HOHUP®

HO HUP Construction Company Berhad
197301000497 (14034-W)

ANNUAL REPORT 2020

Disclaimer: This annual report, prepared by Ho Hup Construction Company Berhad may contain certain forward-looking statements and is prepared based on the Manager's current view of future events that may involve certain assumptions, risks and uncertainties. Shareholders and investors are advised that past performance does not necessarily signify its future performance.

47th Annual General Meeting

Broadcast Venue : Redwood Meeting Room, Ho Hup Tower – Aurora Place 2-09-01 – Level 9, Plaza Bukit Jalil, No.1, Persiaran Jalil 1 Bandar Bukit Jalil, 57000 Kuala Lumpur

Date : 28 May 2021

Time : 2.30 p.m,

What's INSIDE

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BOARD OF DIRECTORS

Tan Sri Datuk Seri Panglima Sulong Matjeraie
Chairman/Senior Independent Non-Executive Director

Dato' Mah Siew Kwok
Deputy Chairman/Non-Independent Non-Executive Director

Dato' Wong Kit-Leong
Chief Executive Officer/Executive Director

Dato' Wong Gian Kui
Executive Director

Dato' Sri Thong Kok Khee
Non-Independent Non-Executive Director

Datin Chan Bee Leng
Non-Independent Non-Executive Director

Mr. Boey Tak Kong
Independent Non-Executive Director

Mr. Chow Seck Kai
Independent Non-Executive Director

Mr. Low Kheng Lun
Non-Independent Non-Executive Director

CORPORATE INFORMATION

AUDIT COMMITTEE

Mr. Boey Tak Kong
Chairman, Independent Non-Executive Director

Mr. Chow Seck Kai
Independent Non-Executive Director

Tan Sri Datuk Seri Panglima Sulong Matjeraie
Senior Independent Non-Executive Director

NOMINATION COMMITTEE

Tan Sri Datuk Seri Panglima Sulong Matjeraie
Chairman, Senior Independent Non-Executive Director

Dato' Mah Siew Kwok
Non-Independent Non-Executive Director

Mr. Chow Seck Kai
Independent Non-Executive Director

REMUNERATION COMMITTEE

Dato' Sri Thong Kok Khee
Chairman, Non-Independent Non-Executive Director

Tan Sri Datuk Seri Panglima Sulong Matjeraie
Senior Independent Non-Executive Director

Dato' Mah Siew Kwok
Non-Independent Non-Executive Director

Mr. Chow Seck Kai
Independent Non-Executive Director

COMPANY SECRETARIES

Ms. Lim Shook Nyee
(MAICSA 7007640)
SSM Practicing Certificate No. 201908003593

Mr. Lee Heng Aun
(MIA 10104)
SSM Practicing Certificate No. 202008001152

REGISTERED OFFICE

Ho Hup Tower - Aurora Place
2-07-01-Level 7, Plaza Bukit Jalil
No. 1, Persiaran Jalil 1
Bandar Bukit Jalil
57000 Kuala Lumpur
Wilayah Persekutuan
Malaysia
Tel : +(603) 9779 1700
Fax : +(603) 9779 1701/2

SHARE REGISTRAR

ShareWorks Sdn. Bhd.
2-1, Jalan Sri Hartamas 8
Sri Hartamas, 50480 Kuala Lumpur
Tel : 03 -6201 1120
Fax : 03 -6201 3121

PRINCIPAL BANKERS

Ambank Berhad
Hong Leong Bank Berhad
Bank Pembangunan Malaysia Berhad
Sabah Development Bank Berhad

AUDITORS

UHY (AF 1411)
Suite 11.05, Level 11
The Gardens South Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Tel : +(603) 2279 3088
Fax : +(603) 2279 3099

SOLICITORS

James Monteiro
Shahrizat Rashid & Lee

STOCK EXCHANGE LISTING

Main Market of
Bursa Malaysia Securities Berhad
Stock Code : 5169
Stock Name : Hohup

SECTOR

Construction
Website : www.hohupgroup.com.my

CORPORATE STRUCTURE

AS AT 31 MARCH 2021

HOHUP®

HO HUP CONSTRUCTION COMPANY BERHAD

CONSTRUCTION DIVISION

- 100% H2Energy Corporation Sdn Bhd
  - 60% Ho Hup Infrastructures Sdn Bhd
- 60% H2Advance Builders Sdn Bhd
- 70% New Interconnected Expressway Sdn Bhd
- 100% Ho Hup Construction Company (India) Private Limited *
- 29.0% Konsortium AHHK Sdn Bhd
- 100% Ho Hup Construction Company (L) Ltd**
  - 49.8% Ho Hup (Myanmar) E&C Co., Ltd***
- 50% KHH Infrastructures Sdn Bhd
- 100% Ho Hup Infinite Sdn Bhd
- 100% Ho Hup Rail (Seremban) Sdn Bhd
- 100% Pelita Pintasan Sdn Bhd
- 100% Pinggir Prima Sdn Bhd

PROPERTY DEVELOPMENT DIVISION

- 100% Bukit Jalil Development Sdn Bhd
- 100% Ho Hup Ventures (Kuantan) Sdn Bhd
- 75% Ho Hup Ventures (KK) Sdn Bhd
  - 70% Golden Wave Sdn Bhd
  - 100% Suria Jayajuta Sdn Bhd
- 75% Ho Hup Ventures (Johor) Sdn Bhd
  - 70% Intact Corporate Approach Sdn Bhd
- 100% Ho Hup Teratai Sdn Bhd
- 100% Ho Hup Fadason Sdn Bhd
- 100% Ho Hup Dagang Jaya Sdn Bhd

BUIDING MATERIALS DIVISION

- 90% Tru-Mix Concrete Sdn Bhd
- 100% Ho Hup Industries Sdn Bhd
  - 70% Ho Hup Ventures (Malacca) Sdn Bhd
  - 100% Ho Hup Quarries (Malacca) Sdn Bhd
  - 75% Ho Hup-ICM Quarry Sdn Bhd

PROPERTY & RETAIL MANAGEMENT DIVISION

- 100% Ho Hup Jaya Sdn Bhd
  - 100% HH Interpark Sdn Bhd
- 100% Ho Hup F&B Sdn Bhd
  - 70% Coffee Delight Sdn Bhd
  - 70% Mahi Mahi Sdn Bhd
  - 70% 6 Teppan Dining Sdn Bhd
  - 70% Easy I Zak Sdn Bhd
  - 70% Aurora Exhibit Sdn Bhd

Note:

* Incorporated in India
** Incorporated in Labuan
*** Incorporated in Myanmar

Ho Hup Construction Company Berhad
197301000497 (14034-W)

FINANCIAL CALENDAR

7TH MAY 2021

NOTICE OF 47TH ANNUAL GENERAL MEETING AND ISSUANCE OF ANNUAL REPORT 2020

28TH MAY 2021

47TH ANNUAL GENERAL MEETING

Fully virtual meeting via live streaming broadcast from Redwood Meeting Room, Ho Hup Tower – Aurora Place, 2-09-01 – Level 9, Plaza Bukit Jalil, No.1, Persiaran Jalil 1, Bandar Bukit Jalil, 57000 Kuala Lumpur.

Quarterly Results

28TH MAY 2020

Unaudited consolidated result for the 1st quarter ended 31st March 2020

26TH AUGUST 2020

Unaudited consolidated result for the 2nd quarter ended 30th June 2020

20TH NOVEMBER 2020

Unaudited consolidated result for the 3rd quarter ended 30th September 2020

24TH FEBRUARY 2021

Unaudited consolidated result for the 4th quarter ended 31st December 2020

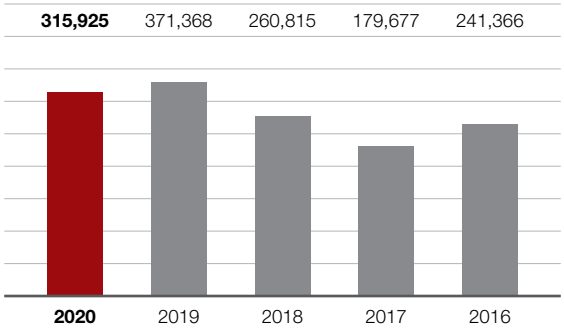
FIVE-YEAR FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHT (RM'000)	Financial Year Ended				
	31 Dec 2020	31 Dec 2019	31 Dec 2018	31 Dec 2017**	31 Dec 2016**
Key Statement of Comprehensive Income					
Revenue	**315,925**	371,368	260,815	179,677	241,366
Profit Before Tax	**76,467**	76,083	39,315	48,755	78,017
Profit After Tax	**48,300**	51,586	28,263	38,538	65,072
Profit Attributable to Owners of the Parent	**48,483**	51,500	28,891	40,075	65,791
Key Statement of Financial Position					
Total Assets	**1,350,573**	1,305,500	1,087,972	895,691	683,179
Total Borrowings	**529,424**	372,356	382,055	306,102	218,471
Total Equity	**448,780**	446,205	377,257	335,267	295,849
Share Information					
Basic Earnings per Share Attributable to Owners of the Parent (sen)	**11.80**	13.50	7.71	10.69	18.84
Net Assets per Share Attributable to Owners of the Parent (sen)	**108.83**	108.20	100.63	89.44	78.92
Financial Indicators					
Net Return on Shareholders' Funds (%)	**10.80%**	11.54%	7.66%	11.95%	22.24%
Gearing Ratio (times)	**1.18**	0.83	1.01	0.91	0.74

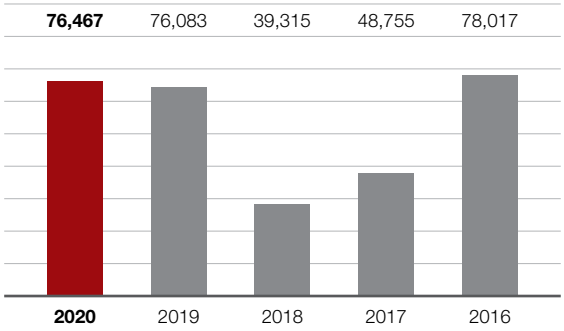
Note:

** Statement of financial position figures have been restated following the adoption of MFRS 1, MFRS 9 and MFRS 15.

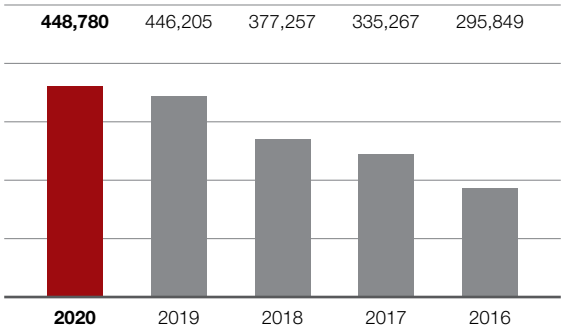
REVENUE (RM'000)



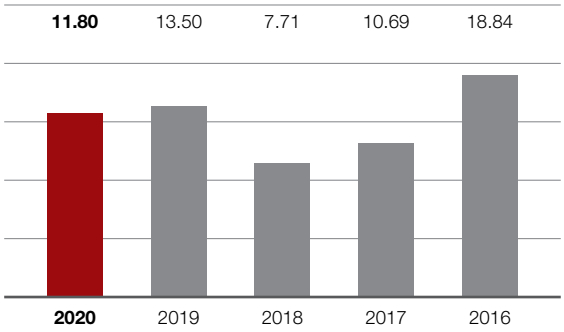
PROFIT AFTER TAX (RM'000)



TOTAL EQUITY (RM'000)



BASIC EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT (SEN)



Ho Hup Construction Company Berhad
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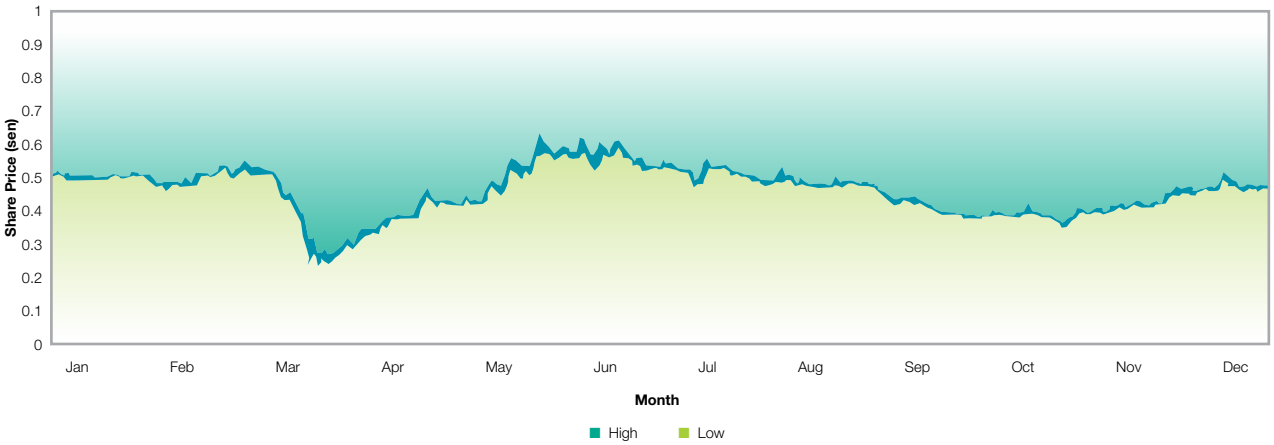
SHARE PERFORMANCE

STOCK EXCHANGE	TRADING NAME	STOCK CODE
Bursa Malaysia Securities Sdn Bhd	HO HUP	5169

Ho Hup's Historical Share Price as of FY2020



Month	Jan 20	Feb 20	Mar 20	Apr 20	May 20	Jun 20	Jul 20	Aug 20	Sept 20	Oct 20	Nov 20	Dec 20
High (RM)	0.53	0.56	0.54	0.48	0.64	0.63	0.56	0.54	0.50	0.43	0.44	0.53
Low (RM)	0.49	0.47	0.24	0.33	0.43	0.53	0.48	0.48	0.40	0.37	0.36	0.43
Daily Average Volume ('000)	237	707	1,143	704	3,872	5,566	2,059	1,535	819	310	487	1,431

MEDIA HIGHLIGHTS

Ho Hup Q1 profit jumps to RM15.85mil

PETALING JAYA: Ho Hup Construction Company Bhd has nearly tripled its net profit to RM15.85mil for the first quarter ended March 31, 2020, compared to the corresponding quarter last year.

This was mainly attributed to higher recognition of revenue from property development, but lower revenue from the construction division.

Revenue for the quarter grew 89.6% year-on-year (y-o-y) to RM80.3mil.

From this figure, the property development division contributed RM23.17mil, representing a y-o-y increase of 257.3% during the quarter, as Ho Hup recognised progressive billings from the Phase 2 Park Residence, sale of Pavilion Bukit Jalil Mall and the progressive sale of Kota Kinabalu Crown development units.

In a Bursa Malaysia filing, Ho Hup said its construction division faced slower progression of the rehabilitation work in Besut, bridges in Teluk Intan, Yong Peng road project, and construction of the Technical Vocational College (TVET) in Kulai.

Going forward, Ho Hup expects the remaining financial year 2020 to be challenging in view of the Covid-19 pandemic, which has impacted the entire economy with great uncertainty.

"Accordingly, the management is taking timely actions to realign project activities to market demand, in order to protect its profitability," it said.

On Wednesday, Ho Hup had received letters of acceptance from China Communications Construction (ECRL) Sdn Bhd for the engineering, procurement, construction and commissioning of the East Coast Rail Link (ECRL) project.

Ho Hup to give big portion of ECRL project to locals

PETALING JAYA: Ho Hup Construction Co Bhd intends to allocate a substantial portion of the recently awarded RM102.5mil worth of works in the East Coast Rail Link (ECRL) project to local vendors.

CEO Datuk Derek Wong Kit Leong said one of the main responsibilities as a key subcontractor to China Communications Construction (ECRL) Sdn Bhd is to generate a sizeable local content in the execution of the ECRL project.

"Ho Hup's construction team is now finalising with local vendors and suppliers for the necessary engineering equipment, materials and other supplies for these jobs.

"Our priority is to ensure the smooth execution of the contracted works. Work will begin from June 15 and is expected to be completed 30 months from the start date," he said in a statement.

In a filing with Bursa Malaysia last week, Ho Hup announced that it had received two letters of acceptances (LoA) from China Communications Construction (ECRL) for two work packages in the ECRL project.

China Communications Construction (ECRL) is the main contractor for the project.

The contracts are for the construction and completion of drainage and culvert works along section 6 of the project, which are located in Pahang.

Given the location of the projects, Wong expects there would also be creation of jobs and business opportunities for the people of Pahang.

"We are delighted that we have secured this sizeable contract during this highly challenging Covid-19 pandemic period, when businesses across the economy have been badly affected.

"This win is also testimony to Ho Hup's track record in the building of major infrastructure projects," he said.

Ho Hup ended the day at 4.39% or 2.5 sen higher at 60 sen, traded on a volume of 4.5 million shares.

和合建築第三季賺1137萬

附加股改私下配股

（吉隆坡20日讯）基于武吉加里尔柏威年购物中心和Park2第三期工程进项缓慢，和合建筑（HOHUP,5169,主板建筑组）截至2020年9月30日第三季净利减少30.09%至1136万5000令吉，但9个月净利在成本合理化计划奏效下，按年起56.2%至4128万9000令吉。

第三季营业额下跌35.09%至6804万8000令吉，但累积9个月营业额起5.8%至2亿1132万2000令吉。

该公司发文告指出，在冠病疫情下，市场对集团产业项目需求疲弱，董事部预期第四季前景持续严峻。

"因此，集团正重新调整和重组成本组合，以优化和保障未来盈利。"

另一方面，和合建筑董事会考量当前经济状况，决定将早前宣布的附加股计划改为私下配售新股，主要是私下配售将是更理想的融资方式，且可为公司提供迅速筹集所需资金的弹性。

该公司在另一份文告中指出，建议向待定的第三方投资者私下配售20%新股，但可能分梯次进行，因此定价可能有所不同。

以每股36.5仙参考价来看，和合建筑可透过私下配售计划筹集3010万4000令吉，其中2010万4000令吉作为营运资本，另900万令吉用来偿还贷款。

整个计划预期在2021年第一季完成，届时和合建筑缴足资本将从现有的2亿2500万7000令吉扩大至2亿5411万1000令吉，负债比则从前期的0.83倍降至0.76倍。

和合獲東鐵逾1億合約

（吉隆坡27日讯）和合建筑（HOHUP,5169,主板建筑组）获雅发逾1亿令吉东铁（ECRL）工程，6月15日动工，30个月内完工。

根据文告，该公司接获中国交通建设（东铁）有限公司的同意书，以参与东铁的工程、采购、建筑与启用等工程。

第一部分涉沟渠涵洞等工程，6月15日起施工30个月，工程值5378万8066令吉95仙。

另一项沟渠涵洞工程价值4869万9480令吉29仙，也是30个月内竣工。

董事部认为，接受两项工程总值1亿零248万7547令吉20仙的工程，符合公司最佳利益。

和合建筑获 1.37 亿合约

（吉隆坡 24 日讯）和合建筑（HOHUP，5169，主板建筑股）获巴生谷双线铁路（KVDT）主要承建商 Dhaya Maju 基建（亚洲）私人有限公司，颁发 1 亿 3712 万 2920 令吉合约。

和合建筑今天向交易所报备，公司将会负责马来亚铁道公司（KTMB）火车站的升级工程，以及辅助 KVDT 第二阶段的发展。

合约期长 36 个月，至 2023 年 8 月 20 日为止。

和合建筑点出，上述合约会从今财年起贡献净利。

闭市时，和合建筑报 47.5 仙，无起落，成交量 79 万 300 股。

Ho Hup Construction Company Berhad
197301000497 (14034-W)

DIRECTOR'S PROFILE

Tan Sri Datuk Seri Panglima Sulong Matjeraie

Chairman/Senior Independent Non-Executive

Age 74

Gender Male

Nationality Malaysian

Date of Appointment
15 July 2013

Length of Service
7 years and 8 months
(as at 31 March 2021)

Date of Last Re-election
30 May 2019

Membership of Board Committees:

Nomination Committee (Chairman)
Remuneration Committee
Audit Committee

Academic/Professional Qualifications:

- Bachelor of Arts (Hons) Degree from the University of Malaya
- Read law at the Inns of Court School of Law in London (UK)
- Called to the Bar of England and Wales in the Trinity Term of 1974 by the Honourable Society of Inner Temple, London (UK)
- Master of Laws (LLM) Degree from the University of Southampton
- Awarded a Certificate in Advanced Management Programme by the Banff School of Advanced Management, Alberta, Canada

Working Experience:

He served in various capacities in the Sarawak State Service; as the District Officer, Bintulu, State Training Officer Sarawak, Secretary of the Government Examinations Board, Secretary of the Sarawak Complaints and Suggestions Bureau, Director of Civic Development Unit, General Manager of Sarawak Timber Industry Development Corporation and General Manager of Bintulu Development Authority.

In 1983, he left the Sarawak Government service to set up a legal practice Messrs Sulong Matjeraie & Co. and served as its senior partner. He was President of the Advocates Association of Sarawak until his appointment as a Judicial Commissioner at the High Court of Malaya in Johor in 1998. He was a High Court Judge of Malaya based in Johor Bahru in 2000 before being transferred to the High Court of Sabah and Sarawak where he served as its High Court Judge in Kota Kinabalu, Sabah.

In 2007, he was promoted as a Judge in the Court of Appeal and was later appointed a Federal Court Judge at the Federal Court of Malaysia, Palace of Justice at Putrajaya.

In 2013, he was appointed by the Prime Minister of Malaysia as one of the four eminent persons to serve on the Judicial Appointments Commission for a period of two years from 10th February 2013 to 9th February 2015 and was extended for a maximum period of another two years until 9th February 2017.

On 30 January 2014, he was made a Bencher of the prestigious Honourable Society of the Inner Temple, London.

Directorships of other Public Listed Companies

Petra Energy Berhad
Southern Acids (M) Berhad
WTK Holdings Berhad

He attended all the four (4) Board Meetings of the Company held during the financial year.

Director's Profile

(Cont'd)

Dato' Mah Siew Kwok

Deputy Chairman/Non-Independent Non-Executive Director

Age 73

Gender Male

Nationality Malaysian

Date of Appointment
15 July 2013

Length of Service
7 years and 8 months
(as at 31 March 2021)

Date of Last Re-election
22 July 2020

Membership of Board Committees:

Remuneration Committee

Nomination Committee

Academic/Professional Qualifications:

- Barrister-at-Law, Lincoln's Inn, London (UK)

Working Experience:

He is qualified in law and was called to the English Bar in 1972. He was the founder and senior partner of Messrs. Mah & Partners in 1975, specialising in Corporate Law, Banking Law and Land Law. He remained in practice for ten (10) years before venturing into the commercial sector. From 1983 to 1994 he served as Managing Director of South Malaysia Industries Berhad.

Dato' Mah is currently a Non-Executive Vice Chairman of Omesti Berhad and an Independent Non-Executive Director of Vertice Berhad. He also serves on the board of several private companies. He is the Deputy Chairman of Chong Hwa Independent High School and a trustee and member of Chong Hwa KL Foundation. He has been elected as Executive Committee Member of the Inns of Court Malaysia.

Directorships of other Public Listed Companies

Omesti Berhad

Vertice Berhad

He attended all the four (4) Board Meetings of the Company held during the financial year.

Dato' Wong Kit-Leong

Chief Executive Officer/ Executive Director

Age 49

Gender Male

Nationality Malaysian

Date of Appointment
12 August 2010

Length of Service
10 years and 7 months
(as at 31 March 2021)

Date of Last Re-election
30 May 2019

Membership of Board Committees:

Executive Committee

Academic/Professional Qualifications:

- Bachelor of Commerce, University of British Columbia, Canada

Working Experience:

He was appointed to the Board of the Company as an Executive Director on 12 August 2010, to manage the financial and corporate restructuring of the Group. He was re-designated as Chief Executive Officer (CEO) of the Company by the Board on 24 April 2014.

He began his career with Citibank Malaysia in 1995 before moving to Abric Berhad in 1999. During his tenure in Abric up to 2007, he served as Executive Director/Chief Operating Officer.

Directorships of other Public Listed Companies

Nil

He attended all the four (4) Board Meetings of the Company held during the financial year.

Director's Profile

(Cont'd)

Dato' Wong Gian Kui

Executive Director

Age 61

Gender Male

Nationality Malaysian

Date of Appointment
21 August 2017

Length of Service
3 year 7 months
(as at 31 March 2021)

Date of Last Re-election
18 May 2018

Membership of Board Committees:

Executive Committee

Academic/Professional Qualifications:

- Member of Malaysian Institute of Certified Public Accountants (MICPA)
- Member of Malaysian Institute of Accountants (MIA)

Working Experience:

An accountant by profession, Dato' Wong worked for Harun, Oh and Wong, Chartered Accountants and the Malaysian member firm of Horwath International from 1981 to 1990, and Stoy Hayward London, Chartered Accountants, the UK member firm of Horwath International from 1990 to 1991. He qualified as a Certified Public Accountant (CPA) in 1984 and has been a member of MICPA since 1985 and a member of MIA since 1988.

Dato' Wong is currently the Executive Director / Chief Executive Officer of Insas Berhad, Executive Director of Inari Amertron Berhad and Diversified Gateway Solutions Berhad, and a Non-Independent Non-Executive Director of SYF Resources Berhad.

Directorships of other Public Listed Companies

Insas Berhad
Inari Amertron Berhad
SYF Resources Berhad
Diversified Gateway Solutions Berhad

He attended all the four (4) Board Meetings of the Company held during the financial year.

Dato' Sri Thong Kok Khee

Non-Independent Non-Executive Director

Age 66

Gender Male

Nationality Malaysian

Date of Appointment
6 October 2011

Length of Service
9 years and 5 months
(as at 31 March 2021)

Date of Last Re-election
30 May 2019

Membership of Board Committees:

Remuneration Committee (Chairman)

Academic/Professional Qualifications:

- London School of Economics, UK

Working Experience:

He worked in the financial services industry from 1979 to 1988. During this period, he worked for Standard Chartered Merchant Bank Asia Limited in Singapore from October 1982 to June 1988 and his last held position was the Director of Corporate Finance Division.

Dato' Sri Thong is a major shareholder of the Company.

Directorships of other Public Listed Companies

Inari Amertron Berhad
Omesti Berhad

He attended all the four (4) Board Meetings of the Company held during the financial year.

Director's Profile

(Cont'd)

Datin Chan Bee Leng

Non-Independent Non-Executive Director

Age 60

Gender Female

Nationality Malaysian

Date of Appointment
31 October 2011

Length of Service
9 years and 5 months
(as at 31 March 2021)

Date of Last Re-election
18 May 2018

Membership of Board Committees:

Nil

Academic/Professional Qualifications:

- Bachelor of Science (Hons) Management Science (Majoring in Finance & Marketing), University of Warwick, (UK)
- GSCE 'A' Levels, Weston-Super-Mare Technical College, (UK)
- Business Education Council Diploma (BEC)

Working Experience:

She was a Finance Manager in Brisdale Sdn. Bhd. (a subsidiary of developer Perwira Indra Sakti Sdn. Bhd.) from 1990 to 1996 and a Director of Tepat Concrete Sdn. Bhd. from 2000 to 2006. She subsequently joined Bukit Jalil Development Sdn. Bhd. as a Consultant from 2006 to 2008.

She is a major shareholder of the Company. She is also the spouse of Dato' Low Tuck Choy, a major shareholder of the Company and mother to Mr. Low Kheng Lun, a Non-Independent Non-Executive Director of the Company.

Directorships of other Public Listed Companies

Nil

She attended all the four (4) Board Meetings of the Company held during the financial year.

Mr. Low Kheng Lun

Non-Independent Non-Executive Director

Age 34

Gender Male

Nationality Malaysian

Date of Appointment
31 October 2011

Length of Service
9 years and 5 months
(as at 31 March 2021)

Date of Last Re-election
18 May 2018

Membership of Board Committees:

Nil

Academic/Professional Qualifications

- MA (Hons) Entrepreneurial Management, European Business School, London, (UK)
- BEng (Hons) Civil Engineering, University College London, (UK)

Working Experience:

He worked as a Graduate Engineer in Buildings and Infrastructure Department in Scott Wilson PLC, London, UK from 2008 to 2009 and was an IT Advisory Associate in KPMG. He is currently a Director of Low Chee Group Sdn. Bhd.

He is the son of Dato' Low Tuck Choy, a major shareholder of the Company and Datin Chan Bee Leng, a Non-Independent Non-Executive Director of the Company.

Directorships of other Public Listed Companies

Nil

He attended all the four (4) Board Meetings of the Company held during the financial year.

Director's Profile

(Cont'd)

Mr. Chow Seck Kai

Independent Non-Executive Director

Age 65

Gender Male

Nationality Malaysian

Date of Appointment
17 March 2010

Length of Service
11 years (as at 31 March 2021)

Date of Last Re-election
22 July 2020

Membership of Board Committees:
Nomination Committee
Remuneration Committee
Audit Committee

Academic/Professional Qualifications:

- Associate of The Institute Chartered Secretaries and Administrators (UK)
- Fellow Member of The Institute of Public Accountants (IPA), Australia

Working Experience:
He has more than 30 years of working experience in public practice in various fields relating to his profession as a company secretary and corporate advisor to SME companies.

Directorships of other Public Listed Companies
Diversified Gateway Solutions Berhad

He attended all the four (4) Board Meetings of the Company held during the financial year.

Mr. Boey Tak Kong

Independent Non-Executive Director

Age 67

Gender Male

Nationality Malaysian

Date of Appointment
28 November 2014

Length of Service
6 years 4 months
(as at 31 March 2021)

Date of Last Re-election
22 July 2020

Membership of Board Committees:
Audit Committee (Chairman)

Academic/Professional Qualifications:

- Chartered Accountant of the Malaysian Institute of Accountants
- Fellow of the Association of Chartered Certified Accountants (UK)
- Associate of the Institute of Chartered Secretaries & Administrators (UK)
- Member of the Institute of Marketing Malaysia
- Member of the Malaysian Institute of Management

Working Experience:
He has over 23 years of broad senior management experience in financial management, internal audit, general management, corporate affairs and regional business development with five (5) major listed groups with listings in Malaysia, Singapore, United Kingdom, Australia and New Zealand.

His industry knowledge covers financial services, industrial equipment assembly and distribution, general insurance, textile manufacturing, property development, infrastructure project management and integrated timber processing and marketing business

Presently, he is the Managing Director of Terus Mesra Sdn Bhd, a governance and leadership development training company.

Directorships of other Public Listed Companies
Censof Holdings Berhad
Gadang Holdings Berhad
Green Packet Berhad (Retired on 23 July 2020)
IJM Plantations Berhad (Retired on 21 September 2020)

He attended all the four (4) Board Meetings of the Company held during the financial year.

Director's Profile

(Cont'd)

Notes:-

1. Family Relationship with Director and/or Major Shareholder
   Save as disclosed, none of the Directors has any family relationship with any Director and/or major shareholder of the Company, except for Datin Chan Bee Leng who is the mother of Mr. Low Kheng Lun, the Non-Independent Non-Executive Director and spouse of Dato' Low Tuck Choy, a major shareholder of the Company.
2. Conflict of Interest
   None of the Directors has any conflicts of interest with the Company.
3. Conviction of Offence
   None of the Directors has been convicted of any offence within the past five (5) years other than possible traffic offences, if any.
4. Public Sanction or Penalty Imposed
   None of the Directors has been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report of the Company for the financial year ended 31st December 2020. ("FYE 2020")

The impact of COVID-19 pandemic containment measures instituted on a global basis, severely curtailed economic growth activities with the supply chain greatly disrupted for most industries. Accordingly, the country's Gross Domestic Product (GDP) contracted by 5.6%. Notwithstanding the unusual business challenges, Ho Hup Group managed to achieved satisfactory performance, with Group profit-after tax reduced to RM48.3 million, compared to RM51.5 million in the previous year.

OPERATING ENVIRONMENT

The Group's Property Development Division benefited from two Government-driven initiatives in the year as follows:-

- the Home Ownership Campaign ("HOC") from 1 June 2020 until 31 May 2021. The HOC offers stamp duty exemption on instruments of transfer and on loan agreements for the purchase of residential homes at priced from RM300,000 to RM2.5 million. The initiative generated fresh buying momentum, especially first-time owners who were the targets of the HOC.
- the reduction of Overnight Policy Rate (OPR) by 1.25 basis point to 1.75% in November 2020. The revision of rates made certain categories of property more affordable and within the reach of more potential buyers.

These initiatives improved the general market sentiments and contributed to the Group's increased property sales. We hope to see further support from Government policies in uphold the property market recovery momentum to remain resilient in 2021.

PERFORMANCE OVERVIEW

The Group's revenue for FYE 2020 totalled RM315.9 million, which was RM55.4 million or 14.9% lower than that achieved in FYE 2019. However, despite the lower revenue the Group profit achieved a marginally higher profit before tax of RM 76.4million (RM76.0 million in FYE 2019); while profit after tax was lower at RM48.3 million, compared to RM51.5 million in the previous year.

CHAIRMAN'S STATEMENT

(Cont'd)

The lower Group revenue was due to slower work progress due to Movement Control Order (MCO) conditions imposed, that affected both the Construction and Property Development Divisions.

An in-depth review of the financial performance is presented under the Management Discussion and Analysis (MD&A) section on pages 18 to 22.

CORPORATE GOVERNANCE

The Board continues to be firmly committed to implementing strong standards of corporate governance compliance and risk management assurance practices. During the year under review, all Directors were duly briefed and updated on developments and changes related to relevant laws and regulatory requirements.

The Group has further enhanced on the Whistle-Blowing Policy and reporting framework to report any irregularities or non-compliance. Staff training on Anti-Bribery and Anti-Corruption Policy to address the requirement of MACC Section 17A provision were carried out progressively throughout the Group's activities within the country.

SUSTAINABILITY

At Ho Hup Group, we continue to recognise the importance of conducting our business in a sustainable and responsible manner focusing on sustainability values based on Economic, Environment and Social framework.

An update on our approach towards sustainability is featured in our Sustainability Report section on pages 23 to 39.

OUTLOOK AND PROSPECTS

At the macro-level, the COVID-19 pandemic that started in January 2020 and triggered lockdowns and production shutdowns globally, have generated huge uncertainties for the world. The Government has announced several stimulus packages since April to help both the private and public sectors to manage and minimise the impact of the MCO conditions.

We hope the market will response positively towards the business-friendly policies and provide the private sector the much-needed incentives to encourage further investments in the construction and property development sectors. In addition, we are hopeful the Government will continue with supportive efforts to further improve and upgrade infrastructure project-flows, also to re-start suspended mega infrastructure projects.

At the micro-level, I am pleased to report that the Ho Hup Group has relocated our Corporate Head Office to our very own Ho Hup Tower at the Aurora Place, our signature project at Bukit Jalil City. Apart from the office tower, we also own the lower ground retail units, a lifestyle centre and five levels of carpark, which are being leased and tenanted to provide stable recurring revenue for the Group.

We expect on-going projects at our Construction and Property Development Divisions to continue to show good progress, despite the disruptions following the unprecedented MCO implemented by the Government, as several of the Group's projects are expected to be majority completed in 2021.The Technical College which is part of the TVET project near Kulai, Johor should be completed in 2021/22, while the construction of Crown Jewel Residences and Hotel in Kota Kinabalu will progressively gain momentum in its construction pace in 2021.

However, we have in our pipeline residential development projects in the Klang Valley with a potential estimated GDV of more than RM1billion.

Moving forward, having consolidated and strengthened our financial position and enhanced efficiency of our operations, the Group is well-placed to sustain our growth traction in the financial year 2021, notwithstanding the ongoing global economic crisis and changing political landscape.

APPRECIATION

I would like to record my heartfelt gratitude to our shareholders for their continued trust and support, as well as to our business partners, associates and bankers for their unwavering support and confidence in the Group especially through this challenging period.

My sincere thanks to the Senior Management and Staff for their strong commitment, hard work and dedication to sustain our business agenda, and equally, to my fellow Board members for their valuable guidance and contributions to the Group.

We will continue to work hard to create greater value for our stakeholders and we look forward to your continuing support and commitment in the years ahead.

Tan Sri Datuk Seri Panglima Sulong Matjeraie

Chairman

KEY SENIOR MANAGEMENT PROFILE

MR. LEE HENG AUN

Chief Financial Officer

Malaysian | Aged 57 | Male

He was appointed as Chief Financial Officer on 5 October 2016.

He is a Fellow of the Association of Certified Accountant (United Kingdom) and a Chartered Accountant of the Malaysian Institute of Accountants. He also graduated with a Masters in Business Administration (Information Technology Management) from the Multimedia University.

He began his career as an Auditor in 1990 in the United Kingdom and has more than 29 years of experience in management, operations and finance in various industries, ranging from trading, manufacturing, express delivery, logistics, haulage and transportation, construction, property development, mobile payment to oil and gas support services. He served as Chief Financial Officer of Carimin Petroleum Berhad prior to joining the Company.

MR. LEE CHEN FEE

Group General Manager – Operations

Malaysian | Aged 54 | Male

He holds a Degree in Civil Engineering from the University of Malaya, conferred in 1990; and has over 27 years of experience in engineering, construction and property development.

He began his career as Resident Engineer with Hashim and Neh Consulting Sdn Bhd and subsequently joined L&M Geotechnic Sdn Bhd before moving to APG Geo-Systems Sdn Bhd in 1993. During his tenure in APG Geo-Systems Sdn Bhd, he served as its Project Manager and later as its Business Development Manager. He also served as General Manager at Relevant Technology (EM) Sdn Bhd and Trans MSB Builders Sdn Bhd before joining the Company on April 2010.

MS. YEE LAI KUAN

General Manager – Human Resource and Administration

Malaysian | Aged 64 | Female

She graduated with Masters in International Business Management from the University of East London and holds a Diploma in Industrial Relations. She worked with several food and beverage establishments in New Zealand and Malaysia in various positions between 1977 and 1988.

She joined the Company in December 1999 as Human Resource Manager, was promoted to Senior Manager in July 2003 and subsequently to General Manager in November 2006, a position she holds till today. She has over 31 years' experience in Human Resource and Administration Management.

KEY SENIOR MANAGEMENT PROFILE

(Cont'd)

MS. VICTORIA LOUI HOONG MEI

General Manager – Assets & Property Management

Malaysian | Aged 51 | Female

She is a Chartered Accountant of the Malaysian Institute of Accountants and a member of The Malaysian Institute of Certified Public Accountants.

She has extensive working experience across a wide-range of industries, from auditing, construction, property development, financial services and education. She started her career with Ernst and Young in 1991 as an Auditor until 1997, following which she joined Asia Pacific Land Berhad and Nam Fatt Corporation Berhad. In May 2003, she joined Segi Educational Group International (SEGI) a regional higher education provider as its Senior Finance Manager. In 2006, she served at the International Commercial Bank Financial Group Holdings AG (ICB), an international financial services provider based in Switzerland with subsidiaries in Eastern Europe, Africa and Asia as its Chief Financial Officer.

MR. YAP YOON LEAN

General Manager - Quarry Operations (Building Materials Division)

Malaysian | Aged 61 | Male

He holds a Diploma in Commerce in Cost & Management Accounting from Tunku Abdul Rahman College. He started his career with Genting Berhad as an Audit Assistant prior to joining Singapore-listed Jurong Engineering Ltd as a Finance Officer.

In 1990, he moved back to Malaysia working as an Accountant and Operations Director in the hotel management and manufacturing industries. He was the Project Director of Kiara ANR Sdn Bhd, a company involved in tin exploration in Perak from March 2013 to July 2015 before joining the Company on August 2015.

Yap brings with him more than 26 years of experience in accounting, finance and operations in several industries from hotel management, construction, engineering, manufacturing and trading.

MR. FOO TZEH YUAN

General Manager – Ready Mixed Operations (Building Materials Division)

Malaysian | Aged 63 | Male

He holds a Postgraduate Diploma in Business Administration from University of Leicester, United Kingdom.

He began his career as an Ornamental Horticultural Specialist and received his Diploma from the Botanic Gardens in Singapore in 1987.

Subsequently, he moved into the manufacturing sector, serving in management positions, overseeing operations and manufacturing in facilities in Asean, China and Russia. He joined the Company in 2014 and was assigned to oversee the Company's project in Myanmar.

With more than 34 years of working experience at various management levels, he was appointed as General Manager for Ready Mixed Operations on January, 2019.

Notes:

Save as disclosed above, none of the Key Senior Management has:-

1. any directorship in public companies and listed issuers;
2. any family relationship with any Directors and/or major shareholders of the Company;
3. any conflict of interest with the Company;
4. any conviction for offences within the past 5 years other than traffic offences; and
5. any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

MANAGEMENT DISCUSSION & ANALYSIS

MARKET OVERVIEW

The overall business environment for the Group in 2020 was impacted by Covid-19 pandemic, but thanks to the support provided by the Government to revitalise the property sector, the Group availed itself to opportunities for growth in the year under review.

