MAGNA PRIMA BERHAD
(369519-P)

PURSUE INNOVATION FOR GREATER FUTURE

ANNUAL REPORT 2018

ABOUT US

Magna Prima was incorporated in Malaysia on 5 December 1995 as a private limited company before subsequently being converted to a public limited company, assuming its listing status on Bursa Malaysia and adopting its present name of Magna Prima Berhad on 16 January 1997.

Magna Prima Berhad is an investment holding company and through its subsidiaries, provides a diverse range of property development, building construction, trading and management services.

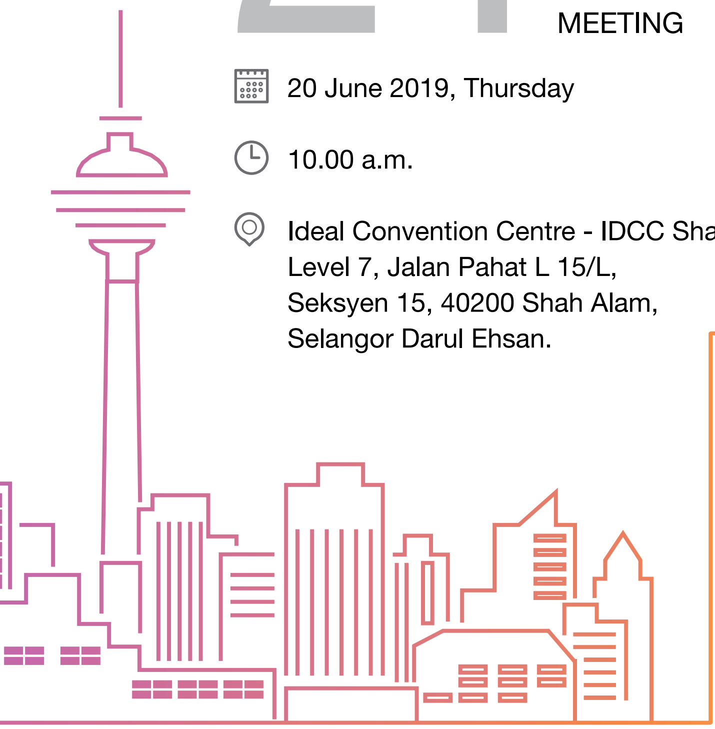
Focused in the Klang Valley, Magna Prima Berhad is a niche developer of integrated lifestyle themed projects that attract robust take up rates. The Group focuses on purchasing and developing pocket-sized landbanks which are located in high density areas, with easy accessibility and have a significant gross development value.

24th ANNUAL GENERAL MEETING

20 June 2019, Thursday

10.00 a.m.

Ideal Convention Centre - IDCC Shah Alam,
Level 7, Jalan Pahat L 15/L,
Seksyen 15, 40200 Shah Alam,
Selangor Darul Ehsan.



CONTENTS

GROUP STRUCTURE

MAGNA PRIMA BERHAD
(369519 P)

PROPERTY DEVELOPMENT

- 100% Magna Prima Development Sdn Bhd (296427-M)
  - 100% Magna Park Sdn Bhd (227337-X)
    - 100% Amanabina Sdn Bhd (496831-K)
    - 100% Embassy Court Sdn Bhd (644306-P)
  - 70% Magna Ecocity Sdn Bhd (496141-A)
- 100% Winicon (M) Sdn Bhd (817534-M)
  - 100% Ibsul Development (Sel) Sdn Bhd (700479-V)
- 100% Magna Shah Alam Sdn Bhd (381065-U)
- 100% Magna City Shah Alam Sdn Bhd (785936-U)
- 100% Twinicon (M) Sdn Bhd (816605-V)
- 100% 33 Sentral Park Sdn Bhd (646429-H)
- 100% Monetary Icon (M) Sdn Bhd (828804-V)
- 100% Permata Juang (M) Sdn Bhd (828780-T)
- 100% Everhall (M) Sdn Bhd (786053-V)
- 100% Magna City Development Sdn Bhd (412099-K)
- 100% Crossborder Team (M) Sdn Bhd (821484-P)
- 100% Magna Prima Australia Pty Ltd (ACN No.151747910)
- 70% Pavilion Uptrend Sdn Bhd (1075159-M)

CONSTRUCTION & ENGINEERING

- 100% Magna Prima Construction Sdn Bhd (184897-V)
  - 100% MPrima (Shah Alam) Sdn Bhd (397974-W)
- 100% Pembinaan Contamaju-Infocast Sdn Bhd (627933-X)
- 100% Dunia Epik Sdn Bhd (95974-K)
  - 100% Magna Park (Mentakab) Sdn Bhd (346648-T)
- 100% Kontrakmal 1 (M) Sdn Bhd (700562-U)

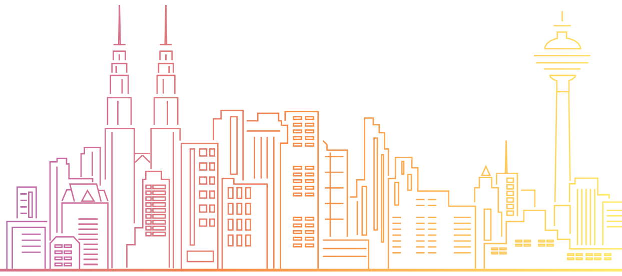
PROPERTY MANAGEMENT

- 100% Prima Awan (M) Sdn Bhd (786061-H)

TRADING

- 100% Magna Mix Sdn Bhd (800279-H)

GROUP INFORMATION



BOARD OF DIRECTORS

TAN SRI DATUK ADZMI BIN ABDUL WAHAB
Independent Non-Executive Director, Chairman

DATUK SERI RAHADIAN MAHMUD BIN MOHAMMAD KHALIL
Group Managing Director

HO WEN YAN
Executive Director

SAZALI BIN SAAD
Independent Non-Executive Director

LOW YEW SHEN
Independent Non-Executive Director

DATO' DARAWATI HUSSAIN
Independent Non-Executive Director

CHANG CHEE KOK
Non-Independent Non-Executive Director

AUDIT COMMITTEE

Dato' Darawati Hussain- *Chairman*
Tan Sri Datuk Adzmi bin Abdul Wahab
Sazali bin Saad
Low Yew Shen

NOMINATION COMMITTEE

Sazali bin Saad - *Chairman*
Tan Sri Datuk Adzmi bin Abdul Wahab
Dato' Darawati Hussain
Low Yew Shen

REMUNERATION COMMITTEE

Tan Sri Datuk Adzmi bin Abdul Wahab - *Chairman*
Sazali bin Saad
Dato' Darawati Hussain
Low Yew Shen

COMPANY SECRETARY

Yuen Yoke Ping
(MAICSA 7014044)

REGISTERED OFFICE

Lot 4.01, Level 4,
IDCC Corporate Tower,
Jalan Pahat L 15/L,
Seksyen 15,
40200 Shah Alam,
Selangor Darul Ehsan.
: 03-5022 5555
: 03–5022 5556
: www.magnaprima.com.my

SHARE REGISTRAR

Boardroom Share Registrars Sdn. Bhd.
(Company No. 378993-D)
(Formerly known as Symphony Share Registrars Sdn. Bhd.)
Level 6, Symphony House,
Pusat Dagangan Dana 1,
Jalan PJU 1A/46,
47301 Petaling Jaya,
Selangor Darul Ehsan, Malaysia
: +60 3 7849 0777
: +60 3 78418151/8152
: BSR.Helpdesk@boardroomlimited.com
: www.boardroomlimited.com

AUDITORS

Messrs Morison Anuarul Azizan Chew
(AF 001977)
Chartered Accountants

SOLICITORS

Ringo Low & Associates
Manjit Singh Sachdev, Mohammad Radzi & Partners
Satha & Co.
Cecil Abraham & Partners
Kenny Tan & Co
Wong Kian Kheong
Azmi Fazly Maha & Sim

PRINCIPAL BANKERS

Malaysia Building Society Berhad
Affin Hwang Investment Bank Berhad
OCBC Bank (M) Berhad
Hong Leong Bank Berhad
Malayan Banking Berhad
Australia and New Zealand Banking Group
Affin Bank Berhad
Alliance Bank Malaysia Berhad
Public Bank Berhad

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
Main Board
Listed since 16 January 1997
Bursa's Code : 7617

PROFILE OF DIRECTORS

TAN SRI DATUK ADZMI BIN ABDUL WAHAB

Independent Non-Executive Director, Chairman

Tan Sri Datuk Adzmi bin Abdul Wahab, a Malaysian, male, aged 76, was appointed to the Board on 2 May 2006 as Independent Non-Executive Director, Chairman.

Tan Sri Datuk Adzmi, is the Chairman and Director of a number of companies involved in broadband, property development, construction, manufacturing and trading. He is also Advisor to Yasmin Holding Sdn Bhd and Malaysian Franchise Association.

Tan Sri Datuk Adzmi was appointed as the longest serving Managing Director of Edaran Otomobil Nasional Berhad ("EON") in November 1992 until May 2005. During his tenure, EON successfully diversified into a conglomerate with interests in automotive, banking, financial services, insurance, investments, properties and general trading. In 2003, he was conferred the Malaysian CEO of the Year by AMEX and Business Times.

Tan Sri Datuk Adzmi holds a Bachelor of Arts (Honours) degree in Economics and a Post Graduate Diploma in Public Administration from the University of Malaya and Master of Business Administration from University of Southern California, USA.

Tan Sri Datuk Adzmi served the Malaysian Administrative and Diplomatic Service in various capacities from 1967 to 1982 in the areas of Central Procurement and Contract Management in the Ministry of Finance; Investment Promotion in the Pahang Tenggara Development Authority, Public Enterprise Management in the Implementation Coordination Unit (Prime Minister's Department) and Regional Planning in the Klang Valley Planning Secretariat (Prime Minister's Department).

He was Manager, Corporate Planning Division from 1982 to 1985 at HICOM Berhad which is involved in the development of heavy industry projects.

He served PROTON from 1985 to 1992 with his last position as Director/Corporate General Manager, Administration and Finance Division.

Tan Sri Datuk Adzmi also sits on the Boards of Lebtech Berhad, LKL International Berhad, Dataprep Berhad and Grand Flo Berhad.

Tan Sri Datuk Adzmi is a member of Audit Committee and Nomination Committee. He also chairs the Remuneration Committee.

Tan Sri Datuk Adzmi has no family relationship with any of the directors and / or major shareholders of the Company nor has any shareholding in the Company.

Tan Sri Datuk Adzmi does not have any conflict of interest with the Company and has had no conviction for any offences within the past 5 years. Tan Sri Datuk Adzmi attended all Board Meeting held during the financial year ended 31 December 2018.

DATUK SERI RAHADIAN MAHMUD BIN MOHAMMAD KHALIL

Group Managing Director

Datuk Seri Rahadian Mahmud bin Mohammad Khalil, a Malaysian, male, aged 45, and was appointed to the Board on 16 July 2007 as Independent Non-Executive Director. On 12 May 2011, he was made Executive Director and promoted to Group Managing Director on 14 April 2014.

He was involved in the reforestation business as well as the construction and manufacturing sectors and is the Chairman of Permaju Industries Berhad.

He also sits on the Boards of Sanbumi Holdings Berhad and KYM Holdings Berhad and Appasia Berhad.

Datuk Seri Rahadian Mahmud is a member of the Tender Committee. He is the Chairman of the Executive Committee (EXCO).

He has no family relationship with any of the directors and / or major shareholders of the Company.

Datuk Seri Rahadian Mahmud does not have any conflict of interest with the Company and has had no conviction for any offences within the past 5 years. Datuk Seri Rahadian Mahmud attended all Board Meeting held during the financial year ended 31 December 2018.

HO WEN YAN

Executive Director

Ho Wen Yan, a Malaysian, male, aged 44, was appointed to the Board of Magna Prima Berhad on 13 February 2017. He received his architectural training in the United Kingdom at the University of Bath and the Architectural Association. He also holds a Masters of Science (Construction Economics and Management) Degree from University College London.

He joined Hua Yang on 20 October 2003 as a Project Coordinator at its Johor Branch. He has been an Executive Director of the Group since 1 June 2007 and was appointed Chief Executive Officer on 20 August 2010.

Ho Wen Yan is a member of the Tender and Executive Committee (EXCO).

He is an immediate family member to Chew Po Sim, Ho Min Yi, Ho Wen Fan and Ho Wen Han who are major shareholders of the listed company through Prisma Pelangi Sdn Bhd.

Ho Wen Yan does not have any conflict of interest with the Company and has had no conviction for any offences within the past 5 years. Ho Wen Yan attended all Board Meeting held during the financial year ended 31 December 2018.

Profile of Directors

SAZALI BIN SAAD

Independent Non-Executive Director

Sazali bin Saad, a Malaysian, male, aged 46, joined the Board on 2 May 2006 as Independent Non-Executive Director.

He is a lecturer in the College of Business, Universiti Utara Malaysia ("UUM") and has been with UUM since 2003.

Sazali holds a Bachelor of Accountancy (Hons) degree from UUM and a Masters in Electronic Commerce from Deakin University, Melbourne. He has also been a member of the Malaysian Institute of Accountant (MIA) since September 2000.

During his years in Australia, he honed his talents and expertise in both the accounting and commercial aspects of managing businesses - a world to which he is not a total stranger because from 1996 - 1999, he held the position of Finance Executive, before being promoted to Finance Manager where he was in charge of three companies, i.e., Sistem Era Edar Sdn Bhd, Perkhidmatan Perubatan Homeopati dan Biokimia Sdn Bhd and Homeofarma Sdn Bhd, Jitra, Kedah.

Sazali's exposure to both the academic and the commercial world is an advantage, which he generously shares wherever he serves.

Sazali is a member of the Audit and Remuneration Committees. He is the Chairman of Nomination Committee.

He has no family relationship with any of the directors and / or major shareholders of the Company nor has any shareholding in the Company.

Sazali does not have any conflict of interest with the Company and has had no conviction for any offences within the past 5 years. Sazali attended all Board Meeting held during the financial year ended 31 December 2018.

LOW YEW SHEN

Independent Non-Executive Director

Mr Low Yew Shen, a Singaporean, male, aged 45, was appointed to the Board on 21 February 2018 as an Independent Non-Executive Director.

Mr Low is also a Non-Executive Director of Regal International Group Ltd, a company with dual-listing on the Mainboard of Singapore Exchange - Securities Trading Limited and as Taiwan Depository Receipts on Taiwan Stock Exchange and involved in property development, mainly in East Malaysia.

Mr Low was admitted to the Singapore Bar in the year 2000 and is currently a partner in Elitaire Law LLP. He holds a Bachelor Degree of Laws (Honours) from the National University of Singapore.

He is a member of the Audit, Remuneration, Nomination and Tender Committees.

Mr Low Yew Shen has no family relationship with any of the directors and / or major shareholders of the Company nor has any shareholding in the Company.

He does not have any conflict of interest with the Company and has had no conviction for any offences within the past 5 years. Mr Low Yew Shen attended all Board Meeting held during the financial year ended 31 December 2018.

DATO' DARAWATI HUSSAIN

Independent Non-Executive Director

Dato' Darawati Hussain, a Malaysian, female, aged 49, was appointed to the Board on 27 September 2018 as Independent Non-Executive Director.

Dato' Darawati Hussain is a Director of Syalin Sdn. Bhd., a family investment office. Formerly with CIMB Group, her last position was as Director, Fund and Co-Investor Relations under the Group Strategy and Strategic Investments Division (CIMB GSSI).

She has over 20 years of experience in corporate finance, asset management and private equity. Dato' Darawati first joined the corporate advisory team of CIMB Group (Malaysia) where she specialised in mergers and acquisitions and capital raising transactions. She also spent five years in London where she was a European equities portfolio manager for a US fund management company with asset under management (AUM) worth US$70 billion.

In 2001, she rejoined CIMB Group to set-up and develop the private equity franchise formerly known as CIMB Private Equity and Venture Capital and in particular, driving the initiative to set-up the Shariah-compliant private equity funds.

She also serves as Chairman of RHB Private Equity Holdings Sdn. Bhd. and as an Independent Board Member of Malaysia Venture Capital Management Berhad (MAVCAP), RHB Investment Bank Berhad and the Audit Oversight Board. She is also a Director of several private-limited companies involved in a diverse range of businesses namely strategic crisis management communication and HSE consultancy. She was formerly an Independent Non-Executive Board member for Tanah Makmur Berhad, Asiamet Education Group Berhad, Global Maritime Ventures Berhad and the Investment Committee of BIMB Investment Management Berhad.

Dato' Darawati was a former Chairperson of Malaysia Venture Capital and Private Equity Association (MVCA) and committee member of Malaysia Venture Capital Development Corporation (MVCDC) under SC and remains an active member of MVCA. She is also an Investment Committee member for the equity funds under Agensi Innovasi Malaysia (a unit under the PM's office).

She holds a bachelors' degree in Economics and Accountancy from Durham University, UK and also Master in Business Administration from London Business School, UK. She is also a Chartered Financial Analyst (CFA).

Dato' Darawati is a member of Nomination Committee, Remuneration Committee and Tender Committee. She is the Chairman of Audit Committee.

Dato' Darawati has no family relationship with any of the directors and / or major shareholders of the Company nor has any shareholding in the Company.

Dato' Darawati does not have any conflict of interest with the Company and has had no conviction for any offences within the past 5 years. Dato' Darawati attended one (1) Board Meeting following her appointment as director on 27 September 2018 for financial year ended 31 December 2018.

Profile of Directors

CHANG CHEE KOK

Non-Independent and Non-Executive Director

Chang Chee Kok, a Malaysian, male, aged 53, was appointed to the Board on 3 March 2016 as a Non-Independent and Non-Executive Director.

He is a Civil Engineer by profession and graduated from University Malaya in 1990.

He holds directorships in two private companies involved in building and civil construction works. Prior to these venture, he was employed by Mudajaya Corporation Bhd as a Project Manager.

Chang Chee Kok has no family relationship with any of the directors and/or major shareholders of the Company nor has any shareholding in the Company.

Chang Chee Kok does not have any conflict of interest with the Company and has had no conviction for any offences within the past 5 years. Chang Chee Kok attended all Board Meeting held during the financial year ended 31 December 2018.

KEY SENIOR MANAGEMENT PROFILE

Thiruchelvam Raju

Director of Property Development and Special project

Thiruchelvam Raju, a Malaysian, male, aged 50, was appointed as Director of Property Development and Special project on 1 June 2016, in charge of the development projects of Magna Prima Group. He was graduated with Civil Engineering background by profession.

Thiruchelvam began his career in 1990 by joining Bandar Sunway Properties upon his graduation since then accumulated more than 29 years of extensive experience in the field of property development. Thiruchelvam has devoted his professional career to Country Heights Properties, Berjaya Land, and TTDI Development before he made his way to Magna Prima Berhad and has since been extruded with Magna Group's interests from 2010 to date. With 28 years under his belt, Thiruchelvam has gained vast experience and exposure in property development industries.

Thiruchelvam has spearheaded the group's development projects in Klang Valley and he has the good rapport with the government authorities, is one of major driving forces behind Magna Group's successful implementation of the projects. With his extensive background coupled with 29 years experience in property development, he has contributed invaluable aptitude in matters of finance by conducting feasibility studies, design and business development, project planning and implementation.

Thiruchelvam has no family relationship with any of the directors and/or major shareholders of the Company nor has any shareholding in the Company.

Thiruchelvam does not have any conflict of interest with the Company and has had no conviction for any offences within the past 5 years.

MANAGEMENT DISCUSSION & ANALYSIS

Firstly, we would like to welcome Dato' Darawati Hussain who have joined our Board of Directors as Independent Non-Executive Director on 27 September 2018. We believe that with her vast experience and expertise in the corporate world, Dato' will be able to add value to our Magna Prima Group.

On 6 April 2018, Ms. Cheong Choi Yoon resigned as Chairman of the Nomination Committee and in replacement thereof on 22 January 2019, En. Sazali bin Saad was redesignated to Chairman of Nomination Committee.

OVERVIEW

Magna Prima Berhad was listed on the Main Board of Bursa Malaysia in 1997. The Group has been involved in property development since inception and today we as a market driven developer, we take pride in understanding market needs and tailoring our strategies to suit demand.

Currently, we continue to focus on clearing the current inventory to further improve the Group's cashflow position. Thus, during the year under review, the main focus has been to monetize of inventory in our completed projects.

In view of the weak market environment in financial year 2018, attributed by various factors, such as, lending constraint for homebuyers, increase in cost of living and uncertainty in job security, have led to more cautious consumer spending, thus, we have been cautious in new launches, if any. This measure is employed so as not to further add to the oversupply in the market and focus on our current inventory.

However, the demand for affordable homes will continue to increase, given the current economic sentiment as well as the support from the state Government to encourage property players to alleviate the housing problem of the people.

Overall, our effort has been to sell our completed products and pace out new launches, if any, over the coming years.

The Group will continue to design innovative layouts, providing quality and generous facilities with high security as well as central location surrounded by amenities and convenience.

The Company have been able to weather many a season and emerge stronger due to the stellar stewardship of our senior management team and an exceptional Board of Directors.

FISCAL PERFORMANCE

For the 12 months ended 31 December 2018 ("FY18"), MPB and its subsidiary companies ("the Group") achieved a revenue of RM33.1 million, a decrease of 64% from the previous year's corresponding amount of RM90.8 million and loss before tax of RM30.7 million compared to profit before tax RM16.4 million recorded in the previous corresponding period ended 31 December 2017.

The revenue for the FY18 mainly contributed from the Boulevard Service Apartments @ Jalan Kuching, Kuala Lumpur of which the revenue and profit were recognised based on percentage of completion method in accordance with MFRS 15 and sales of remaining completed units of service apartment from The Istana, Melbourne project, shop office component at the Boulevard Business Park@ Jalan Kuching, Kuala Lumpur and Desa Mentari, Petaling Jaya.

Management Discussion & Analysis

Boulevard Business Park

REVIEW OF OPERATIONS

Boulevard Business Park @ Jalan Kuching, Kuala Lumpur

The construction of the 345 units of service apartments and 8 units of 4 storey of adjoining shop office has been completed and was handed over to purchasers during 3rd quarter of 2017. For the shopping complex, it is expected to offer unparallel shopping, business opportunities, food and beverage and abundant entertainment to the shoppers and visitors from all walks of life.

