of about 750 meters) and the access bridge, the Project footprint is entirely within Sahong and Sadam islands.

Approximately 300 households within 6 villages are directly or indirectly affected by the Project. Of these households, only 14 households were required to be resettled. For people affected by the Project, the first priority for lost assets will be like-for-like compensation for lost assets alongside with the Alternate Livelihood Program (as detailed in Section 7.1.2) and other local infrastructure improvements. In 2019, the Group has continued to undertake various activities which include but not limited to:

- Upgrade of existing schools;
- Construction of Don Sadam and Sahong irrigation system which was completed in 2019;
- Construction of a community clinic which was completed in 2019 and pending official handover to Public Health Office before the commencement of clinic operation;
- Construction of a community market which is scheduled for completion in early 2020;
- Contribution for the refurbishment of the Hua Sadam Temple upon project completion;
- Upgraded roads for Don Sahong village; and
- Financial assistance for villages affected by flood in September 2019 at Hua Sadam.

7.1.2 Livelihood Restoration Programme

The alternate livelihood program provides training, support, and opportunity to broaden and strengthen the range of activities that will contribute to more secure livelihoods for the local population within the vicinity of the Project.

While fishing activities provide main source of income and food for the locals, the increasing population has resulted in reduced household catches and highly intensified fishing efforts, especially during critical migration periods.

7. ECONOMIC (CONT'D)

7.1 Community Investment (Cont'd)

7.1.2 Livelihood Restoration Programme (Cont'd)

With an overall aim to improve the livelihoods of affected people to earn income from stable jobs, while reducing dependence on fishing activities and to preserve sustainability of fisheries resources, the Group has implemented the following initiatives in 2019:

- Construction of irrigation system on the Sahong and Sadam Islands in 2019, which has provided much needed irrigation particularly during the dry season for planting of rice, organic vegetables and fruits, mushroom farming and other cultivation projects/activities;
- Sustainable income project focusing on non-agricultural activities or services such as retail shops, minimarts, restaurants, food processing, handicraft, Lao PDR alcohol production, repairs of motor vehicles, tourism services and so on;
- Provision of development fund to 6 villages that want to have the micro-financing facility to be able to get a loan to improve their daily live; and
- Capacity building and training on marketing the products and services in order to attract sustainable demand.

7.1.3 Collaboration with Governments

We work closely with various line agencies of Governments, local residents and local communities for many of our initiatives. Specifically, we have seen an improvement in the quality of life of the communities around the project site in Lao PDR as a result of our contributions. In 2019, our Group has contributed of US$1.9 million to GOL, giving cumulative contribution of US$7.8 million as detailed below:

	2017 & before US$	2018 US$	2019 US$	Total US$
Fees and Contribution to Government of Laos	4,138,438	1,746,145	1,908,046	7,792,629

The Group remains committed to supporting communities within the vicinity of the Project and GOL post construction phase with the aim of sustainably improving the likelihood of communities.

7.2 Procurement Practice

Fuel (i.e. Petroleum coke) is the major cost component used in the process of manufacturing Resources Division's lime products and majority of it is sourced from the only single local supplier. To reduce risk dependency on major source of supply, the management will continue explore alternative fuel suppliers and at competitive price. In 2019, the Division purchased fuels from 2 (2018: 2) suppliers.

Besides, to ensure quality assurance of our product, a central laboratory was built at the main plant to ensure consistent quality of our quick lime products. The laboratory is operated by a team of professional and competent chemist and lab personnel.

8. ENVIRONMENTAL

Global economic activities are all linked directly or indirectly with resources provided by the natural environment. With evidence of pressing environmental issues like climate change and the rapid extinction of species, natural capital across our planet is being depleted at an alarming rate.

As a Group with core business activities in the power generation and resources sectors, we recognised that our operations have an impact on the environment. We take environmental concerns very seriously and always ensure that our operations are in full compliance with the environmental laws and regulations governing the industries in the countries in which we operate.

Based on our recent sustainability materiality assessment, all material environmental indicators remain a top concern to our stakeholders, and we continue to do our best and consistently strive to reduce environmental impact throughout the entire product life cycle, from design to recycling, and ensure that we are up to date with the industry's environmental best practices.

In ensuring the long-term impact on the environment due to the Don Sahong Project is minimised, numerous studies have been undertaken since 2006 and some of these studies particularly on fisheries will continue over the next 10 years even as the Project commences commercial operations. Environmental monitoring will continue to be our mainstay as we enter into the operations phase in cooperation with the Environmental Management Unit ("EMU") of the GOL. Together, we conduct regular site environmental inspection according to the Environmental and Social Monitoring and Management Plan for Construction Phase ("ESMMP-CP") for any non-compliance issue that arise. In general there were no major issues encountered in 2019.

8.1 Biodiversity - Protection and Restoration of Marine Habitats

Protecting biodiversity is important to us. We continue strive to meet or exceed all regulatory requirements, minimise our environmental impact and take initiatives to safeguard biodiversity.

Don Sahong Hydropower Project is a run-of-river scheme situated in the middle reach of the Mekong River in Khong District, Champasak Province of Lao PDR. We are cautious of the potential impacts to the surrounding areas and have put in place various initiatives (such as development and establishment of detailed Fisheries Monitoring and Action Plan or "FishMAP") to conserve and improve the existing biodiversity along Mekong River.

An extensive amount of data has been collected to understand fish migration pattern and the effectiveness of our fish passage improvement efforts within the vicinity of the Project.

In 2019, the Group continues to carry out the following initiatives and activities which include but not limited to the followings:

(a) The monitoring activities included in the FishMAP which will continue to evolve and be adapted as time goes by.

This includes Fish Monitoring Programme CPUE (Catch Per Unit Effort) sampling and Household Catch to monitor the quantity of fish. The daily catch weight and composition of 60 households from 6 villages at over 140 fishing locations in the project area have been recorded. In addition, location specific fish trapping, tag and recapture, and larval drift surveys have been undertaken. The combination of this data has given a strong understanding of the species and size composition, migration periods, accumulation zones, natural and artificial barriers to migration, and distribution in the various channels surrounding the site;

(b) Market survey to monitor fish selling in local markets to ensure better understanding on fish species caught from time to time and also market trend;

8. ENVIRONMENTAL (CONT'D)

8.1 Biodiversity - Protection and Restoration of Marine Habitats (Cont'd)

In 2019, the Group continues to carry out the following initiatives and activities which include but not limited to the followings: (Cont'd)

(c) Fish passage improvements were carried out at several locations in the adjacent channels to the Sahong river. For instance, the existing natural channels adjacent to the Sahong channel have been modified to remove the blockages and bottlenecks in order to ensure year-round upstream migration pathways for fish. Monitoring results of the trial pathways have provided prove of concept and strongly support the feasibility of larger scale fish pathway improvements; and

(d) Together with the Khong District Governor in cooperation with the Champasak Provincial Administration, the Department of Livestock and Fisheries, Ministry of Agriculture and Forestry, and the Group has in accordance with the Laos Fisheries Law established a committee called the Don Sahong Fisheries Management Committee (DSFMC) responsible for the development and implementation of the Don Sahong Fisheries Management Plan (DSFMP) and the Don Sahong Fisheries Management Regulations (DSFMR). The objectives of the DSFMC are to protect and conserve aquatic fauna in the Don Sahong Fisheries Management Area (DSFMA) in particular species of aquatic fauna that are endangered or in decline and ensure the sustainable exploitation of aquatic fauna in the DSFMA.

The Group has incurred US$0.2 million in 2019, giving a total spent of US$2.62 million as at 31 December 2019 to fund the above initiatives and activities:

	2017 & before US$	2018 US$	2019 US$	Total US$
Fishery Monitoring & Fish Passage Costs	2,221,479	306,212	285,936	2,813,627

Moving forward, our Group will continue to undertake the following initiatives even after commercial operations in fulfilling its corporate social responsibility to further improve fisheries activities surrounding the Don Sahong Hydropower Project:

- Development, monitoring and construction of alternate upstream migration pathways will be one of our top priorities;
- Develop alternate livelihoods and implementing fisheries management programs based on existing Lao PDR fishing regulations to reduce fishing pressure in the area;
- Adaptive management and monitoring of the fisheries mitigation measures for a minimum period of 10 years into project operation; and
- Improvement of more natural fish pathways in the future to ensure the effectiveness of these fish migration pathways.

8.2 Emissions - Dust/Atmospheric

The quality of air emissions at sites and plants are of paramount importance to our business operations, not just for compliance purposes, but also for the benefit of our employees, the communities nearby and the natural environment.

Resources Division has 8 kilns as at end of 2019 where it has complied with the air emission limits set by local authority during the year under review. Similarly, all the Division's plants continue to monitor their air emission quality closely through improvements in manufacturing facilities and operational procedures to ensure that the national air quality standards are consistently met. Specifically, air pollution control system (or commonly known as bag filter/house) in the production line are installed, regularly checked and maintained as a usual practice to ensure dust emission compliance.

8. ENVIRONMENTAL (CONT'D)

8.2 Emissions - Dust/Atmospheric (Cont'd)

Accordingly, the following improvements were noted since 2017 (base year) for efforts made by the management in monitoring the results of Total Suspended Particles ("TSP") emitted to the air:

Year	% of Improvement from TSP (in mg/m³) Emitted to Atmosphere							
	Kiln 1	**Kiln 2**	**Kiln 3**	**Kiln 4**	**Kiln 5**	**Kiln 6**	**Kiln 7**	**Klin 8**
2017	Base Year					na	na	na
2018	63%	43%	34%	-18%	-13%	84%#	88#	na
2019	78%	67%	72%	73%	88%	81%#	88%#	77%#

- *Based on average emission of Kilns 1 to 5 recorded in 2017.*

Apart from the above, our Group also continues monitor emissions of other greenhouse gases (such as Sulphur Oxides or "SOx", Nitrogen Oxides or "NOx") and particulates through installed chimneys and other monitoring systems. Quality of stack emissions has achieved 100% compliance to the local standards, as summarised below:

Year	Results of Average Emission of SOx, NOx, Sulphric Acid Mist in mg/m³							
	Kiln 1	**Kiln 2**	**Kiln 3**	**Kiln 4**	**Kiln 5**	**Kiln 6**	**Kiln 7**	**Klin 8**
2018	Passed	Passed	Passed	Passed	Passed	Passed	Passed	na
2019	Passed	Passed	Passed	Passed	Passed	Passed	Passed	Passed

Resources division will continue monitor the above parameters to ensure compliance with applicable environmental regulations.

On Don Sahong Hydropower Project, the following environmental results were observed:

Year	Environmental Monitoring Results For		
	Noise	**Blast vibration**	**Dust**
2018	No major issue	No major issue	No major issue
2019	No major issue	No major issue	No major issue

In order to comply with all relevant environmental regulations (including environmental water monitoring as described in Section 8.3.2 to this Report, the Group has incurred US$0.11 million in 2019, giving cumulative compliance costs of US$1.84 million (since inception):

	2017 & before US$	**2018 US$**	**2019 US$**	**Total US$**
Environmental Compliance Costs	1,591,591	141,839	105,970	1,839,400

8. ENVIRONMENTAL (CONT'D)

8.3 Water

Water availability brings stable economic growth and human security. However, with increasingly extreme weather events induced by climate change, water scarcity has become more severe accompanied by the rapid rise in global population.

8.3.1 Water Flow

As Don Sahong Hydropower Project is a run of river scheme, no water is consumed, added, or diverted to or from the Mekong River. A localised redistribution of flow between Sahong and Phapheng channels will occur, but there will be no change in the total Mekong River flow downstream.

In 2019, the Group continues to run the hydrological data collection program (since 2008) whereby extensive bathymetric survey were conducted on the upstream and downstream of the project site (which covered water flows conditions that are experienced at 16 different locations over the full range of Mekong River) which was then used to measure and understand the complex hydraulic characteristics and within the project area and to confirm the extent of backwater and downstream effects.

8.3.2 Water Quality - Monitoring and Control

Besides, water quality monitoring has been carried out at various locations and flow conditions to provide comprehensive baseline data for the water quality monitoring program.

Part of the responsibility of the dedicated environmental monitoring team will be the monitoring of construction activities with regard to possible risks to water quality. By proactively identify and address risks prior to any negative impacts, this helps to ensure Don Sahong Hydropower Project is not causing any contamination to environment and community water, and also provide safe drinking water for our employees as required under the occupational health and safety plan. Accordingly, the environmental monitoring results recorded by Don Sahong Hydropower Project are summarised below:

	Environmental Monitoring Results For		
	Waste water	**Portable water**	**Surface water**
2018	No major issue	No major issue	No major issue
2019	No major issue	No major issue	No major issue

#1 - Continue monitoring wastewater discharge from worker camps observed to be in compliance with the requirements under the ESMMP-CP and will continue during the operation phase to ensure any risks to water quality are identified with remedial action taken as soon as risks identified throughout the life of the project.

#2 - Samples of portable water were collected from various camps and sent to Food and Drug's Laboratory for testing of full parameters where results are satisfactorily recorded.

#3 - Surface water monitoring has been conducted with physical monitoring on site and collected samples for bacteria, oil & grease in Department of Natural Resources and Environment ("DONRE") Laboratory testing which revealed no negative impact.

8. ENVIRONMENTAL (CONT'D)

8.3 Water (Cont'd)

8.3.2 Water Quality - Monitoring and Control (Cont'd)

At Resources Division, water quality in the vicinity of our plants is assessed and monitored periodically. For their plants and quarry sites, groundwater, river water and/or general water quality analysis is conducted every quarter by an accredited external consultant approved by Department of Environment Malaysia ("DOE"). Accordingly, the following results were achieved by the Division for its water discharge conditions:

Year	Results of Environmental Monitoring for Water as Discharge Effluent					
	TSS		BOD		COD	
	Discharge from Sedimentation Pond	Outfall Discharge to Stream	Discharge from Sedimentation Pond	Outfall Discharge to Stream	Discharge from Sedimentation Pond	Outfall Discharge to Stream
2018	Passed	Passed	Passed	Passed	Passed	Passed
2019	Passed	Passed	Passed	Passed	Passed	Passed

Our Group is committed to manage water resources effectively across our businesses.

8.4 Material

Limestone is the key raw material for Resources Division's lime products. The Division owns and operates multiple limestone quarries (within vicinity of our manufacturing plants) ensuring a sustainable supply of raw kiln feed supported by 8 modern world-renowned kilns. Through our own limestone reserves we guarantee our customers consistent supply and quality.

The Division is constantly sourcing and acquiring limestone reserves to secure continuous supply of good quality limestone feedstock in the long-term. As at end of 2019, the Group has sufficient limestone reserve for the long term.

Another point to note, our lime products are environmentally friendly and contribute in reduces emissions of CO2 to the atmosphere owing to the nature of limestones.

8. ENVIRONMENTAL (CONT'D)

8.5 Waste and Effluents - General Solid Waste and Hazardous Waste

Waste management is an indispensable element of effective resource stewardship.

Waste oil categorised as hazardous is widely used in Don Sahong Hydropower Project and it is recycled by authorised vendors for proper disposal or subsequent usage. Non-hazardous wastes are reused where possible.

In 2019, general solid waste and hazardous waste of 43,568kg (2018: 39,424 kg) and 5,000kg (2018: 5,000kg) litres were generated by Don Sahong Hydropower Project. Details please refer to table below:

	Waste Management 2018	2019
General solid waste produced (kg)	39,424	43,568
Hazardous waste produced (litre)	5,000	5,000
Hazardous waste reycled (litre)	4,000	#

- *Waste produced in 2019 would be arranged for recycle together with waste volume generated in 2020.*

8.6 Compliance

We comply with all regulatory requirements to ensure business continuity. Failure to do so may result in the revocation of licences that are required to carry out our core business activities. This would undermine our ability to operate as a going concern, thereby lowering investors' confidence in our organisation.

Ensuring environmental regulatory compliance is a responsibility that we do not compromise on. In achieving it, our internal systems and processes help to track and monitor all applicable regulatory requirements. In addition, engagement with regulators helps us to better understand these requirements. We did not incur any significant fines and non-monetary sanctions for non-compliance with laws and regulations in 2019.

In 2019, the Group has established a Environmental Management System ("EMS")'s database for Don Sahong Hydropower Project which is built on a common platform for EMS documents, form, procedures, manuals, etc. for creation of necessary operating procedures, work instruction and forms which was officially submitted to Lao PDR's Ministry of Natural Resources and Environment ("MONRE") for review and approval.

9. SOCIAL

We recognised that our employees are our greatest assets and our ultimate success and achievements are a result of their high-performance and commitment. Hence, managing talent and staff retention is our key priority.

In achieving the above, our Group promote and foster conducive work culture that supports diverse talent to contribute positively to the growth and productivity in line with our Group's vision and mission. At the most basic level, we treat our employees fairly and help them develop their talents. We believe to ensure a good work-life balance for our employees as well as to create a healthy and safe workplace for all.

9.1 Occupational, Safety and Health ("OSH")

Health and safety will always be on top of our agenda. Our Group advocates a workplace culture that emphasises the importance of OSH in the daily operations. This is achieved through a combination of risk assessment, identification of occupational hazards, safety trainings, development and communication of OSH policies, as well as effective implementation of OSH standard operating procedures ("SOP").

Periodic health and safety awareness campaigns and training sessions are carried out to provide review and update on health and safety matters. These updates aim to educate and form part of the induction process for new employees as well as to act as refreshers for existing employees on potential occupational hazards to instil a sense of responsibility for their own safety and that of others.

Zero fatalities were reported by Resources Division in 2019 and the management will continue to increase our efforts to better manage safety and eliminate potential risks while at work. In 2019, Resources division has recorded a frequency rate of 11% (2018: 14%), as presented below:

	Safety Indicators	
	2018	**2019**
Death Rate	0%	0%
Frequency or Accident Rate #	14%	11%

\# - *Based on formula set by the Department of Occupational Safety and Health Malaysia which is calculated as "Number of accidents x 1,000,000 / total man hours worked".*

Resources Division also required employees who work in high dust exposure area to go for health screening annually for noise, spirometry tests (lung function) and dust exposure. Test result in 2019 reveals that none of the employees expose to any medical condition.

9. SOCIAL (CONT'D)

9.1 Occupational, Safety and Health ("OSH") (Cont'd)

Employees from Resources Division are also required to carry out audiometric testing based on listed criteria. For those who met the criteria and went for the medical test, the test results are reproduced below:

	Audiometric Test Results	
	2018	**2019**
Diagnosed with hearing impairment:		
- triggered the criteria for audio medic test	64	18
- diagnosed with hearing attempt:		
(a) None	45	11
(b) Mild ^	13	2
(c) ModerateModerate ^^	5	1
(d) Severe #	1	4
	64	18

^ - *Not subject to repeat audit metric testing as hearing conditions are acceptable.*

^^ - *Hearing conditions improved after repeated audit metric test within 3 months.*

- (i) *Cause of 1 (2018: 1) employee hearing loss not due to work related condition as per audiologist assessment.*

(ii) *The relevant personnel are currently under daily monitoring and were reassigned to different working environment which is lesser expose to hazardous noise.*

9.2 Labour Practice

9.2.1 Embracing a Diverse and Vibrant Workforce

We recruit candidates based on their abilities as well as their overall suitability for the job and organisation. In terms of talent development, management takes a keen interest in all employees and ensure that all employees are equipped with the necessary skills and knowledge to perform their job function through various training programmes.

We also cultivate our employees with the professional mind-set of doing what is best for the Group as a whole. In terms of staff retention, we implement remuneration practices that are market competitive and employees can expect to progress to more senior and challenging roles within the Group that commensurate with their effort, performance and contributions.

As the millennial generation grows in the workforce, we understand the need to develop new engagement models to bridge the generational differences. This young, technology savvy and socially interactive workforce is driving our ground operations in multiple sectors. Being new to the working environment, this segment of the workforce provides new ideas and perspectives to the Group's businesses and assist middle-aged generation employees who helps our Group to stay grounded with responsible decision making and strategies.

To grow sustainably means that we must continue to evolve our current workforce to keep driving a strong work ethic, be nurtured and mentored to uphold and further drive growth of our Group.

9. SOCIAL (CONT'D)

9.2 Labour Practice (Cont'd)

9.2.2 Succession Planning and Career Advancement

We recognise that a systematic approach is necessary in ensuring leadership continuity. Hence, we constantly engage our employees to set higher performance standards and assume bigger roles and responsibilities.

We encourage employees and their superiors to have regular conversations about their work performance. Our performance review takes place on a yearly cycle for all employees. This enables our employees to identify their performance gaps and development needs. Managers are not only responsible for coaching their people to succeed in their current positions, but also to help them grow towards their future aspirations.

We also continuously review our succession planning strategy to identify and develop high potentials to ensure sufficient talent pool for future succession and leadership needs.

9.2.3 Education and Training

Employees form an integral part of our Group and we remain committed to human resource development. Thus, instilling learning as part of our culture is fundamental to growing our Group's businesses to the next level. Every year, employees receive regular performance and career development reviews. Through reviews like this, the Group will customise training programmes that suit the needs of individual employees whilst ensuring they are aligned with the Group's direction.

Our Group encourages continuous learning for our employees to broaden their knowledge, skills and competencies for their current and future roles and committed to providing in-house training and giving opportunities to our employees to attend other external training programmes. The relevant statistic pertaining to Resources Division is presented below:

	Safety Indicators	
	2018	**2019**
Type of training/programme:		
- Safety and health-related	71	134
- Knowledge-based	50	61
	121	195

In 2019, Don Sahong Hydropower Project has conducted 80 trainings (conducted by both external and internal trainers) for the operation and maintenance staff for various objectives such as familiarisation of facilities, dealing with plant failures, safety production, generator firefighting system, Transmission Line and Bus power supply and outage operating, service transformer and high voltage switch cabinet operation procedures and etc.

10. MOVING FORWARD

Although we have made some progress towards formalising sustainability within our businesses, we acknowledge that there are always rooms for improvement in terms of initiatives undertaken and our current reporting structure. The management will continue measuring sustainability matters that are material to our businesses and move towards benchmarking our progress against international standards of reporting.

As we continue on our sustainability journey, our ultimate goal is to build a sustainable business for generations to come. It is the Group's intention to grow its Power Division via investment in clean renewable sources of energy. Now as Don Sahong Hydropower Project has started operations, we will likely embark on our maiden solar photovoltaic investment in 2020 where the first solar photovoltaic plant is expected to begin commercial operation to generate green energy most likely before the end of 2020.

Besides, we will continue explore new options to increase generation of own green electricity (through installation of wind turbines or solar panels at our plantation project site in Cambodia) and venture into other renewable energy projects.

As we look to the future, it is our Group's vision to continue creating value for our stakeholders, investing in communities and be an environmentally responsible organisation that people are proud to be connected to, partnering with and working for.

This Sustainability Report has been approved by the Board on 16 March 2020.

MANAGEMENT'S DISCUSSION & ANALYSIS

OVERVIEW

Mega First Corporation Berhad is a diversified group of companies with three main businesses - Power, Resources and Property.

The Power Division was the largest earnings generator, contributing 97.5% of the Group's pre-tax profit (excluding discontinued operations) for 2019. This was followed by the Resources Division (8.7%) and Property Division (3.3%), partially offset by Investment Holding and Others (9.5%).

FINANCIAL RESULTS

The following table sets forth a summary of the results of the Group's continuing operations for the financial years ended 31 December 2019 and 2018:

	2019 RM'000	2018 RM'000	Changes RM'000	Changes %
Revenue	701,933	874,119	(172,186)	-19.7%
Other (expenses)/income	(6,892)	9,572	(16,464)	-172.0%
Profit before interest and tax	196,837	205,183	(8,346)	-4.1%
Profit before tax	188,404	197,440	(9,036)	-4.6%
Profit after tax	176,420	159,532	16,888	10.6%
Profit after tax attributable to owners of the Company	151,735	139,283	12,452	8.9%

	2019		2018		Changes	
	RM'000	%	RM'000	%	RM'000	%
Revenue						
Power	470,375	67.0%	656,228	75.0%	(185,853)	-28.3%
Resources	143,624	20.5%	142,249	16.3%	1,375	1.0%
Property	10,851	1.5%	9,455	1.1%	1,396	14.8%
Sub-total	624,850	89.0%	807,932	92.4%	(183,082)	-22.7%
Investment holding & others	77,083	11.0%	66,187	7.6%	10,896	16.5%
Total revenue	701,933	100%	874,119	100%	(172,186)	-19.7%
Profit before tax						
Power	183,725	97.5%	177,058	89.7%	6,667	3.8%
Resources	16,460	8.7%	18,606	9.4%	(2,146)	-11.5%
Property	6,177	3.3%	12,315	6.2%	(6,138)	-49.8%
Sub-total	206,362	109.5%	207,979	105.3%	(1,617)	-0.8%
Investment holding & others	(17,958)	-9.5%	(10,539)	-5.3%	(7,419)	-70.4%
Total profit before tax	188,404	100%	197,440	100%	(9,036)	-4.6%

FINANCIAL RESULTS (CONT'D)

	2019 RM'000	2018 RM'000	Changes RM'000	%
Significant/Non-operating items:				
Construction revenue	435,289	656,228	(220,939)	-33.7%
Construction profit	157,506	178,129	(20,623)	-11.6%
Fair value gain on investment properties	–	6,375	(6,375)	-100.0%
Gain from quoted investments	1,060	1,041	19	1.8%
Gain on foreign exchange	1,432	1,907	(475)	-24.9%

Gross revenue from continuing operations fell 19.7% or RM172.2 million to RM701.9 million due to a 33.7% or RM220.9 million decrease in construction revenue, partially offset by RM35.1 million maiden revenue contribution from energy sales and higher revenue from the packaging business (included in Investment Holding and Others).

Excluding discontinued operations, Group pre-tax profit registered a 4.6% declined to RM188.4 million on lower construction profit (down 11.6% or RM20.6 million), the absence of fair value gain on investment property (2018: RM6.4 million), lower pre-tax profit contribution from the Resources Division and higher losses at Investment Holding & Others (mainly due to start-up costs recorded in the plantation business and one-off finance fees), substantially offset by inaugural profit contribution from sales of energy amounting to RM26.4 million.

Power Division

Don Sahong Hydropower Project ("Don Sahong")

Don Sahong Power Company Ltd, an 80%-owned subsidiary of the Group, has completed the construction of 260 MW run-of-river hydropower plants (which consist of 4 turbines, located on one of 17 major channels on the Mekong River in the southern Lao People's Democratic Republic ("Lao PDR")) and started generate pre-commercial operations energy towards the end of 2019 with maiden revenue contribution of RM35.1 million. Don Sahong has effectively started full commercial operations in January 2020.

FINANCIAL RESULTS (CONT'D)

Power Division (Cont'd)

Turnover of Don Sahong fell 28.3% to RM470.4 million, led by a 28.3% or RM185.9 million decline in construction revenue to RM435.3 million, mitigated by inaugural energy sales (above). Construction revenue fell on lower percentage completion recognised in 2019 of 21.0% (due to project completion) as compared to 32.5% in 2018.

Don Sahong's pre-tax profit however rose 3.8% to RM183.7 million as inaugural profit from energy sales of RM26.4 million and a one-off construction profit adjustment of RM39.4 million as a result of year-end review of the project cost following completion of project construction work, which is more than offset a 32.5% decline in progressive construction profit recognition from percentage completion.

Resources Division

FINANCIAL RESULTS (CONT'D)

Resources Division (Cont'd)

The Group's Resources Division is mainly involved in the quarrying of limestone and the manufacturing of lime products: quicklime, hydrated lime and pulverized quicklime. Its products are used in a wide range of industries, and are sold locally as well as exported to various countries around the region.

Revenue of Resources Division was marginally 1.0% higher year-on-year at RM143.6. Sales of lime products was marginally 0.4% lower at RM129.2 million, while revenue from other products (mainly from sales of limestone and calcium carbonate powder) rose 14.5% to RM14.4 million on volume gains.

Sales volume of lime products declined 1.2% on weaker domestic demand, alleviated by stronger spot/ad-hoc export sales. During the year, domestic demand was negatively impacted by slower industrial output of key customers.

Average selling price of lime products was 0.8% higher mainly on a stronger US Dollar against the Malaysia Ringgit.

Resources Division posted a pre-tax profit of RM16.5 million, representing a 11.5% decrease from RM18.6 million in 2018 mainly due to higher unit production cost (as a result of lower plant utilisation rate), lower gain on disposal of plant and equipment and higher financing costs.

Property Division

The Group has suspended all new property development projects since 2015 due to the weak domestic property market while it focuses on selling off the remaining completed property inventory located in Melaka, Salak Tinggi and Ipoh.

At the end of 2019, total unsold inventory stood at about RM9.8 million. On the investment side, the Property Division will continue to manage its investment properties, comprising mainly the PJ8 office buildings, cum commercial lots and more than 900 parking bays which produce constant stream of rental income in the past years.

Property Division's revenue improved 14.8% to RM10.9 million (2018: RM9.5 million) due to higher development income. In 2019, 3 units of development properties were sold for RM2.6 million, as opposed to 2 units with sales value of RM1.0 million in 2018. Rental income was stable at RM8.3 million (2018: RM8.4 million).

Excluding the effect of RM6.4 million fair value gain on investment properties recognised in 2018, the Division's pre-tax profit improved by 4.0% to RM6.2 million (2018: RM5.9 million) on higher development profit.

FINANCIAL RESULTS (CONT'D)

Discontinued Operations

The discontinued operations comprised the following:

(a) Power plant in China operated by 60%-owned Shaoxing Mega Heat & Power Co., Ltd ("SMHP"). The sino-foreign co-operative joint venture agreement with Qixian Heat & Power Co., Ltd of the People's Republic of China ("QHP") expired on 22 October 2017 and was not extended by the Group; and

(b) Power plant in Tawau, Sabah operated by 51%-owned Serudong Power Sdn Bhd ("SPSB"). The Power Purchase Agreement ("PPA") expired on 2 December 2017.

Therefore, the results of both SMHP and SPSB were presented in the financial statements as discontinued operations. No revenue was recognised from the two discontinued power plants in both 2019 and 2018. Loss after tax of RM1.3 million was reported in 2019 solely for costs incurred to maintain SPSB's power plant, in contrast to combined loss of RM13.7 million reported by both SPSB and SMHP in 2018 (mainly due to RM9.8 million impairment charge provided on receivable from Qixian Heat and Power Co.in relation to the China power plant).

On 11 November 2019, SPSB has entered into an Assets Sale Agreement ("ASA") with Reliable Power Resources Sdn Bhd ("RPR") for the disposal of its Buildings and Plant Assets for RM3.0 million. As the assets of SPSB have been fully impaired in 2018, the disposal upon completion is expected to record a RM3.0 million gain on disposal in 2020.

It is a condition to the completion of ASA that SPSB receives a letter from Sabah Electricity Sdn Bhd ("SESB") in a form satisfactory to SPSB, confirming amongst others, the termination of the Site Lease Agreement (entered into between SPSB and SESB) on or before the Completion Date that possession of the Land together with Buildings and Plant Assets thereon has been yielded to SESB to its satisfaction and that SESB has no claim against SPSB arising from or in connection with the lease of the Land. The aforesaid condition has not yet been fulfilled as at 31 December 2019.

Further, upon completion, SPSB is expected to reverse RM16.7 million provided in 2018 for plant dismantling and associated costs which will no longer be necessary following the disposal of the power plant assets.

FINANCIAL POSITION

Assets and Liabilities

Changes in key assets and liabilities during the financial year ended 31 December 2019 are explained below:

Asset/Liability Items	As At 31.12.2019 RM'000	As At 31.12.2018 RM'000	Changes RM'000	Explanation
Property, plant and equipment ("PPE")	222,770	287,392	(64,622)	Decrease largely due to: 1. PPE of RM74.5 million reclassified to Right-Of-Use Assets following the adoption of MFRS 16; and 2. RM16.4 million depreciation charge and PPE disposals/write-offs; Partially offset by RM26.7 million capital expenditure, comprising mainly: - RM13.1 million on plantation development in Cambodia; - RM7.0 million on expanding packaging production capacity; and - RM5.4 million on manufacturing facilities of Resources Division.

FINANCIAL POSITION (CONT'D)

Assets and Liabilities (Cont'd)

Changes in key assets and liabilities during the financial year ended 31 December 2019 are explained below: (Cont'd)

Asset/Liability Items	As At 31.12.2019 RM'000	As At 31.12.2018 RM'000	Changes RM'000	Explanation
Intangible asset	2,048,137	1,635,027	413,110	Intangible asset represents the cumulative construction revenue recognised for Don Sahong Project.
Investment properties	177,212	177,212	–	No movement in the current period.
Inventories (non-current)	43,443	43,443	–	Represents land held for property development. No movement in the current period.
Right-Of-Use Assets	95,989	–	95,989	Consist of: 1. Leasehold land of RM59.2 million; 2. Land use rights of RM21.7 million; and 3. Assets of RM15.1 million acquired under hire purchase term.
Investment in quoted shares	49,385	43,247	6,138	Increase was due to an increase in the market value of quoted securities.
Inventories (current)	66,974	64,230	2,744	Increase mainly attributable to higher inventory in Packaging division on higher sales, partially offset by lower inventory of developed properties on disposal.
Receivables	97,347	93,101	4,246	Increase mainly attributable to inaugural trade receivable from Électricité du Laos for sale of energy, partially offset by lower receivables recorded at the Resources Division.
Deferred tax liabilities	95,935	88,342	7,593	Increase was mainly due to deferred tax provided on construction profit recognised for Don Sahong Project.
Payables (current)	314,899	286,995	27,904	Increase was mainly related to amount owing to Sinohydro for construction work of Don Sahong Project where such amount will only be settled in 2020 pursuant to deferred payment arrangement agreed between the parties.

As a group, we maintain a group cash management system which enables us to fund the operations and expansion of our subsidiaries. We secure and maintain adequate credit and loan facilities at our main operating units to support our expansion, investment and operational needs.

FINANCIAL POSITION (CONT'D)

Group Borrowings and Debt Securities

As at 31 December 2019, total borrowings (exclude lease liabilities/hire purchase) amounted to RM746.1 million (2018: RM598.7 million). The table below sets out the salient information on the Group's bank borrowings:

	Long-term		Short-term		Total
	USD RM'000	RM RM'000	USD RM'000	RM RM'000	Borrowings RM'000
Secured					
Bankers' acceptance	–	–	–	11,200	11,200
Term loans	–	27,929	–	13,639	41,568
Bank overdrafts	–	–	–	1,422	1,422
Revolving credits	–	–	613,950	73,000	686,950
	–	27,929	613,950	99,261	741,140
Unsecured					
Revolving credits	–	–	–	5,000	5,000
Total bank borrowings	–	27,929	613,950	104,261	746,140

The increase in total borrowings since 31 December 2018 was mainly attributable to net drawdown of term loan/revolving credit of RM161.8 million to part finance/refinance the construction of the Don Sahong Project.

Interest rate on the Group's bank borrowings are wholly floating in nature.

The interest rate on foreign currency revolving credit has been partially hedged by an interest rate swap.

The Group has no debt securities as at 31 December 2019.

CASH FLOW ANALYSIS

The Group generated RM41.9 million cash from its operating activities during the financial year ended 31 December 2019 (2018: RM38.6 million).