The initiatives included the revival of the Home Ownership Campaign ("HOC"), which started from 1 June 2020 and will run until 31 May 2021. The HOC offers stamp duty exemption on instruments of transfer and on loan agreements for the purchase of residential homes at priced from RM300,000 to RM2.5 million. This initiative lifted sentiments for the property market which had been depressed for several years.

The reduction in the Overnight Policy Rate ("OPR") by 1.25 basis point to 1.75% in November 2020 was another positive stimulus, as lower financing costs translates to increased affordability for potential property buyers.

The two initiatives helped in generating sales for the Group's development projects which were strategically located, and offered attractive and functional designs.

We look forward to further Government-led efforts to sustain the property sector and to encourage the development of projects to meet segments where demand is still healthy.

At the macro-level, global trade tensions impacted Malaysia's growth with contraction in the Gross Development Product (GDP) to 5.6% in 2020. Although the Ringgit depreciated during the year, it had minimal impact on the costs to the Group.

In the face of these market constraints, the Group recalibrated our strategy to focus on the Group's strength to ensure the sustainability our core businesses for our next phase of growth.

GROUP BUSINESS ACTIVITIES

The Group's commitment to our shareholders in FYE 2020 was to continue to improve performance, enhance the sustainability of our business and stay profitable. We were guided by the following strategies:

CORE BUSINESS DIVISION	BUSINESS STRATEGIES
Construction	Focus on selective Government infrastructure projects that provide reasonable profit margins.
Property Development	Fast track property development of projects located in the Klang Valley, speed up the development of the hotel and service apartments in Kota Kinabalu and launch the integrated township project in Kulai.
Building Material	Scale up trading opportunities in the Ready-mix business from on-going infrastructure and property development; and to operate the quarry business in a sustainable manner to break-even.
Property & Retail Management	Grow occupancy rate and to improve rental collections to strengthen overall cash management and profitability.

SHARE PRICE PERFORMANCE

	Financial Year 2020	Financial Year 2019	Financial Year 2018
Year High (sen)	**0.64**	RM0.70	RM0.65
Year Low (sen)	**0.24**	RM0.31	RM0.28
Year Close (sen)	**0.26**	RM0.31	RM0.32
Trading Volume (no.)	**378.4 million**	322.0 million	75.5 million
Market Capitalisation (as at the financial year end)	**RM196.2 million**	RM127.8 million	RM118.1 million

MANAGEMENT DISCUSSION & ANALYSIS

(Cont'd)

FINANCIAL REVIEW

Revenue

Group revenue totalled RM315.9 million in FYE 2020 which was RM55.4 million or 14.9% lower than the RM371.3 million achieved in the previous year. This was due to lower billings by both the Construction and Property Development Divisions.

The Construction Division received lower contributions from several projects in 2020. This was mainly due to the imposition of the Movement Control Order (MCO) which halted construction site work in various states. The projects affected were the Breakwater Rehabilitation works in Terengganu, the Yong Peng-Segamat Highway project, as well as the construction of the Technical and Vocational Education and Training (TVET) college in Johor.

The Property Development Division received a revenue contribution totalling RM222.4 million. Under the Joint Development Agreement (JDA) of Bukit Jalil City, RM83.2 million were for Phase 2 and Phase 3, while RM106.5 million for the sale of Pavilion Bukit Jalil.

The Crown Suites project in Kota Kinabalu, launched in May 2018, contributed an amount of RM32.7 million.

Revenue contribution from the Building Materials Division reduced, mainly caused by lower sales by the Ready-mix business. At the same time, the Division continued with efforts to manage cost of operations by working closely with the Construction and Property Development Divisions, while actively sourcing for new projects.

	12 MONTHS ENDED		
	31-Dec-20 RM'000	**31-Dec-19 RM'000**	**31-Dec-18 RM'000**
Revenue	**315,925**	371,368	260,815
Cost of Sales	**(165,417)**	(221,400)	(174,866)
Gross Profit	**150,508**	149,968	85,949
Other Income	**13,237**	5,270	6,960
Administrative expenses	**(14,906)**	(15,523)	(12,978)
Other expenses	**(47,214)**	(38,737)	(18,281)
Result from operating activities	**101,625**	100,978	61,650
Net loss on impairment on financial instruments	**(2,005)**	(314)	–
Finance costs	**(23,140)**	(24,565)	(22,768)
Share of results of associates and joint ventures	**(13)**	(16)	433
Profit before tax	**76,467**	76,083	39,315
Taxation	**(28,167)**	(24,497)	(11,052)
Profit for the financial year	**48,300**	51,586	28,263

Cost and expenses

a) The cost of sales ("COS") for the Group for FYE 2020 was RM165.4 million compared to RM221.4 million in FYE 2019. The decrease is in line with the decline in revenue.

b) Overheads and operating cost for the Group was RM62.1 million compared to RM54.2 million in FYE 2019. The additional RM7.9 million is attributed to:

   i) An increase in other expenses mainly due to higher professional fees, consultancy fees and property management fees for the Group.

MANAGEMENT DISCUSSION & ANALYSIS

(Cont'd)

FINANCIAL REVIEW (CONT'D)

Other income

Other income of the Group increased from RM5.2 million to RM13.2 million mainly from rental income from the Property & Retail Management Division, gain on disposal of other investments and rental income from the leasing of ready-mix plants.

Results from operating activities before interest and tax

Group results from operating activities before interest and tax increased 0.01% or RM0.5 million to RM76.5 million compared to RM76.0 million in FYE 2019.

Finance costs

Group finance cost of RM23.1 million was RM1.4 million lesser than the RM24.5 million in FYE 2019. The decrease was due to the repayment of borrowings with sales proceeds of Pavilion Bukit Jalil.

Taxation

The tax expense of the Group was RM28.2 million compared to RM24.5 million in FYE 2019. The increase was mainly due to the higher profit before tax from the Property Development Division.

Liquidity and capital resources

The Group's capital expenditure and working capital requirements were financed by cash generated from operations, supported by both short-term and long-term debt provided by financial institutions.

Cash and cash equivalents (fixed deposits and cash and bank balances) at end December 2020, was RM49.1 million, RM36.3 million less than the RM85.4 million at end December 2019. The decrease was due fixed deposit upliftment and loan repayments during the financial year.

Total borrowings (including hire-purchase) of the Group increased by RM156.9 million to RM529.2 million, from RM372.3 million as at 31 December 2019. The increase was mainly due to a new banking facility secured for the implementation of Laman Iskandaria, a mixed township project located in Kulai, Johor.

Gearing

The gearing ratio of the Group as at 31 December 2020 increased to 1.18, from 0.83 as at 31 December 2019 mainly due to the new project financing loan from Ambank Islamic Berhad and Ambank (M) Berhad. This ratio is calculated as total net debt divided by total shareholders' funds. Total net debt which is calculated as total borrowings amounted to RM529.2 million as at 31 December 2020. Total shareholders' funds were calculated as the sum of total shareholders' equity, which amounted to RM448.7 million in 2020 (2019: RM446.2 million).

OPERATIONAL REVIEW

Construction Division

The Construction Division's revenue and loss after tax for the year was RM63.9 million (FYE 2019: RM 116.3 million) and RM5.8 million (profit after tax FYE 2019: RM 3.9 million) respectively. The revenue was mainly derived from ongoing contracts for the Breakwater Rehabilitation works in Terengganu, the Bridge Works and Immigration Quarters project in Perak, the Yong Peng-Segamat Highway project and the Technical and Vocational Education Training (TVET) college for the FYE2020. However, the revenue declined by RM52.4 million due to the Government's imposition of the Movement Control Order (MCO) and the Conditional MCO which resulted in the suspension of construction activities for six to eight months in early 2020.

Nonetheless, the Construction Division continued to work on securing contracts to replenish the Group's order book.

MANAGEMENT DISCUSSION & ANALYSIS

(Cont'd)

OPERATIONAL REVIEW (CONT'D)

Property Development Division

This Division recorded revenues of RM222.4million (FYE 2019: RM226.7 million) and profit after tax of RM93.5 million (FYE 2019: RM93.6 million) respectively.

The revenue contribution came mainly from Bukit Jalil City Project, in the Federal Territory and The Crown Suites project in Kota Kinabalu. Revenue contribution from the Bukit Jalil City Project declined to RM189.7 million (FYE 2019: RM206.5 million) while the higher progressive sales billing from The Crown Suites project in Kota Kinabalu resulted in an increase in revenue to RM32.7 million (FYE 2019: RM25.4 million).

Building Materials Division

The Division's contribution to Group Revenue was lower at RM26.2 million (FYE 2019: RM27.8 million) and loss after tax stood at RM6.8 million, compared to RM5.3 million the previous financial year.

The weaker performance and the lower revenue, a drop of RM1.6 million or 5.7% was due to the imposition of the MCO, which resulted in lower demand for the quarry and ready-mix operations, which in turn affected pricing of our products. The uncertainties arising from the deferment of several major infrastructure projects in the country last year added to the challenges for the Division.

Nonetheless, the Group took steps to mitigate rising costs through careful cost planning and improving operational efficiency to ensure that the business remain sustainable to minimise cost overruns.

The Group's current quarry business revenue is generated mainly from the supply of rocks and aggregates for the Breakwater Rehabilitation works in Terengganu. It is working to enhance the quarry site stockpile at the Melaka quarry.

Property and Retail Management Division

The Management is of the view that the newly set-up Property and Retail Management Division offers potential and opportunity to grow into a sustainable recurring income stream for the Group. This Division owned assets including the office tower, lower ground retail, an exhibition centre, food and beverage businesses and the car park at Aurora Place. Once Aurora Place is fully tenanted, these assets would provide a stable recurring cash flow for the Group.

The Division started operations in August 2019. In 2020, it generated a revenue of RM2.8 million, derived from the tenancy agreements for the lower ground retail units and tenants occupying the office tower.

The Division's team is working diligently to secure higher tenancy to build a sustainable base of recurring income to provide stable positive cash flow for the Group.

PLANNING AHEAD

Looking ahead, there is a semblance of economic stability as Governments across the world, including our very own, press on with vaccination and immunisation programmes and accelerate the implementation of their respective stimulus packages. We see Malaysia's economy firmly on the road to recovery and growth, however, we also see uncertainties across the landscape. Much of them are expected to come from external factors beyond our control.

Against this cautiously optimistic scenario, we are resolute in continuing to work tirelessly to ensure the Group delivers satisfactory results and stay resilience. We have firmed up plans for our Divisions and are committed to strategically implement them; to execute and to deliver our projects successfully to achieve optimum results for our shareholders.

We expect market conditions in which we operate to continue to be severely tough, and thus we will be taking all necessary precautions to manage risks and uncertainties in our businesses.

The Crown Project, Kota Kinabalu which achieved encouraging sales in FYE 2020 is expected to contribute a major part of the Group's revenue in 2021 as development progress quickly catches up to make up for the time lost during the MCO.

MANAGEMENT DISCUSSION & ANALYSIS

(Cont'd)

PLANNING AHEAD (CONT'D)

Having successfully established our presence in Bukit Jalil at the Aurora Place, we plan to leverage on our remaining assets in Aurora Place to produce strong and positive cash flows in 2021 and beyond.

The remaining plot of freehold land next to Aurora Place will be developed as the Aurora Duo, with its launch timed to be in the near future. We expect this project to contribute positively to the Group's earnings.

Development of the 429 acres of land in Kulai, Johor, acquired in 2018 has started. It is being turned into an integrated mixed residential and commercial township with focus on properties suited for first time homeowners and the middle income group.

The on-going developments in Kota Kinabalu, Sabah and Kulai, Johor, with the up-coming Aurora Duo located at Bukit Jalil in Kuala Lumpur should enable the Group to continue with our growth momentum.

In addition, we have identified several strategically located mixed development projects with an estimated potential gross development value of more than RM3.1 billion to replenish our landbank, project pipeline and order book.

For our construction business, we are re-aligning our capabilities and positioning the Group to secure infrastructure contracts, which the Government could be rolling out or reviving to stimulate the economy.

Our quarry operations will focus on industry demand arising from new Government initiatives in the infrastructure sector. The quarry and ready-mix operations will also continue to support internal operations to ensure timely progress of our current projects.

Having persevered with a satisfactory performance in FYE 2020, the Group aims to overcome the tough new challenges of 2021 to achieve better results.

Thank you.

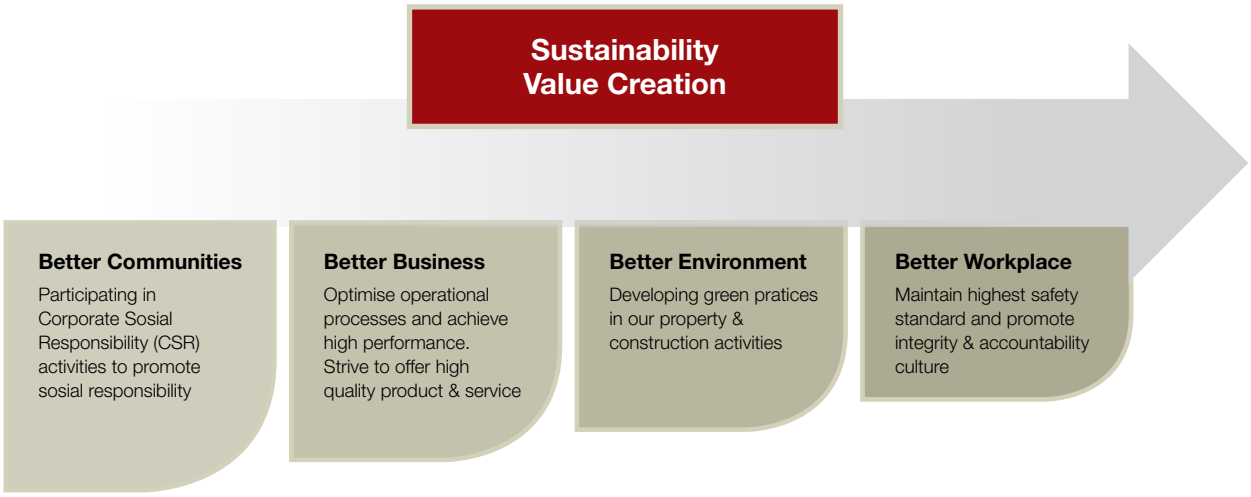
DATO' WONG KIT-LEONG
Chief Executive Officer

SUSTAINABILITY REPORT

Our 2020 Sustainability Report provides updates on initiatives and activities undertaken by the Group during the year to enhance our Environmental, Social and Governance (ESG) performance with the objective of improving the long-term sustainability of the Group's businesses. Throughout the year, we gathered information to track our ESG performance and to measure the progress achieved towards our sustainable development goals; as well as to provide an insight into our ESG outcomes. This report is guided by Bursa Malaysia Securities Berhad's Sustainability Reporting Guidelines.

The Group's ESG performance is illustrated in the Sustainability Highlights on page 28.

Goals



Governance Structure

Board of Directors ("Board")

The Board is ultimately accountable for managing sustainability matters in the organisation.

Management Team

The management team, comprising representatives from each Business Division, reports to the Board on sustainability matters and coordinates the team in their duties and responsibilities.

Sustainability Team

The sustainability team comprises employees appointed by the management team to manage sustainability initiatives.

Operating Divisions

Operating Divisions comprise employees and staff assigned to work/operate in these Divisions.

SUSTAINABILITY REPORT

(Cont'd)

Scope of Report

This report covers the Group's core business activities in construction, property development, building materials and property and retail management for the period from January 2020 to April 2021.

Sustainability measures undertaken at the various property development projects are detailed in the table below:

PROPERTY DEVELOPMENT	SUSTAINABILITY IMPACT	SUSTAINABILITY EESG CATEGORY
The Crown, Kota Kinabalu	Through innovative architectural design and features, the project enchances and supports sustainable modern lifestyles	● ● ●
Laman Iskandaria, Kulai	Land bank replenishment for future township developments	● ●
Dagang Jaya, Ampang	Creating a sustainable community living environment	● ●
CONSTRUCTION	**SUSTAINABILITY IMPACT**	
Educational Campus – Technival College (TVET), Kulai – Polytechnic, Hulu Terengganu (completed in Jan 2020)	Expansion of educational infrastructure to support the talent development of future generations	● ● ● ●
Conservation works – Breakwater Rehabilitation Work, Sungai Besut	Constructing the breakwater to protect the shores againts the battering waves which cause erosion and the shallowing of the river basin.	● ● ●
Structure Buildings – Immigration Quarters, Pengkalan Hulu	Improve and expand facilities for government servives	● ● ●
Bridge & Roadworks – Yong Peng - Segamat Highway – Teluk Intan Bridge and Road works	Improving connectivity by enhancing roads & bridges infrastructure in Peninsular Malaysia	● ● ● ●
BUILDING MATERIAL	**SUSTAINABILITY IMPACT**	
(Quarry) Rock Supply for Conservation works	Resource conservation by using rocks from quarry for the Breakwater Rehabilitation works in Sungai Besut	● ● ●
(Ready-mix) Concrete Supply around Klang Valley	Prudent planning for delivery helps to lower carbon footprint	● ● ●
PROPERTY AND RETAIL MANAGEMENT	**SUSTAINABILITY IMPACT**	
Aurora Place, Bukit Jalil – Lower Ground Retail – Level 4 Lifestyle Centre – Ho Hup Tower – Carparks	The clean, green environment through efficient maintenance pratices, contributes to an improved business environment and enhanced security for the Aurora Place community	● ● ●
Food and Beverage (F&B) business	Making food and beverage convenient for visitors, residents and employees in Aurora Place.	● ●

● Economic ● Environmental ● Sosial ● Governance

SUSTAINABILITY REPORT

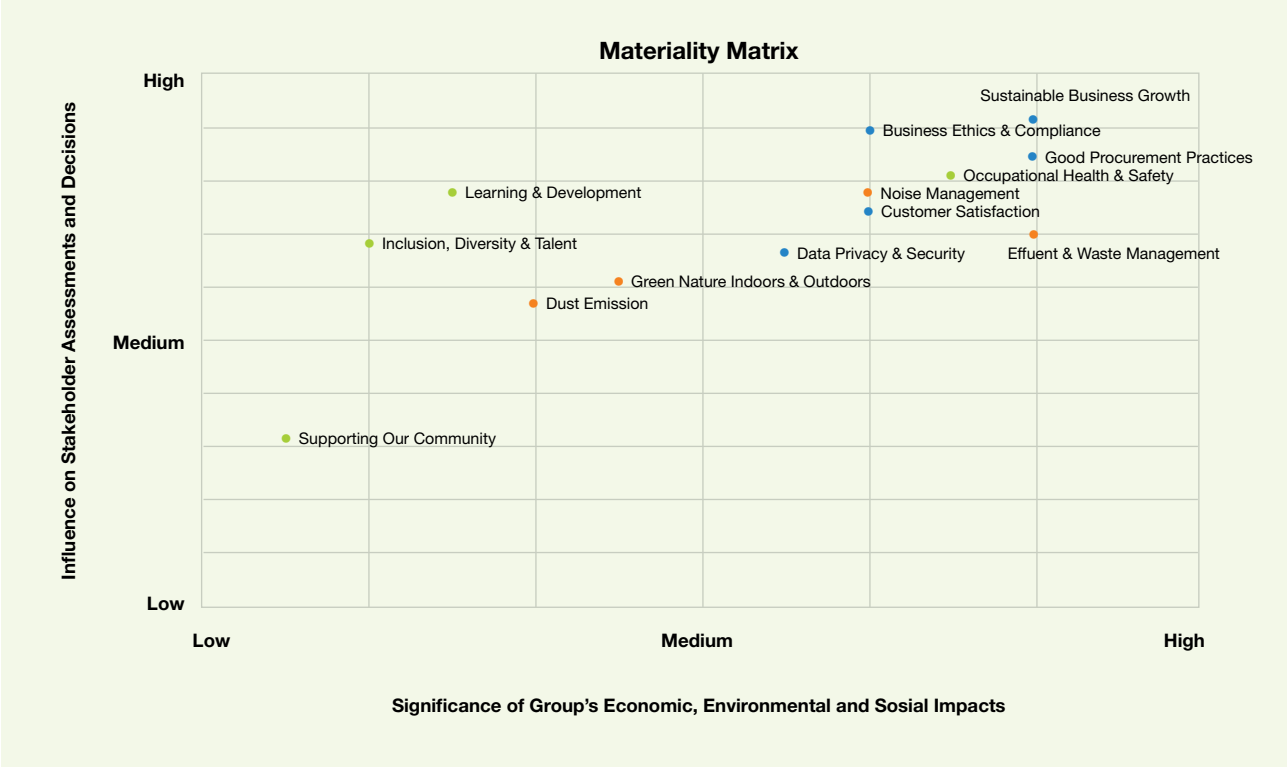
(Cont'd)

STAKEHOLDER ENGAGEMENT

Our stakeholders' engagement channels, frequency and the material issues identified are summarised below.

Stakeholders	Area of Interest	Engagement Channel	Frequency	Material Issues
Employees	☑ Company direction and performance ☑ Career development and training opportunities ☑ Workplace safety and health ☑ Well-being of employees	Management Meetings Company Annual Staff luncheon	Frequent Once / Twice a year	Economic Performance Employee Management Learning & Development
Shareholders/ Investors	☑ Operational and financial performance ☑ Shareholder EPS returns ☑ Sustainability performance	AGM/EGM Corporate website Investor relations Public announcement	As needed	Economic Performance Sustainable Business Growth Business Ethics & Compliance Good Procurement Practices
Customers	☑ Product quality ☑ Product/services	Sales engagement Client survey	As needed	Client Satisfaction Data Privacy & Security Green Nature Indoors & Outdoors
Board of Directors	☑ Discussion of key decision matters ☑ Deliberation of financial review	Board meetings	At least 4 times a year	Sustainable Business Growth Business Ethics & Compliance Inclusion, Diversity & Talent
Business Partners	☑ Negotiation of contract terms	Business meetings Business ventures	Frequent	Sustainable Business Growth Good Procurement Practices Business Ethics & Compliance
Suppliers and Subcontractors	☑ Transparency in procurement processes ☑ Streamline procurement process	Suppliers evaluation Email	Once/Twice a year	Good Procurement Practices Supply Chain Management Data Privacy & Security
Regulators	☑ Regulatory compliance & obtaining licenses ☑ Improving construction sector productivity	Regulatory meeting	Ad-hoc When required	Regulatory & Compliance Effluent & Waste Management Occupational Health & Safety
Local Communities	☑ Communication on our development plans and projects ☑ Community development and support	Community programmes Community engagement	Few times a year (during events)	Noise Management Dust Emission Corporate & Social Awareness

Material Sustainability Issues



Our Commitment

On September 2015, all 193-member countries of the United Nations unanimously adopted the 2030 Agenda for Sustainable Development and its implementation framework, the Sustainable Development Goals (SDGs) that charts in detail a way forward to ensure a future that is sustainable for people, planet, peace and prosperity. The 2030 Agenda lists 17 SDG goals to address a range of social and economic development issues such as poverty, health, education, climate change, water, energy, environment and social justice to create a world that is comprehensively sustainable. Ho Hup is committed to being part of the global initiative and has embedded the following SDGs in our ESG efforts.

Important and Material Economic, Environment & Social Matters			
No.	**Economic**	**SDG Goals**	**Economic Impact** refers to the impact of the Company's business operations on economic perspective of its stakeholders from a sustainability point of view.
1	Sustainable Business Growth	8,9,11,17	
2	Good Procurement Practices	8,11,12,17	
3	Customer Satisfaction	9,11,15	
4	Business Ethics & Compliance	8,12,16	
5	Data Privacy & Security	9,16	
	Environment	**SDG Goals**	**Environment Impact** refers to the impact of the Company's business operations on the ecosystem, habitat and the planet.
6	Noise Management	8,11,12,16	
7	Effluent & Waste Management	6,8,11,12,14,16	
8	Green Nature Indoors & Outdoors	8,11,12,13,15,16	
9	Dust Emission	8,9,11,12,16	
	Social	**SDG Goals**	**Social Impact** refers to the impact of the Company's business operations on the social environment and its local communities.
10	Occupational Health & Safety	3,8,11,12,16	
11	Learning & Development	4,8	
12	Inclusion, Diversity & Talent	5,8,10	
13	Supporting Our Community	3,4,11,17	

SUSTAINABILITY REPORT

(Cont'd)

Our Initiatives

Ho Hup's initiatives in the material EES matters are presented in the following table:-

Economic	Initiatives addressing sustainability	Status	Outcome
Sustainable Business Growth	Collaborating with strategic partners to ensure sustainable growth in our business divisions	On-going	Creating strategic business ventures with our business partners
Good Procurement Practice	Regular performance evaluation on suppliers and subcontractors performance	On-going	Services and materials are sourced & delivered trustworthily
Customer Satisfaction	Conduct clients satisfaction feedbacks & surveys	On-going	Gaining market reputation as a high quality & responsible developer/contractor
Business Ethics & Compliance	Establishing a code of conduct for all directors & employees against bribery & corruption practice	On-going	No material incident reported
Data Privacy & Security	Managing ICT, Data Security & Disaster Recovery plan	On-going	No IT security breach incident reported

Environment	Initiatives addressing sustainability	Status	Outcome
Noise Management	Regulate noise levels to be within allowable threshold	On-going	All noise levels are within allowable threshold
Effluent & Waste Management	Proper scheduled waste management	On-going	Reduced pollution incident reported
Green Nature Indoors & Outdoors	Incorporating green policy as part of our development	On-going	Green spaces creates an atmosphere closer to nature
Dust Emission	Watering the project pathways to reduce dust in the air	On-going	Dust levels are within allowable threshold

Social	Initiatives addressing sustainability	Status	Outcome
Occupational Health & Safety	Conduct proper HSE trainings, supervision & compliance	On-going	Practice higher safety standards
Learning & Development	Invest in trainings for upskilling employees to industry practices	On-going	Build a competitive and skillful workforce
Inclusion, Diversity & Talent	Investing in talents from different working experience	On-going	A workforce with diverse experience
Supporting Our Community	Sponsoring RM20,000 to the Star Step-Up Education program	Completed	Contributed to pupil for promotion of English language proficiency
	Ho Hup has teamed up with Rotary Club to provide food aid to flood victims in Termerloh	Completed	Affected flood victims are able to receive food aid to cope with the natural disaster

Sustainability Highlights 2020

To Create and Enhance our Shareholders' Value
for a "Better Business, Better Environement, Better Workplace, and Better Communities" Suggest delete

Economic - Better Business

Sustainable Business Growth

Sales Performance of Our Core Business Activities in FYE 2020

Laman Iskandaria, Kulai Development held Pre-launch in December 2020.

We were awarded a total of **RM137.1 million** from ECRL packages

Business Performance

Revenue

2018	2019	2020
RM260.8 Mil	RM371.3 Mil	RM315.9 Mil

PAT

2018	2019	2020
RM28.2 Mil	RM51.5 Mil	RM48.3 Mil

Shareholder's Value $

Earnings per Share ("EPS")

2018	2019	2020
7.71sen	13.50sen	11.80sen

Net Asset Value per Share ("NAV")

2018	2019	2020
RM1.00	RM1.08	RM1.09

Social - Better Workforce and Better Communities

Noise Management

Construction site operates from 8am to 5pm daily.No incident of noise emission after operating hours was reported. Noise pollutionwas under control.

☑ 2019 ☑ 2020

Dust Emission

Roads are sprayedwith water and cleaned every day to keep dust low. All vehicles that leave the site are rinsed before leaving to avoid carrying dirt to the public roads. Dust pollution was under control.

☑ 2019 ☑ 2020

Effluent and Waste Management

☑ 2019 ☑ 2020

All identified water steams are tested at site and no pollutionwas detected. The total suspended solid and turbidity of the water are within DOE Limit with readings below **50mg/L** and below than **250 NTU** respectively.

The amount of mineral and iron deposit found in the water are similar to the baseline records before operations started.

Zero (0) impact to nature.

Green Nature Indoors and Outdoors

The combined green landscape occupies **29,117.5sqft** indoors and outdoors to promote greenery for an urban development at Aurora Place, Bukit Jalil.

The planted trees acts as a natural shade indoors, which together with the unique water fountain in the middle of the garden cools and lowers the temperature indoors.

More trees and plants also contribute to more oxygen and a lower carbon footprint.

Environment - Better Planet

Occupational Safety and Health ("OSH")

☑ 2019 ☑ 2020

All contractors and staff are briefed on safety practices at the project sites.

Safety officers observing high standards of safety practices for all project implementation.

Inclusion, Diversity and Talent

Total staff in 2020

166 persons 29.51% Female 70.49% Male

Total staff in 2020

151 persons 31.79% Female 68.21% Male

2019 - 2020 Talent pool improvement

60 new hires

45 staff left

Indicators

Employee retention rate 72.9%

Employees turnover rate 28.3%

Learning and Development

Total Group training hours

664 hours

Attendence

166 persons

Total training courses

10

Supporting Our Community

Supplied and Distributed food aid to Termeloh Flood Victims.

Contributed RM20,000 for education programme to primary school pupils to improve language proficiency.

Contributed one million face mask and 20,000 pieces of gloves for Malaysia's frontline workers during the COVID-19 crisis.

SUSTAINABILITY REPORT

(Cont'd)

ECONOMIC

Sustainable Business Growth

We served the nation by building major infrastructure projects that contributed to nation-building. These include bridges and highways that improved connectivity; development of commercial real estate properties such as hotels and retail outlets to meet the needs of local tourism and ultimately contributing to the building of communities and townships. We are fully committed to carry out business in a sustainable manner to deliver our strategic and operational objectives in accordance with our business philosophy and core values.

Our Construction Division continues to leverage on the technical expertise and established track record of the Group in order to build a sustainable growth momentum for the Group's business. The ongoing projects are:

1. Immigration Quarters in Pengkalan Hulu, Perak;
2. Technical College (TVET) Campus in Kulai, Johor;
3. Teluk Intan Bridge and Road works in Perak;
4. Sg. Besut Breakwater Rehabilitation project in Terenganu;
5. East Coast Rail Link (ECRL) projects in Pahang;
6. Laman Iskandaria Development in Kulai, Johor; and
7. The Crown Project in Kota Kinabalu, comprising service suites, a five-star hotel and niche retail lots.

The Yong Peng - Segamat Highway project was completed and handed over by November 2020.

Ho Hup's Property and Retail Management Division manages our retail and commercial assets at Aurora Place, including the office tower, lower ground retail space totalling 207,087 square feet containing a lifestyle centre, food and beverage outlets and five levels of carpark. Once fully tenanted, these assets would provide sustainable recurring income for the Group.

SUSTAINABILITY REPORT

(Cont'd)

The Group owns a plot of freehold land which is located next to Aurora Place at Bukit Jalil. We plan to develop a residential project, named Aurora Duo on the site. When launched, the development is expected to contribute positively to the Group.

In the second quarter of 2018, Ho Hup launched a mixed development, The Crown, in Kota Kinabalu, Sabah with an estimated GDV of RM900 million. This development has a beautiful façade facing the South China Sea. Strategically located in an area popular with tourists, the mixed development includes a hotel and has been well received by customers.

On land bank acquisition, Ho Hup successfully replenished its land bank by securing 429 acres of land situated in Kulai, Johor to be developed into an integrated township known as Laman Iskandaria, a mixed residential and commercial township, spanning the next 10 years.

Towards the later part of 2020, as part of our continuous efforts to seek good sustainable projects Ho Hup entered into a joint venture agreement with Low Chee Group Sdn Bhd (as landowner) to develop 11.8 acres of land in Taman Dagang Jaya, Ampang into a proposed residential project in the area.

Throughout our business and joint venture endeavours since 2015, Ho Hup had successfully replenished 443 acres of land bank for future development and joint venture projects.

Ongoing/Potential Project	Location	Land size	Status
Aurora Duo	Bukit Jalil, Kuala Lumpur	3 acres	Development plan submitted
Laman Iskandaria	Kulai, Johor	429 acres	Development planning in progress with Phase 1 approved by the Authorities
Dagang Jaya	Ampang, Selangor	11 acres	Development planning finalized and pending submission to DBKL
	Total land bank	443 acres	

Good Procurement Practices

Enhanced Supplier Selection for a Sustainable Procurement Practice.

The Procurement Department continues to enhance its standard operating procedures (SOP) by revamping suppliers' selection procedures and updating the approved supplier list. Ho Hup's Procurement Department is continuously looking into better vendor evaluation methods to select and approve suppliers based on selection criteria, which include:

- Supply Quality
- Reputation and Delivery Track Record
- Price

SUSTAINABILITY REPORT

(Cont'd)

Enhanced Subcontractor Selection for Long-Term Sustainable Performance.

Ho Hup's Project Department has been continuously enhancing its evaluation methods for its sub-contractor's selection process. Sub-contractor performance is vital for every project successful implementation. The risk involved in an under-performing sub-contractor could lead to Liquidated Ascertained Damages (LAD) which will eventually impact the visibility and profitability of the project as well as the reputation of the Project Owners. Ho Hup has established stringent criteria in selecting its sub-contractors as part of its risk mitigation programme in all current and upcoming projects

The criteria include:

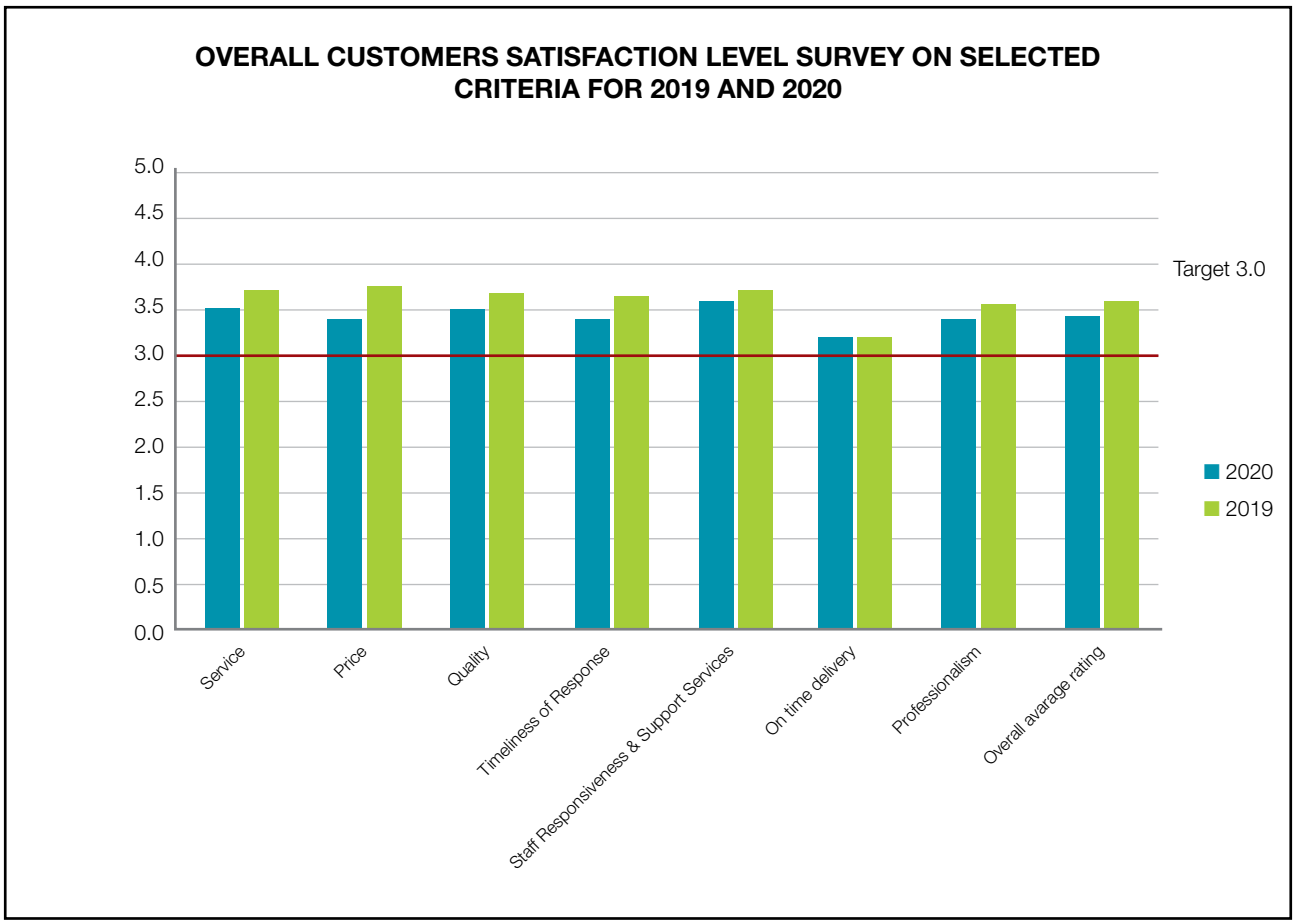
- Evaluation of financial and cash position;
- Technical and operational team experience;
- Track record of successful projects implementation; and
- Technology and equipment utilisation suitable for the project to be undertaken.

Customer Satisfaction

Ho Hup is committed to deliver quality services with a corporate policy in place that emphasises total commitment to quality. In enhancing quality control, Ho Hup has adopted the ISO 9001:2015 Quality Management System (QMS) to ensure our construction operations are delivering the best quality to our customers.

As part of the QMS, surveys are conducted among clients as part of quality monitoring for projects delivery. To further improve our delivery and service quality better, Ho Hup implemented post-mortem studies on completed stages of the projects.

Our 2020 customer service level survey was conducted with the ratings as illustrated below:



Customer Satisfaction (Cont'd)

The survey above covers eight essential criteria to form an overall rating. The targeted score set by Ho Hup is 3.0 for the combined aspects of the score card. The overall score for 2019 and 2020 are 3.59 and 3.43 respectively which represented a satisfactory scoring above our target of 3.0.

Business Ethics and Compliance

We are committed to carry out our activities to deliver our strategic and operational objectives in accordance with the applicable laws and principles of good governance as well as maintaining high standards of integrity. These include implementing and adopting the following commitment and policies:-

- Code of conduct;
- Anti-bribery and anti-corruption policy; and
- Whistle-blowing policy.

We are committed to comply with the principles of the Malaysian Code of Corporate Governance 2017 with the assurance that the Group practices a sound and highly transparent management in the best interests of the Group and all stakeholders. Details of the Corporate Governance practices are set out in the Corporate Governance Overview Statement in our Annual Report.

In 2020, the Group updated its Anti-bribery and Anti-corruption policy and procedures which is made available on our website www.hohupgroup.com.my. The Anti-Bribery and Anti-Corruption Manual has been developed, with an updated Code of Ethics and Conduct and with emphasis on Section 17A of the Malaysia Anti-Corruption Act. The whistle-blowing policy has been enhanced accordingly. The enhancements took into consideration the five (5) guiding principles of T.R.U.S.T.

T.R.U.S.T Guiding Principles	Actions taken
Top Level Commitment.	Top Level Management is primarily responsible to ensure that the commercial organisation essentially practices the highest level of integrity and ethics.
Risk Assessment.	A periodic assessment has been carried out to assess risk of corruption in the Group.
Undertake Control Measures.	Upon risk assessment, policies and procedures identified were updated to enforce control measures
Systematic Review, Monitoring and Enforcement.	The policies and procedures will be reviewed periodically and updated when required.
Training and Communication.	Training awareness and update briefings were conducted in phases throughout all operations on a Group-wide basis.

Data Privacy and Security

Ho Hup recognises that a good Information and Communication Technology (ICT) and data security management is essential in the digital economy. However, the current operations of Ho Hup are not fully dependent on ICT infrastructures and have low risk when it comes to information technology and data security risk exposure. With that, the management takes a prudent view in ensuring a reasonable degree of protection is in place to safeguard against any cyber security risk by investing in firewall systems protection.

Aside from the digital security measures, Ho Hup has installed a Closed-circuit Television (CCTV) and Radio-Frequency Identification (RFID) systems to control crowd movements within the office premises and Aurora Place to safeguard against any other forms of risk.

Personal Data and Protection Act (PDPA) compliance is important to safeguard confidential details of our clients and business partners. Ho Hup has established and enforced a Group-wide personal data and protection policy to safeguard against any personal data leakages.

As part of the control environment process, the management ensures that a Disaster Recovery Plan (DRP) is in place. Our ICT department will ensure that all data and information stored are backed up timely and well secured. Besides these, server maintenance is done periodically which includes servicing and monitoring to mitigate downtime risk.

SUSTAINABILITY REPORT

(Cont'd)

Looking Forward

We strive to enhance our shareholders' value with the above initiatives and grow our business by securing ventures with strategic partners and adopting the above good business ethics and compliance.

ENVIRONMENT

We recognise the potential environmental impact to our business and are committed to operating in a manner that respects the environment and optimises scarce resources.

We seek continuous improvements in our operations to minimise negative impact to the environment especially on climate changes. Our project implementation is conducted in compliance with the applicable environmental rules and regulations. Our project sites have good housekeeping track record and maintenance systems in place to ensure a safe and clean operating environment. The sites are in compliance with all legal and regulatory requirements of the Department of Environment (DOE) as well as other authorities.