As such, the management received many proposals to lease the space of supermarket and shopping mall. However, to date, no decision has been made yet as the management is still reviewing the proposals and will accept the best offer which will give the highest return.

On a separate note, the mall was originally designed to cater for a shopping mall but the management then reviewed and may have plans to convert the said mall to other purposes.

The View Residence, Shah Alam

Subsequent to the completion of Boulevard Business Park and Boulevard Service Apartment, the Group launched this project in the 4th quarter of 2017. This project is located at Seksyen 13, Shah Alam, adjacent to the Kelab Golf Sultan Abdul Aziz Shah and measuring approximately 5.25 acres. It comprises of three blocks of 15 storey apartments and 5 units of shops and will be supported by approximately 819 parking bays.

The layout for The View Residence complements mid-sized family's lifestyle and accommodates gatherings of friends and family with comfort and poise.

Strategic location and innovative integrated lifestyle development concept will provide value in terms of accumulative yield and capital appreciation.

Magna Ecocity Shah Alam, Selangor

This parcel of land is held under Magna Ecocity Sdn Bhd, a subsidiary of Magna Prima Berhad. The proposed project is located at Seksyen 15, Shah Alam and will be spread over approximately 20 acres. The Management is currently reviewing several viable development options as plans are subjected to more in-depth consultation by various parties to ensure maximum return on investment as well as meeting the market's requirements of new developments. However, we target to launch this project by year 2019.

On a separate note, should there be a need arises, the Management will consider joint venture arrangement for this project in order to support the Group's growth.

We intend to access to greater resources, including specialized staff, technology and finance to bring this project to success.

Jalan Ampang Land

In view of the high capital investment to commit mega and high end projects, namely, Jalan Ampang Land, the Management will review the original design development by increasing plot ratio and change of marketing strategy to meet the market demand.

As this parcel of land is located in the prime area of Kuala Lumpur City Center, there are many development options for the Management to consider. Before we commence development for this project, we want to work towards achieving good returns to be in line with the shareholders' interest.

We are reviewing the Group's capacities to meet its obligation upon commencement of the development and as at todate there are still many variables for the management to consider.

Magna EcoCity Shah Alam

Management Discussion & Analysis

Proposed Jalan Gasing Development, Petaling Jaya

Since last year, there is not much development on this project as the Group is still working closely with Majlis Bandaraya Petaling Jaya on the rezoning of this 6.95 acres parcel of land with the aim of changing the classification from residential to commercial. With this development, a new enjoyable and convenience experience will be established to meet the needs of the existing community.

Kepong 2D

Kepong 2D, Kuala Lumpur

The Group has embarked into a joint venture project with DBKL to develop 7 units of 3 storey shop office and 266 units of service apartment, being the final phase of development in Metro Prima.

As for the development of 7 units of 3 storey shop office, construction works has commenced.

On a separate note, the development for 266 units of service apartments had obtained planning approval from DBKL.

However, todate, this project is still at the initial stage of pre-development.

Kepong 2D

OPERATING ENVIRONMENT:

Opportunity and Risk

In view of the subdued environment, the purchasing power for the projects are lowered and this has indirectly caused its progress for the development being delayed.

Some of the purchasers have difficulties to obtain loans from banks which will come with a higher interest rate to facilitate their purchase of properties.

In order to mitigate this risk, the management will review the overall design of the on-going and future projects to meet the current market needs and demand.

Moving forward, the management decided to focus more on property development segment. As such, it was decided to stream down the construction line and in future, if necessary, new projects will be awarded to 3rd party for construction works.

The Management is working very closely with professional consultant team to control the construction cost attempting to bring good returns to the shareholders. However, we are sure that we do not compromise on the quality of our product.

The Group is headed by young and experience top management team which drive the Group aggressively forward and bringing the Group to greater heights.

To the employees, their service to the Group is greatly appreciated.

The Board would also like to extend appreciation to the loyal shareholders, purchasers, business associates and the various Government authorities for their continued trust and confidence in Magna Prima Berhad.

SUSTAINABILITY STATEMENTS

In line with the Main Market Listing Requirement on sustainability reporting issued by Bursa Malaysia Securities Berhad ("Bursa Malaysia"), we are pleased to present Magna Prima Berhad ("MPB or the Group") sustainability statement for financial year ended 2018. It covers aspects of the Group's economic, environmental and social performance and aspects of governance that reflect our commitment to sustainability.

The disclosures in this statement are based on the Global Reporting Initiative (GRI) G4 reporting guidelines, an international framework for sustainability reporting recommended by Bursa Malaysia.

Over the years, we have grown from strength to strength and target to expand further in our development plans covering strategically located areas in Malaysia.

We believe that sustainability starts with our corporate culture, which is best defined by our core values of sustainable, affordable and agility, motivated and excellence.

To achieve sustainability we worked towards exploring opportunities to reduce risk, generate revenue and optimize cost.

We also strive to integrate aspects of economic, environmental and social sustainability into our operations.

With movement in the affordable housing industry, we strive to practice the best levels of sustainability throughout our business operations without compromising the needs of our business activities and stakeholders.

GOVERNANCE AND SUSTAINABILITY

We recognize the importance of setting the tone from the top in order to strengthen an organization's commitment to sustainability.

A line of accountability for sustainability within the organization was in place.

The head of department plays a key role in the governance structure to manage and implement the initiatives and projects that will have an impact on the Group's sustainability performance.

We recognize that our progress towards sustainable practices is reliant upon effective and continuous engagement with our stakeholders. By encouraging open communication, the Group is given the opportunity to promptly address and respond to stakeholders concern through various communication channels to maintain the sustainability of our business operations.

The table below discloses our engagement methods with our stakeholders, as well as the topics of interest that they may have about the Group.

STAKEHOLDERS GROUPS	AREAS OF INTEREST	METHODS OF ENGAGEMENT
Employees	• Performance Management • Learning and Development • Ethics and Integrity • Remuneration	• Staff appraisal • Training Programs
Investors / Shareholders	• Financial performance • Business Strategy • Stable income distribution	• Annual General Meeting • Annual Report • Company Website • Bursa announcements
Customers	• Product Quality • Safety and Security • Customer - Company relation	• Regular client meeting • Marketing campaigns • Company website and social media network
Suppliers and contractors	• Transparent procurement practices • Payment schedule • Pricing of services • Sustainable building methods • Timely completion and delivery	• Contract negotiation • Vendor registration • Contract agreement • Site inspection and verification
Regulatory Bodies	• Compliance and adherence • Security and safety issues	• Annual Report • Compliance with regulatory requirements Site inspection
Communities	• Environmental impacts • Impact on existing business	• Community engagement • Financial reporting • Sustainability reporting

In line with the Listing Requirements outlined by Bursa Malaysia, the key steps involved in identifying and prioritizing our material sustainability matters are as follows:-

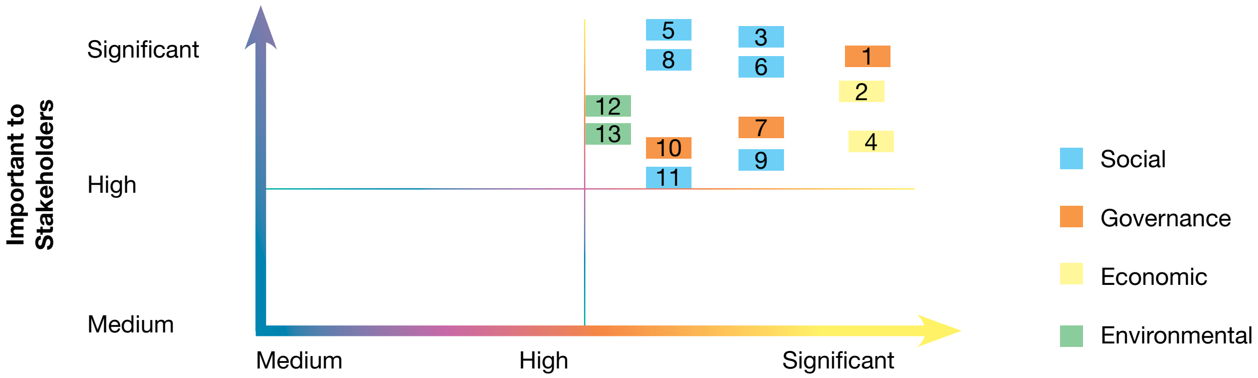
STEP 1:-	STEP 2:-	STEP 3:-
Identification of business related risks registered that have a high impact on the economic, environmental and social aspects of MPB's operations.	Identification of the Group's key stakeholder groups and their concerns raised in meetings.	Ranking the material sustainability matters selected from step 1 and step 2 on its importance to the Group's operations as well as stakeholder interest.

Sustainability Statements

Based on the ranking given to each of the material matters, a materiality matrix is derived as shown below.

This has been done through a thorough process of identification, ranking and verification which led to the result on the level of importance these material sustainability matters have on the Group's business operations as well as our stakeholders.

The finalized materiality matrix is presented below:



Material Mapping

MATERIAL SUSTAINABILITY MATTERS	STAKEHOLDER GROUP (S)	APPLICABLE GRI INDICATOR
1. Corporate Governance and Transparency	Employees, Regulatory Bodies, Investors	GRI General Standard Disclosures
2. Financial Performance	Employees, Investors	Economic Performance
3. Product Quality	Employees, Investors, Regulatory Bodies	Product and Service Labeling
4. Procurement and Supply Chain Management	Suppliers and Contractors, Regulatory Bodies	Procurement Practices
5. Legal and Regulatory Compliances	Regulatory Bodies	Compliance
6. Customer Satisfaction	Customers	Product Responsibility
7. Risk Management	Regulatory Bodies, Investors	GRI General Disclosure
8. Occupational Health and Safety	Employees, Contractors, Regulatory Bodies	Occupational Health and Safety
9. Talent Retention	Employees	Employment
10. Ethics and Integrity	Employees, Investors, Regulatory Bodies	GRI General Disclosure
11. Training and Development	Employees	Training and Education
12. Environmental Regulatory Compliance	Investors, Regulatory Bodies	Compliances
13. Community Engagement	Local Communities	Local Communities

ECONOMIC SUSTAINABILITY

We aim to achieve business sustainability by combining measures to ensure long term profitability and healthy growth through compliance to regulatory requirements, customer management and prudent capital management.

In this regard, we target to use sustainability checklist for schemes. Such checklists provide tools and indicators that measure the sustainability of development at site.

This will help developer to conduct meetings and discussions with local authorities and other stakeholders.

GOVERNANCE AND COMPLIANCE

In order to maintain our corporate accountability and ethical practices, we adhere to the laws and regulations that have been outlined by the government to the best of our abilities.

We activate ethical business practices throughout the Group by establishing and implementing a Code of Conduct and Ethics in the Employee Handbook.

The Code of Conduct and Ethics outlines key behavioural practices and corporate conduct the Group expects its employees to adopt during their tenure at the organisation.

Our employees are expected to practice professionalism at all times and work to provide excellent services to our customers.

The whistleblowing policy has been established and made available to our stakeholders to report any form of business misconduct on our corporate website. This measure is created in hopes of providing better transparency and accessibility to our stakeholders to report any wrong doings that may occur at the Group.

As the property industry is strictly guided by national laws and regulations that are in place to ensure that we develop our properties responsibly and sustainably to benefit the growing nation. We continue to work towards avoiding any form of non-compliance by adhering to the following key legal requirements:-

- Employment Act, 1955
- Minimum Wage Order 2016
- Town and Country Planning Act, 1976
- Housing Development (Control and Licensing) Act, 1966
- Strata Title Act, 1985
- Strata Management Act, 2013

REGULATORY COMPLIANCE

Meeting the compliance demands and expectations of our stakeholders requires regular audits, inspections and reporting which we prioritise as it sets the foundation of a healthy and transparent business operation and in effect, reduces the incidents of non-compliance.

Non-compliance to laws and regulations could result in the Group being reprimanded or penalised by the relevant authority or regulatory body. Therefore, we remain vigilant of the changes and updates made to the regulations relating to the Group's business operations. The respective departments are made aware and monitor the compliance of regulations ie, formal awareness and trainings are provided to staff on new regulations.

PRODUCT QUALITY CONTROL

As a property developer, the Group is continuously conscious of its responsibility to ensure that the properties we build and the services we offer are reliable and safe in the long run.

We continuously strive to understand what our customers seek and work towards improving the quality of our projects to build their confidence in our products and services. Errors in the design, poor workmanship and sub-standard construction materials used for the construction works could cause product quality issues and result in higher operating cost due to modification or rectification works.

In order to achieve product of good quality, we have internal processes that clearly indicate actions and plans for the interaction of all parties involved in the overall process, such as:-

- Defects lodged by the purchaser during the defects liability period will be attended by the contactor
- Close monitoring on the construction works to ensure the quality achieved is as per requirement
- Regular meetings and discussions are held with relevant parties ie, consultants, architect, main contractor to review the project planning stage until completion.

CUSTOMER SATISFACTION

The general wellbeing and satisfaction of our customers is a critical material sustainability matter that greatly influences the Group's business operations and reputation.

Our emphasis is on our commitment to enhance customer satisfaction by continual improvement of our quality management system while complying with legal and other requirement.

We also have a team of people to manage and record third party complaints and the status of complaints are closely monitored to ensure timely feedback is provided to the customers.

WORKPLACE SUSTAINABILITY

Creating employment opportunities, providing fair remuneration and sourcing local manpower contributes towards strengthening the local economy with regard to job creation, we hire qualified and experienced local talent for leadership positions, as they are more familiar with the culture which is prevalent in the country and utilize their expertise to develop the Group's presence in the market.

In terms of wages and remuneration, the standard entry level wage we offer to the employees is approximately 70% per cent higher than the amount stipulated by Malaysia's Minimum Wage Order 2016. By providing fair remuneration, we are able to contribute towards the economic wellbeing of our employees.

We continue to move forward with expanding our business operations while being mindful of the wellbeing of our employees. Besides safeguarding workplace health and safety, the group discourages any form of discrimination and promotes gender inclusivity and fairness throughout the organization.

The most cost-effective initiative is to change wasteful habits and encourage people to turn off unneeded lights, turn computers off at night. Next, to improve efficiency, is to switch to fluorescent lighting, set printers to print double-sided on default and disable computer screen savers in favor of "hibernate" mode.

Sustainability Statements

Most importantly, to involve employees. Tap into the idea of people to reduce energy use, waste and increase workplace satisfaction.

The benefits of investments in human capital are seemingly endless, absenteeism rates drop, retention rates increase, it becomes much easier to attract (and retain) top talent and productivity increases as well.

DIVERSITY AND INCLUSION

Workplace diversity is understanding, accepting and valuing differences between people including those:-

- of different races, ethnicities, genders, ages, religions and disabilities
- with differences in education, personalities, skills sets, experiences and knowledge bases.

(1) Workplace diversity is the combination of different backgrounds, experiences and perspectives and taking advantage of these differences will lead to innovation.

(2) Inclusion in a supportive and respectful environment will increase the participation and contribution of all employees

(3) Diversity and inclusion is a company's mission, strategies and practices to support a diverse workplace and leverage that affects the diversity to achieve a competitive business advantage.

(4) Building a diverse and inclusive workplace leads to more effective teams. Bringing different perspective together results in new ideas, removes groupthink, and leads to higher quality decision making.

The Group strictly hires talents based on merit. Academic qualification, experience in the industry and professional skillsets are among the criteria that lead to employee hire.

With an overall employee distribution that consist of 40.63% females and 59.38% males is the workforce for the Group.

The Group is managed by employees who are assigned to four job designation levels. The highest group of employees (40.63%) are at the executive level, followed by middle management (28.14%), non-executives (20.32%) and senior management (10.94%).

EMPLOYEE DEVELOPMENT AND RETENTION

(1) Retention of productive employees is a major concern for most organisations. It is more efficient to retain a quality employee than to recruit, train and orient a replacement employee of the same quality.

Fairness and transparency are fundamental yet powerful concepts that can make a lasting impression on employees.

(2) Employee job satisfaction and engagement factors are key ingredients of employee retention programmes.

(3) The bottom line is that by managing employee retention, organizations will retain talented and motivated employees who truly want to be part of the company and who are focused on contributing to the organization's overall success.

We recognize the importance of work-life balance and provide sufficient leave for reasons including matrimony, paternity, maternity, bereavement and examination.

Furthermore, we provide medical and dental allowance.

Five factors as the leading contributors to job satisfaction:-
- Respectful treatment of all employees at all levels
- Compensation / pay
- Trust between employees and senior management
- Job security and
- Opportunities to use their skills and abilities at work.

The management made efforts to reduce high rate of turnover, as high rate will have the following effect:-
- As turnover is costly
- Unwanted turnover affects the performance of an organization
- As the availability of skilled employees continues to decrease, it may become increasingly difficult to retain sought after employees.

ENVIRONMENTAL SUSTAINABILITY

Environmental sustainability is the ability to maintain the qualities that are valued in the physical environment.

Environmental sustainability programs include actions to reduce the use of physical resources, the adoption of a "recycle everything" approach, the use of renewable resources, and the redesign of production processes.

Environmental sustainability involves making decisions and taking action that are in the interests of protecting the natural world.

This is an important topic in the present time, as people realize the full impact that business and individuals can have on the environment.

It has been emphasized that environmental sustainability is about making responsible decisions that will reduce business negative impact on the environment.

It is concerned with developing processes that will lead to business becoming completely sustainable in the future.

CONCLUSION

Moving forward, we seek to strengthen our commitment to integrate sustainability throughout our business operation.

ENGAGING OUR EMPLOYEES

Business success depends on having highly motivated employees. To ensure the right culture and foster an environment of accountability and empowerment, we promote two-way communication and dialogue with employees to gain insights to address any issues. The employees are encouraged to speak freely with management about their job-related concerns.

We conduct exit interviews with employees, who resigned before they leave the organization. This engagement process is an opportunity for us to gain valuable information which can be useful in all aspects of the work culture, day to day concerns, workplace ethics and employee morale.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("Board") of Magna Prima Berhad ("Magna Prima" or "the Company") recognises that the practice of good corporate governance is a fundamental element in the Group's continued growth and success. The Board remains fully committed to ensuring that the highest standards of corporate governance, based on the Principles and Best Practices set out in the Malaysian Code on Corporate Governance 2017 ("Code") are applied and maintained throughout the Group with the ultimate objective of safeguarding and enhancing shareholder value as well as the financial performance of the Group.

The Board delegates certain responsibilities to the Board Committees, all of which operate within defined terms of reference to assist the Board in the execution of its duties and responsibilities.

The Board Committees include the Executive Committee, Audit Committee, Nomination Committee, Remuneration Committee and Tender Committee. The respective Committees report to the Board on matters considered and their recommendation thereon.

The ultimate responsibility for the final decision on all matters, however, lies with the Board.

In discharging its duties, the Board is constantly mindful of the need to safeguard the interests of the Group's shareholders, customers, and all other stakeholders.

The Board confirms that the Group has complied with the best practices in the Code throughout the financial year ended 31 December 2018.

1. BOARD OF DIRECTORS

The Board

The Group is led and controlled by an experienced Board, comprising members from diverse professional background, having expertise and experience, skills and knowledge in fields such as technical, financial, corporate, legal and management skills.

The Board is primarily responsible for the Group's overall strategic plans for business performance, appraisal of major business proposals, overseeing the proper conduct of business, succession planning, risk management, investor relations programmes, internal control and management information systems. The Board approves key matters such as approval of annual and quarterly results, acquisitions and disposals, capital expenditures, budgets, material contracts and business engagements.

The Board acknowledges the importance of readiness of talent pool for succession planning.

The succession plan was approved by the Board to ensure smooth transition of management and continued success of the Group whenever there is a necessary change in management.

The Board ensures that the Group is managed with integrity, transparency and accountability; while the Management is accountable for the execution of the expressed policies and attainment of the Group corporate objectives.

The Independent Non-Executive Directors bring independent judgment and provide constructive views on issues of strategy, business performance, resources and standards of conduct.

Notwithstanding that the Board Committees are delegated with certain responsibilities, the Chairman of the Board committees report to the Board and minutes of committee meetings are tabled to the Board to keep the Board apprised of matters being considered and deliberated by the respective committee.

Corporate Governance Overview Statement

1. BOARD OF DIRECTORS (CONTINUED)

The Board (continued)

The composition of the Board and Board Committees are as follows:

	Board	Audit Committee	Nomination Committee	Remuneration Committee
Tan Sri Datuk Adzmi bin Abdul Wahab (Independent Non-Executive Director, Chairman)	√ (chairman)	√	√	√ (chairman)
Datuk Seri Rahadian Mahmud bin Mohammad Khalil (Group Managing Director)	√			
Ho Wen Yan (Executive Director)	√			
** Sazali bin Saad (Independent Non-Executive Director)	√	√	√ (chairman)	√
* Dato' Darawati Hussain (Independent Non-Executive Director)	√	√ (chairman)	√	√
Chang Chee Kok (Non-Independent Non-Executive Director	√			
Low Yew Shen (Independent Non-Executive Director)	√	√	√	√

* Appointed as Independent Non-Executive Director on 27 September 2018.
Appointed as Chairman of Audit Committee on 27 September 2018.
Appointed as member of Tender Committee, Nomination Committee and Remuneration Committee on 22 January 2019.

** Appointed as Chairman of Nomination Committee on 22 January 2019.

The roles of the Independent Non-Executive Directors, Non-Independent Non-Executive Director, the Chairman, the Group Managing Director ("GMD") and Executive Director ("ED") are distinct and separate to ensure there is a balance of power and authority.

The Independent Non-Executive Chairman is responsible for the leadership, effectiveness, conduct and governance of the Board.

The GMD together with the ED are responsible for day-to-day operation and management of the business and implementation of the Board's policies and decisions. The GMD will ensure the strategic goals are duly executed and operated effectively within the Group. The GMD will explain, clarify and inform the Board on key matters pertaining to the Group. All Directors are jointly responsible for determining the Group's strategic business direction.