In the same period, the Group spent RM260.9 million on investing activities comprising mainly RM223.4 million on Don Sahong Project, RM27.7 million on purchase of property, plant and equipment and right-of-use assets as well as RM12.7 million on subscription of additional equity shares in a subsidiary. These investments were funded primarily by borrowings and internal funds. Consequently, the Group's bank borrowings (excluding bank overdrafts) increased RM152.8 million to RM744.7 million (2018: RM591.9 million) while cash and cash equivalents decreased RM34.1 million to RM88.0 million (2018: RM122.1 million).

FOREIGN CURRENCY EXPOSURE

The Group's major exposure to foreign currency exchange fluctuation is as follows:

Don Sahong Hydropower Project

Foreign currency exchange fluctuation will not have a material impact to the commercial merits and viability of the Project given that the future income stream, project construction costs (outstanding as at 31.12.2019) and operating expenses are denominated primarily in the US Dollar.

The fluctuation of Malaysia Ringgit against the US Dollar will however have an impact on the reported earnings and balance sheet of the Group which are denominated in Malaysia Ringgit term in the form of gain/loss arising from translation of foreign subsidiaries' financial statements.

Resources Division

Export sales of lime products which are primarily denominated in US Dollar and Australian Dollar which accounted for about 59% of revenue in 2019. The revenue exposure to foreign currency fluctuation is partly hedged by US Dollar denominated input cost (mainly from fuel costs) and freight charges which accounted for 52% of lime products' cost of sales.

DIVIDEND POLICY

The Company does not maintain a fixed long-term dividend policy. In deciding the dividend payout for each year, the Board considers the strength of the Group's cash flow from operating activities, the cash outlay commitments and future plans of the Group. For the financial year under review, the Company has decided to escalate its dividend payout to 6.0 sen per ordinary share, 2.0 sen higher than what was declared in 2018.

FORWARD-LOOKING STATEMENT

The Group's prospects and future plans can be found in the Chairman's Statement.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board is committed to ensuring that good corporate governance practices are applied throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and to improve its financial performance. This overview statement provides an overview of the Group's practices and applications of the Recommended Practices under the Malaysian Code on Corporate Governance 2017 ("MCCG") throughout the financial year ended 31 December 2019.

The details on how the Company has applied each Practice set out in the MCCG during the financial year ended 31 December 2019 are disclosed in the Corporate Governance Report 2019 ("CG Report"), which is available on the Company's website, www.mega-first.com. This overview statement is to be read together with the CG Report.

PRINCIPLE A

BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

The Board takes full responsibility for the oversight and overall performance of the Company and of the Group. In discharging its functions and responsibilities, the Board is guided by the Board Charter, which outlines the duties and responsibilities and matters reserved by for the Board. Prior approval from the Board is required for material capital expenditure, projects, acquisitions or divestitures. Additionally, the Directors are expected to act in a professional manner and to observe high ethical business standards, honesty and integrity at all times and thereby protect and promote the reputation and performance of the Company.

In order to discharge their duties and responsibilities effectively, all directors have unrestricted access to senior management personnel and the Company Secretary. Further details regarding Board meetings' agenda and Board papers containing information for deliberation at the Board meetings are furnished timely to the Board to accord sufficient time for the Directors to review the Board papers. The Board is also informed of the decision and significant issues deliberated by the Board Committees via the reporting of the Chairman of the respective Board Committees.

Board Committees, namely Audit Committee, Remuneration Committee, Nominating Committee and Employees' Share Option Committee have also been established by the Board to assist them in the discharge of its stewardship role. All the committees have written terms of reference and, where applicable, comply with the recommendations of the MCCG. These Board Committees examine specific issues within their respective terms of reference as approved by the Board and report to the Board with their recommendations. The Board receives reports of the Committees' proceedings and deliberations. The ultimate responsibility for decision making, however, lies with the Board.

The Board has adopted the Board Charter since 2014 which was last reviewed in 2017. The Company also adopts the Employee Code of Conduct and Disciplines which set out the standard of conduct and culture required for all employees of the Group. The Group has also established a Whistleblowing Policy. All documents are available at the Company's website, www.mega-first.com.

The Executive Chairman essentially functions as Chief Executive Officer and Chairman of the Board. He leads the Board and ensures that appropriate discussion takes place and relevant opinions among Board members are forthcoming. In addition, the Chairman represents the Board to the shareholders to ensure orderly conduct and proceedings of general meetings and shareholders have adequate opportunity to air their views and obtain answers to their queries. The Executive Chairman also oversees the business affairs of the Group and is responsible for leading the Management in the execution of broad policies and strategies approved by the Board. The fact that the Executive Chairman is also the single largest shareholder, there is the advantage of shareholder leadership and a natural alignment of interests. He has shown tremendous commitment and had played an integral role in the stewardship of the Group.

PRINCIPLE A (CONT'D)

BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

I. Board Responsibilities (Cont'd)

The Executive Chairman is assisted by the Executive Directors in ensuring the smooth and effective running of the Group. The Executive Directors are assisted by the head of each division in implementing and running the Group's day-to-day business activities. The head of division with their "hands-on" knowledge and expertise in operational issues is responsible for formulating strategic plans to accommodate changes swiftly.

The Board is comfortable that there is no undue risk of potential conflict of interest as all related party transactions are disclosed and strictly dealt with in accordance with the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad. In addition, the Independent Directors who constitute a majority of the Board, provides for effective oversight over management and ensures that there is independence of judgement.

II. Board Composition

The Board, led by an experienced Executive Chairman, is made up of ten (10) members of whom three (3) are Executive Directors, six (6) are Independent Directors and one (1) Non-Independent Non-Executive Director. Independent Directors form more than half of the Board, thus fulfilling the MMLR of Bursa Malaysia Securities Berhad for ensuring that minority shareholders' interests are adequately represented.

The Board recognises the advantages of maintaining a diverse Board in terms of background, knowledge, experience, expertise, skills, ethnicity, age, and gender when appointing new Directors. The composition of the Board consists of individuals with a wide range of experience, industry knowledge and skills in the management and direction of the Group. A brief profile of the Directors is presented in this Annual Report.

At present, there is no fixed limit to the term for its Independent Directors to remain as Independent Directors on the Board. The Board is of the view that an Independent Director should be judged on his calibre, experience and knowledge of the Group as well as his or her ability to act independently in the best interest of the Group. Nonetheless an annual shareholders' approval will be sought for the retention of two (2) Independent Directors who have served the Board for more than 9 years. In the case of an Independent Director who has served the Board for more than 12 years, shareholders' approval will be sought through a two-tier voting. The Nominating Committee shall assess the independence of the Independent Director and thereafter proposes to the Board to recommend to shareholders for their approval to retain the Independent Director.

In respect of the year ended 31 December 2019, the Board believes that its current composition and size is adequate and provide for sufficient diversity taking into account the scope and nature of the Group's operations.

Directors' Training

All Directors have successfully completed the mandatory accreditation programme prescribed by the MMLR.

The Directors are mindful that they should receive appropriate continuous training in order to broaden their perspectives and to keep abreast with new developments for the furtherance of their duties. Each Director also evaluate his own training needs on a continuous basis that would best enable them to enhance their knowledge and contributions to the Board. The Board, through the Nominating Committee, oversees the training needs of its Directors. The Company Secretary compiles training programmes including those conducted by Bursa Malaysia, which are available to the Directors for their selection and participation.

The Directors are encouraged to visit the Group's operating centres to have an insight into the Group's various operations which would assist the Board to make effective decisions relating to the Group.

PRINCIPLE A (CONT'D)

BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II. Board Composition (Cont'd)

Directors' Training

The programmes that were attended by the Directors during the year under review includes the following:-

Name	Programmes
Goh Nan Kioh	• Corporate Liability under Section 17A of the Malaysian Anti-Corruption Commission Act 2009 ("MACC Act")
Goh Nan Yang	• Corporate Liability under Section 17A of the MACC Act
Khoo Teng Keat	• Corporate Liability under Section 17A of the MACC Act
Dato' Koh Hong Sun	• Corporate Liability under Section 17A of the MACC Act • Symposium Governance 2019 – Building a Governance Eco-System • Anti-Money Laundering/Counter Financing of Terrorism – Insurance & Takaful Sector • Briefing on MFRS 16 : Leases • Cyber Security
Tay Kheng Chiong	• Corporate Liability under Section 17A of the MACC Act • Update on Corporate Communication • Anti-Bribery & Corruption
Yeow See Yuen	• Corporate Liability under Section 17A of the MACC Act
Dato' Tan Ang Meng	• Corporate Liability under Section 17A of the MACC Act
Datuk Hj. Pengiran Saifuddin bin Pengiran Tahir	• Corporate Liability under Section 17A of the MACC Act
Jesper Bjorn Madsen	• Corporate Liability under Section 17A of the MACC Act
Professor Dato' Dr. Tan Hui Meng	• Corporate Liability under Section 17A of the MACC Act • 34th Annual EAU Congress Barcelona • 22nd Asian Congress of Surgery in conjunction with the Annual Scientific Congress of the College of Surgeons, Malaysia • 17th Urological Association of Asia Congress • 14th Asian Society for Men's Health and Ageing Satellite Meeting • 14th Asian Society for Men's Health and Aging • 6th Certificate Course in Andrology

Nominating Committee ("NC")

The NC consists wholly of Non-Executive Directors and is chaired by the Senior Independent Director. The composition of the NC is set out in the Corporate Information section of this Annual Report.

The NC's role include assessing and recommending candidature of directors, succession plans and training programs, boardroom diversity, board composition, annual assessment of directors, Board and Board Committees. The NC meets as and when required, but at least once a year.

The activities undertaken by the NC in the year under review includes assessing the candidature for appointments to the Board and reviewing the results of the annual assessment on the Board, Board Committees and individual Directors, the effectiveness of the Board as a whole, training for Directors as well as the independence of three (3) Independent Directors whose tenure have exceeded nine (9) years. The possibility of replacing Executive Directors and senior management will be addressed when circumstances require.

PRINCIPLE A (CONT'D)

BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

III. Remuneration

The Remuneration Committee is responsible to implement the Remuneration Policy by reviewing and recommending matters relating to remuneration of Board and Senior Management. It is designed to ensure the transparency in determining the levels and components of remuneration package which continues to retain dedicated directors and senior management. The Terms of Reference of Remuneration Committee is available at the Company's website, www.mega-first.com.

PRINCIPLE B EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AUDIT COMMITTEE ("AC")

The AC comprises three (3) Independent Non-Executive Directors and is chaired by Mr Yeow See Yuen.

The AC plays an active role in helping the Board discharge its governance responsibilities. The AC works within the purview of the terms of reference. The AC reviews issues of accounting policy and presentation for external financial reporting, monitors the internal audit function and ensures an objective and professional relationship is maintained with the external auditors. Its principal function is to assist the Board in maintaining a sound system of internal controls and governance.

The AC member has full access to the auditors, both internal and external, who in turn have access at all times to the Chairman of the AC. The Report of the AC, including its composition, duties and activities, is presented in the Audit Committee Report section of this Annual Report.

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board acknowledges its overall responsibility for maintaining the system of risk management and internal controls to safeguard shareholders' investment and the Company's assets. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Group's objectives and activities are aligned with those risks and opportunities. The business unit head identifies and communicates with the Executive Directors of the Company the critical business risks and the management action plan to manage the risks. Such approaches are to mitigate and manage rather than eliminate risks and provide only reasonable assurance against misstatement or loss.

The Board is assisted by the AC to review and evaluate the adequacy and effectiveness of the internal control system through deliberation of Internal Audit Reports. A Risk Assessment Team was established to oversee the risk management activities of the Group, oversees the effective communication and implementation of the Group's risk tolerance and other related issues.

The details of the Risk Management and Internal Control Framework is disclosed in the Statement on Risk Management and Internal Control of this Annual Report.

PRINCIPLE C INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. COMMUNICATION WITH STAKEHOLDERS

The Board acknowledges the need for shareholders and stakeholders to be informed of all material business matters affecting the Company. They are kept well informed of developments and performances of the Company through timely announcements and disclosures made to the Bursa Malaysia, including the release of financial results on a quarterly basis. The Company's annual report which contains all the necessary disclosures in addition to facts and figures about the Group and the Company is released within four months after the financial year end. In addition, efforts have been made to ensure that the report is user friendly so that shareholders have a good understanding about the Company and its operations. All announcements and disclosures made to Bursa Malaysia, including the annual report, are also accessible from the Company's website, www.mega-first.com.

II. CONDUCT OF GENERAL MEETINGS

Annual General Meetings ("AGM") is an important forum for communicating with the Shareholders. Members of the Board, the Financial Controller and external auditors were present to answer questions raised at the 53rd AGM held on 29 May 2019. The Chairman presented the overall performance and progress of business activities of the Group. Shareholders were able to participate and provided with opportunity to raise queries in relation to the Company's business activities and all queries were answered by the Directors appropriately.

The voting of all resolutions at the AGM was conducted through e-polling system to facilitate good participation of shareholders. The Board endeavours to comply with the good practice in the upcoming AGM and other future General Meetings of the Company.

This statement is made in accordance with a resolution of the Board of Directors passed on 16 March 2020.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

Principle B of the Malaysian Code on Corporate Governance 2017 ("MCCG") requires listed companies to maintain a sound system of risk management and internal control to safeguard shareholders' interests and the Group's assets. The Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad, Practices 9.1 and 9.2 of the MCCG require Directors of listed companies to include in their annual report a statement about the state of their risk management and internal control as a group. The Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers ("the Guidance") provides guidance for compliance with the aforesaid requirements. Set out below is the Board's Statement on Risk Management and Internal Control for the financial year ended 31 December 2019, which has been prepared in accordance with the Guidance, MMLR and recommendations of MCCG.

BOARD'S RESPONSIBILITIES

The Board acknowledges that it is responsible for the overall risk management and internal control system of the Group, and for reviewing its adequacy, integrity and effectiveness. The Group has an established internal audit department that reports to the Audit Committee. It is responsible for undertaking regular review of the risk management and internal control processes in order to provide the Board with independent and objective assurance that the risk management and internal control system is adequate and effective in addressing the risks identified. The Board recognises that such system is designed to manage, rather than to eliminate, the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board confirms that there is an ongoing process for identifying, evaluating and managing significant risks faced by the Group for the financial year under review, and the process has been in place during the financial year and up to the date of approval of the Annual Report. This process is an integral part of the Group's risk management and internal control system.

MANAGEMENT'S RESPONSIBILITIES

Management is accountable to the Board for risk management and internal control and has implemented processes to identify, evaluate, manage and report risks and controls.

Business plans and business strategies are formulated by Executive Directors and presented to the Board for review to ensure proposed plans and strategies are in line with the Group's risk appetite. On the day-to-day operations, the respective Head of Division/Business Unit are responsible for managing the risk of their division/business unit. Changes in the key business risks faced by the Group or emergence of new business risks and the corresponding internal controls to mitigate the risks are discussed during management meetings.

INTERNAL AUDIT FUNCTION AND ACTIVITIES

The Internal Audit function and activities can be found in the Audit Committee Report.

THE RISK MANAGEMENT PROCESS

The Group defines risk as any event that may impact upon its business objectives. It is measured in terms of likelihood and consequences. Business risks arise as much from the likelihood of loss opportunities as it does from uncertainties and hazards. Our risk management process is to identify, evaluate, respond and monitor appropriately the risks that might affect the Group's business objectives.

The key aspects of the risk management process are as follows:

(a) Establish Context

A Risk Assessment Team ("RAT"), headed by an Executive Director, is established to oversee the risk management activities of the Group. The RAT also oversees the effective communication and implementation of the Group's risk tolerance and other related issues. Significant risks are brought to the attention of the RAT and the Board.

(b) Identify Risk

Risks are primarily identified and assessed by segments, functions and countries. Risk identification involves examining all sources of potential risk and the perception of all stakeholders, both internal and external, which may impact the achievement of the business objectives. All identified risks are documented in Key Risk Records after assessing its possibilities and causes of occurrence as well as implications with treatment and ongoing monitoring.

(c) Analyse Risk

The identified risks are analysed to determine their risk levels, which are determined by the relationship between the likelihood and the consequences if the risk occurs. The likelihood and consequences are assessed by taking into account the adequacy and enforcement of existing controls. The Group uses a five-level scale for probability and a set of scales to measure different aspects of the impact. Risks are then scored in a qualitative risk matrix.

Risks are categorised into four levels – low, moderate, high and extreme.

Risk Level	Action to be Taken
Low	Managed by routine procedures and low level delegations, unlikely to consider specific application of resources.
Moderate	Managed by specific monitoring or response procedures within line management delegations.
High	Executive management accountability with senior management responsibility.
Extreme	Immediate action must be taken to reduce the risk. If it is not possible to reduce the risk immediately, it must be referred to the Executive Chairman.

(d) Evaluate Risk

The evaluation takes into account the degree of control over each identified risk and the cost impact, benefits and opportunities presented by the risk. The significance of the risk, and the importance of the policy, program, process or activity, are considered in deciding if a risk is acceptable or otherwise. Risks with "High" or "Extreme" will be given high priority while risks that are beyond the control of the Group will be monitored closely with no specific action plan.

THE RISK MANAGEMENT PROCESS (CONT'D)

(e) Treat Risk

Risks are treated in different ways depending on their nature. The intention of a risk treatment is to reduce the expected level of an unacceptable risk. There are a number of options available for treating risks. These should be considered in the light of cost and benefit for implementing action.

Where risks are identified as unavoidable or no suitable treatment plans are available, the management has accepted them. Other treatment options include avoiding the risk by not taking the activity that is likely to trigger the risk, reducing the risk by implementing preventive or reactive controls and transferring the risk by outsourcing the activity or purchasing insurance for insurable risks.

(f) Monitor and Review Risk

Review of the risk profiles, control procedures and status of the action plans are carried out on a regular basis by the respective Head of Division/Business Unit. This is to ensure that appropriate actions are taken to address issues reported on a timely basis or within agreed timelines in addition to keeping abreast of changes in the business and operating environment.

The Key Risk Records from the core divisions/business units are reviewed by the RAT, and the status of mitigation plans are communicated to the Board.

Under the Group's Risk Management Framework, sources of risk can be categorised into the following headings, with different strategies to mitigate each:

(a) Strategic and Business Risks

The Group voluntarily accepts some risks in order to generate high expected returns. The first task in risk management is to establish whether the Group has a vision of the direction it wants to take. The Group takes on risks through its research and development activities and in-depth discussion at the Board level.

(b) Operational Risks

The management of the Group's day-to-day operational risks is mainly decentralised at the division/business unit level and guided by standard operating procedures. Operational risks that cut across the Group are coordinated centrally.

(c) Financial and Commercial Risks

The Group is exposed to various financial and commercial risks relating to credit, liquidity, interest rates, foreign currency exchange rates and commodity prices. The Group's risk management objectives and policies coupled with the required quantitative and qualitative disclosures relating to these risks are set out in notes to the financial statements.

(d) Governance and Compliance Risks

The Group operates in diverse geographical locations and as such is exposed to compliance risks of the laws and regulations in the various countries the Group operates, and compliance with the various certifications. The responsibility and oversight of compliance is delegated to department heads. They have sufficient subject-specific knowledge and are familiar with the policies, procedures and practices outlined in manual of standard operating procedures.

INTERNAL CONTROL SYSTEM

(a) The Group has an organisational structure that is aligned with its business and operational requirements, with clear and formally defined approving authority limits and authorisation procedures, which is the primary instrument that governs and manages the business decision making process within the Group.

(b) Standard Operating Procedures that set out the policies, procedures and practices to be adopted by all companies in the Group, to ensure clear accountabilities and control procedures are in place for all divisions/business units.

(c) Annual budgets that include business plans, strategies and risk profiles are presented to, and approved by the Board. Monthly results are then monitored against budgets and key performance indicators by the management, focusing on variances and important operational issues, and the findings discussed with the Head of Division/Business Unit.

(d) The Group has in place management information systems that capture, compile, analyse and report relevant data, which enable the management to make business decisions in an accurate and timely manner. Management and financial reports are generated regularly to facilitate financial and operating reviews of the various divisions/business units by the management and the Board.

(e) Adequate insurance and physical security of major assets are in place to ensure that assets are safeguarded and sufficiently covered against disaster that will result in material losses to the Group.

(f) On a quarterly basis, the Board reviews and discusses a comprehensive Quarterly Review Report, covering the Group's performance. In addition, the Board also deliberates on the appropriateness of key business strategies adopted by the divisions/business units in the light of any significant shifts in risk profiles. In this manner, the Board is not only kept well informed on current issues facing the Group but also participates in risk management.

(g) Risk-based approach adopted by the internal audit department whose yearly audit plan is based on the key risk profiles of the divisions/business units of the Group. This plan, which is approved by the Audit Committee prior to the commencement of audit, is also regularly reviewed for enhancement.

(h) Regular internal audits are carried out to review the adequacy, integrity and effectiveness of the risk management and internal control system based upon the audit plan. Material audit findings are reported immediately to the Audit Committee.

The reports outlining all significant audit observations and follow-up actions are submitted to the Audit Committee. The Audit Committee reviews the findings with the management at its quarterly meetings and updates the Board on significant issues for the Board's attention and action. These, together with the External Auditors' reports, provide additional assurance that control procedures are in place, and being followed.

(i) The Group's system of risk management and internal control applies to the Company and its subsidiaries only. Joint venture is excluded as it is relatively immaterial. However, the Group's interest in its joint venture is served through representation on the Board of the joint venture, receipt and review of management accounts, and enquiries thereon. Such representation also provides the Board with information for timely decision making on the continuity of the Group's investment based on the joint venture's performance.

(j) A Whistleblowing Policy has been established to facilitate disclosure of any improper conduct within the Group.

ASSURANCE TO THE BOARD

The Executive Directors and Financial Controller are responsible for ensuring that the Group's risk management and internal control processes are systematically assessed and continuous improvements scrutinised by means of independent and objective evaluations. The Board has been assured by the Executive Directors and Financial Controller that these processes are adequately established and effectively implemented, and nothing has come to their attention which may render the financial results presented and information provided to be false and misleading in any material respect.

BOARD'S COMMITMENT AND OPTION

The Board is mindful that the development of the Risk Management Framework is an ongoing process and continues to take steps to improve the risk management and internal control processes. During the financial year under review, some weaknesses in risk management and internal control were identified but were not considered significant to be mentioned in this Statement as none had materially impacted the business operations of the Group. Nevertheless, remedial actions and corrective measures have been or are being taken to address these weaknesses.

The Board is of the view that the Group's system of risk management and internal control is reasonably adequate in mitigating risks. However, the Board recognises the fact that it requires continuous review to meet the changing and challenging business environment as well as to safeguard shareholders' interests and the Group's assets. Therefore, the Board is committed towards maintaining an effective risk management and internal control system throughout the Group and where necessary putting in place appropriate plans to further enhance the Group's system of risk management and internal control.

REVIEW OF THIS STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the MMLR of Bursa Malaysia Securities Berhad, the external auditors, Crowe Malaysia PLT, have reviewed this Statement on Risk Management and Internal Control for inclusion in this Annual Report for the financial year ended 31 December 2019.

Their limited assurance review was performed in accordance with Malaysian Approved Standard on Assurance Engagements ISAE3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information as well as Audit and Assurance Practice Guide 3 ("AAPG 3"), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report, issued by the Malaysian Institute of Accountants.

AAPG 3 does not require the external auditors to, and they did not, consider whether this statement covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system. It also does not require the external auditors to consider whether the processes to deal with material internal control aspects of any significant problems will, in fact, remedy the problems.

Based on their review, nothing had come to their attention that caused them to believe that the Statement on Risk Management and Internal Control set out above was not prepared, in all material aspects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers, nor was factually inaccurate.

AUDIT COMMITTEE REPORT

A. COMPOSITION AND MEETINGS

The Committee comprises three (3) members, all of whom satisfy the independence requirements of the Listing Requirements. The composition and details of attendance of each member at the Audit Committee meetings during the financial year ended 31 December 2019 ("the financial year") were as follows:-

Name of Members	No. of Meetings Attended	Percent
Yeow See Yuen Chairman (Independent Director)	5 out of 5	100
Dato' Tan Ang Meng (Independent Director)	4 out of 5	80
Jesper Bjorn Madsen (Independent Director)	4 out of 5	80

The Committee met 5 times during the financial year. The Head of the Internal Audit Department and the Company Secretary were in attendance at all the meetings. The Financial Controllers were present by invitation at all the meetings whilst an Executive Director was present by invitation at certain meetings. In addition, the Committee had met twice with the External Auditors, Crowe Malaysia PLT without the presence of management, to discuss any matters which the External Auditors may wish to discuss.

B. TERMS OF REFERENCE

In performing its statutory duties and responsibilities, the Committee is guided by the terms of reference which can be viewed on the Company's website at www.mega-first.com. The terms of reference was last reviewed in March 2018 to address the new requirements of Malaysian Code on Corporate Governance 2017.

C. SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

The Committee carried out its duties and responsibilities as set out in the terms of reference and carried out the activities as follow:

1. Financial Statement and Reporting Review

1.1 Reviewed and discussed the quarterly management report and accounts on the unaudited results of the Group. The review had included the comparative quarterly and year-to-date results.

1.2 Reviewed the adequacy and appropriateness of disclosure of unaudited quarterly financial statements before recommendation to the Board of Directors for consideration and approval and release to Bursa Malaysia. When reviewing these financial statements, the Committee had obtained reasonable assurance that the condensed interim financial statements were prepared in accordance with the applicable financial reporting standards and the Bursa Malaysia Listing Requirements.

C. SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE (CONT'D)

1. Financial Statement and Reporting Review (Cont'd)

1.3 Reviewed the audited financial statements of the Group and of the Company as well as the statutory auditors' report thereon prior to the submission the Board for their consideration and approval, upon being satisfied that, inter alia, the financial statements were drawn up in accordance with the applicable Malaysian Financial Reporting Standards and International Financial Reporting Standards issued by the Malaysian Accounting Standards Board and the Companies Act, 1965. The Committee's review has included an intelligent scrutiny of the statutory financial statements based on an analytical approach whilst at the same time obtaining assurance from management and the external auditors that the financial statements were in compliance with the relevant statutory requirements, accounting standards and Malaysian Financial Reporting Standards to ensure it presented a true and fair view of the Company's financial performance.

1.4 Reviewed the disclosure statements of published annual report of the Company which encompasses the Corporate Governance Overview Statement, Corporate Governance Report, Statement on Risk Management and Internal Control and other documents as set out in Part A of Appendix 9C of the Listing Requirements.

2. Matters Relating to External Audit

2.1 Reviewed and discussed with the external auditors their 2019 Audit Planning Memorandum before commencement of the annual audit. The External Auditors had briefed the Audit Committee on their 2019 Audit Planning Memorandum covering inter alia, audit approach, significant events, areas of audit emphasis and timeline.

2.2 Reviewed and discussed with the external auditors their Audit Review Memorandum upon completion of the annual audit, covering significant audit findings, internal control points, status of audit and accounting issues and on the matter of independence of the external auditors.

2.3 Met with the external auditors twice during the year without the presence of executive Board members and management, to discuss issues, if any, arising out of the annual audit or any other matters the external auditors may wish to discuss with the Committee. There were no major issue raised during both meetings.

2.4 Assessed and evaluated the performance and conduct of the audit undertaken by the external auditors for their re-appointment as auditors of the Company. The Committee had in March 2020 conducted an annual assessment of the quality of services provided, quality of interaction, objectivity and professionalism of external auditor in the form of a assessment questionnaires. The Committee also obtained feedbacks from the management who had contact with the audit engagement team. The assessments encompassed the following areas:-

a. Objectivity and Independence

The external auditors provide a written assurance to the Committee confirming that they were not aware of any relationship which be thought to impair their independence, and they were continuously complied with the relevant ethical and regulatory requirements.

The external auditors' independence was further enhanced by the By-Laws of Malaysian Institute of Accountants (on professional ethics, conduct and practice) as well as Crowe Malaysia PLT's internal policy, which requires the audit engagement partner to be rotated every five (5) years. The audit engagement partner responsible for the Group audit was rotated since 2017.

C. SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE (CONT'D)

2. Matters Relating to External Audit (Cont'd)

a. Objectivity and Independence (Cont'd)

The provision of non-audit services rendered by external auditors was also reviewed by the Committee to assess reasonableness of fees charged and whether such services will impair their independence. The non-audit services rendered for the financial year ended 31 December 2019 were in relation to tax compliance services and the annual review of the Statement on Risk Management and Internal Control. The Committee opines that the services have not impaired the independence of external auditors.

b. Communications and Quality of Services

The Committee deliberated on the effectiveness of external auditors having regards to areas encompassing technical competency, availability of resources and quality of services. The lead audit engagement partner and engagement teams have also demonstrated openness, objectivity and professionalism in communication with Audit Committee through discussions at private meetings.

3. Matters Relating to Internal Audit

3.1 Reviewed and approved the Audit Planning Memorandum of the internal auditors for the financial year ending 31 December 2020 to ensure adequate scope and resources of the internal audit function and coverage on the activities of the Group taking into consideration the assessment of key risk areas.

3.2 Reviewed and discussed the internal audit reports prepared by the Internal Audit Department which consists of the findings, recommendations and the corrective actions committed by the Management to ensure that all key risks will be addressed and adequate controls put in place on a timely basis.

3.3 Reviewed the progress of action plans committed by the Management for the key findings highlighted in previous Internal Audit Reports issued until all material findings have been fully rectified.

3.4 Reviewed with the assistance of the Internal Audit Department on a quarterly basis to determine the presence of any related party transaction to ensure transactions are fair and reasonable which complied with the internal procedures and the Listing Requirements.

4. Other Matters Considered by The Committee

4.1 Reported to the Board on significant issues and concerns discussed during the Committee meetings together with applicable recommendations. Minutes of meetings were made available to all Board members.

4.2 Discussed and noted the updates on regulatory requirements issued by regulatory, statutory and professional bodies, and business news articles published by the mass media which may be of interest to the Committee and the Board.

D. INTERNAL AUDIT FUNCTION AND ACTIVITIES

The internal audit function of the Company is performed in-house by its Internal Audit Department. The Committee is assisted by the Internal Audit Department in discharging its duties and responsibilities. The Internal Audit function is independent of the activities they audit. The Head of Internal Audit reports directly to the Committee and has unrestricted access to the Committee members on all matters. The Internal Audit Department expenses in respect of the financial year ended 31 December 2019 was RM378,445.

The primary roles of the Internal Audit Department are to undertake regular and systematic reviews of the risk management process, effectiveness of internal controls and governance practices of the Company and of the Group. Internal Audit Department provides independent and reasonable assurance to the Board and Management that the internal controls are operating satisfactorily and effective.

The Internal Audit Department performed routine audit and reviews on all business segments of the Group in accordance with the approved Audit Planning Memorandum. Audit reports were issued to the Management and the Committee with detailed findings, recommendations and management's responses on the findings. The Head of Internal Audit attends all meetings of the Committee and presents the quarterly work progress report on the status of completion of planned audit assignment including the findings on audit reports, updates on implementation of corrective actions on past key audit findings and the review of the quarterly related party transactions. During the financial year under review, 7 internal audit assignments were completed covering operating units on resources, property and other investment holdings within the Group. The audit activities encompassed operational and compliance audits of operations to ascertain adequacy and effectiveness of their system of internal control as well as determine the reliability and integrity of financial and operational information.

The Internal Audit Department also assisted the Committee to prepare the Report of the Audit Committee for inclusion in the Company's Annual Report, and reviewed the appropriateness of the Corporate Governance Overview Statement, Corporate Governance Report and the Statement on Risk Management and Internal Control in regard to the compliance with the Malaysian Code on Corporate Governance 2017, paragraph 15.15 of the Main Market Listing Requirements and Statement on Risk Management and Internal Control - Guidelines for Directors of Listed Issuers as well as that processes adopted by Management were consistent with the Internal Audit function's understanding of the Group's risk management and internal control systems and corporate governance practices.

ADDITIONAL COMPLIANCE INFORMATION DISCLOSURES

(1) UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

No proceeds were raised by the Company from any corporate exercise during the financial year.

(2) MATERIAL CONTRACTS WITH RELATED PARTIES

There was no material contract entered into by the Group involving the interest of Directors and major shareholders, either still subsisting at the end of the financial year ended 31 December 2019 or entered into since the end of the previous financial year.

(3) AUDIT FEES AND NON-AUDIT FEES FOR EXTERNAL AUDITORS

The amount of audit fees incurred by MFCB and MFCB Group amounted to approximately RM145,000 and RM532,000 respectively.

The amount of group non-audit fees payable to MFCB's external auditors and their affiliated firm or corporation companies for the financial year ended 31 December 2019 amounted to approximately RM49,000.

(4) EMPLOYEES' SHARE OPTION SCHEME

The Employees' Share Option Scheme of the Company ("ESOS") was implemented on 1 August 2010 and shall be in force for a period of ten (10) years from 1 August 2010.

The total number of options granted, exercised and outstanding under the ESOS, are set out in the table below:-

	Number of Options (Since commencement of ESOS to 31 December 2019)	
Description	Grand Total	Directors
(a) Granted	30,150,846	19,450,288
(b) Exercised	5,316,412	3,049,738
(c) Lapsed	1,946,023	980,000
(d) Outstanding	22,888,411	15,420,550

Percentages of options applicable to Directors and Senior Management under the ESOS:-

Directors and Senior Management	During the financial year 2019	Since commencement up to 31 December 2019
(a) Aggregate maximum allocation	50%	50%
(b) Actual granted	0%	39.1%

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for ensuring that the financial statements give a true and fair view of the state of affairs of the Group and Company as at 31 December 2019 and of the results and cash flows of the Group and Company for the financial year ended on that date.

The Directors are pleased to announce that in preparing the financial statements for the financial year ended 31 December 2019, the Directors have:

- Adopted appropriate accounting policies and applied them consistently;
- Made adjustments and estimates that are reasonable and prudent; and
- Prepared the financial statements on a going concern basis.

The Directors are responsible to ensure that the Group and Company keep accounting records which disclose the financial position of the Group and Company with reasonable accuracy, enabling them to ensure that the financial statements comply with the Companies Act 2016.

The Directors are responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and Company, and to detect and prevent fraud and other irregularities.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors of **MEGA FIRST CORPORATION BERHAD** have pleasure in submitting 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 principal activities of the Company are that of investment holding and provision of management services. The principal activities of the subsidiaries are set out in Note 42 to the financial statements.

There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year.

RESULTS OF OPERATIONS

The results of the operations of the Group and of the Company for the financial year are as follows:-

	GROUP RM'000	COMPANY RM'000
Continuing operations		
Profit before tax	188,404	56,506
Income tax expense	(11,984)	(73)
Profit after tax from continuing operations	176,420	56,433
Discontinued operations		
Loss after tax from discontinued operations	(1,311)	–
Profit after tax for the financial year	175,109	56,433
Attributable to:-		
Owners of the Company	153,668	56,433
Non-controlling interests	21,441	–
	175,109	56,433

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

DIVIDENDS

Since the end of the previous financial year, the Company paid a final tax-exempt dividend of 2.0 sen per ordinary share amounted to RM7,998,570 in respect of the financial year ended 31 December 2018 on 12 July 2019.