Noise Management

Noise level reduction and management are monitored by our site environment officers at all of our project sites respectively. Our project operating hours adhere to the allowable high noise hours by the relevant authorities. Ho Hup ensures that our operations will not be a hindrance to our neighbours during hours after 6pm or other timings as directed by the Local Authorities.

Air Quality Monitoring

Ambient and air monitoring checks are carried out around the project sites quarterly. The Site Environment Officer is responsible to monitor the air quality at the sites to ensure it is within the tolerable threshold. If air levels are not within approved levels, operations at site will be suspended until air quality conditions are safe to operate in. No significant harmful air qualities were reported in 2020.

Year	Noise	Air Quality	Outcome Result
2020	√ within approved level	√ within approval level	No non-conformance reported

Ho Hup maintains a dirt and mud management policy at our operation sites. Vehicles moving in and out of construction sites are washed before being allowed onto public roads. Besides that, the roadways are washed and watered daily to remove the dust being released to the air when vehicles crossed the paths. There are also sediment ponds around the project sites used in cleaning the vehicles and act as well as a drainage system from the project sites before releasing to the public drains. The particles in the water will sediment into the pond before released into the main drainage system which mitigates risk of drainage blockages in public drains. Some of our sites have rain harvesting tanks where the rain water collection is totally utilised for washing and cleaning. We engage contractors to repair any damaged roads within the operation sites to maintain and ensure the drains are cleaned always to prevent flooding.

Air Quality Monitoring (Cont'd)

Our Building Materials Division, have put in place a well-planned system for the smooth delivery of its products to ensure minimal impact to the environment. Prudent planning in charting our delivery helps to lower our carbon footprint. This responsible planning creates confidence in our customers with positive feedbacks on our overall delivery timing and quality. No major incidents were reported in 2020.

Year	Combined sales of ready mix (m3)	Litters of diesel consumption (L)	Estimated carbon dioxide (CO_2) emission based on diesel consumption (Kg)
2020	135,438.84 m3	497,154 Litters	1,322,429 Kg

During the year 2020, an estimated combined sale of 135,438.84 m3 of ready mix and a total of 497,154 litters of diesel were consumed. Based on the total consumption of diesel an estimated of 1,322,429 kg of carbon dioxide was emitted during transportation of our ready-mix products. The estimation is based on the calculation method using the industry benchmark where 2.66Kg of CO2 is emitted per litter of diesel consumed. Aside from transporting sales of our ready-mix products, we also provide truck rental services and outsourced transportation services to other ready mix producers.

Effluent and Waste Management

We implement measures to protect and prevent environmental pollution through continuous awareness in training, monitoring and auditing initiatives. The operation sites practice responsible planning in waste management procedures with a system that provides a holding area and a bund to withhold spillages. Our skid tanks have proper bunds to contain any spillages. The streams around project sites are monitored regularly by the site environment officer to ensure no pollution originates from our operations. In 2020, no hazardous chemical waste contamination or pollution from our operations were reported.

Year	No hazardous waste pollution detected	Proper and timely schedule waste management	Fire hazard compliance	Outcome Result
2020	√ No pollutions detected	√ Complied	√ Complied	No non-conformance reported

Site Environment Officers at our project sites conduct routine checks on the levels of contamination at sites. The Officers collect water samples from streams passing through the project sites and analyse them for contamination.

SUSTAINABILITY REPORT

(Cont'd)

Green Nature Indoors and Outdoors (Urban Garden)

The Aurora Place has become a serene indoor garden with beautiful greenery. Situated at the podium of its newly completed development, the Aurora Place, Bukit Jalil was created with the objective of promoting greenery in urban developments. The combined indoors and outdoors green landscape spreads over 29,118 square feet. The layout of the garden is unique with a water fountain in the middle of the garden and a glass rooftop mimicking a greenhouse ecosystem. There is also a beautiful light display in the garden which is named after the earth's polar lights, The Aurora. In the outdoor section, greens are planted around the pathways creating a serene natural atmosphere for the community in Bukit Jalil.

Looking Forward

We strive to be responsible in our development planning by ensuring green practices are embedded in all our projects. The efforts must commensurate with compliance to related environmental standards and requirements.

SOCIAL

We aim to a create a stronger impact on our working environment and our communities through meaningful corporate social responsibilities ("CSR") programmes.

Occupational Safety and Health

The safety and health of our workforce is among our top priority. In 2020, we continued with the various measures that have been implemented to keep them safe. In the current Covid-19 pandemic, minimizing the spread of the virus at our workplace became an over-riding priority. We practiced and adhered to the strict SOP's to enable all our employees and contract workers to stay safe. These included keeping the sites disinfected, clean and safe. The sites are also monitored periodically to check the level of cleanliness, health and safety.

Occupational Safety and Health (Cont'd)

Qualified Safety Officers visit our sites regularly to monitor workers to ensure they are equipped with proper personal protective equipment (PPE).

This includes protection against injuries to:

- the lungs, e.g. from breathing in contaminated air;
- the head and feet, e.g. from falling materials;
- the eyes, e.g. from flying particles or splashes of corrosive liquids;
- the skin, e.g. from contact with corrosive materials;
- the body, e.g. from extremes of heat or cold; and
- the hands and legs, e.g. from sharp or abrasive contacts.

i) Safety assembly and fire drill exercises

Regular safety assembly and fire drill exercises were conducted in collaboration with Jabatan Bomba dan Penyelamat involving the knowledge on firefighting, proper usage of equipment in the workplace and first aid training.

ii) Sign boards and fences

Dangerous Zone at construction sites are placed with bright coloured sign boards and fenced up to ensure public safety and protection against trespassing. Temporary signboards and caution tapes are placed around temporary working zones along the road to alert vehicles to slow down when passing through construction sites.

iii) Safety working at heights

Safety Officers are responsible for ensuring guarding fences are installed along the walking paths, to make working at heights safe for both our workers and the public. They also ensure our workers are prevented from falling off platforms when working at those heights. When necessary workers are equipped with harness to ensure their overall safety.

Learning and Development

To support our continuous business growth, employees' competencies are constantly monitored and strengthened through adequate training and development.

Professional training is organised and conducted by external specialists to equip employees with the know-how specific to the Group's business, including proper communication, presentation, finance, management and leadership skills. The training conducted throughout 2020 were:-

NO.	DATE IN 2020	TITLE OF THE COURSE
1	July	Update on Corporate Liability on Corruption - Setting the Implementation Framework
2	July	Managing Liquidity Post-MCO: Guidelines for Business Recovery
3	August	Anti-Bribery and Anti-Corruption – MACC Section 17A
4	August	How to Drive, Survive and Thrive Through the Economic Crisis – Leading the New Normal
5	September	ISO 9001:2015 Awareness Workshop
6	September	KPMG Captains' Forum: Transformation towards recovery, Session 1: Financial Resilience
7	October	Business Unusual: Buying Through a Court-Ordered Insolvency Process from a Buyer's Perspective
8	November	Fraud Risk Management Workshop
9	December	Times Software Year End Workshop
10	December	Webinar on Covid-19 Pandemic - Construction Claims and Resolution

SUSTAINABILITY REPORT

(Cont'd)

Learning and Development (Cont'd)

Total Group training hours were calculated by multiplying the total number of employees participated per course with the total hours of training per course. The summary of the Group training hours for 2020 is as follows: -

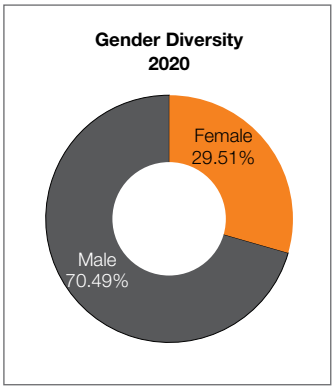
Year	Total training courses	People attended	Total Group training hours
2020	10 courses	166 persons	664 hours

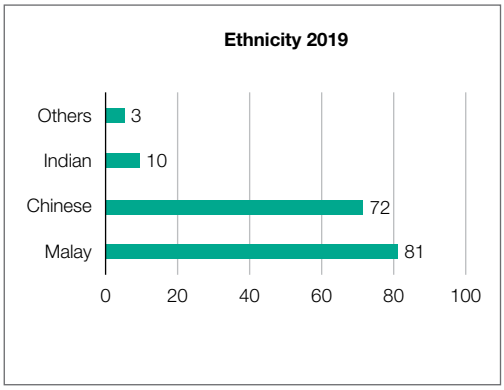
Inclusion, Diversity and Talent

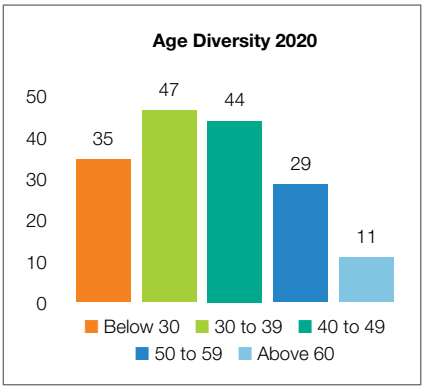
The Group recognises that our employees are the key drivers in maintaining the Group's growth on a sustainable trajectory. It is their passion, professionalism, talent and commitment that will provide the Group with effective project implementation and delivery. The Group strives to establish conducive working conditions for our employees. At the same time, a variety of events and initiatives are carried out annually as appreciation towards our employees and to promote staff development both personally and professionally.

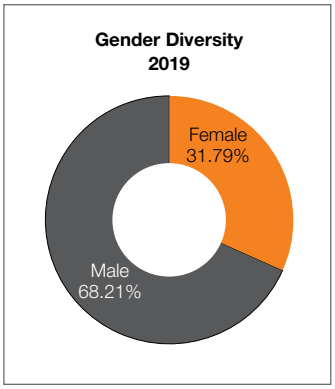
The Group has adopted a policy on equal opportunities and fair employment practices. All job applicants are treated fairly regardless of ethnicity, gender and age. The Group belief that efforts to unlock employee's full potential will help them stay loyal, feel valued and proudly contribute towards the Group's overall performance. The table below outlines the level of diversity in the Group's workforce.

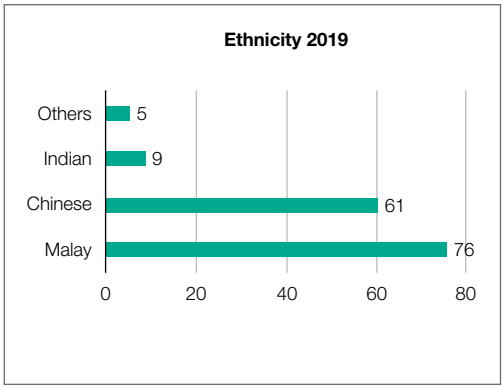
Total Employees in Ho Hup 2020	Top Management Group-wide	Senior Management & Middle Management	Other Levels – Executive and non-executive
166 person	**18** person	**35** person	**113** person

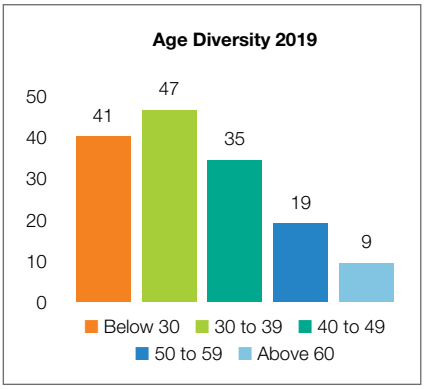












SUSTAINABILITY REPORT

(Cont'd)

Employee Engagement Activities

The Group organised events throughout 2020 ranging from social gatherings, sports tournaments, annual staff luncheon, and festive celebrations to foster togetherness, build team spirit as part of the events to motivate and bring employees closer together as a working team.

The general welfare of the employees were also given emphasis, with all employees covered under a Personal Accident Insurance scheme and eligible employees are provided with coverage under the Hospital and Surgical Insurance Plan.

Supporting Our Community

Sponsorship for THE "STAR" Step Up Education Programme for Schools 2020

Supporting Our Community (Cont'd)

Sponsorship for THE "STAR" Step Up Education Programme for Schools 2020 (Cont'd)

Ho Hup contributed RM20,000 to The Star Step Up Education Programme during the MCO period. Ho Hup was represented by Ms Irene Yee and the mock cheque was presented to the Star Media Group chief content officer, Ms. Esther Ng. Also present during the mock cheque presentation was Ho Hup's Chief Executive Officer Dato' Derek Wong Kit-Leong.

Our corporate social responsibility programme had mainly involved children and education. Earlier, Ho Hup reached out to the Orang Asli community, such as building a library and giving them access to books and provided volunteers who taught the children how to read. We also sponsored several English reading programmes in secondary schools to help improve the standard of English among schoolchildren.

The initiative was to enhance the command of English language among pupils, in addition to helping the pupils improve their vocabulary, writing and conversational skills while preparing for the UPSR.

Temerloh Flood Relief

In our efforts to provide aid to flood relief centres, Ho Hup teamed up with Rotary Club members to contribute and distribute food aid to affected flood victims in Temerloh in January 2021. The initiative provided evacuees stranded in these relief centres with food and necessities.

Looking Forward

We aim to continue to create meaningful impact on our communities through meaningful corporate social responsibilities (CSR) that will contribute positively to the society, the economy and the environment. For our workforce, we aim to continually achieve zero accidents at our workplace through better training, co-operation and teamwork and to provide sufficient amenities at work sites to ensure consistent results in our goals.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("Board") of Ho Hup Construction Company Berhad ("Ho Hup" or "the Company") would like to take this opportunity to present this Statement to provide shareholders and other stakeholders with an overview of the Corporate Governance ("CG") practices of the Company during the financial year ended 2020 ("FYE2020") This overview take guidance from the key corporate governance principles as set out in the Malaysian Code of Corporate Governance ("MCCG").

This statement is prepared in compliance with Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("MMLR"), pursuant to Paragraph 15.25(1) and to be read together with the Corporate Governance Report "CG Report") of the Company which is accessible on the Company's website at www.hohupgroup.com.my and via announcement on Bursa Securities's website.

This Statement is to provide shareholders and other stakeholders with an overview of the Group's application of the following three (3) Principles set out in the MCCG published in April 2017.

(a) Principle A : Board Leadership and Effectiveness;
(b) Principle B : Effective Audit and Risk Management and Integrity in Corporate Reporting ; and
(c) Principle C : Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders

As at FYE2020, the Company's market capitalisation is valued at RM196.2 million, which is below the threshold status of the Large Company. However, the Company wish to adopt Step-up Practice 8.4 to strengthen its control environment processes, whereby the Audit Committee comprises wholly of Independent Non-Executive Directors.

In FYE2020. the Board considers that the Company and its subsidiaries have adequately complied with the provisions and recommendations of the MCCG for the entire duration of FYE2020, except for the recommended practices below:-

1) At least half of the Board comprises Independent Directors. For Large Companies, the Board comprises majority Independent Directors;

2) Discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000; and

3) Establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

During the year, the Board considers that the Company has complied with the provisions and applied the main principles of the MCCG, for the whole FYE2020 except for some of the recommended Practices. In the CG Report, the explanations for departures of the following MCCG Practices were clearly elaborated with some alternative approach applied and adopted. Besides, the Board also indicates the related measures that the Company has taken or intend to take to adopt the recommended practices.

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS

Board Charter and Board Committees

The Board takes full responsibility for the performance of the Group and guides the Group towards achieving its short and long-term objectives, setting corporate strategies for growth and providing advice and direction to the Management to enable the Group to attain its long-term goals and objectives.

Accordingly, the Board is mindful of the importance of clear roles and responsibilities in discharging its fiduciary and leadership functions with care and diligence. The Board has approved and updated the Board Charter and Schedule of Matter reserved for the Board's approval to reinforce the governance framework. The Board Charter and Schedule Matter were published in the Company's website at www.hohupgroup.com.my.

The Board continues to adopt and undertake projects that are only aligned with the risk management framework and monitoring the financial and non-financial risks. The Board has established three (3) Board Committees, namely the Audit Committee, Nomination Committee and Remuneration Committee that are delegated with specific responsibilities as defined under their respective Terms of Reference to assist the Board in carrying out its duties. These Board Committees have the authority to examine particular issues and report to the Board with their recommendations. However, the ultimate responsibility for the final decision on all matters lies with the Board.

Corporate Governance Overview Statement

(Cont'd)

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Board Composition

The Board comprises members who have vast experience in the construction and property development industry as well as professionals in the legal, finance and consulting sectors. A brief profile of each Director is presented on pages 8 and 12 of this Annual Report.

The roles of the Chairman, the Executive Directors and Chief Executive Officer ("CEO") remain separate and distinct roles. The Chairman of the Board is a Senior Independent Non-Executive Director and who ensures smooth functioning of the Board to effectively meet the goals and objectives of the Group and the Company.

The Board delegates the authority and responsibility of managing the day-to-day affairs of the Group to the Executive Directors and CEO, and through them and subject to their oversight, to other Senior Management. The Board monitors the performance of the Executive Directors and CEO on behalf of the shareholders.

The Board currently has nine (9) members comprising one (1) Senior Independent Non-Executive Director, two (2) Independent Non-Executive Directors, four (4) Non-Independent Non-Executive Directors, two (2) Executive Directors. The Independent Non-Executive Directors provide the necessary checks and balances on the decision-making process of the Board. Their role is to challenge the management and the Board in an effective and constructive manner and provide justified and sound opinions to the Board of Directors.

All the Directors have given their undertaking to comply with the Listing Requirements of Bursa Securities and the Independent Directors have confirmed their independence in writing.

Company Secretaries

The Board is supported by qualified and competent Company Secretaries who advise the Board particularly with regards to compliance with regulatory requirements, guidelines, legislations and the principles of best corporate governance practices. All Directors have unrestricted access to the advice and services of the Company Secretaries. The appointment and removal of Company Secretaries or Secretaries of the Board Committees can only be made by the Board.

The Board ensures that each Director is provided with timely notices and Board papers are issued prior to the Board meetings to enable the Directors to review and consider the agenda items to be discussed including and where necessary, to obtain further explanations in order to be fully briefed before the meeting.

The Company Secretaries ensure that all Board and Board Committee meetings are properly convened and to ensure that accurate and proper records of the proceedings and resolutions passed are recorded and minutes are circulated to the Board members as soon as possible before the next meetings.

The Company Secretaries also serve closed period notices to Directors and Senior Management for trading in the Company's securities and briefs the Board on the content and timing or material announcements to Bursa Securities.

The Company Secretaries also facilitate communication of key decisions and policies between the Board, Board Committees and Senior Management.

Board Diversity

The Board acknowledges the importance of boardroom diversity and is supportive of the recommendation of the MCCG pertaining to the establishment of a gender diversity policy. The Board recognises the need to enhance boardroom diversity which is not only about diversification in terms of gender, but in terms of age, ethnicity and social backgrounds. Hence, the Board had always been in support of a policy of non-discrimination on the basis of race, religion and gender. The Board will strive to encourage a dynamic and diverse composition of the Board by nurturing suitable and potential candidates equipped with the competency, skills, experience, character, time commitment, integrity and other qualities in meeting the future needs of the Company. Currently only one (1) female director is serving the Board. The Board, through the NC, is actively scouting for an additional female director as a step to meet the target of at least 30% women directors.

Corporate Governance Overview Statement

(Cont'd)

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Board Diversity (Cont'd)

The diversity of the Board as at 31 December 2020 is as follows:

	Male	Female
Age Group		
31-40	1	–
41-50	1	–
51-60	–	1
61-70	4	–
71-80	2	–
	Male	**Female**
Ethnicity		
Malay	1	–
Chinese	7	1
Nationality		
Malaysian	8	1
Foreigner	–	–

Information and Support for Directors

The Board meets at least once every quarter and additional meetings are convened as and when necessary. During the financial year, four (4) Board meetings were held. The record of attendance of the Board and Board Committees are as follows:-

	Board	Audit	Remuneration	Nomination
Number of meetings held in the year	4	4	1	1
Executive Directors				
Dato' Wong Kit-Leong	4/4	–	–	–
Dato' Wong Gian Kui	4/4	–	–	–
Non-Executive Directors				
Tan Sri Datuk Seri Panglima Sulong Matjeraie	4/4	4/4	1/1	1/1
Dato' Mah Siew Kwok	4/4	–	1/1	1/1
Dato' Sri Thong Kok Khee	4/4	–	–	–
Datin Chan Bee Leng	4/4	–	–	–
Mr Boey Tak Kong	4/4	4/4	–	–
Mr Chow Seck Kai	4/4	4/4	1/1	1/1
Mr Low Kheng Lun	4/4	–	–	–

All Directors have complied with the minimum requirements on attendance at Board meetings as stipulated in the MMLR of Bursa Securities (minimum 50% attendance).

Corporate Governance Overview Statement

(Cont'd)

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Nomination Committee ("NC")

The NC comprises entirely of NEDs, the majority of whom are INEDs. The NC shall meet at least once a year or as and when deemed fit and necessary. The summary of the NC activities for year is found in page 47 of this Annual Report.

The Senior INED was appointed as the Chairman of the NC. The Chairman of NC is to lead the succession planning and appointment of Board members, including the future Chairman and CEO; and conducts the annual review of Board effectiveness assessment and to ensure each individual Director is independently assessed.

The NC annually performs Board self-evaluation to evaluate the performance of the Board, Board Committees and individual Directors, in order to verify that the Board is operating effectively and efficiently as a whole. Each Director completed a detailed questionnaire on the Directors' Performance Evaluation which covered matters relevant to the Board performance, among other things, contribution to Board deliberations, quality of inputs, understanding of the role and personal developments. An evaluation of each Board Committee was done by assessing the structure, roles and responsibilities, performance of the respective Chairman, as well as Committee's performance against its Terms of Reference. The assessment was internally facilitated, whereby the results of the assessments were complied, documented and reported to the Board accordingly.

Based on the assessment carried out during the financial year, the Nomination Committee concluded the following:-

a) The Board was found to be competent and had a dynamic and balanced mix of skills with the necessary experience wherein the Directors were able to contribute effectively to the Board's decision-making process.
b) The current structure, size and composition of the Board, which comprises people who possess a wide range of expertise and experience in various fields with diverse backgrounds and specialisations, would enable the Board to lead and manage the Company effectively.
c) The Directors discharged their responsibilities in a commendable manner, acted competently, contributed effectively to the Board and demonstrated full commitment to their duties as Directors.
d) The Board Chairman provided leadership and guidance to the Board.
e) The performance of the Board Committees was found to be effective.

In accordance with the Company's Constitution, all Directors including Directors holding an executive position of Chief Executive Officer or Executive Director, if any, shall retire from office at each Annual General Meeting, provided always that every Director shall retire at least once every three (3) years. The retiring Directors shall be eligible to offer themselves for re-election. Directors who are appointed by the Board during the financial year shall hold office until the next Annual General Meeting and shall then be eligible for re-election, but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.

The number of Directorships held by the Directors is stated in the Profile of Directors in this Annual Report.

Remuneration Committee ("RC")

The RC comprises wholly of NEDs. The RC shall recommend to the Board on the remuneration and entitlements of all Directors (including NED) and Senior Management. The Board will decide on the suitability of the Remunerations based on recommendations of the RC. The approval for Directors' remuneration rests with the Board as a whole with the Directors abstaining from voting and deliberating on decisions in respect of their own remuneration package.

The RC primary roles and responsibilities are clearly defined and include the following:-

a) To recommend to the Board a framework for remuneration for the Board and each Executive Director, which includes but is not limited to Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind; and
b) To establish objectives performance criteria measurement to evaluate the performance and effectiveness of the Board as a whole and to assess the contribution by each individual Directors.

Corporate Governance Overview Statement

(Cont'd)

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Remuneration Committee ("RC") (Cont'd)

The details of the aggregate remuneration (including benefits-in-kind) of the Directors of the Company for the FYE2020 are as follows:

		Group		Company	
		FYE 2020 RM'000	FYE 2019 RM'000	FYE 2020 RM'000	FYE 2019 RM'000
(i)	**Executive Director's Remuneration**				
	Directors of Company				
	Salaries and Other Emoluments	1,035	1,275	1,035	1,275
	Defined Contribution Plan	138	145	138	145
	Benefits-in-kind	35	98	35	98
	Total	1,208	1,518	1,208	1,518
	Directors of Subsidiaries				
	Salaries and Other Emoluments	1,113	922	–	–
	Defined Contribution Plan	104	110	–	–
	Benefits-in-kind	40	191	–	–
	Total	1,257	1,223	–	–
	Total Executive Directors' Remuneration	2,465	2,741	1,208	1,518
(ii)	**Non-Executive Director's Remuneration**				
	Directors of Company				
	Fees	330	460	330	460
	Meeting and Other Allowances	32	38	32	38
	Benefits-in-kind	–	55	–	55
	Total	362	553	362	553
	Directors of Subsidiaries				
	Other Allowances	58	72	–	–
	Total	58	72	–	–
	Total Non-Executive Directors' Remuneration	420	625	362	553
	Total Executive and Non-Executive Directors' Remuneration (i & ii)	2,885	3,366	1,570	2,071

Corporate Governance Overview Statement

(Cont'd)

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Remuneration Committee ("RC") (Cont'd)

The details of the aggregate remuneration (including benefits-in-kind) of the Directors of the Company for the FYE2020 are as follows: (cont'd)

Name	Directors' Fees (RM'000)	Meeting and Other Allowances (RM'000)	Salaries and Other Emoluments (RM'000)	Defined Contribution Plan (RM'000)	Benefits-in-kind (RM'000)	Total (RM'000)
Tan Sri Datuk Seri Panglima Sulong Matjeraie	60.0	8.5	–	–	–	68.5
Dato' Mah Siew Kwok	54.0	3.5	–	–	–	57.5
Dato' Sri Thong Kok Khee	48.0	3.0	–	–	–	51.0
Datin Chan Bee Leng	40.0	2.5	–	–	–	42.5
Mr Boey Tak Kong	48.0	6.5	–	–	–	54.5
Mr Chow Seck Kai	40.0	5.5	–	–	–	45.5
Mr Low Kheng Lun	40.0	2.5	–	–	–	42.5
Dato' Wong Kit-Leong	–	–	791.8	110.6	34.5	936.9
Dato' Wong Gian Kui	–	–	118.8	5.3	–	124.1

The proposed fees and remuneration for the Directors of the Board and Board Committees for the FYE2021 are as follows:

	Fees (Per Annum) (RM)	Meeting Allowance (Per Meeting) (RM)	Travelling Allowance (Per Annum) (RM)
Chairman:			
Board	60,000	1,000	–
Audit Committee	8,000	1,000	–
Nomination Committee	–	1,000	–
Remuneration Committee	8,000	1,000	–
Deputy Chairman:			
Board	54,000	500	–
Member:			
Board	40,000	500	–
Audit Committee	–	500	–
Nomination Committee	–	500	–
Remuneration Committee	–	500	–

Corporate Governance Overview Statement

(Cont'd)

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Remuneration Committee ("RC") (Cont'd)

NEDs are paid meeting allowances based on attendance. As recommended by the RC, the Board has recommended the Directors' fees for the Company's NEDs for the FYE2021. The fees are subject to shareholders' approval at the forthcoming 47th AGM of the Company.

The Executive Directors are not entitled to the above Directors' fee nor receive any meeting allowance for Board Meetings they attend. The Executive Director's remuneration package comprises a fixed component which includes a monthly salary and benefits-in-kind/emoluments and has been benchmarked against the market and industry practice, and compared with peer companies of similar size and complexity.

The top 5 key senior management remuneration in band of RM50,000 are as follows:

Range of Remuneration (in band of RM 50,000)	Number of Key Senior Management
RM 650,001 to RM 700,000	2
RM 600,001 to RM 650,000	–
RM 550,001 to RM 600,000	–
RM 500,001 to RM 550,000	–
RM 450,001 to RM 500,000	–
RM 400,001 to RM 450,000	3

The summary of the RC activities for year is found in page 47 of this Annual Report.

Board Effectiveness

The Board has an agenda that ensures strategic, budget, sustainability, risk management and internal control, operational, financial performance and corporate governance items are discussed at the appropriate time at Board meetings. The Board agenda has strong links to the strategic objectives for the business. Key highlights of the Board's 2020 activities and priorities are set out below:

Board Activities & Focus in 2020		
Strategy – Sustainability	**Governance & Reporting**	**Financial, Risk & Management Performance**
Sustainability Implementation Plan	Review of annual report, quarterly results & financial statements	Capital Expenditure (CAPEX) approvals & performance review of historical CAPEX
Improving Sustainability Reporting and data collection	Board evaluation & effectiveness assessment	The Group's budget, forecasts & key performance targets & indicators
Enhancing staff training and development activities	Composition of Board & Board Diversity	Risk management & internal control with focus on projects basis
	The Anti-Bribery and Anti-Corruption Manual , Code of Ethics and Conduct were updated.	Group's operational cost management
	Review of Independence of the Independent Non-Executive Directors	Capital Management & Fund Utilisation Plan

Corporate Governance Overview Statement

(Cont'd)

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Board Effectiveness (Cont'd)

Board Committee Activities & Focus in 2020	
Remuneration	**Nomination**
Assisted the Board in developing and administrating a fair and transparent procedure for setting policy on remuneration of Directors and Senior Management.	Reviewed of the Terms of office and performance of the Audit Committee and each of its members.
Reviewed of the Director's Service Agreement for the new Executive Director and his remuneration package for the financial year ending 2020.	Determined the independence of the Independent Non-Executive Directors pursuant to the MCCG.
Reviewed the level and compensation of remuneration of Directors and Senior Management, taking into account to attract and retain the right talent on the Board and Senior Management to drive the company's long-term objectives.	Recommended the re-election of Directors retiring by rotation pursuant to the Company's Constitution at the 46th AGM of the Company.
Recommended whether the remuneration of Directors and Senior Management commensurate with the merit, qualification and competence, having regard to the respective operating division's results, individual performance and comparable market statistics.	Recommended the re-election of Director retiring pursuant to Clause 93 of the Company's Constitution at the 46th AGM of the Company.
Assessed the Directors' fees and related benefits payable.	Recommended the retention of Mr. Chow Seck Kai as an Independent Director who has served for a accumulative term of more than nine (9) years.

Code of Ethics and Conduct of Directors

The Board has formalised a Code of Ethics and Conduct for the Directors, as well as promulgated by the Companies Commission of Malaysia which governs the underlying core ethical values and commitment to lay standards of integrity, transparency, accountability and corporate social responsibility in our behavior and business dealings.

The Code of Ethics and Conduct of Directors is available at the Company's website at www.hohupgroup.com.my.

Corporate Governance Overview Statement

(Cont'd)

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Directors' Training

The Board acknowledges that continuous education is vital in keeping them abreast with corporate developments. The Directors have constantly been updated with relevant reading materials and technical updates which will enhance their knowledge and equip them with the necessary skills to effectively discharge their duties as Directors of the Company.

During FY2020 the Directors have attended the following courses:

Courses Attended	Date of Training	Attended By
Update On Corporate Liability On Corruption - Setting The Implementation Framework	01.07.2020	Dato' Mah Siew Kwok
		Datin Chan Bee Leng
		Dato' Sri Thong Kok Khee
		Dato' Wong Gian Kui
		Low Kheng Lun
Managing Liquidity Post-MCO: Guidelines For Business Recovery	09.07.2020	Mr. Boey Tak Kong
Managing Change in Disruptive Times	18.07.2020	Mr. Boey Tak Kong
Weathering the Storm: From Reactive to Proactive: Charting Your Course	30.07.2020	Mr. Boey Tak Kong
How To Drive, Survive And Thrive Through The Economic Crisis – Leading The New Normal	13.08.2020	Dato' Mah Siew Kwok Dato' Sri Thong Kok Khee Dato' Wong Gian Kui Datin Chan Bee Leng Low Kheng Lun
Asia Pacific Thought Leadership Virtual Forum - Rethinking Business Partnering – The New Way Forward	13.08.2020	Mr. Boey Tak Kong
Anti Bribery Management System Awareness Training	15.09.2020	Dato' Sri Thong Kok Khee Dato' Wong Gian Kui
Business Unusual: Prospects Beyond the Pandemic	24.09.2020	Mr. Boey Tak Kong
KPMG Captains' Forum: Transformation towards recovery, Session 1: Financial Resilience	25.09.2020	Mr. Boey Tak Kong
KPMG Captains' Forum: Transformation towards recovery, Session 2: Operational Resilience	09.10.2020	Mr. Boey Tak Kong
M&A Due Diligence: Managing Potential Third-Party Risks Before and after the Acquisition	13.10.2020	Mr. Boey Tak Kong
Fraud Risk Management Workshop	16.11.2020	Mr. Boey Tak Kong
ESG Shariah-Compliant Screening for Equities	26.11.2020	Mr. Boey Tak Kong
Improving Public Sector Governance Through Financial Reporting	27.11.2020	Mr. Boey Tak Kong
Managing Risks in Construction Contracts Across Asia Pacific	10.12.2020	Mr. Boey Tak Kong

In addition, during the financial year under review, all Directors were also advised of developments and changes to relevant law and regulatory requirements and suitable training and education programmes were identified for their participation.

The Directors will continue to undergo other relevant seminars, conferences and training programmes from time to time as they consider relevant and aid them with the relevant knowledge and ideas to discharge their duties effectively.

Corporate Governance Overview Statement

(Cont'd)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT AND INTEGRITY IN CORPORATE REPORTING

Audit Committee ("AC")

The AC comprises entirely of INEDs. The Chairman of the AC is a Chartered Accountant and a member of the Malaysian Institute of Accountants ("MIA") and complies with Paragraph 15.09 (1)(c)(i) of the MMLR of Bursa Securities. The AC has responsibility for oversight of financial statements reporting, risk management, internal control system, related party transactions financial assistance support, the internal audit function and the Company's relationship with Internal Auditors as well as External Auditors, in relation to their scope of work and audit performance.

In presenting the annual financial statements and quarterly financial results announcements to shareholders, the Board aims to present a balanced assessment of the Group's financial position and prospects to ensure that the financial results are released to Bursa Securities within the stipulated time frame and that the financial statements comply with the regulatory reporting requirements. In this regard, the Board is assisted by the AC in overseeing and governing the Group's financial reporting processes and the quality of its financial reporting.

The financial statements are prepared on a going concern basis and give a true and fair view of the financial position of the Group as at 31 December 2020.

In addition to the Chairman's Statement, the Annual Report of the Company contains the following additional information to enhance shareholder's understanding of the business operations of the Group:

- Management's Discussion & Analysis;
- Financial highlights and key performance indicators; and
- Sustainability Report.

The membership of the AC, its responsibilities and works done in 2020 are set out in the 'Audit Committee Report' in this Annual Report.

External Auditors

The AC maintains a transparent and professional relationship with the Group's External Auditors UHY. During the year, the AC considered the independence and objectivity of UHY based on the criteria of quality of services, sufficiency of resources, audit planning and communication and interaction. In determining the independence of UHY, the AC reviewed all aspects of their relationships, including processes, policies and safeguards adopted by the Group and UHY relating to audit independence, and agreed to the audit strategy and the audit fee.

The AC meets periodically to carry out its functions and duties pursuant to its Terms of Reference. Other Board members and Key Senior Management also attend meetings upon invitation of the AC. During FYE2020, three (3) private meeting sessions were held between the External Auditors and the AC.

The AC was also satisfied in its review that the provision of the non-audit service by UHY to the Company for FYE2020 did not in any way impair their objectivity and independence as External Auditors of the Company.

Having regard to the outcome of the annual assessment of UHY, the Board had in May 2020 approved the AC's recommendation for the shareholders' approval at the 46th AGM. Shareholders' approval has since been obtained on the appointment of UHY as the External Auditors of the Company for FYE2020.

Additional disclosures on non-statutory audit fees and the detailed work carried out by the AC for the financial year under review are set out separately in the 'Audit Committee Report' of this Annual Report.

Corporate Governance Overview Statement

(Cont'd)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT AND INTEGRITY IN CORPORATE REPORTING (CONT'D)

Risk Management and Internal Audit

The AC acknowledges its responsibility for the Group's system of internal controls covering not only financial controls but also operational and compliance controls as well as risk management. The internal control system involves the business and key management of each business, including the AC, and is formulated to meet the Group's particular needs and to manage the risks to which it is exposed. The system, by its nature, can only provide reasonable but not absolute assurance against material misstatements, losses and fraud.

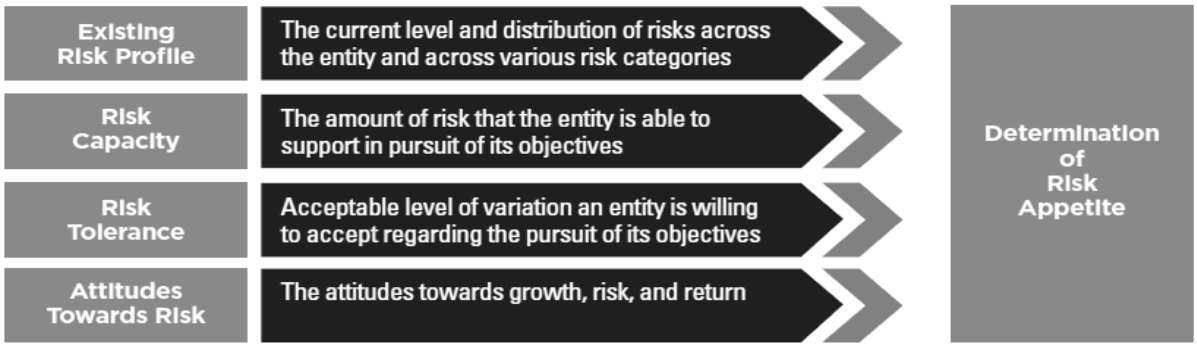
The AC review the adequacy and integrity of the Group's system of internal controls weaknesses and Risk Management Reports are tabled to the Board. The reports identified material business risks in the Group's critical business operations, assessing the likelihood and impact of material exposures and determining its corresponding risk mitigation and treatment measures.

There are clear procedures and defined authorities for the following:

- Financial reporting, with clear procedures governing the reporting process and preparation of the financial statements.
- Capital investment with detailed appraisal, risk analysis and authorisation.

A summary of the material risks that could affect the Group (including any material exposure to economic, environmental and financial risks, including Covid-19 pandemic) are monitored for changes in their exposure and are reported to the AC and the Board during the course of the year, along with their related controls and action plans.

Risk Reporting Structure



The Group's Internal Audit function is outsourced to an independent professional firm to assist the AC in providing an independent assessment of the adequacy, efficiency and effectiveness of the Group's internal control system.

Scheduled Internal Audit reviews were carried out by the Internal Auditors based on the audit plans presented and approved by the AC. During the financial year under review, the Internal Auditors in teams of three (3) had conducted two (2) cycles of Internal Audit as stipulated in the approved Internal Audit Plan.

The Internal Audit was performed in accordance with accepted Internal Auditing practices which involves assessing adequacy and integrity of our internal controls that were used to manage key risks associated with operating processes; discussions held with Senior Management and key staff; as well as limited tests of transactions based on sample selected covering the various related records and documents are supplemented with an observation of its current practices adopted.

On 01 December, 2020, the Company appointed Quadrant Biz Solutions Sdn Bhd to replace the current Internal Auditor, Galton Advisory PLT to perform the internal audit function.

An overview of the state of risk management and internal controls within the Group are set out in the Statement on Risk Management and Internal Control in this Annual Report.

Corporate Governance Overview Statement

(Cont'd)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT AND INTEGRITY IN CORPORATE REPORTING (CONT'D)

Communication with Stakeholders

The Group recognises the importance of communication with its stakeholders and utilises many channels to disseminate information and to interact with them. The Company's website can be access for up-to-date information about the Group's leadership and business structure. The Board believes that on-going communication with shareholders is vital for shareholders and investors to make informed investment decisions and is committed in maintaining effective communications with its shareholders, stakeholders and the public generally. A Shareholder Communications Policy ("Policy") has been developed to earn the trust and confidence of shareholders and public investors as a whole, and to provide an understanding of the Company's business, management direction and the industry. This Policy creates clearer communication for well-informed investment decisions.

The various channels of communication with the shareholders are as follows:-

a. The Annual Report;
b. The AGM;
c. The quarterly announcements on financial results to Bursa Securities;
d. The various corporate disclosures, circulars and announcements made to Bursa Securities;
e. Press releases and published interviews with business journals; and
f. The Company's website at www.hohupgroup.com.my from which shareholders and prospective investors can access corporate information, annual reports, press releases, financial information, company announcements and share prices of the Company.

Investor Relations Activities

Investor relations activities such as meeting with fund managers and analysts; and interviews by the media are attended by designated Senior Management to explain the Group's strategy, performance and major developments. The following meetings with fund managers were held during the financial year under review:-

Meeting Date	Fund Manager/Analyst
16 June 2020	Kenanga Investment Bank Berhad
06 July 2020	RHB Investment Bank Berhad

Conduct of General Meetings

The AGM is an excellent forum for dialogue with all shareholders for which due notice is given. The AGM is also an opportunity for shareholders to direct questions to the Board in relation to the Group's financial performance and the Group's activities.