All the five (5) Non-Executive Directors fulfill the criteria of independence as defined in the Bursa Malaysia Securities Berhad's ("Bursa Securities") Main Market Listing Requirements ("MMLR"). The high proportion of Non-Executive Directors provide for effective checks and balances in the functioning of the Board and reflects the Company's commitment to uphold excellent corporate governance.

The composition and size of the Board are being reviewed from time to time to ensure its appropriateness.

According to Practice 4.1 of the Code, at least half of the board comprises independent directors. The Board wishes to highlight that the present Chairman of the Board is an Independent Director and the Board complies with Paragraph 15.02 of the MMLR of Bursa Securities which requires at least two Directors or one-third of the Board of the Company, whichever is the higher, are Independent Directors.

1. BOARD OF DIRECTORS (CONTINUED)

Board Charter

In discharging its duties, the Board of Directors of MPB is constantly mindful of the need to safeguard the interests of the Group's shareholders, customers and all other stakeholders. In order to facilitate the effective discharge of its duties, Magna Prima Group has to ensure that it manages the business and affairs of the Company in conformity with the laws and regulations of the jurisdictions in which it operates.

The Directors of Magna Prima Berhad ("MPB") regard Corporate Governance as vitally important to the success of MPB's business and are committed to apply the relevant principles to ensure that the following principles of good governance is practised in all of its business dealings in respect of its shareholders and relevant stakeholders:

- To enable the Board of Directors to provide strategic guidance and effective oversight of management; and

- To clarify the roles and responsibilities of Board members in order to facilitate the Board's accountability to the Company and its shareholders.

The Board is ultimately accountable and responsible for the performance and affairs of the Company. Thus, the Board is the focus point of the Company's Corporate Governance.

All Board members are expected to act in a professional manner, upholding the value of integrity with regard to their fiduciary duties and responsibilities.

This Board Charter shall constitute and form an integral part of each Director's duties and responsibilities.

1. OBJECTIVES

The objectives of this Board Charter are to ensure that all Board members acting on behalf of the Company are aware of their duties and responsibilities as Board members.

2. COMPONENTS OF THE BOARD CHARTER

The three main components of the Board Charter are:-

- The Corporate Statement;
- The Directors' Duties; and
- The Board Committees.

i. The Corporate Statement

Corporate Statement defines the objectives of the Company and the services offered to our customers. The Corporate Statement is a pledge of quality solutions to suit our customers' expectations.

ii. The Directors' Duties

The fiduciary duties imposed on the Directors as stipulated in Section 213 (1) of the Companies Act 2016 are to protect the interests of the Company and at the same time to advance the interest of its stakeholders.

iii. The Board Committees

The Board of the Company has established five Committees of the Board which operate within its own specific terms of reference. The Board Committees undertakes in-depth deliberation of the issues at hand before tabling its recommendations thereon to the Board. The five (5) Board Committees are as follows:-

- Audit Committee ;
- Nomination Committee;
- Remuneration Committee;
- Tender Committee; and
- Executive Committee (EXCO).

1. BOARD OF DIRECTORS (CONTINUED)

Re-appointment / Re-election of Directors

The Constitution of MPB provide that at every annual general meeting of the Company, one-third (1/3) of the Directors for the time being and those appointed during the financial year shall retire from office and shall be eligible for re-election.

The Board Charter is reviewed periodically to ensure its reliability with the Board's objectives, current laws and practices.

The full Board Charter is available online at www.magnaprima.com.my.

Code of conduct

The Company has formalized a code of conduct to actively promote and established a corporate culture which promotes ethical conduct that permeates through the Group. The code of conduct serves as a road map to help guide actions and behavior while working for and / or dealing with the Company to maintain high standards of business ethics and encourage performance with integrity.

Provisions covered include relationships between staff and management.

All employees are required to read, understand accept and abide by the terms of code of conduct.

The full code of conduct is available online at www.magnaprima.com.my.

Whistleblowing Policy

The Board has established a Whistleblowing Policy. This will provide an avenue for the staff to raise concerns related to possible improprieties in matters of compliance and other malpractices in an appropriate manner and without fear of retaliation.

The Whistleblowing Policy is aimed at protecting integrity, transparency, impartiality and accountability where the Group conducts its business operations.

The Policy serves as an early warning system for the Group to remedy any wrongdoings before serious damage is caused.

"Whistleblowing" is defined as the deliberate, voluntary disclosure or reporting of an individual or organizational malpractice by any person, who has access to information on an actual, past or present or suspected improper conduct within the Group or organization based on his or her reasonable belief.

The person who reports the serious concerns of improper conduct is referred to as "Whistleblower."

The full "whistleblowing policy" is available online at www.magnaprima.com.my.

Board Meetings

The Board meets at least once every quarter and additional meetings are convened as and when necessary. Meetings are scheduled at the start of each financial year to enable Board members to plan their schedules accordingly. Senior Management is invited to attend the Board meetings as and when necessary to brief the Board on proposals submitted for the Board's consideration. All proceedings of the Board Meetings are duly minuted and signed by the Chairman of the Meeting. Any director who has a direct or indirect interest in the subject matter to be discussed during Board meetings will declare his or her interest and abstain from the decision making process. The Board met a total of five (5) times during the year ended 31 December 2018.

1. BOARD OF DIRECTORS (CONTINUED)

Board Meetings (continued)

The details of each Director's attendance are given below:

		Total meetings attended	%
	Tan Sri Datuk Adzmi bin Abdul Wahab	5/5	100.00
	Datuk Seri Rahadian Mahmud bin Mohammad Khalil	5/5	100.00
	Sazali bin Saad	5/5	100.00
**	Dato' Darawati Hussain	1/1	100.00
	Chang Chee Kok	5/5	100.00
	Ho Wen Yan	5/5	100.00
	Low Yew Shen	5/5	100.00

** Appointed as Independent Non-Executive Director on 27 September 2018.

All the Directors have complied with the minimum 50% attendance requirement in respect of Board Meetings as stipulated by the MMLR of Bursa Securities. Dato' Darawati Hussain who was appointed as Independent Non-Executive Director on 27 September 2018 has achieved 100% attendance during the year ended 31 December 2018.

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company. This is evidenced by the attendance record of the Directors at the Board meetings.

The Directors must advise the Board and the Company Secretary of his appointment as director in other public listed company outside the Group. The Company Secretary will monitor the number of directorships and the changes, if any, of each Director.

In compliance with Paragraph 15.06 of the MMLR, the Directors of the Company hold not more than 5 directorships in public listed companies. This enables them to discharge their duties effectively by ensuring that their commitment, resources and time are more focused.

The Non-Executive Directors are participative and work between meetings in order to get to know the business, understand the issues and build relationships with Management and shareholders.

Supply of Information

The Directors have full and unrestricted access to all information pertaining to the Group's business and affairs including inter alia, financial results, annual budgets, business reviews against business plans and progress reports on the Group's developments and business strategies, to enable them to discharge their duties effectively. The agenda and board papers are circulated to the Board members prior to the Board meetings to allow sufficient time for the Directors to review, consider and deliberate knowledgeably on the issues and, where necessary, to obtain further information and explanations to facilitate informed decision making.

In addition there is a schedule of matters reserved specifically for the Board's decision which includes the approval of budgets, material acquisitions and disposals of assets, major capital projects, financial results, dividend recommendations and Board appointments.

1. BOARD OF DIRECTORS (CONTINUED)

Supply of Information (continued)

The Board Report contains relevant information on the business of the meeting, which may include among others: -

- Performance of the Group
- Operational matters
- Business development issues and market responses
- Capital expenditure proposals
- Acquisitions and disposals proposals
- Appointment of senior executives
- Dividend recommendations

Senior Management Officers and external advisers may be invited to attend Board Meetings when necessary, to furnish the Board with explanations and comments on the relevant agenda items tabled at the Board Meetings or to provide clarification on issue(s) that may be raised by any Director.

The Chairman of the Audit Committee would brief the Board on matters deliberated by the Audit Committee which require the attention of the Board.

The Directors have full and timely access to all information within the Company, whether as a full Board or in their individual capacity, in the furtherance of their duties.

In addition, the Board has ready and unrestricted access to all information within the Company and Group as well as the advice and services of Senior Management and Company Secretary in carrying out their duties.

The Board of Directors is supported by a qualified and competent Company Secretary.

The Company Secretary has been in attendance for all board and committee meetings. The Company Secretary attends seminars and workshops organised by MAICSA and Bursa Malaysia from time to time to keep abreast with the latest development in the Bursa Listing Requirements and Companies Act 2016.

The Company Secretary is responsible for ensuring that Board Meeting procedures are followed and that applicable rules and regulations are complied with. The Company Secretary will always support the Board by ensuring adherence to Board policies and procedures. The Directors may also seek independent professional advice, at the Company's expense, if required.

2. STRENGTHEN COMPOSITION

Appointment and Re-election to the Board

The Nomination and Remuneration Committees are responsible for making recommendations for the appointment of Directors to the Board, including those of subsidiaries companies. In making these recommendations, the Nomination and Remuneration Committee considered the required mix of skills and experience, which the Directors brought to the Board.

In accordance with the Company's Articles of Association, at least one-third of the Directors are required to retire by rotation at each Annual General Meeting but are eligible to offer themselves for re-election at the Annual General Meeting. The Directors shall also retire from office at least once in three years but shall be eligible for re-election.

Audit Committee

The Board is also assisted by the Audit Committee whose members, key function and activities for the year under review are stated in pages 32 to 34 of the Annual Report.

2. STRENGTHEN COMPOSITION (CONTINUED)

Nomination Committee

The Board has established a Nomination Committee, which has the primary responsibility to assess the suitability of candidates for nomination to the Board and to recommend such appointments and evaluation of the performance of Directors. The objective is to ensure independent assessment of appointments to the Board. The Committee is also responsible for annual assessment of the skills mix and experience possessed by Board members to ensure effectiveness of the Board, the other committees of the Board and the contribution of individual Directors.

To further strengthen the current mix of the Board, Dato' Darawati Hussain was appointed to the Board of the Company. The new member of the Board, who has extensive experience in corporate finance, asset management and private equity. This will provide the Group with added wealth of knowledge and experience in the corporate field.

Todate there is a woman representation in the Board as Independent Non-Executive Director who is also the Audit Committee Chairman.

Composition of Members:-

a. En. Sazali bin Saad - Chairman
b. Tan Sri Datuk Adzmi bin Abdul Wahab
c. Dato' Darawati Hussain
d. Mr. Low Yew Shen

The Terms of Reference of the Nomination Committee are as follows:-

a. Consider suitable persons and recommend for appointment as Board Members of Magna Prima and persons other than Magna Prima Board Members to be recommended as Directors of subsidiaries and associates companies.

b. Review the performance of Board Members of Magna Prima and its subsidiary and associate companies.

c. To identify suitably qualified candidates for appointment of directors from independent sources.

d. Consider and recommend measures to upgrade the effectiveness of the Magna Prima Board and boards of subsidiary and associates companies.

e. Consider and recommend solutions on issue of conflict of interest affecting directors of Magna Prima and subsidiary and associates companies.

f. Recommend to the Board on selection of Directors and Senior Management (if so) to fill Board Committees.

g. The Nomination Committee is chaired by an Independent Director.

h. Consider and recommend to the Board on succession planning at Executive Director level and senior management.

i. Carry out such other assignments as may be delegated by the Magna Prima Board.

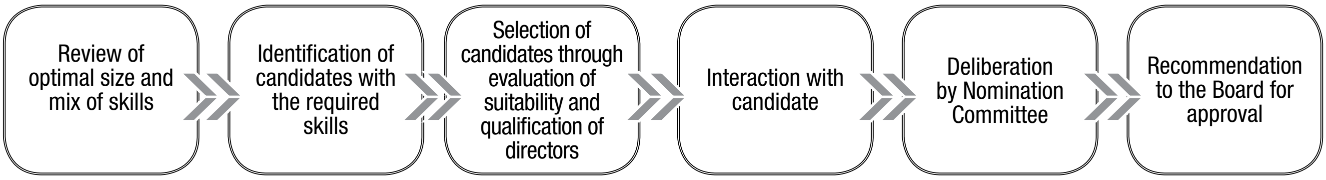
The full "whistleblowing policy" is available online at www.magnaprima.com.my.

The Nomination Committee is guided by a Nomination Framework to ensure that individuals appointed to relevant Senior Management positions and the Boards within the Group have the appropriate fitness and propriety to properly discharge their prudential responsibilities on appointment and during the course of their appointment.

Corporate Governance Overview Statement

2. STRENGTHEN COMPOSITION (CONTINUED)

Nomination Framework



For the appointment of new Directors, a thorough and comprehensive assessment (including background, skills, knowledge and experience) of the nominee is undertaken by the Nomination Committee through a transparent nomination process before a recommendation is made to the Board for approval. These assessments are reviewed thereafter on an annual basis.

The Nomination Committee also conducted Performance evaluation via questionnaires for Board Committees and reviewed the term of office competency and performance of the Audit Committee and its members.

The Nomination Committee assessed the effectiveness of the Board Committee in terms of its composition, conduct, accountability and its responsibilities.

Pursuant to the annual review, that was carried out, Nomination Committee was satisfied that the size of the committee is optimum, well-balanced with appropriate mix of skills and experience in the composition of the Board Committees.

During the financial year ended 31 December 2018, the Nomination Committee reviewed the mix of skills, experience of the Board and to assess the effectiveness of the Board as a whole and the contribution of each individual Director.

In case of candidates proposed for appointment as Independent Non-Executive Directors, the nomination committee would also assess the candidate's independence in accordance with the Main Market Listing Requirements of Bursa Securities.

All recommendations of the Nomination Committee are subject to endorsement of the Board.

The Nomination Committee was generally satisfied with the performance and effectiveness of the Board and Board Committees.

The assessment of the Board was based on specific criteria, covering areas such as overall business performance, Board governance and Board composition.

The specific criteria for assessment of individual Directors cover expertise, judgment, commitment of time and effort in discharging duties and responsibilities.

The assessment of the effectiveness of the Board as a whole, the board committees and the contribution of each director were conducted with the objective to improve the Board and its committees effectiveness and to enhance the director's awareness on the key areas that need to be addressed. The evaluation results were tabled for the consideration of the Nomination Committee and its recommendation to the Board for improvement.

The independence of the Independent Directors were also assessed and affirmed by the Nomination Committee.

Currently, the appointment of directors are mainly recommended by management and major shareholders. Whenever there is an opportunity arises, the Board of Directors will look to independent sources for potential candidates.

Gender Diversity Policy

The Board is open and welcome to diversity in the boardroom when the opportunity arises. The Board is heterogenous and does not stereotype individuals. The Board always base individuals on their talents and the contribution they can bring to maximise the effectiveness of the Board in their decision making process to bring the Company to greater heights. As the Company grows in size and the need arises, the Board look forward to recruit such individuals into our Company moving forward.

The Nomination Committee has four (4) members comprising four (4) Independent Non-Executive Directors. During the financial year ended 31 December 2018, one (1) meeting was held.

3. DIRECTORS' REMUNERATION

Remuneration Committee

The Remuneration Committee reviews and recommends to the Board the remuneration package of the Executive Directors and Senior Management of the Group with designation General Manager (or equivalent) and above with the main aim of providing the level of remuneration sufficient to attract and retain key personnel needed to run the Group successfully.

The objective of the Company's policy on Directors' remuneration is to ensure that remuneration of directors are reflective of the Group's demands, complexities and performance as a whole, as well as being able to attract and retain Directors of the right calibre and talent to drive the Company's long-term objectives.

The Remuneration Committee has four (4) members comprising exclusively Independent Non- Executive Directors. During the financial year ended 31 December 2018, one (1) meeting was held.

The full Terms of Reference of Remuneration Committee is available online at www.magnaprima.com.my.

The remuneration of the Executive Directors and the Senior Management of the Group with designation General Manager (or equivalent) and above are to be structured so as to link rewards to Group and individual performance with the main aim of providing the level of remuneration sufficient to attract and retain key personnel needed to run the Group successfully. For Non-Executive Directors, the level of fees shall reflect the experience, expertise and level of responsibilities undertaken.

All Non-Executive Directors are paid director's fees for serving as Directors on the Board. The Company also reimburses reasonable expenses incurred by these Directors in the course of their duties. They are paid a meeting allowance for attendance at each Board and its Committees' meetings. The Directors' fees are approved at the annual general meeting by shareholders.

Currently, the Executive Director's remuneration comprising basic salary and bonus which are reflective of the experience, expertise, level of responsibilities and performance. Benefits in kind such as company car are made available as appropriate.

Details of the Directors' remuneration for each Director during the financial year 2018 are as follows:-

Name	Salaries (RM)	Bonus (RM)	Director's Fees (RM)	Meeting Allowance (RM)	Estimated money value of benefits-in-kind (RM)	Total (RM)
Datuk Seri Rahadian Mahmud bin Mohammad Khalil	781,376	N/A	N/A	N/A	N/A	781,376
Mr. Ho Wen Yan	3,660,923	N/A	N/A	N/A	N/A	3,660,923
Tan Sri Datuk Adzmi bin Abdul Wahab	N/A	N/A	84,000	9,000	N/A	93,000
En. Sazali bin Saad	N/A	N/A	48,000	9,500	N/A	57,500
Mr. Chang Chee Kok	N/A	N/A	48,000	6,500	N/A	54,500
*Mr. Low Yew Shen	N/A	N/A	54,642	8,000	N/A	62,642
**Dato' Darawati Hussain	N/A	N/A	17,233	2,500	N/A	19,733
#Ms. Cheong Choi Yoon	N/A	N/A	17,600	2,000	N/A	19,600
Total	**4,442,299**	**N/A**	**269,475**	**37,500**	**N/A**	**4,749,274**

3. DIRECTORS' REMUNERATION

SUBSIDIARY COMPANIES

- Details of the Directors' remuneration for each Director during the financial year 2018 are as follows:-

Name	MPrima (Shah Alam) Sdn Bhd	Magna Mix Sdn Bhd	Embassy Court Sdn Bhd	Magna Park Sdn Bhd	Magna Prima Construction Sdn Bhd
Sahrom bin Abdul Latif	3,600	3,600	3,600	3,600	N/A
Muhammad Izzat Zulfeka bin Mohd Mokhlas	3,025	3,025	3,025	N/A	3,025
Total	**6,625**	**6,625**	**6,625**	**3,600**	**3,025**

Range of Remuneration	Number of Directors	Number of Directors
	Executive	**Non-Executive**
Up to RM50,000.00	-	2
RM50,001.00 – RM100,000.00	-	4
RM100,000.00 – RM150,000.00	-	-
RM150,001.00 – RM200,000.00	-	-
RM200,001.00 – RM250,000.00	-	-
RM250,001.00 – RM300,000.00	-	-
RM700,001.00 – RM750,000.00	-	-
RM750,001.00 & above	2	-

* Appointed as Independent Non-Executive Director on 21 February 2018.
# Resigned as Independent Non-Executive Director on 6 April 2018.
** Appointed as Independent Non-Executive Director on 27 September 2018.

4. REINFORCE INDEPENDENCE

Annual Assessment of Independence

The Board acknowledges the importance of Independent Non-Executive Director (INED), who provide objectivity, impartiality and independent judgement to ensure that there is an adequate check and balance of the Board.

The independence of the INED are assessed annually by taking into account the directors' ability to exercise his independence and due care at all times and fulfilled the criteria under the definition of Independent Director as stated in the Main Market Listing Requirement.

The INEDs ensure that business and investment proposals presented by management are fully deliberated and examined.

They perform a key role by providing unbiased and independent views, advice and judgement, which take into account the interests of the Group and all its stakeholders including shareholders, employees, customers and business associates as a whole.

4. REINFORCE INDEPENDENCE (CONTINUED)

Tenure of Independent Director

The Board is mindful that the recommendation in the Code, the tenure of an independent director does not exceed a cumulative term limit of nine (9) years, an independent director may continue to serve on the board as a non-independent director. If the Board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval.

The Board is also mindful of Practice 4.2 of the new MCCG which require the Board to seek annual shareholders' approval through a two-tier voting process. If the Board continues to retain the independent director after the twelfth year, the Board should seek annual shareholders' approval through a two-tier voting process.

The Board through the Nomination Committee assesses the Independent Directors on an annual basis, with a view to ensure the Independent Directors bring independent and objective judgment to the Board and this mitigates arising from conflict of interest or undue influence from interested parties. Where there is a likely conflict of interest position, the Board would take appropriate action to rectify the situation. Should any Director have an interest in any matter under deliberation, he is required to disclose his interest and abstain from participating discussions on the matter. In ascertaining the independence status of the Directors, the Board continues to believe that tenure should not form part of the assessment criteria. It is of the view that the fiduciary duties of Directors are the primary concern of all Directors, regardless of their status. The Board firmly believes that the ability of a Director to serve effectively is dependent on his/her calibre, qualification, experience and personal qualities, particularly his/her integrity and objectivity. It also believes there are significant advantages to be gained from long-serving Directors who possess insight and knowledge of the Company's business and affairs in view of the continuous challenges faced by the Company.

Currently, the longest serving Independent directors are Tan Sri Datuk Adzmi bin Abdul Wahab and En. Sazali Bin Saad would have served the Board for more than 12 years by end of 2019.

Both the Nomination Committee and the Board have on 15 April 2019 assessed the independence of Tan Sri Datuk Adzmi bin Abdul Wahab and En. Sazali Bin Saad and are satisfied with their skills, contribution and independent judgements. Besides, Tan Sri Datuk Adzmi bin Abdul Wahab and En. Sazali Bin Saad remained objective and independent in expressing their views and in participating in deliberation and decision making of the Board and Board Committees. Their length of services on the Board does not in any way interfere with their exercise of independent judgement and ability to act in the best interests of the Company, based on the following justifications:-

a. They have fulfilled the criteria under the definition of Independent Director as stated in the MMLR, and thus, they are able to provide a check and balance and bring an element of objectivity to the Board;

b. They have vast experience in a diverse range of businesses and therefore would be able to provide a constructive opinion, they exercise independent judgement and have the ability to act in the best interest of the Company;

c. They have devoted sufficient time and attention to his professional obligations for informed and balanced decision making;

d. They have continued to exercise his independence and due care during his tenure as an Independent Non-Executive Director of the Company and carried out their professional duties in the best interest of the Company and shareholders; and

e. They have shown great integrity of independence and had not entered into any related party transaction with the Company.