The Board proposed a final single-tier dividend of 6.0 sen per ordinary share for the financial year ended 31 December 2019. The proposed dividend, which is subject to the approval of the shareholders at the forthcoming Annual General Meeting, has not been included as a liability in these financial statements.

RESERVES AND PROVISIONS

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

ISSUES OF SHARES AND DEBENTURES

During the financial year:-

(a) the Company increased its issued and paid-up share capital from RM540,666,669 to RM593,586,443 by way of:-

(i) an issuance of 19,317,993 new ordinary shares for cash at the price of RM2.22 from warrants conversion; and

(ii) an issuance of 1,660,745 new ordinary shares for cash at prices of RM1.34, RM2.00, RM2.41 and RM3.40 pursuant to the exercise of options under the Employees' Share Option Scheme.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company; and

(b) there was no debenture issued by the Company.

TREASURY SHARES

The information on the treasury shares is disclosed in Note 26(iii) and Note 27 to the financial statements.

EMPLOYEES' SHARE OPTION SCHEME

The Employees' Share Option Scheme ("ESOS") was approved by shareholders of the Company at an Extraordinary General Meeting held on 20 May 2010. The Scheme was implemented on 1 August 2010 and shall be in force for a period of 10 years unless otherwise terminated in accordance with its By-Laws.

The details of the ESOS are set out in Note 28.1 to the financial statements.

WARRANTS

The movement in Warrants 2016/2020 ("Warrants") of the Company during the financial year are as follows:-

	2019 '000	**2018 '000**
As at 1 January	52,852	58,789
Converted during the financial year	(19,318)	(5,937)
As at 31 December	33,534	52,852

Warrant holders are not entitled to vote in any general meeting of shareholders of the Company or to participate in any distribution and/or offer of further securities in the Company unless and until the warrant holder becomes a shareholder of the Company by exercising the Warrants.

The details of the Warrants are set out in Note 28.4 to the financial statements.

OTHER FINANCIAL INFORMATION

Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made up, the Directors took reasonable steps:-

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for impairment losses on receivables; and

(b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

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

(a) which would require the further writing off of bad debts or the additional amount of allowance for impairment losses on receivables in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or

(c) 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

(d) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

The contingent liability is disclosed in Note 38 to the financial statements. At the date of this report, there does not exist:-

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

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

In the opinion of the Directors:-

(a) no contingent or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due; and

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

DIRECTORS

The names of directors who served during the financial year and up to the date of this report:-

- Goh Nan Kioh
- Goh Nan Yang (Also alternate to Goh Nan Kioh)
- Khoo Teng Keat
- Dato' Koh Hong Sun
- Yeow See Yuen
- Dato' Tan Ang Meng
- Datuk Hj. Pengiran Saifuddin Bin Pengiran Tahir
- Tay Kheng Chiong
- Jesper Bjorn Madsen
- Professor Dato' Dr. Tan Hui Meng

DIRECTORS' INTERESTS

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

	Number of ordinary shares			
	Balance as at 1.1.2019	**Converted/ Exercised/ Acquired**	**Disposed**	**Balance as at 31.12.2019**
SHARES IN THE COMPANY				
Goh Nan Kioh				
- Direct	2,063,120	100,000	–	2,163,120
- Deemed	140,509,586	5,517,198	–	146,026,784
Goh Nan Yang				
- Direct	1,717,000	–	–	1,717,000
Khoo Teng Keat				
- Direct	340,000	–	–	340,000
Dato' Koh Hong Sun				
- Direct	503,869	–	–	503,869
Yeow See Yuen				
- Direct	1,427,000	–	–	1,427,000
- Deemed	44,200	–	–	44,200
Dato' Tan Ang Meng				
- Direct	438,000	143,869	–	581,869
Tay Kheng Chiong				
- Direct	70,900	150,000	–	220,900
Professor Dato' Dr. Tan Hui Meng				
- Direct	–	76,100	–	76,100
- Deemed	366,200	507,800	–	874,000

DIRECTORS' INTERESTS (CONT'D)

	Number of warrants 2016/2020			
	Balance as at 1.1.2019	Acquired	Converted/ Disposed	Balance as at 31.12.2019
WARRANTS IN THE COMPANY				
Goh Nan Kioh				
- Direct	364,080	–	(100,000)	264,080
- Deemed	8,875,755	–	(5,517,198)	3,358,557
Goh Nan Yang				
- Direct	303,000	–	–	303,000
Khoo Teng Keat				
- Direct	60,000	–	–	60,000
Yeow See Yuen				
- Direct	236,571	350,000	–	586,571
- Deemed	7,800	–	–	7,800
Tay Kheng Chiong				
- Direct	8,100	–	–	8,100
Professor Dato' Dr. Tan Hui Meng				
- Direct	–	76,100	(76,100)	–
- Deemed	557,800	–	(507,800)	50,000
Dato' Tan Ang Meng				
- Direct	–	24,400	–	24,400

DIRECTORS' INTERESTS (CONT'D)

In addition to the above, the following Directors who were in office at the end of the financial year are deemed to have interests in the shares of the Company to the extent of the options granted to them pursuant to the ESOS of the Company:-

		Options over ordinary shares				
	Exercise Price	**Balance as at 1.1.2019**	**Granted**	**Exercised**	**Lapsed**	**Balance as at 31.12.2019**
Goh Nan Kioh	RM2.00*	3,188,328	–	–	–	3,188,328
	RM2.41	1,800,000	–	–	–	1,800,000
Goh Nan Yang	RM2.00*	2,277,377	–	–	–	2,277,377
	RM2.41	2,000,000	–	–	–	2,000,000
Khoo Teng Keat	RM2.00*	1,138,688	–	–	–	1,138,688
	RM2.41	800,000	–	–	–	800,000
Dato' Koh Hong Sun	RM2.41	100,000	–	–	–	100,000
Yeow See Yuen	RM2.00*	1,366,426	–	–	–	1,366,426
	RM2.41	1,400,000	–	–	–	1,400,000
Dato' Tan Ang Meng	RM2.00*	113,869	–	(113,869)	–	–
	RM2.41	100,000	–	–	–	100,000
Datuk Hj. Pengiran Saifuddin Bin Pengiran Tahir	RM3.45	300,000	–	–	–	300,000
Tay Kheng Chiong	RM1.34*	285,862	–	(150,000)	–	135,862
	RM2.00*	113,869	–	–	–	113,869
	RM2.41	100,000	–	–	–	100,000
Jesper Bjorn Madsen	RM2.89	300,000	–	–	–	300,000
Professor Dato' Dr. Tan Hui Meng	RM2.89	300,000	–	–	–	300,000

* *Arising from the Rights Issue with Warrants and in accordance with the ESOS By-Laws, adjustments have been made to both the number of options and the subscription price of options.*

In accordance with Section 8 of the Companies Act 2016, Goh Nan Kioh, by virtue of his interest in the shares of the Company, is deemed to have interests in the shares of all subsidiary companies within the Group to the extent of the Company's interests.

Other than as stated above, none of the Directors of the Company who were in office at the end of the financial year had any other interests in the shares or options over unissued shares of the Company or of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors of the Company has received or become entitled to receive any benefit (other than those disclosed as Directors' remuneration section of our report) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which a Director has substantial financial interest as disclosed in Note 45 to the financial statements.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby Directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate except for the options granted to the Directors pursuant to the Company's ESOS and the Warrants as disclosed above.

DIRECTORS' REMUNERATION

The details of the Directors' remuneration are disclosed in Note 44 to the financial statements.

INDEMNITY AND INSURANCE COST

The Directors and officers of the Group and of the Company are covered by Directors and Officers Liability Insurance ("D&O Insurance") for any liability incurred in the discharge of their duties, provided that they have not acted fraudulently or dishonestly or derived any personal profit or advantage. The total amount of indemnity coverage for the Directors and Officers of the Group was RM10,000,000. The insurance premium for the D&O Insurance paid during the financial year amounted to RM17,000. No indemnity was given to or insurance effected for auditors of the Company.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Notes 19 and 42 to the financial statements.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 47 to the financial statements.

SIGNIFICANT EVENT OCCURRING AFTER THE REPORTING PERIOD

The significant event occurring after the reporting period is disclosed in Note 48 to the financial statements.

AUDITORS

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

The details of the auditors' are disclosed in Notes 6 and 9 to the financial statements.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS

GOH NAN YANG

KHOO TENG KEAT

16 March 2020

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF MEGA FIRST CORPORATION BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Mega First Corporation Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 69 to 186.

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

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

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

<table>
<tr><td colspan="2">Don Sahong Hydropower Project - Revenue Recognition and Intangible Asset
Refer to Note 4, Note 5 and Note 14 to the financial statements</td></tr>
<tr><td>Key Audit Matter</td><td>How our audit addressed the key audit matter</td></tr>
<tr><td>The Group has undertaken the Don Sahong Hydropower Project ("DSPC") in Lao PDR. The accounting treatment adopted is in accordance with IC Interpretation 12 whereby the concession agreement in DSPC is considered to be a service concession arrangement, and an intangible asset of RM2.048 billion has been recognised as at 31 December 2019. Revenue of RM435.29 million on the construction of the hydropower asset and energy sales of RM35.09 million have been recognised for the financial year ended 31 December 2019 in accordance with MFRS 15.

The intangible asset and revenue recognition for the DSPC are considered key audit matters due to the magnitude of the balances and risk of material misstatement due to significant judgement being applied in their determination.</td><td>The audit of DSPC was undertaken by a component auditor ("CA"). Our procedures included:-

(a) Assessed the objectivity, independence and expertise of the CA;
(b) Assessed the related concession agreement for the fulfillment of the criteria of service concession arrangement for recognition of intangible asset;
(c) Tested the internal controls of DSPC on approval of budgets, authorising and recording of costs incurred;
(d) Reviewed and verified management's basis to certifying the progress of physical completion and assess the reasonableness of the percentage of completion and recognition of construction revenue and intangible asset; and
(e) Performed enquiry and obtained explanations from management to corroborate the audit evidence obtained by the CA.</td></tr>
</table>

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key Audit Matters (Cont'd)

Idaman Harmoni Sdn. Bhd. ("IHSB") – dispute over additional taxes and penalties imposed by Inland Revenue Board of Malaysia ("IRBM") Refer to Note 38 to the financial statements	
Key Audit Matter	**How our audit addressed the key audit matter**
One of the Group's subsidiaries, IHSB, has been imposed with additional taxes and penalties amounting to RM26.3 million by IRBM. IHSB has disputed the additional taxes and penalties and no provision has been made as at 31 December 2019. This is a key audit matter due to the risk of material misstatement arising from the dispute.	Our audit procedures included :- (a) Assessed the appropriateness of management's basis in disputing the additional taxes and penalties imposed; (b) Obtained the views from tax and legal advisors appointed by IHSB; (c) Discussed the merits of the dispute with the legal advisor; (d) Assessed the status of the dispute including legal proceedings to appeal against the additional taxes and penalties; and (e) Assessed adequacy of disclosures with regard to the contingent liabilities arising from the dispute.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT

[CONT'D]

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 42 to the financial statements.

OTHER MATTERS

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

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

Lee Kok Wai
02760/06/2020 J
Chartered Accountant

Kuala Lumpur

16 March 2020

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		GROUP		COMPANY	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Continuing Operations					
Revenue	5	701,933	874,119	79,121	75,627
Cost Of Sales		(471,783)	(653,471)	–	–
Gross Profit		230,150	220,648	79,121	75,627
Other Income		6,111	19,467	64	61,749
Administrative And Distribution Expenses		(26,421)	(25,036)	(7,091)	(6,343)
Other Expenses		(13,003)	(9,895)	(9,365)	(76,362)
Profit From Operations	6	196,837	205,184	62,729	54,671
Finance Costs	7	(8,433)	(7,743)	(6,223)	(5,834)
Share Of Loss Of Equity Accounted Joint Venture/ Associate		–	(1)	–	–
Profit Before Tax		188,404	197,440	56,506	48,837
Income Tax Expense	8	(11,984)	(37,908)	(73)	(75)
Profit After Tax From Continuing Operations		176,420	159,532	56,433	48,762
Discontinued Operations					
Loss After Tax From Discontinued Operations	9	(1,311)	(13,746)	–	–
Profit After Tax For The Financial Year		175,109	145,786	56,433	48,762
Other Comprehensive (Expenses)/Income	10				
Items that will be reclassified subsequently to profit or loss					
Foreign currency translation		(13,338)	22,047	–	–
Cash flow hedge		(5,038)	2,998	–	–
		(18,376)	25,045	–	–
Items that will not be reclassified subsequently to profit or loss					
Fair value changes of equity investments		6,134	(13,662)	1,230	(820)
Total Other Comprehensive (Expenses)/Income		(12,242)	11,383	1,230	(820)
Total Comprehensive Income For The Financial Year		162,867	157,169	57,663	47,942

The accompanying Notes on pages 81 to 186 form an integral part of the financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

[CONT'D]

	Note	GROUP 2019 RM'000	GROUP 2018 RM'000	COMPANY 2019 RM'000	COMPANY 2018 RM'000
Profit/(Loss) After Tax Attributable To:					
- Owners Of The Company					
(i) continuing operations		151,735	139,283	56,433	48,762
(ii) discontinued operations		1,933	(10,017)	–	–
		153,668	129,266	56,433	48,762
- Non-controlling Interests					
(i) continuing operations		24,685	20,249	–	–
(ii) discontinued operations		(3,244)	(3,729)	–	–
		21,441	16,520	–	–
		175,109	145,786	56,433	48,762
Total Comprehensive Income/ (Expenses) Attributable To:					
- Owners Of The Company					
(i) continuing operations		140,631	149,298	57,633	47,942
(ii) discontinued operations		1,933	(10,017)	–	–
		142,564	139,281	57,663	47,942
- Non-controlling Interests					
(i) continuing operations		23,547	21,617	–	–
(ii) discontinued operations		(3,244)	(3,729)	–	–
		20,303	17,888	–	–
		162,867	157,169	57,663	47,942
Basic Earnings/(Loss) Per Share (sen):	11				
- Continuing Operations		37.72	35.59		
- Discontinued Operations		0.48	(2.56)		
		38.20	33.03		
Diluted Earnings/(Loss) Per Share (sen):	11				
- Continuing Operations		35.53	33.23		
- Discontinued Operations		0.45	(2.39)		
		35.98	30.84		

The accompanying Notes on pages 81 to 186 form an integral part of the financial statements.

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					
Non-Current Assets					
Property, Plant And Equipment	13	222,770	287,392	7,293	7,636
Intangible Asset	14	2,048,137	1,635,027	–	–
Investment Properties	15	177,212	177,212	–	–
Inventories	16	43,443	43,443	–	–
Right-Of-Use Assets	17	95,989	–	12,762	–
Land Use Rights	18	–	21,223	–	13,654
Subsidiaries	19	–	–	930,839	848,425
Joint Venture and Associate	20	4,000	4,000	–	–
Investment In Quoted Shares	21	49,385	43,247	2,665	1,435
Investment In Unquoted Shares		335	335	–	–
Goodwill On Consolidation	22	8,357	8,357	–	–
		2,649,628	2,220,236	953,559	871,150
Current Assets					
Inventories	16	66,974	64,230	–	–
Contract Assets	23	104	1,838	–	–
Receivables	24	97,347	93,101	49,261	41,980
Bank Balances And Deposits	25	91,031	130,508	5,247	1,025
Derivative Asset	35	–	647	–	–
		255,456	290,324	54,508	43,005
Assets classified as held for sale	36	2	–	–	–
		255,458	290,324	54,508	43,005
TOTAL ASSETS		2,905,086	2,510,560	1,008,067	914,155

The accompanying Notes on pages 81 to 186 form an integral part of the financial statements.

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
EQUITY AND LIABILITIES					
Share Capital	26	593,586	540,667	593,586	540,667
Treasury Shares	27	(30,046)	(30,046)	(30,046)	(30,046)
Reserves	28	971,706	842,159	321,640	278,450
Equity Attributable To Owners Of The Company		1,535,246	1,352,780	885,180	789,071
Non-controlling Interests	19	176,642	172,756	–	–
Total Equity		1,711,888	1,525,536	885,180	789,071
Non-Current Liabilities					
Payables	29	444	8,855	–	387
Long-Term Borrowings	30	27,929	486,308	–	–
Lease Liabilities	31	9,711	–	277	–
Deferred Tax Liabilities	32	95,935	88,342	–	–
		134,019	583,505	277	387
Current Liabilities					
Payables	33	314,899	286,995	84,782	83,557
Short-Term Borrowings	34	718,211	112,387	37,500	41,140
Derivative Liability	35	4,391	–	–	–
Lease Liabilities	31	4,117	–	328	–
Current Tax Liabilities		911	2,137	–	–
		1,042,529	401,519	122,610	124,697
Liabilities classified as held for sale	36	16,650	–	–	–
		1,059,179	401,519	122,610	124,697
Total Liabilities		1,193,198	985,024	122,887	125,084
TOTAL EQUITY AND LIABILITIES		2,905,086	2,510,560	1,008,067	914,155

	Note	GROUP 2019	GROUP 2018
Net Assets Per Ordinary Share (sen)	37	367	341

The accompanying Notes on pages 81 to 186 form an integral part of the financial statements.

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

GROUP	Share Capital RM'000	Treasury Shares RM'000	ESOS Reserve RM'000	Translation Reserve RM'000	Fair Value Reserve RM'000	Capital Reserve RM'000	Warrant Reserve RM'000	Hedge Reserve RM'000	Distributable Retained Profits RM'000	Attributable To Owners Of The Company RM'000	Non-controlling Interests RM'000	Total Equity RM'000
Balance at 1 January 2018	524,005	(30,046)	17,746	(27,490)	(2,011)	–	16,221	(2,351)	730,618	1,226,692	133,757	1,360,449
Profit after taxation for the financial year	–	–	–	–	–	–	–	–	129,266	129,266	16,520	145,786
Other comprehensive income/(expenses) for the financial year:												
- Fair value changes of equity investments	–	–	–	–	(13,662)	–	–	–	–	(13,662)	–	(13,662)
- Foreign currency translation difference	–	–	–	20,679	–	–	–	–	–	20,679	1,368	22,047
- Cash flow hedge	–	–	–	–	–	–	–	2,998	–	2,998	–	2,998
Total comprehensive income/(expenses) for the financial year	–	–	–	20,679	(13,662)	–	–	2,998	129,266	139,281	17,888	157,169
Contributions by and distributions to owners of the Company:-												
Dividends paid to:												
- shareholders of the Company (Note 12)	–	–	–	–	–	–	–	–	(15,621)	(15,621)	–	(15,621)
- subsidiaries' non-controlling interests	–	–	–	–	–	–	–	–	–	–	(3,929)	(3,929)
ESOS options granted	–	–	388	–	–	–	–	–	–	388	–	388
ESOS options lapsed	–	–	(73)	–	–	–	–	–	73	–	–	–
Issuance of ordinary shares pursuant to:												
- Warrants	14,818	–	–	–	–	–	(1,638)	–	–	13,180	–	13,180
- ESOS options	1,844	–	(464)	–	–	–	–	–	–	1,380	–	1,380
Total transactions with owners of the Company	16,662	–	(149)	–	–	–	(1,638)	–	(15,548)	(673)	(3,929)	(4,602)
Effect of increase in shares issued in a subsidiary	–	–	–	–	–	–	–	–	(12,520)	(12,520)	25,040	12,520
Balance at 31 December 2018	540,667	(30,046)	17,597	(6,811)	(15,673)	–	14,583	647	831,816	1,352,780	172,756	1,525,536

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

[CONT'D]

GROUP	Share Capital RM'000	Treasury Shares RM'000	ESOS Reserve RM'000	Translation Reserve RM'000	Fair Value Reserve RM'000	Capital Reserve RM'000	Warrant Reserve RM'000	Hedge Reserve RM'000	Distributable Retained Profits RM'000	Attributable To Owners Of The Company RM'000	Non-controlling Interests RM'000	Total Equity RM'000
Balance at 1 January 2019	540,667	(30,046)	17,597	(6,811)	(15,673)	–	14,583	647	831,816	1,352,780	172,756	1,525,536
Profit after taxation for the financial year	–	–	–	–	–	–	–	–	153,668	153,668	21,441	175,109
Other comprehensive (expenses)/income for the financial year:												
- Fair value changes of equity investments	–	–	–	–	6,134	–	–	–	–	6,134	–	6,134
- Foreign currency translation difference	–	–	–	(12,200)	–	–	–	–	–	(12,200)	(1,138)	(13,338)
- Cash flow hedge	–	–	–	–	–	–	–	(5,038)	–	(5,038)	–	(5,038)
Total comprehensive (expenses)/income for the financial year	–	–	–	(12,200)	6,134	–	–	(5,038)	153,668	142,564	20,303	162,867
Contributions by and distributions to owners of the Company:-												
Dividends paid to:												
- shareholders of the Company (Note 12)	–	–	–	–	–	–	–	–	(7,999)	(7,999)	–	(7,999)
- subsidiaries' non-controlling interests	–	–	–	–	–	–	–	–	–	–	(2,751)	(2,751)
Issuance of ordinary shares pursuant to:												
- Warrants	48,215	–	-	–	–	–	(5,329)	–	–	42,886	–	42,886
- ESOS options	4,704	–	(1,145)	–	–	–	–	–	–	3,559	–	3,559
	52,919		(1,145)				(5,329)		(7,999)	38,446	(2,751)	35,695
Changes in ownership interests in subsidiaries	–	–	–	–	–	–	–	–	(1,117)	(1,117)	(11,543)	(12,660)
Total transactions with owners of the Company	52,919	–	(1,145)	–	–	–	(5,329)	–	(9,116)	37,329	(14,294)	23,035
Additional subscription of shares in a subsidiary	–	–	–	–	–	–	–	–	–	–	450	450
Transfer to legal reserve	–	–	–	–	–	12,867	–	–	(10,294)	2,573	(2,573)	–
Balance at 31 December 2019	593,586	(30,046)	16,452	(19,011)	(9,539)	12,867	9,254	(4,391)	966,074	1,535,246	176,642	1,711,888

The accompanying Notes on pages 81 to 186 form an integral part of the financial statements.

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

[CONT'D]

COMPANY	Share Capital RM'000	Treasury Shares RM'000	ESOS Reserve RM'000	Fair Value Reserve RM'000	Warrant Reserve RM'000	Distributable Retained Profits RM'000	Total Equity RM'000
Balance at 1 January 2018	524,005	(30,046)	17,746	(4,916)	16,221	218,792	741,802
Profit after taxation for the financial year	–	–	–	–	–	48,762	48,762
Other comprehensive expenses for the financial year:							
- Fair value changes of equity investments	–	–	–	(820)	–	–	(820)
Total comprehensive (expenses) /income for the financial year	–	–	–	(820)	–	48,762	47,942
Contributions by and distributions to owners of the Company:-							
Dividends (Note 12)	–	–	–	–	–	(15,621)	(15,621)
ESOS options granted	–	–	388	–	–	–	388
ESOS options lapsed	–	–	(73)	–	–	73	–
Issuance of ordinary shares pursuant to:							
- Warrants	14,818	–	–	–	(1,638)	–	13,180
- ESOS options	1,844	–	(464)	–	–	–	1,380
Total transactions with owners of the Company	16,662	–	(149)	–	(1,638)	(15,548)	(673)
Balance at 31 December 2018	540,667	(30,046)	17,597	(5,736)	14,583	252,006	789,071
Balance at 1 January 2019	540,667	(30,046)	17,597	(5,736)	14,583	252,006	789,071
Profit after taxation for the financial year	–	–	–	–	–	56,433	56,433
Other comprehensive income for the financial year:							
- Fair value changes of equity investments	–	–	–	1,230	–	–	1,230
Total comprehensive income for the financial year	–	–	–	1,230	–	56,433	57,663
Contributions by and distributions to owners of the Company:-							
Dividends (Note 12)	–	–	–	–	–	(7,999)	(7,999)
Issuance of ordinary shares pursuant to:							
- Warrants	48,215	–	–	–	(5,329)	–	42,886
- ESOS options	4,704	–	(1,145)	–	–	–	3,559
Total transactions with owners of the Company	52,919	–	(1,145)	–	(5,329)	(7,999)	38,446
Balance at 31 December 2019	593,586	(30,046)	16,452	(4,506)	9,254	300,440	885,180

The accompanying Notes on pages 81 to 186 form an integral part of the financial statements.

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

GROUP	2019 RM'000	2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before tax:		
- Continuing operations	188,404	197,440
- Discontinued operations	590	(7,818)
Adjustments for:		
Allowance for impairment losses on:		
- Receivables, net	2,074	13,143
Amortisation of land use rights	–	–
Depreciation of property, plant and equipment	14,979	16,362
Depreciation of right-of-use assets	6,114	–
ESOS options expenses	–	388
Impairment loss of:		
- Property, plant and equipment	–	10,471
- Right-of-use assets	535	–
Finance Costs:		
- Interest on lease liabilities	768	–
- Other interest expenses	5,523	6,873
- Other finance costs	2,142	871
Loss on deconsolidation of a subsidiary	–	56
Property, plant and equipment written off	1,381	284
Provision for retirement benefits	48	824
Provision for site restoration costs	–	16,650
Share of loss of equity accounted joint venture and associate	–	1
Unrealised loss on foreign exchange difference, net	283	943
Write-down in value of inventories	547	3,729
Construction profit	(157,506)	(178,129)
Dividend income	(1,060)	(1,041)
Fair value gain on investment properties	–	(6,375)
Gain on disposal of:		
- Property, plant and equipment	(12)	(2,222)
Interest income	(1,756)	(2,599)
Operating Profit Before Working Capital Changes	63,054	69,851

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

[CONT'D]

	Note	2019 RM'000	2018 RM'000
Operating Profit Before Working Capital Changes		63,054	69,851
(Increase)/Decrease in:			
Inventories		(3,293)	(24,747)
Receivables		(14,481)	(4,350)
Contract assets		1,734	(1,246)
Payables		(3,443)	9,494
Cash From Operations		43,571	49,002
Income tax paid		(1,669)	(8,888)
Retirement benefits paid		–	(1,489)
Net Cash From Operating Activities		41,902	38,625
CASH FLOWS FOR INVESTING ACTIVITIES			
Interest received		1,756	2,599
Dividends received		1,060	1,041
Cash outflow for Don Sahong Hydropower Project		(223,414)	(370,193)
Acquisition of additional interest of a subsidiary		(12,690)	–
Receipt of outstanding sale consideration from subsidiary deconsolidated in the previous financial year		–	3,439
Proceeds from disposal of:			
- Property, plant and equipment		50	4,792
Payments for purchase of:			
- Property, plant and equipment	39(a)	(26,702)	(49,765)
- Right-of-use assets		(991)	–
- Land use rights		–	(469)
Investment in joint venture and associate		–	(4,001)
Net Cash For Investing Activities		(260,931)	(412,557)
Balance Carried Forward		(219,029)	(373,932)

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

[CONT'D]

	Note	2019 RM'000	2018 RM'000
Balance Brought Forward		(219,029)	(373,932)
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance costs paid:			
- Interest expenses	39(b)	(6,192)	(6,873)
- Other finance costs		(2,142)	(871)
Dividends paid to:			
- Shareholders of the Company		(7,999)	(15,621)
- Subsidiaries' non-controlling interests		(2,751)	(3,929)
Net drawdown/(repayment) of:			
- Bankers' acceptances and revolving credits	39(b)	619,162	4,607
- Lease liabilities	39(b)	(4,425)	–
- Hire purchase payables	39(b)	–	(2,975)
- Term loans	39(b)	(457,333)	361,923
Proceeds from issuance of shares arising from:			
- Conversion of Warrants		42,886	13,180
- Exercise of ESOS options		3,559	1,380
Proceeds from issuance of shares by a subsidiary to non-controlling interests		480	12,520
(Placement)/Withdrawal of deposits pledged to licensed bank or with original maturity period of more than 3 months		(50)	1,595
Net Cash From Financing Activities		185,195	364,936
EFFECT OF FOREIGN EXCHANGE TRANSLATION		(330)	1,766
NET DECREASE IN CASH AND CASH EQUIVALENTS		(34,164)	(7,230)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		122,118	129,348
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	25	87,954	122,118

The accompanying Notes on pages 81 to 186 form an integral part of the financial statements.

COMPANY	2019 RM'000	2018 RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
Profit before tax	56,506	48,837
Adjustments for:		
Depreciation of:		
- Equipment	28	82
- Right-of-use assets	2,063	–
ESOS options expenses	–	388
Impairment loss on investment in subsidiaries	–	75,980
Finance costs:		
- Interest on lease liabilities	21	–
- Other finance costs	6,202	5,834
Property, plant and equipment written off	556	–
Dividend income	(77,260)	(73,874)
Interest income:		
- Advances to subsidiaries	(228)	(141)
- Deposits with financial institutions	(5)	(4)
- Imputed interest on dividend receivable	–	(6,926)
Unrealised loss/(gain) on foreign exchange difference	5,813	(7,357)
Write-back of allowance for impairment losses on receivables	–	(47,326)
Operating Loss Before Working Capital Changes	(6,304)	(4,507)
Decrease/(Increase) in receivables	490	(382)
Increase in payables	132	36
Cash For Operations	(5,682)	(4,853)
Income tax refunded/(paid)	11	(216)
Net Cash For Operating Activities	(5,671)	(5,069)

The accompanying Notes on pages 81 to 186 form an integral part of the financial statements.

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

[CONT'D]

	Note	2019 RM'000	2018 RM'000
Net Cash For Operating Activities		(5,671)	(5,069)
CASH FLOWS FOR INVESTING ACTIVITIES			
Interest received		233	145
Dividends received		77,260	73,874
Subscription of shares in subsidiaries:			
- Redeemable preference shares		(76,220)	(116,283)
- Equity shares		(12,000)	(155,173)
(Advances to)/Repayment from subsidiaries		(7,855)	187,573
Payments for purchase of:			
- Equipment	39(a)	(1,043)	(1,234)
- Right-of-use assets		(69)	–
- Land use rights		–	(347)
Net Cash For Investing Activities		(19,694)	(11,445)
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance costs paid:			
- Interest on bank borrowings	39(b)	(1,444)	(2,079)
- Interest on advances from subsidiaries		(4,418)	(3,498)
- Other finance costs		(361)	(257)
Dividends paid		(7,999)	(15,621)
Net (repayment)/drawdown of:			
- Revolving credits	39(b)	(2,500)	5,000
- Lease liabilities	39(b)	(310)	–
- Hire purchase payables	39(b)	–	(68)
Advances from subsidiaries		1,321	23,752
Proceeds from issuance of shares arising from:			
- Conversion of Warrants		42,886	13,180
- Exercise of ESOS options		3,559	1,380
Net Cash From Financing Activities		30,734	21,789
EFFECT OF FOREIGN EXCHANGE TRANSLATION		(7)	57
NET INCREASE IN CASH AND CASH EQUIVALENTS		5,362	5,332
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		(115)	(5,447)
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	25	5,247	(115)

The accompanying Notes on pages 81 to 186 form an integral part of the financial statements.

1. CORPORATE INFORMATION

The Company is a public company limited by shares, incorporated and domiciled in Malaysia. The Company is listed on the Main Market of the Bursa Malaysia Securities Berhad. The registered office and principal place of business of the Company is located at A-12-01 Level 12, Block A, PJ8, No. 23 Jalan Barat, Seksyen 8, 46050 Petaling Jaya, Selangor Darul Ehsan.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors dated 16 March 2020.

2. PRINCIPAL ACTIVITIES

The principal activities of the Company are that of investment holding and provision of management services. The principal activities of the subsidiaries are set out in Note 42 to the financial statements.

There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year.

3. BASIS OF PREPARATION

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

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

MFRSs and/or IC Interpretations (Including The Consequential Amendments)

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

3. BASIS OF PREPARATION (CONT'D)

3.1 (Cont'd)

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

(a) MFRS 16: Leases replace MFRS 117: Leases, IC Interpretation 4: Determining whether an Arrangement contains a Lease, IC Interpretation 115: Operating Lease-Incentives and IC Interpretation 127: Evaluating the Substance of Transactions Involving the Legal Form of a Lease. It sets out the principles for the recognition, measurement, presentation and disclosure of leases.

Under MFRS 16, the classification of leases as either finance leases or operating leases is eliminated and requires lessees to account for all leases under a single on-balance sheet model, similar to the accounting for finance leases under MFRS 117.

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. MFRS 16 requires a lessee to recognise their lease assets and the related lease obligations in the statement of financial position (with limited exceptions) as right-of-use assets and lease liabilities respectively, for all leases with a term of more than 12 months whereby the right-of-use assets are subject to depreciation and the interest on lease liabilities are calculated using the effective interest method.

Lease liabilities are measured with reference to present value of future lease payments calculated using the incremental borrowing rate and exchange rate at date of initial application. Lease payments would be split into principal and interest payments, using the effective interest method.

Correspondingly, the right-of-use ("ROU") assets is based on the present value of the liability at the commencement date of the lease, adding any directly attributable costs. The ROU asset will be depreciated on a straight-line basis over the shorter of the lease term and the useful life of the leased asset.

The Group applied the modified retrospective approach and did not restate comparative amounts for the period prior to first adoption. The impacts on the financial statements of the Group and of the Company upon their initial application of MFRS 16 are disclosed in Note 49 to the financial statements.

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of Consolidation

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

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

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

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

(a) Business Combinations

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

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

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

(b) Non-controlling Interests

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 Basis of Consolidation (Cont'd)

(d) Loss of Control

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

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

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

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

4.2 Goodwill

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

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

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

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

4.3 Financial Instruments

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.3 Financial Instruments (Cont'd)

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

Fair value adjustments on shareholder's loans and advances at initial recognition are added to the carrying value of the investments in the financial statements of the Company.

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

(a) Financial Assets

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

Debt Instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the financial asset and the cash flow characteristics of the asset. There are 3 measurement categories into which the Group classifies its debt instruments:-

(i) Amortised Cost

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

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

(ii) Fair Value through Other Comprehensive Income

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

(iii) Fair Value through Profit or Loss

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.3 Financial Instruments (Cont'd)

(a) Financial Assets (Cont'd)

Equity Instruments

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

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

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

(b) Financial Liabilities

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

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. The changes in fair value of these financial liabilities are recognised in profit or loss except for the amount of change in the fair value that is attributable to changes in the credit risk of that liability is recognised directly in other comprehensive income and is not subsequently reclassified to profit or loss upon the derecogntion of the financial liability.

(ii) Other Financial Liabilities

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.3 Financial Instruments (Cont'd)

(c) Equity Instruments

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

(i) Ordinary Shares

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

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

(ii) Treasury Shares

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

Where treasury shares are reissued by resale, the difference between the sales consideration received and the carrying amount of the treasury shares is recognised in equity. Where treasury shares are cancelled, their costs are transferred to retained profits.

(d) Derivative Financial Instruments

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.3 Financial Instruments (Cont'd)

(e) Derecognition

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

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

(f) Financial Guarantee Contracts

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

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

(g) Hedge Activities

The Group enters into a derivative financial instrument to manage its exposure to interest rate risk, namely interest rate swap.