To ensure the effective participation of and engagement with shareholders at the last AGM held on 22 July 2020, the Chairman encouraged the shareholders to participate in the Questions and Answers session on the resolutions being proposed and on the Group's operations in general. The Chairman of the Board and Board Committees Chairs, CEO, Management and External Auditors were in attendance to respond to the shareholders' queries. The CEO also shared with the shareholders the Company's responses to questions received during the last AGM.

The voting at the last AGM was conducted through electronic voting system to facilitate greater shareholders' participation, as well as to expedite verification and counting of votes.

Corporate Governance Overview Statement

(Cont'd)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT AND INTEGRITY IN CORPORATE REPORTING (CONT'D)

Key Focus for FY2021

Listed below are some major changes to further enhance on the effectiveness of the Group's operations and control environment measures:-

- On 24 February, 2021, the Board approved the establishment of a Board Executive Committee ("EXCO") to assist the Board to better management the day-to-day business activities and to formulate policies and procedures for the Board's consideration.

  The EXCO members comprise the following executive staff:-

  1. Dato' Wong Kit-Leong (Executive Director)
  2. Dato' Wong Gian Kui (Executive Director)
  3. Monteiro Gerard Clair (Executive Director of Key Subsidiary)
  4. Lee Heng Aun (Chief Financial Officer)

  The EXCO is guided by clear Terms of Reference as approved by the Board.

- Continuous update on the Group's Strategic Plan and performance progress, taking into account the impact by on-going MCO conditions to control the Covid -19 pandemic.

This Corporate Governance Overview Statement was approved by the Board on 23 April 2021

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors of the Company ("Board") is committed towards sustaining a comprehensive system of risk management and internal control and is pleased to provide this Statement on Risk Management and Internal Control ("Statement") which outlines the structure and nature of risk management and internal control of the Group and its subsidiaries ("Group") for the financial year ended 31 December 2020. This Statement is prepared in accordance with Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR"") and is guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

BOARD'S RESPONSIBILITY

The Board upholds its overall responsibility for sustaining a comprehensive risk management and internal control system to safeguard the interests of shareholders, customers, employees and the Group's assets. The Board recognises that such systems are designed to manage the Group's risks within a tolerable level towards achieving the Group's policies, goals and objectives. It can therefore, provide reasonable assurance of effectiveness against material misstatement of management and financial information, financial losses, fraud and breaches of laws or regulations. In designing the system of risk management and internal control based on the on-going process of identifying and prioritising risk, evaluating the likelihood of those risks being raised and the impact should they be realised, and then, managing them effectively, efficiently and economically.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for implementing the control systems and processes to identify, evaluate, monitor and report on risks arising from the pursuit of the Group's business objectives and action taken to minimise the risks.

RISK MANAGEMENT FRAMEWORK

The Board recognizes that the Group's business activities involve certain degrees of risks and that an effective risk management framework is essential in the pursuit of the Group's corporate objectives and operating goals. Key management personnel and Heads of Departments are given responsibilities to manage key risks in their respective operating units and to report monthly on its progress status.

The key risks relating to the Group's strategic operations and business plans are deliberated at management meetings against a risk management framework that has been approved by the Board. Significant risks identified by the Management are then brought to the attention of the Board at scheduled Board meetings.

The above-mentioned practices/initiatives put in place by the Board serve as an on-going process to identify, evaluate and manage significant risks.

In the financial year under review, two (2) Internal Audit cycles were performed. The Internal Audit findings of the risk review have been reported to the Audit Committee and subsequently presented to the Board of Directors for discussion and deliberation. Resolution plans and corrective actions with set timelines were agreed upon to mitigate the risks identified.

1. Investment/Project Risk

Investment risk on major investments is being mitigated with legal and financial due diligence, feasibility studies and risk assessment before the implementation of the projects and investments. Proposals submitted by the Management are evaluated by an Executive Committee comprised of Executive Directors, the Chief Financial Officer with invitation to members of the Audit Committee for the Board assurance discussion and subsequent adoption.

Proposals accepted by the Executive Committee will be subsequently deliberated at Board meetings. All investment/ projects are assessed for risks before a decision is made. The Audit Committee reviews the Management's risk management report on a quarterly basis.

Statement on Risk Management and Internal Control

(Cont'd)

RISK MANAGEMENT FRAMEWORK (CONT'D)

1. Investment/Project Risk (Cont'd)

During the year as an on-going oversight process, the Audit Committee and Board of Directors reviewed the investment risks for the following salient major projects undertaken by the Group.

(i) Incorporation of Ho Hup Dagang Jaya Sdn Bhd to undertake a Joint Venture property development project with Low Chee Group Sdn Bhd, who is one of the major shareholders of the Group;
(ii) Investment in Niaga Sari Sdn Bhd, a civil and engineering contractor with 21 years of building construction experience with specialisation in Industrialised Building Systems (IBS); and
(iii) Review on the proposed capital equipment acquisition to support the awarded ECRL packages to be undertaken by the Construction Division.

2. Funding Risk

With the continuous expansion of business activities by the Group, the demands for financing to fund these activities and new projects have increased. To mitigate the funding risk for these activities, the Company explored funding options with various banks and secured several financing facilities, including contract financing, equity loan for equity investments and acquisitions of companies and term-loans for the Group's ongoing projects and for general working capital. The Group had also initiated a fund raising initiative via Private Placement exercise as per announcement dated 20th November 2020.

3. Project Completion Risk and Non-Performing Sub-Contractors' Risk

In carrying out the Group's projects, the Group focus on conducting a comprehensive sub-contractors assessment and market reputation verification. Selection and appointment of sub-contractors is by tender evaluation conducted by the Tender Committee based on the evaluation procedures as in compliance with the International Standard Operation (ISO 9001: 2015).

This risk is further mitigated through management meetings to ensure that work progresses as scheduled, as well as close monitoring of the sub-contractors' performance that have been appointed for the Group's projects by our Project Managers.

4. Foreign Currency Risk

Most on-going overseas projects are paid in United States Dollar ("USD") of progress claims for its services. Any repatriation back to Malaysia will be subjected to fluctuation in the currencies and the Group could be exposed to foreign currency gains or losses.

5. Country and Political Risk

In assessing overseas projects, the Board's priority is to avoid high risk projects and to minimise working capital requirements by marketing our project management expertise and technical consultancy services, as was the case in India and Myanmar.

6. Joint-Venture Partners' Performance Risk

The performance of joint-ventures was monitored closely against the joint venture agreements and through monthly status reports to avoid delays impacting the Group's performance.

Close monitoring of the partner's performance through regular meetings and dialogues keep management abreast on latest developments in the Group's joint-ventures.

Statement on Risk Management and Internal Control

(Cont'd)

RISK MANAGEMENT FRAMEWORK (CONT'D)

7. Bribery and Corruption Risk

As part of the Group's commitment against bribery and corruption practices, the Group has established a transparent Anti-Bribery and Anti-Corruption Manual, which is applied to all business dealings with commercial/private sectors and public sectors entity.

In order to ensure all parties, adhere to the Group's commitment towards anti-bribery and anti-corruption, awareness trainings are provided regularly with appropriate guidance given to all employees, directors, suppliers, vendors, consultants, agents, joint-venture partners and other stakeholders associated with the Group.

The Code of Ethics and Conduct of Directors and Employees are updates with emphasis to Section 17A of the MACC Act addressing corporate liability for corruption where Directors and Senior Management will be held personally liable for acts of corruption committed by the organisation, either by personnel or parties acting on behalf of the Group.

INTERNAL CONTROL SYSTEM

The key elements of the Group's internal control system are described below:-

- **Control Environment**

  The importance and awareness of a proper control environment is communicated throughout the Group. Focus is directed towards the quality commitment and technical abilities of the Group's employees with continuing education and training to enhance the skills of employees and reinforce qualities of professionalism and integrity. Such training includes internal briefings and external seminars for selected employees relating to areas of risk management, leadership, selling & marketing skills and employee management.

- **Control Structure**

  The Board and Management have established an organisational structure with defined lines of accountability and delegated authority. This includes well-defined responsibilities of Board Committees and the various management levels, including authorisation levels for all aspects of the business.

The Group's control structure is as follows:

i. Management

- A well-established Standard Operating Procedures ("SOP") covers all key aspects of the Group's various business processes. These procedures deal with, amongst others, control issues for financial accounting and reporting, cash management, asset security, information technology, health and safety. The procedures are subject to regular reviews to cater for process changes, changing regulatory risks and process improvements.

- Aside from the SOP, changes in internal control procedures, if any, are communicated via circulars and internal memos. Such circulars and memos are properly authorised by the Executive Committee.

- Fortnightly meetings chaired by the Chief Executive Officer with the Senior Management and Heads of Sections allow the members to communicate and provide feedback in respect of compliance and monitoring of sales performance, project development status, cost and capital expenditure and other key business matters.

- All significant contracts and legally enforceable agreements are vetted by the Group's legal department and/or appointed legal firms;

- Training and development programmes are identified and scheduled for employees to acquire the necessary business knowledge and technical competency to meet job task performance expectations.

Statement on Risk Management and Internal Control

(Cont'd)

INTERNAL CONTROL SYSTEM (CONT'D)

The Group's control structure is as follows: (Cont'd)

ii. Internal Audit Function

The Group engaged an independent professional team for Internal Audit services which carries out its review functions and provides the Audit Committee and the Board with the assurance on the adequacy and integrity of the system of internal controls. The Internal Audit is solely responsible for planning, implementing and reporting the audits for the Group. For this purpose, each year, the Internal Auditors:

- Prepare a detailed Annual Audit Plan for submission to the Audit Committee for approval;
- Carry out all activities to conduct the audits in accordance with the Audit Plan;
- Share its audit finding with the auditee upon completion of each audit assignment; and
- Submit reports on internal audit findings to the Audit Committee.

iii. Audit Committee

The Audit Committee, on behalf of the Board, reviews on a quarterly basis, the Group's financial performance and the measures undertaken on internal control issues identified by the Internal Auditor, External Auditors and Management.

iv. Executive Committee

The Executive Committee, on behalf of the Board, timely oversees the overall investment risk, project performance and recommends for approvals on decisions required by Management in accordance with good corporate governance practices at all times.

v. Board

The Board receives updates from the Audit Committee and Management and considers their reports relating to internal controls and deliberates on their recommendations for implementation.

- **Reporting and Information**

  The Board meets quarterly and has a formal agenda on matters for discussion. The Chief Executive Officer leads the presentation of board papers and provides explanations on pertinent issues. The quarterly financial results tabled at Board Meetings are approved by the Board upon recommendation of the Audit Committee and after due deliberations at the Board meetings.

  Strategic plans are prepared by Management and subsequently approved by the Board to form the basis for detailed annual budgets. The detailed budgets are prepared by business operating units by the Management and reviewed by the Executive Committee. The monitoring of results against budget is conducted every month, with major variances followed up and management action taken, where necessary. The budget is reviewed every quarter, and where necessary, adjusted for changes in the business, financial and operating environment.

  The Chief Executive Officer chairs fortnightly meetings with senior management to discuss the business, financial and operational performance of the Group. Key matters affecting the Group are brought to the attention of the Audit Committee by the Chief Executive Officer, Chief Financial Officer or Internal Auditor and are reported to the Board on a regular basis.

Statement on Risk Management and Internal Control

(Cont'd)

INTERNAL CONTROL SYSTEM (CONT'D)

The Group's control structure is as follows: (Cont'd)

v. Board (Cont'd)

- **Monitoring and Review**

  There are established processes for monitoring the system of internal controls. Significant weaknesses, where detected, would be reported together with details of corrective action. The system is reviewed on an ongoing basis by the Board through the Audit Committee, Management, Finance and the Internal Auditors. Responsibility for monitoring compliance with policies, procedures and guidelines rests principally with the Internal Auditors, who report directly to the Audit Committee as described above. Heads of Department are actively involved in maintaining and continually improving the control processes within their respective departments.

- **Whistle-blower Policy**

  The Whistle-blower Policy provides a platform and acts as a mechanism for parties to channel their complaints or provide information on fraud, bribery, corruption, wrongdoings or non-compliance to any rules or procedures by an employee or the management of the Group. The policy outlines when, how and to who a concern may be properly raised, distinguishes a concern from a personal grievance and allows the whistle-blower the opportunity to raise a concern outside their management line and in confidence. The identity of the whistle-blower is kept confidential and protection accorded to the whistle-blower against any form of reprisal or retribution. Any concerns raised will be investigated and reported to the Board.

  The whistle-blower policy is available from the Company's website at www.hohupgroup.com.my.

ASSURANCE MECHANISM

The Group's Internal Audit function is outsourced to Galton Advisory PLT. The outsourced internal auditors are engaged primarily to assist the Board and the Audit Committee in providing independent assessment of the adequacy, efficiency and effectiveness of the Group's internal control systems. They report directly to the Audit Committee and Internal Audit Plans are tabled to the Audit Committee for review and approval to ensure adequate coverage.

The Internal Auditors table their findings of the business processes of the operating units to the Audit Committee at their scheduled meetings. In addition, the status of the implementation of corrective follow-up actions to address control weaknesses are monitored and reported by the Internal Auditors to ensure that these actions have been satisfactorily implemented.

The Audit Committee, on behalf of the Board, will review the adequacy and the integrity of the Group's system in place for risk management and internal control.

The Audit Committee Report in this Annual Report contains further information on the Committee's activities as well as that of the outsourced Internal Auditors.

On 01 December, 2020, the Company appointed Quadrant Biz Solutions Sdn Bhd to replace the current Internal Auditor, Galton Advisory PLT to perform the internal audit function.

BOARD'S COMMITMENT

The structure of controls and operations will be continuously and gradually improved to ensure they remain adequate and relevant to the Company and Group activities. The Board remains committed to sustain a sound system of risk management and internal control and will, when necessary, recommend actions to further improve and enhance them.

Statement on Risk Management and Internal Control

(Cont'd)

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The External Auditors have reviewed this Statement, as required by Paragraph 15.23 of the Main Market Listing Requirements of Bursa Securities and against the scope set out in the Audit and Assurance Practice Guide (AAPG) 3, issued by the Malaysian Institute of Accountants. The External Auditors, following their review, have reported to the Board that nothing has come to their attention that cause them to believe that this Statement is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and integrity of the risk management and internal controls of the Group.

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 systems.

CONCLUSION

For the financial year under review and up to the date of issuance of the financial statements, the Board is satisfied with the adequacy and effectiveness of the Group's system of risk management and internal control to safeguard the interest of shareholders. No material losses, contingencies or uncertainties have arisen from any inadequacy or failure of the Group's system of internal control that would require separate disclosure in the Group's Annual Report. The Board has also received reasonable assurance from the Chief Executive Officer and the Chief Financial Officer, who are primarily responsible for the financial management, that the Group's risk management process and internal control systems are operating adequately and effectively in all material aspects, based on the risk management process and internal controls systems of the Group.

This Statement is made in accordance with a resolution of the Board of Directors dated 23 April 2021.

AUDIT COMMITTEE REPORT

The Audit Committee ("AC") of Ho Hup Construction Company Berhad is pleased to present the Audit Committee Report for the financial year ended 31 December 2020.

1. Composition of the AC

As at the date of this report, the AC comprises three (3) members of the Board, all of whom are Independent Non-Executive Directors and comprises:-

Chairman : Mr. Boey Tak Kong
Independent Non-Executive Director

Members : Tan Sri Datuk Seri Panglima Sulong Matjeraie
Senior Independent Non-Executive Director

Mr. Chow Seck Kai
Independent Non-Executive Director

The AC Chairman, Mr. Boey Tak Kong is a Chartered Accountant and a member of the Malaysian Institute of Accountants ("MIA") and complies with Paragraph 15.09 (1) (c) (i) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR").

2. Attendance of Meetings

The AC met four (4) times during the financial year ended ("FYE") 31 December 2020 and the attendance of the AC members is as follows:-

Name of Audit Committee Members	Attendance at Audit Committee Meetings
Mr. Boey Tak Kong	4/4
Tan Sri Datuk Seri Panglima Sulong Matjeraie	4/4
Mr. Chow Seck Kai	4/4

The Chief Financial Officer and members of the Senior Management attend the AC meeting by invitation, to explain and provide the AC with clarification on relevant matters, when required. The role of the AC is to ensure that the recommendations made by both Internal and External Auditors, as well as Regulators, are addressed and dealt with in a timely manner.

In performing its private meeting functions, the AC had met the External Auditors without the presence of any executive member of the Board, Management and staff on 27 February 2020, 28 May 2020 and 19 November 2020.

3. Terms of Reference (TOR)

The written Terms of Reference of the AC is available on the Company's website at www.hohupgroup.com.my which is accessible to the public for reference and is consistent with the requirements of the MMLR and MCCG 2017

SUMMARY OF AUDIT COMMITTEE'S ACTIVITIES

A summary of the activities carried out by the AC during the financial year under review is as follows:-

1. Financial Reporting

Reviewed and briefed the Board on the quarterly unaudited financial statements and Annual Audited Financial Statements of the Company and Group and thereafter, submitted to the Board for their considerations and approval.

The dates on which the meetings of the AC were convened during the financial year to deliberate on financial reporting matters are detailed below:

Date of Meetings	Activities
27 February 2020	• Unaudited quarterly report on consolidated results of the Group for the Fourth quarter ended 31 December 2019
28 May 2020	• Audited Financial Statements of the Group for the financial year ended 31 December 2019 • Unaudited quarterly report on consolidated results of the Group for the First quarter ended 31 March 2020
26 August 2020	• Unaudited quarterly report on consolidated results of the Group for the Second quarter ended 30 June 2020
19 November 2020	• Unaudited quarterly report on consolidated results of the Group for the Third quarter ended 30 September 2020

In reviewing the annual audited financial statements, the AC discussed with the Management and the External Auditors on the accounting principles and standards that were applied and their opinion on the items that may affect the financial statements.

2. Internal Audit

Its primary role is to assess the adequacy and effectiveness of the risk, internal control and governance framework for the Group. The Internal Auditors report directly to the AC and its role is to independently review the internal control system established by the Management, its adequacy and effectiveness vis-à-vis the objectives set and to make appropriate recommendations for further improvement. The Internal Auditors presented a two-year Internal Audit Plan, which includes the work scope and functions of the Internal Audit for consideration and approval by the AC. The Internal Auditors adopt a risk-based Internal Audit methodology, which is guided by the International Professional Practices Framework issued by The Institute of Internal Auditors.

The engagement team from Galton Advisory PLT is headed by Mr. Low Chiun Yik, an Executive Partner of the Firm. He has a Master's Degree in Accountancy and Finance, and has been specialising in the field of internal audit and risk management since 2010. He is also an Independent Director of a Bursa Main Board listed company and sits on the Risk Management and Remuneration Committee.

The Internal Auditors assisted the AC in discharging their duties and responsibilities by executing independent reviews, objective assurance and consulting activities within the Group's operations through audits of the Group's key operations and also to ensure consistency in the control environment and compliance with established policies and procedures, rules, regulations, guidelines, directives and relevant laws. The activities performed by the Internal Audit function include:

- developed a two-year Internal Audit Plan for FYE 2019 and 2020, setting out the implementation of the internal audit scope for the Group based on agreed communication, timelines and reporting protocols;

- performed reviews of the key processes to examine and evaluate the adequacy and efficiency of the operations' internal controls, and highlighted any significant risks and non-compliance matters that have impact to the Group;

SUMMARY OF AUDIT COMMITTEE'S ACTIVITIES (CONT'D)

A summary of the activities carried out by the AC during the financial year under review is as follows:- (Cont'd)

2. Internal Audit (Cont'd)

- four (4) cycles of Internal Audit were carried out throughout FYE 2019 and 2020, the Internal Audit outlines the findings and observations and provides recommendations to strengthen and improve controls of the Group. The internal audit work scope for FYE 2019 and 2020 are:

FYE	Cycle	Scope
2019	1	• Sales and Marketing (Property Development division)
	2	• Manufacturing and Trading (Building Materials Division)
2020	3	• Internal Control Relating to Section 17A of the Malaysia Anti-Corruption Commission ("MACC") Act 2009
	4	• Human Resource, Project Governance and Project Management

- during each cycle, follow-ups were conducted on the status of Management's implementation based on the Internal Audit recommendations which was previously reported in the preceding cycles of Internal Audit.

During the FYE 2020, internal audit activities were carried out in accordance with the pre-approved Internal Audit Plan ("IA Plan"). Representatives from the outsourced Internal Audit team conducted Internal Audit visits based on the approved IA Plan which are consistent with the Group's goals. Any significant changes to the IA Plan were communicated to the AC for approval prior to the commencement of the internal audit assignment.

The Internal Audit Reports prepared by the Internal Auditors arising from the audits were deliberated by the AC and recommendations were duly acted upon by the Management. Follow-up reviews were conducted by Internal Auditors to ensure that all matters arising from each audit were adequately and promptly addressed by the auditee or Management.

(i) Reviewed the Internal Audit Reports prepared by the outsourced Internal Auditors and appraised the adequacy of the audit work scope, functions, competency and resources of the Internal Auditors to ensure that it has the necessary authority to carry out their responsibilities; and

(ii) Reviewed and approved the Internal Audit Plan and a review of the processes including the findings and results of the audit as well as investigations undertaken to ensure that, where appropriate, action had been taken on the recommendations of the Internal Audit by the Management to ensure that all internal control lapses have been duly addressed; and

(iii) Noted the audit findings for corrective actions.

The AC acknowledges that the internal control of the Group and the Company, which was enforced and implemented throughout the financial year up to the date of this report, provided reasonable although not absolute assurance against material financial misstatements or loss. Accordingly, any audit findings that highlights weaknesses shall be appropriately corrected and rectified to prevent future irregularities. The internal controls were deemed sufficient in safeguarding assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation and regulation best practices.

The Internal Audit function is guided by the International Professional Practice Framework ("IPPF") and Internal Audit Charter as approved by the Audit Committee.

The total cost incurred in discharging its functions and responsibilities in FYE 2020 amounted to RM45,870 as compared to RM39,345 in FYE 2019.

On 01 December, 2020, the Company appointed Quadrant Biz Solutions Sdn Bhd to replace the current Internal Auditor, Galton Advisory PLT to perform the internal audit function.

SUMMARY OF AUDIT COMMITTEE'S ACTIVITIES (CONT'D)

A summary of the activities carried out by the AC during the financial year under review is as follows:- (Cont'd)

3. External Audit

(i) Discussed the Letter of Engagement, suitability, objectivity and independence of the External Auditors and recommended to the Board the re-appointment of the External Auditors, and on their audit fees thereof and also approved the provision of non-audit services by the External Auditors;

(ii) Reviewed the Annual Audit Planning Memorandum, audit strategy, the nature and work scope of the audit, prior to the commencement of audit;

(iii) Reviewed with the External Auditors on the following areas and reported the same to the Board:

a. Audit report, including the key audit matters which arose during the course of the audit and those issues that have been subsequently resolved and those that remain unresolved;

The AC had on 28 May 2020, reviewed and deliberated the following key audit matters and agreed with the Management, the treatment and control procedures implemented to provide the necessary safeguard for financial reporting integrity.

Key Audit Matters	Control Procedures
Impairment assessment of goodwill and land rights	Assess the reliability of management's forecast through the review of past trends of actual financial performances against previous forecasted results; Assess the key assumptions on which the cash flow projections are based, by amongst others, comparing them against business plans, historical results and market data; Evaluate the appropriateness of the discount rate used to determine the present value of the cash flows and whether the rate used reflects the current market assessments of the time value of money and the risks specific to the assets; Perform sensitivity analysis on key assumptions to evaluate impact on the impairment assessment; and Assess the adequacy and reasonableness of the disclosures in the financial statements.
Revenue and cost recognition on construction contracts and property development activities	Test the Group's and the Company's controls by checking for evidence of reviews and approvals over construction contract and property development costs, setting budgets and authorising and recording of actual costs incurred; Challenge the assumptions in deriving at the estimates of construction contract and property development costs. This includes comparing the actual margins achieved of previous similar completed projects to estimates and compared the estimated costs to supporting documentation such as approved budgets, quotations, contracts and variation orders with sub-contractors; and Agree a sample of costs incurred to date to relevant documents such as sub-contractor claim certificates, verified by the Group's and Company's internal quantity surveyor or the employers.

SUMMARY OF AUDIT COMMITTEE'S ACTIVITIES (CONT'D)

A summary of the activities carried out by the AC during the financial year under review is as follows:- (cont'd)

3. External Audit (Cont'd)

(iii) Reviewed with the External Auditors on the following areas and reported the same to the Board: (cont'd)

b. External Auditor's Management Letter and Management's responses to the findings of the External Auditors and also the Auditor's report to shareholders;

c. Audit approach including coordination of audit efforts with Internal Auditors and assistance given by the employees to the External Auditors; and

d. Key significant audit findings reported by the External Auditors.

(iv) Conducted three (3) private meetings with the External Auditors, without the presence of Executive Board members, Management and Staff to discuss their observations and areas for improvements.

4. Review of the Audit Committee

AC is satisfied that matters reported by it to the Board have been satisfactorily resolved and did not see any matter in breach of the MMLR that warrant reporting to Bursa Malaysia Securities Berhad.

5. Related Party Transactions

Reviewed the quarterly report pursuant to related party transactions entered into by the Company and the Group, including review and monitoring of recurrent related party transactions for which shareholders' mandate have been granted to ensure that:

(i) transactions were carried out on normal commercial terms and were not prejudicial to the interest of the Company or its minority shareholders;

(ii) adequate oversight over internal control procedures with regard to such transactions; and

(iii) compliance with key issues pertaining to the related party transactions disclosure pursuant to Chapter 10 of the Main Market Listing Requirements , Malaysian Financial Reporting Standard 124 and the Companies Act 2016.

Upon review, the AC concurred with the Management's recommendation that the related party transactions were carried out on normal commercial terms and not prejudicial to the interests of the Group or its minority shareholders.

6. Risk Management

(i) Reviewed the updates on the quarterly report on risk management and financial assistance status presented by the Management, using the Committee of Sponsoring Organisations of the Treadway Commission (COSO) risk management framework; and

(ii) Reviewed the Statement on Risk Management and Internal Control pursuant to Paragraph 15.26(b) of MMLR and thereafter, submitted to the Board for their considerations and approval and inclusion in the Annual Report of the Company.

STATEMENT OF RESPONSIBILITY BY DIRECTORS

In Respect of the Preparation of the Annual Audited Financial Statements

The Directors are required by the Companies Act, 2016 to ensure that the financial statements for each financial year give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year, and of the results and cash flows of the Group and of the Company for the financial year.

The Directors are responsible for ensuring that the annual audited financial statements of the Group and the Company are drawn up in accordance with the requirements of the Malaysian Financial Reporting Standards, International Financial Reporting Standard, the requirements of the Companies Act 2016 in Malaysia and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

In preparing the financial statements, the Directors have ensured that:-

- appropriate accounting policies and practices have been adopted and applied consistently;
- the statements are supported by reasonable and prudent judgements and estimates;
- all applicable accounting standards have been followed, subject to any material departure and explained in the financial statements; and
- going concern basis has been adopted unless it is inappropriate to presume that the Group will continue its business

The Directors are also responsible for ensuring that the Group and the Company keep proper accounting records which disclose the financial position of the Group and of the Company with reasonable accuracy at any time, thus enabling the financial statements to be complied with the requirements of the Companies Act 2016 and have been made out in accordance with applicable Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are also responsible for taking the necessary steps that are reasonably open to them to ensure appropriate systems are in place to safeguard the assets of the Group and of the Company, and to detect and prevent fraud and other irregularities. The systems, by their nature, can only provide reasonable and not absolute assurance against material misstatements, whether due to fraud or error.

This statement is made in accordance with a resolution of the Board of Directors dated 23 April 2021.

ADDITIONAL COMPLIANCE INFORMATION

The information set out below is disclosed in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad. ("Bursa Securities")

1. Utilisation of Proceeds Raised from Corporate Proposals

On 19 March 2021, Ho Hup completed its Private Placement exercise following the listing of and quotation for 82,476,700 new ordinary shares in Ho Hup ("Placement Shares"). The Company raised gross proceeds of RM31.8 million based on the issue price of RM0.38 and RM0.395 per Placement Share for 1st & 2nd Tranche respectively. The proceeds of the Private Placement have been fully utilised as at the date of this report, as described below:

	Amount Raised	Actual Utilisation
Working Capital	21,863	21,863
Repayment of borrowings	9,000	9,000
Estimated expenses in relation to the Private Placement exercise	1,000	700
Total	31,863	31,563

2. Audit and Non-audit Fees

The amount of non-audit fees incurred and payable to the external auditors and its affiliates by the Group for FYE2020 are as follows:

		Group (RM)	Company (RM)
Audit services rendered			
(1)	Current year provision	200,000	90,000
(2)	Under provision in prior year	–	–
Non-audit services rendered			
(1)	Review of the Statement of Risk Management and Internal Control	5,000	5,000
(2)	Limited Review of Consolidated Financial Statement	33,000	33,000

3. Material Contracts

There were no material contracts entered into by the Company and its subsidiaries involving Directors and major shareholders' interests either still subsisting at the end of the financial year ended 31 December 2020 or entered into since the end of the previous financial year except for the below:

(i) Joint Venture Agreement dated 26th November 2020 between Ho Hup Dagang Jaya Sdn Bhd and Low Chee Group Sdn Bhd to undertake a residential development.

(ii) Acquisition of 510,002 ordinary shares in Niaga Sari Sdn Bhd announced on 14 October 2020

Additional Compliance Information

(Cont'd)

4. Employees' Share Option Scheme ("ESOS")

The ESOS was implemented on 21 August 2015 ("Effective Date") and is in force for a period of five (5) years. The tenure of the ESOS may be extended or renewed, at the discretion of the Board, upon the recommendation of the ESOS Committee, subject always that the duration of the ESOS shall not be more than ten (10) years from the Effective Date.

The Company had made the first offer of 6,000,900 new Ho Hup shares ("ESOS Options") pursuant to the ESOS ("First Offer") to the eligible employees and Directors at the exercise price of RM0.74.

Based on the ESOS bylaw issued, the ESOS have reached its maturity dated and deem lapsed on 21 August 2020.

5. Recurrent Related Party Transactions of A Revenue Nature

(a) Existing Shareholders' Mandate for Recurrent Related Party Transactions ("RRPT")

The breakdown of the aggregate value of transactions of a revenue and trading nature conducted during the FYE 2020, pursuant to the shareholders' mandate obtained at the 46th Annual General Meeting ("AGM") of the Company held on 22 July 2020, is set out below:-

No	Ho Hup and/or its subsidiaries	Transacting Parties	Nature of Transactions	Aggregate value of transactions from 1 January 2020 to 31 December 2020 (RM'000)
1.	Golden Wave Sdn Bhd	Tribeca Real Estate Asset Management Sdn Bhd ("TREAM")	For the provision of development and project management services.	–
2.	Intact Corporate Approach Sdn Bhd	TREAM	For the provision of development and project management services.	740
3.	Ho Hup Jaya Sdn Bhd	Omesti Berhad	Rental of office premises	772
4.	Ho Hup Jaya Sdn Bhd	Microlink Solutions Berhad	Rental of office premises	386
5.	Ho Hup	Niaga Sari Sdn Bhd * Name of Interested Person/ Director a. Dato' Wong Gian Kui *	Subcontract or for main building works	12,055
6.	Ho Hup Jaya Sdn Bhd	Symphony Interactive Sdn Bhd * Name of Interested Person/ Director a. Dato' Sri Thong Kok Khee # b. Dato' Wong Kit-Leong @ c. Dato' Wong Gian Kui *	Renting of retail spaces	420

* Dato' Wong Gian Kui is a Director of Niaga Sari Sdn Bhd and a shareholder, having 10% direct interest in Niaga Sari Sdn Bhd. He is also an Executive Director of Ho Hup.

\# Dato' Thong is a common Director of Symphony Interactive Sdn Bhd ("SISB"), and Ho Hup, the holding company of Ho Hup Jaya Sdn Bhd ("HHJ"). He is also a substantial shareholder of Ho Hup and SISB. He owns SISB through Filmont Holdings Sdn Bhd, a wholly owned subsidiary of Insas Berhad.

@ Dato' Wong Kit-Leong is a common Director of SISB and Ho Hup, the Holding Company of HHJ. He also holds an indirect shareholding in SISB through H20 Holdings Sdn Bhd.

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DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The principal activities of the Company are those of investment holding, foundation engineering, civil engineering, building contracting works and the provision of management services for subsidiary companies.

The principal activities of the subsidiary companies are disclosed in Note 10 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit/(Loss) for the financial year	48,300	(5,026)
Attributable to:		
Owners of the parent	48,483	
Non-controlling interests	(183)	
	48,300	

RESERVES AND PROVISIONS

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

DIVIDENDS

There were no dividends proposed, declared or paid by the Company since the end of the previous financial year. The Board of Directors does not recommend any dividend in respect of the current financial year.

ISSUE OF SHARES AND DEBENTURES

There was no issuance of shares or debentures during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

Employees' Share Option Scheme ("ESOS")

At an Extraordinary General Meeting held on 18 June 2015, the Company's shareholders approved the establishment of an ESOS of up to 10% of the issued and paid-up share capital of the Company (excluding treasury shares, if any) for the eligible Directors and employees of the Group. The salient features and other terms of the ESOS are disclosed in the Note 34 to the financial statements.

As at 31 December 2020, the options offered to take up unissued ordinary shares and the exercise price are as follows:

		Number of options over ordinary shares				
Date of offer	**Exercise price**	**At 1.1.2020**	**Granted**	**Exercised**	**Lapsed**	**At 31.12.2020**
1 September 2015	RM0.74	3,648,800	–	–	(3,648,800)	–

Details of options granted to Directors are disclosed in the section of Directors' Interests in this report.

During the financial year, no new options were granted by the Company to any person to take up unissued shares in the Company.

The ESOS had duly expired on 20 August 2020.

DIRECTORS OF THE COMPANY

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

Tan Sri Datuk Seri Panglima Sulong Matjeraie
Dato' Mah Siew Kwok
Dato' Sri Thong Kok Khee*
Datin Chan Bee Leng
Dato' Wong Kit-Leong*
Boey Tak Kong
Chow Seck Kai*
Low Kheng Lun*
Dato' Wong Gian Kui

* *Director of the Company and of its subsidiary companies*

The names of the Directors of the subsidiary companies of the Company during the financial year until the date of this report are disclosed in Note 10 to the financial statements.

Directors' Report

(Cont'd)

DIRECTORS' INTERESTS IN SHARES

The interests and deemed interests in the shares and options over ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiary company) by the Directors in office at the end of the financial year (including their spouse or children) according to the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			
	At 01.01.2020	Acquired	Disposed	At 31.12.2020
Ho Hup Construction Company Berhad				
Direct interest				
Dato' Mah Siew Kwok	5,137,500	550,000	–	5,687,500
Boey Tak Kong	2,000,000	260,000	–	2,260,000
Chow Seck Kai	117,400	–	–	117,400
Datin Chan Bee Leng	47,700	–	–	47,700
Low Kheng Lun	51,383	–	–	51,383
Dato' Wong Kit-Leong	150,000	137,000	–	287,000
Indirect interest				
Dato' Mah Siew Kwok [1]	51,125,100	6,843,000	(49,807,100)	8,161,000
Dato' Sri Thong Kok Khee [2]	52,697,750	1,450,000	–	54,147,750
Datin Chan Bee Leng [3]	77,958,722	–	–	77,958,722
Low Kheng Lun [4]	65,113,032	–	–	65,113,032

	Number of options over ordinary shares				
	At 01.01.2020	Granted	Exercised	Lapsed	At 31.12.2020
Ho Hup Construction Company Berhad					
Direct Interest					
Tan Sri Datuk Seri Panglima Sulong Matjeraie	211,900	–	–	(211,900)	–
Dato' Mah Siew Kwok	169,400	–	–	(169,400)	–
Dato' Sri Thong Kok Khee	158,900	–	–	(158,900)	–
Datin Chan Bee Leng	111,200	–	–	(111,200)	–
Dato' Wong Kit-Leong	635,600	–	–	(635,600)	–
Boey Tak Kong	111,200	–	–	(111,200)	–
Chow Seck Kai	122,300	–	–	(122,300)	–
Low Kheng Lun	111,200	–	–	(111,200)	–

Notes:

1 *Deemed interested pursuant to Section 8(4) of the Companies Act 2016 ("Act") by virtue of his substantial shareholdings in Omesti Berhad, which is the holding company of Omesti Holdings Berhad and pursuant to Section 59(11)(c) of the Act by virtue of his spouse's and child's direct shareholdings in the Company.*

2 *Deemed interested pursuant to Section 8(4) of the Act by virtue of his substantial shareholdings in Insas Berhad and pursuant to Section 59(11)(c) of the Act by virtue of his children's direct shareholdings in the Company.*

3 *Deemed interested pursuant to Section 59(11)(c) of the Act by virtue of her spouse's direct shareholdings in the Company and pursuant to Section 8(4) of the Act by virtue of her spouse's substantial shareholdings in Low Chee Group Sdn. Bhd., Estate of Low Chee and Concrete Pavers Industries Sdn. Bhd..*

4 *Deemed interested pursuant to Section 8(4) of the Act by virtue of his substantial shareholdings in Low Chee Group Sdn. Bhd.*

DIRECTORS' INTERESTS IN SHARES (CONT'D)

By virtue of their interests in the shares of the Company, Dato' Mah Siew Kwok, Dato' Sri Thong Kok Khee, Datin Chan Bee Leng and Low Kheng Lun are deemed to have interests in the shares of all its subsidiary companies during the financial year to the extent that the Company has an interest under Section 8(4) of the Companies Act 2016.

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements) 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.

Neither during nor at the end of the financial year, was the Company a party to any arrangement whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than those arising from the share options granted under the ESOS.

INDEMNITY AND INSURANCE COSTS

During the financial year, the total amount of indemnity coverage and insurance premium paid for the Directors and certain officers of the Company were RM10,000,000 and RM18,000 respectively. No indemnity was given to or insurance effected for auditors of the Company.

OTHER STATUTORY INFORMATION

(a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

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

  (ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company have been written down to an amount which the current assets might be expected so to realise.

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

  (i) which would render it necessary to write off any bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

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

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

  (iv) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

Directors' Report

(Cont'd)

OTHER STATUTORY INFORMATION (CONT'D)

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

(i) 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 liabilities of any other person; or

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

(d) In the opinion of the Directors:

(i) no contingent liability or other liability 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 affect the ability of the Group and of the Company to meet their obligations when they fall due;

(ii) the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature except as disclosed in the notes to financial statements; and

(iii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature 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.

SUBSIDIARY COMPANIES

The details of the subsidiary companies are disclosed in Note 10 to the financial statements.

SIGNIFICANT EVENT

The details of the significant event are disclosed in Note 44 to the financial statements.

AUDITORS

The Auditors, Messrs. UHY, have expressed their willingness to continue in office.

The details of the auditors' remuneration are set out in Note 31(a) to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 23 April 2021.

TAN SRI DATUK SERI PANGLIMA SULONG MATJERAIE

CHOW SECK KAI

KUALA LUMPUR

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act 2016

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 78 to 180 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 23 April 2021.

TAN SRI DATUK SERI PANGLIMA SULONG MATJERAIE

CHOW SECK KAI

KUALA LUMPUR

STATUTORY DECLARATION

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

I, Lee Heng Aun, the officer primarily responsible for the financial management of Ho Hup Construction Company Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 78 to 180 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 23 April 2021.)

LEE HENG AUN
(MIA Membership No. 10104)

Before me,

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

To the Members of Ho Hup Construction Company Berhad

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Ho Hup Construction Company Berhad, which comprise the statements of financial position as at 31 December 2020 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 78 to 180.

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 2020, 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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. 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.

Impairment assessment of goodwill and land rights

Refer to Note 3(o) (Significant Accounting Policies), Note 2(d) (Significant Accounting Judgements, Estimates and Assumptions) and Note 6 (Intangible Assets).

The carrying values of goodwill and land rights of the Group as at 31 December 2020 are RM10.98 million and RM87.26 million respectively.

Goodwill is subject to annual impairment testing and land rights are tested for impairment when there is indication of impairment. We focused on these areas as the determination of recoverable amounts of cash-generating-unit based on value-in-use calculations by management involved a significant degree of judgement and assumptions.

Our audit procedures performed in relation to management's impairment assessment included the following:

- Assessed the reliability of management's forecast through the review of past trends of actual financial performances against previous forecasted results;
- Assessed the key assumptions on which the cash flow projections are based, by amongst others, comparing them against business plans, historical results and market data;
- Evaluated the appropriateness of the discount rate used to determine the present value of the cash flows and whether the rate used reflects the current market assessments of the time value of money and the risks specific to the asset.
- Performed sensitivity analysis on key assumptions to evaluate impact on the impairment assessment; and
- Assessed the adequacy and reasonableness of the disclosures in the financial statements.

Based on the procedures performed, we noted no significant exceptions.

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

Key Audit Matters (Cont'd)

Revenue and cost recognition on construction contracts and property development activities

Refer to Note 3(g)&(t) (Significant Accounting Policies), Note 2(d) (Significant Accounting Judgements, Estimates and Assumptions), Note 7 (Inventories and Other Contract Costs), Note 14 (Contract Assets/Liabilities) and Note 29 (Revenue).