In line with the Practice 4.2 of the Code, the Company will be seeking its shareholders' approval at this forthcoming 24th AGM to retain Tan Sri Datuk Adzmi bin Abdul Wahab and En. Sazali Bin Saad as independent directors of the Company.

5. FOSTER COMMITMENT

Directors' Training

All Directors had attended the Directors' Mandatory Accreditation Programme organised by the Bursa Securities.

All Directors are encouraged to attend talks, training programmes and seminars to update themselves on new developments in the business environment during the year ended 31 December 2018. A half-day in-house Directors' training was held on 18 December 2018 on the topic "Update on Listing Requirements".

The training programmes, seminars and workshops attended by the Directors and Senior Management during the financial year were, inter alia, on areas relating to corporate governance, and to further broaden their perspective, skills, knowledge and to keep abreast of the relevant changes in law, regulations and the business environment.

The corporate secretariat function facilitates the organization of Directors' attendance at external programmes while keeping a record of the training received or attended by the Directors.

During the financial year 2018, the Directors attended various training programmes covering areas relevant to their duties and responsibilities, which included the following:-

Name of Directors	Course Title	Organiser	Date
Tan Sri Datuk Adzmi bin Abdul Wahab	• Updates to Listing Requirements	Epsilon Advisory Services Sdn Bhd	18 December 2018
	• Breakfast Series- " Non Financial - Does it Matter?"	Bursa Malaysia	5 December 2018
	• Gearing up for Corporate Liability by the Malaysia Anti - corruption Academy	Bursa Malaysia	10 October 2018
Datuk Seri Rahadian Mahmud bin Mohammad Khalil	• Updates to Listing Requirements	Epsilon Advisory Services Sdn Bhd	18 December 2018
Mr. Ho Wen Yan	• Updates to Listing Requirements	Epsilon Advisory Services Sdn Bhd	18 December 2018
En. Sazali bin Saad	• Updates to Listing Requirements	Epsilon Advisory Services Sdn Bhd	18 December 2018
	• SST vs GST by Tn. Noor Azmi Abd Manaf Penolong Pengarah Kastam, Perlis	COLGIS - Pusat Pengajian Kerajaan UUM	13 November 2018
	• Islamic Finance By Datuk Prof. Dr. Mohd Daud Bakar	UUM COB with MDEC	23 October 2018
	• Program eUsahawan Kerjasama antara MDEC & UUM	Pusat Pengajian Perniagaan Islam (IBS), UUM	15 - 16 October 2018
	• Training on Thompson Reuters Datastream and Eikon	Sultanah Bahiyah Library, UUM	22 March 2018

5. FOSTER COMMITMENT (CONTINUED)

Directors' Training (continued)

Name of Directors	Course Title	Organiser	Date
Dato' Darawati Hussain	• Updates to Listing Requirements	Epsilon Advisory Services Sdn Bhd	18 December 2018
	• Investment Summit - AVCJ Private Equity & Venture Forum Hong Kong	Malaysia Venture Capital Management Berhad (MAVCAP)	14 - 15 November 2018
	• AVCJ ESG Forum Hong Kong	AVCJ	12 November 2018
	• ICDM PowerTalk Directors Dialogue: Power Talk & Directors Dialogue " Effective Boards in a VUCA World"	Institute of Corporate Directors Malaysia (ICDM)	31 October 2018
	• FIDE FORUM – Dinner Talk with Dr Marshall Goldsmith in conjunction with the Launch of FIDE Forum's "DNA of a Board Leader"	FIDE Forum	30 October 2018
	• The FIDE Programme Module B (Banks) (RHB Investment Bank Berhad)	RHB Group	25 October 2018
	• The FIDE Programme Module B (Banks) (RHB Investment Bank Berhad)	RHB Group	22 - 25 October 2018
	• RHB Group - Training on Conflict of Interest Management and Insider Trading	RHB Group	16 October 2018
	• RHB-MALAYSIA -A NEW DAWN Conference 2018 (jointly organized by RHB, CIMB & Maybank)	RHB Group	9 October 2018
	• RHB Group - Training on New Corporate Liability Landscape Pursuant to MACC (Amendment) Act 2018	RHB Group	5 September 2018
	• The FIDE Programme Module A (Banks) (RHB Investment Bank Berhad)	RHB Group	2 - 5 July 2018
	• MAVCAP - Crouching Panda, Hidden Tapirs - Building Bridges between Northeast Asia and Southeast Asia	Malaysia Venture Capital Management Berhad (MAVCAP)	26 April 2018
	• RHB - Capital Markets Directors Programme (CMDP) Module 2B: Business Challenges and Regulatory Expectations - What Directors Need to Know (Fund Management)	RHB Group	13 March 2018
	• RHB - Capital Markets Directors Programme (CMDP) Module 2A: Business Challenges and Regulatory Expectations - What Directors Need to Know (Fund Management)	RHB Group	12 March 2018
	• MKD Director Talk: Woman on Board - Value, Challenges & Managing Process	MOF together with K-Pintar Sdn Bhd	9 March 2018
	• SECCOM - World Capital Markets Symposium 2018	Capital Market Malaysia (CM2)	6 - 7 February 2018
	• SIDC CFA Luncheon Talk: Top 9 Valuation Mistakes and How to Avoid Them	Industry Development Corporation (SIDC) and the CFA Society Malaysia	29 January 2018
	• MABC & MNZCC Networking Evening & Talk: The Economic Mess The World is in by Dr Jomo Kwame Sundaram, Prominent Malaysian Economist	Malaysia Australia Business Council (MABC)	24 January 2018
Mr. Chang Chee Kok	• Updates to Listing Requirements	Epsilon Advisory Services Sdn Bhd.	18 December 2018

5. FOSTER COMMITMENT (CONTINUED)

Directors' Training (continued)

Updates on companies and securities legislations, and other relevant rules and regulations, such as amendments and updates to the Listing Requirements of the Bursa Securities, Malaysian Code on Corporate Governance, Capital Markets & Services Act, 2007, was provided to the Board, together with the Board papers, in order to acquaint them with the latest developments in these areas.

The Directors will continue to undertake other relevant programmes to further enhance their skills and knowledge.

6. UPHOLD INTEGRITY IN FINANCIAL REPORTING

Financial Reporting

In its financial reporting via quarterly announcements of results, annual financial statements and annual report presentations (including the Chairman's Statement and Review of Operations), the Board provides a comprehensive assessment of the Group's performance and prospects for the benefit of shareholders, investors and interested parties. The Audit Committee also assists the Board by scrutinizing the information to be disclosed, to ensure accuracy and adequacy.

Magna Prima announce its quarterly and full year results within the stipulated time frame. The financial statements are publicly released through BURSALINK on a timely basis to ensure effective distribution of information concerning the Group.

Directors' Responsibility in Financial Reporting

The Board is responsible for the preparation of the annual financial statements of the Group and to ensure that the financial statements give a true and fair view of the state of affairs of the Group and its result and cash flow for the financial year.

The Board of Directors has ensured that the financial statements have been prepared in accordance with applicable approved accounting standards in Malaysia, the requirements of the Companies Act 2016 and other regulatory provisions. In preparing the financial statements, the Board has ascertained that reasonable prudent judgment and estimates have been consistently applied and the accounting policies adopted have been complied with.

The Directors have a general responsibility of taking reasonable steps to safeguard the assets of the Group and to prevent and detect any irregularities.

Relationship with Auditors

The Board via the Audit Committee maintains a formal and transparent professional relationship with the Group's auditors, both internal and external. The Audit Committee also met the external auditors twice in financial year 2018 without the presence of the Management.

7. RECOGNISE AND MANAGE RISKS

Statement on Risk Management and Internal Control

The Board acknowledge its responsibility for maintaining a sound system of internal control which provides reasonable assurance in ensuring the effectiveness and efficiency of the Group's operations and to safeguard shareholders' investment and its assets and interests in compliance with the relevant law and regulations as well as the Group's internal financial administration procedures and guidelines.

The Statement on Risk Management and Internal Control furnished on pages 35 to 38 of this Annual Report provides an overview on the state of internal controls and level of risks and the effectiveness of risks mitigation plans within the Magna Prima Group.

Internal Control

The Board has the overall responsibility of maintaining a system of internal control that provides reasonable assurance of effective and efficient operations and compliance with laws and regulations as well as with internal procedures and guidelines. The effectiveness of the system of internal control of the Group was reviewed periodically by the Audit Committee. The review covers the financial, operational as well as compliance controls.

8. RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

The Board recognises the importance of communication and proper dissemination of information to its shareholders and investors. Major corporate developments and happenings in the Company have always been promptly announced to all shareholders, in line with Bursa Securities' objective of ensuring transparency and good corporate governance practice.

The financial performance of the Group, major corporate developments and other relevant information are promptly disseminated to shareholders and investors via announcements of its quarterly performance, annual report and corporate announcements to Bursa Securities. During General Meetings, shareholders are encouraged to participate to enquire and comment on the Company's performance and operations and voting on the resolutions were done by way of poll.

During press conference which was usually held after general meetings where Group Managing Director and Executive Director would advise the media on the resolutions approved by the shareholders and briefed the media on the operations, performance and financial results of the Group for the year under review and clarify issues and answer questions posed by the media.

Annual General Meeting ("AGM")

The AGM is the principal platform of communication with shareholders of the Company. The Annual Report together with the Notice of AGM is to sent to registered shareholders within the prescribed period as allowed the Company's Constitution and the Listing Requirements as the case may be.

At the AGM, the Chairman briefed members, corporate representatives and proxies who were present of their right to speak and vote on the resolutions set out in the Notice of AGM.

In accordance with the Listing Requirements, resolutions set out in the notice of AGM or in any notice of general meeting are voted by poll.

The Board encourages shareholders' participation during question and answer sessions at the AGM and provides sufficient opportunity for shareholders to communicate their concerns. The external auditors are invited to the meeting to provide their professional and independent view to shareholders, if required.

COMPLIANCE STATEMENT

The Board is committed to achieving a high standard of Corporate Governance throughout the organisation and would endeavour to apply the recommendations of the Code. The Board of Magna Prima has approved this Statement on 15 April 2019.

ADDITIONAL COMPLIANCE INFORMATION

Pursuant to Paragraph 9.25 of the Main Market Listing Requirements of Bursa Securities.

Audit Fees

The amount of audit fees paid to the Group's External Auditors, M/s. Morison Anuarul Azizan Chew, Chartered Accountants, for the financial year ended 31 December 2018 was RM210,704.00.

Non-Audit Fees

The amount of non-audit fees paid to the Group's External Auditors, M/s. Morison Anuarul Azizan Chew, Chartered Accountants, for the financial year ended 31 December 2018 was Nil.

Material Contracts

There were no material contracts of the Company and its subsidiary companies which involve Directors' and major shareholders' interest, either still subsisting at the end of financial year ended 2018 or entered into since the end of the previous financial year.

AUDIT COMMITTEE REPORT

THE AUDIT COMMITTEE

The principal functions of this Committee are to assist the Board in the effective discharge of its fiduciary responsibilities in relation to corporate governance, ensure timely and accurate financial reporting as well as the development of internal controls.

Members

The Committee is appointed by the Board from amongst its Directors and shall comprise of at least 3 Non-Executive Directors, with all of whom are Independent Directors.

Members of the Audit Committee during the financial year ended 31 December 2018 are as follows:

Members	Status
Dato' Darawati Hussain (Chairman)	Independent Non-Executive Director (Appointed on 27 September 2018)
Tan Sri Datuk Adzmi bin Abdul Wahab	Independent Non-Executive Director
Sazali bin Saad	Independent Non-Executive Director
Low Yew Shen	Independent Non-Executive Director

Term of Reference

1. PURPOSE

The primary objective of the Committee is to provide oversight of the financial reporting process, the audit process, the system of internal controls and compliance with laws and regulations.

2. AUTHORITY

The Committee is authorized by the Board to:-

- Investigate on any activity within its term of reference;
- Have full and unrestricted access to any information as deemed required to perform its duties;
- Obtain legal or other independent professional advices and appoint independent parties with related knowledge and expertise to assist the Committee, if necessary;
- Have direct communication with external auditors and person(s) performing the audit function or activity;
- Convene meetings with external auditors, without the presence of any Executive Directors and employee of Company, whenever deemed necessary.

3. FREQUENCY OF MEETING

The Committee shall meet quarterly and as and when required, with authority to convene additional meetings as deemed necessary.

The Audit Committee held a total of five (5) meetings during the financial year. The meetings were appropriately structured through the use of agenda and meeting papers, which were distributed to members with sufficient notification.

The external and internal auditors are also invited to attend Audit Committee meetings to present their audit plan and audit findings, and to assist the Audit Committee in its review of the unaudited quarterly financial reports and year-end financial statements.

3. FREQUENCY OF MEETING (CONTINUED)

Members	Status	No. of meetings attended	%
# Dato' Darawati Hussain (Chairman)	Independent Non-Executive Director	1/1	100.00
Tan Sri Datuk Adzmi bin Abdul Wahab	Independent Non-Executive Director	5/5	100.00
Sazali bin Saad	Independent Non-Executive Director	5/5	100.00
Low Yew Shen	Independent Non-Executive Director	3/5	60.00

Appointed as Audit Committee Chairman on 27 September 2018.

4. DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the Committee are to:

- Review all financial information for publication, including quarterly and annual financial statements with external auditors prior to submission to the Board of Directors. The review shall focus on:

  - Changes in or implementation of major accounting policy changes;
  - Significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed; and
  - Compliance with accounting standards and other legal requirements

- Discuss with the external auditors, the nature, scope and approach of the audit of the financial statements.

- Discuss with the external auditor on areas of concern arising from the audit of the financial statements.

- Assess the adequacy and effectiveness of the accounting procedures and the internal control systems of the Company by reviewing management letters from external auditors.

- Discuss problems and reservations arising from the interim and final audits and any matters the auditors may wish to discuss in the absence of Management, where necessary.

- Review the internal audit plan and processes, consider major findings of internal audit and recommend actions and steps to be taken by management in response to the findings.

- Review the relevance and adequacy of the scope, functions, competency and resources of internal audit and the necessary authority to carry out the function.

- Determine extent of cooperation and assistance given by the employees.

- Review related party transactions and conflict of interest situations that may arise within the Company.

- Consider the appointment of the external auditors, the terms of reference of their appointment and any questions on resignation and dismissal before recommendation to the Board.

- Undertake such other responsibilities as may be agreed to by the Committee and the Board.

- Report its activities, significant results and findings.

- Review the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

INTERNAL AUDIT FUNCTION

The Group's internal audit function is outsourced to a professional services firm as part of its effort to ensure that the Group's system of internal controls is adequate and effective. The internal audit function assists the Board and Audit Committee in providing independent assessment of the effectiveness and adequacy of the Group's system of internal controls. The internal audit function reports directly to the Audit Committee.

The activities carried out by the Internal Audit function were:-

(a) Prepared and presented the Internal Audit Plan for 2018 for the Audit Committee's consideration and approval;
(b) Performed risk-based audits in accordance with the Internal Audit Plan approved by the Audit Committee on strategic business processes of the Company and the Group.
(c) Issued Internal Audit Reports to the Audit Committee and Senior Management identifying control weaknesses and issues together with Management's response and proposed action plans, and followed up on matters raised; and
(d) Acted on comments made by the Audit Committee and /or Senior Management on concerns over operations or controls and significant issues pertinent to the Company and of the Group;

SUMMARY OF THE ACTIVITIES OF THE AUDIT COMMITTEE FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

During the financial year ended 31 December 2018, the Audit Committee carried out the following activities:-

- Reviewed the report by External Auditors on the audit of the financial statements for financial year ended 31 December 2018;
- Reviewed the Internal Audit Reports, which highlighted observations from audits performed in accordance with the Internal Audit Plan approved by the Audit Committee;
- Reviewed and appraised the adequacy and effectiveness of Management response in resolving the audit issues reported;
- Reviewed the findings of the Internal Auditors and follow-up on the recommendations;
- Reviewed the unaudited quarterly financial results of the Group and the audited financial statements of the Group and Company and recommended the same to the Board;
- Reviewed the Audit Planning Memorandum for the financial year 2018 presented by the External Auditors;
- Reviewed the Risk Management Committee report;
- Reviewed and approved the Internal Audit Plan;
- Reviewed the Statement on Risk Management and Internal Control and Audit Committee Report for the financial year ended 31 December 2018;
- Assessed the independence and performance of the External Auditors; and
- Reviewed the performance of the Internal Auditors.

EXTERNAL AUDITORS

- Reviewed, assessed and monitored the performance, suitability and independence of the external auditors pursuant to the External Auditors Policy ("the Policy"). The Audit Committee undertook an annual assessment to assess the performance, suitability and independence of the external auditors based on, amongst others, the quality of service, sufficiency of resources, communication and interaction, as well as independence, objectivity and professional skepticism. The external auditors provide an annual confirmation of their independence in accordance with the terms of all professional and regulatory requirements.

- Evaluated the external auditors' independence and objectivity, as well as their ability to serve the Group in terms of technical competencies and manpower resource sufficiency.

- Following the review of the external auditors' effectiveness and independence, the Audit Committee is satisfied with the performance and the audit independence of the external auditors and it was recommended to the Board to propose to shareholders the reappointment of the external auditors at the Annual General Meeting of the Company.

- The Audit Committee has a policy that requires a former partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors ("The Board") and management acknowledge the responsibility for maintaining a sound system of internal control and for reviewing its adequacy and integrity. As such, the Board and management are committed to develop and improve on the current systems of internal control taking into consideration operational efficiency.

The Group has established procedures of internal control that takes into account the guidelines to Directors as set out in the "Statement on Risk Management & Internal Control – Guidelines for Directors" for the year under review.

These procedures, which are subject to regular review by the Board, provide an on-going process for identifying, evaluating and managing significant risks faced by the Group that may affect the achievement of its business objectives.

The board has received assurance from the Managing Director ("MD") that the Group's risk management and internal control system is operating adequately and effectively, in all material aspect based on the risk management and internal control system of the company.

BOARD'S RESPONSIBILITY

The Board complies with Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

The Board is satisfied that the current Board composition fairly reflects the investment of minority shareholders in the Company and represents the needed mix of skills and experience required to discharge the Board's duties and responsibilities effectively. No individual Director or group of Directors can dominate the Board's decision making process. The composition and size of the Board are to be reviewed from time to time.

All of the Board members serve as directors in not more than five boards of listed companies, to ensure they devote sufficient time to carry out their responsibilities. The profiles of the members of the Board are set out in the Annual Report under the section named Profile of Directors.

The Board recognises the importance of sound internal control and risk management practices for good corporate governance. For the financial year under review, the Group had in place a system of internal control and had established an on-going process of reviewing, identifying, evaluating and managing significant risks faced by the Group.

The system of internal control and the process of risk management are reviewed regularly by the Board with the assistance of the Audit Committee, Internal Audit Department and all relevant personnel of the Group through a combination of key processes.

As there are limitations inherent in any systems of internal control, therefore, it shall be noted that the controls are designed to mitigate risks but not eliminating all the present and future risks. Furthermore, it shall also be noted that systems of internal control can only provide reasonable but not absolute assurance against material misstatements, frauds and losses.

CLEAR FUNCTIONS RESERVED FOR THE BOARD AND THOSE DELEGATED TO MANAGEMENT

The Board recognises its key role in charting the strategic direction, development and control of the Group and has adopted the specific responsibilities that are listed in the Malaysian Code on Corporate Governance 2017 ("the Code"), which facilitates the discharge of the Board's stewardship responsibilities. In order to deliver both fiduciary and leadership functions, the Board, amongst others, assumes the following key responsibilities as per recommendations of the Code :–

- Setting the objectives, goals and strategic plan for the Company with a view to maximising shareholder value and promoting sustainability;
- Adopting and monitoring progress of the Company's strategy, budgets, plans and policies;
- Overseeing the conduct of the Company's business to evaluate whether the business is being properly managed;

CLEAR FUNCTIONS RESERVED FOR THE BOARD AND THOSE DELEGATED TO MANAGEMENT (CONTINUED)

- To consider and approve reserved matters covering corporate policies, material investment and acquisition / disposal of assets;
- Identifying principal risks and ensure implementation of appropriate systems to manage these risks;
- Succession planning, including appointing, training, fixing the compensation of and where appropriate, replacing senior management;
- Developing and implementing an investor relations program or shareholder communications policy for the Company; and
- Reviewing the adequacy and the integrity of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The Group Managing Director ("GMD") together with the Executive Director are responsible for day-to-day operation and management of business and making and implementing policies, operational and corporate decisions as well as developing, coordinating and implementing business and corporate strategies. The Non-Executive Directors play the key roles in contributing knowledge and experience towards the formulation of policies and in the decision-making process. They could provide the relevant checks and balances, focusing on shareholders' and other stakeholders' interests and ensuring that high standards of corporate governance are applied. Where a potential conflict of interest may arise, it is mandatory practice for the Director concerned to declare his interest and abstain from the decision-making process.