The Group designates the derivative as hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

(i) Hedge Accounting

The Group designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges, cash flow hedges or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as a fair value hedge or cash flow hedge, whichever applicable.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.3 Financial Instruments (Cont'd)

(g) Hedge Activities (Cont'd)

(ii) Cash Flow Hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in equity under the cash flow hedge reserve, limited to the lower of cumulative gain or loss on the hedging instrument and cumulative change in fair value of the hedged item, from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss in the same period or periods during which the hedged forecast cash flows affects profit or loss. If the hedged item is a non-financial asset or liability, the associated gain or loss recognised in other comprehensive income is removed from equity and included in the initial amount of the asset or liability. However, the loss recognised in other comprehensive income that will not be recovered in one or more future periods is reclassified from equity into profit or loss immediately.

Hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated, or exercised, or when a hedge no longer meets the criteria for hedge accounting. If the hedge is for a forecast transaction, the cumulative gain or loss on the hedging instrument and the cost of hedge reserve remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, any related cumulative gain or loss in the hedging reserve and the cost of hedging reserve are reclassified to profit or loss immediately.

4.4 Functional and Foreign Currencies

(a) Functional and Presentation Currency

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

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

(b) Foreign Currency Transactions and Balances

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 Functional and Foreign Currencies (Cont'd)

(c) Foreign Operations

Assets and liabilities of foreign operations are translated to RM at the rates of exchange ruling at the end of the reporting period. Income, expenses and other comprehensive income of foreign operations are translated at exchange rates ruling at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity; attributed to the owners of the Company and non-controlling interests, as appropriate.

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

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

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

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

The principal closing rates used in the translation of foreign currencies are as follows:-

	2019 **RM**	**2018** **RM**
1 Chinese Renminbi	0.588	0.601
1 United States Dollar	4.093	4.136
1 Singapore Dollar	3.041	3.035
1 Hong Kong Dollar	0.526	0.528

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 Impairment

(a) Impairment of Financial Assets

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

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

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

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

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

(b) Impairment of Non-Financial Assets

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

An impairment loss is recognised in profit or loss immediately.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.6 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.

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangement and determined it to be joint venture.

A joint venture is a joint arrangement whereby the Group has rights only to the net assets of the arrangement.

The investment in a joint venture is accounted for in the consolidated financial statements using the equity method, based on the financial statements of the joint venture made up to 31 December 2019. The Group's share of the post-acquisition profits and other comprehensive income of the joint venture is included in the consolidated statement of profit or loss and other comprehensive income, after adjustment if any, to align the accounting policies with those of the Group, from the date that joint control commences up to the effective date when the investment ceases to be a joint venture or when the investment is classified as held for sale. The Group's investment in the joint venture is carried in the consolidated statement of financial position at cost plus the Group's share of the post-acquisition retained profits and reserves. The cost of investment includes transaction costs.

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

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

The Group discontinues the use of the equity method from the date when the investment ceases to be a joint venture or when the investment is classified as held for sale. When the Group retains an interest in the former joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as the initial carrying amount of the financial asset in accordance with MFRS 9. Furthermore, the Group also reclassifies its share of the gain or loss previously recognised in other comprehensive income of that joint venture to profit or loss when the equity method is discontinued. However, the Group will continue to use the equity method when an investment in a joint venture becomes an investment in an associate. Under such change in ownership interest, the retained investment is not remeasured to fair value but a proportionate share of the amounts previously recognised in other comprehensive income of the joint venture will be reclassified to profit or loss where appropriate. All dilution gains or losses arising in investments in joint ventures are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.7 Investments in Associates

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

The investment in an associate is accounted for in the consolidated financial statements using the equity method based on the financial statements of the associate made up to 31 December 2019. The Group's share of the post acquisition profits and other comprehensive income of the associate is included in the consolidated statement of profit or loss and other comprehensive income, after adjustment if any, to align the accounting policies with those of the Group, from the date that significant influence commences up to the effective date on which significant influence ceases or when the investment is classified as held for sale. The Group's investment in the associate is carried in the consolidated statement of financial position at cost plus the Group's share of the post acquisition retained profits and reserves. The cost of investment includes transaction costs.

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

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

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

4.8 Property, Plant and Equipment

Property, plant and equipment, other than freehold land and buildings, are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land is not depreciated.

(a) Leasehold Land

Not applicable (2018 - over the leases period ranging from 8 to 99 years.)

(b) Other Property, Plant and Equipment

Other property, plant and equipment, other than construction-in-progress, are depreciated to profit or loss (unless it is included in the carrying amount of another asset) on the straight-line basis to write off the cost of each asset over its estimated useful life. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual depreciation rates are:-

Buildings	2.0% to 6.5%
Plant, machinery and equipment	5.0% to 50%
Vehicles	20% to 33%

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.8 Property, Plant and Equipment (Cont'd)

(b) Other Property, Plant and Equipment (Cont'd)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss. The revaluation reserve included in equity is transferred directly to retained profits on retirement or disposal of the asset.

4.9 Leases

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.9 Leases (Cont'd)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

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

Variable rents that linked to future performance or usage of the underlying asset are not included in the measurement of the lease liability and the right-of-use asset. Instead, these payments are recognised as an expense in the period in which the performance or use occurs.

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

(a) Finance Leases

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

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

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

(b) Operating Lease

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

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

The lump sum upfront lease payments made in respect of leasehold land which in substance is an operating lease is classified as prepaid lease payments. The prepaid lease payments are stated at cost less accumulated amortisation. The amortisation is charged to profit or loss in equal instalments over the lease period.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 Investment Properties

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

Investment properties which are owned are initially measured at cost. Cost includes expenditures that are directly attributable to the acquisition of 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 its intended use. The right-of-use asset held under a lease contract that meets the definition of investment property is measured initially similarly as other right-of-use assets.

Subsequent to initial recognition, investment properties are stated at fair value. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

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

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

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property or inventories, the fair value at the date of change becomes the cost for subsequent accounting purposes. If owner-occupied property becomes an investment property, such property shall be accounted for in accordance with the accounting policy for property, plant and equipment up to the date of change in use.

4.11 Service Concession Arrangement

A service concession arrangement is an arrangement involving an operator constructing and/or upgrading, operating and maintaining infrastructure used to provide a public service for a specified period of time. The operator is paid for its services over the period of the arrangement. The arrangement is governed by a contract that sets out performance standards, mechanisms for adjusting prices and arrangements for arbitrating disputes. The grantor controls (through ownership, beneficial entitlement or otherwise) any significant residual interest in the infrastructure at the end of the term of the arrangement.

The Group provides construction services to the grantor in exchange for the concession assets, the construction revenue is recognised at the fair value using the output method (Note 4.21) with the corresponding entry recorded as an intangible asset (service concession asset) in the consolidated statement of financial position. The service concession asset represents the Group's rights (license) to charge the grantor, based on usage of the public service for the construction of assets.

The service concession asset is amortised upon the commencement of the concession period on a straight-line method over 25 years. The costs of day-to-day servicing of service concession asset are recognised in profit or loss when incurred.

Where an indication of impairment exists, the carrying amount of the service concession asset is assessed and written down immediately to its recoverable amount.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.11 Service Concession Arrangement (Cont'd)

Revenue from construction services which recognised using output method is make reference to the completion of a physical proportion of the contract works performed as assessed by the project engineers. Contract works mean Engineering, Procurement, Construction and Commissioning Contract ("EPC Contract") and construction of Transmission Facility. Provision for anticipated loss on the construction project will be made in the financial statements as soon as the possibility of loss is ascertained.

The contract asset represents (i) Group's right to consideration for construction work completed on construction contracts but not yet billed as at the reporting date or (ii) contract of which incurred construction costs exceed calculated construction costs, and costs of project of which revenue have not yet been recognised.

Contract liability represents the obligation of the Group to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

Subsequent to commercial operation date ("COD"), revenue from operation and maintenance services is recognised when services have been rendered.

4.12 Intangible Asset (Service Concession Asset)

Intangible asset recognised as a result of the service concession arrangement are measured at cost, which are the fair value of the consideration received or receivable for the construction services provided and is amortised on a straight-line basis over the period of the Concession Agreement, which is 25 years from the commercial operation date.

The Group estimate the fair value of the consideration received or receivable for the construction services provided to be equal to the projected project costs plus a margin. Project costs comprise all costs incurred during the development and construction phase of the Project and borrowing costs. Development costs include preliminary site works, environmental and social, project development and management, professional fees and insurance costs. Costs during the construction phase include EPC Contract and construction of Transmission Facility.

The costs of day-to-day servicing of the intangible asset are recognised in profit or loss when incurred.

Where an indication of impairment exists, the carrying amount of the intangible asset is assessed and written down immediately to its recoverable amount.

4.13 Inventories

(a) Land held for property development

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle is classified as non-current. The carrying amount of such land classified as inventory under non-current assets is carried at the lower of cost and net realisable value.

Cost associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies.

Land held for property development is reclassified as property development costs under current assets at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.13 Inventories (Cont'd)

(b) Property under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion, or by management estimates based on prevailing marketing conditions.

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

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

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

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately.

Property development costs not recognised as an expense are recognised as an asset, which is measured at the lower of cost and net realisable value.

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

(c) Developed properties held for sale

Units of development properties Completed and held for sale are stated at the lower of cost and net realisable value. Cost is determined by the specific identification method and consist of costs associated with the acquisition of land including all related costs incurred subsequent to the acquisition necessary to prepare the land for its intended use, direct costs, appropriate proportions of common costs attributable to developing the properties to completion and borrowing costs.

(d) Other inventories

Other inventories are stated at the lower of cost (determined on a weighted average or first-in first-out method, as applicable) and net realisable value after making due allowance for any obsolete or slow-moving items. The cost of raw materials includes the original purchase price and the incidental expenses incurred in bringing the inventories to their present location and condition. The cost of work-in-progress and finished goods includes the cost of raw materials, direct labour and an appropriate proportion of overheads.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.14 Contract Costs

(a) Incremental Costs of Obtaining A Contract

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

(b) Costs to Fulfil A Contract

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

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

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

4.15 Contract Asset and Contract Liability

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

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

4.16 Land Use Rights

Land use rights are stated at cost less accumulated amortisation and impairment losses, if any. Amortisation is recognised in profit or loss on a straight-line basis over the term of the leases.

4.17 Subsidiaries

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

4.19 Provisions

(a) General Provisions

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

(b) Provision for Dismantling, Removal and Restoration Costs

A provision is recognised when the Group has an obligation to dismantle and remove structures on identified sites and restore these sites to an acceptable condition under the contract. The provision is measured at the present value of the compounded future expenditure at current prices.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimates. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. The unwinding of the discount is recognised as interest expense in profit or loss.

4.20 Contingent Liabilities and Contingent Assets

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

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

A contingent asset is a probable asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

A contingent asset is not recognised but is disclosed in the notes to the financial statements. When its inflow of economic benefit is virtually certain, then the related asset is recognised in the statements of financial position.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.21 Revenue From Contracts With Customers

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

Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or services promised in the contract.

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

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

- The customer simultaneously receives and consumes the benefits provided as the Group performs.

- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

- The Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

(a) Revenue from service concession arrangement

Construction revenue from service concession arrangement is recognised for operator services provided under the terms of a service concession arrangement and receives payment for its services over the period of the arrangement. This typically involves the operator constructing or upgrading infrastructure which is used to provide a public service and then being responsible for operating and maintaining that infrastructure for a specified period of time.

Revenue from construction services is recognised over time in the period in which the services are rendered using the output method, by reference to the construction progress based on the physical proportion of construction work assessed by the project engineers. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

An intangible asset is recognised when the construction services are rendered. If the construction services rendered exceed the payment received, a contract asset is recognised. If the payments exceed the construction services rendered, a contract liability is recognised.

Revenue and costs of the operator relating to the construction or upgrade services and revenue and costs relating to the operation services are accounted for as described in Note 4.11 Service Concession Arrangement.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.21 Revenue From Contracts With Customers (Cont'd)

(b) Revenue from the sale of goods

Revenue from the sale of goods is measured at fair value of the consideration received or receivable and is recognised upon delivery of goods and customers' acceptance and where applicable, net of goods and services tax, returns, cash and trade discounts.

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

The Group's obligation to repair or replace faulty products under the standard terms is recognised as a provision.

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

(c) Revenue from sale of electricity and steam

Revenue from the sale of electricity and steam is recognised upon invoiced value of electricity and steam delivered, net of billing adjustments and goods and services tax.

(d) Revenue from property development

The revenue from property development is measured at the fixed transaction price agreed under the sales and purchase agreement.

Revenue from property development is recognised as and when the control of the asset is transferred to the customer and it is probable that the Group and the Company will collect the consideration to which it will be entitled in exchange for the asset that will be transferred to the customer.

Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's and the Company's performance do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The Group recognise revenue over time based on the stage of completion method as determined by the proportion of the units sold attributable to the percentage of development work where the outcome of the projects can be reliably estimated. In the event the outcome of the transaction could not be estimated reliably, revenue is recognised to the extent of the expenses incurred that are recoverable.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.21 Revenue From Contracts With Customers (Cont'd)

(d) Revenue from property development

The promised properties are specifically identified by its plot, lot and parcel number and its attributes (such as its size and location) as in the attached layout plan in the sale and purchase agreements. The purchasers could enforce its rights to the promised properties if the Group and the Company seek to sell the unit to another purchaser. The contractual restriction on the Group's and the Company's ability to direct the promised property for another use is substantive and the promised properties sold to the purchasers do not have an alternative use to the Group and the Company. The Group and the Company have the right to payment for performance completed to date, is entitled to continue to transfer to the customer the development units promised, and has the rights to complete the construction of the properties and enforce its rights to full payment.

The Group recognises sales at a point in time for the sale of completed properties, when the control of the properties has been transferred to the purchasers, being when the properties have been completed and delivered to the customers and it is probable that the Group and the Company will collect the consideration to which it will be entitled to in exchange for the assets sold.

4.22 Revenue From Other Sources And Other Operating Income

(a) Dividend Income

Dividend income from subsidiaries and other investments are recognised when the shareholders' right to receive is established.

(b) Interest income

Interest income on short-term deposits and advances are recognised on an accrual basis based on effective interest method.

(c) Provision of management services

Revenue from the provision of management services is recognised based on services rendered.

(d) Rental income

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.22 Revenue From Other Sources And Other Operating Income (Cont'd)

(e) Government Grant

Government grants are recognised at their fair value when there is reasonable assurance that they will be received and all conditions attached will be met.

Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis over the period necessary to match them with the related expenses which they are intended to compensate for. These grants are presented as other income in profit or loss.

Grants that compensate the Group for the cost of an asset are recognised as deferred grant income in the statement of financial position and are amortised to profit or loss on a systematic basis over the expected useful life of the relevant asset.

4.23 Income Tax

(a) Current Tax

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

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

(b) Deferred Tax

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

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

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

Where investment properties are carried at their fair value, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodies in the property over time, rather than through sale.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.23 Income Tax (Cont'd)

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

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

4.24 Employee Benefits

(a) Short-Term Benefits

Wages, salaries, bonuses and social security contributions are measured on an undiscounted basis and are recognised in profit or loss in the period in which the associated services are rendered by employees of the Group.

Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(b) Defined Contribution Plans

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

(c) Share-Based Payment Transactions

The Group operates an equity-settled share-based compensation plan, under which the Group receives services from employees as consideration for equity instruments of the Company (known as "share options").

At grant date, the fair value of the share options is recognised as an expense on a straight-line method over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding credit to employees' share option reserve in equity. The amount recognised as an expense is adjusted to reflect the actual number of the share options that are expected to vest. Service and non-market performance conditions attached to the transaction are not taken into account in determining the fair value.

In the Company's separate financial statements, the grant of the share options to the subsidiaries' employees is not recognised as an expense. Instead, the fair value of the share options measured at the grant date is accounted for as an increase to the investment in subsidiary undertaking with a corresponding credit to the employees' share option reserve.

Upon expiry of the share option, the employees' share option reserve is transferred to retained profits.

When the share options are exercised, the employees' share option reserve is transferred to share capital or share premium if new ordinary shares are issued, or to treasury shares if the share options are satisfied by the reissuance of treasury shares.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.24 Employee Benefits (Cont'd)

(d) Termination Benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for those benefits.

4.25 Cash and Cash Equivalents

The Group and the Company adopt the indirect method in the preparation of the statements of cash flows.

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

4.26 Earnings Per Ordinary Share

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

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

4.27 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. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment assets include all assets used by a segment. Most segment assets can be directly attributed to the segments on a reasonable basis. Segment assets do not include tax assets, whilst segment liabilities do not include tax liabilities.

Segment revenue, expenses and results include transfers between segments. These transfers are eliminated on consolidation.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.28 Non-Current Assets Held For Sale and Discontinued Operations

Non current assets (or disposal group comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the non-current assets (or the disposal group) are remeasured in accordance with the Group's accounting policies. Upon classification as held for sale, the non-current assets (the disposal group) are not depreciated and are measured at the lower of their previous carrying amount and fair value less cost to sell. Any differences are recognised in profit or loss.

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 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 restated as if the operation had been discontinued from the start of the comparative period.

4.29 Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. However, this basis does not apply to share-based payment transactions.

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.30 Accounting Estimates and Judgements

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

(a) Depreciation of Property, Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(b) Valuation of Investment Properties

Investment properties of the Group are reported at fair value which is based on valuations performed by independent professional valuers by reference to the selling prices of recent transactions and asking prices of similar properties of nearby location and where necessary, adjusting for factors such as tenure, location, size, market trends. Other factors such as model assumptions, market dislocations and unexpected correlations can also materially affect these estimates and the resulting valuations.

The independent professional valuers have exercised judgement in determining discount rates, estimates of future cash flows, capitalisation rate, terminal value, market rental, and other factors used in the valuation process. Also, judgement has been applied in estimating prices for less readily observable external parameters. Other factors such as model assumptions, market dislocations and unexpected correlations can also materially affect these estimates and the resulting fair value.

(c) Impairment of Property, Plant and Equipment, Right-Of-Use Assets and Investment Properties

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.30 Accounting Estimates and Judgements (Cont'd)

(d) Classification between Investment Properties and Owner-Occupied Properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independent of the other assets held by the Group.

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

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

(e) Lease terms

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

(f) Impairment of Trade Receivables and Contract Assets

The Group uses the simplified approach to estimate a lifetime expected credit loss allowance for all trade receivables and contract assets. The contract assets are grouped with trade receivables for impairment assessment because they have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group develops the expected loss rates based on the payment profiles of past sales and the corresponding historical credit losses, and adjusts for qualitative and quantitative reasonable and supportable forward-looking information. If the expectation is different from the estimation, such difference will impact the carrying values of trade receivables and contract assets. The carrying amounts of contract assets and trade receivables as at the reporting date are disclosed in Notes 23 and 24 to the financial statements.

(g) Impairment of Non-Trade Receivables

The loss allowances for non-trade financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting appropriate inputs to the impairment calculation, based on the past payment trends, existing market conditions as well as forward-looking estimates at the end of each reporting period. The carrying amounts of other receivables and amounts owing by subsidiaries as at the reporting date are disclosed in Note 24 to the financial statements.

(h) Write-down of Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.30 Accounting Estimates and Judgements (Cont'd)

(i) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the year in which such determination is made.

(j) Share-based Payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity investments at the date at which they are granted. The estimating of the fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option volatility and dividend yield and making assumptions about them.

(k) Revenue Recognition For Construction Contracts

The Group recognises construction revenue by reference to the construction progress based on the physical proportion of contract work certified by project engineers. Significant judgement is required in determining the progress towards complete satisfaction of the performance obligation based on the contract work certified to-date corroborated by the level of completion of the construction based on actual costs incurred to-date over the estimated total contract costs. The total estimated costs are based on approved budgets, which require assessment and judgement to be made on changes in, for example, work scope, changes in costs and costs to completion. In making the judgement, management relies on past experience and the work of specialists. The carrying amount of contract assets as at the reporting date is disclosed in Note 23 to the financial statements.

(l) Contingent Liabilities

The recognition and measurement for contingent liabilities is based on management's view of the expected outcome on contingencies after consulting legal counsel for litigation cases and experts, for matters in the ordinary course of business.

5. REVENUE

	GROUP		COMPANY	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Continuing operations				
Construction revenue	435,289	656,228	–	–
Sale of goods	220,955	208,793	–	–
Energy sale	35,086	–	–	–
Sale of properties	2,550	1,016	–	–
Dividend income	227	119	77,260	73,874
Interest income	5	4	233	145
Rental income	7,821	7,959	–	–
Management fee	–	–	1,628	1,608
	701,933	874,119	79,121	75,627

The information on the disaggregation of revenue is disclosed as follows:-

	GROUP		COMPANY	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue recognised:				
- At point of time	266,644	217,891	79,121	75,627
- Over time	435,289	656,228	–	–
	701,933	874,119	79,121	75,627
Represented by geographical markets:				
- Lao PDR	470,375	656,228	–	–
- Malaysia	130,340	118,738	79,121	75,627
- Other countries	101,218	99,153	–	–
	701,933	874,119	79,121	75,627

6. PROFIT FROM OPERATIONS - CONTINUING OPERATIONS

This is arrived at:-

	GROUP		COMPANY	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
After crediting:				
Dividend income from equity investments at fair value through other comprehensive income	1,060	1,041	77,260	73,874
Fair value gain on investment properties	–	6,375	–	–
Gain on disposal of property, plant and equipment	4	2,222	–	–
Gain on foreign exchange:				
- Realised	2,562	2,850	–	–
- Unrealised	158	–	–	7,357
Interest income on financial assets that are not at fair value through profit or loss:				
- Deposits with financial institutions	1,666	2,041	233	145
- Imputed interest on dividend receivable	–	–	–	6,926
Rental income	8,668	8,809	–	–
After charging:				
Auditors' remuneration:				
- Audit fees:				
- For the financial year	565	478	85	60
- Underprovision in previous financial years	120	2	60	–
- Non-audit fees:				
- Auditors of the Company	49	20	49	20
Depreciation of:				
- Property, plant and equipment	14,979	16,327	28	82
- Right-of-use assets	6,114	–	2,063	–
Direct operating expenses arising from investment properties	2,794	2,285	–	–
Directors' remuneration:				
- Fees	443	443	443	443
- Salary, bonus and other remuneration	824	818	824	818
- Defined contribution plan	87	86	87	86
- Share options to Directors	–	388	–	388
- Other emoluments	26	29	26	29
Impairment loss on:				
- Right-of-use assets	535	–	–	–
- Investment in subsidiaries	–	–	–	75,980
Loss on foreign exchange, net:				
- Realised	847	–	31	158
- Unrealised	441	943	5,813	–
Property, plant and equipment written off	1,381	282	556	–
Staff costs:				
- Defined contribution plan	2,172	1,483	413	363
- Salaries, wages, bonuses and allowances	28,247	26,065	3,521	3,079
- Other benefits	2,107	1,867	152	150
Write-down in value of inventories	557	273	–	–

There was no monetary value of benefits-in-kind received by Directors of the Group and of the Company for the financial years ended 31 December 2019 and 31 December 2018.

6. PROFIT FROM OPERATIONS - CONTINUING OPERATIONS (CONT'D)

(a) Details of net impairment loss on financial assets included in profit from operations are as follows:-

	GROUP		COMPANY	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
After charging:				
Net impairment loss on financial assets during the financial year:				
- Investment in subsidiaries	–	–	–	75,980
- Individually impaired	–	820	–	–
- Additions under MFRS 9	2,074	2,545	–	–
- Reversal of impairment losses	–	–	–	(47,326)
	2,074	3,365	–	28,654

7. FINANCE COSTS

	GROUP		COMPANY	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Continuing operations				
Interest on financial liabilities that are not at fair value through profit or loss:				
- Bank overdrafts	220	294	122	238
- Revolving credits	3,185	4,095	1,301	1,837
- Amount owing to subsidiaries	–	–	4,418	3,498
- Term loans	1,590	1,470	–	–
- Lease liabilities	768	–	21	–
- Hire purchase	–	623	–	4
- Bankers' acceptances	528	391	–	–
- Others	2,142	870	361	257
	8,433	7,743	6,223	5,834

8. INCOME TAX EXPENSE

	GROUP		COMPANY	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Continuing operations				
Current tax:				
- Malaysian tax	3,634	3,452	78	75
- Under/(Over)provision in the previous financial year	22	704	(5)	–
	3,656	4,156	73	75
Deferred tax (Note 32):				
- Relating to originating and recognition of temporary differences	22,363	27,739	–	–
- (Over)/Underprovision in the previous financial years	(63)	857	–	–
- Remeasurement of deferred tax on:				
(i) Investment properties arising from change in Real Property Gains Tax ("RPGT") rate	–	5,156	–	–
(ii) Intangible asset arising from change in Lao PDR's corporate tax rate	(13,972)	–	–	–
	8,328	33,752	–	–
	11,984	37,908	73	75

Malaysia Income Tax Act 1967

Domestic income tax is calculated at the statutory tax rate of 24% (2018: per actual rate of tax computation for certain subsidiaries of the Company in Malaysia) on the estimated assessable profit for the year.

The unused tax losses and unabsorbed reinvestment allowances are allowed to be utilised for 7 consecutive years of assessment while unabsorbed capital allowances and unabsorbed investment tax allowances are allowed to be carried forward indefinitely and utilised against income from the same business source, provided there is no substantial change in the shareholders of the subsidiaries.

Other Tax Jurisdictions

The taxation of other jurisdictions is calculated at the rates prevailing in the respective jurisdictions, as follows:

(a) Lao PDR - maximum rate of 24% (2018: 24%)

(b) Kingdom of Cambodia ("Cambodia") - 20% (2018: 20%)

(c) Labuan, Malaysia - 24% (2018: Nil)

8. INCOME TAX EXPENSE (CONT'D)

Other Tax Jurisdictions (Cont'd)

The subsidiary in the Lao People's Democratic Republic ("Lao PDR") is exempted from income tax during the period starting from the date of incorporation until the end of the 5th anniversary of the concession plant's commercial operation date ("COD"). Thereafter, the subsidiary in Lao PDR would be subjected to a maximum corporate income tax rate of 20% (2019: 24%). The maximum corporate income tax rate was reduced from 24% to 20% with effect from 18 February 2020.

The unused tax losses of the subsidiary in the Cambodia in any year of assessment can only be carried forward for a maximum period of 5 consecutive years of assessment immediately following that year of assessment.

The subsidiary in Labuan is loss making in the current financial year and is therefore not subject to income tax under Labuan Business Activity Tax Act 1990 ("LBATA"). No tax expense was payable by such subsidiary in the previous financial year as it was exempted under LBATA.

A reconciliation of income tax expense applicable to profit/(loss) before tax at the statutory rate to income tax expense at the effective tax rate of the Group and of the Company is as follows:-

	GROUP		COMPANY	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Profit/(Loss) before tax:				
- Continuing operations	188,404	197,440	56,506	48,837
- Discontinued operations	590	(7,818)	–	-
	188,994	189,622	56,506	48,837
Tax at Malaysian statutory rate of 24%	45,359	45,509	13,561	11,721
Tax effects of:				
- Effect of change in corporate income tax rate in:				
- Malaysia	–	(1,609)	–	–
- Lao PDR	(13,972)	–	–	–
- Effect of differential in tax rates on fair value adjustment on investment properties	–	5,156	–	–
- Income not subject to tax	(17,675)	(20,254)	(18,542)	(21,612)
- Expenses not deductible	2,091	8,591	5,059	9,966
- Deferred tax assets not recognised during the financial year	1,191	6,900	–	–
- Utilisation of reinvestment allowances	(2,848)	(2,011)	–	–
- (Over)/Underprovision in previous financial years:				
- Current tax	(198)	568	(5)	–
- Deferred tax	(63)	986	–	–
Income tax expense for continuing and discontinued operations	13,885	43,836	73	75

8. INCOME TAX EXPENSE (CONT'D)

Other Tax Jurisdictions (Cont'd)

No deferred tax assets are recognised in respect of the following items:-

	GROUP		COMPANY	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Unutilised tax losses	8,156	7,050	–	–
Unabsorbed capital allowances	5,057	3,226	–	–
Others	5,623	3,597	–	–
	18,836	13,873	–	–

Deferred tax assets have not been recognised in respect of the unutilised tax losses and unabsorbed capital allowances as they arose from the subsidiaries that have a history of losses and it is not probable that there will be future taxable profits available for offset in the foreseeable future. In addition, these brought forward losses may not be used to offset taxable profits of other subsidiaries in the Group.

As at 31 December 2019, subject to agreement with the Inland Revenue Board, apart from the unutilised tax losses and unabsorbed capital allowances, the Group has unutilised reinvestment allowances of approximately RM18,489,000 (2018 : RM18,532,000) available to be carried forward to be offset against future taxable income.

9. DISCONTINUED OPERATIONS

The Group has discontinued two power plant operations, as detailed below:-

(a) Power plant in China operated by 60%-owned Shaoxing Mega Heat & Power Co., Ltd ("SMHP"). The sino-foreign co-operative joint venture agreement with Qixian Heat & Power Co., Ltd of the People's Republic of China ("QHP") expired on 22 October 2017 and was not extended by the Group; and

(b) Power plant in Tawau, Sabah operated by 51%-owned Serudong Power Sdn Bhd ("SPSB"). The Power Purchase Agreement ("PPA") expired on 2 December 2017.

9. DISCONTINUED OPERATIONS (CONT'D)

In relation to the above, the Group has presented and disclosed in the financial statements the effects of discontinued operations for both SMHP and SPSB in accordance to MFRS 5 (Non-current Assets Held for Sale and Discontinued Operations). Accordingly, the results of the discontinued operations are presented below:-

		GROUP	
	Note	2019 RM'000	2018 RM'000
Revenue		–	–
Cost of sales		(168)	(2,049)
Gross loss		(168)	(2,049)
Other income		1,898	33,129
Administrative expenses		(1,140)	(1,580)
Other expenses		–	(37,317)
Profit/(Loss) from operations	9(a)	590	(7,817)
Finance costs		–	(1)
Profit/(Loss) before tax		590	(7,818)
Income tax expense	9(b)	(1,901)	(5,928)
Loss after tax/Total comprehensive expenses		(1,311)	(13,746)
(Loss)/Profit after tax and Total comprehensive (expenses)/income attributable to:			
- Owners of the Company		1,933	(10,017)
- Non-controlling interests		(3,244)	(3,729)
		(1,311)	(13,746)

9. DISCONTINUED OPERATIONS (CONT'D)

(a) Included in profit/(loss) from operations are the following items:-

	GROUP 2019 RM'000	GROUP 2018 RM'000
After crediting:		
Arbitral tribunal's award	–	31,615
Gain on disposal of plant and equipment	8	–
Interest income:		
- Deposits with financial institutions	95	558
- Ultimate holding company	1,774	873
After charging:		
Audit fee:		
- Current financial year	30	23
- Underprovision in the previous financial year	6	–
Allowance for impairment loss on receivables	–	9,778
Depreciation of plant and equipment	–	35
Impairment loss on property, plant and equipment	–	10,471
Plant and equipment written off	–	2
Provision for site restoration costs	–	16,650
Staff costs:		
- Defined contribution plan	15	112
- Salaries, wages, bonuses and allowances	142	1,218
- Other benefits	13	921
(Write-back)/Write-down in value of inventories	(10)	3,456

(b) Income tax expense consists of:-

	GROUP 2019 RM'000	GROUP 2018 RM'000
Current tax:		
- Current financial year	2,121	6,860
- Overprovision in previous financial years	(220)	(136)
	1,901	6,724
Deferred tax (Note 32):		
- Relating to originating and recognition of temporary differences	–	(925)
- Underprovision in previous financial years	–	129
	–	(796)
	1,901	5,928

9. DISCONTINUED OPERATIONS (CONT'D)

(c) The cash flows attributable to the discontinued operations are as follows:-

	GROUP	
	2019 RM'000	**2018 RM'000**
Net cash (for)/from operating activities	(4,178)	22,288
Net cash from/(for) investing activities	3,499	(3,899)
Net cash for financing activities	(5,614)	(11,029)
Net cash (for)/from discontinued operations	(6,293)	7,360

10. OTHER COMPREHENSIVE (EXPENSES)/INCOME

	GROUP		COMPANY	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Continuing operations				
Items that will be reclassified subsequently to profit or loss				
Foreign currency translation:				
- Changes during the financial year	(13,338)	21,991	–	–
- Recycled to profit or loss upon deconsolidation of a foreign operation	–	56	–	–
	(13,338)	22,047	–	–
Cash flow hedge				
- Changes during the financial year	(5,038)	2,998	–	–
	(18,376)	25,045	–	–
Items that will not be reclassified subsequently to profit or loss				
Fair value of equity instruments				
- Changes during the financial year	6,134	(13,662)	1,230	(820)
Other comprehensive (expenses)/income from continuing operations	(12,242)	11,383	1,230	(820)
Discontinued operations	–	–	–	–
	(12,242)	11,383	1,230	(820)

11. EARNINGS PER SHARE

	GROUP 2019	GROUP 2018
Basic earnings/(loss) per share		
Profit/(Loss) after tax for the financial year attributable to owners of the Company (RM'000):		
- Continuing operations	151,735	139,283
- Discontinued operations	1,933	(10,017)
	153,668	129,266
Weighted average number of ordinary shares ('000):-		
Issued ordinary shares on 1 January	417,364	410,786
Effect of new ordinary shares issued pursuant to:		
- ESOS options	636	239
- Warrants	4,778	871
Effect of treasury shares held	(20,497)	(20,497)
Weighted average number of ordinary shares for the financial year	402,281	391,399
Basic earnings/(loss) per share (sen):		
- Continuing operations	37.72	35.59
- Discontinued operations	0.48	(2.56)
	38.20	33.03
Diluted earnings/(loss) per share		
Profit/(Loss) after tax for the financial year attributable to owners of the Company (RM'000):		
- Continuing operations	151,735	139,283
- Discontinued operations	1,933	(10,017)
	153,668	129,266
Weighted average number of ordinary shares for the financial year ('000)	402,281	391,399
Weighted average number of shares under options and warrants ('000)	56,422	77,402
Weighted average number of shares that would have been issued at average market price ('000)	(31,679)	(49,659)
Weighted average number of ordinary shares used in the calculation of diluted earnings per share ('000)	427,024	419,142
Diluted earnings/(loss) per share (sen):		
- Continuing operations	35.53	33.23
- Discontinued operations	0.45	(2.39)
	35.98	30.84

11. EARNINGS PER SHARE (CONT'D)

11.1 The basic earnings per share is calculated by dividing the Group's profit after tax attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the financial year excluding treasury shares held by the Company.

11.2 The diluted earnings per share is calculated by dividing the Group's profit after tax attributable to shareholders of the Company by the assumed weighted average number of ordinary shares in issue, adjusted on the assumption that all dilutive outstanding options granted pursuant to the ESOS and dilutive outstanding warrants are exercised.

12. DIVIDENDS

	COMPANY	
	2019 RM'000	2018 RM'000
Final tax-exempt dividend of 2.0 sen per ordinary share in respect of the financial year ended 31 December 2018	7,999	–
Interim tax-exempt dividend of 2.0 sen per ordinary share in respect of the financial year ended 31 December 2018	–	7,813
Final tax-exempt dividend of 2.0 sen per ordinary share in respect of the financial year ended 31 December 2017	–	7,808
	7,999	15,621

The Board proposes a final single-tier dividend of 6.0 sen per ordinary share for the financial year ended 31 December 2019 (2018 : final tax-exempt dividend of 2.0 sen). The proposed dividend, which is subject to the approval of the shareholders at the forthcoming Annual General Meeting, has not been included as a liability in these financial statements.