A significant proportion of the Group's and of the Company's revenues and profits are derived from construction contracts and property development projects which span more than one accounting period. The Group and the Company use percentage-of-completion method in accounting for construction contracts and property development activities. The stage of completion is measured by reference to the proportion of actual costs incurred for work performed to date to the estimated total costs for the project.

We focused on this area because management applies significant judgement in determining the stage of completion, extent of costs incurred and estimated total costs, as well as appropriateness of provision for liquidated ascertained damages.

Our audit procedures performed in this area included, among others:

- Tested the Group's and the Company's controls by checking for evidence of reviews and approvals over construction contract and property development costs, setting budgets and authorising and recording of actual costs incurred;
- Challenged the assumptions in deriving at the estimates of construction contract and property development costs. This includes comparing the actual margins achieved of previous similar completed projects to estimates and compared the estimated costs to supporting documentation such as approved budgets, quotations, contracts and variation orders with sub-contractors;
- Agreed a sample of costs incurred to date to relevant documents such as sub-contractor claim certificates, verified by the Group's and Company's internal quantity surveyor or the employers;
- In instances where projects have been delayed, we have tested management's estimates of the liquidated ascertained damages provisions required to supporting documentation such as signed sale and purchase agreements with unit buyers, correspondences with unit buyers or sub-contractors and extension of time approvals;
- Reviewed management's workings on the computation of percentage-of-completion; and
- Assessed the adequacy and reasonableness of the disclosures in the financial statements.

Based on the procedures performed, we noted no significant exceptions.

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.

Independent Auditors' Report

To the Members of Ho Hup Construction Company Berhad

(Cont'd)

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional 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, misrepresentation, 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 of 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.

Independent Auditors' Report

To the Members of Ho Hup Construction Company Berhad

(Cont'd)

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

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiary companies of which we have not acted as auditors, are disclosed in Note 10 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.

UHY
Firm Number: AF 1411
Chartered Accountants

LIM WAN YINN
Approved Number: 03262/04/2023 J
Chartered Accountant

KUALA LUMPUR

23 April 2021

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2020

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	4	216,450	218,783	3,604	2,509
Investment properties	5	122,023	124,628	–	–
Intangible assets	6	99,163	102,174	–	–
Inventories and other contact costs	7	83,260	13,913	–	–
Quarry development cost	8	6,146	7,046	–	–
Right-of-use assets	9	26,083	21,405	9,818	1,502
Investment in subsidiary companies	10	–	–	134,003	87,928
Investments in associates	11	–	–	–	–
Investments in joint ventures	12	404	417	375	375
Other investment	13	2,659	–	–	–
		556,188	488,366	147,800	92,314
Current Assets					
Inventories and other contract costs	7	315,677	304,949	–	–
Contract assets	14	48,881	114,982	23,249	56,766
Trade receivables	15	280,422	203,950	41,845	24,881
Other receivables	16	100,065	107,569	56,230	38,295
Amount due from subsidiary companies	17	–	–	533,678	337,456
Amount due from a joint venture	18	99	99	99	99
Tax recoverable		52	16	2	–
Fixed deposits with licensed banks	19	7,588	31,383	7,475	27,125
Cash and bank balances	19	41,601	54,186	17,657	10,361
		794,385	817,134	680,235	494,983
Total Assets		1,350,573	1,305,500	828,035	587,297

Statements of Financial Position

As at 31 December 2020

(Cont'd)

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
EQUITY					
Share capital	20	225,007	225,007	225,007	225,007
Reserves	21	210,222	207,577	86,469	91,495
Equity attributable to owners of the parent		435,229	432,584	311,476	316,502
Non-controlling interests		13,551	13,621	–	–
Total Equity		448,780	446,205	311,476	316,502
LIABILITIES					
Non-Current Liabilities					
Finance lease liabilities	22	–	–	–	–
Lease liabilities	23	11,521	11,131	5,136	407
Bank borrowings	24	321,846	163,931	12,199	13,797
Deferred tax liabilities	25	22,124	22,127	759	218
		355,491	197,189	18,094	14,422
Current Liabilities					
Contract liabilities	14	29,446	–	–	–
Provision for liquidated ascertained damages	26	1,001	10,143	15,958	15,958
Trade payables	27	112,108	151,216	54,073	66,796
Other payables	28	143,610	262,291	103,783	138,482
Finance lease liabilities	22	–	–	–	–
Lease liabilities	23	7,971	5,814	3,123	1,398
Bank borrowings	24	188,086	191,480	87,652	29,969
Amount due to subsidiary companies	17	–	–	229,126	1,954
Provision for taxation		64,080	41,162	4,750	1,816
		546,302	662,106	498,465	256,373
Total Liabilities		901,793	859,295	516,559	270,795
Total Equity and Liabilities		1,350,573	1,305,500	828,035	587,297

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue	29	315,925	371,368	60,070	194,018
Cost of sales		(165,417)	(221,400)	(55,518)	(173,883)
Gross profit		150,508	149,968	4,552	20,135
Other income		13,237	5,270	15,731	19,277
Administrative expenses		(14,906)	(15,523)	(7,895)	(9,542)
Other expenses		(47,214)	(38,737)	(7,664)	(19,205)
Net loss/(gain) on impairment on financial instruments		(2,005)	(314)	73	(232)
Finance costs	30	(23,140)	(24,565)	(6,184)	(6,446)
Share of results of associates and joint ventures		(13)	(16)	–	–
Profit/(Loss) before tax	31	76,467	76,083	(1,387)	3,987
Taxation	32	(28,167)	(24,497)	(3,639)	(2,046)
Profit/(Loss) for the financial year		48,300	51,586	(5,026)	1,941
Other comprehensive income/(loss):					
Items that are or may be reclassified subsequently to profit or loss					
Exchange translation differences for foreign operations		339	(36)	–	–
Other comprehensive income/(loss) for the financial year		339	(36)	–	–
Total comprehensive income/(loss) for the financial year		48,639	51,550	(5,026)	1,941

Statements of Profit or Loss and Other Comprehensive Income

For the financial year ended 31 December 2020

(Cont'd)

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Profit/(Loss) for the financial year attributable to:					
Owners of the parent		48,483	51,500	(5,026)	1,941
Non-controlling interests		(183)	86	–	–
		48,300	51,586	(5,026)	1,941
Total comprehensive income/(loss) attributable to:					
Owners of the parent		48,709	51,467	(5,026)	1,941
Non-controlling interests		(70)	83	–	–
		48,639	51,550	(5,026)	1,941
Earnings per share					
Basic earnings per share (sen)	33(i)	11.8	13.5		
Diluted earnings per share (sen)	33(ii)	11.8	13.5		

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2020

	Note	Attributable to Owners of the Parent								
		Non-Distributable								
		Share Capital RM'000	Share Premium RM'000	Foreign Currency Translation Reserve RM'000	Employee Share Option Reserve RM'000	Other Reserves RM'000	Distributable Retained Earnings RM'000	Total RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
Group										
At 1 January 2020		225,007	–	(1,466)	766	(29,687)	237,964	432,584	13,621	446,205
Profit for the financial year		–	–	–	–	–	48,483	48,483	(183)	48,300
Other comprehensive income for the financial year		–	–	226	–	–	–	226	113	339
Total comprehensive income for the financial year		–	–	226	–	–	48,483	48,709	(70)	48,639
Transactions with owners:										
ESOS expired		–	–	–	(766)	–	766	–	–	–
Acquisition of additional interest from non-controlling interest		–	–	–	–	(46,064)	–	(46,064)	–	(46,064)
Total transaction with owners		–	–	–	(766)	(46,064)	766	(46,064)	–	(46,064)
At 31 December 2020		225,007	–	(1,240)	–	(75,751)	287,213	435,229	13,551	448,780

Statements of Changes in Equity

For the financial year ended 31 December 2020

(Cont'd)

	Note	Attributable to Owners of the Parent									
		Non-Distributable									
		Share Capital RM'000	Share Premium RM'000	Foreign Currency Translation Reserve RM'000	Warrant Reserve RM'000	Employee Share Option Reserve RM'000	Other Reserves RM'000	Distributable Retained Earnings RM'000	Total RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
Group											
At 1 January 2019, as previously reported		207,574	–	(1,433)	–	766	(29,687)	186,499	363,719	13,538	377,257
Effect of adopting MFRS 916		–	–	–	–	–	–	(35)	(35)	–	(35)
At 1 January 2019, as restated		207,574	–	(1,433)	–	766	(29,687)	186,464	363,684	13,538	377,222
Profit for the financial year		–	–	–	–	–	–	51,500	51,500	86	51,586
Other comprehensive income for the financial year		–	–	(33)	–	–	–	–	(33)	(3)	(36)
Total comprehensive income for the financial year		–	–	(33)	–	–	–	51,500	51,467	83	51,550
Transaction with owners:											
Issue of ordinary shares - private placement	20	17,433	–	–	–	–	–	–	17,433	–	17,433
Total transaction with owners		17,433	–	–	–	–	–	–	17,433	–	17,433
At 31 December 2019		225,007	–	(1,466)	–	766	(29,687)	237,964	432,584	13,621	446,205

Statements of Changes in Equity

For the financial year ended 31 December 2020

(Cont'd)

	Note	Attributable to Owners of the Parent			
		Non-distributable			
		Share Capital RM'000	Employee Share Option Reserve RM'000	Distributable Retained Earnings RM'000	Total Equity RM'000
Company					
At 1 January 2020		225,007	766	90,729	316,502
Loss for the financial year, representing total comprehensive loss for the financial year		–	–	(5,026)	(5,026)
Transaction with owners:					
ESOS expired		–	(766)	766	–
At 31 December 2020		225,007	–	86,469	311,476
At 1 January 2019		207,574	766	88,788	297,128
Profit for the financial year, representing total comprehensive income for the financial year		–	–	1,941	1,941
Transaction with owners:					
Issue of ordinary shares - private placement	20	17,433	–	–	17,433
At 31 December 2019		225,007	766	90,729	316,502

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2020

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash Flows from Operating Activities				
Profit/(loss) before tax	76,467	76,083	(1,387)	3,987
Adjustments for:				
Depreciation of:				
- property, plant and equipment	6,965	1,880	508	93
- investment properties	2,605	1,608	–	–
- right-of-use assets	4,984	2,425	653	94
Amortisation of:				
- intangible assets	9	15	–	–
- land rights	2,896	3,390	–	–
- quarrying rights	114	–	–	–
- quarry development cost	900	–	–	–
Impairment loss on trade receivables	2,332	314	–	232
Reversal on impairment loss on trade receivables	–	–	(73)	–
Property, plant and equipment writen off	75	–	–	–
Share of results of joint ventures	13	16	–	–
Gain on disposal of:				
- property, plant and equipment	(1,465)	(258)	–	–
- other investments	(4,637)	(779)	–	–
Fair value gain on other investments	(327)	–	–	–
Gain on lease modification	(1)	–	–	–
Interest income	(1,351)	(1,996)	(3,124)	(259)
Finance costs	23,140	24,565	6,184	6,446
Operating profit before working capital changes	112,719	107,263	2,761	10,593
Changes in working capital:				
Change in contract assets	66,101	(15,597)	33,517	4,780
Change in contract liabilities	29,446	(8,409)	–	(16,868)
Change in inventories and other contract costs	(72,070)	(15,363)	–	–
Change in provision	–	(2,976)	–	2,839
Changes in receivables	(71,300)	(53,840)	(19,552)	(55,943)
Changes in payables	(166,931)	151,760	173,531	89,345
	(214,754)	55,575	187,496	24,153
Cash (used in)/generated from operations	(102,035)	162,838	190,257	34,746
Interest paid	(31,145)	(37,257)	(6,184)	(6,446)
Interest received	1,351	1,996	3,124	259
Tax refunded	–	192	–	20
Tax paid	(5,288)	(10,955)	(165)	(10)
	(35,082)	(46,024)	(3,225)	(6,177)
Net cash (used in)/from operating activities	(137,117)	116,814	187,032	28,569

Statements of Cash Flows

For the financial year ended 31 December 2020

(Cont'd)

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash Flows from Investing Activities				
Purchase of:				
- property, plant and equipment (Note 4(a))	(5,219)	(64,644)	(1,603)	(2,337)
- right of use assets (Note 9)	(188)	–	–	–
Additions to inventories - land held for property development	–	(4,000)	–	–
Proceeds from disposal of:				
- property, plant and equipment	1,978	10,911	–	–
Addition in quarry development cost	–	(801)	–	–
Net repayment (advances to)/from subisdiary companies	–	–	(211,496)	60,339
Investment in subsidiary companies	(46,064)	–	(46,075)	(10)
Change in pledged deposits	10,496	(5,791)	3,862	(3,963)
Net cash (used in)/from investing activities	(36,692)	(62,362)	(255,312)	54,029
Cash Flows from Financing Activities				
Proceeds from private placement	–	17,433	–	17,433
Drawdown of borrowings	266,048	12,775	75,000	–
Advance from subsidiary company	–	–	6,219	–
Drawdown of lease liabilities	–	265	–	265
Repayment of lease liabilities	(6,926)	(4,700)	(2,515)	(1,053)
Repayment of borrowings	(104,272)	(21,029)	(18,263)	(76,433)
Net cash from/(used in) financing activities	154,850	4,744	60,441	(59,788)
Net (decrease)/increase in cash and cash equivalents	(18,959)	59,196	(7,839)	22,810
Exchange translation differences on cash and cash equivalents	330	(92)	–	–
Cash and cash equivalents at the beginning of the financial year	46,325	(12,779)	16,934	(5,876)
Cash and cash equivalents at the end of the financial year (Note 19)	27,696	46,325	9,095	16,934

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

1. CORPORATE INFORMATION

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

The principal place of business of the Company is located at Level 18, Ho Hup Tower, No.1, Jalan Persiaran Jalil 1, Bandar Bukit Jalil, 57000 Kuala Lumpur.

The registered office of the Company is located at Ho Hup Tower - Aurora Place, 2-07-01 - Level 7, Plaza Bukit Jalil, No. 1, Jalan Persiaran Jalil 1, Bandar Bukit Jalil, 57000 Kuala Lumpur.

The principal activities of the Company are those of investment holding, foundation engineering, civil engineering, building contracting works and the provision of management services for subsidiary companies. The principal activities of the subsidiary companies are disclosed in Note 10. There have been no significant changes in the nature of these activities during the financial year.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Adoption of new and amended standards

During the financial year, the Group and the Company have adopted the following amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for current financial year:

Amendments to References to the Conceptual Framework in MFRS Standards	
Amendments to MFRS 3	Definition of a Business
Amendments to MFRS 9, MFRS 139 and MFRS 7	Interest Rate Benchmark Reform
Amendments to MFRS 101 and MFRS 108	Definition of Material
Amendments to MFRS 4	Extension of the Temporary Exemption from Applying MFRS 9
Amendments to MFRS 16	Covid-19-Related Rent Concessions

2. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (Cont'd)

The adoption of the amendments to MFRSs did not have any significant impact on the financial statements of the Group and of the Company.

Standards issued but not yet effective

The Group and the Company have not applied the following new MFRSs, IC Interpretations and amendments to MFRSs that have been issued by the MASB but are not yet effective for the Group and for the Company:

		Effective dates for financial periods beginning on or after
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16	Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to MFRS 16	Covid-19 Related Rent Concessions beyond 30 June 2021	1 April 2021
Amendments to MFRS 3	Reference to the Conceptual Framework	1 January 2022
Annual Improvements to MFRSs Standards 2018 – 2020: • Amendments to MFRS 1 • Amendments to MFRS 9 • Amendments to MFRS 16 • Amendments to MFRS 141		1 January 2022
Amendments to MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137	Onerous Contracts – Cost of Fulfilling a contract	1 January 2022
MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 101	Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108	Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

The Group and the Company intend to adopt the above MFRSs and amendments to MFRSs when they become effective.

The initial applications of the abovementioned MFRSs are not expected to have any significant impacts on the financial statements of the Group and of the Company.

(b) Basis of measurement

The financial statements of the Group and of the Company have been prepared under the historical cost basis, unless otherwise indicated in the significant accounting policies in Note 3.

(c) Functional and Presentation Currencies

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

2. BASIS OF PREPARATION (CONT'D)

(d) Significant accounting judgements, estimates and assumptions

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

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

Revenue and cost recognition on construction contracts and property development activities

The Group and the Company recognise revenue and cost from construction contract and property development activities in the profit or loss by using input method by reference to the stage of completion method. The stage of completion is determined by the proportion that contract cost or property development costs incurred for work performed to date bear to the estimated total contract or property development costs.

Significant judgement is involved in determining the stage of completion, extent of costs incurred and estimated total costs, as well as appropriateness of provision for liquidated ascertained damages.

Where the total actual revenue and cost incurred are different from the total estimated revenue and cost incurred, such differences will impact the contract profit or losses recognised.

Significant judgement is required in estimating the progress towards complete satisfaction of performance obligations and determining whether there is any exposure to Liquidated Ascertained Damage ("LAD") based on the facts and circumstances of the relevant construction or development projects being delayed. In making these judgements, the Group and the Company evaluate based on experience and by relying on the work of specialists.

The carrying amount of property development costs and contract assets/liabilities arising from performance under construction contracts at the reporting date are disclosed in Notes 7(i) and 14 respectively.

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group and the Company determine the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group and the Company have several lease contracts that include extension and termination options. The Group and the Company apply judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group and the Company reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

Useful lives of property, plant and equipment and right-of-use ("ROU") assets

The Group and the Company regularly review the estimated useful lives of property, plant and equipment and ROU assets based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment and ROU assets would increase the recorded depreciation and decrease the value of property, plant and equipment and ROU assets. The carrying amount of the plant and equipment and ROU assets are disclosed in Notes 4 and 9.

2. BASIS OF PREPARATION (CONT'D)

(d) Significant accounting judgements, estimates and assumptions (Cont'd)

Impairment of goodwill, quarrying right and land rights

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy in Note 3(o)(ii) on impairment of non-financial assets. The Group also assesses impairment of land rights whenever events or changes in circumstances indicate the carrying amount may not be recoverable (i.e. carrying amount is more than the recoverable amount).

When value-in-use calculations are undertaken, management estimates the expected future cash flows from the cash generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows. The preparation of the estimated future cash flows involves significant judgement and estimations. While the Group believes that the assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable amounts and may lead to future impairment losses.

Their carrying amounts as at end of the reporting period and key assumptions applied in the impairment assessment of goodwill are given in Note 6.

Impairment of investment in subsidiary companies

The Company reviews its investments in subsidiary companies when there are indicators of impairment. Impairment is measured by comparing the carrying amount of an investment with its recoverable amount. Significant judgement is required in determining the recoverable amount. Estimating the recoverable amount requires the Company to make an estimate of the expected future cash flows from the cash-generating units and also to determine a suitable discount rate in order to calculate the present value of those cash flows.

The carrying amount at the reporting date for investments in subsidiary companies is disclosed in Note 10.

Provision for ECLs of trade and other receivables and contract assets

The Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments in calculating ECLs for trade and other receivables and contract assets. The amount and timing of future cash flows are then estimated based on historical credit loss experience for assets with similar credit risk characteristics and adjusted with forward-looking information such as forecast economic conditions. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's and the Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's and on the Company's contract assets and trade and other receivables is disclosed in Notes 14, 15 and 16 respectively.

Discount rate used in leases

Where the interest rate implicit in the lease cannot be readily determined, the Group and the Company use the incremental borrowing rate to measure the lease liabilities. The incremental borrowing rate is the interest rate that the Group and the Company would have to pay to borrow over a similar term, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Therefore, the incremental borrowing rate requires estimation, particularly when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

2. BASIS OF PREPARATION (CONT'D)

(d) Significant accounting judgements, estimates and assumptions (Cont'd)

Income taxes

Judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group and the Company recognise liabilities for tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these tax matters is different from the amounts that were initially recognised, such differences will impact the income tax and/or deferred tax provisions in the period in which such determination is made.

3. SIGNIFICANT ACCOUNTING POLICIES

The Group and the Company apply the significant accounting policies set out below, consistently throughout all periods presented in the financial statements unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiary companies

Subsidiary companies are all entities (including structured entities) over which the Group has control. 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.

Subsidiary companies are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary company is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed off in profit or loss as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is re-measured at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end to the reporting period in which the combinations occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (which cannot exceed one year from the acquisition date), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date, if known, would have affected the amounts recognised at that date.

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Unrealised losses are eliminated only if there is no indication of impairment. Where necessary, accounting policies of subsidiary companies have been changed to ensure consistency with the policies adopted by the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

(i) Subsidiary companies (Cont'd)

In the Company's separate financial statements, investments in subsidiary companies are stated at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts are recognised in profit or loss. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(o)(ii) to the financial statements on impairment of non-financial assets.

(ii) Change in ownership interests in subsidiary companies without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary company is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiary companies

If the Group loses control of a subsidiary company, the assets and liabilities of the subsidiary company, including any goodwill, and non-controlling interests are derecognised at their carrying value on the date that control is lost. Any remaining investment in the entity is recognised at fair value. The difference between the fair value of consideration received and the amounts derecognised and the remaining fair value of the investment is recognised as a gain or loss on disposal in profit or loss. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

(iv) Goodwill on consolidation

The excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary company acquired (ie. a bargain purchase), the gain is recognised in profit or loss.

Following the initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment annually or more frequent when there is objective evidence that the carrying amount may be impaired. See accounting policy Note 3(o)(ii) to the financial statements on impairment of non-financial assets.

(b) Investments in associates and joint ventures

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

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Investments in associates and joint ventures (Cont'd)

On acquisition of an investment in an associate or joint venture, any excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill and included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the investee over the cost of investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of associate's or joint venture's profit or loss for the period in which the investment is acquired.

An associate or a joint venture is equity accounted for from the date on which the investee becomes an associate or a joint venture. Under the equity method, on initial recognition the investment in an associate or a joint venture is recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of profit or loss and other comprehensive income of the associate or joint venture after the date of acquisition. When the Group's share of losses in an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Profits or losses resulting from upstream and downstream transactions between the Group and its associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of unrelated investors' interests in the associate or joint venture. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the assets transferred.

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

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

In the Company's separate financial statements, investments in associates and joint ventures are stated at cost less accumulated impairment losses. On disposal of such investments, the differences between net disposal proceeds and their carrying amounts are recognised in profit or loss. When an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(o)(ii) to the financial statements on impairment of non-financial assets.

(c) Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the MFRSs applicable to the particular assets, liabilities, revenues and expenses.

Profits and losses resulting from transactions between the Group and its joint operation are recognised in the Group's consolidated financial statements only to the extent of unrelated investors' interests in the joint operation.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Foreign currency

(i) Foreign currency transactions

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

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

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

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments where they are measured at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge, which are recognised in other comprehensive income.

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

(ii) Foreign operations

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

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

(e) Property, plant and equipment

(i) Recognition and measurement

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

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Property, plant and equipment (Cont'd)

(i) Recognition and measurement (Cont'd)

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

Property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

Buildings	50 years
Furniture, fittings and office equipment	5 - 10 years
Motor vehicles	5 years
Plant and machinery	3 - 20 years
Renovations	10 years
Tools and technical equipment	5 - 10 years

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

(f) Intangible assets

(i) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful lives and amortisation methods are reviewed at the end of each reporting date, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Intangible assets (Cont'd)

(ii) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair values at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

(iii) Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

See accounting policy Note 3(o)(ii) on impairment of non-financial assets for intangible assets.

(g) Inventories and other contract costs

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

(i) Land held for property development

The cost of land held for property development is stated at the lower of cost and net realisable value. The cost of land held for property development consists of the purchase price of the land, professional fees, stamp duties, commissions, conversion fees, other relevant levies and direct development cost incurred in preparing the land for development.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated cost necessary to make the sale.

Land held for property development for which no significant development work has been undertaken or where development activities are not expected to be completed within the normal operating cycle, is classified as non-current asset.

Land held for property development is transferred to property development costs (under current assets) when development activities have commenced and where development activities can be completed within the Group's and the Company's normal operating cycle.

(ii) Property development costs

Cost is determined based on a specific identification basis. Cost is determined based on a specific identification basis. Property development costs comprising costs of land, land enhancement costs, direct materials, direct labour, other direct costs, attributable overheads and payments to sub-contractors that meet the definition of inventories are recognised as an asset and are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable selling expenses. The property development costs is subsequently recognised as an expense in income statements when or as the control of the asset is transferred to the customer.

Property development costs for which work has been undertaken and development activities are expected to be completed within the Group's and the Company's normal operating cycle, is classified as current asset.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Inventories and other contract costs (Cont'd)

(iii) Completed properties held for sale

The cost of completed properties is stated at the lower of historical cost and net realisable value. Historical cost includes, where relevant, cost associated with the acquisition of land, including all related costs incurred subsequent to the acquisition necessary to prepare the land for its intended case, related development costs to projects, direct building costs and other costs of bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

(iv) Construction materials

The cost of construction materials is stated at the lower of historical cost and net realisable value.

The cost of inventories is calculated using the first-in, first-out method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overhead based on normal operating capacity.

Net realisable value in the estimated selling price in the ordinary course of business, less estimated cost of completion and the estimated costs necessary to make the sales.

(v) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (see Note 3(g)(i)-(iv)), property, plant and equipment (see Note 3(e)) or intangible assets (see Note 3(f)).

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract. Other costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in Note 3(t).

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Contract assets/Contract liabilities

A contract asset is recognised when the Group's or the Company'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* (see Note 3(o)(i)).

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

(i) Quarry development expenditure

Quarry development expenditure comprises direct cost of development, cost of site infrastructure and other related expenses. Quarry development expenditure is amortised upon commencement of commercial rock extraction activities. Quarry development expenditure is amortised over the remaining lease term of 9 years, expiring on 25 March 2028. The quarry development expenditure is written off immediately to profit or loss to the extent that the unamortised balance is no longer probable of being recovered.

(j) Leases

As lessee

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

The right-of-use asset is subsequently measured at cost less any accumulated depreciation, accumulated impairment loss and, if applicable, adjusted for any remeasurement of lease liabilities. The policy of recognition and measurement of impairment losses is in accordance with Note 3(o)(ii) to the financial statements.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property, plant and equipment as follows:

Leasehold land and buildings	2 %, or over the lease term, if shorter
Plant and machinery	10 years
Motor vehicles	5 years
Tools and technical equipment	10 years

The ROU assets are subject to impairment.

The lease liability is initially measured at the present value of future lease payments at the commencement date, discounted using the Group's and the Company's incremental borrowing rates. Lease payments included in the measurement of the lease liability include fixed payments, any variable lease payments, amount expected to be payable under a residual value guarantee, and exercise price under an extension option that the Group and the Company are reasonably certain to exercise.

Variable lease payments that do not depend on an index or a rate and are dependent on a future activity are recognised as expenses in profit or loss in the period in which the event or condition that triggers the payment occurs.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in rate, or if the Group or the Company changes its assessment of whether it will exercise an extension or termination option.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Leases (Cont'd)

As lessee (Cont'd)

Lease payments associated with short term leases and leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short term leases are leases with a lease term of 12 months or less and do not contain a purchase option. Low value assets are those assets valued at less than RM20,000 each when purchased new.

As lessor

When the Group or Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. Leases in which the Group and the Company do not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases.

If the lease arrangement contains lease and non-lease components, the Group and the Company apply MFRS 15 Revenue from Contracts with Customers to allocate the consideration in the contract based on the stand-alone selling price.

The Group and the Company recognise assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease. The Group and the Company use the interest rate implicit in the lease to measure the net investment in the lease.

The Group and the Company recognise lease payments under operating leases as income on a straight-line basis over the lease term unless another systematic basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished. The lease payment recognised is included as part of "Other income". Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(k) Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Investment properties are measured at cost, including transaction costs, less any accumulated depreciation and impairment losses.

The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Investment properties are depreciated on a straight-line basis to write down the cost of each asset to their residual values over their estimated useful lives as follow:

Buildings	50 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(o)(ii) to the financial statements on impairment of non-financial assets.

Investment properties are derecognised upon disposal or when they are permanently withdrawn from use and no future economic benefits are expected from their disposal. Upon disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, bank balances, demand deposits, bank overdrafts and highly liquid investments that are readily converted to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(m) Financial instruments

(i) Recognition and initial measurement

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

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price. An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

Financial assets

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

(a) Amortised cost

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

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 3(o)(i)) where the effective interest rate is applied to the amortised cost.

Notes to the Financial Statements

31 December 2020

(Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Financial instruments (Cont'd)

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

Financial assets (Cont'd)

(b) Fair value through other comprehensive income

(i) Debt investments

Fair value through other comprehensive income category comprises debt investment where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the debt investment, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The debt investment is not designated as at fair value through profit or loss. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss. Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 3(o)(i)) where the effective interest rate is applied to the amortised cost.

(ii) Equity investments

This category comprises investment in equity that is not held for trading, and the Group and the Company irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

(c) Fair value through profit or loss

All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through other comprehensive income, are subject to impairment assessment (see Note 3(o)(i)).

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Financial instruments (Cont'd)

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

Financial liabilities

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

(a) Fair value through profit or loss

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

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

(a) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;
(b) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel; or
(c) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

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

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

(b) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

(iii) Regular way purchase or sale of financial assets

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

Trade date accounting refers to:

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

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

Notes to the Financial Statements

31 December 2020

(Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Financial instruments (Cont'd)

(iii) Regular way purchase or sale of financial assets (Cont'd)

Settlement date accounting refers to:

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

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

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

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

(iv) Financial guarantee contracts

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

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

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

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

(v) Derecognition

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

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

(vi) Offsetting

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Compound financial instruments

A compound financial instrument is a non-derivative financial instrument that contains both a liability and an equity component.

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder, when the number of shares to be issued does not vary with changes in their fair value.

The proceeds are first allocated to the liability component, determined based on the fair value of a similar liability that does not have a conversion feature or similar associated equity component. The residual amount is allocated as the equity component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Interest and losses and gains relating to the financial liability are recognised in profit or loss. On conversion, the financial liability is reclassified to equity; no gain or loss is recognised on conversion.

(o) Impairment

(i) Financial assets

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, contract assets and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, when there is evidence that there is a significant increase in credit risk from the debtors due to actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations or the asset is credit impaired. The Group and the Company measure a receivables with low risk of default and a strong capacity to meet contractual cash flows and no significant increase in the credit risk since initial recognition, debt securities that are determined to have low credit risk at the reporting date and cash and bank balance at 12-month expected credit loss.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Impairment (Cont'd)

(i) Financial assets (Cont'd)

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

(ii) Other assets

The carrying amounts of other assets (except for inventories and contract assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

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

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

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

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

(p) Equity instrument

(i) Issue expenses

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

(ii) Ordinary shares

Ordinary shares are classified as equity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Equity instrument (Cont'd)

(iii) Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or is redeemable but only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity.

Preference share capital is classified as financial liability if it is redeemable on a specific date or at the option of the equity holders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

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

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

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

(v) Distributions of assets to owners of the Company

The Group and the Company measure a liability to distribute assets as a dividend to the owners of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at each reporting period and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Group recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

(q) Provisions

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

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

Any reimbursement that the Group and the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. The expense relating to any provision is presented in the statements of profit or loss and other comprehensive income net of any reimbursement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Employee benefits

(i) Short term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the reporting period in which the associated services are rendered by employees of the Group and of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensation absences. Short term non-accumulating compensated absences such as sick and medical leave are recognised when the absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

(ii) Defined contribution plans

As required by law, companies in Malaysia contribute to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the profit or loss as incurred. Once the contributions have been paid, the Group have no further payment obligations.

(iii) Equity-settled share-based payment transaction

The Group operates an equity-settled, share-based compensation plan for the employees of the Group. Employee services received in exchange for the grant of the share options is recognised as an expense in the profit or loss over the vesting periods of the grant with a corresponding increase in equity.

For options granted to the employees of the subsidiary companies, the fair value of the options granted is recognised as cost of investment in the subsidiary companies over the vesting period with a corresponding adjustment to equity in the Company's financial statements.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to be vested. At the end of each reporting date, the Group revises its estimates of the number of share options that are expected to be vested. It recognises the impact of the revision of original estimates, if any, in the profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised. When options are not exercised and lapsed, the share option reserve is transferred to retained earnings.

(s) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(t) Revenue and other income

Income is classified by the Group and by the Company as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's and of the Company's assets under leases in the ordinary course of the Group's and of the Company's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group and the Company are expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group and to the Company, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group and the Company take advantage of the practical expedient in paragraph 63 of MFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's and of the Company's revenue and other income recognition policies are as follows:

(a) Construction contracts

A contract with a customer is classified by the Group and by the Company as a construction contract when the contract relates to work on assets under the control of the customer and therefore the Group's and the Company's construction activities create or enhance an asset under the customer's control.

When the outcome of a construction contract can be reasonably measured, revenue from the contract is recognised progressively over time using the cost-to-cost method, i.e. based on the proportion of the actual costs incurred relative to the estimated total costs.

The likelihood of the Group and of the Company suffering contractual penalties for late completion are taken into account in making these estimates, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, then a provision is recognised in accordance with the policy set out in Note 3(q).

(b) Revenue from property development

Property development contracts with customers may include multiple promises to customers and are accounted for as separate performance obligations. Transaction price will be allocated to each performance obligation based on the stand-alone selling prices. When these are not directly observable, they are estimated based on expected cost-plus margin.

Revenue from property development is recognised as and when the control of the asset is 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 does not create an asset with an alternative use to the Group and to the Company and the Group and the Company have an enforceable right to payment for performance completed to-date.

Notes to the Financial Statements

31 December 2020

(Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(t) Revenue and other income (Cont'd)

(b) Revenue from property development (Cont'd)

If control of the asset transfers over time, revenue is recognised over the period of the contract by using an input method which is based on cost incurred to-date relative to the total expected cost to the satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The Group and the Company recognise 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.

(c) Sale of goods

Revenue from sale of goods and services is recognised at a point in time when control of the assets is transferred to the customer, generally on the delivery of the goods.

(d) Interest income

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

(e) Rental income from operating lease

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(f) Management fee

Management fee is recognised when services are rendered.

(u) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) Income tax (Cont'd)

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 embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

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

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

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against which the unutilised tax incentive can be utilised.

(v) Operating segments

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

(w) Contingencies

(i) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(ii) Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statements of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(x) Fair value measurement

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

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

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

Level 3: unobservable inputs for the asset or liability.

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

4. PROPERTY, PLANT AND EQUIPMENT

	Freehold buildings RM'000	Leasehold land and building RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Plant and machinery RM'000	Renovations RM'000	Tools and technical equipment RM'000	Building under construction RM'000	Total RM'000
Group									
2020									
Cost									
At 1 January 2020	203,931	–	8,399	6,577	70,760	7,894	3,331	–	300,892
Additions	–	–	308	399	161	3,834	–	517	5,219
Disposals	(641)	–	–	–	–	–	–	–	(641)
Written off	(75)	–	–	–	–	–	–	–	(75)
Exchange difference	4	–	17	–	–	–	–	–	21
Transfer to investment properties	(60)	–	–	–	–	–	–	–	(60)
At 31 December 2020	203,159	–	8,724	6,976	70,921	11,728	3,331	517	305,356
Accumulated depreciation									
At 1 January 2020	1,074	–	6,106	5,294	48,341	1,110	3,331	–	65,256
Charge for the financial year	4,079	–	433	384	1,003	1,063	3	–	6,965
Disposals	(128)	–	–	–	–	–	–	–	(128)
Written off	–	–	–	–	–	–	–	–	–
Exchange difference	5	–	15	–	–	–	–	–	20
Transfer to investment properties	(60)	–	–	–	–	–	–	–	(60)
At 31 December 2020	4,970	–	6,554	5,678	49,344	2,173	3,334	–	72,053
Accumulated impairment losses									
At 1 January 2020/ 31 December 2020	–	–	18	27	16,808	–	–	–	16,853
Carrying amount									
At 31 December 2020	198,189	–	2,152	1,271	4,769	9,555	(3)	517	216,450

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Freehold buildings RM'000	Leasehold land and building RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Plant and machinery RM'000	Renovations RM'000	Tools and technical equipment RM'000	Building under construction RM'000	Total RM'000
Group									
2019									
Cost									
At 1 January 2019	23,311	621	7,311	13,979	77,680	1,225	3,331	106,387	233,845
Effect of adopting MFRS 16	–	(621)	–	(7,268)	(7,027)	–	–	–	(14,916)
At 1 January 2019, as restated	23,311	–	7,311	6,711	70,653	1,225	3,331	106,387	218,929
Additions	56,782	–	1,086	–	107	6,669	–	2,343	66,987
Disposals	(10,630)	–	–	(134)	–	–	–	–	(10,764)
Reclassification	2,510	–	–	–	–	–	–	(2,510)	–
Transfer from inventories (Note 7(i))	138,498	–	–	–	–	–	–	–	138,498
Transfer to investment properties (Note 5)	(6,540)	–	–	–	–	–	–	(106,220)	(112,760)
Exchange difference	–	–	2	–	–	–	–	–	2
At 31 December 2019	203,931	–	8,399	6,577	70,760	7,894	3,331	–	300,892
Accumulated depreciation									
At 1 January 2019	738	218	5,838	7,479	48,512	1,042	3,331	–	67,158
Effect of adopting MFRS 16	–	(218)	–	(2,422)	(1,304)	–	–	–	(3,944)
At 1 January 2019, as restated	738	–	5,838	5,057	47,208	1,042	3,331	–	63,214
Charge for the financial year	408	–	267	348	1,133	68	–	–	2,224
Disposals	–	–	–	(111)	–	–	–	–	(111)
Transfer to investment properties (Note 5)	(72)	–	–	–	–	–	–	–	(72)
Exchange difference	–	–	1	–	–	–	–	–	1
At 31 December 2019	1,074	–	6,106	5,294	48,341	1,110	3,331	–	65,256
Accumulated impairment losses									
At 1 January 2019/ 31 December 2019	–	–	18	27	16,808	–	–	–	16,853
Carrying amount									
At 31 December 2019	202,857	–	2,275	1,256	5,611	6,784	–	–	218,783

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Freehold buildings RM'000	Leasehold land and building RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Plant and machinery RM'000	Renovations RM'000	Tools and technical equipment RM'000	Building under construction RM'000	Total RM'000
Company									
2020									
Cost									
At 1 January 2020	100	–	5,295	2,954	57,108	1,838	3,004	–	70,299
Additions	–	–	45	–	–	1,558	–	–	1,603
At 31 December 2020	100	–	5,340	2,954	57,108	3,396	3,004	–	71,902
Accumulated depreciation									
At 1 January 2020	60	–	4,129	2,927	40,300	518	3,003	–	50,937
Charge for the financial year	2	–	219	–	–	287	–	–	508
At 31 December 2020	62	–	4,348	2,927	40,300	805	3,003	–	51,445
Accumulated impairment losses									
At 1 January 2020/ At 31 December 2020	–	–	18	27	16,808	–	–	–	16,853
Carrying amount									
At 31 December 2020	38	–	974	–	–	2,591	1	–	3,604

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Freehold buildings RM'000	Leasehold land and building RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Plant and machinery RM'000	Renovations RM'000	Tools and technical equipment RM'000	Building under construction RM'000	Total RM'000
Company									
2019									
Cost									
At 1 January 2019	100	354	4,233	3,049	57,108	563	3,004	4,025	72,436
Effect of adopting MFRS 16	–	(354)	–	(95)	–	–	–	–	(449)
At 1 January 2019, as restated	100	–	4,233	2,954	57,108	563	3,004	4,025	71,987
Additions	–	–	1,062	–	–	1,275	–	–	2,337
Transfer to subsidiary company	–	–	–	–	–	–	–	(4,025)	(4,025)
At 31 December 2019	100	–	5,295	2,954	57,108	1,838	3,004	–	70,299
Accumulated depreciation									
At 1 January 2019	58	198	4,064	2,932	40,300	493	3,002	–	51,047
Effect of adopting MFRS 16	–	(198)	–	(5)	–	–	–	–	(203)
At 1 January 2019, as restated	58	–	4,064	2,927	40,300	493	3,002	–	50,844
Charge for the financial year	2	–	65	–	–	25	1	–	93
At 31 December 2019	60	–	4,129	2,927	40,300	518	3,003	–	50,937
Accumulated impairment losses									
At 1 January 2019/ At 31 December 2019	–	–	18	27	16,808	–	–	–	16,853
Carrying amount									
At 31 December 2019	40	–	1,148	–	–	1,320	1	–	2,509

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(a) The aggregate additional cost for the property, plant and equipment of the Group and of the Company during the financial year acquired under term loan and finance lease financing and cash payments are as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Aggregate costs	5,219	66,987	1,603	2,337
Less: Term loan financing	–	(526)	–	–
Less: Interest capitalised	–	(1,817)	–	–
Cash payments	5,219	64,644	1,603	2,337

(b) Assets pledged as securities to licensed banks

The carrying amount of property, plant and equipment amounted to approximately RM10,692,952 (2019: RM11,567,000) is pledged as securities for bank borrowings as disclosed in Note 24.

(c) Capitalisation of the borrowing costs

The amount of borrowing costs capitalised during the financial year was approximately RM Nil (2019: RM1,817,000) as disclosed in Note 30.