CONTROL ENVIRONMENT AND STRUCTURE

The Board recognises that in order to achieve a sound system of internal control, a conducive control environment must be established. The Board is fully committed to the maintenance of such a control environment within the Group and in discharging their responsibilities, enhanced the following key system of internal control within the Group to govern the manner in which the Group and its employees conduct themselves. The key elements of internal controls comprise the following:

- **The Board** meets regularly to monitor and review the overall performance of the Group, to consider the findings and recommendations of committees and to consider the approved measures to be taken and changes in policies and procedures necessary to address risks and to enhance the system of internal control.
- **Audit Committee** comprises entirely of non-executive directors, and who hold regular meetings throughout the financial year. Audit Committee members are briefed and updated on the matters of corporate governance practice and legal and regulatory matters. The current composition of members, with at least one who is a member of an accounting association or body, brings with them a wide variety of experience from different fields and background. They have full and unimpeded access to both the internal as well as external auditors during the financial year. They also meet with the external auditors without the presence of the Management at least twice a year.
- **Outsourced Internal Auditors** continue to independently assure the Board, through the Audit Committee, that the internal control system functions as intended. Their work practice as governed by their audit plan is derived on a risk based approach and internal audit findings are highlighted to the Audit Committee. Their annual audit plans are presented and approved by the Audit Committee annually before the commencement of the following financial year and updates are given as and when there are any changes.
- **Financial and Operational Information** continues to be prepared and presented to the Board. A detailed budget is prepared and presented to the Board before the commencement of a new financial year. Upon approval of the budget, the Group's performance is then tracked and measured against the approved budget on quarterly basis. All major variances and critical operational issues are followed up with action thereon. On a quarterly basis, the results are reviewed by the Audit Committee and the Board to enable them to gauge the Group's overall performance compared to the approved budgets.
- **The Limit of Authority** determines the respective levels of authority which are delegated to staff of the respective levels to enable control of the Group's commitment of both capital and operational expenditure. The authority limits are subject to periodic review throughout the financial year as to their implementation and for the continuing suitability.
- **Policies and Procedures** for key business processes are formalized and documented for each significant operating unit.
- **Tender Committee** functions to ensure transparency in the award of contracts.

RISK MANAGEMENT

The Audit Committee and the Management, with the assistance from the outsourced professional firm, have established the necessary Risk Management processes, guided by the recognized risk management standards, to ensure critical risk are proactively identified, evaluated, communicated, monitored and managed across the Company. The key aspects of the Risk Management are:-

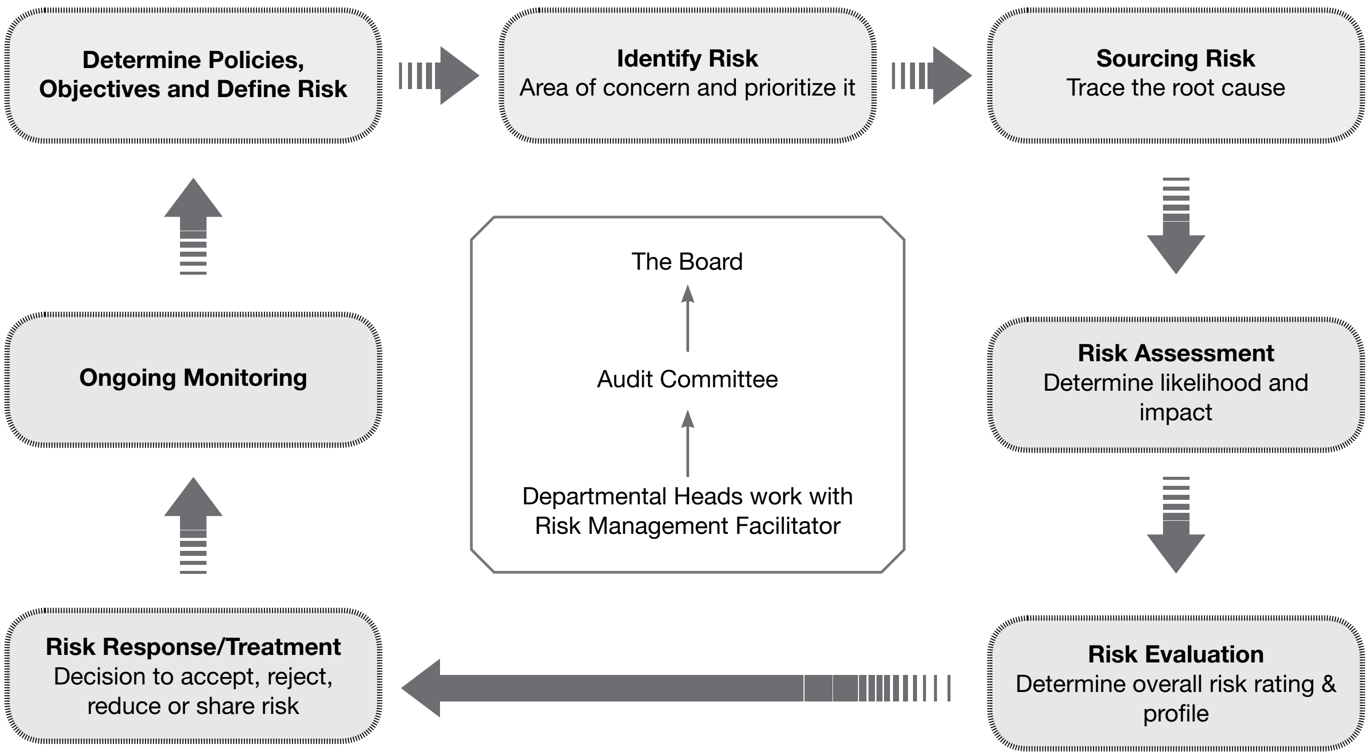
- All Head of Departments are responsible to continuously ensure effective and efficient Risk Management throughout the Company;

- Risk assessment reviews, which is facilitated by an outsourced professional firm, were performed annually to identify any potential risk, from the perspective of laws and regulations, corporate governance, operations, financial, customers, product and services, suppliers, human capital, and etc.;

- Key risks identified during the risk assessment together with the existing controls to manage it were documented in the Risk Register as part of the Risk Management Report. Risk response, if any, were discussed by the respective Head of Departments and documented in the Risk Register;

- The significant risk issues documented in the Risk Management Report were discussed and highlighted at the Audit Committee meetings. The Audit Committee reviewed the Group's risk profile and effectiveness of the mitigating measures implemented by the management as documented in the Risk Management Report. Significant risk matters that required the attention of the Directors were escalated to the Board;

Figure 1: Risk management Processes



INTERNAL AUDIT AND INTERNAL CONTROL

The outsourced professional firm reviews the internal control processes in the key activities of the Group's business by adopting a risk based internal audit approach and reports directly to the Audit Committee. The internal audit findings together with recommendations for Management responses are presented to the Audit Committee where it then reports to the Board of Directors by the Audit Committee on a quarterly basis.

The outsourced professional firm prepares an Annual Audit Plan and presented it to the Audit Committee for their approval. The scope of work encompasses review of strategic plan, operational and financial activities within the group. The outsourced professional firm has successfully completed the planned audit for the year and will closely monitor the implementation progress of its audit recommendations in order to ensure that all major risks and control concerns have been duly addressed by the Management. The internal audit report together with the recommended action and their implementation status are presented to the Board and Audit Committee.

The Board acknowledges its responsibility for maintaining a sound internal control system, which provides reasonable assurance in ensuring the effectiveness and efficiency of operations and the safeguard of assets and interest in compliance with laws and regulations as well as with internal financial administration procedures and guidelines.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The Audit Committee has assessed the suitability of the External Auditors and has obtained written assurance from the External Auditors confirming that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

The external auditors have reviewed this Statement on Risk Management and Internal Control for the inclusion in the annual report for the financial year ended 31 December 2018.

The external auditors have reported to the Board that nothing had come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the processes the Board has adopted in the review of the adequacy and integrity of the risk management and internal control functions of the Group.

CONCLUSION

The system of internal control and risk management described in this Statement is considered by the Board to be adequate and risks are considered by the Board to be at an acceptable level within the context of the business environment throughout the Group's business. However, such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and thus they can only provide reasonable assurance and not absolute assurance against material misstatement. Nevertheless, the systems of internal control and risk management that exist throughout the financial year under review provide a level of confidence on which the Board relies for assurance.

For the financial year under review, the Board is satisfied with the adequacy and integrity of the Group's system of internal control and that no material losses, contingencies or uncertainties have arisen from any inadequate or failure of the Group's system of internal control that would require separate disclosure in the Group's Annual Report.

At a meeting held on 15 April 2019 , the Board obtained assurance from GMD that the Group's risk management and internal controls systems are operating adequately and effectively in all material respects.

This Statement is made in accordance with the resolution of the Board dated 15 April 2019.

FINANCIAL STATEMENTS

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 2018.

Principal Activities

The principal activities of the Company are investment holding and provision of management services.

The principal activities of the subsidiary companies are stated in Note 6 to the financial statements.

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

Financial Results

	Group RM	Company RM
Loss for the financial year attributable to:		
- Owners of the Company	55,259,735	21,686,307
- Non-controlling interests	1,458,161	-
	56,717,896	21,686,307

Dividend

No dividend has been paid or declared by the Company since the end of the previous financial year. The Board of Directors does not recommend any dividend to be paid for the financial year under review.

Reserves and Provisions

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

Issue of Shares and Debentures

There were no issuances of debentures by the Company during the financial year under review.

Options Granted Over Unissued Shares

No options were granted to any person to take up unissued shares of the Company during the financial year under review.

Warrants 2015/2020

On 2 September 2015, the Company allotted 166,444,970 bonus Warrants 2015/2020 on the basis of 1 Warrant for every 2 existing ordinary shares of RM0.25 each held in the Company. The Warrant 2015/2020 were listed on the Main Market of Bursa Malaysia Securities Berhad with effect from 10 September 2015.

Each Warrant 2015/2020 entitles the registered holder to subscribe for 1 new ordinary share in the Company at any time on or after 10 September 2015 till 4 September 2020, at an exercise price of RM0.90. Any Warrant 2015/2020 not exercised at the date of maturity will lapse and cease to be valid for any purpose. As at 31 December 2018, 164,422,270 (2017: 164,422,270) Warrant 2015/2020 remain unexercised.

The ordinary shares issued from the exercise of Warrants 2015/2020 shall rank pari passu in all respects with the existing issued ordinary shares of the Company except that they shall not be entitled to any dividends, distributions or rights, if the entitlement date is prior to the date of the allotment of the new shares arising from the exercise of Warrants 2015/2020.

Directors

The Directors in office during the financial year and during the period from the end of the financial year to the date of this report are:

Tan Sri Datuk Adzmi bin Abdul Wahab	
Datuk Seri Rahadian Mahmud Bin Mohammad Khalil	
Sazali bin Saad	
Chang Chee Kok	
Ho Wen Yan	
Low Yew Shen	(Appointed on 21 February 2018)
Dato' Darawati binti Hussain	(Appointed on 27 September 2018)
Cheong Choi Yoon	(Resigned on 6 April 2018)

Directors' Interests in Shares or Debentures

According to the register of Directors' shareholdings required to be kept under Section 59 of the Companies Act, 2016, none of the Directors who held office at the end of the financial year held any shares or debentures in the Company or its subsidiaries or its holding company or subsidiaries of the holding company during the financial year except as follows:

	No. of ordinary shares			
	As at 1.1.2018	**Bought**	**Sold**	**As at 31.12.2018**
Interest in the Company, Magna Prima Berhad:				
Direct interest				
Datuk Seri Rahadian Mahmud bin Mohammad Khalil	21,400,000	-	-	21,400,000
Indirect interest				
Ho Wen Yan *	102,889,940	-	-	102,889,940

	No. of ordinary shares			
	As at 1.1.2018	**Bought**	**Sold**	**As at 31.12.2018**
Interest in a subsidiary company, Pavilion Uptrend Sdn. Bhd.				
Direct interest				
Datuk Seri Rahadian Mahmud bin Mohammad Khalil	60,000	-	-	60,000

	No. of Warrants 2015/2020			
	As at 1.1.2018	**Bought**	**Sold**	**As at 31.12.2018**
Magna Prima Berhad				
Datuk Seri Rahadian Mahmud bin Mohammad Khalil	10,700,000	-	-	10,700,000

* Deemed interest by virtue of his interest in Prisma Pelangi Sdn. Bhd.

By virtue of their interests in the shares of the Company, Datuk Seri Rahadian Mahmud bin Mohammad Khalil and Ho Wen Yan are also deemed to have interests in the shares of all its subsidiary companies to the extent the Company has an interest.

Other than as disclosed above, according to the register of Directors' shareholdings, the other Directors in office at the end of the financial year did not hold any interest in shares or debentures in the Company or its subsidiaries during the financial year.

Directors' Report

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 emoluments 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 he is a member, or with a company in which he has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' Remuneration

Details of Directors' remuneration are disclosed in Note 24 to the financial statements.

Subsidiary Companies

Details of the subsidiary companies are disclosed in Note 6 to the financial statements.

Auditors' Remuneration

Details of auditors' remuneration are disclosed in Note 19 to the financial statements.

Subsequent Event

Details of subsequent event are disclosed in Note 33 to the financial statements.

Other Statutory Information

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 provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; 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.

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

(i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

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

(iii) adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(iv) any amount stated in the financial statements of the Group and of the Company misleading.

Other Statutory Information (continued)

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

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

(i) any charge on the assets of the Group or 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.

In the opinion of the Directors:

(i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(ii) 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.

Auditors

The auditors, Messrs. Morison Anuarul Azizan Chew, have expressed their willingness to accept re-appointment.

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

DATUK SERI RAHADIAN MAHMUD BIN MOHAMMAD KHALIL **HO WEN YAN**

PUCHONG
26 April 2019

STATEMENT BY DIRECTORS

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

We, DATUK SERI RAHADIAN MAHMUD BIN MOHAMMAD KHALIL and HO WEN YAN, being two of the Directors of MAGNA PRIMA BERHAD, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 49 to 97 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2018 and of their financial performance and cash flows for the financial year then ended.

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

DATUK SERI RAHADIAN MAHMUD BIN MOHAMMAD KHALIL **HO WEN YAN**

PUCHONG
26 April 2019

STATUTORY DECLARATION

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

I, DATUK SERI RAHADIAN MAHMUD BIN MOHAMMAD KHALIL, being the Director primarily responsible for the financial management of MAGNA PRIMA BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 49 to 97 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the)
abovenamed DATUK SERI RAHADIAN)
MAHMUD BIN MOHAMMAD KHALIL)
at PUCHONG)
on this date of 26 April 2019)

DATUK SERI RAHADIAN MAHMUD
BIN MOHAMMAD KHALI

Before me,

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

To the Members of Magna Prima Berhad
(Company No: 369519-P)(Incorporated In Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Magna Prima Berhad, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 49 to 97.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Material Uncertainty Relating to Going Concern

We draw attention to Note 2.1 to the financial statements, the financial statements of the Group and of the Company have been prepared on a going concern basis notwithstanding that:

(a) The Group and the Company incurred a net loss of RM56,717,896 and RM21,686,307 respectively;

(b) As disclosed in Note 32 and Note 33 to the financial statements, there are pending claims on unpaid balances over income tax debt due to Lembaga Hasil Dalam Negeri ("LHDN") and liquidated and ascertained damages due to purchasers; and

(c) As disclosed in Note 13 to the financial statements, a subsidiary company delayed the payment of its borrowing obligations during the financial year. As at the date of this report, the subsidiary company has since repaid the delayed borrowing instalment obligations and the lender had not issued any demand letters against the subsidiary company nor has the lender called upon the loan to be fully repaid.

These conditions, indicate the existence of material uncertainties that may cast significant doubt on the Group's and the Company's ability to continue as going concerns. Our opinion is not modified in respect of this matter.

Independent Auditors' Report
To the Members of Magna Prima Berhad
(Company No: 369519-P)(Incorporated In Malaysia)

Matters

matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. We have determined that there are no matters to communicate in our report on the financial statements of the Company. These matters were addressed in the context of our audit of the financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the matters to be communicated in our report:

matters	**How our audit addressed the matters**
Valuation of investment properties *Refer to Note 2.3(i), Note 2.7 and Note 4 of the financial statements* The Group owns a portfolio of investment properties comprising a shopping mall, freehold land and leasehold land. As at 31 December 2018, investment properties represent the single largest category of assets amounting to RM520,769,000. The Group adopts the fair value model for its investment properties. The Group had engaged an external valuer to determine the fair value of the investment properties at the reporting date. The valuation of investment properties is significant to our audit due to their magnitude, complex valuation method and high dependency on a range of estimates which are based on current and future market or economic conditions.	Our audit procedures focused on the following: • assessed the appropriateness of the independent professional valuer's scope of work and evaluated whether they possess sufficient expertise, capability and objectivity to competently perform the valuation of the Group's investment properties; • obtained the valuation report and evaluated the valuation methodology, data relating to comparisons of the recent transactions involving similar assets and estimates used by the independent professional valuer; • conducted site visits to the investment properties to observe the condition of the properties and safeguards put in place by the Group; • discussed with the external valuer on the basis for revision of valuation of investment property during the financial year; and • evaluated whether disclosures in the financial statements relating to the valuation of investment properties were in accordance with Malaysia Financial Reporting Standards.
Impairment of trade receivables *Refer to Note 2.3(iii), Note 2.21(B)(iv) and Note 7 to the financial statements* As at 31 December 2018, the Group carried gross trade receivables balance of RM16,939,437 and recorded on impairment loss on these trade receivables amounting to RM9,539,077. In assessing the expected credit loss, the Group considered the historical loss rate of the receivables and any known adverse conditions in respect of the receivables which would affect the recoverability of the balances. We focus on this area due to the inherent subjectivity in making judgement in relation to credit risk exposure in determining the recoverability of the trade receivables.	Our audit procedures focused on the following: • recomputed the probability of default using historical data and forward-looking information applied by the Group; • scrutinised trade receivable ageing and investigated trends and conditions that may indicate objective evidence of impairment; • reviewed long outstanding other receivables and discussed with the credit admin department on the recoverability; and • reviewed the appropriateness and reasonableness of the assumptions applied in the management assessment of the expected credit loss, taking into account specific known receivables' circumstances.

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 out auditors' report thereon.

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

- 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 Magna Prima Berhad
(Company No: 369519-P)(Incorporated In Malaysia)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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

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

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the 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 of which we have not acted as auditors, are disclosed in Note 6 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 any responsibility to any other person for the content of this report.

MORISON ANUARUL AZIZAN CHEW
Firm Number: AF 001977
Chartered Accountants

CHEW LOONG JIN
Approved Number: 03279/03/2021 J
Chartered Accountant

KUALA LUMPUR
26 April 2019

STATEMENTS OF FINANCIAL POSITION
As at 31 December 2018

		Group		Company	
	Note	2018 RM	2017 RM	2018 RM	2017 RM
Non-Current Assets					
Property, plant and equipment	3	696,817	895,146	257,884	365,277
Investment properties	4	520,769,000	533,119,000	-	-
Land held for property development	5	65,099,670	65,099,670	-	-
Investment in subsidiary companies	6	-	-	139,385,257	158,810,307
Trade and other receivables	7	-	3,496,876	446,807,984	-
Deferred tax assets	8	5,443,156	13,391,810	-	-
		592,008,643	616,002,502	586,451,125	159,175,584
Current Assets					
Inventories	9	260,464,773	295,587,230	-	-
Trade and other receivables	7	19,354,279	38,739,803	507,797	433,049,946
Tax recoverable		383,819	3,651,960	223,549	140,528
Cash held under Housing Development Accounts	10	3,894,935	4,669,768	-	-
Fixed deposits placed with licensed banks	11	14,084,974	4,458,572	116,110	230,318
Cash and bank balances		4,379,363	4,078,854	72,884	251,690
		302,562,143	351,186,187	920,340	433,672,482
Current Liabilities					
Trade and other payables	12	87,350,749	93,629,182	389,199,682	372,891,189
Borrowings	13	79,386,059	96,889,336	104,014	98,788
Current tax liabilities		38,976,854	35,967,402	-	-
		205,713,662	226,485,920	389,303,696	372,989,977
Net current assets		96,848,481	124,700,267	(388,383,356)	60,682,505
		688,857,124	740,702,769	198,067,769	219,858,089
Financed by:					
Share capital	14	121,008,885	121,008,885	121,008,885	121,008,885
Treasury shares	15	(2,385,431)	(2,385,431)	(2,385,431)	(2,385,431)
Reserves	16	405,110,698	474,433,034	79,278,498	100,964,805
Equity attributable to owners of the Company		523,734,152	593,056,488	197,901,952	219,588,259
Non-controlling interests		4,033,041	5,491,202	-	-
		527,767,193	598,547,690	197,901,952	219,588,259
Non-current Liabilities					
Borrowings	13	133,421,592	124,136,596	165,817	269,830
Deferred tax liabilities	8	27,668,339	18,018,483	-	-
		161,089,931	142,155,079	165,817	269,830
		688,857,124	740,702,769	198,067,769	219,858,089

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 2018

		Group		Company	
	Note	2018 RM	2017 RM Restated	2018 RM	2017 RM
Revenue	17	33,123,218	90,793,221	3,305,000	12,978,790
Cost of sales	18	(29,562,575)	(55,831,815)	-	-
Gross profit		3,560,643	34,961,406	3,305,000	12,978,790
Other operating income		16,186,865	14,610,520	68,647	55,159
Marketing and promotion expenses		(3,561,415)	(3,332,565)	-	-
Administration expenses		(14,342,851)	(6,344,960)	(5,576,406)	(5,544,201)
Other operating expenses		(18,742,083)	(9,214,546)	(19,467,651)	(145,795)
(Loss)/Profit from operations	19	(16,898,841)	30,679,855	(21,670,410)	7,343,953
Finance costs	20	(13,801,972)	(14,295,964)	(15,897)	(21,123)
(Loss)/Profit before taxation		(30,700,813)	16,383,891	(21,686,307)	7,322,830
Taxation	21	(26,017,083)	(7,326,102)	-	39,269
(Loss)/Profit for the financial year		(56,717,896)	9,057,789	(21,686,307)	7,362,099
Other comprehensive (loss)/income:					
Item that may be reclassified subsequently to profit or loss					
Exchange differences arising from translation of foreign operations		(14,062,601)	(4,707,776)	-	-
Total comprehensive (loss)/income for the financial year		(70,780,497)	4,350,013	(21,686,307)	7,362,099
(Loss)/Profit for the financial year attributable to:					
Owners of the Company		(55,259,735)	10,680,588	(21,686,307)	7,362,099
Non-controlling interests		(1,458,161)	(1,622,799)	-	-
		(56,717,896)	9,057,789	(21,686,307)	7,362,099
Total comprehensive (loss)/income for the financial year attributable to:					
Owners of the Company		(69,322,336)	5,972,812	(21,686,307)	7,362,099
Non-controlling interests		(1,458,161)	(1,622,799)	-	-
		(70,780,497)	4,350,013	(21,686,307)	7,362,099
(Loss)/Earnings per share attributable to owners of the Company:					
Basic (sen)	22	(16.61)	3.22		
Diluted (sen)	22	(15.42)	2.70		