13. PROPERTY, PLANT AND EQUIPMENT

GROUP **Cost**	**Freehold Land and Buildings RM'000**	**Long Leasehold Land RM'000**	**Short Leasehold Quarry Land RM'000**	**Plant and Machinery, Equipment, Vehicles, Bearer Plants and Construction -in-Progress RM'000**	**Total RM'000**
At 1 January 2018	51,117	2,881	71,416	342,330	467,744
Additions	2,489	–	3,483	50,688	56,660
Disposals/Write-offs	(1,478)	–	(321)	(7,221)	(9,020)
Reclassifications	1,124	–	–	(1,124)	–
Translation differences	1	–	–	428	429
At 31 December 2018/1 January 2019:					
- As previously reported	53,253	2,881	74,578	385,101	515,813
- Initial application of MFRS 16	–	(2,881)	(74,578)	(16,310)	(93,769)
- As restated	53,253	–	–	368,791	422,044
Additions	2,724	–	–	23,978	26,702
Disposals/Write-offs	(2,911)	–	–	(1,651)	(4,562)
Translation differences	(10)	–	–	(354)	(364)
At 31 December 2019	53,056	–	–	390,764	443,820
Impairment Loss					
At 1 January 2018	–	–	–	–	–
Impairment loss during the year 2018	–	–	–	(10,471)	(10,471)
At 31 December 2018/1 January 2019	–	–	–	(10,471)	(10,471)
Impairment loss during current year	–	–	–	–	–
At 31 December 2019	–	–	–	(10,471)	(10,471)

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

GROUP **Accumulated Depreciation**	**Freehold Land and Buildings RM'000**	**Long Leasehold Land RM'000**	**Short Leasehold Quarry Land RM'000**	**Plant and Machinery, Equipment, Vehicles, Bearer Plants and Construction -in-Progress RM'000**	**Total RM'000**
At 1 January 2018	(10,470)	(1,187)	(13,628)	(182,451)	(207,736)
Depreciation charges	(861)	(45)	(2,065)	(13,391)	(16,362)
Disposals/Write-offs	405	–	62	5,699	6,166
Reclassification	(141)	(62)	132	71	–
Translation differences	(1)	–	–	(17)	(18)
At 31 December 2018/1 January 2019:					
- As previously reported	(11,068)	(1,294)	(15,499)	(190,089)	(217,950)
- Initial application of MFRS 16	–	1,294	15,499	2,447	19,240
- As restated	(11,068)	–	–	(187,642)	(198,710)
Depreciation charges	(965)	–	–	(14,014)	(14,979)
Disposals/Write-offs	2,088	–	–	1,055	3,143
Reclassification	189	–	–	(189)	–
Translation differences	(16)	–	–	(17)	(33)
At 31 December 2019	(9,772)	–	–	(200,807)	(210,579)
Net Book Value					
At 31 December 2019	43,284	–	–	179,486	222,770
At 31 December 2018	42,185	1,587	59,079	184,541	287,392

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

COMPANY	Bearer Plant RM'000	Equipment and Vehicles RM'000	Total RM'000
Cost			
At 1 January 2018	5,744	2,739	8,483
Additions	1,031	886	1,917
Disposals/Write offs	–	(3)	(3)
At 31 December 2018/1 January 2019:			
- As previously reported	6,775	3,622	10,397
- Initial application of MFRS 16	–	(859)	(859)
- As restated	6,775	2,763	9,538
Additions	942	101	1,043
Write-offs	(556)	–	(556)
At 31 December 2019	7,161	2,864	10,025
Accumulated Depreciation			
At 1 January 2018	–	(2,682)	(2,682)
Depreciation charges	–	(82)	(82)
Disposals/Write-offs	–	3	3
At 31 December 2018/1 January 2019:			
- As previously reported	–	(2,761)	(2,761)
- Initial application of MFRS 16	–	57	57
- As restated	–	(2,704)	(2,704)
Depreciation charges	–	(28)	(28)
At 31 December 2019	–	(2,732)	(2,732)
Net Book Value			
At 31 December 2019	7,161	132	7,293
At 31 December 2018	6,775	861	7,636

Property, plant and equipment of the Group with net book value of RM29,800,000 (2018: RM37,862,000) have been charged as security for banking facilities granted to certain subsidiaries.

In the last financial year, included in the property, plant and equipment of the Group and of the Company were plant and equipment with a total carrying amount of RM13,863,000 and RM803,000 respectively, which were acquired under hire purchase arrangements. These leased assets have been pledged as security for the hire purchase payables of the Group as disclosed in Note 29 to the financial statements.

14. INTANGIBLE ASSET

	GROUP 2019 RM'000	2018 RM'000
At 1 January	1,635,027	941,796
Additions during the financial year (Note 5)	435,289	656,228
Translation differences	(22,179)	37,003
At 31 December	2,048,137	1,635,027

<u>Don Sahong Hydropower Project</u>

On 13 February 2008, the Group had signed the Project Development Agreement with the Government of Lao PDR to develop, build, own and operate the Don Sahong Hydropower Project in the Khong District, Champassak Province, Lao PDR.

On 15 September 2015, the Group entered into a Concession Agreement ("CA") with Lao PDR, whereby the Lao PDR had granted on a build, operate and transfer basis, the concession rights to the Group for the development of the Don Sahong Hydropower Project. The Project is a 260MW run-of-river hydropower project capable of generating about 2,000 GWh of electricity per year.

At the expiration of the concession period or upon the early termination of the CA by either Party, the Group shall transfer the Project Assets to the Lao PDR, in accordance with the terms and conditions of the CA including the Group's obligations with respect to Prudent Utility Practices and in compliance with the Lao PDR Law, together with all data and information required to be provided to the Lao PDR.

On 1 October 2015, the Group entered into a Power Purchase Agreement ("PPA") with Electricité Du Laos ("EDL") for the sale by its subsidiary and the purchase by EDL of all electricity generated by the Project on a take-or-pay basis. The PPA shall be for a period of 25 years from the COD of the Project. The Group shall construct a 230kV transmission line from the Project's switchyard to interconnect with the existing EDL Grid System. Construction works on the Don Sahong Hydropower Project which commenced in the fourth quarter of 2015 was completed in November 2019.

During the construction phase of the Don Sahong Hydropower Project, the Group recognises revenue in respect of its construction services under a service concession arrangement with the corresponding entry in the statement of financial position under intangible asset, which arises because of its concession right in the Concession Agreement.

Included in intangible asset are term loan and revolving credit interest expenses of RM25,289,000 capitalised during current financial year (2018 : RM15,444,000).

The intangible asset will be amortised on a straight-line basis over the period of the Concession Agreement, which is 25 years from the commercial operation date.

The Group has assessed the recoverable amount of the intangible asset and determined that no impairment is required.

15. INVESTMENT PROPERTIES

	GROUP	
	2019 **RM'000**	**2018** **RM'000**
Leasehold land and buildings, at fair value		
At beginning of financial year	177,212	170,117
Reclassified:		
- From inventories (land held for development)	–	1,652
- To inventories (completed properties for sale)	–	(932)
Fair value gain recognised in profit on loss (Note 6)	–	6,375
At end of financial year	177,212	177,212

The details of the Group's investment properties that are carried at fair values are analysed as follows:-

Group	**Level 2** **RM'000**	**Level 3** **RM'000**	**Total** **RM'000**
2019			
Leasehold land and buildings	171,542	5,670	177,212
2018			
Leasehold land and buildings	171,542	5,670	177,212

The level 2 fair value of the leasehold land and buildings has been derived using the market comparison approach with reference to sales price of comparable properties in close proximity, 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. There has been no change to the valuation technique during the financial year.

The level 3 fair value of the leasehold land and buildings has been determined based on the following significant unobservable input:-

Unobservable Input	Relationship of Unobservable Input to Fair Value
Future rental cash inflows at gross rental yield of 8% (2018: 8%).	The higher the rental income, the higher the fair value.

Investment property of a subsidiary with carrying value of approximately RM121,109,000 (2018 : RM121,109,000) has been charged as security for revolving credit facilities granted to the Company and a subsidiary.

Certain investment properties of the Group are leased to customers under operating leases with rentals payable monthly. Each of the leases contains an initial non-cancellable period of 3 years and the subsequent renewals are negotiated separately on a contract by contract basis.

The Group does not require a financial guarantee on its lease arrangements. Instead, the Group requires 3 months of advanced rental payments from the customers. The leases do not include residual value guarantee and variable lease payments.

15. INVESTMENT PROPERTIES (CONT'D)

The undiscounted operating lease payments receivable are as follows:-

	GROUP	
	2019 RM'000	2018 RM'000
Within 1 year	6,859	#
Between 1 and 2 years	4,613	#
Between 2 and 3 years	1,529	#
Between 3 and 4 years	80	#
At end of financial year	13,081	#

- *The comparative information is not presented as the Group has applied MFRS 16 using the modified retrospective approach.*

16. INVENTORIES

	GROUP	
	2019 RM'000	2018 RM'000
Non-Current		
(i) Land held for property development		
- Freehold land	3,093	3,093
- Leasehold land	24,141	24,141
	27,234	27,234
(ii) Property development costs	16,209	16,209
	43,443	43,443
Current		
(iii) Completed properties for sale	9,845	11,253
(iv) Other inventories		
- Finished goods and work-in-progress	10,165	10,224
- Materials, spare parts and consumables	46,964	42,753
	57,129	52,977
	66,974	64,230
Recognised in profit or loss		
Inventories recognised as cost of sales	187,683	177,878
Write-down in value of inventories	547	3,729

17. RIGHT-OF-USE ASSETS

GROUP **Cost**	Leasehold Land and Land Use Right RM'000	Plant and Equipment RM'000	Total RM'000
At 1 January 2019:			
- As previously reported	–	–	–
- Initial application of MFRS 16:			
(i) Transfer from Property, Plant and Equipment (Note 13)	77,459	16,310	93,769
(ii) Transfer from Land Use Rights (Note 18)	21,223	–	21,223
(iii) Present value of future lease payments	2,730	–	2,730
- As restated	101,412	16,310	117,722
Additions	824	3,321	4,145
Translation differences	10	–	10
At 31 December 2019	102,246	19,631	121,877
Accumulated Depreciation			
At 1 January 2019:			
- As previously reported	–	–	–
- Initial application of MFRS 16:			
(i) Transfer from Property, Plant and Equipment (Note 13)	(16,793)	(2,447)	(19,240)
- As restated	(16,793)	(2,447)	(19,240)
Depreciation charges	(4,021)	(2,093)	(6,114)
Translation differences	1	–	1
At 31 December 2019	(20,813)	(4,540)	(25,353)
Impairment Loss			
At 1 January 2019	–	–	–
Impairment loss in current year	(535)	–	(535)
At 31 December 2019	(535)	–	(535)
Net Book Value			
At 31 December 2019	80,898	15,091	95,989

17. RIGHT-OF-USE ASSETS (CONT'D)

COMPANY **Cost**	**Leasehold Land and Land Use Right RM'000**	**Plant and Equipment RM'000**	**Total RM'000**
At 1 January 2019:			
- As previously reported	–	–	–
- Initial application of MFRS 16			
(i) Transfer from Property, Plant and Equipment (Note 13)	–	859	859
(ii) Transfer from Land Use Rights (Note 18)	13,654	–	13,654
- As restated	13,654	859	14,513
Additions	–	369	369
At 31 December 2019	13,654	1,228	14,882
Accumulated Depreciation			
At 1 January 2019:			
- As previously reported	–	–	–
- Initial application of MFRS 16	–	(57)	(57)
- As restated	–	(57)	(57)
Depreciation charges	(1,830)	(233)	(2,063)
At 31 December 2019	(1,830)	(290)	(2,120)
Net Book Value			
At 31 December 2019	11,824	938	12,762

The comparative information is not presented as the Group has applied MFRS 16 using the modified retrospective approach.

Right-of-use assets of the Group with net book value of RM7,090,000 have been charged as security for banking facilities granted to certain subsidiaries.

The Group leases certain pieces of leasehold land, machineries and motor vehicles of which the leasing activities are summarised below:

(i) Leasehold Land and Land Use Rights

The Group leases certain pieces of leasehold land and land use right through entering of various agreements (which is non-cancellable operating lease in nature) for the use of the land. The lease period ranges from 8 to 99 years.

17. RIGHT-OF-USE ASSETS (CONT'D)

(ii) Plant and Equipment

The Group has leased certain machineries and motor vehicles under hire purchase arrangements with lease terms ranging from 3 to 5 years. At the end of the lease term, the ownership of the assets would be transferred to the Group. The lease liabilities bear effective interest rates ranging from 3.78% to 6.81% and are secured by the above leased assets.

The leased assets are pledged as security for lease liabilities of the Group and of the Company as disclosed in Note 31 to the financial statements.

Included in the cost of leasehold land and land use rights is an amount of RM12,889,000 related to initial sum paid to acquire leasehold land for plantation activities in Cambodia as detailed in ensuing paragraphs.

On 31 July 2013, the Company obtained approval from the Royal Government of Cambodia for the concession of a plot of land measuring 9,477 hectares situated in the Namlear Wildlife Sanctuary Zone, Mondulkiri Province, Kingdom of Cambodia primarily for agricultural development and cultivation (the "ELC Agreement"). The originally granted area is gross and inclusive of the relevant protected area, land reserved for public infrastructure, and land parcels affected by authorised occupation by the local villagers.

On 9 February 2018, Mega First Plantation (Cambodia) Ltd, a 100% owned subsidiary of the Company, entered into an amendment to the ELC Agreement with the Ministry of Agriculture, Forestry and Fisheries, whereby the size of the land in the ELC Agreement has been revised to the registered land area of 6,419.93 hectares and the term of the concession has been reduced from 90 years to 50 years, commencing from 29 April 2013.

During the financial year, the Group has carried out a review of the recoverable amount of its leasehold land and an impairment loss of RM535,000, representing the write-down of the right-of-use asset to the recoverable amount was recognised in "Other Expenses" line item of the consolidated statement of profit or loss and other comprehensive income as disclosed in Note 6 to the financial statements.

18. LAND USE RIGHTS

	GROUP		COMPANY	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Rights over land for:				
- Plantation development	–	11,864	–	9,923
- Mineral extraction, quarrying and mining	–	9,359	–	3,731
	–	21,223	–	13,654

* - *The prepaid lease payments have been represented as right-of-use assets as shown in Note 17 to the financial statement following the application of MFRS 16 by the Group using the modified retrospective approach.*

19. SUBSIDIARIES

		COMPANY	
		2019 RM'000	2018 RM'000
(i)	Unquoted ordinary shares in Malaysia		
	At cost	436,661	436,661
	Less: Accumulated impairment losses		
	- At 1 January	(283,371)	(207,391)
	- Additions during the financial year	–	(75,980)
	- At 31 December	(283,371)	(283,371)
		153,290	153,290
(ii)	Unquoted equity shares outside Malaysia, at cost	150,837	138,837
(iii)	Unquoted preference shares in Malaysia		
	At cost	649,098	532,815
	Additions during the financial year	76,220	116,283
	Accumulated impairment losses	(77,326)	(77,326)
	Unrealised foreign exchange differences	(21,280)	(15,474)
		626,712	556,298
	Net carrying amount at end of financial year	930,839	848,425

The subsidiaries are listed in Note 42 to the financial statements.

In the last financial year, the Company had carried out a review of the recoverable amounts of its investments in certain subsidiaries that had been persistently making losses. A total impairment losses of RM75,980,000, representing the write-down of the investments to their recoverable amounts, was recognised in "Other Expenses" line item of the statement of profit or loss and other comprehensive income.

The unquoted preference shares in Malaysia consist of the following:-

(a) Non-convertible 13.5% (2018 : 9%) cumulative redeemable preference shares ("NCRPS") of USD1 per share issued by a wholly owned subsidiary of the Company and may be redeemed at the option of the NCRPS holder; and

(b) Redeemable convertible non-cumulative 7% preference shares issued by certain wholly owned subsidiaries of the Company. These subsidiaries shall be entitled to redeem and/or convert the whole or any part of these preference shares at any time from the date of issue to 31 December 2020. These preference shares amounted to RM77,326,000 had been fully impaired in prior years.

The non-controlling interests at the end of the reporting period comprise the following:-

	GROUP	
	2019 RM'000	2018 RM'000
Don Sahong Power Company Ltd. ("DSPC")	101,983	79,649
Idaman Harmoni Sdn. Bhd. ("IHSB")	39,470	38,262
Serudong Power Sdn Bhd ("SPSB")	10,179	16,172
Other individually immaterial subsidiaries	25,010	38,673
Total	176,642	172,756

19. SUBSIDIARIES (CONT'D)

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

	DSPC RM'000	SPSB RM'000	IHSB RM'000
At 31 December 2019			
Non-current assets	2,048,788	*	91,206
Current assets	47,400	43,964	34,894
Non-current liabilities	(1,308,823)	–	(7,036)
Current liabilities	(264,586)	(23,191)	(40,222)
Net assets	522,779	20,773	78,842
Financial year ended 31 December 2019			
Revenue	470,375	–	7,202
Profit/(Loss) after tax	130,222	(6,616)	1,607
Total comprehensive income/(expenses)	124,533	(6,616)	1,607
Total comprehensive income/(expenses) attributable to non-controlling interests	24,907	(3,242)	1,208
Dividends paid to non-controlling interests	–	(2,751)	–
Net cash flows (for)/from operating activities	(3,983)	(4,524)	1,861
Net cash flows (for)/from investing activities	(186,044)	3,489	1,951
Net cash flows from/(for) financing activities	182,656	(5,614)	(3,500)
At 31 December 2018			
Non-current assets	1,648,084	*	93,038
Current assets	17,361	52,359	34,808
Non-current liabilities	(1,153,807)	–	(7,036)
Current liabilities	(113,391)	(19,356)	(43,576)
Net assets	398,247	33,003	77,234
Financial year ended 31 December 2018			
Revenue	656,228	–	7,376
Profit/(Loss) after tax	104,175	(7,611)	(1,539)
Total comprehensive income/(expenses)	104,175	(7,611)	(1,539)
Total comprehensive income/(expenses) attributable to non-controlling interests	89,592	(3,729)	1,822
Dividends paid to non-controlling interests	–	(3,929)	–
Net cash flows (for)/from operating activities	(350)	19,299	1,556
Net cash flows (for)/from investing activities	(353,715)	(8,587)	294
Net cash flows from/(for) financing activities	349,381	(8,020)	(2,000)

* - *Negligible*

20. JOINT VENTURE AND ASSOCIATE

	GROUP 2019 RM'000	GROUP 2018 RM'000
Unquoted shares in Malaysia, at cost		
At 1 January	4,000	*
Additions during the financial year	–	4,001
Share of post-acquisition loss	–	(1)
At 31 December	4,000	4,000

* - *Negligible*

The details of the joint venture and associate are as follows:-

Company	Principal Activities	Principal Place of Business/ Country of Incorporation	Percentage of Issued Share Capital Held by Parent 2019 %	Percentage of Issued Share Capital Held by Parent 2018 %
Joint Venture				
Merchant Commodities Pty. Ltd. ("MC")	Distributor of limestone products	Australia	50	50
Associate				
Golden Blue Sdn. Bhd. ("GB")	Investment holding	Malaysia	40	40

(a) The Group's involvement in joint arrangements are structured through separate vehicles which provide the Group rights to the net assets of the entities. Accordingly, the Group has classified investment in MC as joint venture.

(b) The Group recognised its share of results in both MC and GB based on the unaudited financial statements drawn up to the most recent reporting date, which is 31 December 2019.

20. JOINT VENTURE AND ASSOCIATE (CONT'D)

(c) The summarised unaudited financial information (after fair value adjustment at acquisition date and/or alignment for the Group's accounting policies) for the joint venture and associate of the Group is presented below:-

	MC		GB	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Non-current assets	427	703	10,100	10,100
Current assets:				
- Bank balances, trade and other receivables	3,251	10,308	810	810
Current liabilities:				
- Trade and other payables	(7,896)	(13,053)	(930)	(930)
Net (liabilities)/assets	(4,218)	(2,042)	9,980	9,980
Revenue	18,034	26,539	–	–
Loss after tax	(2,186)	(2,660)	*	–
Total comprehensive expense	(2,186)	(2,660)	*	–
Group's share of loss after tax	–	(1)	*	–
Group's share of total comprehensive expense	–	(1)	*	–
<u>Reconciliation of Net Assets to Carrying Amount</u>				
Group's share of net assets	–	–	3,992	3,992
Goodwill	–	–	8	8
Carrying amount of Group's interests in the joint venture and associate	–	–	4,000	4,000

* - *Negligible*

(d) The Group has not recognised losses relating to MC where its share of losses exceeds the Group's interest in this joint venture. The Group's cumulative share of unrecognised loss at the end of the reporting period was RM2,114,000 (2018 : RM1,021,000). The Group has no obligation in respect of these losses.

21. INVESTMENT IN QUOTED SHARES

	GROUP		COMPANY	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Equity investments at fair value through other comprehensive income	49,385	43,247	2,665	1,435

The Group designated its investment in quoted shares to be measured at fair value through other comprehensive income because the Group intends to hold the investments for long-term.

22. GOODWILL ON CONSOLIDATION

The carrying amount of goodwill allocated to each cash-generating unit ("CGU") is as follows:-

	GROUP	
	2019 RM'000	2018 RM'000
Resources segment	4,582	4,582
Printing business	2,785	2,785
Others	990	990
	8,357	8,357

The Group has assessed the recoverable amounts of goodwill allocated and determined that no impairment is required. The recoverable amounts of the cash-generating units are determined using value-in-use approach which is derived from the present value of the future cash flows from the operating segments computed based on the financial projections approved by management covering a period of 1 year. The key assumptions used in the determination of the recoverable amounts of goodwill arising from the following operating segments are as follows:-

	Average Growth Rate		Discount Rate	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Resources segment	8%	42%	8.7%	10.9%
Printing business	52%	70%	8.7%	10.9%

Growth rate is based on the expected projected growth rates of the resources segment and printing business. Discount rate reflects specific risks relating to the relevant operating segment/business.

23. CONTRACT ASSETS

	GROUP	
	2019 RM'000	2018 RM'000
At cost	788	2,597
Less: Accumulated impairment loss	(684)	(759)
	104	1,838

The contract assets primarily relate to the Group's right to consideration for construction work completed but not yet billed as at the reporting date. The contract assets are recoverable upon billing to customers.

24. RECEIVABLES

	GROUP		COMPANY	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Trade receivables				
Third parties	89,714	44,294	–	–
Joint venture	592	8,265	–	–
	90,306	52,559	–	–
Less : Allowance for impairment losses				
- At 1 January	(12,911)	(10,537)	–	–
- Additions	(2,074)	(3,365)	–	–
- Write-offs	7	991	–	–
- At 31 December	(14,978)	(12,911)	–	–
	75,328	39,648	–	–
Other receivables				
Sundry receivables	10,320	16,892	1,215	1,104
Less : Allowance for impairment losses				
- At 1 January	(1,214)	(3,091)	(702)	(1,348)
- Additions	–	(9,778)	–	–
- Write-offs	820	11,655	–	646
- At 31 December	(394)	(1,214)	(702)	(702)
	9,926	15,678	513	402
Refundable deposits	2,689	7,401	381	381
Prepayments	7,569	24,120	–	601
Contract costs	708	14	–	–
Current tax assets	1,127	6,240	121	205
Amount owing by subsidiaries				
At cost	–	–	48,540	40,685
Less : Allowance for impairment losses				
At 1 January	–	–	(294)	(54,546)
Reversal of notional time value loss	–	–	–	6,926
Write-back	–	–	–	47,326
At 31 December	–	–	(294)	(294)
	–	–	48,246	40,391
	97,347	93,101	49,261	41,980

24. RECEIVABLES (CONT'D)

The credit periods granted for trade receivables range from 21 to 120 days. Amount owing by joint venture is subject to credit term of 60 days.

Amount owing by sundry receivables is interest-free, unsecured and receivable on demand. At the end of the reporting period, there was no indication that amounts owing by third parties are not recoverable.

Included in prepayments is an advance payment of RM1,460,000 (2018 : RM12,922,000) made to a contractor in relation to the engineering, procurement and construction works for Don Sahong Hydropower Project. The advance payment shall be repaid by the contractor by way of deduction from future billings raised to the Group for each achieved milestone event.

Contract costs primarily relate to costs incurred by the Group for work performed in developing tooling equipment for identified customers who have control over such equipment which will be used for production of goods in fulfilling customers' orders.

25. BANK BALANCES AND DEPOSITS

	GROUP		COMPANY	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash and bank balances	58,271	62,670	5,247	1,025
Deposits with financial institutions	32,615	67,206	–	–
Housing Development Accounts	145	632	–	–
	91,031	130,508	5,247	1,025

The deposits with financial institutions of the Group and of the Company earn interest at rates ranging from 0.05% to 4.2% (2018 : 2.17% to 4.2%) per annum. The deposits have maturity periods ranging from 1 to 730 days (2018 : 30 to 730 days).

The Housing Development Accounts are maintained by certain subsidiaries in accordance with Section 7(A) of the Housing Developers (Control and Licensing) Act 1966. These accounts consist of monies received from purchasers to be utilised for property development projects after which, the surplus monies, if any, will accrue to the said subsidiaries upon the completion of the property development projects.

Included in bank balances and deposits of the Group are deposits of RM1,655,000 (2018 : RM1,605,000) pledged to licensed banks as security for banking facilities granted to certain subsidiaries as disclosed in Note 30 to the financial statements.

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following:-

	GROUP		COMPANY	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Bank balances and deposits	91,031	130,508	5,247	1,025
Bank overdrafts (Note 34)	(1,422)	(6,785)	–	(1,140)
Less:				
- Deposits pledged to banks	(1,655)	(1,605)	–	–
	87,954	122,118	5,247	(115)

26. SHARE CAPITAL

The movements in the issued and paid-up share capital of the Company are as follows:-

	Group/Company			
	Number of Shares		Amount	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Issued And Fully Paid-Up				
Ordinary Shares				
At 1 January	417,364	410,786	540,667	524,005
New shares issued pursuant to:				
- ESOS options	1,660	641	4,704	1,844
- Warrants	19,318	5,937	48,215	14,818
At 31 December	438,342	417,364	593,586	540,667

(i) The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company, and are entitled to one vote per ordinary share at meetings of the Company. The ordinary shares have no par value.

(ii) During the financial year, the Company issued:-

(a) 19,317,993 new ordinary shares for cash at the prices of RM2.22 from the conversion of warrants; and

(b) 1,660,745 new ordinary shares for cash at the prices of RM1.34, RM2.00, RM2.41 and RM3.40 pursuant to the exercise of options under the Employees' Share Option Scheme.

All the above-mentioned ordinary shares rank pari passu with the then ordinary shares of the Company.

(iii) Of the total 438,342,263 (2018 : 417,363,525) issued and fully paid-up ordinary shares as at 31 December 2019, 20,497,300 (2018 : 20,497,300) ordinary shares were held as treasury shares by the Company. The number of outstanding ordinary shares in issue and fully paid-up as at 31 December 2019 was therefore 417,844,963 (2018 : 396,866,225).

27. TREASURY SHARES

None of the treasury shares were resold or cancelled during the financial year.

28. RESERVES

		GROUP		COMPANY	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-distributable reserves					
ESOS reserve	28.1	16,452	17,597	16,452	17,597
Translation reserve	28.2	(19,011)	(6,811)	–	–
Fair value reserve	28.3	(9,539)	(15,673)	(4,506)	(5,736)
Warrant reserve	28.4	9,254	14,583	9,254	14,583
Hedge reserve	28.5	(4,391)	647	–	–
Capital reserve	28.6	12,867	–	–	–
		5,632	10,343	21,200	26,444
Distributable reserve					
Retained profits		966,074	831,816	300,440	252,006
		971,706	842,159	321,640	278,450

28.1 ESOS reserve

The ESOS reserve represents the equity-settled share options granted to employees. 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.

The ESOS is governed by ESOS By-Laws as approved by shareholders on 20 May 2010 and subsequently modified upon approval by shareholders on 21 May 2014. The ESOS tenure is 10 years effective from 1 August 2010.

The main features of the ESOS are as follows:-

(a) The employees eligible to participate in the ESOS must be employed for a continuous period of at least one (1) year by the Company and/or a subsidiary within the Group;

(b) The non-executive directors eligible to participate in the ESOS must have been a member of the Board or its subsidiaries for at least one (1) year;

(c) No eligible employee or director shall participate at any time in more than one (1) employees' share option scheme implemented by any company within the Group;

(d) The entitlement under the ESOS for the Directors of the Company and persons connected to them is subject to the approval of the shareholders of the Company in a general meeting;

(e) The ESOS shall be in force for a period of ten (10) years from its commencement on 1 August 2010 unless otherwise terminated in accordance with the By-Laws;

(f) No employee or director shall be granted options for less than 100 ordinary shares and not more than 50% of the MFCB Shares available under the ESOS shall be allocated, in aggregate, to Directors and senior management of the MFCB Group, and not more than 10% of the MFCB Shares available under the ESOS shall be allocated to any individual eligible participant, who, either singly or collectively through persons connected with him/her, holds 20% or more of the issued and paid-up share capital of the Company (excluding treasury shares);

28. RESERVES (CONT'D)

28.1 ESOS reserve (Cont'd)

The main features of the ESOS are as follows:- (Cont'd)

(g) The new ordinary shares in the Company allotted upon any exercise of options under the scheme will upon allotment, rank pari passu in all respects with the then existing ordinary shares in the Company, except that the new ordinary shares so issued will not rank for any dividends or other distribution declared or paid to shareholders prior to the date of allotment of such new ordinary shares, and will be subject to all the provisions of the Article of Association of the Company; and

(h) The subscription price shall be at a discount of not more than 10% on the weighted average market price of the Company's shares for the five (5) market days immediately preceding the date of offer, but shall in no event be less than the par value of the shares.

The movement in the number of options granted, exercised and lapsed during the financial year is as follows:-

Grant date	Exercise price RM	Balance as at 1.1.2019 '000	Number of Options Over Ordinary Shares Movements during the financial year Granted '000	Exercised '000	Lapsed '000	Balance as at 31.12.2019 '000
24.8.2010	1.34 *^	286	–	(150)	–	136
5.5.2015	2.00 *#	12,621	–	(787)	–	11,834
21.2.2017	2.41	10,582	–	(684)	–	9,898
22.5.2017	3.45	300	–	–	–	300
23.6.2017	3.40	160	–	(40)	–	120
4.4.2018	2.89	600	–	–	–	600
		24,549	–	(1,661)	–	22,888

Grant date	Exercise price RM	Balance as at 1.1.2018 '000	Number of Options Over Ordinary Shares Movements during the financial year Granted '000	Exercised '000	Lapsed '000	Balance as at 31.12.2018 '000
24.8.2010	1.34 *^	286	–	–	–	286
5.5.2015	2.00 *#	13,132	–	(403)	(108)	12,621
21.2.2017	2.41	10,820	–	(238)	–	10,582
22.5.2017	3.45	300	–	–	–	300
23.6.2017	3.40	160	–	–	–	160
4.4.2018	2.89	–	600	–	–	600
		24,698	600	(641)	(108)	24,549

* *Arising from the Rights Issue with Warrants and in accordance with the ESOS By-Laws, adjustments have been made to both the number of options and the subscription price of options.*

^ *Options are exercisable on or after 21 May 2014. The ESOS will be expiring on 31 July 2020.*

\# *Options are exercisable on or after 31 March 2017. The ESOS will be expiring on 31 July 2020.*

28. RESERVES (CONT'D)

28.1 ESOS reserve (Cont'd)

The fair values of the share options granted were estimated using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The fair values of the share options measured at grant date and the assumptions used are as follows:-

Grant date	**24.8.2010**	**5.5.2015**	**21.2.2017**	**22.5.2017**	**23.6.2017**	**4.4.2018**
Fair value of share options (RM)	1.70	2.46	0.76	1.12	0.95	0.65
Weighted average share price (RM)	1.67	2.45	2.72	4.00	3.74	3.23
Exercise price (RM)	1.34*	2.00*	2.41	3.45	3.40	2.89
Expected volatility (%)	24.54	28.88	29.69	26.79	26.86	19.41
Risk free rate (%)	3.87	3.84	4.16	4.08	3.88	3.95
Expected dividend yield (%)	4.41	3.25	1.84	1.25	1.34	1.24

* - *Adjusted for the alteration in the capital structure of the Company during the option period.*

28.2 Translation reserve

The translation reserve arose from the translation of the financial statements of foreign subsidiaries whose functional currencies are different from the Group's presentation currency. This reserve is not distributable by way of dividends.

28.3 Fair value reserve

The fair value reserve represents the cumulative fair value changes (net of tax, where applicable) of fair value through other comprehensive income financial assets until they are disposed of.

28.4 Warrant reserve

Warrant holders are not entitled to vote in any general meeting of the Company or to participate in any distribution and/or offer of further securities in the Company unless and until the Warrant holder becomes a shareholder of the Company by exercising the Warrants.

At the end of the financial year, there were 33,533,849 (2018: 52,851,842) outstanding warrants with the exercise price of RM2.22 which will be expiring on 8 April 2020.

28.5 Hedge reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedges related to hedged transactions that have not yet occurred.

28.6 Capital reserve

The capital reserve relates to compulsory legal reserve created in accordance with the Law on Enterprise (Revision) No.46/NA in the Lao PDR whereby the subsidiary company in Lao PDR is required to provide compulsory legal reserve at the rate 10% of profit after deducting accumulated losses, subject to 50% limit of the subsidiary company's registered capital.

29. PAYABLES - NON-CURRENT

	GROUP		COMPANY	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Hire purchase payables (non-current)	–	8,459	–	387
Provision	444	396	–	–
	444	8,855	–	387
Minimum hire purchase payments:				
- Not later than one year	–	4,367	–	242
- Later than one year and not later than five years	–	9,140	–	413
	–	13,507	–	655
Less : Future finance charges	–	(1,237)	–	(40)
Present value of hire purchase payables	–	12,270	–	615
Analysed by:				
Current liabilities (Note 33)	–	3,811	–	228
Non-current liabilities	–	8,459	–	387
	–	12,270	–	615

The hire purchase payables have been represented as 'lease liabilities' as shown in Note 31 to the financial statement following the application of MFRS 16 by the Group using the modified retrospective approach.

In the last financial year, the hire purchase payables of the Group and of the Company:-

(a) bore effective interest at rates ranging from 3.8% to 8.4% per annum. The interest rates were fixed at the inception of the hire purchase arrangements; and

(b) secured by the Group's plant and equipment under finance leases as disclosed in Note 13 to the financial statements.

30. LONG-TERM BORROWINGS

	GROUP	
	2019 RM'000	2018 RM'000
Long-term borrowings:		
- Term loans	27,929	486,308

The term loans of the Group are analysed as follows:-

	GROUP	
	2019 RM'000	2018 RM'000
Current (Note 34)	13,639	12,593
Non-current:		
- Club deal facilities	–	459,723
- Other term loans	27,929	26,585
	27,929	486,308
	41,568	498,901

<u>Term Loans under Club Deal Facilities ("Facilities")</u>

In the previous financial year, the club deal facilities ("Facilities") was for the purpose of financing the construction of the Don Sahong Hydropower Project.