(d) Included in depreciation charged of the Group in the previous financial year was RM344,000 being capitalised into quarry development cost.

5. INVESTMENT PROPERTIES

	Group	
	2020 RM'000	2019 RM'000
Cost		
At 1 January	126,750	13,990
Transfer from property, plant and equipment (Note 4)	60	112,760
At 31 December	126,810	126,750
Accumulated depreciation		
At 1 January	2,122	442
Transfer from property, plant and equipment (Note 4)	60	72
Charge for the financial year	2,605	1,608
At 31 December	4,787	2,122
Carrying amount		
At 31 December	122,023	124,628

5. INVESTMENT PROPERTIES (CONT'D)

(a) Fair values of investment properties were based on internal appraisal using comparison method and valuations performed by an accredited independent firm of professional valuers based on the comparison method. The independent professional qualified valuers hold recognised relevant professional qualifications and have recent experience in the locations and segment of the investment properties valued.

The following table provides the fair value measurement hierarchy of the Group's investment properties:

	Level 2 RM'000
Group	
2020	
Investment properties	140,416
2019	
Investment properties	139,922

Level 2 fair value

The fair values have been derived using the sales comparison approach. Sales prices of comparable land and buildings in close proximity are adjusted for differences in key attributes such as location and property size. The most significant input into this valuation approach is price per square foot of comparable properties.

(b) Income and expenses recognised in profit or loss

	Group	
	2020 RM'000	2019 RM'000
Rental income	3,326	1,214
Direct operating expenses:		
- Income generating investment properties	1,702	104

(c) Investment properties pledged as securities to financial institutions

Investment properties of the Group amounting to approximately RM116,035,952 (2019: RM118,227,000) have been pledged to secure banking facilities granted to the Group as disclosed in Note 24.

6. INTANGIBLE ASSETS

	Software (Note a) RM'000	Goodwill on Consolidation (Note b) RM'000	Land Rights (Note c) RM'000	Quarrying Right (Note d) RM'000	Total RM'000
Group					
Cost					
At 1 January 2020	153	10,978	93,550	2,500	107,181
Exchange differences	19	–	–	–	19
At 31 December 2020	172	10,978	93,550	2,500	107,200
Amortisation					
At 1 January 2020	73	–	3,390	1,544	5,007
Amortisation for the financial year	9	–	2,896	114	3,019
Exchange differences	11	–	–	–	11
At 31 December 2020	93	–	6,286	1,658	8,037
Carrying amount					
At 31 December 2020	79	10,978	87,264	842	99,163
Group					
Cost					
At 1 January 2019	151	10,978	93,550	2,500	107,179
Exchange differences	2	–	–	–	2
At 31 December 2019	153	10,978	93,550	2,500	107,181
Amortisation					
At 1 January 2019	56	–	–	1,430	1,486
Amortisation for the financial year	15	–	3,390	114	3,519
Exchange differences	2	–	–	–	2
At 31 December 2019	73	–	3,390	1,544	5,007
Carrying amount					
At 31 December 2019	80	10,978	90,160	956	102,174

6. INTANGIBLE ASSETS (CONT'D)

(a) Software

This represents accounting software which has estimated useful lives of 5 years. The amortisation period is reviewed at least annually for appropriateness.

(b) Goodwill on consolidation

The aggregate carrying amounts of goodwill allocated to each cash-generating unit ("CGU") are as follows:

	Group	
	2020 RM'000	**2019 RM'000**
Golden Wave Sdn. Bhd.	187	187
Intact Corporate Approach Sdn. Bhd.	7,842	7,842
Ho Hup Quarries (Malacca) Sdn. Bhd.	2,949	2,949
	10,978	10,978

The recoverable amounts of CGUs in respect of the goodwill were determined based on value-in-use ("VIU") calculations. Cash flow projections used in these calculations were based on financial budgets approved by management covering a three to five-year period.

Key assumptions used in the VIU calculations for the goodwill impairment assessment are selling price per square foot, average room rate, occupancy rate, operating costs and margin. The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external sources and internal sources.

A pre-tax discount rates range from 5% to 10% (2019: 7% to 10%) per annum were applied in determining the recoverable amounts of the CGUs. The discount rates used are pre-tax and reflect the specific risks relating to the respective CGU.

Based on the assessment on impairment, no impairment is required for the goodwill.

A reasonable possible change in the key assumptions would not result in any impairment.

(c) Land rights

Land rights are being allocated arising from the excess of the fair value of the considerations given by the Company over the Company's share of the fair value of the net assets of the subsidiaries acquired. The land rights comprise:

(i) Land right over a leasehold land measuring 5 acres in Kota Kinabalu, Sabah.

The said property is a parcel of commercial land with Approved Development Plan for a block of 14 storey hotel, 14 storey service apartments and 2 levels of retail units. The lease term of the land is 99 years, expiring on 31 December 2111. The carrying amount of the land right is approximately RM69.15 million (2019: RM72.05 million) and is amortised based on the percentage of completion over the development period.

6. INTANGIBLE ASSETS (CONT'D)

(c) Land rights (Cont'd)

(ii) Land right over a leasehold land measuring 429 acres in Kulai, Johor.

The said property is a parcel of land for township mixed development with a combined estimated land area of 429 acres located off Jalan Kulai-Kota Tinggi, in the Mukim of Ulu Sungai Johor, District of Kota Tinggi, Johor Darul Ta'zim.

The lease term of the land is 99 years, expiring on 12 January 2103. The carrying amount of the land right is approximately RM18.11 million (2019: RM18.11 million) and is amortised based on the percentage of completion over the development period.

(d) Quarrying right

This represents payment made by a subsidiary company to undertake, operate, manage and control the quarry operation project on a site located at Taboh Naning, Alor Gajah, Melaka, which beneficially owned by Kolej Teknologi Islam Melaka Berhad. The quarrying right is expiring on 25 March 2028. Included in amortisation charged of the Group in the previous financial year was approximately RM114,000 being capitalised into quarry development cost.

7. INVENTORIES AND OTHER CONTRACT COSTS

Non-current

	Group	
	2020	**2019**
	RM'000	**RM'000**
Land held for property development		
Freehold land and development cost		
At 1 January	13,913	9,913
Additions	83,422	4,000
Transferred to property development costs	(14,075)	–
At 31 December	83,260	13,913

Current

	Group	
	2020	**2019**
	RM'000	**RM'000**
Property development cost (i)	312,572	302,720
Contract materials (ii)	683	442
Other contract costs (iii)	2,422	1,787
	315,677	304,949

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(Cont'd)

7. INVENTORIES AND OTHER CONTRACT COSTS (CONT'D)

(i) Property development cost

	Group	
	2020 RM'000	**2019 RM'000**
(b) **Property development costs**		
Freehold land, at cost		
At 1 January	59,238	66,270
Less: Reversal of completed projects	–	(7,032)
At 31 December	59,238	59,238
Leasehold land, at cost		
At 1 January	115,749	114,749
Additions	692	1,000
Transfer	(7,828)	–
At 31 December	108,613	115,749
Property development costs		
At 1 January	129,451	471,175
Addition during the financial year	80,068	131,440
Transfer from freehold land	14,075	–
Less: Reversal of completed projects	–	(334,721)
Less: Transfer to property, plant and equipment (Note 4)	–	(138,498)
Exchange differences	370	55
At 31 December	223,964	129,451
Cost recognised in the statements of profit or loss and other comprehensive income		
At 1 January	1,718	238,387
Recognised during the financial year	77,525	84,310
Reversal of completed projects	–	(320,979)
At 31 December	79,243	1,718
Total property development costs	312,572	302,720

7. INVENTORIES AND OTHER CONTRACT COSTS (CONT'D)

Current (Cont'd)

(i) Property development cost (Cont'd)

The freehold land held by the Group under individual title Geran 42277, Lot No. 36101, Mukim of Petaling, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan, measuring land area of approximately 60 acres (243,000 square metres) has been subdivided into 6 individual titles. In accordance with the terms of the Joint Development Agreement between Bukit Jalil Development Sdn. Bhd. and Pioneer Haven Sdn. Bhd. ("PHSB"), land held under Geran 78077, Lot No. 101461 have been subdivided into four (4) individual titles with land area of 201,554 square metres which was charged to financial institutions for a syndicated term loan and bridging loan facility for PHSB.

The freehold land held under Geran 79552, Lot No. 101901, Mukim Petaling, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan, Kuala Lumpur and with land area of 9,693 square metres with total carrying amount of RM14.08 million (2019: RM13.91 million) are charged to a licensed bank for banking facilities as disclosed in Note 24.

The leasehold land held by the Group under Town lease no. 017561536, District of Kota Kinabalu, Negeri Sabah measuring land area of approximately 5 acres was acquired in accordance with the terms of Joint Venture Agreement and Power of Attorney between the Golden Wave Sdn Bhd and The Mayor of The City of Kota Kinabalu. As at 31 December 2020, the land and related development costs with carrying values of RM278.55 million (2019: RM207.35 million) is pledged to a licensed bank for banking facilities as disclosed in Note 24.

Five parcels of leasehold land under Lot No. PTD 14189, PTD 14190, PTD 14191, PTD 14192 and PTD 14193, Mukim Ulu Sungai Johor, Daerah Kota Tinggi, Johor Darul Ta'zim, totaling 429,252 acres was acquired in accordance with the terms of the sale and purchase agreement between Intact Corporate Approach Sdn. Bhd. and YPJ Plantations Sdn Bhd. The lease term of the land is 99 years, expiring on 12 January 2103. The land and related development costs with carrying amount of RM130.89 million (2019: one parcel of land at RM43.09 million) is pledged to a licensed bank for banking facilities as disclosed in Note 24.

During the financial year, the following costs are capitalised to property development costs:

		Group	
	Note	2020 RM'000	2019 RM'000
Finance costs	30	8,005	10,875
Staff costs	35	627	881

(ii) Contract materials

	Group	
	2020 RM'000	2019 RM'000
Contract material, at cost		
Building Material	257	303
Quarry Product	426	139
	683	442
Recognised in profit or loss:		
Inventories recognised as cost of sales	24,098	33,571

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31 December 2020

(Cont'd)

7. INVENTORIES AND OTHER CONTRACT COSTS (CONT'D)

(iii) Other contract costs

	Group	
	2020 RM'000	2019 RM'000
Costs to obtain contracts	2,422	1,787

Costs to obtain contracts relate to the incremental sales commissions paid to property agents whose selling activities resulted in customers entering into sale and purchase agreements for the Group's properties which are still under construction at the reporting date. Contract costs are recognised as part of "costs of sales" in the statement of profit or loss in the period in which revenue from the related property sales is recognised. The amount of capitalised costs recognised in profit or loss during the financial year was approximately RM599,797 (2019: RM319,000). There was no impairment loss in relation to the costs capitalised.

8. QUARRY DEVELOPMENT COST

	Group	
	2020 RM'000	2019 RM'000
Cost		
At beginning of the financial year	7,046	5,787
Additions	–	1,259
At the end of the financial year	7,046	7,046
Accumulated amortisation		
At beginning of the financial year	–	–
Charge for the financial year	900	–
At the end of the financial year	900	–
Carrying amount	6,146	7,046

Quarry development cost comprises direct cost of development, cost of site infrastructure and other related expenses incurred during the pre-commencement of commercial rock extraction activities. Quarry development expenditure is amortised during the financial year over the remaining lease term of 9 years, expiring on 25 March 2028 when the quarry is being actively operated. Included in the quarry development cost incurred in the previous financial year were the depreciation of plants and machineries of RM343,941 and amortisation of quarry right of RM113,636.

9. RIGHT-OF-USE ASSETS

	Leasehold land and buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Tools and technical equipment RM'000	Total RM'000
Group					
2020					
Cost					
At 1 January	12,870	7,027	7,268	1,350	28,515
Addition	1,868	5,579	2,222	–	9,669
Modification to lease term	(7)	–	–	–	(7)
At 31 December	14,731	12,606	9,490	1,350	38,177
Accumulated depreciation					
At 1 January	1,855	1,845	3,343	67	7,110
Charge for the financial year	3,282	780	787	135	4,984
At 31 December	5,137	2,625	4,130	202	12,094
Carrying Amount					
At 31 December	9,594	9,981	5,360	1,148	26,083
Group					
2019					
Cost					
At 1 January	–	–	–	–	–
Effect of adopting MFRS 16	3,080	7,027	7,268	–	17,375
At 1 January, as restated	3,080	7,027	7,268	–	17,375
Addition	9,790	–	–	1,350	11,140
At 31 December	12,870	7,027	7,268	1,350	28,515
Accumulated depreciation					
At 1 January	–	–	–	–	–
Effect of adopting MFRS 16	959	1,142	2,584	–	4,685
At 1 January, as restated	959	1,142	2,584	–	4,685
Charge for the financial year	896	703	759	67	2,425
At 31 December	1,855	1,845	3,343	67	7,110
Carrying Amount					
At 31 December	11,015	5,182	3,925	1,283	21,405

9. RIGHT-OF-USE ASSETS (CONT'D)

	Leasehold land and buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Tools and technical equipment RM'000	Total RM'000
Company					
2020					
Cost					
At 1 January	354	–	95	1,350	1,799
Addition	2,206	5,579	1,184	–	8,969
At 31 December	2,560	5,579	1,279	1,350	10,768
Accumulated depreciation					
At 1 January	–	205	24	68	297
Charge for the financial year	374	77	67	135	653
At 31 December	374	282	91	203	950
Carrying Amount					
At 31 December	2,186	5,297	1,188	1,147	9,818

	Leasehold land and buildings RM'000	Motor vehicles RM'000	Tools and technical equipment RM'000	Total RM'000
Company				
2019				
Cost				
At 1 January	–	–	–	–
Effect of adopting MFRS 16	354	95	–	449
At 1 January, as restated	354	95	–	449
Addition	–	–	1,350	1,350
At 31 December	354	95	1,350	1,799
Accumulated depreciation				
At 1 January	–	–	–	–
Effect of adopting MFRS 16	198	5	–	203
At 1 January, as restated	198	5	–	203
Charge for the financial year	7	19	68	94
At 31 December	205	24	68	297
Carrying Amount				
At 31 December	149	71	1,282	1,502

The motor vehicles, plant and machinery and technical equipment of the Group and of the Company are pledged as securities respectively for the related lease liabilities.

10. INVESTMENT IN SUBSIDIARY COMPANIES

	Company	
	2020 RM'000	2019 RM'000
Unquoted shares, at cost		
In Malaysia	158,955	112,880
Outside Malaysia	11	11
	158,966	112,891
Less: Accumulated impairment		
In Malaysia	24,955	24,955
Outside Malaysia	8	8
	24,963	24,963
	134,003	87,928

The subsidiary companies and shareholdings therein are as follows:

Name of Company	Name of Directors	Place of business/ Country of incorporation	Effective interest 2020 %	Effective interest 2019 %	Principal activities
Direct holding:					
H2Energy Corporation Sdn. Bhd.	Dato' Sri Mohamad Nasir Bin Abdul Rahim Lee Chen Fee Yee Lai Kuan	Malaysia	100	100	Engineering, procurement, construction and commissioning of pipeline system
Tru-Mix Concrete Sdn. Bhd.	Dato' Wong Kit-Leong Lee Chen Fee Yee Lai Kuan	Malaysia	90	90	Manufacturing and distribution of ready-mix concrete
Bukit Jalil Development Sdn. Bhd. ("BJD")	Dato' Sri Thong Kok Khee Dato' Wong Kit-Leong Chow Seck Kai Monteiro Gerard Clair	Malaysia	100	100	Property development
Ho Hup Industries Sdn. Bhd.	Dato' Wong Kit-Leong Lee Chen Fee Yee Lai Kuan	Malaysia	100	100	Quarry proprietor and investment holding
Ho Hup Jaya Sdn. Bhd.	Dato' Wong Kit-Leong Dato' Ramli Bin Yusuff Lee Chen Fee	Malaysia	100	100	Property management
Ho Hup Construction Company (L) Ltd.	Dato' Wong Kit-Leong Victoria Loui Hoong Mei	Labuan, Malaysia	100	100	Investment holding

10. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

The subsidiary companies and shareholdings therein are as follows: (Cont'd)

Name of Company	Name of Directors	Place of business/ Country of incorporation	Effective interest 2020 %	Effective interest 2019 %	Principal activities
Direct holding (Cont'd):					
Ho Hup Construction Company (India) Pte. Ltd.*	Dato' Low Tuck Choy Dato' Wong Kit-Leong Yee Lai Kuan	India	100	100	Construction
H2Advance Builders Sdn. Bhd.	Dato' Wong Kit-Leong Lee Heng Aun	Malaysia	60	60	Construction and property development
Ho Hup Ventures (KK) Sdn. Bhd.	Dato' Wong Kit-Leong Dato' Jaganath Derek Steven Sabapathy Low Kheng Lun Monteiro Gerard Clair Liew Vun Let	Malaysia	75	75	Investment holding
Ho Hup Ventures (Johor) Sdn. Bhd.	Dato' Wong Kit-Leong Dato' Jaganath Derek Steven Sabapathy Victoria Loui Hoong Mei Lee Chen Fee	Malaysia	75	75	Investment holding
New Interconnected Expressway Sdn. Bhd.	Dato' Wong Kit-Leong Mohd Arief Aslam Bin Arifin	Malaysia	70	70	Dormant
Ho Hup Ventures (Kuantan) Sdn. Bhd.	Dato' Wong Kit-Leong Lee Heng Aun	Malaysia	100	100	Construction, property development and investment holding
Ho Hup F&B Sdn. Bhd.	Dato' Wong Kit-Leong Lee Heng Aun Monteiro Gerard Clair Yee Lai Kuan	Malaysia	100	100	Dormant
Ho Hup Rail (Seremban) Sdn. Bhd.	Dato' Wong Kit-Leong Lee Heng Aun Monteiro Gerard Clair Lee Chen Fee	Malaysia	100	100	Dormant
Ho Hup Teratai Sdn. Bhd.	Dato' Wong Kit-Leong Monteiro Gerard Clair	Malaysia	100	100	Dormant
Ho Hup Dagang Jaya Sdn. Bhd.	Dato' Wong Kit-Leong Monteiro Gerard Clair	Malaysia	100	100	Dormant
Ho Hup Fadasan Sdn. Bhd.	Dato' Wong Kit-Leong Monteiro Gerard Clair	Malaysia	100	100	Dormant

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(Cont'd)

10. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

The subsidiary companies and shareholdings therein are as follows: (Cont'd)

Name of Company	Name of Directors	Place of business/ Country of incorporation	Effective interest 2020 %	Effective interest 2019 %	Principal activities
Direct holding (Cont'd):					
Ho Hup Infinite Sdn. Bhd.	Dato' Wong Kit-Leong Lee Chen Fee Lee Heng Aun Monteiro Gerard Clair Chan Mei Chun	Malaysia	100	–	Construction and development of warehouse, logistic and transportation
Pelita Pintasan Sdn. Bhd.	Lee Chen Fee Dato' Wong Kit-Leong Monteiro Gerard Clair Lee Heng Aun	Malaysia	100	–	Investment holding
Pinggir Prima Sdn. Bhd.	Lee Chen Fee Dato' Wong Kit-Leong Monteiro Gerard Clair Lee Heng Aun	Malaysia	100	–	Investment holding
Indirect holding					
Subsidiary company of BJD					
Suria Jayajuta Sdn. Bhd.	Dato' Wong Kit-Leong Lee Chen Fee	Malaysia	–	100	Dormant
Subsidiary company of Ho Hup Construction Company (L) Ltd.					
Ho Hup (Myanmar) E&C Co., Ltd.*	Dato' Wong Kit-Leong U Zay Thiha U Sein Phyo Hlaing Lee Chen Fee Victoria Loui Hoong Mei	Myammar	50	70	Property development and construction
Subsidiary company of Ho Hup Ventures (KK) Sdn. Bhd.					
Golden Wave Sdn. Bhd	Dato' Wong Kit-Leong Dato' Jaganath Derek Steven Sabapathy Ronnie Lai Tsin Lee Monteiro Gerard Clair	Malaysia	70	70	Property development and letting of shoplots, food court and promotional area

10. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

The subsidiary companies and shareholdings therein are as follows: (Cont'd)

Name of Company	Name of Directors	Place of business/ Country of incorporation	Effective interest 2020 %	Effective interest 2019 %	Principal activities
Indirect holding (Cont'd):					
Subsidiary company of Ho Hup Ventures (KK) Sdn. Bhd.					
Suria Jayajuta Sdn. Bhd.	Dato' Wong Kit-Leong Lee Chen Fee	Malaysia	100	–	Dormant
Subsidiary company of Ho Hup Industries Sdn. Bhd.					
Ho Hup Ventures (Malacca) Sdn. Bhd.	Dato' Wong Kit-Leong Datuk Wizan Bin Abdul Ghani Yap Yoon Lean	Malaysia	70	70	Quarry operation, manufacturing, trading of building materials and property development, construction and services
Subsidiary company of Ho Hup Ventures (Malacca) Sdn. Bhd.					
Ho Hup Quarries (Malacca) Sdn. Bhd.	Dato' Wong Kit-Leong Datuk Wizan Bin Abdul Ghani Yap Yoon Lean	Malaysia	100	100	Investment holding
Subsidiary company of Ho Hup Quarries (Malacca) Sdn. Bhd.					
Ho Hup-ICM Quarry Sdn. Bhd.	Dato' Wong Kit-Leong Datuk Wizan Bin Abdul Ghani Yap Yoon Lean Victoria Loui Hoong Mei Yee Lai Kuan Datuk Hasan bin Abd. Rahman Prof. Datuk Dr. Haji Md. Taib Bin Haji Dora	Malaysia	75	75	Quarry operations

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31 December 2020

(Cont'd)

10. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

The subsidiary companies and shareholdings therein are as follows: (Cont'd)

Name of Company	Name of Directors	Place of business/ Country of incorporation	Effective interest 2020 %	Effective interest 2019 %	Principal activities
Indirect holding (Cont'd):					
Subsidiary company of Ho Hup Ventures (Johor) Sdn. Bhd.					
Intact Corporate Approach Sdn. Bhd.	Dato' Wong Kit-Leong Dato' Jaganath Derek Steven Sabapathy Zakbah Bin Harun Datuk Omar Shariff Bin Mydeen Lee Chen Fee Victoria Loui Hoong Mei	Malaysia	70	70	Project management that includes consultancy and infrastructure development
Subsidiary company of Ho Hup Jaya Sdn. Bhd.					
HH Interpark Sdn. Bhd.	Dato' Wong Kit-Leong Lee Heng Aun	Malaysia	100	100	Dormant
Subsidiary company of Ho Hup F&B Sdn. Bhd.					
6 Teppan Dining Sdn. Bhd.	Dato' Wong Kit-Leong Lee Heng Aun Monteiro Gerard Clair	Malaysia	70	70	Dormant
Easy I Zak Sdn. Bhd.	Dato' Wong Kit-Leong Lee Heng Aun Monteiro Gerard Clair	Malaysia	70	70	Dormant
Mahi Mahi Sdn. Bhd.	Dato' Wong Kit-Leong Lee Heng Aun Monteiro Gerard Clair	Malaysia	70	70	Dormant
Coffee Delight Sdn. Bhd.	Dato' Wong Kit-Leong Monteiro Gerard Clair Lee Heng Aun Oh Yao Qiang	Malaysia	70	–	Dormant
Aurora Exhibit Sdn. Bhd.	Dato' Wong Kit-Leong Lee Heng Aun Monteiro Gerard Clair	Malaysia	70	–	Construction, highway concession, property development

10. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

The subsidiary companies and shareholdings therein are as follows: (Cont'd)

Name of Company	Name of Directors	Place of business/ Country of incorporation	Effective interest 2020 %	Effective interest 2019 %	Principal activities
Indirect holding (Cont'd):					
Subsidiary company of H2Energy Corporation Sdn. Bhd.					
Ho Hup Infrastructure Sdn. Bhd	Dato' Wong Kit-Leong Lee Heng Aun Monteiro Gerard Clair Looi Keng Shing Tan Tik Hua	Malaysia	60	–	Engineering, procurement, construction, commissioning of pipline system

* Subsidiary companies not audited by UHY

(a) Acquisition of subsidiary companies

During the financial year

(i) The Company had on 13 October 2020 entered into a Share Sale Agreement to acquire 510,002 ordinary shares, representing 51% equity interest in Niaga Sari Sdn Bhd ("NSSB") for a total cash consideration of RM12,000,000. The acquisition was completed 20 April 2021 when the full purchase consideration was paid to the vendors.

(ii) BJD, a wholly owned subsidiary company of the Company, had on 2 June 2020 disposed of 2 shares, representing 100% equity interest in Suria Jayajuta Sdn. Bhd. to Ho Hup Ventures (KK) Sdn. Bhd., a 75% owned subsidiary of the Company.

(iii) The Company had on 1 January 2020 incorporated a wholly owned subsidiary company known as Ho Hup Infinite Sdn. Bhd. with a total issued share capital of RM10,000.

(iv) The Company had on 3 June 2020 incorporated a wholly owned subsidiary company known as Pelita Pintasan Sdn. Bhd. with a total issued share capital of RM1.

(v) The Company had on 3 June 2020, incorporated a wholly owned subsidiary company known as Pinggir Prima Sdn. Bhd. with a total issued share capital of RM1.

(vi) H2Energy Corporation Sdn. Bhd., a wholly owned subsidiary company of the Company had on 15 June 2020 incorporated a 60% owned subsidiary company Ho Hup Infrastructure Sdn. Bhd. with a cash subscription of RM6.

(vii) Ho Hup F&B Sdn. Bhd., a wholly owned subsidiary company of the Company had on 24 September 2019 incorporated a 70% owned subsidiary company Coffee Delight Sdn. Bhd. with a cash subscription of RM7.

(viii) Ho Hup F&B Sdn. Bhd., a wholly owned subsidiary company of the Company had on 5 June 2020 incorporated a 70% owned subsidiary company Aurora Exhibit Sdn. Bhd. with a cash subscription of RM7.

10. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(a) Acquisition of subsidiary companies (Cont'd)

In the previous financial year:

(i) The Company, had on 12 July 2019, incorporated a wholly owned subsidiary company known as Ho Hup F&B Sdn. Bhd. in Malaysia under Companies Act 2016, with a total issued share capital of RM10,000.

(ii) The Company, had on 3 September 2019, incorporated a wholly owned subsidiary company known as Ho Hup Rail (Seremban) Sdn. Bhd. in Malaysia under Companies Act 2016, with a total issued share capital of RM2.

(iii) The Company, had on 16 December 2019, incorporated a wholly owned subsidiary company known as Ho Hup Teratai Sdn. Bhd. in Malaysia under Companies Act 2016, with a total issued share capital of RM2.

(iv) The Company, had on 16 December 2019, incorporated a wholly owned subsidiary company known as Ho Hup Dagang Jaya Sdn. Bhd. in Malaysia under Companies Act 2016, with a total issued share capital of RM2.

(v) On 1 October 2019, Ho Hup F&B Sdn. Bhd., a wholly owned subsidiary company of the Company, incorporated a 70% owned subsidiary company 6 Teppan Dinning Sdn. Bhd., with a cash subscription of RM7.

(vi) The Company, had on 16 December 2019, incorporated a wholly owned subsidiary company known as Ho Hup Fadasan Sdn. Bhd. in Malaysia under Companies Act 2016, with a total issued share capital of RM2.

(vii) On 27 September 2019, Ho Hup F&B Sdn. Bhd., a wholly owned subsidiary company of the Company, incorporated a 70% owned subsidiary company Easy I Zak Sdn. Bhd., with a cash subscription of RM7.

(viii) On 27 September 2019, Ho Hup F&B Sdn. Bhd., a wholly owned subsidiary company of the Company, incorporated a 70% owned subsidiary company Mahi Mahi Sdn. Bhd., with a cash subscription of RM7.

(ix) On 20 November 2019, Ho Hup Jaya Sdn. Bhd., a wholly owned subsidiary company of the Company, incorporated a wholly owned subsidiary company HH Interpark Sdn. Bhd., with a cash subscription of RM2.

10. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(b) Material partly-owned subsidiary companies

The Group's subsidiary companies that have material non-controlling interest are as follows:

Name of company	Proportion of ownership interests and voting rights held by non-controlling interests		Profit/(Loss) allocated to non-controlling interests		Accumulated non-controlling interests	
	2020 %	2019 %	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Tru-Mix Concrete Sdn. Bhd.	10	10	(151)	(222)	539	690
Ho Hup Ventures (KK) Sdn. Bhd.	25	25	3,419	578	19,471	17,613
Ho Hup Ventures (Johor) Sdn. Bhd.	25	25	(143)	(153)	387	530
Ho Hup Ventures (Malacca) Sdn. Bhd.	25	25	(763)	(33)	(3,646)	(2,883)
Individually immaterial subsidiary companies with non-controlling interests					(3,200)	(2,329)
Total non-controlling interests					13,551	13,621

10. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(b) Material partly-owned subsidiary companies (Cont'd)

The summarised financial information for each subsidiary company that has non-controlling interest that are material to the Group is discussed below. The summarised financial information below represents amounts before inter-company elimination.

(i) Summarised statements of financial position

	Tru-Mix Concrete Sdn. Bhd.		Ho Hup Ventures (KK) Sdn. Bhd.		Ho Hup Ventures (Johor) Sdn. Bhd.		Ho Hup Ventures (Malacca) Sdn. Bhd.	
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
Total assets	32,281	22,439	343,076	313,239	164,631	96,838	14,521	15,794
Total liabilities	(26,884)	(15,535)	(320,963)	(294,728)	(162,989)	(94,862)	(21,669)	(19,876)
Net assets/(liabilities)	5,397	6,904	22,113	18,511	1,642	1,976	(7,148)	(4,082)

(ii) Summarised statements of comprehensive income

	Tru-Mix Concrete Sdn. Bhd.		Ho Hup Ventures (KK) Sdn. Bhd.		Ho Hup Ventures (Johor) Sdn. Bhd.		Ho Hup Ventures (Malacca) Sdn. Bhd.	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue	25,855	17,591	32,038	25,423	15,570	22,452	357	768
(Loss)/profit for the financial year, representing total comprehensive (loss)/income for the financial year	(1,507)	(2,217)	3,590	(30)	(334)	(364)	(3,067)	(151)

10. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(b) Material partly-owned subsidiary companies (Cont'd)

(iii) Summarised statements of cash flows

	Tru-Mix Concrete Sdn. Bhd.		Ho Hup Ventures (KK) Sdn. Bhd.		Ho Hup Ventures (Johor) Sdn. Bhd.		Ho Hup Ventures (Malacca) Sdn. Bhd.	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Net cash (used in)/from operating activities	(1,460)	(1,362)	(31,725)	(35,368)	(49,149)	(14,497)	(1,619)	68
Net cash from/(used in) investing activities	1,006	5,043	6,632	(28)	5	(4,026)	–	(1,392)
Net cash from/(used in) financing activities	96	(3,618)	33,488	38,299	49,110	18,399	1,654	1,332
Net increase/(decrease) in cash and cash equivalents	(358)	63	8,395	2,903	(34)	(124)	35	8

11. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Unquoted shares, at cost in Malaysia	*	*	*	*
Share of post acquisition reserves	–	–	–	–
	–	–	–	–
Unquoted shares, at cost outside Malaysia	18	18	18	18
Less: Accumulated impairment losses	(18)	(18)	(18)	(18)
	–	–	–	–
	–	–	–	–

* denote RM29

The associates and shareholdings therein are as follows:

Name of companies	Place of business/ Country of incorporation	Effective interest 2020 %	Effective interest 2019 %	Principal activities
Direct holding:				
Madagascar Malaysia Equipment Rental*	Madagascar	49.8	49.8	Dormant
Konsortium AHHK Sdn. Bhd.*	Malaysia	29	29	In liquidation

* Associates not audited by UHY

12. INVESTMENTS IN JOINT VENTURES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Unquoted shares, at cost in Malaysia	375	375	375	375
Share of post-acquisition reserves	29	42	–	–
	404	417	375	375
Unquoted shares, at cost outside Malaysia	250	250	250	250
Less: Accumulated impairment losses	(250)	(250)	(250)	(250)
	–	–	–	–
	404	417	375	375

The joint venture and shareholdings therein are as follows:

Name of company	Place of business/ Country of incorporation	Effective interest 2020 %	Effective interest 2019 %	Principal activities
Ho Hup-Simplex Joint Venture*	India	50.0	50.0	Inactive
KHH Infrastructures Sdn. Bhd.*	Malaysia	50.0	50.0	Construction

* Joint ventures not audited by UHY

13. OTHER INVESTMENT

Other investment of the Group represents investment in equity instruments quoted in Malaysia. The Group designated the other investment in equity securities at fair value through profit or loss because these equity securities represent investments that the Group intends to hold for short term investment purposes.

Other investment is measured within Level 1 of fair value by reference to the quoted prices of the equity instrument at the active markets.

14. CONTRACTS ASSETS/(LIABILITIES)

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Contract assets				
Construction contracts (Note a)	33,610	78,851	23,249	56,766
Property development activities (Note b)	15,271	36,131	–	–
	48,881	114,982	23,249	56,766
Contract liabilities				
Construction contracts (Note a)	(29,446)	–	–	–

The changes in contract assets and liabilities are due to adjustments arising from changes in the measure of progress of contracting work, or reclassification to trade receivables when the Group and the Company have unconditional right to the consideration.

Contract liabilities as at the end of each reporting period are recognised as revenue in subsequent year.

(a) Construction contracts

The contract assets primarily relate to the Group's and to the Company's rights to consideration for work completed on construction contracts but not yet billed at the reporting date.

Contract liabilities include billings made in advance which represent amounts where customers have been invoiced ahead of the satisfaction of the performance obligation by the Group and by the Company.

During the financial year, the following costs are capitalised to costs:

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Staff cost	35	1,497	1,716	845	1,032

14. CONTRACTS ASSETS/(LIABILITIES) (CONT'D)

(b) Contract assets from property development activities

	Group	
	2020 RM'000	2019 RM'000
At 1 January	36,131	37,839
Property development revenue recognised during the financial year	222,416	25,324
Less: Progress billings during the financial year	(243,276)	(27,032)
At 31 December	15,271	36,131

Contract assets in relation to property development activities represent the timing differences in revenue recognition in profit or loss and the milestone billings to purchasers as at the reporting date.

Contract assets are transferred to receivables when the rights to economic benefits become unconditional, when the Group issues billing to the customer. Contract liabilities are recognised as revenue when performance obligations are satisfied.

There were no significant changes in the contract assets and liabilities during the financial year.

(c) Contract assets from property development activities

The transaction prices allocated to the remaining performance obligations unsatisfied (or partially satisfied) are as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Construction contracts	173,090	188,769	265,658	180,099
Property development activities	819,365	1,041,781	–	–
	992,455	1,230,550	265,658	180,099

Based on the information available to the Group and to the Company, the management of the Group and of the Company expects the transaction price allocated to the above unsatisfied (or partially unsatisfied) contracts will be recognised as revenue in the period of next 6 months to 3 years.

15. TRADE RECEIVABLES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Trade receivables	284,272	205,468	42,004	25,113
Less: Accumulated impairment losses	(3,850)	(1,518)	(159)	(232)
	280,422	203,950	41,845	24,881

Trade receivables are non-interest bearing and are generally on 14 to 140 days (2019: 14 to 90 days) term. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The Group's and the Company's credit exposures are concentrated mainly on 4 (2019: 4) and 1 (2019: 1) debtors respectively, which accounted for 69% (2019: 75%) and 22% (2019: 42%) respectively of the total trade receivables as at 31 December 2020.

Included in trade receivables of the Group are amounts of RM6,820,323 (2019: RM6,145,920) due from related parties, representing companies in which certain Directors of the Company have interest.

Retention on contracts, included in trade receivables of the Group and of the Company and the expected recovery are presented as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Within one year	11,042	2,900	10,324	2,900
More than one year	4,425	2,961	4,425	2,961
	15,467	5,861	14,749	5,861

15. TRADE RECEIVABLES (CONT'D)

Movements in allowance for impairment losses of trade receivables are as follows:

Recognition and measurement of impairment loss

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Simplified approach				
Individually assessed for credit-impaired receivables				
At 1 January and 31 December	1,204	1,204	–	–
Collectively assessed for non-credit impaired receivables				
At 1 January	314	–	232	–
Impairment losses recognised (Note 31)	2,417	314	–	232
Reversal	(85)	–	(73)	–
Amount written off	–	–	–	–
At 31 December	2,646	314	159	232
Total	3,850	1,518	159	232

In managing credit risk of trade receivables, the Group and the Company manage its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, trade receivables will pay within the credit term.

The Group and the Company apply the simplified approach to measure the impairment losses on trade receivables and contract assets at lifetime expected credit losses ("Lifetime ECL"). Expected credit losses of all other financial assets are measured at an amount equal to 12 month expected credit losses ("12 – month ECL") if credit risk on a financial asset has not increased significantly. The Group and the Company compare the risk of default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition to ascertain whether there is a significant increase in credit risk. The assessment takes into consideration the macroeconomic information, credit rating and other supportable forward-looking information.

A significant increase in credit risk is presumed if a debt is more than 180 days past due. Where the credit risk has increased significantly, the impairment loss is measured at an amount equal to lifetime expected credit losses ("Lifetime ECL – Underperforming").

(Cont'd)

15. TRADE RECEIVABLES (CONT'D)

Recognition and measurement of impairment loss (Cont'd)

Full impairment losses are made for financial assets and contract assets that are determined to be credit impaired ("Lifetime ECL – Credit Impaired"). These are debtor who have defaulted on payments and are in financial difficulties.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at the end of the reporting period:

Group	Gross Allowance RM'000	Amount Net RM'000	Loss Amount RM'000
2020			
Neither past due nor impaired	89,446	(1)	89,445
Past due not impaired:			
Less than 30 days	4,225	(7)	4,218
31 to 60 days	6,413	(11)	6,402
61 to 90 days	12,624	(66)	12,558
More than 90 days	170,360	(2,561)	167,799
Individually assessed	1,204	(1,204)	–
	284,272	(3,850)	280,422
2019			
Neither past due nor impaired	150,874	(71)	150,803
Past due not impaired:			
Less than 30 days	9,348	(103)	9,245
31 to 60 days	2,362	(15)	2,347
61 to 90 days	4,139	(25)	4,114
More than 90 days	37,541	(100)	37,441
Individually assessed	1,204	(1,204)	–
	205,468	(1,518)	203,950

15. TRADE RECEIVABLES (CONT'D)

Recognition and measurement of impairment loss (Cont'd)

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at the end of the reporting period: (Cont'd)

Company	Gross Allowance RM'000	Amount Net RM'000	Loss Amount RM'000
2020			
Neither past due nor impaired	13,318	–	13,318
Past due not impaired:			
Less than 30 days	802	(1)	801
31 to 60 days	1,234	(2)	1,232
61 to 90 days	9,013	(40)	8,973
More than 90 days	17,637	(116)	17,521
	42,004	(159)	41,845
2019			
Neither past due nor impaired	9,635	(45)	9,590
Past due not impaired:			
Less than 30 days	6,703	(81)	6,622
31 to 60 days	313	(4)	309
61 to 90 days	1,399	(17)	1,382
More than 90 days	7,063	(85)	6,978
	25,113	(232)	24,881

16. OTHER RECEIVABLES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Other receivables	43,480	45,548	30,433	13,197
Deposits	30,702	28,726	8,031	753
Prepayments	6,360	4,649	1,808	–
GST receivables	4,029	13,152	–	8,387
Amount recoverable from sub-contractor	15,958	15,958	15,958	15,958
	100,529	108,033	56,230	38,295
Less: Accumulated impairment losses				
- Other receivables	(406)	(406)	–	–
- Deposits	(58)	(58)	–	–
	(464)	(464)	–	–
	100,065	107,569	56,230	38,295

16. OTHER RECEIVABLES (CONT'D)

Amount recoverable from a sub-contractor of approximately RM15,958,000 (2019: RM15,958,000) as at 31 December 2020 is respect of estimated Liquidated Ascertained Damages ("LAD") to be recovered from the sub-contractor as a result of the delay in completing its scope of work as set out in the agreement for supply. The Group and the Company are virtually certain that it is entitled to impose and receive the LAD in accordance with the provisions of the said agreement.

Movements in allowance for impairment losses of other receivables are as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At 1 January/31 December	406	406	–	–

Movements in allowance for impairment losses of deposits are as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At 1 January/31 December	58	58	–	–

Other receivables and deposits that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments.

17. AMOUNT DUE FROM/(TO) SUBSIDIARY COMPANIES

(a) Amount due from subsidiary companies

	Company	
	2020 RM'000	2019 RM'000
Amount due from subsidiary companies	534,135	337,913
Less: Accumulated impairment losses	(457)	(457)
	533,678	337,456

These represent trade and non-trade balances which are unsecured, interest free and repayable on demand.