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2018

		Attributable to Owners of the Company								
		Non-distributable					Distributable			
	Note	Share Capital RM	Treasury Shares RM	Translation Reserve RM	Capital Reserve RM	Capital Redemption Reserve RM	Retained Profits RM	Sub-Total RM	Non-Controlling Interests RM	Total Equity RM
At 1 January 2018		121,008,885	(2,385,431)	5,312,792	19,706,095	-	449,414,147	593,056,488	5,491,202	598,547,690
Profit for the financial year		-	-	-	-	-	(55,259,735)	(55,259,735)	(1,458,161)	(56,717,896)
Other comprehensive income:										
Exchange differences arising from translation of foreign operations		-	-	(14,062,601)	-	-	-	(14,062,601)	-	(14,062,601)
Total comprehensive income		-	-	(14,062,601)	-	-	(55,259,735)	(69,322,336)	(1,458,161)	(70,780,497)
At 31 December 2018		121,008,885	(2,385,431)	(8,749,809)	19,706,095	-	394,154,412	523,734,152	4,033,041	527,767,193

		Attributable to Owners of the Company									
		Non-distributable						Distributable			
	Note	Share Capital RM	Share Premium RM	Treasury Shares RM	Translation Reserve RM	Capital Reserve RM	Capital Redemption Reserve RM	Retained Profits RM	Sub-Total RM	Non-Controlling Interests RM	Total Equity RM
At 1 January 2017		83,222,485	35,565,970	(2,385,431)	10,020,568	19,706,095	400,000	451,440,047	597,969,734	4,625,646	602,595,380
Profit for the financial year		-	-	-	-	-	-	10,680,588	10,680,588	(1,622,799)	9,057,789
Other comprehensive income:											
Exchange differences arising from translation of foreign operations		-	-	-	(4,707,776)	-	-	-	(4,707,776)	-	(4,707,776)
Total comprehensive income		-	-	-	(4,707,776)	-	-	10,680,588	5,972,812	(1,622,799)	4,350,013
Acquisition of equity interest from non-controlling interest		-	-	-	-	-	-	(2,788,355)	(2,788,355)	2,488,355	(300,000)
Issuance of share capital pursuant to exercise of warrants	14	1,820,430	-	-	-	-	-	-	1,820,430	-	1,820,430
Dividends	23	-	-	-	-	-	-	(9,918,133)	(9,918,133)	-	(9,918,133)
Transition to no par value regime	14	35,965,970	(35,565,970)	-	-	-	(400,000)	-	-	-	-
At 31 December 2017		121,008,885	-	(2,385,431)	5,312,792	19,706,095	-	449,414,147	593,056,488	5,491,202	598,547,690

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

COMPANY STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2018

		Non-distributable				Distributable	
	Note	Share Capital RM	Share Premium RM	Treasury Shares RM	Capital Redemption Reserve RM	Retained Profits RM	Total Equity RM
At 1 January 2018		121,008,885	-	(2,385,431)	-	100,964,805	219,588,259
Loss/Total comprehensive loss for the financial year		-	-	-	-	(21,686,307)	(21,686,307)
At 31 December 2018		121,008,885	-	(2,385,431)	-	79,278,498	197,901,952
At 1 January 2017		83,222,485	35,565,970	(2,385,431)	400,000	103,520,839	220,323,863
Profit/Total comprehensive income for the financial year		-	-	-	-	7,362,099	7,362,099
Issuance of shares pursuant to exercise of warrants	14	1,820,430	-	-	-	-	1,820,430
Dividends	23	-	-	-	-	(9,918,133)	(9,918,133)
Transition to no par value regime	16	35,965,970	(35,565,970)	-	(400,000)	-	-
At 31 December 2017		121,008,885	-	(2,385,431)	-	100,964,805	219,588,259

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

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 December 2018

		Group		Company	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
Cash flows from operating activities					
Profit before taxation		(30,700,813)	16,383,891	(21,686,307)	7,322,830
Adjustments for:					
Depreciation of property, plant and equipment	3	198,318	320,931	107,393	132,456
Net impairment of trade receivables	7	3,716,814	183,751	-	-
Impairment loss on other receivables	7	1,813,435	-	-	-
Impairment loss on investment in subsidiary companies	6	-	-	19,425,050	-
Property, plant and equipment written off	3	6	27,946	-	17,630
Gain on disposal of property, plant and equipment		(32,075)	(32,805)	-	(2,165)
Unrealised foreign exchange gain		(13,386,581)	(4,677,055)	-	-
Fair value adjustments on investment investment properties		12,350,000	-	-	-
Waiver of debt		-	-	(47,689)	-
Finance cost	20	13,801,972	14,295,964	15,897	21,123
Finance income		(129,531)	(555,647)	(20,958)	(48,995)
Dividend income	17	-	-	-	(9,814,290)
Operating (loss)/profit before changes in working capital		(12,368,455)	25,946,976	(2,206,614)	(2,371,411)
(Increase)/Decrease in working capital:					
Inventories		37,271,527	8,781,268	-	-
Trade and other receivables		17,352,151	20,864,229	(14,218,146)	(27,751,057)
Trade and other payables		4,816,058	(13,685,821)	16,308,493	37,948,785
Cash generated from operations		47,071,281	41,906,652	(116,267)	7,826,317
Taxation paid		(3,116,886)	(22,781,116)	(83,021)	(83,021)
Taxation refund		3,320,389	24,304	-	-
Interest received		129,531	555,647	20,958	48,995
Interest paid		(15,951,042)	(14,150,764)	(15,897)	(21,123)
Net cash generated from operating activities		31,453,273	5,554,723	(194,227)	7,771,168
Cash flows from investing activities					
Additions of land held for property development	5	-	(63,066)	-	-
Purchase of property, plant and equipment		-	(28,246)	-	-
Purchase of investment properties		-	-	-	-
Subscription of additional shares in existing subsidiary companies		-	-	-	(750,000)
Acquisition of additional interest from non-controlling interest		-	(300,000)	-	-
Net proceeds from disposal of property, plant and equipment		32,080	318,140	-	2,290
Net cash generated from/(used in) investing activities		32,080	(73,172)	-	(747,710)

Statements of Cash Flows
For the Financial Year Ended 31 December 2018

		Group		Company	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
Cash flows from financing activities					
Dividends paid	23	-	(9,918,133)	-	(9,918,133)
Repayment of finance lease liabilities	28	(98,787)	(122,042)	(98,787)	(93,561)
Repayment of borrowings	28	(78,021793)	(72,106,922)	-	(3,000,000)
Drawdown from borrowings	28	85,000,000	61,000,000	-	-
Decrease/(Increase) in pledge deposits		(9,605,229)	2,872,731	116,667	-
Proceeds from issuance of shares	14	-	1,820,430	-	1,820,430
Net cash used in financing activities		(2,725,809)	(16,453,936)	17,880	(11,191,264)
Net decrease in cash and cash equivalents		28,759,544	(10,972,385)	(176,347)	(4,167,806)
Cash and cash equivalents at the beginning of the financial year		(6,209,110)	9,471,051	365,341	4,533,147
Effect of exchange rate changes		(14,114,994)	(4,707,776)	-	
Cash and cash equivalents at the end of the financial year		15,483,324	(6,209,110)	188,994	365,341
Cash and cash equivalents at the end of the financial year comprises:					
Cash and bank balances		4,379,363	4,078,854	72,884	251,690
Cash held under Housing Development Accounts	10	3,894,935	4,669,768	-	-
Fixed deposits placed with licensed banks	11	14,084,974	4,458,572	116,110	230,318
Bank overdrafts	13	-	(15,097,701)	-	-
		22,359,272	(1,890,507)	188,994	482,008
Less: Fixed deposits pledged with licensed banks	11	(13,923,832)	(4,318,603)	-	(116,667)
		8,435,440	(6,209,110)	188,994	365,341

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

1. Corporate Information

The principal activities of the Company are investment holding and provision of management services. The principal activities of the subsidiary companies are set out in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

The Company is a public limited liability company, incorporated under the Malaysian Companies Act, 1965 and is listed on the Main Board of Bursa Malaysia Securities Berhad.

The registered office and principal place of business of the Company is located at Lot 4.01, Level 4, IDCC Corporate Tower, Jalan Pahat L 15/L, Seksyen 15, 40200 Shah Alam, Selangor Darul Ehsan.

The financial statements of the Group and of the Company for the financial year ended 31 December 2018 were authorised for issue in accordance with a resolution of the Board of Directors dated 26 April 2019.

2. Basis of Preparation and Significant Accounting Policies

2.1 Basis of preparation

The financial statements of the Group and the Company have been prepared on a going concern basis notwithstanding that:

(a) The Group and the Company incurred a net loss of RM56,717,896 and RM21,686,307 respectively;
(b) As disclosed in Note 32 and Note 33 to the financial statements, there are pending claims on unpaid balances over income tax debt due to Lembaga Hasil Dalam Negeri (“LHDN”) and liquidated and ascertained damages due to purchasers; and
(c) As disclosed in Note 13 to the financial statements, a subsidiary company delayed the payment of its borrowing obligations during the financial year. As at the date of this report, the subsidiary company has since repaid its delayed borrowing instalment obligations and the lender had not issued any demand letters against the subsidiary company nor has the lender called upon the loan to be fully repaid.

These factors indicate the existence of material uncertainties that may cast significant doubt on the Group’s and Company’s ability to continue as going concerns. The ability of the Group and the Company to continue as going concerns are dependent on the continued support of their lenders and creditors, the timely successful launch and sales of its upcoming property development projects as well as the profitability of these projects, timely realisation of the unsold developed properties held for sale and the timely completion of the planned disposal of its investment properties by the Group.

The financial statements of the Group and of the Company do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Group and the Company be unable to continue as going concerns.

Accounting standards, amendments to accounting standards and IC interpretation that are effective for the Group and the Company’s financial year beginning on or after 1 January 2018 are as follows:

- MFRS 9, “Financial Instruments”
- Amendments to MFRS 1, “First-time Adoption of Malaysian Financial Reporting Standards” (Annual improvements 2014-2016 cycle)
- Amendments to MFRS 2, “Classification and Measurement of Share-Based Payment Transactions”
- Amendments to MFRS 4, “Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts”
- Amendments to MFRS 128, “Investments in Associates and Joint Ventures” (Annual improvements 2014-2016 cycle)
- Amendments to MFRS 140, “Transfers of Investment Property”
- IC Interpretation 22, “Foreign Currency Transactions and Advance Consideration”

2. Basis of Preparation and Significant Accounting Policies (continued)

2.1 Basis of preparation (continued)

The above accounting standards, amendments to accounting standards and IC interpretation effective during the financial year do not have any significant impact to the financial results and position of the Group and the Company, except as follows:

Adoption of MFRS 9 "Financial Instruments"

The Group and the Company applied MFRS 9 for the first time in the 2018 financial statements with the date of initial application of 1 January 2018. The standard is applied retrospectively.

In accordance with the transitional provisions provided in MFRS 9, comparative information for 2017 was not restated and continued to be reported under the previous accounting policies governed under MFRS 139. The cumulative effects of initially applying MFRS 9 were recognised as an adjustment to the opening balance of retained earnings as at 1 January 2018. The detailed impact of the change in accounting policy on financial instruments is disclosed in Note 35.

Accounting standards, amendments to accounting standards and IC Interpretations that are applicable for the Group and the Company in the following periods but are not yet effective:

Annual periods beginning on/after 1 January 2019

- MFRS 16, "Leases"
- Amendments to MFRS 3, "Business Combination"(Annual improvements to 2015-2017 Cycle)
- Amendments to MFRS 9, "Prepayment Features with Negative Compensation"
- Amendments to MFRS 11, "Joint Arrangement"(Annual improvements to 2015-2017 Cycle)
- Amendments to MFRS 112, "Income taxes"(Annual improvements to 2015-2017 Cycle)
- Amendments to MFRS 119, "Employee Benefits"(Plan amendment, curtailment or settlement)
- Amendments to MFRS 123, "Borrowing Costs"(Annual improvements to 2015-2017 Cycle)
- Amendments to MFRS 128, "Long-term Interests in Associates and Joint Ventures"
- IC Interpretation 23, "Uncertainty over Income Tax Treatments"

Annual periods beginning on/after 1 January 2020

Amendments to References to the Conceptual Framework in MFRS Standards:
- Amendments to MFRS 2, "Share Based Payments"
- Amendments to MFRS 3, "Business Combinations"
- Amendments to MFRS 6, "Exploration for and Evaluation of Mineral Resources"
- Amendments to MFRS 14, "Regulatory Deferral Accounts"
- Amendments to MFRS 101, "Presentation of Financial Statements"
- Amendments to MFRS 108, "Accounting Policies, Changes in Accounting Estimates and Errors"
- Amendments to MFRS 134, "Interim Financial Reporting"
- Amendment to MFRS 137, "Provisions, Contingent Liabilities and Contingent Assets"
- Amendment to MFRS 138, "Intangible Assets"
- Amendment to IC Interpretation 12, "Service Concession Arrangements"
- Amendment to IC Interpretation 19, "Extinguishing Financial Liabilities with Equity Instruments"
- Amendment to IC Interpretation 20, "Stripping Costs in the Production Phase of a Surface Mine"
- Amendment to IC Interpretation 22, "Foreign Currency Transactions and Advance Considerations"
- Amendments to IC Interpretation 132, "Intangible Assets- Web Site Costs"

Annual periods beginning on/after 1 January 2021

- MFRS 17, "Insurance Contracts"

Effective date yet to be determined by the Malaysian Accounting Standards Board

- Amendments to MFRS 10 and MFRS 128, "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

2. Basis of Preparation and Significant Accounting Policies (continued)

2.1 Basis of preparation (continued)

The above accounting standards, amendments to accounting standards and IC interpretations which may have a significant impact to the financial statements are as follows:

Annual periods beginning on/after 1 January 2019

<u>MFRS 16 "Leases"</u>

MFRS 16 eliminates the distinction between finance and operating leases for lessees. All leases will be brought onto its balance sheet as recording certain leases as off-balance sheet leases will no longer be allowed except for some limited practical exemptions. In other words, for a lessee that has material operating leases, the assets and liabilities reported on its balance sheet are expected to increase substantially.

The impact of the above is still being assessed. Aside from the above mentioned, the adoption of the accounting standards, amendments to accounting standards, IC Interpretation and Amendments to IC Interpretations are not expected to have any significant impact to the financial statements of the Group and the Company.

2.2 Functional and presentation currency

Items included in the financial statements of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

2.3 Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key assumptions concerning the future and other key sources of estimation or uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Valuation of investment properties

The Group carries its investment properties at fair value, with changes in fair values being recognised in profit or loss. Significant judgement is required in determining fair value which may be derived based on different valuation methods. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists. The Group engaged an independent valuation specialist to determine fair value as at the end of each reporting period.

(ii) Impairment of financial assets (applied until 31 December 2017)

The impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. This is determined based on the ageing profile, expected collection patterns of individual receivable balances, credit quality and credit losses incurred. Management carefully monitors the credit quality of receivable balances and makes estimates about the amount of credit losses that have been incurred at each financial statements reporting date. Any changes to the ageing profile, collection patterns, credit quality and credit losses can have an impact on the impairment recorded.

(iii) Measurement of expected credit loss allowance for financial assets (effective from 1 January 2018)

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group and the Company use judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's and the Company's past history, existing market conditions as well as forward looking estimates at the end of reporting period.

2. Basis of Preparation and Significant Accounting Policies (continued)

2.3 Significant accounting estimates and judgements (continued)

(iv) Revenue recognition for property development activities

The Group recognises property development revenue and costs by reference to the progress towards complete satisfaction of that performance obligation at the reporting date. This is measured based on direct measurements of the value transferred by the Group to the customer and the Group's efforts or budgeted inputs to the satisfaction of the performance obligation. Significant judgement is required in determining:

- the completeness and accuracy of the budgets;
- the extent of the costs incurred.

Substantial changes in cost estimates can in future periods have, a significant effect on the Group's revenue recognised. In making the above judgement, the Group relies on past experience and work of specialists.

There is no estimation required in determining the transaction prices as revenue from property development are based on the contracted sales and purchase agreements.

(v) Deferred tax on investment properties

For the purposes of measuring deferred tax liabilities arising from investment properties that are measured using the fair value model, the management of the Group reviews the investment properties and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all the economic benefits embodied in the investment properties over time. Therefore, in making judgement, the management has determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has recognised deferred tax liabilities on changes in fair values of investment properties based on the expected rate that would apply on disposal of the investment properties.

(vi) Estimation of liquidated and ascertained damages

As at the end of the reporting period, there were performance penalties for liquidated and ascertained damages ("LAD") in respect of the project undertaken by the Company recognised as contract liabilities. The Company estimates the expected LAD claims based on the terms of the applicable sales and purchase agreements. Significant judgement is required in estimating the most likely amount of contract liabilities for LAD to be made. The Company evaluates the amount of contract liabilities required based on past experience, industry norm and the results from continuous dialogues held with the affected purchasers who are seeking indulgence and extension of time to complete the affected projects and waive their LAD claim.

2.4 Basis of consolidation for subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The Group considers it has de-facto power over an investee when, despite not having the majority of voting rights, it has the current ability in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders to direct the activities of the investee that significantly affect the investee's return.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Business combinations are accounted for using the acquisition method on the acquisition date. The consideration transferred includes the fair value of assets transferred, equity interest issued by the Group and liabilities assumed. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

2. Basis of Preparation and Significant Accounting Policies (continued)

2.4 Basis of consolidation for subsidiaries (continued)

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 the acquiree's identifiable net assets.

Acquisition-related costs are recognised in the profit or loss as incurred.

The excess 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 recognised as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Inter-company transactions, balances and unrealised gains and losses on transactions between group companies are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

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

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities, any non-controlling interests and other components of equity related to the disposed subsidiary. Any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset depending on the level of influence retained.

2.5 Investments in subsidiaries

In the Company's separate financial statements, investments in subsidiaries are carried at cost less accumulated impairment losses. On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.6 Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

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.

Gains and losses on disposals are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in net in the profit or loss.

2. Basis of Preparation and Significant Accounting Policies (continued)

2.6 Property, plant and equipment (continued)

(ii) Depreciation and impairment

Depreciation is recognised in the profit or loss on a straight-line basis over the estimated useful lives of property, plant and equipment.

Leasehold land is amortised on a straight line method over the period of the lease. All other property, plant and equipment are depreciated on a straight-line method at rates calculated to write off the cost of the assets to their residual values over their estimated useful lives as follows:

Leasehold land	99 years
Buildings	50 years
Plant and machinery	5 - 10 years
Furniture, fittings and equipment	5 - 13 years
Motor vehicles	5 years
Container store and cabin	5 - 10 years
Office renovation	10 years

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

At the end of the reporting period, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount in accordance with accounting policy Note 2.9.

2.7 Investment properties

(i) Investment properties carried at fair value

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

Investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in profit or loss for the period in which they arise. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs (refer to accounting policy Note 2.15 on capitalisation of borrowing costs).

Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

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

(ii) Determination of fair value

The fair values are based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. Valuations are performed as of the financial position date by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued.

2. Basis of Preparation and Significant Accounting Policies (continued)

2.8 Finance leases

Accounting by lessee

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the remaining balance of the liability. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.9 Impairment of non-financial assets

Assets that have an indefinite useful life, such as goodwill or intangible assets not ready to use, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 unless it reverses a previous revaluation in which it is charged to the revaluation surplus. 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 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.

2.10 Cash and cash equivalents

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

2.11 Land held for property development

Land held for property development consists of land held for future development activities where no significant development has been undertaken or where development activities are not expected to be completed within the normal operating cycle. Such land is classified as non-current assets and is stated at cost less any accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 2.9.

Land held for property development is reclassified as inventories – properties under development when the development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

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

2. Basis of Preparation and Significant Accounting Policies (continued)

2.12 Inventories

Properties under development

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

Development cost of property comprises cost of land use rights, construction costs, borrowing costs capitalised for qualifying assets and professional fees incurred during the development period. On completion, sold properties are recognised in profit or loss and unsold properties are transferred to developed properties held for sale.

Developed properties held for sale

Developed properties which represent completed units held for sale are stated at the lower of cost and net realisable value. Cost consist of costs associated with the acquisition of land, direct costs, appropriate proportions of common costs attributable to developing the properties to completion and borrowing costs.

2.13 Contingent assets and contingent liabilities

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but disclose its existence where inflows of economic benefits are probable, but not virtually certain.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. The Group does not recognise a contingent liability but discloses its existence in the financial statements.

2.14 Operating segments

Operating segments are reported in a manner consistent with the internal reporting and are regularly reviewed by the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

2.15 Borrowing costs

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

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

2.16 Provisions for liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

2. Basis of Preparation and Significant Accounting Policies (continued)

2.17 Foreign currencies

(i) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Non-monetary items denominated in foreign currencies measured at fair value are translated using the spot exchange rates at the date when the fair value was determined. Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss, except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income.

(ii) Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency of the consolidated financial statements are translated into the presentation currency as follows:

- assets and liabilities of foreign operations are translated at the closing rate prevailing at the reporting date;
- income and expenses for each statement of profit or loss and other comprehensive income presented are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- all resulting exchange differences are taken directly to other comprehensive income through the translation reserve.

On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognised in other comprehensive income and accumulated in the separate component of equity are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely 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 through the translation reserve.

2.18 Equity instruments

(i) Share Capital

Ordinary shares and non-redeemable preference shares with discretionary dividends are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

2. Basis of Preparation and Significant Accounting Policies (continued)

2.18 Equity instruments (continued)

(ii) Treasury Shares

Where the Company or its subsidiaries purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental external costs, net of tax, is included in equity attributable to the Company's equity holders as treasury shares until they are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, are included in equity attributable to the Company's equity holders.