The Facilities bore floating interest rates, which is the Lenders' cost of funds plus margin. The Lenders' cost of funds is made up of USD London Interbank Offered Rate ("LIBOR") and liquidity premium. The effective interest rate of the Facilities at the end of last reporting period was 6.22% per annum.

The Facilities are repayable from the fourth month of the Project's COD or 30 June 2020, whichever is earlier. The Facilities are repayable in 12 quarterly instalments over 3 years.

In the current financial year, the Group has fully settled the Facilities via the Short Term Revolving Credit ("STRC") as disclosed in Note 34 to the financial statements.

30. LONG-TERM BORROWINGS (CONT'D)

Term Loans under Club Deal Facilities ("Facilities") (Cont'd)

The Facilities were secured by:-

(a) Unconditional and irrevocable guarantee from the Company, certain subsidiaries of the Company and shareholder of a subsidiary;

(b) Legal assignments of all Project Documents, rights titles and government permits and approvals, to the extent permitted by law;

(c) Legal assignment of all performance bonds, liquidated damages, insurance policies and insurance proceeds in relation to the Project;

(d) Debentures over present and future fixed and floating assets of certain subsidiaries of the Company;

(e) Charge and assignment over certain revenue and operation bank accounts of certain subsidiaries maintained with the banks;

(f) Pledge of a subsidiary's shares owned by the Group; and

(g) A Power of Attorney by a subsidiary wherein the subsidiary irrevocably and unconditionally appoints agent as its attorney to deal with all receivables and cash flows to be derived from the Project.

In the last financial year, the Facilities of USD57,814,000 had been partially hedged by interest rate swap as disclosed in Note 35 to the financial statements.

Other Term Loans

The term loans of the Group are floating rate in nature and bear interest at rates ranging from 4.18% to 7.85% (2018 : 4.0% to 7.1%) per annum, and are secured by:-

(a) Legal charges over properties, leasehold land and machineries of certain subsidiaries, as disclosed in Note 13, Note 15 and Note 17 to the financial statements;

(b) A debenture covering fixed and floating charges over all present and future assets of certain subsidiaries;

(c) A pledge of certain subsidiaries' fixed deposits accounts with banks, as disclosed in Note 25 to the financial statements;

(d) Corporate guarantee given by certain subsidiaries of the Company;

(e) Joint and several guarantees given by certain directors of certain subsidiaries of the Company; and

(f) Guarantee coverage by Government of Malaysia under Working Capital Guarantee Scheme.

31. LEASE LIABILITIES

	GROUP 2019 RM'000	COMPANY 2019 RM'000
At 1 January:		
- As previously reported	–	–
- Initial application of MFRS 16	15,000	615
- As restated	15,000	615
Additions during the financial year	3,154	300
Interest expense recognised in profit or loss (Note 7)	768	21
Repayment of principal	(4,425)	(310)
Repayment of interest	(669)	(21)
At 31 December	13,828	605
Analysed by:		
- Non-current liabilities	9,711	277
- Current liabilities	4,117	328
	13,828	605

The comparative information is not presented as the Group has applied MFRS 16 using the modified retrospective approach.

32. DEFERRED TAX LIABILITIES

The movement of deferred tax liabilities during the financial year is analysed as follows:-

	GROUP	
	2019 RM'000	2018 RM'000
At beginning of financial year	88,342	53,975
Recognised in profit or loss:		
- Continuing operations (Note 8)	8,328	33,752
- Discontinued operations (Note 9)	–	(796)
Effect of foreign exchange translation	(735)	1,411
At end of financial year	95,935	88,342

32. DEFERRED TAX LIABILITIES (CONT'D)

The deferred tax liabilities represent the tax effects of:-

	GROUP	
	2019 RM'000	2018 RM'000
Intangible asset	69,024	62,358
Accelerated capital allowances over depreciation on qualifying costs of property, plant and equipment	16,517	15,034
Fair value gain on investment properties	10,949	10,949
Others	(555)	1
	95,935	88,342

33. PAYABLES - CURRENT

	GROUP		COMPANY	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Trade payables	278,193	229,690	–	–
Other payables and accruals				
Sundry payables	15,158	11,545	93	93
Accrued expenses	15,562	19,283	1,796	1,664
Hire purchase payables due within 12 months (Note 29)	–	3,811	–	228
Provisions	–	16,680	–	–
Deferred income	5,986	5,986	5,986	5,986
Amount owing to Subsidiaries	–	–	76,907	75,586
	36,706	57,305	84,782	83,557
	314,899	286,995	84,782	83,557

Trade payables consist of amounts outstanding for trade purchases and construction works. The credit period granted to the Group for trade purchases ranges from 30 to 120 days.

In the previous financial year, provisions comprised mainly an estimated cost of RM16.65 million to restore the discontinued power plant site in Tawau to an acceptable condition to the landlord upon expiry of the lease term. The estimate is reviewed regularly for indication of any material change. At the end of the current reporting period, the provisions have been classified as held for sale as disclosed in Note 36 to the financial statements.

The deferred income is in respect of Feasibility Study Grant received from Malaysia External Trade Development Corporation for the Company's power project. This was approved with reimbursement of actual expenses and there is unfulfilled condition or contingency relating to this grant where such income can only be credited to profit or loss upon project completion date.

Included in the amount owing to subsidiaries is a principal sum of RM23,130,000 (2018 : RM24,742,000) which is non-trade in nature, unsecured, bears interest at rate of 4% (2018 : 4%) per annum and is repayable on demand. The amount owing is to be settled in cash.

34. SHORT-TERM BORROWINGS

	GROUP		COMPANY	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revolving credits:				
- Secured	686,950	69,000	32,500	25,000
- Unsecured	5,000	15,000	5,000	15,000
	691,950	84,000	37,500	40,000
Term loans (Note 30):				
- Secured	13,639	12,593	–	–
Bankers' Acceptances:				
- Secured	11,200	9,009	–	–
Bank overdrafts:				
- Secured	1,422	5,645	–	–
- Unsecured	–	1,140	–	1,140
	1,422	6,785	–	1,140
	718,211	112,387	37,500	41,140

The effective interest rates of the short-term borrowings, other than term loans disclosed in Note 30 to the financial statements, are as follows:-

(a) The bank overdrafts of the Group bear interest rate of 7.61% (2018: 6.95% to 8.35%) per annum.

(b) The bankers' acceptances of the Group bear interest rates ranging from 4.1% to 5.37% (2018: 3.7% to 6.0%) per annum.

(c) The revolving credits of the Group and of the Company bear interest rates of 4.13% to 4.55% (2018: 4.52% to 4.82%) and 4.13% to 4.45% (2018: 4.52% to 4.82%) per annum, respectively.

The short-term borrowings (other than short term revolving credit, as detailed below) were secured by legal charges over certain investment properties of a subsidiary and other collaterals relating to term loans (other than Facilities), as detailed in Note 30 to the financial statements.

Short Term Revolving Credit ("STRC")

In current financial year, the Group has obtained STRC totaling USD150,000,000 as bridging loan to redeem fully and settle the outstanding amount from the Facilities, as disclosed in Note 30 to the financial statements.

The STRC bears floating interest rate, which is the Lenders' COF plus margin. The Lenders' Cost of Funds is made up of LIBOR and liquidity premium.

The STRC is repayable on demand. For avoidance of doubt, the limit of the STRC facility shall be cancelled four (4) years after the STRC is made available by the bank. Any outstanding amount after the limit cancellation shall be immediately due and payable.

The STRC is secured by third party deposits and fresh assignment and charge over designated accounts of a subsidiary.

The issuing bank of the Facilities also agreed to transfer the derivative limit line of USD70,000,000 from Facilities to STRC which had been hedged by an interest rate swap ("IRS") as disclosed in Note 35 to the financial statements.

35. DERIVATIVE LIABILITY/(ASSET)

	Contract/ Notional Amount		Carrying Amount	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Derivative liability/ (asset)				
Interest rate swap	286,510	239,119	4,391	(647)

The IRS is executed with credit-worthy financial institution in order to partially hedge against potential increases in the LIBOR arising from the STRC (2018: Facilities), as disclosed in Note 34 (2018: Note 30) to the financial statements for the purpose of financing/refinancing the construction of the Don Sahong Hydropower Project. With the IRS, it effectively swaps out the LIBOR with a fixed interest rate of 2.5% per annum.

As at the end of the reporting period, the Group has utilised IRS of USD70 million (2018: USD57.8 million). The IRS has the same maturity terms as the STRC (2018: Facilities) and is settled every 1 month (2018: 3 months) which is consistent to the interest repayment schedule of STRC (2018: Facilities).

The Group apply hedge accounting for the hedging instrument of IRS as the hedge is considered to be highly effective based on the following considerations:

(a) The critical terms of the IRS and the hedged item (i.e. the STRC or Facilities, whichever applicable) such as notional contract amount, settlement dates, underlying and currency of cash flows are exactly matched; and

(b) The fair value of the hedging instrument at inception is nil.

The Group will continue to assess the hedge relationship to ensure that it has actually been highly effective retrospectively.

The IRS is measured at fair value based on bank quote. The fair value changes on the effective portion of the IRS which qualify as cash flow hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised in profit or loss.

During the financial year, a loss of RM5,038,000 (2018: Gain of RM2,998,000) is recognised in other comprehensive income and no ineffective hedge is recognised in profit or loss in respect of the hedge.

36. ASSETS/(LIABILITIES) CLASSIFIED AS HELD FOR SALE

A subsidiary of the Company, Serudong Power Sdn Bhd ("SPSB") had on 11 November 2019 entered into an Assets Sale Agreement with Reliable Power Resources Sdn Bhd ("RPR") for the disposal of buildings (and structures erected on land located at District of Tawau, Sabah) and plant assets (i.e. facilities, equipment, plant, machinery, spare parts and fuels) at total consideration of RM3,000,000.

At the end of the current reporting period, the assets and liabilities associated to the above buildings and plant assets have been presented in the consolidated statement of financial position as "Assets classified as held for sale" and "Liabilities classified as held for sale", disclosed below:-

	GROUP 2019 RM'000
Assets classified as held for sale	
Property, plant and equipment	*
Inventories	2
	2
Liabilities classified as held for sale	
Provisions	(16,650)

* - *Negligible*

Provisions relate to estimated costs expect to incur in restoring the discontinued power plant site in Tawau to the condition which is acceptable to the landlord upon expiry of the lease term. The estimate is reviewed regularly for indication of any material change.

The disposal of buildings and plant assets has yet to complete as at 31 December 2019. Details of the disposal transaction are disclosed in Note 47(c) to the financial statements.

37. NET ASSETS PER ORDINARY SHARE

The net assets per ordinary share has been calculated based on the Group's shareholders' funds as at end of reporting period of RM1,535,246,000 (2018: RM1,352,780,000) on 417,844,963 (2018: 396,866,225) ordinary shares in issue, net of treasury shares.

38. CONTINGENT LIABILITY

On 5 October 2016, Idaman Harmoni Sdn. Bhd. ("IHSB"), an indirect 65% owned subsidiary of the Company, was served with the following notices of assessment showing additional taxes and penalties totalling RM22,795,912:

(i) Notice of Additional Assessment dated 20 September 2016 for Year of Assessment ("YA") 2010 whereby additional tax (inclusive of penalty of 50%) of RM37,763.50 has been imposed by the Inland Revenue Board of Malaysia ("IRBM") ("Form JA").

(ii) Notice of Reduced Assessment dated 23 September 2016 for YA 2009 whereby tax of RM35,429.00 has been reduced by IRBM ("Form JR").

(iii) Notice of Assessment dated 23 September 2016 for YA 2009 whereby tax (inclusive of penalty of 100%) of RM22,793,577.50 has been imposed by IRBM ("Form J").

There will be a late payment penalty imposition of up to 15.5% on the above unpaid taxes and penalties.

The abovementioned taxes and penalties imposed by IRBM are in relation to a joint venture entered into by IHSB as the landowner with a property developer for the construction of an office and residential property known as PJ8 pursuant to an agreement dated 23 April 2004.

The IRBM has taken the view that there is a deemed disposal of the PJ8 property by IHSB which is subject to income tax. This transaction was treated by IHSB as a capital transaction which was liable to Real Property Gains Tax in Year 2004. IHSB is a property investment company and has not disposed of any of its PJ8 properties since completion.

Based on advice from both its tax consultants and solicitors, IHSB is of the view that the assessment raised by IRBM are statute barred and erroneous in law. IHSB has filed its appeals against the assessments to the Special Commissioners of Income Tax on 28 October 2016 and will defend its position vigorously. The hearing of appeal is ongoing.

39. CASH FLOW INFORMATION

(a) During the financial year, the Group and the Company made the following payment to purchase property, plant and equipment:-

	GROUP		COMPANY	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cost of property, plant and equipment purchased	26,702	56,660	1,043	1,917
Amount financed through hire purchase [Note 39(b)]	–	(6,895)	–	(683)
Cash disbursed for purchase of property, plant and equipment	26,702	49,765	1,043	1,234

39. CASH FLOW INFORMATION (CONT'D)

(b) The reconciliations of liabilities arising from financing activities are as follows:-

Group	Term Loans RM'000	Hire Purchase Payables RM'000	Lease Liabilities RM'000	Other Short-term Borrowings RM'000	Total RM'000
2019					
At 1 January					
- As previously reported	498,901	12,270	–	93,009	604,180
- Initial application of MFRS 16	–	(12,270)	15,000	–	2,730
- As restated	498,901	–	15,000	93,009	606,910
Changes in Financing Cash Flows					
Proceeds from drawdown	25,861	–	–	625,225	651,086
Repayment of principal	(483,194)	–	(4,425)	(6,063)	(493,682)
Net (repayment)/drawdown	(457,333)	–	(4,425)	619,162	157,404
Repayment of interest	(1,590)	–	(669)	(3,933)	(6,192)
Acquisition of new lease	–	–	3,154	–	3,154
Non-cash Changes					
Interest expense recognised in profit or loss [Note 7]	1,590	–	768	3,933	6,291
Foreign exchange adjustments	–	–	–	(9,021)	(9,021)
At 31 December	41,568	–	13,828	703,150	758,546

Company	Term Loans RM'000	Hire Purchase Payables RM'000	Lease Liabilities RM'000	Other Short-term Borrowings RM'000	Total RM'000
2019					
At 1 January					
- As previously reported	–	615	–	40,000	40,615
- Initial application of MFRS 16	–	(615)	615	–	–
- As restated	–	–	615	40,000	40,615
Changes in Financing Cash Flows					
Repayment of principal	–	–	(310)	(2,500)	(2,810)
Repayment of interest	–	–	(21)	(1,423)	(1,444)
Acquisition of new lease	–	–	300	–	300
Non-cash Changes					
Interest expense recognised in profit or loss [Note 7]	–	–	21	1,423	1,444
At 31 December	–	–	605	37,500	38,105

39. CASH FLOW INFORMATION (CONT'D)

(b) The reconciliations of liabilities arising from financing activities are as follows (Cont'd):-

Group	Term Loans RM'000	Hire Purchase Payables RM'000	Other Short-term Borrowings RM'000	Total RM'000
2018				
At 1 January	126,573	8,350	88,402	223,325
Changes in Financing Cash Flows				
Proceeds from drawdown	390,437	–	6,607	397,044
Repayment of borrowings (principal)	(28,514)	–	(2,000)	(30,514)
Net drawdown of term loans, bankers' acceptances and trust receipts	361,923	–	4,607	366,530
Repayment of hire purchase (principal)	–	(2,975)	–	(2,975)
Repayment of interest	(1,470)	(623)	(4,780)	(6,873)
New hire purchase [Note 39(a)]	–	6,895	–	6,895
Non-cash Changes				
Interest expense recognised in profit or loss [Note 7]	1,470	623	4,780	6,873
Foreign exchange adjustments	10,405	–	–	10,405
At 31 December	498,901	12,270	93,009	604,180

Company	Term Loans RM'000	Hire Purchase Payables RM'000	Other Short-term Borrowings RM'000	Total RM'000
2018				
At 1 January	–	–	35,000	35,000
Changes in Financing Cash Flows				
Proceeds from drawdown	–	–	5,000	5,000
Repayment of hire purchase	–	(68)	–	(68)
Repayment of interest	–	(4)	(2,075)	(2,079)
New hire purchase [Note 39(a)]	-	683	–	683
Non-cash Changes				
Interest expense recognised in profit or loss [Note 7]	–	4	2,075	2,079
At 31 December	–	615	40,000	40,615

40. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risks (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

40.1 Financial Risk Management Policies

The Group's policies in respect of the major areas of treasury activity are as follows:-

(a) Market Risk

(i) Foreign Currency Risk

The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country, in which the property or investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

The Group's foreign operations of various functional currencies when translated into its parent's reporting currency based on closing rates (for assets and liabilities) and average transaction rates (for income and expenses) at consolidation, gives rise to foreign currency translation gain or loss that will be recognised in other comprehensive income. Intragroup transactions with foreign operations involving monetary financial instruments will also result in foreign currency translation gain or loss that cannot be eliminated on consolidation, but has to be recognised either in profit or loss or in other comprehensive income. However, non-monetary financial items translated at historical exchange rates will not give rise to foreign currency risk.

Resulting from its net investment in foreign operations, the Group's current and future profit stream in various foreign currencies will also be exposed to foreign currency risk.

In general, currency exposure from foreign investments and borrowings is managed centrally at the Group HQ level, whilst currency exposure arising from transactions or contractual obligations is managed at the respective entity or business unit's level.

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Ringgit Malaysia. The currencies giving rise to this risk are primarily United States Dollar ("USD"), Singapore Dollar ("SGD"), Australian Dollar ("AUD") and Hong Kong Dollar ("HKD"). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level. The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes.

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 Financial Risk Management Policies (Cont'd)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

The Group's exposure to foreign currency is as follows:-

GROUP 2019	AUSTRALIAN DOLLAR RM'000	UNITED STATES DOLLAR RM'000	SINGAPORE DOLLAR RM'000	CHINESE RENMINBI RM'000	OTHERS RM'000	TOTAL RM'000
<u>Financial assets</u>						
Investment in quoted shares	–	–	16,952	–	217	17,169
Receivables	1,962	8,740	1,427	–	–	12,129
Bank balances and deposits	–	2,041	152	–	437	2,630
	1,962	10,781	18,531	–	654	31,928
<u>Financial liabilities</u>						
Payables (current)	–	(788)	(21)	(3,477)	(193)	(4,479)
Bankers' acceptance	–	(2,199)	–	–	–	(2,199)
	–	(2,987)	(21)	(3,477)	(193)	(6,678)
Net financial assets	1,962	7,794	18,510	(3,477)	461	25,250
Less: Net financial liabilities denominated in the respective entity's functional currency	–	(7,794)	–	–	(141)	(7,935)
Currency exposure	1,962	–	18,510	(3,477)	320	17,315

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 Financial Risk Management Policies (Cont'd)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

The Group's exposure to foreign currency is as follows: (Cont'd):-

GROUP 2018	AUSTRALIAN DOLLAR RM'000	UNITED STATES DOLLAR RM'000	SINGAPORE DOLLAR RM'000	HONG KONG DOLLAR RM'000	OTHERS RM'000	TOTAL RM'000
Financial assets						
Investment in quoted shares	–	–	16,334	204	–	16,538
Receivables	5,748	8,900	741	–	–	15,389
Bank balances and deposits	–	4,055	153	–	90	4,298
	5,748	12,955	17,228	204	90	36,225
Financial liability						
Payables (current)	–	(1,091)	(20)	–	(52)	(1,163)
Net financial assets	5,748	11,864	17,208	204	38	35,062
Less: Net financial liabilities denominated in the respective entity's functional currency	–	(11,864)	–	–	(79)	(11,943)
Currency exposure	5,748	–	17,208	204	(41)	23,119

The Company's exposure to foreign currency is as follows:-

COMPANY 2019	CHINESE RENMINBI RM'000	UNITED STATES DOLLAR RM'000	SINGAPORE DOLLAR RM'000	HONG KONG DOLLAR RM'000	OTHERS RM'000	TOTAL RM'000
Financial assets						
Investment in unquoted preference shares	–	626,712	–	–	–	626,712
Bank balances and deposits	–	113	–	–	–	113
Currency exposure	–	626,825	–	–	–	626,825
2018						
Financial assets						
Investment in unquoted preference shares	–	556,298	–	–	–	556,298
Bank balances and deposits	–	189	–	–	–	189
Currency exposure	–	556,487	–	–	–	556,487

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 Financial Risk Management Policies (Cont'd)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign currency risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the reporting period, with all other variables held constant:-

	GROUP		COMPANY	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Effects on profit after taxation and equity				
AUD/RM:				
- strengthened by 5%	75	287	–	–
- weakened by 5%	(75)	(287)	–	–
RMB/RM:				
- strengthened by 5%	(132)	–	–	–
- weakened by 5%	132	–	–	–
USD/RM:				
- strengthened by 5%	296	451	23,819	27,824
- weakened by 5%	(296)	(451)	(23,819)	(27,824)
SGD/RM:				
- strengthened by 5%	703	860	*	*
- weakened by 5%	(703)	(860)	–	–
HKD/RM:				
- strengthened by 5%	–	10	–	–
- weakened by 5%	–	(10)	–	–

* - *Negligible*

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 Financial Risk Management Policies (Cont'd)

(a) Market Risk (Cont'd)

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from interest-bearing financial assets and liabilities. The Group's policy is to obtain the most favourable interest rates available by maintaining a balanced portfolio mix of fixed and floating rate borrowings. Any surplus funds of the Group will be placed with licensed financial institutions to generate interest income.

The Group actively reviews its debt portfolio, taking into account the nature and requirements of its businesses as well as the current business and economic environment. This strategy allows it to achieve an optimum cost of capital whilst locking in long term funding rates for long term investments.

The Group's fixed rate borrowings and deposits with financial institutions are carried at amortised cost. Therefore, they are not subject to interest rate risk as defined in MFRS 7 since neither the carrying amounts nor the future cash flows will fluctuate because of a change in market interest rates.

Interest rate risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the interest rates as at the end of the reporting period, with all other variables held constant:-

	GROUP		COMPANY	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Effects on profit after taxation and equity				
Increase of 25 basis points (bp)	(1,356)	(1,000)	(71)	(103)
Decrease of 25 bp	1,356	1,000	71	103

It is the Group's policy to enter into interest rate swap to achieve an appropriate mix of fixed and floating interest rate exposure. Information of the interest rate swap entered by the Group is disclosed in Note 35 to the financial statements.

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 Financial Risk Management Policies (Cont'd)

(a) Market Risk (Cont'd)

(iii) Equity Price Risk

The Group's principal exposure to equity price risk arises mainly from changes in quoted investment prices. The Group manages its exposure to equity price risks by maintaining a portfolio of equities with different risk profiles.

Equity price risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the prices of the quoted investments as at the end of the reporting period, with all other variables held constant:-

	GROUP		COMPANY	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Effects on equity				
Increase of 5%	2,469	2,162	133	72
Decrease of 5%	(2,469)	(2,162)	(133)	(72)

(b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including quoted investments, cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Company's exposure to credit risk arises principally from loans and advances to subsidiaries, and corporate guarantee given to financial institutions for credit facilities granted to certain subsidiaries. The Company monitors the results of these subsidiaries regularly and repayments made by the subsidiaries.

(i) Credit risk concentration profile

The Group's major concentration of credit risk relates to the amounts owing by 2 debtors which constituted approximately 30% of its total receivables at the end of the reporting period.

The exposure of credit risk for trade receivables by geographical region is as follows:-

	GROUP	
	2019 RM'000	**2018 RM'000**
Malaysia	25,094	24,287
Lao PDR	38,135	–
Australia	3,104	6,806
Others	8,995	8,555
	75,328	39,648

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 Financial Risk Management Policies (Cont'd)

(b) Credit Risk

(ii) Exposure to credit risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position of the Group and of the Company after deducting any allowance for impairment losses (where applicable).

In addition, the Company's maximum exposure to credit risk also includes corporate guarantees provided to its subsidiaries as disclosed under the 'Maturity Analysis' of item (c) below, representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period. These corporate guarantees have not been recognised in the Company's financial statements since their fair value on initial recognition were not material.

(iii) Assessment of Impairment Losses

At each reporting date, the Group assesses whether any of financial assets at amortised cost, contract assets are credit impaired.

The gross carrying amounts of those financial assets are written off when there is no reasonable expectation of recovery (i.e. the debtor does not have assets or sources of income to generate sufficient cash flows to repay the debt) despite they are still subject to enforcement activities.

Trade Receivables and Contract Assets

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. Therefore, the Group concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The Group considers any receivables having significant balances and more than 90 days overdue are deemed credit impaired.

The expected loss rates are based on the payment profiles of sales from the measurement date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle their debts.

For construction contracts, the Group assessed the expected credit loss of each customer individually based on their financial information and past trends of payments.

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 Financial Risk Management Policies (Cont'd)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Trade Receivables and Contract Assets (Cont'd)

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for both trade receivables and contract assets are summarised below:-

GROUP	GROSS AMOUNT RM'000	LIFETIME LOSS ALLOWANCE RM'000	CARRYING AMOUNT RM'000
2019			
Current (not past due)	64,428	–	64,428
1 to 90 days past due	9,609	(362)	9,247
91 to 180 days past due	3,592	(1,854)	1,738
Past due more than 180 days	2,732	(2,713)	19
	80,361	(4,929)	75,432
Credit impaired:			
- individually impaired	10,049	(10,049)	–
	90,410	(14,978)	75,432
2018			
Current (not past due)	11,769	–	11,769
1 to 90 days past due	25,256	–	25,256
91 to 180 days past due	4,260	(2,345)	1,915
Past due more than 180 days	5,409	(2,863)	2,546
	46,694	(5,208)	41,486
Credit impaired:			
- individually impaired	8,462	(8,462)	–
	55,156	(13,670)	41,486

The movements in the loss allowances in respect of trade contract assets and receivables are disclosed in Notes 23 and 24 to the financial statements respectively.

Other Receivables

Other receivables are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial and hence, it is not provided for.

Bank Balances and Deposits

The Group considers these banks have low credit risks. Therefore, the Group is of the view that the loss allowance is immaterial and hence, it is not provided for.

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 Financial Risk Management Policies (Cont'd)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Amount Owing By Subsidiaries

The Company applies the general approach to measuring expected credit losses for all inter-company balances. Generally, the Company considers loans and advances to subsidiaries have low credit risks. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' loans and advances when they are payable, the Company considers the loans and advances to be in default when the subsidiaries are not able to pay when demanded. The Company considers a subsidiary's loan or advance to be credit impaired when the subsidiary is unlikely to repay its loan or advance in full or the subsidiary is continuously loss making or the subsidiary is having a deficit in its total equity.

The Company determines the probability of default for these loans and advances individually using internal information available.

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for amount owing by subsidiaries are summarised below:-

COMPANY	GROSS AMOUNT RM'000	LIFETIME LOSS ALLOWANCE RM'000	CARRYING AMOUNT RM'000
2019			
Low credit risk	48,173	–	48,173
Significant increase in credit risk	367	(294)	73
Credit impaired	–	–	–
	48,540	(294)	48,246
2018			
Low credit risk	40,318	–	40,318
Significant increase in credit risk	367	(294)	73
Credit impaired	–	–	–
	40,685	(294)	40,391

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 Financial Risk Management Policies (Cont'd)

(c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

Maturity Analysis

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

	EFFECTIVE INTEREST RATE %	CARRYING AMOUNT RM'000	CONTRACTUAL UNDISCOUNTED CASH FLOWS RM'000	WITHIN 1 YEAR RM'000	1 - 5 YEARS RM'000	OVER 5 YEARS RM'000
GROUP						
2019						
Payables:						
- Non-current	–	444	444	–	–	444
- Current	–	308,913	308,913	308,913	–	–
Liabilities classified as Held for sale	–	16,650	16,650	16,650	–	–
Lease liabilities	3.8 to 6.8	13,828	19,159	5,108	7,428	6,623
Term loans	4.2 to 7.85	41,568	47,133	15,893	24,310	6,930
Bankers' acceptances	4.1 to 5.37	11,200	11,200	11,200	–	–
Revolving credits	2.8 to 4.55	691,950	691,950	691,950	–	–
Bank overdrafts	7.61	1,422	1,422	1,422	–	–
		1,085,975	1,096,871	1,051,136	31,738	13,997
2018						
Payables:						
- Non-current	–	396	396	–	–	396
- Current	–	277,198	277,198	277,198	–	–
Hire purchase payables	3.8 to 8.4	12,270	13,507	4,367	9,140	–
Term loans	4.0 to 7.1	498,901	566,118	44,688	515,905	5,525
Bankers' acceptances	3.7 to 6.0	9,009	9,009	9,009	–	–
Revolving credits	4.5 to 4.8	84,000	84,000	84,000	–	–
Bank overdrafts	6.95 to 8.35	6,785	6,785	6,785	–	–
		888,559	957,013	426,047	525,045	5,921

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 Financial Risk Management Policies (Cont'd)

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period) (Cont'd):-

	EFFECTIVE INTEREST RATE %	CARRYING AMOUNT RM'000	CONTRACTUAL UNDISCOUNTED CASH FLOWS RM'000	WITHIN 1 YEAR RM'000	1 - 5 YEARS RM'000	OVER 5 YEARS RM'000
COMPANY						
2019						
Revolving credits	4.13 to 4.45	37,500	37,500	37,500	–	–
Lease Liabilities	3.75 to 4.57	605	644	349	295	–
Payables:						
- Current	–	78,796	78,796	78,796	–	–
Financial guarantee contract*	–	–	613,950	613,950	–	–
		116,901	730,890	730,595	295	–
2018						
Revolving credits	4.52 to 4.82	40,000	40,000	40,000	–	–
Bank overdrafts	6.95	1,140	1,140	1,140	–	–
Hire purchase payables	3.78 to 4.57	615	655	242	413	–
Payables:						
- Current	–	77,343	77,343	77,343	–	–
Financial guarantee contract*	–	–	459,723	–	459,723	–
		119,098	578,861	118,725	460,136	–

* - *The contractual undiscounted cash flows represent the outstanding credit facility of a subsidiary at the end of the reporting period. The financial guarantee has not been recognised in since its fair value on initial recognition was not material.*

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 Financial Risk Management Policies (Cont'd)

(c) Liquidity Risk (Cont'd)

Cash Flow Hedge

The Group has entered into an interest rate swap to hedge the cash flow risk in relation to the floating interest rate of a term loan as disclosed in Note 30 to the financial statements. The interest rate swap has the same nominal value and is settled every 3 monthly, consistent with the interest repayment schedule of the term loan.

The following table indicates the periods in which the cash flows associated with the interest rate swap are expected to occur and affect other comprehensive income:-

GROUP	CARRYING AMOUNT RM'000	EXPECTED CASH FLOWS RM'000	WITHIN 1 YEAR RM'000	1 - 5 YEARS RM'000	OVER 5 YEARS RM'000
2019					
Interest rate swap	(4,391)	(4,391)	–	(4,391)	–
2018					
Interest rate swap	647	647	–	647	–

During the financial year, a loss of RM5,038,000 (2018: gain of RM2,998,000) was recognised in other comprehensive income.

40.2 Capital Risk Management

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholders' value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory, if any. The debt-to-equity ratio is calculated as net debt divided by total equity. The Group includes within net debt, loans and borrowings from financial institutions less cash and cash equivalents. Total equity includes equity attributable to the owners of the parent and non-controlling interest.

40. FINANCIAL INSTRUMENTS (CONT'D)

40.2 Capital Risk Management (Cont'd)

The debt-to-equity ratio of the Group at the end of the reporting period was as follow:-

	GROUP	
	2019	**2018**
	RM'000	**RM'000**
Term loans (Note 30)	41,568	498,901
Revolving credits (Note 34)	691,950	84,000
Lease Liabilities (Note 31)	13,828	–
Hire purchase payables (Note 29)	–	12,270
Bankers' acceptances (Note 34)	11,200	9,009
	758,546	604,180
Less: Cash and cash equivalents (Note 25)	(87,954)	(122,118)
Net debt	670,592	482,062
Total equity	1,711,888	1,525,536
Debt-to-equity ratio (times)	0.39	0.32

There was no change in the Group's approach to capital management during the financial year.

40. FINANCIAL INSTRUMENTS (CONT'D)

40.3 Classification Of Financial Instruments

	GROUP		COMPANY	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Financial assets				
Designated at Fair Value Through Other Comprehensive Income Upon Initial Recognition				
Investment in quoted shares	49,385	43,247	2,665	1,435
Investment in unquoted shares	335	335	–	–
	49,720	43,582	2,665	1,435
Hedging Instrument				
Derivative asset	–	647	–	–
Amortised Cost				
Investment in unquoted preference shares	–	–	626,712	556,298
Receivables	87,943	62,727	894	783
Bank balances and deposits	91,031	130,508	5,247	1,025
Amount owing by subsidiaries	–	–	48,246	40,391
	178,974	193,235	681,099	598,497
Financial liabilities				
At fair value through profit or loss liabilities				
Derivative liability	4,391	–	–	–
Amortised Cost				
Payables:				
- Non-current	444	396	–	–
- Current	308,913	277,198	1,889	1,757
Liabilities classified as held for sale	16,650	–	–	–
Lease liabilities	13,828	–	605	–
Hire purchase payables	–	12,270	–	615
Term loans	41,568	498,901	–	–
Revolving credits	691,950	84,000	37,500	40,000
Bankers' acceptances	11,200	9,009	–	–
Bank overdrafts	1,422	6,785	–	1,140
Amount owing to subsidiaries	–	–	76,907	75,586
	1,085,975	888,559	116,901	119,098

40. FINANCIAL INSTRUMENTS (CONT'D)

40.4 Fair Value Information

Other than those disclosed below, the fair values of the financial assets and financial liabilities maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments. The following table sets out the fair value profile of financial instruments that are carried at fair value and those not carried at fair value at the end of the reporting period.

	Fair Value of Financial Instruments Carried At Fair Value			Fair Value of Financial Instruments Not Carried At Fair Value				
GROUP	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total Fair Value RM'000	Carrying Amount RM'000
2019								
Financial Assets								
Other investments:								
- Quoted shares	49,385	–	–	–	–	–	49,385	49,385
- Unquoted shares	–	335	–	–	–	–	335	335
Financial Liabilities								
Term loans	–	–	–	–	41,568	–	41,568	41,568
Derivative liability	–	4,391	–	–	–	–	4,391	4,391
2018								
Financial Assets								
Other investments:								
- Quoted shares	43,247	–	–	–	–	–	43,247	43,247
- Unquoted shares	–	335	–	–	–	–	335	335
Derivative asset	–	647	–	–	–	–	647	647
Financial Liabilities								
Term loans	–	–	–	–	498,901	–	498,901	498,901
Hire purchase payables	–	–	–	–	12,270	–	12,270	12,270

40. FINANCIAL INSTRUMENTS (CONT'D)

40.4 Fair Value Information (Cont'd)

COMPANY	Fair Value of Financial Instruments Carried At Fair Value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Fair Value of Financial Instruments Not Carried At Fair Value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total Fair Value RM'000	Carrying Amount RM'000
2019								
Financial Asset								
Investment in preference shares	–	–	–	–	626,712	–	626,712	642,518
2018								
Financial Asset								
Investment in preference shares	–	–	–	–	566,298	–	566,298	566,298

(a) The fair values of financial instruments carried at fair value have been determined using the following basis:-

(i) The fair values of quoted investments are measured at their quoted closing bid prices at the end of the reporting period.