Movements in impairment losses on amount due from subsidiary companies during the financial year are as follows:

	Company	
	2020 RM'000	2019 RM'000
At 1 January/31 December	457	457

Included in amount due from subsidiary companies as at 31 December 2020 are retention sum of approximately RM24,456,766 (2019: RM23,566,000) relating to construction work-in-progress. Aproximately RM22,709,066 (2019: RM19,893,000) of the retention receivable are expected to be recovered within one year.

17. AMOUNT DUE FROM/(TO) SUBSIDIARY COMPANIES (CONT'D)

(b) Amount due to subsidiary companies

These represent trade and non-trade balances which are unsecured, interest free and repayable on demand.

18. AMOUNT DUE FROM A JOINT VENTURE GROUP AND COMPANY

Group and Company

This represents non-trade balance which is unsecured, interest free and repayable on demand.

19. CASH AND CASH EQUIVALENTS

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Fixed deposits with licensed banks		7,588	31,383	7,475	27,125
Cash and bank balances		41,279	53,867	17,657	10,361
Housing Development Account	(a)	322	319	–	–
		49,189	85,569	25,132	37,486
Less: Bank overdrafts	24	(14,417)	(21,672)	(9,065)	(9,718)
		34,772	63,897	16,067	27,768
Less: Cash and cash equivalents restricted from use					
Sinking fund accounts build-up	(b)	6,972	11,195	6,972	8,695
Fixed deposits pledged for banker acceptance, bank overdraft and term loan	(c)	–	6,273	–	2,139
Fixed deposits pledged for bank guarantee	(d)	104	104	–	–
		7,076	17,572	6,972	10,834
Cash and cash equivalents		27,696	46,325	9,095	16,934

(a) Cash held under Housing Development Account of the Group are held pursuant to Section 7A of the Housing Development (Control and Licensing) Act 1966.

(b) Sinking fund accounts build-up pledged as fixed deposit to the licensed banks for credit facilities granted to the Group and to the Company as disclosed in Note 24.

(c) Fixed deposits with licensed banks of the Group and of the Company are pledged to a licensed bank as security for credit facilities granted to the Group and to the Company as disclosed in Note 24 and hence, are not available for general use.

(d) Fixed deposit pledged as security for the advance payment bank guarantee and performance bond guarantee.

The interest rates of deposits of the Group and of the Company at the end of the reporting period are 2.90% to 3.45% and 2.90% to 3.00% (2019: 2.90% to 3.45% and 2.90% to 3.00%) per annum respectively.

The maturities of deposits of the Group and of the Company are ranging from 30-365 days and 30-365 days (31.12.2019: 30-365 days and 30-365 days) respectively.

20. SHARE CAPITAL

	Group and Company			
	Number of shares		Amount	
	2020 Unit'000	2019 Unit'000	2020 Unit'000	2019 Unit'000
Issued and fully paid				
Ordinary shares				
At 1 January	412,383	374,894	225,007	207,574
Issuance of new shares				
- private placement	–	37,489	–	17,433
Exercise of warrants	–	–	–	–
At 31 December	412,383	412,383	225,007	225,007

In the previous financial year, the Company increased its issued and paid-up share capital from 374,894,596 to 412,383,996 through issuance of 37,489,400 new ordinary shares by a private placement at an exercise price of RM0.465 each.

The new ordinary shares issued rank pari passu in all respects with the existing ordinary shares of the Company.

The holder of ordinary shares is entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

21. RESERVES

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Non-distributable					
Foreign currency translation reserve	(a)	(1,240)	(1,466)	–	–
ESOS reserve	(b)	–	766	–	766
Other reserves	(c)	(75,751)	(29,687)	–	–
		(76,991)	(30,387)	–	766
Distributable					
Retained earnings		287,213	237,964	86,469	90,729
		210,222	207,577	86,469	91,495

21. RESERVES (CONT'D)

(a) Foreign currency translation reserve

Foreign currency translation reserve represents the exchange differences arising from the translation of the financial statements of foreign operations whose functional currency is different from that of the Group's presentation currency.

(b) Employee share option ("ESOS") reserve

	Group and Company	
	2020 RM'000	2019 RM'000
At 1 January	766	766
ESOS expired	(766)	–
At 31 December	–	766

Employee share option 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. Employee share option is disclosed in Note 34.

(c) Other reserves

Other reserve represents the difference between the consideration and additional consideration paid and the Group's share of fair value of net identifiable assets arising from acquisition of non-controlling interest in a subsidiary in accordance with MFRS 10, and difference between consideration paid and fair value allocated to the detachable warrants issued in conjunction with rights issue.

22. FINANCE LEASE LIABILITIES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At 1 January	–	8,487	–	1,243
Effect of adopting MFRS 16	–	(8,487)	–	(1,243)
At 1 January, as restated	–	–	–	–
Additions	–	–	–	–
Payments	–	–	–	–
At 31 December	–	–	–	–

Obligations under finance leases

In the previous financial year, these obligations were secured by a charge over the leased assets as disclosed in Note 4(b). The interest rates of the leases are ranging from 3.15% to 4.00% per annum.

23. LEASE LIABILITIES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At 1 January	16,945	–	1,805	–
Effect of adopting MFRS 16	–	10,240	–	1,243
At 1 January, as restated	16,945	10,240	1,805	1,243
Additions	9,481	11,405	8,969	1,615
Modification to lease term	(8)	–	–	–
Payment	(6,926)	(4,700)	(2,515)	(1,053)
At 31 December	19,492	16,945	8,259	1,805
Presented as:				
Non-current	11,521	11,131	5,136	407
Current	7,971	5,814	3,123	1,398
	19,492	16,945	8,259	1,805

The maturity analysis of lease liabilities of the Group and the Company at the end of the reporting period:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Within one year	8,786	6,527	3,559	1,475
Later than one year and not later than two years	6,082	4,432	3,086	381
Later than two years and not later than five years	5,925	6,014	1,553	39
Later than five year	237	1,536	828	–
	21,030	18,509	9,026	1,895
Less: Future finance charges	(1,538)	(1,564)	(767)	(90)
Present value of lease liabilities	19,492	16,945	8,259	1,805

The Group and the Company lease buildings, motor vehicles and machineries. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

24. BANK BORROWINGS

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Secured				
Bank overdrafts	14,417	21,672	9,066	9,718
Bridging loan	62,782	43,943	–	–
Banker acceptance	1,950	2,537	–	–
Revolving credit	75,475	7,500	68,000	–
Term loans	355,308	279,759	22,785	34,048
	509,932	355,411	99,851	43,766
Current				
Bank overdrafts	13,053	21,672	9,066	9,718
Banker acceptance	1,950	2,537	–	–
Bridging loan	15,000	15,000	–	–
Revolving credit	75,475	7,500	68,000	–
Term loans	82,608	144,771	10,586	20,251
	188,086	191,480	87,652	29,969
Non-current				
Bank overdrafts	1,364	–	–	–
Bridging loan	47,782	28,943	–	–
Term loans	272,700	134,988	12,199	13,797
	321,846	163,931	12,199	13,797
	509,932	355,411	99,851	43,766

The bank overdrafts, banker acceptance, bridging loan, revolving credit and term loans obtained from licensed banks are secured by the following:

Term loans, bank overdrafts, bridging loan and revolving credit

(a) All monies in the facilities agreement;

(b) A first/third party all monies legal charge over the following properties:

(1) 9,693 square meters of freehold commercial land held under Geran 79552, Lot No. 101901 (previously known as H.S.(D) 119869 PT 15292), Mukim Petaling, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan Kuala Lumpur (Note 7);

(2) The land under Town lease No. 017561536, District of Kota Kinabalu (Note 7);

(3) A 2-storey freehold shop office held under Geran 55250, Lot 38534, Mukim Petaling, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan Kuala Lumpur (Note 4);

(4) Plot A6, held under individual title Geran 43611, Lot No. PTD 14193 Mukim Ulu Sungai Johor, District Kota Tinggi, Johor Darul Ta'zim (Note 7);

24. BANK BORROWINGS (CONT'D)

The bank overdrafts, banker acceptance, bridging loan, revolving credit and term loans obtained from licensed banks are secured by the following: (Cont'd)

Term loans, bank overdrafts, bridging loan and revolving credit (Cont'd)

(b) A first/third party all monies legal charge over the following properties: (Cont'd)

(5) Plot A2, held under individual title Geran 43607, Lot No. PTD 14189 Mukim Ulu Sungai Johor, District Kota Tinggi, Johor Darul Ta'zim (Note 7);

(6) Plot A1, held under individual title Geran 43608, Lot No. PTD 14190 Mukim Ulu Sungai Johor, District Kota Tinggi, Johor Darul Ta'zim (Note 7);

(7) Plot A5, held under individual title Geran 43610, Lot No. PTD 14192 Mukim Ulu Sungai Johor, District Kota Tinggi, Johor Darul Ta'zim (Note 7);

(8) Plot A4, held under individual title Geran 43609, Lot No. PTD 14191 Mukim Ulu Sungai Johor, District Kota Tinggi, Johor Darul Ta'zim (Note 7)

(9) Legal charge/deed of assignment and power of attorney over shop offices held under Geran 78076, Lot 101462, Mukim Petaling, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan Kuala Lumpur (Note 4);

(10) Legal charge/deed of assignment and power of attorney over service apartments held under Geran 323201, Lot 56602, Bandar Saujana, District of Petaling, Selangor (Note 5); and

(11) Legal charge over shop lots held under strata title (WP) 51197, Kuala Lumpur, Negeri Wilayah Persekutuan Kuala Lumpur (Note 5);

(12) Deed of assignment and charge over a designated escrow account-i.

(c) Corporate guarantee executed by the Company and subsidiary companies;

(d) Assignment of all the rights, title and interest in 12 office units, held under Geran 78076, Lot No. 101462, Mukim Petaling, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan Kuala Lumpur as disclosed in Note 4 to the financial statements. A first party first legal charge over the properties upon issuance of the individual/strata title to the properties;

(e) A legal assignment over the rights and interest to the rental proceeds;

(f) Assignment of proceeds from sale of car park;

(g) Pledge of fixed deposit by way of an open all monies memorandum of deposit as disclosed in Note 19;

(h) Open all monies debenture incorporating first fixed and floating charges over the past, present and future assets of ICA;

(i) Assignment of construction contracts, performance bonds and insurance proceeds of a project;

(j) Joint and several guarantees of the individual shareholders and directors of a subsidiary company; and

(k) Specific debenture over 2 units of shop office lot held under master title no. Hakmilik 78076, Lot no. 101462, Mukim of Petaling, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan Kuala Lumpur (Note 7).

(l) Specific debenture over 32 units of retail lot located on lower ground floor within the Aurora Place @ Bukit Jalil Development Phase 1, bearing consecutive unit no A01-LG to A32-LG measuring approximately 24,330 square metres in area, which held under Master Title Lot No. 101462, Master Title No. Geran 78076, in Mukim Petaling Daerah, Kuala Lumpur

24. BANK BORROWINGS (CONT'D)

Banker acceptance

(a) Certain fixed deposits of the Group as disclosed in Note 19(c); and

(b) Corporate guarantee by the Company.

The interest rates per annum are as follows:

	Group		Company	
	2020 %	2019 %	2020 %	2019 %
Bank overdrafts	7.81 - 8.20	7.81 - 8.20	8.05 - 8.10	8.05 - 8.10
Bridging loan	8.75	8.75	–	–
Banker acceptance	5.79 - 5.89	5.79 - 5.89	–	–
Revolving credit	4.28 - 6.20	8.75	–	–
Term loans	6.70 - 12.00	4.92 - 12.00	6.70 - 10.00	6.70 - 10.00

Included in the secured term loans is an amount of RM63,235,000 (2019: RM55,100,000) granted by a subsidiary company of a corporate shareholder with significant influence over the Group. The term loans are subject to interest at 12% (2019: 12%) per annum, repayable within the next 12 months after the reporting date.

25. DEFERRED TAX LIABILITIES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At 1 January	22,127	22,452	218	–
Recognised in profit or loss (Note 32)	(261)	(412)	352	218
Under provision in prior year (Note 32)	258	87	189	–
At 31 December	22,124	22,127	759	218

The net deferred tax liabilities and assets shown on the statements of financial position after appropriate offsetting are as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Deferred tax liabilities	23,882	24,071	869	218
Deferred tax assets	(1,758)	(1,944)	(110)	–
	22,124	22,127	759	218

25. DEFERRED TAX LIABILITIES (CONT'D)

The components of the deferred tax liabilities and assets prior to offsetting are as follows:

Deferred tax liabilities	Accelerated capital allowances RM'000	Total RM'000
Group		
At 1 January 2020	24,071	24,071
Recognised in profit or loss	(192)	(192)
Over provision in prior years	3	3
At 31 December 2020	23,882	23,882
At 1 January 2019	24,512	24,512
Recognised in profit or loss	(281)	(281)
Over provision in prior years	(160)	(160)
At 31 December 2019	24,071	24,071
Company		
At 1 January 2020	218	218
Recognised in profit or loss	462	462
Over provision in prior years	189	189
At 31 December 2020	869	869
At 1 January 2019	73	73
Recognised in profit or loss	218	218
Over provision in prior years	(73)	(73)
At 31 December 2019	218	218

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(Cont'd)

25. DEFERRED TAX LIABILITIES (CONT'D)

The components of the deferred tax liabilities and assets prior to offsetting are as follows: (Cont'd)

Deferred tax assets	Unutilised capital allowances RM'000	Unutilised tax losses RM'000	Other deductible temporary differences RM'000	Total RM'000
Group				
At 1 January 2020	1,378	298	268	1,944
Recognised in profit or loss	69	–	–	69
Over/(Under) provision in prior years	311	(298)	(268)	(255)
At 31 December 2020	1,758	–	–	1,758
At 1 January 2019	1,689	371	–	2,060
Recognised in profit or loss	(141)	–	272	131
Over/(Under) provision in prior years	(170)	(73)	(4)	(247)
At 31 December 2019	1,378	298	268	1,944

Deferred tax assets	Unutilised capital allowances RM'000	Unutilised tax losses RM'000	Total RM'000
Company			
At 1 January 2020	–	–	–
Recognised in profit or loss	110	–	110
At 31 December 2020	110	–	110
At 1 January 2019		73	73
Over provision in prior years		(73)	(73)
At 31 December 2018		–	–

25. DEFERRED TAX LIABILITIES (CONT'D)

The deferred tax assets have not been recognised in respect of the following items (stated at gross):

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Unutilised capital allowances	12,175	15,209	–	–
Unutilised tax losses	70,856	55,383	–	–
Other deductible temporary differences	3,216	–	–	–
	86,247	70,592	–	–

Deferred tax assets have not been recognised in respect of these items as they may not have sufficient taxable profits to be used to offset or they have arisen in subsidiary companies that have a recent history of losses.

The Malaysia Finance Act gazetted on 27 December 2018 has imposed a time limitation to restrict the carry forward of the unutilised tax losses with effect from year of assessment 2019.

The unutilised tax losses accumulated up to the year of assessment 2018 are allowed to be carried forward for 7 consecutive years of assessment and any balance thereafter shall be disregarded.

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Unutilised tax losses expiring				
- not more than 5 years	53,611	–	–	–
- not more than 6 years	8,447	46,936	–	–
- not more than 7 years	8,798	8,447	–	–
	70,856	55,383	–	–

26. PROVISION FOR LIQUIDATED ASCERTAINED DAMAGES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At 1 January	10,143	13,119	15,958	13,119
Provision during the financial year	–	2,839	–	2,839
Payment during the financial year	(9,142)	(5,815)	–	–
At 31 December	1,001	10,143	15,958	15,958

Provision for liquidated ascertained damages is in respect of property development projects which completed in 2018 by the Group. The provision was recognised for expected liquidated damages claims based on the terms of the applicable agreements.

27. TRADE PAYABLES

(a) Included in trade payables are retention on contracts of the Group and of the Company which are unsecured, interest free and expected to be settled as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Within one year	11,469	19,781	11,469	19,781
More than one year	20,350	16,903	12,409	12,251
	31,819	36,684	23,878	32,032

(b) Credit terms of trade payables of the Group and of the Company ranged from 30 to 120 days (2019: 30 to 120 days) depending on the terms of the contracts.

28. OTHER PAYABLES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Other payables	124,374	184,980	94,696	97,114
Accruals	13,118	54,422	8,602	41,317
Deposits received	6,118	22,889	485	51
	143,610	262,291	103,783	138,482

Included in other payables of the Group and of the Company is an amount of RM90 million (2019: RM90 million) owing to Pioneer Haven Sdn. Bhd. ("PHSB") being advance entitlement pursuant to the Supplemental Agreement entered between BJD and PHSB.

29. REVENUE

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue form contracts with customers:				
Major goods and services:				
- Construction contracts	63,991	116,335	60,070	194,018
- Joint development income	189,789	201,408	–	–
- Sale of development properties	32,627	25,324	–	–
- Sale of goods	26,202	27,775	–	–
- Rental	2,804	–	–	–
- Others	512	526	–	–
	315,925	371,368	60,070	194,018
Timing of revenue recognition:				
At a point in time	29,518	28,301	–	–
Overtime	286,407	343,067	60,070	194,018
Total revenue from contracts with customers	315,925	371,368	60,070	194,018

29. REVENUE (CONT'D)

Disaggregation of the Group's revenue from contracts with customers and information regarding the Group's reportable segments is set out below:

2020	Construction RM'000	Property development RM'000	Building materials RM'000	Others RM'000	Total RM'000
Major goods and services:					
- Construction contracts	63,991	–	–	–	63,991
- Joint development income	–	189,789	–	–	189,789
- Sale of development properties	–	32,627	–	–	32,627
- Sale of goods	–	–	26,202	–	26,202
- Rental	–	–	–	2,804	2,804
- Others	–	–	–	512	512
Revenue from external customers	63,991	222,416	26,202	3,316	315,925
Timing of revenue recognition:					
At a point in time	–	–	26,202	3,316	29,518
Over time	63,991	222,416	–	–	286,407
Revenue from external customers	63,991	222,416	26,202	3,316	315,925
2019					
Major goods and services:					
- Construction contracts	116,335	–	–	–	116,335
- Joint development income	–	201,408	–	–	201,408
- Sale of development properties	–	25,324	–	–	25,324
- Sale of goods	–	–	27,775	–	27,775
- Others	–	–	–	526	526
Revenue from external customers	116,335	226,732	27,775	526	371,368
Timing of revenue recognition:					
At a point in time	–	–	27,775	526	28,301
Over time	116,335	226,732	–	–	343,067
Revenue from external customers	116,335	226,732	27,775	526	371,368

30. FINANCE COSTS

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Interest expenses on:				
Bank overdrafts	1,401	2,299	696	1,486
Bridging loan	3,011	2,586	–	–
Banker acceptance	168	310	133	132
Finance lease	–	–	–	–
Lease liabilities	888	631	263	87
Revolving credit	3,700	654	3,345	–
Term loans	21,589	30,047	1,631	4,011
Invoice financing	344	730	116	730
Others	44	–	–	–
	31,145	37,257	6,184	6,446
Less: Interest expense capitalised in property, plant and equipment (Note 4(c))	–	(1,817)	–	–
Interest expense included in property development costs (Note 7(i))	(8,005)	(10,875)	–	–
	23,140	24,565	6,184	6,446

31. PROFIT/(LOSS) BEFORE TAX

Profit/(Loss) before tax is determined after charging/(crediting) amongst other, the following items:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Auditors' remuneration (Note a)	267	264	128	119
Amortisation of:				
- quarry development cost	900	–	–	–
- quarry rights	114	–	–	–
- intangible asset	9	15	–	–
- land right	2,896	3,390	–	–
Impairment loss on:				
- Trade receivables (Note 15)	2,332	314	(73)	232
Depreciation of property, plant and equipment (Note 4)	6,965	1,880	508	93
Depreciation of investment properties (Note 5)	2,605	1,608	–	–
Property, plant and equipment written off	75	–	–	–
Depreciation of rights-of-use assets (Note 9)	4,984	2,425	653	94
Lease expenses relating to short-term leases	1,878	926	–	159

31. PROFIT/(LOSS) BEFORE TAX (CONT'D)

Profit/(Loss) before tax is determined after charging/(crediting) amongst other, the following items: (Cont'd)

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Interest income:				
- deposits with licensed banks	(1,321)	(1,932)	(3,094)	(259)
- others	(30)	(64)	(30)	–
Gain on lease modification	(1)	–	–	–
Gain on disposal of property, plant and equipment	(1,465)	(258)	–	–
Gain on disposal of other investments	(4,637)	(779)	–	–
Fair value gain on other investment	(327)	–	–	–
Dividend income	(11)	–	–	–
Rental income	(2,819)	(1,490)	–	–

(a) Auditors' remuneration

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Auditors of the Company				
- Statutory audit				
- Current year	200	197	90	81
- Non-statutory audit				
- Current year	38	38	38	38
	238	235	128	119
Other auditors				
- Statutory audit				
- Current year	29	29	–	–
	29	29	–	–
	267	264	128	119

32. TAXATION

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Tax expenses recognised in profit or loss				
Current income tax:				
Current tax provision - in Malaysia	24,822	24,341	51	1,818
Under provision in prior years	3,348	481	3,047	10
	28,170	24,822	3,098	1,828
Deferred tax (Note 25):				
Relating to origination and reversal of temporary differences	(261)	(412)	352	218
Under provision in prior years	258	87	189	–
	(3)	(325)	541	218
Tax expense for the financial year	28,167	24,497	3,639	2,046

Malaysian income tax is calculated at the statutory tax rate of 24% (2019: 24%) of the estimated assessable profits for the financial year. Taxation for other jurisdiction is calculated at the rates prevailing in the respective jurisdictions.

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

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Profit/(Loss) before tax	76,467	76,083	(1,387)	3,987
At Malaysian statutory tax rate of 24% (2018: 24%)	18,352	18,260	(333)	957
Income not subject to tax	(1,197)	–	–	–
Expenses not deductible for tax purposes	4,738	4,665	736	1,447
Utilisation of deferred tax assets previously not recognised	–	(368)	–	(368)
Deferred tax assets not recognised	2,668	1,372	–	–
Under provision of taxation in prior years	3,348	481	3,047	10
Under provision of deferred taxation in prior years	258	87	189	–
Tax expense for the financial year	28,167	24,497	3,639	2,046

With effect from year of assessment 2019, unutilised tax losses are allowed to be carried forward up to a maximum of seven consecutive years of assessment under the current tax legislation. The unutilised capital allowance does not expire under current tax legislation. The Group and the Company have the following estimated unused tax losses and unabsorbed capital allowances available for set-off against future taxable profit. The said amounts are subject to approval by the tax authorities.

32. TAXATION (CONT'D)

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Unutilised capital allowances	19,502	20,951	–	–
Unutilised tax losses	70,856	56,625	–	–
	90,358	77,576	–	–

33. EARNINGS PER SHARE

(i) Basic earnings per share

The basic earnings per share has been calculated based on the consolidated profit for the financial year attributable to owners of the parent and the weighted average number of ordinary shares in issue during the financial year as follows:

	Group	
	2020 RM'000	2019 RM'000
Net profit for the financial year, attributable to owners of the parent	48,483	51,500
Weighted average number of ordinary shares in issue in 1 January (in thousand of shares)	412,383	374,894
Effect of ordinary shares issued during the financial year (in thousand of shares)	–	6,574
Weighted average number of ordinary shares in issue in 31 December (in thousand of shares)	412,383	381,468
Basic earnings per share (in sen)	11.8	13.5

(ii) Diluted earnings per share

The number of shares under warrants was not taken into account in the computation of diluted earnings per share as the warrants do not have any dilutive effect on weighted average number of ordinary shares.

There have been no other transaction involving ordinary shares or potential ordinary shares since the end of the financial period and before the authorisation of these financial statements.

34. EMPLOYEE SHARE OPTION SCHEME ("ESOS")

At an Extraordinary General Meeting held on 18 June 2015, the Company's shareholders approved the establishment of an ESOS for eligible Directors and employees of the Group.

The ESOS is administered by the ESOS committee which is appointed by the Board of Directors, in accordance with the By-Laws of the ESOS. The ESOS shall be in force for a period of five (5) years commencing from 21 August 2015, unless extended further.

The salient features of the ESOS scheme are, *inter alia*, as follows:

(i) Eligible Directors and employees are those who are confirmed employees of the Company and its subsidiaries (excluding foreign and dormant subsidiaries) and has attained the age of eighteen (18) years before the date of offer;

(ii) The ESOS committee may determine any other eligibility criteria and/or waive any of conditions of the eligibility for the purposes of selecting an eligible person at any time and from time to time, in the ESOS committee's discretion and the decision of the ESOS committee shall be final and binding;

(iii) The maximum number of new shares which may be made available under the ESOS shall be up to ten percent (10%) of the issued and paid-up share capital of the Company (excluding treasury shares, if any) at the point in time when an offer is made;

(iv) The options granted may be exercised at any time within the option period from the date of offer; and

(v) The options granted are not entitled to dividends or voting rights. Upon exercise of the options, the ordinary shares issued rank pari passu in all respects with the existing ordinary shares of the Company.

Movement in the number of share options and the exercise price are as follows:

	Group and Company Number of share option	
	2020 Units '000	**2019 Units '000**
At 1 January	3,649	3,649
Lapsed during the financial year	(3,649)	–
At 31 December	–	3,649
Exercise price	RM0.74	RM0.74
Options exercisable at 31 December	–	3,649

34. EMPLOYEE SHARE OPTION SCHEME ("ESOS") (CONT'D)

The fair value of share options granted to eligible employees and directors, was determined using Black-Scholes-Merton option pricing model, taking into account the terms and conditions upon which the options were granted. The fair value of share options measured at the grant date and the input assumed by the Company in arising the fair value are as follows:

	Group and Company	
	2020	**2019**
Fair value of share options at grant date		
On 1 September 2015 (RM)	N/A	0.21
Exercise price (RM)	N/A	0.74
Share price of the Company at grant date (RM)	N/A	0.81
Volatility (%)	N/A	36.95
Option life (years)	N/A	5
Risk-free interest rate (%)	N/A	4.23

The expected life of the share options is based on historical data, has been adjusted according to management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting the market conditions attached to the option), and behavioural considerations. The expected volatility is based on the historical share price volatility over the past 3 years, adjusted for unusual or extraordinary volatility arising from certain economic or business occurrences which is not reflective of its long term average level. While the expected volatility is assumed to be indicative of future trends, it may not necessarily be the actual outcome. No other features of the option grant were incorporated into the measurement of fair value.

The ESOS had duly expired on 20 August 2020.

35. STAFF COSTS

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Fees	232	492	492	492
Salaries, wages and other emoluments	16,971	13,875	7,490	7,490
Defined contributions plan	1,762	1,450	811	811
	18,965	15,817	8,793	8,793
Less: Staff costs capitalised				
- property development costs (Note 7(i))	(627)	(881)	–	–
- construction contracts costs (Note 14)	(1,497)	(1,716)	(845)	(1,032)
	16,841	13,220	7,948	7,761

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31 December 2020

(Cont'd)

35. STAFF COSTS (CONT'D)

Included in staff costs is aggregate amount of remuneration received and receivable by the Directors of the Company and of the subsidiary companies during the financial year as below:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Executive Directors				
- Salaries and other emoluments	2,148	2,311	1,035	1,275
- Defined contributions plan	242	268	138	145
- Benefits-in-kind	75	162	35	98
	2,465	2,741	1,208	1,518
Non-executive Directors				
- Fees	330	460	330	460
- Meeting and other allowances	90	110	32	38
- Benefits-in-kind	–	55	–	55
	420	625	362	553
Total Directors' remuneration	2,885	3,366	1,570	2,071

36. CAPITAL COMMITMENT

	Group	
	2020 RM'000	2019 RM'000
Capital expenditure		
Approved and contracted for:		
- Purchase of property, plant and equipment	571	–

37. RELATED PARTY DISCLOSURES

(a) Identifying related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel comprise the Directors and senior management personnel of the Group, having authority and responsibility for planning, directing and controlling the activities of the Group entities directly or indirectly.

37. RELATED PARTY DISCLOSURES (CONT'D)

(b) Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms. In addition to the related party balances disclosed elsewhere, the significant related party transactions of the Group and of the Company are as follow:

	2020 RM'000	2019 RM'000
Group		
Transaction with Directors of the Company		
Progress billing received/receivable	–	158
Transaction with companies in which a substantial shareholder has interest		
Progress billing received/receivable	–	197
Transaction with Directors of related companies		
Progress billing received/receivable	–	30
Transaction with a major shareholder		
Progress billing received/receivable	–	870
Transactions with subsidiary companies of a corporate shareholder with a significant influence over the Company		
Progress billing received/receivable	–	3,967
Interest expenses paid/payable	(4,087)	(12,396)
Drawdown of term loans	6,235	80,100
Repayment of term loans	–	(101,750)
Transaction with a minority shareholder of a subsidiary company		
Project management fee paid/payable	(240)	(2,520)
Group		
Transaction with a company in which a Director of the company has interest		
Progress claims paid/payable	(12,055)	(21,868)
Rental of retail spaces	(210)	(699)
Rental of office	631	351
Transaction with a company in which a Director of a related company has interest		
Progress billing received/receivable	–	934
Company		
Transactions with subsidiary companies		
Dividend income	–	–
Management fee income received/receivable	7,320	14,640
Proceeds from disposal of property, plant and equipment	–	4,025
Progress billings for construction work received/receivable	–	96,069
Property consultant fee received/receivable	395	3,877

37. RELATED PARTY DISCLOSURES (CONT'D)

(c) Compensation of key management personnel

Remuneration of Directors is disclosed in Note 35. Aggregate amount of remuneration received and receivable by other key management personnel is as follow:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Salaries, wages and other emoluments	2,330	2,912	1,628	2,035
Defined contributions plan	295	369	230	287
	2,625	3,281	1,858	2,322

38. SEGMENTAL INFORMATION

The main business segments of the Group comprise the following:

Construction	Foundation and civil engineering, building contracting works and engineering, procurement, construction and commissioning of pipeline system
Property development	Development of residential and commercial properties
Building materials	Manufacturing and distribution of ready-mixed concrete and quarry operation
Others	Includes Trading services & Asset and retail management

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

Transactions between segments are carried out on agreed terms between both parties. The effects of such inter-segment transactions are eliminated on consolidation. The measurement basis and classification are consistent with those adopted in the previous financial year.

Information about segment assets and liabilities are neither included in the internal management reports nor provided regularly to the management. Hence, no disclosures are made on segment assets and liabilities.

38. SEGMENTAL INFORMATION (CONT'D)

	Construction RM'000	Property development RM'000	Building materials RM'000	Others RM'000	Total segments RM'000	Adjustments and eliminations RM'000	Per consolidated financial statements RM'000
2020							
Revenue							
External customers	63,991	222,416	26,202	3,316	315,925	–	315,925
Inter-segment	30,484	–	–	1,183	31,667	(31,667) (a)	–
Total revenue	94,475	222,416	26,202	4,499	347,592	(31,667)	315,925
Results							
Interest income	1,091	202	58	–	1,351	–	1,351
Finance costs	(6,540)	(12,465)	(384)	(3,892)	(23,281)	141	(23,140)
Depreciation and amortisation	(1,267)	(8,685)	(5,520)	(3,853)	(19,325)	852	(18,473)
Other non cash income/(expenses)	72	(798)	(229)	341	(614)	–	(614) (b)
Segment profit/(loss) before tax	(5,814)	93,472	(6,755)	(8,979)	71,924	4,543	76,467
2019							
Revenue							
External customers	116,335	226,732	27,775	526	371,368	–	371,368
Inter-segment	108,510	–	–	600	109,110	(109,110) (a)	–
Total revenue	224,845	226,732	27,775	1,126	480,478	(109,110)	371,368
Results							
Interest income	259	1,709	28	–	1,996	–	1,996
Finance costs	(6,452)	(15,085)	(612)	(2,416)	(24,565)	–	(24,565)
Depreciation and amortisation	(248)	(4,807)	(2,720)	(1,543)	(9,318)	–	(9,318)
Other non cash income/(expenses)	(232)	258	(68)	765	723	–	723 (b)
Segment profit/(loss) before tax	3,856	93,622	(5,285)	(4,738)	87,455	(11,372)	76,083

38. SEGMENTAL INFORMATION (CONT'D)

(a) Adjustments and eliminations

Inter-segment revenues are eliminated on consolidation.

(b) Other non-cash income/(expense) consist of the following items as presented in the respective notes to financial statements:

	2020 RM'000	2019 RM'000
Net gain on disposal of property, plant and equipment	1,465	258
Gain on disposal of investments	327	779
Impairment on trade receivables	(2,332)	(314)
Gain on lease modification	1	–
Property, plant and equipment written off	(75)	–
	(614)	723

(c) Geographical information

Substantially all the Group's revenue is derived locally and non-current assets are located within Malaysia.

39. CONTINGENT LIABILITIES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Corporate guarantees given to licensed banks and financial institutions for banking facilities granted to subsidiary companies				
- Limit of guarantee	–	–	811,067	738,067
- Amount utilised	–	–	439,009	348,658
Corporate guarantees given to a supplier a supplier of goods to subsidiary companies				
- Limit of guarantee	–	–	28,850	28,850
- Amount utilised	–	–	2,336	1,797
Guarantees issued by financial institutions in connection with performance bonds, security and tender deposits in favour of third parties for construction projects	19,164	8,677	19,163	8,677

40. MATERIAL LITIGATIONS

The Group and the Company have not engaged in any litigation which will have a material effect on the business or financial position of the Group and of the Company except for the following:

(i) High Court of Malaya at Kuala Lumpur Suit No. D-26NCC-42-2011
Federal Court of Malaysia Civil Appeal No. 02(f)-140-12/2017

Zen Courts Sdn Bhd ("Zen Courts") had initiated a petition vide the High Court of Malaya at Kuala Lumpur ("KLHC") Petition No. 26NCC-42-2011 against the respondents, namely Bukit Jalil Development Sdn Bhd ("BJDSB"), the Company and Ho Hup Equipment Rental Sdn Bhd ("HHERSB") alleging the Company and HHERSB had oppressed its rights as a minority shareholder of BJDSB. The KLHC in finding that there was oppression, had ordered the Company to buy out the Zen Courts' shares in BJDSB. Such shares were to be valued by Ferrier Hodgson MH Sdn Bhd ("FHMH") who was, by consensus, appointed as the independent valuer on 19 June 2012.

Zen Courts was dissatisfied with the valuation report issued by FHMH on 31 December 2012 ("Valuation Report") and applied to KLHC for determination of the value of the shares ("Zen Court Application"). Ho Hup, on the other hand, filed an application to fix the value of the shares as recommended in the Valuation Report ("Ho Hup Application"). The KLHC dismissed Zen Court Application and allowed the Ho Hup Application. Zen Courts thereafter appealed to the Court of Appeal but the appeal was dismissed on 19 February 2014 ("Court of Appeal's Orders").

Zen Courts subsequently appealed to the Federal Court of Malaysia ("Federal Court") in relation to the Court of Appeal's Orders on the point of law and was granted leave on 5 May 2015 ("FC Appeals"). The Federal Court allowed the FC Appeals without answering the leave questions ("FC Order") on 26 April 2016. The effect of the FC Order is that the Zen Court Application is allowed and the valuation order is set aside. Both the Zen Court Application and Ho Hup Application have been remitted to the KLHC for determination of the value of the buy-out. The KLHC determined the value of the buy-out on 11 July 2019.

Meanwhile, Zen Courts had on 22 August 2016 filed a separate application to the KLHC to restore the previously existing state of affairs of them in BJDSB from Ho Hup pending the determination of the value of the buy-out pursuant to the FC Order ("Restoration Application"). The Restoration Application was dismissed with costs by the KLHC on 27 March 2017. Zen Courts subsequently appealed to the Court of Appeal on 18 April 2017 against such dismissal and the appeal had then been dismissed by the Court of Appeal with costs on 2 August 2017 ("COA Decision").

In view of the COA Decision, Zen Courts further filed an application in the Federal Court for leave to appeal against the COA Decision to which the same was granted on 4 December 2017. On 11 February 2019, the Federal Court has ordered, by consent of the parties, that the Restoration Application be remitted to the KLHC for hearing and disposal.

The parties had filed several appeals arising from the determination of the value of the buy-out on 11 July 2019 to challenge the valuation of the 30% shares, timing of payment, interest payable and amount payable to the experts determined by the Court. All of the appeals were discontinued pursuant to the consent order dated 24 July 2020 as a result of a settlement agreement dated 22 January 2020 and a supplemental settlement agreement dated 22 July 2020 entered into between the parties to finally resolve the dispute. Ho Hup has fulfilled its financial obligations in accordance with the settlement agreements as of to date.

The Restoration Application together with another application by Zen Courts to issue interrogatories in respect of Ho Hup's management affairs was subsequently withdrawn on 3 March 2021.

Today, there is no further case pending before the court.

40. MATERIAL LITIGATIONS (CONT'D)

(ii) Hon'ble II Chief Judge City Civil Court, Hyderabad O.P.No. 2039 of 2008

On 9 March 2005, Ho Hup Construction Company (India) Pte Ltd ("HHCCI"), a wholly-owned subsidiary of the Company, entered into a joint development agreement with the Andhra Pradesh Housing Board ("APHB") to develop an integrated township at Raviryal Village, Maheshwaran Mandal, Rangareddy District, Andhra Pradesh ("JDA").

The JDA was subsequently terminated by APHB. HHCCI disputed the termination on the grounds that APHB had yet to comply with its obligations in respect of the conditions precedent under the JDA.

On 2 May 2005, HHCCI commenced an arbitration proceeding to claim for expenses incurred and damages due to the unlawful termination of the JDA. On 19 May 2008, an arbitration award was published in HHCCI's favour ("Award"). The Award provides for:

(a) The upfront fee in the amount of Rs16,796,250 together interest at the rate of 12% per annum to be refunded to HHCCI, interest of which is to be calculated from 1 February 2006 to the date of the refund being made; and

(b) Compensation for expenses incurred in the amount of Rs600,000 together with interest at the rate of 9% per annum, interest of which is to be calculated from 6 January 2006.

On 18 November 2013, APHB filed an appeal against the Award and applied to set aside the Award. The appeal was dismissed and ruled in favour of HHCCI by the appellate court on 19 January 2018. There being no further appeal filed by APHB against the ruling of the appellate court, the Award is now deemed final and absolute. APHB had yet to comply with the terms of the Award and HHCCI had instructed their solicitors to commence recovery proceeding to enforce the Award against APHB.

Following thereto, the Company has lodged an Execution Petition before the City Civil Courts at Hyderabad, India to proceed with execution and recovery of Appellate Court's award against APHB. The matter is pending before City Civil Courts at Hyderabad.

41. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The table below provides an analysis of financial instruments categorised as Fair Value through Profit or Loss ("FVTPL") and Amortised cost ("AC").

	2020 RM'000	2019 RM'000
Group		
Financial Assets		
At fair value through profit or loss		
Other investment	2,659	–
At amortised cost		
Trade receivables	280,422	203,950
Other receivables	89,676	89,768
Amount due from a joint venture	99	99
Fixed deposits with licensed banks	7,588	31,383
Cash and bank balances	41,601	54,186
	419,386	379,386
Financial Liabilities		
At amortised cost		
Trade payables	112,108	151,216
Other payables	143,610	262,291
Lease liabilities	19,492	16,945
Bank borrowings	509,932	355,411
	785,142	785,863
Company		
Financial Assets		
At amortised cost		
Trade receivables	41,845	24,881
Other receivables	54,422	29,908
Amount due from subsidiary companies	533,678	337,456
Amount due from a joint venture	99	99
Fixed deposits with licensed banks	7,475	27,125
Cash and bank balances	17,657	10,361
	655,176	429,830
Company		
Financial Liabilities		
At amortised cost		
Trade payables	54,073	66,796
Other payables	3,123	138,482
Amount due to subsidiary companies	99	1,954
Lease liabilities	8,259	1,805
Bank borrowings	247,220	43,766
	312,774	252,803

41. FINANCIAL INSTRUMENTS (CONT'D)

(b) Net loss/(gain) on financial instruments

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Net loss on impairment of financial instruments:				
- Financial asset at amortised cost	2,005	314	(73)	232

(c) Financial risk management objectives and policies

The Group has exposure to the following risks from its financial instruments:

- Credit risk
- Liquidity risk
- Market risk

(i) Credit risk

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from the individual characteristics of each customer and deposits with banks and financial institutions. The Company's exposure to credit risk arises principally from loans and advances to subsidiary companies and financial guarantees given to banks for credit facilities granted to subsidiary companies.

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally credit evaluations are performed on customers requiring credit over a certain amount.

At each reporting date, the Group or the Company assesses whether any of the receivables and contract assets are credit impaired.

The gross carrying amounts of credit impaired receivables and contract assets are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, receivables and contract assets that are written off could still be subject to enforcement activities.

Receivables and contract assets

Exposure to credit risk, credit quality and collateral

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the financial year represents the Group's and the Company's maximum exposure to credit risk.

Concentration of credit risk

The Group's has no significant concentration to credit risk except as disclosed in Note 15. The Company has no significant concentration of credits risks except as disclosed in Note 15 and advances to its subsidiary companies where risks of default have been assessed to be low.