2.19 Revenue and income recognition

(i) Revenue from contracts with customers

Revenue is recognised by reference to each distinct performance obligation promised in the contract with customer when or as the Group and the Company transfers the control of the goods or services promised in a contract and the customer obtains control of the goods or services. Depending on the substance of the respective contract with customer, the control of the promised goods or services may transfer over time or at a point in time.

A contract with customer exists when the contract has commercial substance, the Group and the Company and its customer has approved the contract and intend to perform their respective obligations, the Group's and the Company's and the customer's rights regarding the goods or services to be transferred and the payment terms can be identified, and it is probable that the Group and the Company will collect the consideration to which it will be entitled to in exchange of those goods or services.

Property development and construction activities

Revenue from property development and construction activities is recognised when or as 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 performance:

- creates and enhances an asset that the customer controls as the Group and the Group and the Company performs; or
- do not create an asset with an alternative use to the Group and the Company and the Group and the Company has an enforceable right to payment for performance completed to date.

Revenue for performance obligation that is not satisfied over time is recognised at a point in time at which the customer obtains control of the promised goods or services.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group and the Company's performance in satisfying the performance obligation:

- the Group and the Company's effort or inputs to the satisfaction of the performance obligation (e.g. by reference to the property development costs incurred up to the end of the reporting period as a percentage of total estimated costs for complete satisfaction of the contract); or
- direct measurements of the value transferred by the Group and the Company to the customer (e.g. surveys or appraisals of performance completed to date).

Incremental costs of obtaining a contract, if recoverable, are capitalised as contract assets and are subsequently amortised consistently with the pattern of revenue for the related contract.

2. Basis of Preparation and Significant Accounting Policies (continued)

2.19 Revenue and income recognition (continued)

(i) Revenue from contracts with customers (continued)

Property management services

The provision of property management services is recognised when the services are rendered and the customer simultaneously receives and consumes the benefits provided by the Group and the Company, and the Group and the Company has a present right to payment for the services.

(ii) Other revenue and income

Rental and interest income

Rental income and interest income are recognised on an accrual basis.

Dividend income

Dividend income is recognised when the right to receive payment is established.

2.20 Current and deferred income tax

The tax expense fo r the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

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, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

Deferred and current tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.21 Financial assets

(A) Accounting policies applied until 31 December 2017

(i) Classification

The Group classifies its financial assets based on the purpose for which the financial assets were acquired at initial recognition in the following categories:

Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise, they are classified as non-current assets.

2. Basis of Preparation and Significant Accounting Policies (continued)

2.21 Financial assets (continued)

(A) Accounting policies applied until 31 December 2017 (continued)

(i) Classification (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

(ii) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss.

(iii) Subsequent measurement

Gains and losses

Financial assets at fair value through profit or loss and available-for-sale financial assets are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss, including the effects of currency translation, interest and dividend income are recognised in profit or loss in the period in which the changes arise.

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income. Impairment losses and exchange differences on monetary assets are recognised in profit or loss, whereas exchange differences on non-monetary assets are recognised in other comprehensive income as part of fair value change.

Interest and dividend income on available-for-sale financial assets are recognised separately in profit or loss. Interest on available-for-sale debt securities calculated using the effective interest method is recognised in profit or loss. Dividend income on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

2. Basis of Preparation and Significant Accounting Policies (continued)

2.21 Financial assets (continued)

(A) Accounting policies applied until 31 December 2017 (continued)

(iii) Subsequent measurement (continued)

Impairment of financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. For an equity instrument, a significant or prolonged declined in fair value below its cost is also considered objective evidence of impairment.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a financial asset measured at amortised cost and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(iv) De-recognition

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

When available-for-sale financial assets are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss.

2. Basis of Preparation and Significant Accounting Policies (continued)

2.21 Financial assets (continued)

(B) Accounting policies applied from 1 January 2018

(i) Classification

The Group classifies its financial assets in the following measurement categories:
- Amortised cost;
- Fair value through other comprehensive income ("FVOCI"); and
- Fair value through profit or loss ("FVTPL")

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

(ii) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

(iii) Subsequent measurement

Debt instruments

Debt instruments mainly comprise of cash and cash equivalents and trade and other receivables.

There are three subsequent measurement categories, depending on the Group's business model for managing the asset and the cash flow characteristics of the asset:

- Amortised cost

  Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

- FVOCI

  Debt instruments that are held for collection of contractual cash flows and for sale, and where the assets' cash flows represent solely payments of principal and interest, are classified as FVOCI. Movements in fair values are recognised in Other Comprehensive Income ("OCI") and accumulated in fair value reserve, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is recognised using the effective interest rate method in profit or loss.

2. Basis of Preparation and Significant Accounting Policies (continued)

2.21 Financial assets (continued)

(B) Accounting policies applied from 1 January 2018 (continued)

(iii) Subsequent measurement (continued)

Debt instruments (continued)

- FVTPL

  Debt instruments that are held for trading as well as those that do not meet the criteria for classification as amortised cost or FVOCI are classified as FVTPL. Movement in fair values and interest income is recognised in profit or loss in the period in which it arises.

Equity instruments

The Group subsequently measures all its equity investments at fair value. Equity investments are classified as FVTPL with movements in their fair values recognised in profit or loss in the period in which the changes arise, except for those equity securities which are not held for trading. The Group has elected to recognise changes in fair value of equity securities not held for trading in OCI as these are strategic investments and the Group considers this to be more relevant. Movements in fair values of investments classified as FVOCI are recognised in OCI. Dividends from equity investments are recognised in profit or loss when the Group's and Company's right to receive payments is established.

(iv) Impairment

The Group and the Company assess expected credit losses associated with its debt instruments carried at amortised cost and at FVOCI on a forward-looking basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Expected credit losses represent a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Group and the Company expect to receive, over the remaining life of the financial instrument.

For trade receivables and contract assets, the Group applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

In measuring expected credit losses, trade receivables and contract assets are grouped based on shared credit risk characteristics and days past due. The contract assets relate to unbilled work in progress, which have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking factors affecting the ability of the customers to settle the receivables.

The Group and the Company define a financial instrument as default, which is aligned with the definition of credit-impaired, when the debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty. The Group and the Company consider the following instances:

- The debtor is in breach of financial covenants
- Concessions have been made by the Group and the Company related to the debtor's financial difficulty
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation
- The debtor is insolvent

2. Basis of Preparation and Significant Accounting Policies (continued)

2.21 Financial assets (continued)

(B) Accounting policies applied from 1 January 2018 (continued)

(iv) Impairment (continued)

Financial assets that are credit-impaired are assessed for impairment on an individual basis.

The Group and the Company write off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Group and the Company may write-off financial assets that are still subject to enforcement activity.

2.22 Financial liabilities

Financial liabilities are initially recognised at fair value net of transaction costs for all financial liabilities not carried at fair value through profit or loss. Financial liabilities carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss.

Fair value though profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

All financial liabilities are subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

2.23 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.24 Employee benefits

(i) Short-term employee benefits

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

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

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in profit or loss in the period to which they relate.

3. Property, Plant and Equipment

Group	Leasehold land RM	Buildings RM	Plant and machinery RM	Furniture, fittings and equipment RM	Motor vehicles RM	Container store and cabin RM	Office renovation RM	Total RM
2018								
Cost								
At 1.1.2018	29,799	110,111	186,790	511,067	1,182,691	7,000	325,723	2,353,181
Disposals	-	-	-	-	(148,194)	-	-	(148,194)
Written off	-	-	-	-	(294,209)	-	-	(294,209)
At 31.12.2018	29,799	110,111	186,790	511,067	740,288	7,000	325,723	1,910,778
Accumulated depreciation								
At 1.1.2018	7,148	48,684	169,250	352,061	820,262	2,655	57,975	1,458,035
Charge for the financial year	319	2,172	3,041	53,481	106,073	660	32,572	198,318
Disposals	-	-	-	-	(148,189)	-	-	(148,189)
Written off	-	-	-	-	(294,203)	-	-	(294,203)
At 31.12.2018	7,467	50,856	172,291	405,542	483,943	3,315	90,547	1,213,961
Carrying amount								
At 31.12.2018	22,332	59,255	14,499	105,525	256,345	3,685	235,176	696,817
2017								
Cost								
At 1.1.2017	29,799	110,111	1,183,220	1,778,264	1,389,741	32,250	325,723	4,849,508
Additions	-	-	-	28,246	-	-	-	28,246
Disposals	-	-	(772,529)	(33,436)	(181,450)	-	-	(987,415)
Written off	-	-	(256,000)	(1,229,908)	(25,600)	(25,650)	-	(1,537,158)
Transfer	-	-	32,099	(32,099)	-	-	-	-
At 31.12.2017	29,799	110,111	186,790	511,067	1,182,691	7,000	325,723	2,353,181
Accumulated depreciation								
At 1.1.2017	6,829	46,512	879,512	1,477,413	892,545	20,182	25,403	3,348,396
Charge for the financial year	319	2,172	39,404	118,320	125,200	2,944	32,572	320,931
Disposals	-	-	(496,887)	(33,308)	(171,885)	-	-	(702,080)
Written off	-	-	(255,990)	(1,207,153)	(25,598)	(20,471)	-	(1,509,212)
Transfer	-	-	3,211	(3,211)	-	-	-	-
At 31.12.2017	7,148	48,684	169,250	352,061	820,262	2,655	57,975	1,458,035
Carrying amount								
At 31.12.2017	22,651	61,427	17,540	159,006	362,429	4,345	267,748	895,146

Included in the property, plant and equipment of the Group are motor vehicles acquired under finance leases with carrying amount of RM256,345 (2017: RM362,418).

3. Property, Plant and Equipment (continued)

Company	Motor vehicles RM	Furniture, fittings and equipment RM	Computers RM	Total RM
2018				
Cost				
At 1.1.2018 / 31.12.2018	530,368	-	6,600	536,968
Accumulated depreciation				
At 1.1.2018	167,950	-	3,741	171,691
Charge for the financial year	106,073	-	1,320	107,393
At 31.12.2018	274,023	-	5,061	279,084
Carrying amount				
At 31.12.2018	256,345	-	1,539	257,884
2017				
Cost				
At 1.1.2017	530,368	377,618	328,898	1,236,884
Disposal	-	(3,761)	-	(3,761)
Written off	-	(373,857)	(322,298)	(696,155)
At 31.12.2017	530,368	-	6,600	536,968
Accumulated depreciation				
At 1.1.2017	61,876	336,119	323,401	721,396
Charge for the financial year	106,074	23,763	2,619	132,456
Disposal	-	(3,636)	-	(3,636)
Written off	-	(356,246)	(322,279)	(678,525)
At 31.12.2017	167,950	-	3,741	171,691
Carrying amount				
At 31.12.2017	362,418	-	2,859	365,277

4. Investment Properties

	At fair value			
Group	Freehold Building RM	Leasehold land RM	land RM	Total RM
2018				
At 1 January	143,600,000	382,000,000	7,519,000	533,119,000
Loss on changes in fair value	-	(12,350,000)	-	(12,350,000)
31 December	143,600,000	369,650,000	7,519,000	520,769,000
2017				
At 1 January/31 December	143,600,000	382,000,000	7,519,000	533,119,000

Building and freehold land with a carrying amount of RM513,250,000 (2017: RM525,600,000) have been pledged to secure banking facilities granted to the Group as disclosed in Note 13 to the financial statements.

4. Investment Properties (continued)

Fair value information

Investment properties are stated at fair value, which has been determined based on valuations performed by an independent valuer, PPC International Sdn. Bhd.. The independent valuer specialises in valuing these types of investment properties. The fair value of the properties has been determined using comparison method depending on the nature of the property. The comparison method entails comparing the property with comparable properties which have been sold or are being offered for sale and making adjustments for factors which affect value such as location and accessibility, size, building construction and finishes, building services, management and maintenance, age and state of repair, market conditions and other relevant characteristics.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- 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: Inputs for the asset or liability that is not based on observable market data.

Fair value hierarchy of the investment properties are as follows:

	Level 2	
	2018 RM	**2017 RM**
Building	143,600,000	143,600,000
Freehold land	369,650,000	382,000,000
Leasehold land	7,519,000	7,519,000
	520,769,000	533,119,000

5. Land Held for Property Development

Group	**Freehold land RM**	**Development expenditure RM**	**Total RM**
2018			
At 1 January/31 December	48,479,360	16,620,310	65,099,670
2017			
At 1 January	48,479,360	16,557,244	65,036,604
Additions	-	63,066	63,066
At 31 December	48,479,360	16,620,310	65,099,670

Land held for property development with a carrying amount of RM65,099,670 (2017: RM65,099,670) has been pledged to secure banking facilities granted to the Group as disclosed in Note 13 to the financial statements.

6. Investment in Subsidiary Companies

	In Malaysia RM	Outside Malaysia RM	Total RM
Company			
2018			
Unquoted shares, at cost			
At 1 January / 31 December	59,349,907	99,460,400	158,810,307
Less: Impairment loss	(10,568,352)	(8,856,698)	(19,425,050)
At 31 December	48,781,555	90,603,702	139,385,257
2017			
Unquoted shares, at cost			
At 1 January	58,599,907	99,460,400	158,060,307
Additions during the financial year	750,000	-	750,000
At 31 December	59,349,907	99,460,400	158,810,307

	Company 2018 RM	Company 2017 RM
Represented by:		
Ordinary shares	158,809,307	158,809,307
Redeemable preference shares	1,000	1,000
	158,810,307	158,810,307

The movement on the Company's impairment loss on investment in subsidiary companies are as follows:

	Company 2018 RM	Company 2017 RM
At 1 January	-	-
Additions during the financial year	19,425,050	-
At 31 December	19,425,050	-

(a) The subsidiary companies and shareholdings therein are as follows:

Name of companies	Country of incorporation/ Principal place of business	Effective ownership and voting interest (%) 2018	Effective ownership and voting interest (%) 2017	Principal activities
Dunia Epik Sdn. Bhd.	Malaysia	100	100	Civil engineering and building construction
Magna Prima Construction Sdn. Bhd.	Malaysia	100	100	Civil engineering and building construction
Magna Prima Development Sdn. Bhd.	Malaysia	100	100	Property development and provision of management services
Magna Shah Alam Sdn. Bhd.	Malaysia	100	100	Property development
Kontrakmal 1 (M) Sdn. Bhd.^	Malaysia	100	100	Dormant
Crossborder Team (M) Sdn. Bhd.	Malaysia	100	100	Property development
Everhall (M) Sdn. Bhd.	Malaysia	100	100	Property investment

6. Investment in Subsidiary Companies (continued)

(a) The subsidiary companies and shareholdings therein are as follows: (continued)

Name of companies	Country of incorporation/ Principal place of business	Effective ownership and voting interest (%) 2018	2017	Principal activities
33 Sentral Park Sdn. Bhd.	Malaysia	100	100	Property development
Twinicon (M) Sdn. Bhd.	Malaysia	100	100	Property development
Winicon (M) Sdn. Bhd.	Malaysia	100	100	Property development and provision of management services
Magna Mix Sdn. Bhd.	Malaysia	100	100	Manufacturing and trading in ready mixed concrete
Prima Awan (M) Sdn. Bhd.	Malaysia	100	100	Property management
Pembinaan Contamaju-Infocast Sdn. Bhd.	Malaysia	100	100	Civil engineering and building construction
Magna City Shah Alam Sdn. Bhd.	Malaysia	100	100	Property development
Magna City Development Sdn. Bhd.	Malaysia	100	100	Property development
Permata Juang (M) Sdn. Bhd.	Malaysia	100	100	Property development
Monetary Icon (M) Sdn. Bhd.	Malaysia	100	100	Property development
Magna Prima Australia Pty. Ltd.*	Australia	100	100	Property development
Pavilion Uptrend Sdn. Bhd.	Malaysia	70	70	Property development
Subsidiary of Dunia Epik Sdn. Bhd.				
Magna Park (Mentakab) Sdn. Bhd.	Malaysia	100	100	Civil engineering and building construction
Subsidiaries of Magna Prima Development Sdn. Bhd.				
Magna Park Sdn. Bhd.	Malaysia	100	100	Investment holding and property development
Magna Ecocity Sdn. Bhd.	Malaysia	70	70	Property development
Subsidiary of Magna Prima Construction Sdn. Bhd.				
MPrima (Shah Alam) Sdn. Bhd.	Malaysia	100	100	Construction and project management
Subsidiaries of Magna Park Sdn. Bhd.				
Embassy Court Sdn. Bhd.	Malaysia	100	100	Property development
Amanabina Sdn. Bhd.	Malaysia	100	100	Property development and project management services
Subsidiaries of Winicon (M) Sdn. Bhd				
Ibsul Development (Sel) Sdn. Bhd.	Malaysia	100	100	Property development and property investment

* Audited by another firm of auditors.

^ On 25 January 2019, Kontrakmal 1 Sdn. Bhd. had submitted an application to strike off to the Companies Commission of Malaysia, pursuant to Section 549(a) of the Companies Act, 2016.

6. Investment in subsidiary companies (continued)

(b) Non-controlling interests ("NCI") in subsidiaries

	Magna Ecocity Sdn. Bhd. 2018 RM	Magna Ecocity Sdn. Bhd. 2017 RM
Current assets	135,852,466	129,125,305
Non-current liabilities	(37,380,086)	(28,014,876)
Current liabilities	(85,210,261)	(82,991,178)
Net assets	13,262,119	18,119,251
Carrying amount of NCI as at 31 December	3,978,636	5,435,775
Revenue	-	-
Loss/Total comprehensive loss for the financial year	(4,857,131)	(5,406,072)
Loss/Total comprehensive loss allocated to NCI for the financial year	1,457,139	(1,621,821)
Cash flows from operating activities	38,535,562	15,189,428
Cash flows used in financing activities	(23,432,387)	(15,189,477)
Net increase/(decrease) in cash and cash equivalents	15,103,175	(49)
Ownership interest and voting rights percentage held by NCI	30%	30%

7. Trade and Other Receivables

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Trade receivables	16,939,437	33,872,687	-	-
Less: Impairment loss	(9,539,077)	(5,822,263)	-	-
	7,400,360	28,050,424	-	-
Other receivables	12,516,073	8,216,770	2,189,193	2,314,700
Less: Impairment loss	(3,554,702)	(1,741,267)	(1,741,267)	(1,741,267)
	8,961,371	6,475,503	447,926	573,433
Prepayments	1,052,523	3,120,997	-	-
Less: Impairment loss	-	(2,604,374)	-	-
	1,052,523	516,623	-	-
Amount owing by subsidiary companies	-	-	446,807,984	432,416,642
Deposits	1,940,025	2,291,963	59,871	59,871
Contract assets	-	4,902,166	-	-
	19,354,279	42,236,679	447,315,781	433,049,946
Analysed as:				
Non-Current				
Trade receivables	-	3,496,876	-	-
Amount owing by subsidiary companies	-	-	446,807,984	-
	-	3,496,876	446,807,984	-
Current				
Trade receivables	7,400,360	24,553,548	-	-
Amount owing by subsidiary companies	-	-	-	432,416,642
Contract assets	-	4,902,166	-	-
Other receivables	8,961,371	6,475,503	447,926	57,3433
Deposits	1,940,025	2,291,963	59,871	59,871
Prepayments	1,052,523	516,623	-	-
	19,354,279	38,739,803	507,797	433,049,946
	19,354,279	42,236,679	447,315,781	433,049,946

7. Trade and Other Receivables (continued)

(a) Trade receivables

The Group's normal trade credit terms range from 30 to 120 days (2017: 30 to 120 days). Other credit terms are assessed and approved on a case-by-case basis.

Included in gross trade receivables is an amount of RM3,740,715 (2017: RM11,177,063) relating to stakeholder sum.

The ageing analysis of trade receivables are as follows:

	Group	
	2018 RM	2017 RM
Neither past due or impaired	4,002,341	13,027,642
1 - 90 days past due but not impaired	1,236,187	97,682
91 - 180 days past due but not impaired	54,479	-
181 - 365 days past due but not impaired	-	-
More than 365 days past due but not impaired	2,107,353	14,925,100
	3,398,019	15,022,782
Individually impaired	9,539,077	5,822,263
	16,939,437	33,872,687

The Group's trade receivables of RM9,539,077 (2017: RM5,822,263) were individually impaired. The individually impaired receivables mainly relate to customers from sale of developed properties which are facing difficulties in cash flows. As at 31 December 2018, the impairment loss for these receivables is RM9,539,077 (2017: RM5,822,263).

The Group's trade receivables amounting to RM3,398,019 (2016: RM15,022,782) were past due at the reporting date but not impaired. These balances consist of amount owing by the end buyers who have obtained end financing to fund their purchases of the Group's properties or represent refundable stakeholders sum arising from the sales of properties which are held in trust by the end buyers' solicitors or the Group has a corresponding payable amount relating to the payment of liquidated and ascertained damages classified as contract liabilities as disclosed in Note 12 to the financial statements. This balance also includes other independent customers for whom there is no recent history of default.

During the financial year, trade receivables and revenue amounting to RM17,758,118 were reversed in relation to the cancellation of the Sales and Purchase Agreements ("SPA") of these properties sold due to the failure of the purchasers of these properties in settling their balance obligations due to the Group. Accordingly, the Group will repossess the relevant properties as disclosed in Note 9 to the financial statements.

(b) Amount owing by subsidiary company

Amount owing by/(to) subsidiary companies are non-trade in nature, interest-free and repayable on demand.

Following the issuance of Financial Reporting Standards Implementation Committee ("FRSIC"), FRSIC Consensus 31 - Classification of Amount Due from subsidiaries and Amount Due to Holding Company that is Repayable on Demand by the Malaysian Institute of Accountants on 4 July 2018, the Directors of the Company had reviewed the expected repayments from subsidiaries and hence had classified certain amounts owing by subsidiaries as non-current.

7. Trade and Other Receivables (continued)

(c) Contract assets

The analysis of contract assets are as follows:

	Group 2018 RM	Group 2017 RM
At 1 January	4,902,166	16,045,624
Revenue recognised during the financial year	32,313,497	64,665,320
Less: Billing during the financial year	(37,215,663)	(75,416,723)
Less: Cost incurred to obtain a contract amortised during the financial year	-	(392,055)
	(4,902,166)	(11,143,458)
At 31 December	-	4,902,166

The contract assets were not impacted by significant changes in contract terms.