(ii) The fair value of unquoted equity investment is determined to approximate the net assets of the investee as it's immaterial in the context of the financial statements.

(iii) The fair value of interest rate swap is estimated based on mark-to-market ("MTM") valuation of outstanding swap deal.

In regard to financial instruments carried at fair value, there were no transfer between level 1 and level 2 during the financial year.

(b) The fair values of financial instruments not carried at fair value, which are for disclosure purposes, have been determined using the following basis:-

(i) The fair values of the Group's term loans that carry floating interest rates approximated to their carrying amounts as they are repriced to market interest rate on near the reporting date.

(ii) The fair values of investment in preference shares and lease liabilities (2018: Hire purchase payables) are determined by discounting the relevant future contractual cash flows using current market interest rates for similar instruments at the end of the reporting period.

41. OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the Group Executive Committee as its chief operating decision maker in order to allocate resources to segments and to assess their performance. For management purposes, the Group is organised into business units based on their products and services provided.

The Group is organised into 3 main business segments as follows:-

Business segments	Description
Power	Build, own and operate power plants.
Resources	Quarrying of limestone, manufacturing and trading of lime products, calcium carbonate powder and bricks.
Property	Properties development and investment.

The Group Executive Committee assesses the performance of the operating segments based on operating profit or loss which is measured differently from those disclosed 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.

Assets, liabilities and expenses which are common and cannot be meaningfully allocated to the operating segments are presented under unallocated items. Unallocated items comprise mainly investments and related income, loans and borrowings and related expenses, corporate assets (primarily the Company's headquarters) and head office expenses.

Transfer prices between operating segments are at arm's length basis in a manner similar to transactions with third parties.

41. OPERATING SEGMENTS (CONT'D)

GROUP 2019	Power RM'000	Resources RM'000	Property RM'000	Investment Holding & Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue						
External revenue	470,375	143,624	10,851	77,083	–	701,933
Inter-segment revenue	–	–	–	177,189	(177,189)	–
Consolidated revenue	470,375	143,624	10,851	254,272	(177,189)	701,933
Represented by revenue recognised:						
- At a point of time	35,086	143,624	10,851	77,083	–	266,644
- Over time	435,289	–	–	–	–	435,289
	470,375	143,624	10,851	77,083	–	701,933
Results						
Profit from operations						
- Continuing operations	183,726	18,394	7,838	166,513	(179,634)	196,837
- Discontinued operations	590	–	–	–	–	590
	184,316	18,394	7,838	166,513	(179,634)	197,427
Finance costs						(8,433)
Profit before tax						188,994
Income tax expense						(13,885)
Profit after tax						175,109

41. OPERATING SEGMENTS (CONT'D)

Included in the profit after tax for the financial year are the following items:-

GROUP 2019	Power RM'000	Resources RM'000	Property RM'000	Investment Holding & Others RM'000	Eliminations RM'000	Consolidated RM'000
Income						
Dividend income	–	102	833	125	–	1,060
Gain/(Loss) on foreign exchange, net:						
- Realised	(40)	(741)	–	2,496	–	1,715
- Unrealised	(48)	(235)	–	(5,805)	5,805	(283)
Interest income	2,079	260	2,821	1,377	(4,781)	1,756
Expense						
Allowance for impairment losses on:						
- Receivables, net	–	2,008	–	66	–	2,074
Depreciation of:						
- Property, plant and equipment	67	10,484	46	4,382	–	14,979
- Right-of-use assets	20	2,305	–	3,789	–	6,114
Finance costs	1	1,934	1,661	84,015	(79,178)	8,433
Assets						
Segment assets	2,140,327	310,018	241,410	212,204	–	2,903,959
Inter-segment assets	23,155	5,058	62,727	1,304,817	(1,395,757)	–
	2,163,482	315,076	304,137	1,517,021	(1,395,757)	2,903,959
Current tax assets						1,127
Consolidated total assets						2,905,086
Liabilities						
Segment liabilities	277,708	50,297	42,653	725,694	–	1,096,352
Inter-segment liabilities	1,245,157	6,131	52,744	92,018	(1,396,050)	–
	1,522,865	56,428	95,397	817,712	(1,396,050)	1,096,352
Deferred tax liabilities						95,935
Current tax liabilities						911
Consolidated total liabilities						1,193,198
Other segment items						
Addition to non-current assets other than financial instruments:						
- Property, plant and equipment	85	4,844	28	21,745	–	26,702
- Intangible asset	435,289	–	–	–	–	435,289
- Right-of-use assets	–	591	–	3,554	–	4,145

41. OPERATING SEGMENTS (CONT'D)

GROUP 2018	Power RM'000	Resources RM'000	Property RM'000	Investment Holding & Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue						
External revenue						
- Continuing operations	656,228	142,249	9,455	66,187	–	874,119
Inter-segment revenue	–	–	–	129,250	(129,250)	–
Consolidated revenue	656,228	142,249	9,455	195,437	(129,250)	874,119
Represented by revenue recognised:						
- At a point of time	–	142,249	9,455	66,187	–	217,891
- Over time	656,228	–	–	–	–	656,228
	656,228	142,249	9,455	66,187	–	874,119
Results						
Profit from operations						
- Continuing operations	177,061	20,144	14,323	124,188	(130,532)	205,184
- Discontinued operations	(7,817)	–	–	–	–	(7,817)
	169,244	20,144	14,323	124,188	(130,532)	197,367
Finance costs						(7,744)
Share of loss of equity accounted joint venture and associate						(1)
Profit before tax						189,622
Income tax expense						(43,836)
Profit after tax						145,786

41. OPERATING SEGMENTS (CONT'D)

Included in the profit after tax for the financial year are the following items:-

GROUP 2018	Power RM'000	Resources RM'000	Property RM'000	Investment Holding & Others RM'000	Eliminations RM'000	Consolidated RM'000
Income						
Dividend income	–	102	820	73,993	(73,874)	1,041
Fair value gain on investment properties	–	–	6,375	–	–	6,375
Gain/(Loss) on foreign exchange, net:						
- Realised	(545)	(535)	–	3,930	–	2,850
- Unrealised	31	(15)	–	6,341	(7,300)	(943)
Interest income	1,141	139	354	965	–	2,599
Expense						
Allowance for impairment losses on:						
- Receivables, net	9,778	3,272	–	93	–	13,143
Depreciation of property, plant and equipment	96	11,132	98	5,036	–	16,362
Interest expenses	4	1,537	2,008	7,849	(3,654)	7,744
ESOS option expenses	–	–	–	388	–	388
Assets						
Segment assets	1,744,656	323,202	240,812	195,650	–	2,504,320
Inter-segment assets	24,761	6,033	59,746	1,031,961	(1,122,501)	–
	1,769,417	329,235	300,558	1,227,611	(1,122,501)	2,504,320
Current tax assets						6,240
Consolidated total assets						2,510,560
Liabilities						
Segment liabilities	218,362	62,831	46,135	567,217	–	894,545
Inter-segment liabilities	977,089	7,528	53,669	84,508	(1,122,794)	–
	1,195,451	70,359	99,804	651,725	(1,122,794)	894,545
Deferred tax liabilities						88,342
Current tax liabilities						2,137
Consolidated total liabilities						985,024
Other segment items						
Addition to non-current assets other than financial instruments:						
- Property, plant and equipment	46	37,130	12	19,472	–	56,660
- Intangible asset	656,228	–	–	–	–	656,228
- Land use rights	–	469	–	–	–	469
- Associate	–	4,000	–	–	–	4,000

41. OPERATING SEGMENTS (CONT'D)

Geographical information

The information on the disaggregation of revenue based on geographical region is summarised below:-

	At A Point Of Time		Over Time		Group	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Continuing operations						
Malaysia	130,340	118,738	–	–	130,340	118,738
Lao PDR	35,086	–	435,289	656,228	470,375	656,228
Other ASEAN countries	19,780	17,738	–	–	19,780	17,738
India	34,803	37,065	–	–	34,803	37,065
Australia	22,216	21,270	–	–	22,216	21,270
Other countries	24,419	23,080	–	–	24,419	23,080
	266,644	217,891	435,289	656,228	701,933	874,119
Discontinued operations	–	–	–	–	–	–
	266,644	217,891	435,289	656,228	701,933	874,119

The analysis of the Group's non-current assets by geographical region is summarised as follow:-

	Non-current Assets	
	2019 RM'000	2018 RM'000
Continuing operations		
Malaysia	551,474	548,733
Lao PDR	2,048,137	1,635,027
Cambodia	50,017	36,476
	2,649,628	2,220,236
Discontinued operations		
Malaysia	–	*
	2,649,628	2,220,236

* - *Negligible*

Major customers

The following is the major customer with revenue equal to or more than 10% of the Group's revenue:-

	Revenue		Division
	2019 RM'000	2018 RM'000	
Customer A ^	470,375	656,228	Power

^ - *Relates to construction revenue from Don Sahong Hydropower Project.*

42. SUBSIDIARIES

The principal activities of the subsidiaries, their place of incorporation and the effective interest of the Group are shown below:-

Company	Principal Activities	Principal Place of Business/ Country of Incorporation	Percentage of Issued Share Capital Held by Parent 2019 %	2018 %
Subsidiaries of the Company				
Authentic Excellence Sdn. Bhd. ("AESB")	Investment holding	Malaysia	100	100
Bayangan Sutera Sdn. Bhd.	Dormant	Malaysia	–	100
Bloxwich International Sdn. Bhd. ("BISB")	Investment holding and provision of management services	Malaysia	100	100
Cheng Sun Industries Sdn. Bhd. ("CSI")	Investment holding	Malaysia	99.6	99.6
Don Sahong Holdings Limited @ ("DSH")	Investment holding	Malaysia^	100	100
Geo-Mobile Asia Sdn. Bhd.	Investment holding	Malaysia	100	100
MFP Solar International Limited (formerly known as Goleman Limited) @	Dormant	Malaysia^	100	100
Gombak Land Sdn. Bhd. ("GLSB")	Property development	Malaysia	100	100
Hexachase Corporation Sdn. Bhd. ("HXC")	Investment holding	Malaysia	52.4	52.4
Mamut Copper Mining Sdn. Bhd. ("MCM")	Dormant	Malaysia	100	100
Mega First Housing Development Sdn. Bhd.	Property development	Malaysia	100	100
Mega First Industries Sdn. Bhd. ("MFI")	Investment holding	Malaysia	100	100

42. SUBSIDIARIES (CONT'D)

Company	Principal Activities	Principal Place of Business/ Country of Incorporation	Percentage of Issued Share Capital Held by Parent 2019 %	2018 %
Subsidiaries of the Company (Cont'd)				
Mega First Investments (L) Limited &	General investment	Malaysia#	100	100
Mega First Mining Sdn. Bhd.	Investment holding	Malaysia	100	100
Mega First Plantation (Cambodia) Ltd &	Plantation	Cambodia	100	100
Mega First Power Industries Sdn. Bhd. ("MFPI")	Investment holding and provision of management services to its subsidiaries	Malaysia	100	100
Mega First Resources Sdn. Bhd. ("MFR")	Investment holding	Malaysia	100	100
Propera Sdn. Bhd.	Dormant	Malaysia	100	100
Subsidiary of AESB				
Rock Chemical Industries (Malaysia) Sdn. Berhad ("RCI")	Investment holding and provision of management consultancy services	Malaysia	100	100
Subsidiary of BISB				
Bloxwich (Malaysia) Sdn. Bhd.	Engineering, designing and manufacturing of automotive components	Malaysia	100	100
Subsidiary of CSI				
Syarikat Cheng Sun Quarry Sdn. Bhd.	Quarrying of limestone and production of fine calcium carbonate powder	Malaysia	99.6	99.6

42. SUBSIDIARIES (CONT'D)

Company	Principal Activities	Principal Place of Business/ Country of Incorporation	Percentage of Issued Share Capital Held by Parent 2019 %	2018 %
Subsidiaries of DSH				
Ground Roses Limited @ ("GRL")	Investment holding	Malaysia^	100	100
Silver Acreage Limited @	Investment holding	Malaysia^	100	100
Subsidiary of GRL				
Don Sahong Power Company Ltd *	Develop and operate hydroelectric power plant	Lao People's Democratic Republic	80	80
Subsidiaries of GLSB				
Community Consortium Sdn. Bhd.	Property development	Malaysia	100	100
Idaman Harmoni Sdn. Bhd.	Property investment	Malaysia	65	65
Kinta Ceria Sdn. Bhd.	Property investment	Malaysia	100	100
Megah Harmonik Property Management Sdn. Bhd.	Property management	Malaysia	100	100
Paya Emas Sdn. Bhd.	Property development	Malaysia	60	60
Public Ventures Management Sdn. Bhd.	Dormant	Malaysia	100	100
Subsidiaries of HXC				
Hexachase Flexipack Sdn. Bhd.	Manufacturing of flexible packaging products	Malaysia	55.2	55.2
Hexachase Labels Sdn. Bhd. ("HLSB")	Manufacturing of labels and printed products	Malaysia	47.1	47.1
Hexachase Packaging Sdn. Bhd.	Manufacturing of packaging products	Malaysia	41.9	41.9

42. SUBSIDIARIES (CONT'D)

Company	Principal Activities	Principal Place of Business/ Country of Incorporation	Percentage of Issued Share Capital Held by Parent 2019 %	2018 %
Subsidiary of HLSB				
Hexachase Marketing & Trading Sdn. Bhd.	Marketing and trading of labels and printed products	Malaysia	47.1	47.1
Subsidiary of MCM				
Geo-Mobile Asia (HK) Limited *	Dormant	Hong Kong	100	100
Subsidiary of MFI				
Greentown Parking Sdn. Bhd.	Car park operator	Malaysia	100	100
Subsidiaries of MFPI				
Mega First Power (HK) Limited ("MFPL") !	Dormant	Hong Kong	–	–
Mega First Power Services Sdn. Bhd.	Contractor for operation and maintenance of a power plant	Malaysia	100	100
Serudong Power Sdn. Bhd.	Ceased business	Malaysia	51	51
Bayangan Sutera Sdn. Bhd.	Dormant	Malaysia	80	–
MFP Solar Sdn. Bhd.	Solar photovoltaic Investment	Malaysia	55	–
Subsidiaries of MFR				
Anting Sendirian Berhad	Quarry operator	Malaysia	100	100
Sri Anting Sdn. Bhd.	Operating quarries	Malaysia	100	100

42. SUBSIDIARIES (CONT'D)

Company	Principal Activities	Principal Place of Business/ Country of Incorporation	Percentage of Issued Share Capital Held by Parent 2019 %	2018 %
Subsidiaries of RCI				
Batamas Sdn. Berhad ("BSB")	Manufacturing and selling of bricks	Malaysia	100	100
Identiti Jitu Sdn. Bhd.	Sand mining	Malaysia	55	55
Melewar Jutamas Sdn. Bhd.	Property investment	Malaysia	100	51.2
RCI Lime Sdn. Bhd.	Manufacture and sale of lime products and limestone quarry operator	Malaysia	100	100
RCI Marketing Sdn. Bhd.	Trading in building materials and chemical products	Malaysia	100	100
RCI Minerals Sdn. Bhd. ("RCIM")	Investment holding	Malaysia	100	100
RCI Ventures Sdn. Bhd.	Investment in quoted securities	Malaysia	100	100
Runding Kualiti Sdn. Bhd. ("RKSB")	Pre-operating	Malaysia	60	60
Teratai Kembara Sdn. Bhd. ("TKSB")	Investment holding	Malaysia	77.8	77.8
Premier Capacity Sdn. Bhd. ("PCSB")	Mining	Malaysia	50.25	50.25
Subsidiary of BSB				
Usaha Takzim Sdn. Bhd.	Property investment	Malaysia	100	100
Subsidiary of RCIM				
Mesrasasi Sdn. Bhd.	Quarry operator	Malaysia	100	100

42. SUBSIDIARIES (CONT'D)

Company	Principal Activities	Principal Place of Business/ Country of Incorporation	Percentage of Issued Share Capital Held by Parent 2019 %	2018 %
Subsidiary of RKSB				
Runding ANR Sdn. Bhd.	Pre-operating	Malaysia	60	60
Subsidiary of TKSB				
Teratai ANR Sdn. Bhd.	Mining and exploration	Malaysia	66	70

* *Subsidiary companies audited by other firms of chartered accountants.*

& *Subsidiary company audited by a member firm of Crowe Global of which Crowe Malaysia PLT is a member.*

@ *Not required to be audited under the laws of the country of incorporation.*

^ *These subsidiary companies are incorporated in British Virgin Islands.*

The subsidiary company is incorporated in Labuan, Malaysia.

! *The subsidiary was dissolved on 25 April 2019.*

43. CAPITAL COMMITMENTS

	GROUP 2019 RM'000	GROUP 2018 RM'000	COMPANY 2019 RM'000	COMPANY 2018 RM'000
Property, plant and equipment	7,797	13,712	–	–
Don Sahong Hydropower Project	–	442,569	–	–
	7,797	456,281	–	–

44. DIRECTORS' REMUNERATION

The aggregate amount of remuneration received and receivable by the Directors of the Group and of the Company during the financial year are as follows:-

	GROUP/COMPANY	
	2019 RM'000	2018 RM'000
Executive Directors		
- Salary, bonus and other remuneration	911	904
Non-Executive Directors		
- Fees	443	443
- Other emoluments	26	29
- Share options	–	388
	1,380	1,764

The details of Directors' remuneration received and receivable (excluding share options to Directors) for the financial year in bands of RM50,000 are as follows:-

	GROUP/COMPANY	
	2019	2018
	Number of Directors	
Executive Directors		
Below RM50,000	1	1
RM50,001 – RM100,000	–	–
RM100,001 – RM150,000	–	–
RM150,001 – RM200,000	–	–
RM200,001 – RM250,000	–	–
RM250,001 – RM300,000	–	–
RM300,001 – RM350,000	–	–
RM350,001 – RM400,000	–	1
RM400,001 – RM450,000	1	–
RM450,001 – RM500,000	1	–
RM500,001 – RM550,000	–	1
Non-Executive Directors		
Below RM50,000	–	–
RM50,001 – RM100,000	7	7

45. RELATED PARTY DISCLOSURES

For the purpose of the financial statements, the Group and the Company have related party relationships with its subsidiaries (as disclosed in Note 42 to the financial statements), joint ventures and key management personnel.

The significant outstanding balances of the related parties (including the allowance for impairment loss made) together with their terms and conditions are disclosed elsewhere in the financial statements whereas the transactions that the Group and the Company carried out with such parties during the financial year are disclosed below:

(a) Subsidiaries

	GROUP		COMPANY	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Dividend income received and receivable	–	–	77,260	73,874
Management fee received and receivable	–	–	1,628	1,608
Interest income received and receivable	–	–	228	141
Interest expense paid and payable	–	–	(4,418)	(3,498)
Rental received and receivable	–	–	310	310
Rental paid and payable	–	–	(480)	(480)

(b) Joint Venture

	GROUP		COMPANY	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Sales of lime products	5,402	13,233	–	–

45. RELATED PARTY DISCLOSURES (CONT'D)

(c) The remuneration of key management personnel is as follows:-

	GROUP		COMPANY	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Directors' fees	443	443	443	443
Salary, bonus and other remuneration, including benefits-in-kind (gross)	5,853	5,524	3,216	3,054
Share options	–	388	–	388

The movement in share options granted to key management personnel is as follows:-

	GROUP/COMPANY	
	2019 RM'000	2018 RM'000
At 1 January	21,931	21,527
Granted	–	600
Exercised	(638)	(196)
At 31 December	21,293	21,931

46. OPERATING LEASE COMMITMENTS

The Group has applied MFRS 16 using the modified retrospective approach. As a result, the following information are disclosures required by MFRS 117 'Leases':-

(a) <u>Leases as Lessor</u>

The Group leases out certain properties under non-cancellable operating leases. The future minimum lease payments expected to be received under the non-cancellable operating leases are as follows:-

	GROUP 2018 RM'000
Not more than one year	5,760
Later than one year and not later than five years	6,127
	11,887

47. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) Deed of Revocation and Option Agreement

On 13 August 2019, Teratai ANR Sdn. Bhd. ("TASB"), a 70% indirect subsidiary of the Company and Teratai Kembara Sdn. Bhd., a 77.8% indirect subsidiary of the Company entered into a Deed of Revocation to revoke and rescind the following agreements with Menteri Besar Incorporated (Perak) ("MB Inc") and Amanjaya Natural Resources Sdn Bhd:

(1) Second Supplementary Agreement dated 8 May 2018 to change the purpose of TASB from mining activities to mixed development; and

(2) Option Agreement dated 8 May 2018 to develop and/or purchase all or any part of 4 parcels of 99-year leasehold land measuring a total of approximately 772 acres located in Mukim Belanja, Daerah Kinta in the state of Perak Darul Ridzuan.

On even date, Bayangan Sutera Sdn. Bhd. ("BSSB"), an 80% indirect subsidiary of the Company entered into an Option Agreement with MB Inc to lease or buy a parcel of 99-year leasehold land measuring a total of approximately 688.89 acres located in Mukim Belanja, Daerah Kinta in the state of Perak Darul Ridzuan for the purpose of developing a large scale solar ("LSS") photovoltaic plant.

(b) Incorporation of New Subsidiary and Joint Venture Agreement

On 29 August 2019, Mega First Power Industries Sdn. Bhd. ("MFPI"), a wholly-owned subsidiary of the Company incorporated a new subsidiary, MFP Solar Sdn. Bhd. ("MFP Solar") to facilitate expansion of the Group's solar business.

On 25 September 2019, MFPI and MFP Solar entered into a joint venture agreement ("JVA") with Pekat Teknologi Sdn Bhd ("Pekat") whereby under the JVA, both MFPI and Pekat will subscribe for new ordinary shares of MFP Solar. Upon completion of such subscription, MFPI and Pekat would hold 55% and 45% equity interest in MFP Solar, respectively. The shares subscription was subsequently completed on 1 October 2019.

Under the JVA, MFP Solar shall be an exclusive partnership between MFPI and Pekat for solar project investment with capacity of up to 10 MWp in Malaysia.

(c) Assets Sale Agreement for Disposal of Power Plant in Tawau

On 11 November 2019, SPSB entered into an Assets Sale Agreement with Reliable Power Resources Sdn Bhd ("RPR") for the disposal of its Buildings (i.e. all the buildings and structures erected on the Land (held under Country Lease (C.L.) No. Hakmilik No. Lot 10531128, District of Tawau, Sabah) together with Plant Assets (i.e. all the facilities, equipment, plant and machinery, spare parts and fuels) on an as is where is basis, free from all encumbrances whatsoever at a consideration of RM3,000,000.

It is a condition to the sale and purchase of the abovementioned Buildings and Plant Assets that SPSB receives a letter from Sabah Electricity Sdn Bhd ("SESB") in a form satisfactory to SPSB, confirming amongst others, the termination of the Site Lease Agreement (entered into between SPSB and SESB) on or before the Completion Date that possession of the Land together with Buildings and Plant Assets thereon has been yielded to SESB to its satisfaction and that SESB has no claim against SPSB arising from or in connection with the lease of the Land. The aforesaid condition has not yet been fulfilled as at 31 December 2019.

48. SIGNIFICANT EVENT OCCURRING AFTER THE REPORTING PERIOD

On 2 March 2020, a wholly-owned subsidiary of the Company, MFP Solar International Limited (formerly known as Goleman Limited) incorporated a wholly-owned subsidiary, namely MFP Solar (Cambodia) Co. Ltd ("MFPSC") in the Cambodia.

The intended principal activity of MFPSC is to undertake Solar Photovoltaic Investment Business Activities, as part of the Group's strategy to grow its renewable energy business.

49. INITIAL APPLICATION OF MFRS 16

The Group has adopted MFRS 16 using modified retrospective simplified approach to contracts that were previously identified as leases under MFRS 117 'Leases' and IC Interpretation 4 'Determining Whether an Arrangement Contains a Lease', without restating any comparative information. There were no financial impact to the retained earnings of the Group and of the Company upon transition to MFRS 16 at the date of initial application i.e. 1 January 2019.

MFRS 16 has been applied in full to lease contracts entered into or changed on or after 1 January 2019.

(a) Lessee Accounting

For leases that were classified as finance leases, the Group has recognised the carrying amount of the leased asset and lease liability immediately before 1 January 2019 as the carrying amount of the right-of-use asset and the lease liability as at the date of initial application.

For leases that were classified as operating leases under MFRS 117, the Group measured the lease liabilities at the present value of the remaining lease payments, discounted using the incremental borrowing rate applicable to the lessee companies at that date. The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease.

The Group has applied for the exemption not to recognise operating leases with a remaining lease term of less than 12 months as at 1 January 2019, in accordance with practical expedients in applying MFRS 16 for the first time.

The impacts of reclassification resulting from the adoption of MFRS 16 at 1 January 2019 are summarised below:-

	As Previously Reported RM'000	MFRS 16 Adjustments RM'000	Note	As Restated RM'000
The Group				
Property, plant and equipment (Note 13)	287,392	(74,529)	(i),(iii)	212,863
Right-of-use assets (Note 17)	–	98,482		98,482
Land use rights (Note 18)	21,223	(21,223)	(ii)	–
Lease liabilities (Note 31):				
- Non-current liabilities	–	10,884	(iii),(iv)	10,884
- Current liabilities	–	4,116	(iii),(iv)	4,116
Payables:				
- Non-current liabilities (Note 29)	8,855	(8,459)	(iii),(iv)	396
- Current liabilities (Note 33)	286,995	(3,811)	(iii),(iv)	283,184

49. INITIAL APPLICATION OF MFRS 16 (CONT'D)

(a) Lessee Accounting (Cont'd)

	As Previously Reported RM'000	MFRS 16 Adjustments RM'000	Note	As Restated RM'000
The Company				
Property, plant and equipment (Note 13)	7,636	(802)	(i)	6,834
Right-of-use assets (Note 17)	-	14,456	(i),(ii)	14,456
Land use rights (Note 18)	13,654	(13,654)	(ii)	–
Lease liabilities (Note 31):				
- Non-current liabilities	-	387	(iv)	387
- Current liabilities	-	228	(iv)	228
Payables:				
- Non-current liabilities (Note 29)	387	(387)	(iv)	-
- Current liabilities (Note 33)	83,557	(228)	(iv)	83,329

Notes

(i) Property, plant and equipment of the Group and of the Company with carrying amount of RM74.53 million and RM0.80 million respectively, related to leasehold land and assets acquired under hire purchase term have been represented as "right-of-use assets";

(ii) Land use rights of the Group and of the Company with carrying amount of RM21.22 million and RM13.65 million respectively, related to lease payments made by the Group to lessors at or before lease commencement date (including initial direct costs incurred) which were classified as lease assets applying MFRS 117 and accordingly, such amount have been represented as "right of use assets";

(iii) The Group has recognised additional RM2.73 million right-of-use assets with corresponding lease liabilities for leases classified as operating leases in which it is the lessee; and

(iv) The Group and the Company's hire purchase payables of RM12.27 million and RM0.61 million respectively which have been represented as "lease liabilities" as they were classified as leases applying MFRS 117.

(b) Lessor Accounting

The Group did not make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of MFRS 16.

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

We, **GOH NAN YANG** and **KHOO TENG KEAT**, being two of the Directors of **MEGA FIRST CORPORATION BERHAD** state that, in the opinion of the directors, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2019 and of their financial performance and cash flows for the financial year ended on that date.

Signed in accordance with a resolution of the Directors,

GOH NAN YANG

KHOO TENG KEAT

16 March 2020

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

I, **NEO HONG CHEE**, the officer primarily responsible for the financial management of **MEGA FIRST CORPORATION BERHAD**, do solemnly and sincerely declare that the accompanying financial statements, are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by
the abovenamed **NEO HONG CHEE**
at Petaling Jaya
on 16 March 2020

Before me,

SELVARAJAH A/L SIVALINGAM
COMMISSIONER FOR OATHS

LIST OF PROPERTIES
HELD AS AT 31 DECEMBER 2019

No.	Description	Location	Approximate Age (years)	Total Area (sq. metre)	Tenure	Year of Acquisition	Year of Last Valuation	Carrying Amount RM'000
1	Quarry and limestone hill	HS (D) KA 46712 PT 3997 Gunung Panjang 31600 Gopeng Perak Darul Ridzuan	23	193,300	Leasehold 30 years (Expire in 2025)	1996	1996	1,068
2	Building, office, guardhouse and warehouse	Lot 45158 Gunung Panjang 31600 Gopeng Perak Darul Ridzuan	22	22,600	Freehold	1997	1997	3,721
3	Warehouse	Lot 45156 Gunung Panjang 31600 Gopeng Perak Darul Ridzuan	8	2,970	Freehold	2011	n/a	901
4	Warehouse	Lot 45158 Gunung Panjang 31600 Gopeng Perak Darul Ridzuan	10	864	Freehold	2009	n/a	439
5	Integrated lime kiln and hydration plant	Lot 45155 Geran 58731 Mukim of Kampar 31600 Gopeng Perak Darul Ridzuan	10	22,384	Freehold	2009	n/a	584
6	Integrated lime kiln and hydration plant	Lot 45157 Gunung Panjang 31600 Gopeng Perak Darul Ridzuan	23	18,700	Freehold	1996	1996	163
7	Stockyard	Lot 9479 Gunung Panjang 31600 Gopeng Perak Darul Ridzuan	6	64,547	Freehold	2013	2012	1,408
8	Stockyard	Lot 21487 Gunung Panjang 31600 Gopeng Perak Darul Ridzuan	23	10,600	Freehold	1996	1996	40
9	Stockyard	Lot 312555, 312556, 312557 Gunung Panjang 31600 Gopeng Perak Darul Ridzuan	5	62,290	Freehold	2014	2014	2,376
10	Stockyard	Lot 45137, 45138, 45139 Gunung Panjang 31600 Gopeng Perak Darul Ridzuan	6	87,817	Freehold	2013	2013	4,689
11	Stockyard	Lot 45156 Gunung Panjang 31600 Gopeng Perak Darul Ridzuan	13	16,415	Freehold	2006	2006	386

LIST OF PROPERTIES
HELD AS AT 31 DECEMBER 2019

[CONT'D]

No.	Description	Location	Approximate Age (years)	Total Area (sq. metre)	Tenure	Year of Acquisition	Year of Last Valuation	Carrying Amount RM'000
12	Stockyard	Lot 45160 Gunung Panjang 31600 Gopeng Perak Darul Ridzuan	7	25,040	Freehold	2012	2012	1,279
13	Road access	Lot 6252, 6671, 6251, 6738, 13693 Gunung Panjang 31600 Gopeng Perak Darul Ridzuan	7	64,041	Freehold	2012	2012	3,564
14	Road access	Lot 23358 Gunung Panjang 31600 Gopeng Perak Darul Ridzuan	4	5,893	Freehold	2015	2015	186
15	Road access	Lot 23358 Gunung Panjang 31600 Gopeng Perak Darul Ridzuan	1	5,893	Freehold	2019	2019	921
16	Quarry and limestone hill	Lot 45152 Mukim Kampar Daerah Kampar Perak Darul Ridzuan	13	16,010	Freehold	2007	n/a	467
17	Quarry and limestone hill	PT 1491 Mukim Kampar 31600 Gopeng Perak Darul Ridzuan	12	58,474	Leasehold (Expire in 2037)	2007	n/a	1,451
18	Quarry and limestone hill	PT 3962 Mukim Kampar 31600 Gopeng Perak Darul Ridzuan	12	28,328	Leasehold (Expire in 2022)	2007	n/a	10
19	Agricultural land	Lot 320491 Mukim Teja Daerah Kampar Perak Darul Ridzuan	5	343,980	Leasehold (Expire in 2073)	2015	n/a	11,769
20	Industrial land	PN 397963 Lot 321568 Mukim Teja, Daerah Kampar Perak Darul Ridzuan	2	469,400	Leasehold (Expire in 2044)	2017	2017	18,885
21	Office and warehouse	Lot 28 Jalan Pengacara U1/48 Temasya Industrial Park Selangor Darul Ehsan	20	892	Freehold	2000	2000	550
22	Industrial land	Lot 4510 Mukim Bastari Jaya Kuala Selangor Selangor Darul Ehsan	22	77,080	Freehold	1997	n/a	1,595
23	Factory building	Lot 15588 Mukim Sungai Raia 31300 Simpang Pulai Kinta District Perak Darul Ridzuan	6	n/a	Leasehold	2013	n/a	392

LIST OF PROPERTIES
HELD AS AT 31 DECEMBER 2019

[CONT'D]

No.	Description	Location	Approximate Age (years)	Total Area (sq. metre)	Tenure	Year of Acquisition	Year of Last Valuation	Carrying Amount RM'000
24	Factory land and buildings	Lot 138321 Jalan Changkat Larang P.O. Box 15 31007 Batu Gajah Perak Darul Ridzuan	37	42,576	Leasehold (Expire in 2045)	1982	1985	247
25	Double storey terrace house	HS (D) 353154 PT 355802 Mukim Hulu Kinta, Daerah Kinta Perak Darul Ridzuan	11	121	Leasehold (Expire in 2103)	2009	n/a	105
26	Industrial land	HS (D) 198575 PT 37292 Mukim Sungai Terap Kinta District Perak Darul Ridzuan	7	7,174	Leasehold 60 years (Expire in 2071)	2012	2012	661
27	Agricultural land	HS (D) 198576 PT 37293 Mukim Sungai Terap Kinta District Perak Darul Ridzuan	7	14,636	Leasehold 60 years (Expire in 2071)	2012	2012	1,347
28	Factory land and buildings	Lot PT 839 Mukim of Sg. Raia Kinta District Perak Darul Ridzuan	32	28,850	Leasehold 60 years (Expire in 2047)	1987	n/a	3,091
29	Quarrying limestone hill	Lot PT 23156 Mukim of Sg. Raia Kinta District Perak Darul Ridzuan	38	36,422	Leasehold 30 years (Expire in 2042)	1981	n/a	488
30	Industrial land	Lot PT 1109 Mukim of Sg. Raia Kinta District Perak Darul Ridzuan	27	8,099	Leasehold 30 years (Expire in 2022)	1992	n/a	1
31	Agricultural land	Lot 22974 GRN 46180 Mukim of Sg. Raya Kinta District Perak Darul Ridzuan	7	33,336	Freehold	2012	2011	2,160
32	Quarry land	HS (D) 3238 PT 1008 Mukim of Sg. Raya Kinta District Perak Darul Ridzuan	7	40,467	Leasehold (Expire in 2020)	2012	2011	4,085
33	Quarry land	PN 283888 Lot 303752 Mukim of Sg. Raya Kinta District Perak Darul Ridzuan	7	60,710	Leasehold (Expire in 2033)	2012	2011	7,790