41. FINANCIAL INSTRUMENTS (CONT'D)

(c) Financial risk management objectives and policies (Cont'd)

(i) Credit risk (Cont'd)

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

These banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company also provides corporate guarantee to suppliers of goods to subsidiary companies. The Company monitors on a continuous basis the results of the subsidiary companies and repayments made by the subsidiary companies.

Exposure to credit risk, credit quality and collateral

The Company's maximum exposure in this respect is RM439.01 million and RM2.34 million (2019: RM348.66 million and RM1.8 million), representing the outstanding banking facilities and for supply of goods to certain subsidiary companies as at the end of the reporting period. There was no indication that the subsidiary company would default on repayment as at the end of the reporting period.

Financial guarantees

Recognition and measurement of impairment loss

The Company assumes that there is a significant increase in credit risk when a subsidiary company's financial position deteriorates significantly. The Company considers a financial guarantee to be credit impaired when:

- The subsidiary company is unlikely to repay its credit obligation to the bank in full; or
- The subsidiary company is continuously loss making and is having a deficit shareholders' fund.

The Company determines the probability of default of the guaranteed loans individually using internal information available.

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and advances to subsidiary companies. The Company monitors the ability of the subsidiaries to repay the loans and advances on an individual basis.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position. Loans and advances provided are not secured by any collateral or supported by any other credit enhancements.

41. FINANCIAL INSTRUMENTS (CONT'D)

(c) Financial risk management objectives and policies (Cont'd)

(i) Credit risk (Cont'd)

Inter-company loans and advances

Recognition and measurement of impairment loss

Generally, the Company considers loans and advances to subsidiary companies have low credit risk. The Company assumes that there is a significant increase in credit risk when a subsidiary company's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiary companies' loans and advances when they are payable, the Company considers the loans and advances to be in default when the subsidiary companies are not able to pay when demanded. The Company considers a subsidiary company's loan or advance to be credit impaired when:

- The subsidiary company is unlikely to repay its loan or advance to the Company in full;
- The subsidiary company's loan or advance is overdue for more than 365 days; or
- The subsidiary company is continuously loss making and is having a deficit shareholders' fund.

The Company determines the probability of default for these loans and advances individually using internal information available.

(ii) Liquidity risk

Liquidity risk refers to the risk that the Group or the Company will encounter difficulty in meeting its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises primarily from their various payables.

The Group's and the Company's funding requirements and liquidity risk are managed with the objective of meeting business obligations on a timely basis. The Group finances its liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available.

41. FINANCIAL INSTRUMENTS (CONT'D)

(c) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

The following table analyses the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

	On demand or within 1 year RM'000	1 to 2 years RM'000	2 to 5 years RM'000	After 5 years RM'000	Total contractual cash flows RM'000	Total carrying amount RM'000
Group						
2020						
Non-derivative financial liabilities						
Trade payables	112,108	–	–	–	112,108	112,108
Other payables	143,610	–	–	–	143,610	143,610
Lease liabilities	8,788	6,082	5,925	237	21,032	19,492
Bank borrowings	202,160	71,578	90,563	135,583	499,884	509,932
	466,666	77,660	96,488	135,820	776,634	785,142
2019						
Non-derivative financial liabilities						
Trade payables	151,216	–	–	–	151,216	151,216
Other payables	262,291	–	–	–	262,291	262,291
Lease liabilities	6,526	4,432	6,014	1,537	18,509	16,945
Bank borrowings	209,259	85,874	67,810	92,375	455,318	355,411
	629,292	90,306	73,824	93,912	887,334	785,863

Notes to the Financial Statements
31 December 2020

(Cont'd)

41. FINANCIAL INSTRUMENTS (CONT'D)

(c) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

The following table analyses the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. (Cont'd)

	On demand or within 1 year RM'000	1 to 2 years RM'000	2 to 5 years RM'000	After 5 years RM'000	Total contractual cash flows RM'000	Total carrying amount RM'000
Company						
2020						
Non-derivative financial liabilities						
Trade payables	54,073	–	–	–	54,073	54,073
Other payables	3,123	–	–	–	3,123	3,123
Amount due to subsidiary companies	99	–	–	–	99	99
Lease liabilities	3,559	3,086	1,553	828	9,026	8,259
Bank borrowings	87,904	2,475	7,424	4,949	102,752	247,220
Financial guarantee*	441,345	–	–	–	441,345	–
	590,103	5,561	8,977	5,777	610,418	312,774
2019						
Non-derivative financial liabilities						
Trade payables	66,796	–	–	–	66,796	66,796
Other payables	138,482	–	–	–	138,482	138,482
Amount due to subsidiary companies	1,954	–	–	–	1,954	1,954
Lease liabilities	1,475	381	39	–	1,895	1,805
Bank borrowings	30,533	2,475	7,424	7,424	47,856	43,766
Financial guarantee*	350,455	–	–	–	350,455	–
	589,695	2,856	7,463	7,424	607,438	252,803

* Being corporate guarantee granted for banking facilities and supply of goods to certain subsidiary companies which will only be encashed in the event of default by these companies.

41. FINANCIAL INSTRUMENTS (CONT'D)

(c) Financial risk management objectives and policies (Cont'd)

(iii) Market risks

(a) Foreign currency risk

The Group is exposed to foreign currency risk on transactions that are denominated in currencies other than the respective functional currencies of Group entities. The currencies giving rise to this risk is United States Dollar (USD).

The Group's and the Company's exposure to foreign currency exchange risk is minimal.

(b) Interest rate risk

The Group's and the Company's fixed rate deposits placed with licensed banks and borrowings are exposed to a risk of change in their fair value due to changes in market interest rates. The Group's and the Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in market interest rates.

The Group manages the interest rate risk of its deposits with licensed banks by placing them at the most competitive interest rates obtainable, which yield better returns than cash at bank and maintaining a prudent mix of short and long term deposits.

The Group manages its interest rate risk exposure from interest bearing borrowings by obtaining financing with the most favourable interest rates in the market. The Group constantly monitors its interest rate risk by reviewing its debts portfolio to ensure favourable rates are obtained. The Group does not utilise interest swap contracts or other derivative instruments for trading or speculative purposes.

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

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Fixed rate instruments				
Financial assets	7,588	31,383	7,475	27,125
Financial liabilities	(19,492)	(72,045)	(8,259)	(1,805)
	(11,904)	(40,662)	(784)	25,320
Floating rate instruments				
Financial liabilities	(509,932)	(300,311)	(247,220)	(43,766)

41. FINANCIAL INSTRUMENTS (CONT'D)

(c) Financial risk management objectives and policies (Cont'd)

(iii) Market risks (Cont'd)

(b) Interest rate risk (Cont'd)

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in market interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for floating rate instruments

A change in 0.5% (2019: 0.5%) interest rate at the end of the reporting period would have increased/(decreased) the Group and the Company's profit before tax by RM2.55 million and RM1.24 million (2019: RM1.50 million and RM0.22 million) respectively, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. This analysis assumes that all other variables remain constant. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(c) Other price risk

Equity price risk arises from the Group's investments in equity securities.

Risk management objectives, policies and processes for managing the risk

Management of the Group monitors the equity investments on a portfolio basis. All buy and sell decisions are approved by the Directors of the Company.

Equity price risk sensitivity analysis

This analysis assumes that all other variables remain constant and the Group's equity investments moved in correlation with the FTSE Bursa Malaysia KLCI ("FBMKLCI").

A 10% strengthening in FBMKLCI at the end of the reporting period would have increased the Group's other comprehensive income by approximately Nil (2019: Nil) for investments classified as fair value through other comprehensive income. A 10% weakening in FBMKLCI would have had equal but opposite effect on other comprehensive income.

(d) Fair values of financial instruments

The carrying amounts of receivables and payables, cash and cash equivalents and borrowings approximate their fair value due to the relatively short term nature of these financial instruments and/or insignificant impact of discounting. Fair value of other investment is within Level 1 of the fair value hierarchy.

42. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the liabilities of the Group and of the Company arising from financing activities, including both cash and non-cash changes:

	At 1 January 2020 RM'000	Net changes from financing cash flows (i) RM'000	Non-cash changes		At 31 December 2020 RM'000
			New lease Note 23 RM'000	Lease Modification RM'000	
Group					
Lease liabilities (Note 23)	16,945	(6,926)	9,481	(8)	19,492
Term loans (Note 24)	279,759	75,549	–	–	355,308
Bridging loan (Note 24)	43,943	18,839	–	–	62,782
Revolving credit (Note 24)	7,500	67,975	–	–	75,475
Banker acceptance (Note 24)	2,537	(587)	–	–	1,950
Total liabilities from financing activities	350,684	154,850	9,481	(8)	515,007

	At 1 January 2020 RM'000	Net changes from financing cash flows (i) RM'000	Non-cash changes	At 31 December 2020 RM'000
			New lease Note 23 RM'000	
Company				
Lease liabilities (Note 22)	1,805	(2,515)	8,969	8,259
Term loans (Note 22)	34,048	(11,263)	–	22,785
Total liabilities from financing activities	35,853	(13,778)	8,969	31,044

42. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONT'D)

The table below details changes in the liabilities of the Group and of the Company arising from financing activities, including both cash and non-cash changes (cont'd):

	At 1 January 2019 RM'000	Net changes from financing cash flows (i) RM'000	Effect of adopting MFRS 16 RM'000	Non-cash changes New lease Note 23 RM'000	Non-cash changes New term loan Note 4(a) RM'000	At 31 December 2019 RM'000
Group						
Finance lease liabilities (Note 22)	8,487	–	(8,487)	–	–	–
Lease liabilities (Note 23)	–	(4,435)	10,240	11,140	–	16,945
Term loans (Note 24)	314,074	(34,841)	–	–	526	279,759
Bridging loan (Note 24)	15,000	28,943	–	–	–	43,943
Revolving credit (Note 24)	7,500	–	–	–	–	7,500
Banker acceptance (Note 24)	4,893	(2,356)	–	–	–	2,537
Total liabilities from financing activities	349,954	(12,689)	1,753	11,140	526	350,684

	At 1 January 2019 RM'000	Net changes from financing cash flows (i) RM'000	Effect of adopting MFRS 16 RM'000	Non-cash changes New lease Note 23 RM'000	At 31 December 2019 RM'000
Company					
Finance lease liabilties (Note 22)	1,243	–	(1,243)	–	–
Lease liabilities (Note 23)	–	(788)	1,243	1,350	1,805
Term loans (Note 24)	110,481	(76,433)	–	–	34,048
Total liabilities from financing activities	111,724	(77,221)	–	1,350	35,853

(i) The cash flows from loans and borrowings make up the net amount of proceeds from or repayments of borrowings in the statements of cash flows.

43. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

n order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital using a gearing ratio. The Group's policy is to maintain a prudent level of gearing ratio that complies with debt covenants and regulatory requirements. The gearing ratios at the end of the reporting period are as follows:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Total loans and borrowings	529,424	372,356	108,110	45,571
Less: Fixed deposits, cash and bank balances (Note 19) ^	(42,113)	(67,997)	(18,160)	(26,652)
Net debt	487,311	304,359	89,950	18,919
Total equity	448,780	446,205	311,476	316,502
Debt-to-equity ratio	1.09	0.68	0.29	0.06

^ Fixed deposits, cash and bank balances excluded cash and cash equivalents restricted from use.

There were no changes in the Group's approach to capital management during the financial year.

44. SIGNIFICANT EVENT

Effect of outbreak of coronavirus pandemic

The emergence of novel Coronavirus ("Covid-19") since early 2020 that caused travel restrictions and lockdown to be effectuated in Malaysia and other precautionary measures being imposed by the government has brought disruption in the Group's and in the Company's business operations. The Group and the Company are cognizant of the challenges posed by these developing events and is actively monitoring and taking appropriate and timely measures, also works closely with the local authorities to support their efforts in containing the spread of Covid-19 to minimise the impact of Covid-19 on its business operations.

At the reporting date, the Group and the Company have performed an assessment of the overall impact of the situation on the Group's and on the Company's operations, including the recoverability of the carrying amount of assets and measurements of assets and liabilities and concluded that there is no material adverse effect on the financial statements for the financial year ended 31 December 2020.

The Directors and management of the Company are not aware of any uncertainties arising after the end of the financial year that would have a significant impact on the current financial statements, including the financial continuity and sustainability of the Group and of the Company as going concern for the next twelve (12) months.

45. DATE OF AUTHORISATION FOR ISSUE

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 23 April 2021.

LIST OF MATERIAL PROPERTIES

As at 31 December 2020

No.	Location/Land details	Age of Building	Date of Acquisition	Tenure	Size	Existing Use	Description	Net Book Value RM'000
1.	HSD 119867, PT 15290, Mukim Petaling, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan Kuala Lumpur (Bandar Bukit Jalil)	–	12/09/1995	Freehold	1,226,451 square feet	Property development	Development Land	13,247
2.	HSD 119868, PT 15291, Mukim Petaling, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan Kuala Lumpur (Bandar Bukit Jalil)	–	12/09/1995	Freehold	512,591 square feet	Property development	Development Land	3,107
3.	Geran 79552, Lot 101901 (previously known as H.S.(D) 119869, PT 15292), Mukim Petaling, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan Kuala Lumpur (Bandar Bukit Jalil)	–	12/09/1995	Freehold	104,335 square feet	Property development	Development Land	39,498
4.	HSD 119870, PT 15293, Mukim Petaling, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan Kuala Lumpur (Bandar Bukit Jalil)	–	12/09/1995	Freehold	320,621 square feet	Property development	Development Land	1,944
5.	HSD 119871, PT 15294, Mukim Petaling, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan Kuala Lumpur (Bandar Bukit Jalil)	–	12/09/1995	Freehold	109,849 square feet	Property development	Development Land	666
6.	Ho Hup Tower Geran 78076, Lot no.101462, Mukim Petaling, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan Kuala Lumpur (Bandar Bukit Jalil)	4.5 years	21/09/2016	Freehold	146,812 square feet	Office Tower	Office Tower	102,183
7.	Lot No. K-1-1, K-1-1M, K-1-2, K-1-3 Pusat Perdagangan Bandar Bukit Jalil Persiaran Jalil 1 57000 Kuala Lumpur	3.5 years	30/06/2017	Freehold	8,350 square feet	For rental	Shop Office	8,355

Ho Hup Construction Company Berhad
197301000497 (14034-W)

List of Material Properties

As at 31 December 2020

(Cont'd)

No.	Location/Land details	Age of Building	Date of Acquisition	Tenure	Size	Existing Use	Description	Net Book Value RM'000
8.	Lot No. B-13-1, B-13-2, B-13-3, B-13-3A & B-13-5 Pusat Perdagangan Bandar Bukit Jalil Persiaran Jalil 1 57000 Kuala Lumpur	2 years	31/12/2017	Freehold	11,246 square feet	For rental	Shop Offce	12,643
9.	Laman Iskandaria Geran 43607 - 43611, Lot No. PTD 14189 - 14193 Mukim Ulu Sungai Johor, District Kota Tinggi, Johor Darul Ta'zim	2 years	02/11/2017	Leasehold	4,303,734 square feet	Property development	Development Land	88,841
10.	Carpark B1, B2, B3, LG and LG1 at Aurora Place, Persiaran Jalil 1, Bukit Jalil, Kuala Lumpur	–	31/12/2019	Freehold	2027 bays	Carpark	Building	68,600
11.	32 Units of Retail Lots located at Lower Ground floor at Aurora Place, Persiaran Jalil 1, Kuala Lumpur	–	31/12/2019	Freehold	51,757 square feet	Retail Lots	Building	51,448
12.	Exhibition Floor located at Level 4 at Aurora Place, Persiaran Jalil 1, Kuala Lumpur	–	31/12/2019	Freehold	16,685 square feet	Exhibition Floor	Building	15,680

ANALYSIS OF SHAREHOLDINGS

As at 31 March 2021

ORDINARY SHARES

Issued and Paid-up Share Capital	:	494,860,696 ordinary shares
Class of Shares	:	Ordinary Shares
Voting Rights	:	One (1) vote per ordinary share on a poll
Number of Shareholders	:	5,682

DISTRIBUTION OF ORDINARY SHAREHOLDERS

according to statistical summary of the Record of Depositors as at 31 March 2021

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Capital
Less than 100 shares	138	2.43	2,789	~
100 to 1,000 shares	492	8.66	278,435	0.06
1,001 to 10,000 shares	2,851	50.18	16,267,668	3.29
10,001 to 100,000 shares	1,844	32.45	65,119,475	13.16
100,001 to less than 5% of issued shares	355	6.25	306,467,821	61.93
5% and above of issued shares	2	0.04	106,724,508	21.57
Total	**5,682**	**100.00**	**494,860,696**	**100.00**

Notes:
~ Negligible

DIRECTORS' SHAREHOLDINGS BASED ON THE REGISTER OF DIRECTORS' SHAREHOLDINGS

according to the Record of Depositors as at 31 March 2021

Name of Directors	Direct Shareholdings	%	Indirect Shareholdings		%
Tan Sri Datuk Seri Panglima Sulong Matjeraie	–	–	–		–
Dato' Sri Thong Kok Khee	–	–	67,747,750	(1)	13.690
Dato' Mah Siew Kwok	5,687,500	1.149	8,161,000	(2)	1.649
Datin Chan Bee Leng	47,700	0.010	77,958,722	(3)	15.754
Dato' Wong Kit-Leong	287,000	0.058	–		–
Dato' Wong Gian Kui	–	–	–		–
Boey Tak Kong	2,260,000	0.457	–		–
Chow Seck Kai	117,400	0.024	–		–
Low Kheng Lun	51,383	0.010	65,113,032	(4)	13.158

Notes

(1) Deemed interest by virtue of his substantial shareholdings in Insas Berhad and his children's direct shareholdings in the Company pursuant to Section 8(4) & 59(11)(c) of the Companies Act 2016 ("CA 2016").

(2) Deemed interest by virtue of his spouse's and daughter's direct shareholdings in the Company pursuant to Section 59(11)(c) of CA 2016.

(3) Deemed interest by virtue of her husband, Dato' Low Tuck Choy's substantial shareholdings in Low Chee Group Sdn Bhd ("LCG"), Estate of Low Chee and Concrete Pavers Industries Sdn Bhd ("CPISB") and her husband's direct shareholdings in the Company.

(4) Deemed interest by virtue of his substantial shareholdings in LCG.

Analysis of Shareholdings

As at 31 March 2021

(Cont'd)

LIST OF THIRTY LARGEST ORDINARY SHAREHOLDERS
according to the Record of Depositors as at 31 March 2021

	Name	No. of Shares Held	%
1.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Low Chee Group Sdn Bhd	54,079,258	10.93
2.	Gryphon Asset Management Sdn Bhd	52,645,250	10.64
3.	AmSec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ambank (M) Berhad for Omesti Holdings Berhad (SMART)	23,495,100	4.75
4.	M & A Nominee (Tempatan) Sdn Bhd Insas Credit & Leasing Sdn Bhd for Omesti Holdings Berhad	23,115,000	4.67
5.	CGS-CIMB Nominees (Asing) Sdn Bhd Pledged Securities Account for Mettiz Capital Limited (M3831A)	18,744,800	3.79
6.	Low Chee Group Sdn Bhd	11,033,774	2.23
7.	M&A Nominee (Asing) Sdn Bhd Montego Assets Limited	9,550,000	1.93
8.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Mary Anne Woon Lai Kheng	9,255,300	1.87
9.	M&A Nominee (Tempatan) Sdn Bhd Pledged Securities Account for Chan Chee Hong (M&A)	8,750,000	1.77
10.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Loh Chen Yook (8089132)	7,000,000	1.41
11.	Low Tuck Choy	6,817,500	1.38
12.	Kenangan Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Loh Chen Yook (021)	6,790,500	1.37
13.	Chan Kong Yew	6,215,900	1.26
14.	Kwan Siew Deeg	6,063,700	1.23
15.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Low Tuck Choy	5,679,000	1.15
16.	M & A Nominee (Asing) Sdn Bhd For Winfields Development Pte. Ltd.	5,000,000	1.01
17.	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yap Siew Bee (MX3809)	4,203,000	0.85
18.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Siew Booy (42234H)	4,181,900	0.85
19.	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tee Hong Cheat	4,000,000	0.81
20.	Hooi Yoke Lin	4,000,000	0.81
21.	Yap Siew Bee	3,800,000	0.77
22.	Inter-Pacific Equity Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kok Tiu Wan	3,780,000	0.76
23.	Cimsec Nominees (Tempatan) Sdn Bhd CIMB for Mohamed Nizam Bin Abdul Razak	3,525,554	0.71
24.	M & A Nominee (Tempatan) Sdn Bhd Insas Credit & Leasing Sdn Bhd for Omesti Holdings Berhad (HH)	3,115,000	0.63
25.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Mah Siew Kwok	3,100,000	0.63
26.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Exempt an for Affin Hwang Asset Management Berhad (TSTAC/CLNT-T)	3,062,000	0.62
27.	Omesti Holdings Berhad	2,791,300	0.56
28.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Low Choon Chong	2,411,300	0.49
29.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Monteiro Gerard Clair	2,358,900	0.48
30.	Boey Tak Kong	2,260,000	0.46
	Total	**300,824,036**	**60.79**

Analysis of Shareholdings
As at 31 March 2021

(Cont'd)

SUBSTANTIAL SHAREHOLDERS BASED ON THE REGISTER OF SUBSTANTIAL SHAREHOLDERS
according to the Register of Substantial Shareholders as at 31 March 2021

Name	Direct Shareholdings	%	Indirect Shareholdings		%
Low Chee Group Sdn Bhd	65,113,032	13.158	–		–
Omesti Holdings Berhad	52,516,400	10.612	–		–
Gryphon Asset Management Sdn Bhd	52,645,250	10.638	–		–
Dato' Low Tuck Choy	6,817,500	1.378	71,240,305	(1)	14.396
Low Lai Yoong	1,362,500	0.275	65,113,032	(2)	13.158
Omesti Berhad	–	–	52,516,400	(3)	10.612
Insas Berhad	–	–	67,695,250	(4)	13.680
Datin Chan Bee Leng	47,700	0.010	77,958,722	(5)	15.754
Low Kheng Lun	51,383	0.010	65,113,032	(6)	13.158
Dato' Sri Thong Kok Khee	–	–	67,747,750	(7)	13.690

Notes

(1) Deemed interest by virtue of his substantial shareholdings in Low Chee Group Sdn Bhd ("LCG"), Estate of Low Chee and Concrete Pavers Industries Sdn Bhd ("CPISB") and his spouse's and son's direct shareholdings in the Company.

(2) Deemed interest by virtue of his substantial shareholdings in LCG.

(3) Deemed interest by virtue of its substantial shareholdings in its wholly-owned subsidiary, OHB.

(4) Deemed interest by virtue of its shareholdings in its wholly-owned subsidiaries, Gryphon Asset Management Sdn Bhd and Montego Assets Ltd and substantial shareholdings in its associated company, Winfields Development Pte Ltd.

(5) Deemed interest by virtue of her husband, Dato' Low Tuck Choy's substantial shareholdings in LCG, Estate of Low Chee and CPISB and her husband's direct shareholdings in the Company.

(6) Deemed interest by virtue of his substantial shareholdings in LCG.

(7) Deemed interest by virtue of his substantial shareholdings in Insas Berhad and his children's direct shareholdings in the Company pursuant to Section 8(4) & 59(11)(c) of the Companies Act 2016.

NOTICE OF FORTY-SEVENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Forty-Seventh Annual General Meeting ("47th AGM") of Ho Hup Construction Company Berhad ("Ho Hup" or the "Company") will be held on Friday, 28 May 2021 at 2.30 p.m, as a fully virtual meeting via live streaming broadcast from Redwood Meeting Room, Ho Hup Tower – Aurora Place, 2-09-01 – Level 9, Plaza Bukit Jalil, No.1, Persiaran Jalil 1, Bandar Bukit Jalil, 57000 Kuala Lumpur, for the following purposes:

Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2020 together with the Reports of the Directors and the Auditors thereon ("Audited Financial Statements and Reports FY2020"). **[Please refer to Explanatory Note (a)]**

2. To approve the payment of Directors' fee of RM340,000 for the financial year ending 31 December 2021, to be payable on a quarterly basis in arrears. **(Resolution 1)**

3. To approve the payment of Directors' benefits up to an amount of RM65,000 from 29 May 2021 until the next Annual General Meeting ("AGM") of the Company. **(Resolution 2)**

4. To re-elect the following Directors of the Company who retire in accordance with Clause 93 of the Company's Constitution and being eligible, have offered themselves for re-election:

   (i) Dato' Wong Gian Kui **(Resolution 3)**
   (ii) Datin Chan Bee Leng **(Resolution 4)**
   (iii) Mr Low Kheng Lun **(Resolution 5)**

5. To re-appoint Messrs UHY as Auditors of the Company for the ensuing year 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 resolutions:

6. **Ordinary Resolution**
   Continuing in office as Independent Non-Executive Director **(Resolution 7)**

   "**THAT** approval be and is hereby given to Mr Chow Seck Kai who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to act as an Independent Non-Executive Director of the Company."

7. **Ordinary Resolution**
   Authority to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016 **(Resolution 8)**

   "**THAT** subject always to the Companies Act 2016 and the approvals of the relevant authorities, the Directors be and are hereby empowered, pursuant to Sections 75 and 76 of the Companies Act 2016 to allot and issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad (Bursa Securities) and that such authority shall continue to be in force until the conclusion of the next AGM of the Company."

8. **Ordinary Resolution**

Proposed Renewal of Share Buy-Back Authority for the Company to Purchase Its Own Shares of Up to Ten Percent (10%) of the Total Number of Issued Shares of the Company **(Resolution 9)**

"**THAT** subject to the Companies Act 2016, provisions of the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Main LR") and all other applicable laws, rules and regulations and guidelines for the time being in force and the approvals of all relevant regulatory authority, approval be and is hereby given to the Company, to purchase such number of ordinary shares in the Company ("Company Shares") as may be determined by the Directors of the Company from time to time through Bursa Malaysia Securities as the Directors may deem fit, necessary and expedient in the interest of the Company ("Proposed Renewal of Share Buy-Back Authority"), provided that:-

i. the maximum aggregate number of Company Shares which may be purchased and/or held by the Company as treasury shares pursuant to the Proposed Renewal of Share Buy-Back Authority shall not exceed 10% of the total number of issued shares of the Company at any point in time of the said purchase(s); and

ii. the maximum funds to be allocated by the Company for the purpose of purchasing Company Shares pursuant to the Proposed Renewal of Share Buy-Back Authority shall not exceed the total retained profits of the Company based on the latest audited financial statements available at the time of the purchase(s);

THAT the authority conferred by this resolution will commence immediately upon passing of this ordinary resolution and shall continue to be in force until:-

i. the conclusion of the next Annual General Meeting ("AGM") at which time the said authority shall lapse unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or

ii. the expiration of the period within which the next AGM is required by law to be held; or

iii. the authority is revoked or varied by an ordinary resolution passed by the shareholders in general meeting,

whichever occurs first;

THAT the Company Shares purchased by the Company pursuant to the Proposed Renewal of Share Buy-Back Authority may be dealt with by the Directors of the Company in their absolute discretion in all or any of the following manner:-

a. the shares so purchased may be cancelled; and/or the shares so purchased may be retained in treasury for distribution as dividend to the shareholders and/or resold on the market of Bursa Securities and/or subsequently cancelled; and/or

b. part of the shares so purchased may be retained as treasury shares with the remainder being cancelled; and/or

c. transfer the shares, or any of the shares for the purposes of or under an employees' shares scheme; and/or

d. transfer the shares, or any of the shares as purchase consideration; and/or

e. deal with the shares in any other manner as may be permitted by the applicable laws and/or regulations in force from time to time;

Notice of Forty-Seventh Annual General Meeting

(Cont'd)

AND THAT the Directors of the Company be and are hereby authorised to take all such steps as are necessary and enter into any instrument, agreements or arrangements with any party or parties to implement, finalise and give full effect to the Proposed Renewal of Share Buy-Back Authority with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities from time to time or as the Directors may in their discretion deem necessary and to do all such acts and things as the Directors may deem fit and expedient in the best interest of the Company."

9. **Ordinary Resolution**
Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions ("RRPTs") of a Revenue or Trading Nature as set out in Section 2.4 of the Circular to Shareholders dated 7 May 2021 ("RRPT Circular") **(Resolution 10)**

"**THAT**, subject to the provision of the Listing Requirements of Bursa Securities, approval be and is hereby given to Ho Hup Construction Company Berhad and its subsidiaries ("Ho Hup Group") to enter into and to give effect to specified RRPTs of a revenue or trading nature with the Related Parties as set out in Section 2.4 of the RRPT Circular, which are necessary for its day-to-day operations, to be entered into by Ho Hup Group on the basis that these transactions are entered into on terms which are not more favourable to the Related Party involved than generally available to the public and are not detrimental to the minority shareholders of the Company;

THAT the Proposed Renewal of Existing Shareholders' Mandate is subject to annual renewal. In this respect, any authority conferred by the Proposed Renewal of Existing Shareholders' Mandate, shall only continue to be in force until:

(i) the conclusion of the next AGM of the Company following the general meeting at which the Proposed Renewal of Existing Shareholders' Mandate was passed, at which time it will lapse, unless by resolution passed at the general meeting, the authority is renewed; or

(ii) the expiration of the period within which the AGM after that date is required to be held pursuant to Section 340(2) of the Act (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

(iii) revoked or varied by resolution passed by the shareholders of the Company in general meeting,

whichever is the earlier;

AND THAT the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) to give effect to the Proposed Renewal of Existing Shareholders' Mandate."

10. To transact any other business of which due notice shall have been given.

By order of the Board

Lim Shook Nyee (SSM Practicing Certificate No. 201908003593) (MAICSA 7007640)
Lee Heng Aun (SSM Practicing Certificate No. 202008001152) (MIA 10104)
Company Secretaries

Kuala Lumpur
7 May 2021

Notice of Forty-Seventh Annual General Meeting

(Cont'd)

Explanatory Notes:

(a) This Agenda item is meant for discussion only, as the provision of Section 340(1)(a) of the Act does not require a formal approval of the shareholders for the Audited Financial Statements and Reports FY2020. Hence, this Agenda is not put forward for voting.

(b) Section 230(1) of the Act provides amongst others, that the fees of the Directors and any benefits payable to the Directors of a listed company shall be approved at the general meeting.

In this respect, the Board wishes to seek shareholders' approval at the 47th AGM of the Company on the two (2) separate resolutions as below:

(i) Resolution 1 - Payment of Directors' fees for the financial year ending 31 December 2021

This resolution is to facilitate payment of Directors' fees on current financial year basis. In the event the Directors' fees proposed is insufficient due to enlarged Board size, approval will be sought at the next AGM for additional fees to meet the shortfall.

(ii) Resolution 2 - Payment of Directors' benefits

At the Forty-Sixth ("46th") AGM of the Company held on 22 July 2020, the Company had obtained the shareholders' approval for the payment of Directors' benefits to the Non-Executive Directors up to an amount of RM65,000 from 23 July 2020 until 28 May 2021, being the appointed date of holding the 47th AGM of the Company.

The proposed Resolution 2, if passed, will authorise the payment of Directors' benefits to the Non-Executive Directors up to an amount of RM65,000 with effect from 29 May 2021 until the next AGM of the Company in year 2022. The Directors' benefits payable to the Non-Executive Directors comprise the meeting allowances of RM65,000.

The Chief Executive Officer/Executive Directors do not receive any meeting allowances.

(c) Resolution 7 – Continuing in office as Independent Non-Executive Director

Mr Chow Seck Kai was appointed as an Independent Non-Executive Director of the Company on 17 March 2010 and has been on the Board for over 9 years. The Board, through the Nomination Committee ("NC") had conducted an assessment of the independence of Mr Chow Seck Kai as Independent Non-Executive Director and affirmed that he demonstrated complete independence in character and judgement both as Board member and in his roles as Committees member. He has a good understanding of the business of the Company and his knowledge and experience would continue to provide invaluable contribution to the Board. The Board (without the participation of Mr Chow Seck Kai) therefore endorsed NC's recommendation for him to continue to act as an Independent Non-Executive Director of the Company.

(d) For Resolution 8, further information in relation to the general mandate for issue of securities is set out in the Statement Accompanying Notice of 47th AGM.

(e) Resolution 9, if passed, will empower the Directors to purchase the Company's shares through Bursa Malaysia Securities Berhad of up to 10% of the total number of issued shares of the Company. The details of the Proposed Renewal of Share Buy-Back Authority are set out in the Share Buy-Back Statement dated 7 May 2021 which is circulated together with the Company's Annual Report 2020.

(f) Resolution 10, if passed, will renew the authority given to Ho Hup Group a mandate to enter into RRPTs of a revenue or trading nature with the related parties. The mandate, unless revoked or varied by the Company at a general meeting, will expire at the next AGM of the Company. The details of the Proposed Renewal of Shareholders' Mandate are set out in the Circular to Shareholders dated 7 May 2021 which is circulated together with the Company's Annual Report 2020.

Notice of Forty-Seventh Annual General Meeting

(Cont'd)

Notes:

(i) The broadcast venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016, which requires the Chairman of the meeting to be physically present at the main venue of the meeting.

Shareholders/proxies WILL NOT BE ALLOWED to attend this 47th AGM in person at the broadcast venue on the day of the 47th AGM. Therefore, shareholders are strongly advised to participate and vote remotely at the 47th AGM through live streaming and online remote voting using the Remote Participation and Electronic Voting (RPEV) facilities.

Please read these Notes carefully and follow the Procedures in the Administrative Guide for the 47th AGM in order to participate remotely.

(ii) A member of the Company entitled to attend and vote at this meeting is entitled to appoint a proxy or proxies to attend and vote in his/her stead via RPEV facilities. Notwithstanding this, a member entitled to attend and vote at the Meeting is entitled to appoint any person as his proxy to attend and vote instead of the member at the Meeting. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting (in the form of real time submission of typed texts) at the General Meeting via RPEV facilities.

(iii) Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least 1 proxy in respect of each securities account it holds which is credited with ordinary shares of the Company.

(iv) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

(v) The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer or attorney duly authorised.

(vi) The instrument appointing a proxy must be deposited at the office of the Registrar of the Company at ShareWorks Sdn Bhd, 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur or be submitted electronically via the Portal at https://agm.omesti.com not less than 48 hours before the time for holding the Meeting or any adjournment thereof or, in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll.

(vii) Only members whose names appear in the Record of Depositors on 20 May 2021 shall be entitled to attend, speak (in the form of real time submission of typed texts) and vote at the 47th AGM or appoint proxy/proxies to attend and/or vote on his/her behalf via RPEV facilities.

(viii) The resolutions set out in the Notice of 47th AGM will be put to vote by poll in accordance with Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

STATEMENT ACCOMPANYING NOTICE OF 47TH AGM

STATEMENT ACCOMPANYING NOTICE OF 47TH AGM

Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

Details of individuals who are standing for election as Directors (excluding Directors standing for re-election)

No individual is seeking election as a Director at the 47th Annual General Meeting (AGM) of the Company.

Statement relating to general mandate for issue of securities in accordance with Paragraph 6.03(3) of the Main Market Listing Requirements

The resolution in relation to the authority to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016 is a renewal of the general mandate for the issue of new ordinary shares in the Company which was approved at the last AGM of the Company held on 22 July 2020.

Under the previous mandate, the following new ordinary shares were issued under the Private Placement:

Date of Allotment	Number of Ordinary Shares	Price Per Share (RM)	Proceeds
10 February 2021	47,658,000	0.3800	18,110,040.00
17 March 2021	34,818,700	0.3950	13,753,386.50
		Total	**31,863,426.50**

As at 31 March 2021, the status of utilisation of the proceeds raised is as follows:

Details	Intended Timeframe	Proposed Utilisation RM'000	Actual Utilisation RM'000
Repayment of Borrowings	Within 6 Months	9,000	9,000
Working Capital	Within 6 Months	21,863	21,863
Estimated Expenses in Relation to the Private Placement Exercise	Within 1 Month	1,000	700
Total		31,863	31,563

The Board is of the view that the general mandate, on the issuance of new securities of not more than 10% of the total number of issued shares (excluding treasury shares), is in the best interest of the Company and its shareholders as it provides flexibility to the Directors to undertake fund-raising activities, including but not limited to placement of shares for the funding of the Company's future investment projects, working capital and/or acquisitions, by the issuance of shares in the Company to such persons at any time, as the Directors consider it to be in the best interests of the Company.

Any delay arising from and cost involved in convening a general meeting to approve such issuance of shares should be eliminated.

This authority, unless revoked or varied by the Company in a general meeting, will expire at the conclusion of the next AGM of the Company.

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HOHUP®

HO HUP CONSTRUCTION COMPANY BERHAD
(Registration No. 197301000497 (14034-W))

FORM OF PROXY

No. of Shares Held	CDS Account No.

I/We_____Tel:_____
[Full name in block, and as per NRIC/Passport/Company No.]

of _____

_____

being member(s) of Ho Hup Construction Company Berhad, hereby appoint:

Full Name (in Block and as per NRIC/Passport)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and

Full Name (in Block and as per NRIC/Passport)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her, the Chairperson of the Meeting, as my/our proxy to vote for me/us and on my/our behalf at the Forty-Seventh Annual General Meeting ("47th AGM") of our Company to be held on Friday, 28 May 2021 at 2.30 p.m. or any adjournment thereof, as a fully virtual meeting via live streaming broadcast from Redwood Meeting Room, Ho Hup Tower - Aurora Place, 2-09-01 - Level 9, Plaza Bukit Jalil, No 1, Persiaran Jalil 1, Bandar Bukit Jalil, 57000 Kuala Lumpur and to vote as indicated below:

No.	Resolution	For	Against
1.	To approve the payment of Directors' fees of RM340,000 for the financial year ending 31 December 2021, to be payable on a quarterly basis in arrears.		
2.	To approve the payment of Directors' benefits up to an amount of RM65,000 from 29 May 2021 until the next AGM of the Company.		
3.	To re-elect Dato' Wong Gian Kui who retires in accordance with Clause 93 of the Company's Constitution.		
4.	To re-elect Datin Chan Bee Leng who retires in accordance with Clause 93 of the Company's Constitution.		
5.	To re-elect Mr. Low Kheng Lun who retires in accordance with Clause 93 of the Company's Constitution.		
6.	To re-appoint Messrs. UHY as Auditors of the Company for the ensuing year and to authorise the Board of Directors to fix their remuneration.		
As Special Business			
7.	Continuing in office of Mr. Chow Seck Kai as Independent Non-Executive Director		
8.	Authority to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016		
9.	Proposed Renewal of Share Buy-Back Authority		
10.	Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions ("RRPTs") of a Revenue or Trading Nature as set out in Section 2.4 of the Circular to Shareholders dated 7 May 2021 ("RRPT Circular")		

Please indicate with an "X" in the space provided whether you wish your votes to be cast for or against the resolution. In the absence of specific direction, your proxy will vote or abstain as he/she thinks fit.

Signed this _____day of _____ 2021

_____
Signature*
Member

Notes:

i) The broadcast venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016, which requires the Chairman of the meeting to be physically present at the main venue of the meeting.

Shareholders/proxies WILL NOT BE ALLOWED to attend this 47th AGM in person at the broadcast venue on the day of the 47th AGM. Therefore, shareholders are strongly advised to participate and vote remotely at the 47th AGM through live streaming and online remote voting using the Remote Participation and Electronic Voting (RPEV) facilities.

Please read these Notes carefully and follow the Procedures in the Administrative Guide for the 47th AGM in order to participate remotely.

ii) A member of the Company entitled to attend and vote at this meeting is entitled to appoint a proxy or proxies to attend and vote in his/her stead via RPEV facilities. Notwithstanding this, a member entitled to attend and vote at the Meeting is entitled to appoint any person as his proxy to attend and vote instead of the member at the Meeting. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting (in the form of real time submission of typed texts) at the General Meeting via RPEV facilities.

(iii) Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least 1 proxy in respect of each securities account it holds which is credited with ordinary shares of the Company.

(iv) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

(v) The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer or attorney duly authorised.

(vi) The instrument appointing a proxy must be deposited at the office of the Registrar of the Company at ShareWorks Sdn Bhd, 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur or be submitted electronically via the Portal at https://agm.omesti.com not less than 48 hours before the time for holding the Meeting or any adjournment thereof or, in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll.

vii) Only members whose names appear in the Record of Depositors on 20 May 2021 shall be entitled to attend, speak (in the form of real time submission of typed texts) and vote at the 47th AGM or appoint proxy/proxies to attend and/or vote on his/her behalf via RPEV facilities.

viii) The resolution set out in the Notice of 47th AGM will be put to vote by poll in accordance with Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

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AFFIX
STAMP

THE REGISTRAR
HO HUP CONSTRUCTION COMPANY BERHAD
197301000497(14034-W)

ShareWorks Sdn. Bhd.
2-1, Jalan Sri Hartamas 8,
Sri Hartamas,
50480 Kuala Lumpur

2nd Fold Here

Fold This Flap For Sealing

ANNUAL REPORT 2020

HOHUP®

HO HUP CONSTRUCTION COMPANY BERHAD
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57000 Kuala Lumpur, Wilayah Persekutuan

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