LIST OF PROPERTIES
HELD AS AT 31 DECEMBER 2019

[CONT'D]

No.	Description	Location	Approximate Age (years)	Total Area (sq. metre)	Tenure	Year of Acquisition	Year of Last Valuation	Carrying Amount RM'000
34	Agricultural land and buildings	Lot 15588 GRN 11527 Mukim of Sg. Raya Kinta District Perak Darul Ridzuan	7	68,796	Freehold	2012	2011	3,376
35	Agricultural land	Lot 22993 GRN 49450 Mukim of Sg. Raya Kinta District Perak Darul Ridzuan	7	7,664	Freehold	2012	2011	355
36	Industrial land	PN 70403 Lot 158432 Mukim of Sg. Raya Kinta District Perak Darul Ridzuan	7	7,522	Leasehold 60 years (Expire in 2050)	2012	2011	600
37	Industrial land	PN 71751 Lot 187404 Mukim of Sg. Raya Kinta District Perak Darul Ridzuan	7	16,180	Leasehold 60 years (Expire in 2051)	2012	2011	1,291
38	Industrial land	PN 71752 Lot 197220 Mukim of Sg. Raya Kinta District Perak Darul Ridzuan	7	12,132	Leasehold 60 years (Expire in 2052)	2012	2011	979
39	Corporate office tower and office suite	PJ8, Seksyen 8 46050 Petaling Jaya Selangor Darul Ehsan	13	19,104	Leasehold 99 years (Expire in 2106)	2006	2016	121,109
40	Car park	PJ8, Seksyen 8 46050 Petaling Jaya Selangor Darul Ehsan	13		Leasehold 99 years (Expire in 2106)	2006	2018	6,375
41	Car park	PT 147622 Greentown, Ipoh Perak Darul Ridzuan	9	11,621	Leasehold 99 years (Expire in 2094)	2010	2016	12,500
42	Car park	Block A, B, C & D Greentown Business Centre Greentown, Ipoh	13 - 20	4,499	Leasehold 99 years (Expire in 2094)	1999 - 2006	2017	3,500
43	6-storey shop office	Wisma MFCB A-1-16, A1-12, A-1-10, A2-10 A-2-01B, A-2-02 Greentown, Ipoh Perak Darul Ridzuan	2	7,785	Leasehold 99 years (Expire in 2094)	2017	2017	1,533

LIST OF PROPERTIES
HELD AS AT 31 DECEMBER 2019

[CONT'D]

No.	Description	Location	Approximate Age (years)	Total Area (sq. metre)	Tenure	Year of Acquisition	Year of Last Valuation	Carrying Amount RM'000
44	4-storey shop office	Lot 8A, 8B, 16, 16A - 16C 24C, 29B, 39B, 40, 40A, 40B Greentown Avenue, Ipoh Perak Darul Ridzuan	2	20,093	Leasehold 99 years (Expire in 2094)	2017	2017	5,432
45	2-storey shop office	PT 1323, 1339, 1340 Mukim of Paya Rumput Daerah Melaka Tengah, Melaka	2	459	Freehold	2017	2017	968
46	Low cost flat	PN 38656 Mukim Batu Berendam Daerah Melaka Tengah, Melaka	2	4,030	Leasehold 99 years (Expire in 2100)	2017	2017	2,170
47	3-storey shop office	PT 1126, 1129, 1130 1175, 1183 Mukim Dengkil Daerah Sepang Selangor Darul Ehson	2	1,053	Leasehold 99 years (Expire in 2096)	2017	2017	2,968
48	Vacant land	PN 147624, 295228 Greentown, Ipoh Perak Darul Ridzuan	14	16,188	Leasehold 99 years (Expire in 2094)	2005	n/a	20,657
49	Vacant land held for development	PT 2388, 2397, 2401 Mukim Setapak Wilayah Persekutuan Kuala Lumpur	32	2,787	Leasehold 99 years (Expire in 2086)	1987	n/a	337
50	Vacant land held for development	PT 134914 Greentown, Ipoh Perak Darul Ridzuan	24	2,982	Leasehold 99 years (Expire in 2103)	1995	n/a	999
51	Vacant land held for development	Lot 277 to 279 Mukim of Paya Rumput Daerah Melaka Tengah Melaka	26	201,616	Freehold	1993	n/a	9,699
52	Vacant land held for development	Lot 3887-4068, 4070 PT 1135-1166, 1184-1199 Mukim Dengkil Daerah Sepang Selangor Darul Ehsan	23	214,645	Leasehold 99 years (Expire in 2097)	1996	n/a	32,408
53	Factory land and building	PT 2620 & PT 2621 Lot 31 Seri Iskandar Technology Park Mukim Bota Daerah Perak Tengah 32600 Bota Perak Darul Ridzuan	23	12,565	Leasehold 99 years (Expire in 2095)	1996	n/a	2,268

LIST OF PROPERTIES
HELD AS AT 31 DECEMBER 2019

[CONT'D]

No.	Description	Location	Approximate Age (years)	Total Area (sq. metre)	Tenure	Year of Acquisition	Year of Last Valuation	Carrying Amount RM'000
54	Factory and office (Building A)	PN 20204 Lot 4915 20, Jalan TTC 26 Taman Teknologi Cheng 75250 Melaka	3	4,940	Leasehold 99 years (Expire in 2096)	2016	2016	3,717
55	Factory and office (Building B)	PN 20204 Lot 4915 20, Jalan TTC 26 Taman Teknologi Cheng 75250 Melaka	1	4,126	Leasehold 99 years (Expire in 2096)	2018	2018	1,765
56	Factory and office	PN 20205 Lot 4916 18, Jalan TTC 26 Taman Teknologi Cheng 75250 Melaka	6	4,961	Leasehold 99 years (Expire in 2096)	2013	2014	4,251
57	Factory and office	Lot 4788-4789, Jalan TTC 29 Taman Perindustrian Cheng Taman Teknologi Cheng 75250 Melaka	9	3,916	Leasehold 99 years (Expire in 2096)	2009	2016	2,452
58	Factory and office	PN 47679 Lot 8821 5, Jalan TTC 30 Taman Teknologi Cheng 75250 Melaka	1	4,993	Leasehold 99 years (Expire in 2096)	2018	2018	3,755

n/a - Not applicable

STATISTICS OF SHAREHOLDINGS

AS AT 13 MAY 2020

Total Number of Issued Shares	:	473,380,591 shares
Class of Shares	:	Ordinary shares
Voting Rights	:	One vote per ordinary share on a poll

ANALYSIS OF HOLDINGS

Size of Holding	No. of Holders	No. of Shares Held	% of Shareholdings^
Less than 100	588	28,807	0.01
100 to 1,000	2,866	2,507,766	0.55
1,001 to 10,000	4,313	16,219,104	3.58
10,001 to 100,000	1,035	34,120,818	7.53
100,001 to less than 5% of issued shares	335	256,078,710	56.55
5% and above of issued shares	2	143,928,086	31.78
Total	9,139	452,883,291	100.00

(^) - Excludes 20,497,300 treasury shares retained by the Company as reflected in the Record of Depositors.

TOP 30 SECURITIES ACCOUNT HOLDERS

No.	Name of Securities Account Holder	No. of Shares held	% of Total Issued Shares
1)	Rubber Thread Industries (M) Sdn Berhad	95,810,000	20.24
2)	Citigroup Nominees (Asing) Sdn Bhd *UBS AG Singapore for Keen Capital Investments Limited*	38,115,341	8.05
3)	Cartaban Nominees (Asing) Sdn Bhd *BBH And Co. Boston for Fidelity Low-Priced Stock Fund (PRIN ALLSEC SUB)*	30,500,045	6.44
4)	Mega First Corporation Berhad *Share Buy-Back Account No. 1*	20,497,300	4.33
5)	Perbadanan Pembangunan Ekonomi Sabah (SEDCO)	14,787,480	3.12
6)	PRT Capital Pte Ltd	11,605,600	2.45
7)	Kah Hin Loong Sdn Bhd	10,865,400	2.30
8)	Citibank Group Nominees (Tempatan) Sdn Bhd *Employees Provident Fund Board (Nomura)*	7,999,300	1.69
9)	Shoptra Jaya (M) Sdn Bhd	7,220,000	1.53
10)	Grand Terrace Sdn Bhd	5,689,220	1.20
11)	Zulkifli bin Hussain	5,412,900	1.14

TOP 30 SECURITIES ACCOUNT HOLDERS (CONT'D)

No.	Name of Securities Account Holder	No. of Shares held	% of Total Issued Shares
12)	Citigroup Nominees (Tempatan) Sdn Bhd *Employees Provident Fund Board (Amundi)*	5,134,100	1.08
13)	Andrew Lim Cheong Seng	4,500,000	0.95
14)	Cartaban Nominees (Asing) Sdn Bhd *BBH (Lux) SCA for Fidelity Funds Asean*	4,401,700	0.93
15)	Lanai Etika Sdn Bhd	3,854,400	0.81
16)	RHB Capital Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Susy Ding (CEB)*	3,260,800	0.69
17)	Citigroup Nominees (Tempatan) Sdn Bhd *Exempt An for AIA Bhd*	2,522,500	0.53
18)	Goh Nan Kioh	2,427,200	0.51
19)	DB (Malaysia) Nominee (Asing) Sdn Bhd *The Bank of New York Mellon for Fidelity Puritan Trust – Fidelity Low-Priced Stock K6 Fund*	2,370,802	0.50
20)	RHB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Wong Yee Hui*	2,290,700	0.48
21)	Tokio Marine Life Insurance Malaysia Bhd *As Beneficial Owner*	2,273,400	0.48
22)	Maybank Nominees (Tempatan) Sdn Bhd *National Trust Fund (IFM Maybank)*	2,246,100	0.47
23)	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ong Kok Ching*	2,110,000	0.45
24)	Affin Hwang Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Yeow See Yuen*	2,098,571	0.44
25)	Maybank Nominees (Tempatan) Sdn Bhd *MTrustee Berhad for Tenaga Nasional Berhad Retirement Benefit Trust Fund (RB-TNB-NOMUR)(419513)*	2,058,070	0.43
26)	Goh Nan Yang	2,020,000	0.43
27)	Hoe Seng Company Pte Limited	1,860,000	0.39
28)	Cartaban Nominees (Tempatan) Sdn Bhd *TMF Trustees Malaysia Berhad for Affin Hwang Wholesale Equity Fund*	1,839,900	0.39
29)	CIMB Group Nominees (Asing) Sdn Bhd	1,813,700	0.38
30)	Citigroup Nominees (Tempatan) Sdn Bhd *Employees Provident Fund Board (PHEIM)*	1,686,200	0.36
	Total	299,270,729	63.22

STATISTICS OF SHAREHOLDINGS
AS AT 13 MAY 2020

[CONT'D]

SUBSTANTIAL SHAREHOLDERS ACCORDING TO THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

No.	Name of Substantial Shareholder	Direct Interest Shares	% ^	Deemed Interest Shares		% ^
1)	Goh Nan Kioh	2,427,200	0.50	149,823,141	(a)	33.08
2)	Rubber Thread Industries (M) Sdn Berhad	95,810,000	21.16	3,854,400	(b)	0.85
3)	Keen Capital Investments Limited	38,115,341	8.42	–		-
4)	Camasia Limited	437,800	0.10	99,664,400	(c)	22.01
5)	Laju Riang Sdn Bhd	–	–	99,664,400	(c)	22.01
6)	Kema Development Sdn Bhd	–	–	99,664,400	(c)	22.01
7)	Cambrew (Malaysia) Sdn Bhd	–	–	99,664,400	(c)	22.01
8)	Dr. Lim Thian Soo	10,000	*	99,664,400	(c)	22.01
9)	Lim Thiam Cheok	10,000	*	99,664,400	(c)	22.01
10)	Lim Yam Poh	–	–	99,664,400	(c)	22.01
11)	FMR LLC	–	–	32,870,847	(d)	7.26

DIRECTORS' DIRECT AND DEEMED INTERESTS IN SHARES IN THE COMPANY

Director		Direct Interest Shares	% ^	Deemed Interest Shares		% ^	ESOS Exercise Price RM1.34	RM2.00	RM2.41	RM3.45	RM2.89
1)	Goh Nan Kioh	2,427,200	0.50	149,823,141	(a)	33.08	–	3,188,328	1,800,000	–	–
2)	Goh Nan Yang	2,020,000	0.45	–		–	–	2,277,377	2,000,000	–	–
3)	Khoo Teng Keat	400,000	0.09	–		–	–	1,138,688	800,000	–	–
4)	Yeow See Yuen	2,098,571	0.46	52,000	(e)	0.01	–	1,366,426	1,400,000	–	–
5)	Dato' Tan Ang Meng	706,269	0.16	–		–	–	–	–	–	–
6)	Dato' Koh Hong Sun	453,869	0.10	–		–	–	–	–	–	–
7)	Tay Kheng Chiong	478,731	0.11	–		–	–	–	–	–	–
8)	Datuk Haji Pengiran Saifuddin bin Pengiran Tahir, JP	–	–	–		–	–	–	–	300,000	
9)	Jesper Bjorn Madsen	–	–	–		–	–	–	–	–	300,000
10)	Professor Dato' Dr. Tan Hui Meng	176,100	0.04	924,000	(f)	0.20	–	–	–	–	200,000
	Total						**–**	**7,970,819**	**6,000,000**	**300,000**	**500,000**

Notes:

* *Less than 0.01%.*

^ *Based on the 473,380,591 issued shares minus 20,497,300 treasury shares retained by the Company as reflected in the Record of Depositors.*

(a) *Deemed interest by virtue of his interest in Rubber Thread Industries (M) Sdn Berhad, Lanai Etika Sdn Bhd, Keen Capital Investments Limited, PRT Capital Pte Ltd and Camasia Limited pursuant to Section 8 of the Companies Act, 2016 ("the Act").*

(b) *Deemed interest by virtue of its interest in Lanai Etika Sdn Bhd pursuant to Section 8 of the Act.*

(c) *Deemed interest by virtue of his/her/its interest in Rubber Thread Industries (M) Sdn Berhad and Lanai Etika Sdn Bhd pursuant to Section 8 of the Act.*

(d) *In respect of Fidelilty Low-Priced Stock Fund and Fidelity Northstar Fund*

(e) *Deemed interest by virtue of his mother's shareholdings in the Company.*

(f) *Deemed interest by virtue of his spouse's and children's shareholdings in the Company.*

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 54th Annual General Meeting ("AGM") of Mega First Corporation Berhad ("MFCB" or "the Company") will be conducted virtually through live streaming from the broadcast venue at Conference Room, A-12-01, Level 12, Block A, PJ8, 23 Jalan Barat, Seksyen 8, 46050 Petaling Jaya, Selangor Darul Ehsan on Thursday, 2 July 2020 at 10:00 a.m. for the following purposes:-

AGENDA

1.	To receive and consider the Directors' Report and Audited Financial Statements for the year ended 31 December 2019.	*(Please refer to Note B below)*
2.	To declare a single tier final dividend of 6.0 sen per share in respect of the financial year ended 31 December 2019.	*(Resolution 1)*
3.	To approve the payment of Directors' Remuneration (including Directors' fees) to the Non-Executive Directors in respect of the financial ending 31 December 2020, up to an aggregate amount of RM650,000, from 3 July 2020 until the next AGM of the Company.	*(Resolution 2)*
4.	To re-elect the following Directors who retire by rotation pursuant to Clause 119 of the Company's Constitution and who being eligible, offer themselves for re-election:-	
	(a) Mr Goh Nan Yang	*(Resolution 3)*
	(b) Mr Tay Kheng Chiong	*(Resolution 4)*
	(c) Mr Jesper Bjorn Madsen	*(Resolution 5)*
5.	To re-appoint Crowe Malaysia PLT as auditors of the Company and to authorise the Board of Directors to fix their remuneration.	*(Resolution 6)*

Special Business

To consider and if thought fit, to pass the following Ordinary Resolutions with or without modifications:

6. **Ordinary Resolution**
Retention of Dato' Tan Ang Meng as Independent Director

"THAT Dato' Tan Ang Meng who has served for a cumulative term of more than 9 years be and is hereby retained as Independent Director of the Company until the conclusion of the next AGM in accordance with the Malaysian Code on Corporate Governance." *(Resolution 7)*

7. **Ordinary Resolution**
Retention of Dato' Koh Hong Sun as Independent Director

"THAT Dato' Koh Hong Sun who has served for a cumulative term of more than 9 years be and is hereby retained as Independent Director of the Company until the conclusion of the next AGM in accordance with the Malaysian Code on Corporate Governance." *(Resolution 8)*

8. **Ordinary Resolution**
Retention of Mr Yeow See Yuen as Independent Director

"THAT Mr Yeow See Yuen who has served for a cumulative term of more than 12 years be and is hereby retained as Independent Director of the Company until the conclusion of the next AGM in accordance with the Malaysian Code on Corporate Governance." *(Resolution 9)*

9. **Ordinary Resolution**
Authority to issue shares pursuant to Section 75 of the Companies Act, 2016

"THAT, subject always to the Companies Act, 2016 ("the Act") and the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered and authorised, pursuant to Section 75 of the Act, to issue shares in the Company from time to time at such price, upon such terms and conditions, for such purposes and to such person/persons or party/parties whomsoever the Directors may deem fit provided that the aggregate nominal value of shares to be issued during the preceding 12 months does not exceed ten percent of the total number of shares in issue (excluding treasury shares) at the point of issuance of shares and that such authority shall continue in force until the conclusion of the next annual general meeting." *(Resolution 10)*

10. **Ordinary Resolution**
Renewal of Share Buy-Back Authority

"THAT, subject always to the Companies Act, 2016 ("the Act"), rules, regulations and orders made pursuant to the Act, and the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("BMSB") and any applicable laws, rules, regulations and guidelines for the time being in force, the Directors of the Company be and are hereby authorised to :- *(Resolution 11)*

i) purchase shares in the Company, at any time and upon such terms and conditions and for such purposes as the Directors may, in their discretion deem fit, provided that the aggregate number of shares bought pursuant to this resolution does not exceed ten percent of the total number of shares as quoted on BMSB at the point of purchase and the total funds allocated shall not exceed the total retained earnings of the Company which would otherwise be available for dividends;

ii) retain the shares so purchased as treasury shares or cancel them or retain part of the shares so purchased as treasury shares and cancel the remainder or to resell the shares or to distribute the shares as dividend, and in any other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act and the MMLR of BMSB and any other relevant authority for the time being in force; and

iii) take all such steps as are necessary or expedient to implement or to effect the purchase of the shares,

AND THAT the authority conferred by this resolution shall commence immediately and continue to be in force until the conclusion of the next annual general meeting of the Company, unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in general meeting or upon the expiration of the period within which the next annual general meeting is required by law to be held, whichever occurs first."

11. To transact any other business that may be transacted at an annual general meeting, due notice of which shall have been previously given in accordance with the Companies Act, 2016 and the Company's Constitution.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN THAT, subject to the approval of the shareholders for the payment of the single tier final dividend of 6.0 sen per share in respect of the financial year ended 31 December 2019 under Resolution 1 at the 54th AGM, the dividend will be paid to the shareholders on 25 August 2020. The entitlement for the dividend shall be 17 August 2020.

Shareholders of the Company will only be entitled to the dividend in respect of :-

a) Securities transferred into their securities account before 4:30 p.m. on 17 August 2020; and
b) Securities bought on Bursa Securities on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

Foo Wen Yunn
Secretary
SSM PC No. 201908000440 (MAICSA 7057965)

Petaling Jaya
3 June 2020

NOTES:

(A) IMPORTANT NOTICE

(i) In light of the COVID-19 pandemic and Government of Malaysia's official guidance on social distancing, the 54th AGM of the Company will be conducted virtually through live streaming and online remote voting via the Remote Participation and Voting ("RPV") Facilities which are available at Boardroom Share Registrars Sdn Bhd's ("Boardroom") website at http://boardroomlimited.my/.

(ii) The broadcast venue is strictly for the purpose of complying with Section 327(2) of the Companies Act, 2016 which requires the Chairperson of the meeting to be present at the main venue of the meeting. Shareholders WILL NOT BE ALLOWED to attend the 54th AGM in person at the Broadcast Venue on the day of the meeting.

(iii) In respect of deposited securities, only members whose names appear in the Record of Depositors as at 25 June 2020 shall be entitled to attend the 54th AGM or to appoint proxies to attend on their behalf.

(iv) A member of the Company entitled to attend and vote at the meeting, is entitled to appoint one or more proxy to attend, participate, speak and vote in his stead. A proxy need not be a member of the Company.

(v) In the case of a corporate member, the instrument appointing a proxy or proxies shall be (a) under its Common Seal or (b) under the hand of its attorney and in the case of (b), be supported by a certified true copy of the resolution appointing such officer or certified true copy of the power of attorney.

(vi) Where a member appoints more than one proxy, the appointments shall not be valid unless he specifies the proportions of his shareholding to be represented by each proxy.

NOTES: (CONT'D)

(A) IMPORTANT NOTICE (CONT'D)

(vii) The instrument appointing a proxy or the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of authority shall be deposited at Ground Floor or 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, by 10.00 a.m. on 30 June 2020, being 48 hours before the time for holding the meeting or any adjourned meeting at which the person named in the instrument proposes to vote and in default, the instrument of proxy shall not be treated as valid. Alternatively, the proxy form can be deposited electronically through the Boardroom Share Registrar's smart investor portal at https://www.boardroomlimited.my/.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the 54th 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 54th AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the 54th 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.

B) Audited Financial Statements

The agenda is meant for discussion as the provisions of the Companies Act, 2016 do not require a formal approval of the shareholders on the audited financial statements. Hence, the matter will not be put for voting.

EXPLANATORY NOTES TO SPECIAL BUSINESS

1) Ordinary Resolution 2 - Directors' Remuneration

The Shareholders' approval is being sought under Resolution 2 for the payment of the Remuneration to Non-Executive Directors in respect of the financial year ending 31 December 2020, from 3 July 2020 up till the next AGM of the Company.

2) Ordinary Resolution 7 - Retention of Dato' Tan Ang Meng as Independent Director

Dato' Tan Ang Meng has served the Company as Independent Director for more than 9 years. The Board of Directors, vide the Nominating Committee has assessed the independence of Dato' Tan Ang Meng.

The Nominating Committee and the Board are satisfied that Dato' Tan Ang Meng remains unbiased, objective and independent in expressing his opinions and in participating in the decision making of the Board. He possesses tremendous insights and in-depth knowledge of the Company's business and affairs. The length of his services on the Board has not in any way interfered with his objective and independent judgment in carrying out his role as a member of the Board and relevant Committees. With his skills and vast experience in business, accounting, finance and management, Dato' Tan Ang Meng would be able to contribute during deliberations or discussions of the Board and Board Committees. He has also devoted sufficient attention to his responsibilities as an Independent Director and in carrying out his duty in the best interest of the Company and its shareholders. The Board believes that Dato' Tan Ang Meng should be retained as Independent Director. The Board therefore recommends for shareholders' approval to retain Dato' Tan Ang Meng as Independent Director.

EXPLANATORY NOTES TO SPECIAL BUSINESS (CONT'D)

3) Ordinary Resolution 8 - Retention of Dato' Koh Hong Sun as Independent Director

Dato' Koh Hong Sun has served the Company as Independent Director for more than 9 years. The Board of Directors, vide the Nominating Committee has assessed the independence of Dato' Koh Hong Sun.

The Nominating Committee and the Board are satisfied that Dato' Koh Hong Sun remains unbiased, objective and independent in expressing his opinions and in participating in the decision making of the Board. He possesses tremendous insights and in-depth knowledge of the Company's business and affairs. The length of his services on the Board has not in any way interfered with his objective and independent judgment in carrying out his role as a member of the Board and relevant Committees. With his skills and vast experience in the industry, Dato' Koh Hong Sun would be able to contribute during deliberations or discussions of the Board and Board Committees. He has also devoted sufficient attention to his responsibilities as an Independent Director and in carrying out his duty in the best interest of the Company and its shareholders. The Board believes that Dato' Koh Hong Sun should be retained as Independent Director. The Board therefore recommends for shareholders' approval to retain Dato' Koh Hong Sun as Independent Director.

4) Ordinary Resolution 9 - Retention of Mr Yeow See Yuen as Independent Director

Mr Yeow See Yuen has served the Company as Independent Director for more than 12 years. The Board of Directors, vide the Nominating Committee has assessed the independence of Mr Yeow See Yuen.

The Nominating Committee and the Board are satisfied that Mr Yeow See Yuen remains unbiased, objective and independent in expressing his opinions and in participating in the decision making of the Board. He possesses tremendous insights and in-depth knowledge of the Company's business and affairs. The length of his services on the Board has not in any way interfered with his objective and independent judgment in carrying out his role as a member of the Board and relevant Committees. With his skills and vast experience in business, accounting, finance and management, Mr Yeow See Yuen would be able to contribute during deliberations or discussions of the Board and Board Committees. He has also devoted sufficient attention to his responsibilities as an Independent Director and in carrying out his duty in the best interest of the Company and its shareholders. The Board believes that Mr Yeow See Yuen should be retained as Independent Director. The Board therefore recommends for shareholders' approval to retain Mr Yeow See Yuen as Independent Director.

In line with the Practice 4.2 of the Malaysian Code on Corporate Governance 2017 ("MCCG"), the approval of the shareholders will be sought through two-tier voting process as described in the Guidance to Practice 4.2 of the MCCG.

5) Ordinary Resolution 10 - Authority to issue shares pursuant to Section 75 of the Companies Act, 2016

Resolution 10, if passed, will empower the Directors to issue new shares up to 10% of the issued share capital (excluding treasury shares) of the Company at the time of issuance, for purposes of funding future investment projects, working capital, acquisitions and so forth. The approval is a renewed general mandate and is sought to provide flexibility and avoid any delay and cost in convening a general meeting for such issuance of shares for fund raising activities, including placement of shares. The authorisation, unless revoked or varied by the Company at a general meeting, will expire at the next AGM. The Company has not issued any new shares under the general authority given at the last AGM.

EXPLANATORY NOTES TO SPECIAL BUSINESS (CONT'D)

6) Ordinary Resolution 11 - Renewal of Share Buy-Back Authority

Resolution 11, if passed, will give the Company the authority to purchase its own ordinary shares of up to 10% of the total number of shares as quoted on Bursa Malaysia Securities Berhad at the point of purchase ("Share Buy-Back"). This authority, unless renewed or revoked or varied by the Company at a general meeting, will expire at the conclusion of the next AGM of the Company or the expiration of the period within which the next AGM after that date is required by law to be held, whichever occurs first.

For further information, please refer to the Share Buy-back Statement dated 3 June 2020 which is circulated together with the Company's Annual Report 2019.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING
Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

The profiles of the Directors who are standing for re-election under Agenda 4 of the Notice of 54th AGM are found on the Profile of Directors section of this Annual Report 2019.

GROUP OF COMPANIES DIRECTORY

No.	Company Name & Email Address	Address	Telephone No.	Facsimile No.	Person-to-Contact
1.	Mega First Corporation Berhad mfcb@mega-first.com	A-12-01, Level 12, Block A, PJ8, No. 23 Jalan Barat, Seksyen 8, 46050 Petaling Jaya, Selangor Darul Ehsan.	03-79608818	03-79607818	Mr. Khoo Teng Keat
2.	Mega First Investments (L) Limited mfil@mega-first.com	A-12-01, Level 12, Block A, PJ8, No. 23 Jalan Barat, Seksyen 8, 46050 Petaling Jaya, Selangor Darul Ehsan.	03-79608818	03-79607818	Mr. Khoo Teng Keat
3.	Don Sahong Power Company Ltd. contact@dshpp.com	Lao-Thai Friendship Avenue, 374/15, Vat Nak Village, Vientiane, Lao PDR.	+856-21353532	+856-21353532	Mr. Khoo Teng Keat
4.	Rock Chemical Industries (Malaysia) Sdn. Berhad info@rci.com.my	Lot 45157 & 45158, Gunung Panjang, 31600 Gopeng, Perak Darul Ridzuan.	05-3593188	05-3593228	Mr. John Chu
5.	Batamas Sdn. Berhad batamasmy@yahoo.com	Lot 138321, Jalan Changkat Larang, P.O. Box 15, 31007 Batu Gajah, Perak Darul Ridzuan.	05-3661654 05-3663500	05-3663555	Mr. John Chu
6.	Anting Sendirian Berhad antingsb@hotmail.com	Lot 15588, Mukim Sungai Raya, 31300 Simpang Pulai, Ipoh, Perak Darul Ridzuan.	05-3574105	05-3576472	Mr. John Chu
7.	Syarikat Cheng Sun Quarry Sdn. Bhd. csquarry@yahoo.com.my	Lot 67887, Mukim Sg. Raia, 31300 Keramat Pulai, Perak Darul Ridzuan.	05-3571502 05-3571503 05-3571505	05-3571504	Mr. John Chu
8.	Mega First Housing Development Sdn. Bhd. Gombak Land Sdn. Bhd. Idaman Harmoni Sdn. Bhd. Paya Emas Sdn. Bhd. mfcb.property@mega-first.com	A-12-01, Level 12, Block A, PJ8, No. 23 Jalan Barat, Seksyen 8, 46050 Petaling Jaya, Selangor Darul Ehsan.	03-79608818	03-79607818	Mr. Khoo Teng Keat
9.	Greentown Parking Sdn. Bhd. mfcb.property@mega-first.com	No. 15A Persiaran Greentown 4A, Greentown Avenue, 30450 Ipoh, Perak Darul Ridzuan.	05-2433033	05-2433033	Mr. Khoo Teng Keat
10.	Hexachase Labels Sdn. Bhd. info@hexachase.com	No. 20, Jalan TTC 26, Taman Teknologi Cheng, 75250 Melaka.	06-3357461 06-3357472	06-3357429	Mr. Danny Yeo
11.	Hexachase Flexipack Sdn. Bhd. cs.hfp@hexachase.com	No. 18, Jalan TTC 26, Taman Teknologi Cheng, 75250 Melaka.	06-3358299	06-3350009	Mr. Danny Yeo
12.	Hexachase Packaging Sdn. Bhd. pkgcs@hexachase.com	Lot 4788 & 4789, Jalan TTC 29, Kawasan Perindustrian Cheng, Taman Teknologi Cheng, 75250 Melaka.	06-3371201 06-3371202	06-3371200	Mr. Deric Sim
13.	Bloxwich (Malaysia) Sdn. Bhd. admin@bloxwich.com.my	Lot 31, Seri Iskandar Technology Park, Mukim Bota, Daerah Perak Tengah, 32600 Bota, Perak Darul Ridzuan.	05-3711516 05-3712859	05-3711520	Mr. Ong Hock Kheng
14.	MFP Solar Sdn. Bhd. enquiry@mfpsolar.com	A-12-01, Level 12, Block A, PJ8, No. 23 Jalan Barat, Seksyen 8, 46050 Petaling Jaya, Selangor Darul Ehsan.	03-79608818	03-79607818	Mr. Goh Chin San

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MFCB

MEGA FIRST CORPORATION BERHAD
Reg. No. 196601000210 (6682-V)
(Incorporated in Malaysia)

No. of MFCB shares held:	
CDS Account Number:	

FORM OF PROXY

(To be completed in block letters)

I/We ....
(Full Name as per NRIC/Certificate of Incorporation in block letters)

Company No. / NRIC No. ....

of ....
(Full address)

being a member of MEGA FIRST CORPORATION BERHAD ("the Company") hereby appoint:-

Full Name (in Block Letters)	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of MFCB Shares	**%**
Address:			

AND / OR

Full Name (in Block Letters)	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of MFCB Shares	**%**
Address:			

as my/our proxy/proxies to attend and, on a poll, to vote for me/us on my/our behalf at the 54th Annual General Meeting of the Company, to be conducted virtually through live streaming from the broadcast venue at Conference Room, A-12-01, Level 12, Block A, PJ8, 23 Jalan Barat, Seksyen 8, 46050 Petaling Jaya, Selangor Darul Ehsan on Thursday, 2 July 2020 at 10:00 a.m. and at any adjournment thereof, in the manner indicated below

RESOLUTIONS		**For**	**Against**	**Abstain**
1.	Single-tier final dividend of 6.0 sen per share.			
2.	Payment of Directors' remuneration.			
3.	Re-elect Mr Goh Nan Yang as Director.			
4.	Re-elect Mr Tay Kheng Chiong as Director.			
5.	Re-elect Mr Jesper Bjorn Madsen as Director.			
6.	Re-appoint Crowe Malaysia PLT as auditors and authorise the Board of Directors to fix their remuneration.			
7.	Retention of Dato' Tan Ang Meng as Independent Director.			
8.	Retention of Dato' Koh Hong Sun as Independent Director.			
9.	Retention of Mr Yeow See Yuen as Independent Director.			
10.	Authority to issue shares pursuant to Section 75 of the Companies Act 2016.			
11.	Renewal of Share Buy-Back Authority.			

(Please indicate with an (X) in the space provided as to how you wish your vote to be cast. If no indication is given, my/our proxy shall vote or abstain as he/she thinks fit).

Date:	
Contact Number	

....
Signature/Common Seal of Shareholder

Please fold this flap for sealing

NOTES:

(i) In light of the COVID-19 pandemic and Government of Malaysia's official guidance on social distancing, the 54th AGM of the Company will be conducted virtually through live streaming and online remote voting via the Remote Participation and Voting ("RPV") Facilities which are available at Boardroom Share Registrars Sdn Bhd's ("Boardroom") website at http://boardroomlimited.my/.

(ii) The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act, 2016 which requires the Chairperson of the meeting to be present at the main venue of the meeting. Shareholders WILL NOT BE ALLOWED to attend the 54th AGM in person at the Broadcast Venue on the day of the meeting.

(iii) In respect of deposited securities, only members whose names appear in the Record of Depositors as at 25 June 2020 shall be entitled to attend the 54th AGM or to appoint proxies to attend on their behalf.

(iv) A member of the Company entitled to attend and vote at the meeting, is entitled to appoint one or more proxy to attend, participate, speak and vote in his stead. A proxy need not be a member of the Company.

(v) In the case of a corporate member, the instrument appointing a proxy or proxies shall be (a) under its Common Seal or (b) under the hand of its attorney and in the case of (b), be supported by a certified true copy of the resolution appointing such officer or certified true copy of the power of attorney.

(vi) Where a member appoints more than one proxy, the appointments shall not be valid unless he specifies the proportions of his shareholding to be represented by each proxy.

(vii) The instrument appointing a proxy or the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of authority shall be deposited at Ground Floor or 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, by 10.00 a.m. on 30 June 2020, being 48 hours before the time for holding the meeting or any adjourned meeting at which the person named in the instrument proposes to vote and in default, the instrument of proxy shall not be treated as valid. Alternatively, the form of proxy can be deposited electronically through the Boardroom Share Registrar's smart investor portal at https://www.boardroomlimited.my/.

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 3 June 2020.

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Attach
Postage
Stamp

Boardroom Share Registrars Sdn Bhd
11TH FLOOR MENARA SYMPHONY
NO. 5 JALAN PROF. KHOO KAY KIM
SEKSYEN 13
46200 PETALING JAYA
SELANGOR DARUL EHSAN
MALAYSIA

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MFCB