(d) Allowance for impairment of trade receivables, other receivables and prepayments are as follows:

	Trade receivables RM	Other receivables RM	Prepayments RM	Total RM
Group				
2018				
As 1 January	5,822,263	1,741,267	2,604,374	10,167,904
Charged during the financial year	4,769,323	1,813,435	-	6,582,758
Reversal during the financial year	(1,052,509)	-	-	(1,052,509)
Written off during the financial year	-	-	(2,604,374)	(2,604,374)
At 31 December	9,539,077	3,554,702	-	13,093,779
2017				
As 1 January	8,910,576	1,741,267	2,604,374	13,256,217
Charged during the financial year	275,086	-	-	275,086
Reversal during the financial year	(91,335)	-	-	(91,335)
Written off during the financial year	(3,272,064)	-	-	(3,272,064)
At 31 December	5,822,263	1,741,267	2,604,374	10,167,904
Represented by:				
2018				
Individual impairment	9,539,077	3,554,702	-	13,093,779
2017				
Individual impairment	5,822,263	1,741,267	2,604,374	10,167,904

	Other receivables 2018 RM	Other receivables 2017 RM
Company		
At 1 January/31 December	1,741,267	1,741,267

8. Deferred Taxation

The analysis of deferred tax assets and deferred tax liabilities are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Deferred tax assets	5,443,156	13,391,810	-	-
Deferred tax liabilities	(27,668,339)	(18,018,483)	-	-
	(22,225,183)	(4,626,673)	-	-

The movements on the net deferred tax liabilities are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
At 1 January	(4,626,673)	(2,623,267)	-	(12,714)
Recognised in profit or loss (Note 21):				
- property, plant and equipment	63,972	15,799	-	11,754
- others	(10,830,796)	(4,483,637)	-	960
- investment properties	(6,884,076)	2,458,858	-	-
	(17,650,900)	(2,008,980)	-	12,714
Exchange differences	52,390	5,574	-	-
At 31 December	(22,225,183)	(4,626,673)	-	-

The components of deferred tax assets and liabilities of the Group and the Company during the financial year prior to offsetting are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Deferred tax assets:				
- others	6,509,900	13,395,871	-	-
Offsetting	(1,066,744)	(4,061)	-	-
Net deferred tax assets	5,443,156	13,391,810	-	-
Deferred tax liabilities:				
- property, plant and equipment	(5,146)	68,033	-	-
- others	(3,891,350)	-	-	-
- investment properties	(24,838,587)	17,954,511	-	-
	(28,735,083)	18,022,544	-	-
Offsetting	1,066,744	(4,061)	-	-
Net deferred tax liabilities	(27,668,339)	18,018,483	-	-

8. Deferred Taxation (continued)

Deferred tax assets have not been recognised for the following items:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Deductible temporary differences	45,843,276	30,468,984	111,154	20,459
Unutilised tax losses	79,796,504	55,427,078	4,505,966	2,144,002
	125,639,780	85,896,062	4,617,120	2,164,461
Deferred tax assets not recognised at 24% (2017: 24%)	30,153,547	20,615,055	1,108,109	519,471

9. Inventories

	Group	
	2018 RM	2017 RM
Developed properties held for sale	72,110,203	112,006,447
Properties under development	188,354,570	183,580,783
	260,464,773	295,587,230

The movements of developed properties held for sale are as follows:

	Group	
	2018 RM	2017 RM
At 1 January	112,006,447	31,629,851
Repossession of developed properties *	10,001,552	
Transfer from completed development	-	100,419,437
Sale of properties	(49,638,115)	(20,115,137)
Exchange differences	(259,681)	72,296
At 31 December	72,110,203	112,006,447

* Repossession of developed properties relates to the cancellation of the Sales and Purchase Agreements ("SPA") of the properties sold in relation to the failure of the purchasers of these properties in settling their balance obligation due to the Group. Accordingly, cost of sales amounting to RM10,001,552 was reversed as disclosed in Note 18 to the financial statements.

The movements of properties under development are as follows:

	Group	
	2018 RM	2017 RM
Freehold land, at cost	-	33,594,848
Leasehold land, at cost	144,360,782	125,713,005
Development costs	39,220,001	137,970,195
At 1 January	183,580,783	297,278,048
Cost incurred during the financial year		
Freehold land	-	-
Leasehold land	-	43,000,000
Development costs	4,773,787	6,879,599
	4,773,787	49,879,599

9. Inventories (continued)

The movements of properties under development are as follows (continued):

	Group 2018 RM	Group 2017 RM
Cumulative costs recognised in profit or loss		
At 1 January	-	(24,539,401)
Recognised during the financial year	-	(38,618,026)
Reversal of completed projects	-	63,157,427
At 31 December	-	-
Completed development projects		
Freehold land, at cost	-	(19,566,928)
Leasehold land, at cost	-	(10,050,063)
Development costs	-	(33,540,436)
	-	(63,157,427)
Transfers to developed properties held for sale		
Freehold land, at cost	-	(14,027,920)
Leasehold land, at cost	-	(14,302,160)
Development costs	-	(72,089,357)
	-	(100,419,437)
At 31 December	188,354,570	183,580,783
Represented by:		
Leasehold land, at cost	144,360,782	144,360,782
Development costs	43,993,788	39,220,001
	188,354,570	183,580,783

Cost incurred during the financial year is derived after charging:

	Group 2018 RM	Group 2017 RM
Staff costs	381,446	458,606
Finance costs	2,980,623	2,313,590
Rental of vehicle, plant & machinery	-	158,898

Included in properties under development was an amount of RM181,590,712 (2017: RM178,111,380) have been pledged to secure banking facilities granted to the Group as disclosed in Note 13 to the financial statements.

10. Cash Held under Housing Development Accounts

Cash held under the Housing Development Accounts represents monies received from purchasers of properties less payments or withdrawals in accordance with the Housing Development (Control and Licensing) Act 1966. The effective interest rate on the above ranges from 2.7% to 3.0% (2017: 2.7% to 3.0%).

11. Fixed Deposits Placed with Licensed Banks

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Fixed deposits pledged with licensed banks	13,923,832	4,318,603	-	116,667
Other short term deposits	161,142	139,969	116,110	113,651
	14,084,974	4,458,572	116,110	230,318

Fixed deposits pledged to licensed banks are secured for bank guarantee and bank overdrafts facilities granted to the Group as disclosed in Note 13 to the financial statements.

The effective interest rates and maturities of deposits range from 1.90% to 3.35% (2017: 1.90% to 3.35%) per annum and 1 to 365 days (2017: 1 to 365 days) respectively.

12. Trade and Other Payables

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Trade payables	19,619,998	33,819,684	-	-
Retention sum payables	6,973,505	7,252,965	-	-
	26,593,503	41,072,649	-	-
Amount owing to subsidiary company	-	-	387,732,280	371,405,535
Other payables	25,229,534	20,427,542	1,383,352	1,444,304
Refundable deposits	4,710,650	892,702	-	-
Accruals	12,132,246	11,040,278	84,050	41,350
Contract liabilities	19,054,816	20,196,011	-	-
	87,790,749	93,629,182	389,199,682	372,891,189

The Group's normal trade credit terms range from 30 to 120 days (2017: 30 to 120 days).

Contract liabilities represents performance penalties arising from liquidated and ascertained damages and are in respect of late delivery of the projects undertaken by the Group. The contract liabilities have been recognised based on the expected liquidated and ascertained damages claims arising from the applicable terms and conditions stated in the Sales and Purchase Agreements.

The movement in the Group's contract liabilities are as follows:

	Group	
	2018	**2017**
	RM	RM
At 1 January	20,196,011	13,464,642
Payments made	(1,069,147)	(1,377,970)
Net changes to the estimation of liquidated and ascertained damages, recognised as net revenue pursuant to MFRS15	(72,048)	8,109,339
At 31 December	19,054,816	20,196,011

13. Borrowings

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Current				
Secured:				
Bridging loan	-	36,843,939	-	-
Term loans	79,282,045	44,848,908	-	-
Bank overdrafts	-	15,097,701	-	-
Finance lease liabilities	104,014	98,788	104,014	98,788
	79,386,059	96,889,336	104,014	98,788
Non-current				
Secured:				
Bridging loan	-	-	-	-
Term loans	133,255,775	123,866,766	-	-
Finance lease liabilities	165,817	269,830	165,817	269,830
	133,421,592	124,136,596	165,817	269,830
	212,807,651	221,025,932	269,831	368,618
Secured:				
Bridging loan	-	36,843,939	-	-
Term loans	212,537,820	168,715,674	-	-
Bank overdrafts	-	15,097,701	-	-
Finance lease liabilities	269,831	368,618	269,831	368,618
	212,807,651	221,025,932	269,831	368,618

The above credit facilities obtained are secured on the following:

(a) Assignment of surplus fund in the Housing Development Account of certain subsidiary companies;
(b) Assignment of Project Account for development of certain subsidiary companies;
(c) Trade financing general agreement;
(d) Letter of negative pledge;
(e) Blanket counter indemnity;
(f) Fixed charge and Private Caveat on investment and certain parcels of the projects development freehold and leasehold land as stated in Note 4, Note 5 and Note 9 to the financial statements;
(g) A registered Debenture covering a first fixed and floating charge for RM267,888,800 (2017: RM279,748,104) on all current and future assets of certain subsidiary companies;
(h) Fixed deposits pledge of certain subsidiary companies of the Group as disclosed in Note 11 to the financial statements; and
(i) Corporate guarantee for the subsidiary companies' borrowings by the Company.

During the financial year, a subsidiary company, Everhall (M) Sdn. Bhd. had delayed the payment of its borrowing instalment obligations. Accordingly, the total outstanding term loan amount of RM52,780,246 has been classified as a current liability. As at the date of this report, the subsidiary company had repaid the delayed borrowing instalment obligations accordingly and the licensed bank had not issued any demand letters against the subsidiary company nor has the licensed bank called upon the loan to be fully repaid.

Should the term loan be repaid based on its repayment schedule, the term loan is analysed as follows:

	2018
	RM
Repayable within one year	2,366,740
Repayable between one to five years	17,920,073
Repayable more than 5 years	32,493,433
	52,780,246

13. Borrowings (continued)

Finance lease liabilities are effectively secured as rights to the leased asset will return to the lessor in the event of default. Finance lease liabilities payable are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Gross minimum lease payments				
Payable within one year	114,684	114,684	114,684	114,684
Payable between one and five years	191,137	286,707	191,137	286,707
	305,821	401,391	305,821	401,391
Less: Future finance charges	(35,990)	(32,773)	(35,990)	(32,773)
	269,831	368,618	269,831	368,618
Present value of finance lease liabilities				
Repayable within one year	104,014	98,788	104,014	98,788
Repayable between one and five years	165,817	269,830	165,817	269,830
	269,831	368,618	269,831	368,618

Effective interest rate on finance lease liabilities is 2.43% (2017: 2.43%) per annum.

14. Share Capital

	Group/Company			
	2018		2017	
	Number of shares	Amount RM	Number of shares	Amount RM
Issued and fully paid				
At 1 January	334,912,640	121,008,885	332,889,940	83,222,485
Transition to no par value regime*	-	-	-	35,965,970
Issuance of shares from warrant exercise	-	-	2,022,700	1,820,430
At 31 December	334,912,640	121,008,885	334,912,640	121,008,885

* The Companies Act, 2016 ("the Act") which came into operation on 31 January 2017 abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account and capital redemption reserve becomes part of the Company's share capital pursuant to the transition set out in Section 618(2) of the Act. There is no impact on the number of ordinary shares in issue or he relative entitlement of any of the members as a result of transaction.

Warrants 2015/2020

On 2 September 2015, the Company allotted 166,444,970 bonus Warrants 2015/2020 on the basis of 1 Warrant for every 2 existing ordinary shares of RM0.25 each held in the Company. The Warrant 2015/2020 were listed on the Main Market of Bursa Malaysia Securities Berhad with effect from 10 September 2015.

Each Warrant 2015/2020 entitles the registered holder to subscribe for 1 new ordinary share in the Company at any time on or after 10 September 2015 till 4 September 2020, at an exercise price of RM0.90. Any Warrant 2015/2020 not exercised at the date of maturity will lapse and cease to be valid for any purpose. As at 31 December 2018, 164,422,270 (2017: 164,422,270) Warrant 2015/2020 remain unexercised.

The ordinary shares issued from the exercise of Warrants 2015/2020 shall rank pari passu in all respects with the existing issued ordinary shares of the Company except that they shall not be entitled to any dividends, distributions or rights, if the entitlement date is prior to the date of the allotment of the new shares arising from the exercise of Warrants 2015/2020.

15. Treasury Shares

	Group/Company			
	2018		2017	
	Number of shares	Amount RM	Number of shares	Amount RM
At 1 January/ 31 December	2,285,500	2,385,431	2,285,500	2,385,431

The shareholders of the company has approved on ordinary resolution at the Annual General Meeting held on 20 May 2015 for the company to repurchase its own shares up to 10% of the issued and paid-up capital of the company. The company had repurchased the following ordinary shares from the open market as follows:

Financial year	No. of ordinary shares	Average price per share RM	Total cost RM
2015	85,200	0.902	76,888
2016	2,200,300	1.049	2,308,543
	2,285,500		2,385,431

The repurchase transactions were financed by internally generated funds. The purchased shares are being held as treasury shares and carried at cost in accordance with Section 127 of the companies Act, 2016 in Malaysia. There has been no sale or cancellation of such shares to date.

16. Reserves

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Non-distributable:				
Foreign currency translation reserve	(8,749,809)	5,312,792	-	-
Capital reserve	19,706,095	19,706,095	-	-
	10,956,286	25,018,887	-	-
Distributable:				
Retained profits	400,551,335	449,414,147	98,703,548	100,964,805
	411,507,621	474,433,034	98,703,548	100,964,805

(i) Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

(ii) Capital reserve

Capital reserve represents a transfer from retained profits arising from the bonus issue of shares in a subsidiary company to non-controlling interests.

17. Revenue

During the financial year, the Group and the Company derived revenue from the transfer of goods and services to customers in the following product lines:

	Property development RM	Group Property management RM	Total RM
2018			
Residential properties	21,542,855	-	21,542,855
Commercial properties	10,550,077	-	10,550,077
Property management fees	-	1,030,286	1,030,286
	32,092,932	1,030,286	38,123,218
Timing of revenue recognition			
- At a point in time	22,987,672	-	22,987,672
- Over time	9,105,260	1,030,286	10,135,546
	32,092,932	1,030,286	33,123,218
Restated			
2017			
Residential properties	70,200,406	-	70,200,406
Commercial properties	19,579,857	-	19,579,857
Property management fees	-	1,012,958	1,012,958
	89,780,263	1,012,958	90,793,221
Timing of revenue recognition			
- At a point in time	25,114,943	-	25,114,943
- Over time	64,665,320	1,012,958	65,678,278
	89,780,263	1,012,958	90,793,221

	Company 2018 RM	2017 RM
Management fees	3,305,000	3,164,500
Dividend income	-	9,814,290
	3,305,000	12,978,790
Timing of revenue recognition		
- Over time	3,305,000	3,164,500
- At a point in time	-	9,814,290
	3,305,000	12,978,790

Information on revenue recognised based on geographical regions is disclosed in Note 29 to the financial statements.

18. Cost of Sales

	Group 2018 RM	2017 RM
Property development costs	49,638,115	58,733,163
Others	(89,482)	847,663
Reversal of costs of sales (Note 9)	(10,001,552)	-
Over provision of construction costs in prior years	(9,984,506)	(3,749,011)
	29,562,575	55,831,815

19. Profit from Operations

Profit from operations is derived after charging/(crediting):

	Group		Company	
	2018 RM	2017 RM Restated	2018 RM	2017 RM
Auditors' remuneration:				
- current year	210,704	228,511	46,000	46,000
Net impairment loss on:				
- trade receivables	3,716,814	183,751	-	-
- other receivables	1,813,435	-	-	-
- investment in subsidiaries	-	-	19,425,050	-
Depreciation of property, plant and equipment	198,318	320,931	107,393	132,456
Gain on disposal of property, plant and equipment	(32,075)	(32,805)	-	(2,165)
Waiver of debt	-	-	(47,689)	-
Rental of:				
- equipment	20,574	59,732	2,585	8,398
- premises	299,016	409,803	52,254	116,891
Property, plant and equipment written off	6	27,946	-	17,630
Realised foreign exchange loss	13,267	116,233	116,233	
Unrealised foreign exchange gain	(13,386,581)	(4,677,055)	-	-
Rental income	(653,000)	(477,321)	-	-
Finance income	(129,531)	(555,647)	(20,958)	(48,995)
Loss on changes in fair value of investment properties	12,350,000	-	-	-

20. Finance Costs

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Finance costs on:				
- bridging and term loans	13,786,075	14,221,167	-	-
- finance lease liabilities	15,897	21,797	15,897	21,123
- others	-	53,000	-	-
	13,801,972	14,295,964	15,897	21,123

21. Taxation

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Current taxation:				
- Current year	3,095,733	7,413,382	-	-
- Under/(Over) provision in prior year	5,270,450	(2,096,260)	-	(26,555)
	8,366,183	5,317,122	-	(26,555)
Deferred taxation (Note 8):				
- Origination and reversal of temporary differences	15,426,601	(292,345)	-	(12,714)
- Under provision in prior year	2,224,299	2,301,325	-	-
	17,650,900	2,008,980	-	(12,714)
	26,017,083	7,326,102	-	(39,269)

21. Taxation (continued)

Income tax is calculated at the Malaysian statutory tax rate of 24% (2017: 24%) of the estimated assessable (loss)/profit for the financial year. Taxation for other jurisdictions is calculated at the prevailing tax rates in the respective jurisdictions.

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

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
(Loss)/Profit before taxation	(30,700,813)	16,383,891	(21,686,307)	7,322,830
Taxation at statutory tax rate of 24% (2017: 24%)	(7,368,195)	3,932,134	(5,204,714)	1,757,479
Effect of different tax rates in other countries	738,318	312,008	-	-
Effect of different tax rates under real property gains tax	9,848,075	(2,458,858)	-	-
Income not subject to tax	(14,834)	(11,794)	-	(2,355,430)
Non-deductible expenses	1,773,304	3,695,392	4,636,175	65,766
Change in unrecognised temporary differences	13,545,666	1,652,155	568,539	519,471
Under/(Over) provision of current taxation in prior year	5,270,450	(2,096,260)	-	(26,555)
Under provision of deferred taxation in prior year	2,224,299	2,301,325	-	-
Taxation for the financial year	26,017,083	7,326,102	-	(39,269)

22. (Loss)/Earnings per Share

(a) Basic (loss)/earnings per share

Basic earnings per share is calculated by dividing the consolidated (loss)/profit attributable to owners of the Company for the financial year by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2018 RM	**2017 RM**
(Loss)/Profit for the financial year attributable to Owners of the Company	(55,259,735)	10,680,588
Weighted average number of ordinary shares issued	332,627,140	332,012,090
Basic (loss)/earnings per share (sen)	(16.61)	3.22

(b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share has been calculated by dividing the consolidated (loss)/profit attributable to owners of the Company for the financial year by the adjusted weighted average number of ordinary shares issued and issuable.

	Group	
	2017 RM	**2016 RM**
(Loss)/Profit for the financial year attributable to Owners of the Company	(55,259,735)	10,680,588
Weighted average number of ordinary shares in issue	332,627,140	332,012,090
Adjusted for assumed conversion of warrants	25,720,266	63,165,154
Adjusted weighted average number of ordinary shares in issue and issuable	358,347,406	395,177,244
Diluted earnings per share (sen)	(15.42)	2.70

23. Dividend

	Group/Company	
	2018	2017
	RM	RM
Dividend paid in respect of financial year ended 31 December 2015:		
Second single tier exempt dividend of 3.0 sen per share	-	9,918,133

24. Key Management Personnel Compensation

The key management personnel compensation is as follows:

	Group/Company	
	2018	2017
	RM	RM
Directors' remuneration:		
- Salaries and other emoluments	3,340,670	3,402,164
- EPF	443,620	401,623
- Socso	1,846	1,312
- Bonus	-	50,000
- Fees and meeting allowances	307,050	273,000
- Estimated money value of benefits-in-kind	196,857	66,000
	4,290,043	4,194,099

25. Staff Costs

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Staff costs (excluding Directors) comprise:				
- charged to profit or loss	3,361,215	3,733,049	569,653	690,193
- capitalised under inventories – properties under development	381,446	458,606	-	-
	3,742,661	4,191,655	569,653	690,193

Included in staff costs are contributions made to the Employees Provident Fund under a defined contribution plan for the Group and the Company of RM410,093 and RM61,888 (2017: RM453,052 and RM73,980) respectively.

26. Significant Related Party Transactions

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 the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

26. Significant Related Party Transactions (Continued)

The significant related party transactions of the Company, other than key management personnel compensation, are as follows:

	Company 2018 RM	Company 2017 RM
Management fee received/receivable from subsidiary companies:		
Magna Park Sdn. Bhd.	350,000	350,000
Dunia Epik Sdn. Bhd.	350,000	150,000
Embassy Court Sdn. Bhd.	500	500
Magna Prima Construction Sdn. Bhd.	500	350,000
MPrima (Shah Alam) Sdn. Bhd.	150,000	150,000
Monetary Icon (M) Sdn. Bhd.	150,000	150,000
Magna Shah Alam Sdn. Bhd.	500	150,000
Magna Mix Sdn. Bhd.	500	500
Pembinaan Contamaju-Infocast Sdn. Bhd.	500	500
Crossborder Team (M) Sdn. Bhd.	150,000	150,000
Ibsul Development (Sel) Sdn. Bhd.	150,000	150,000
Permata Juang (M) Sdn. Bhd.	150,000	150,000
Magna City Development Sdn. Bhd.	150,000	150,000
Magna Prima Development Sdn. Bhd.	350,000	350,000
Magna Ecocity Sdn. Bhd.	350,000	350,000
Magna City Shah Alam Sdn. Bhd.	350,000	60,000
Winicon (M) Sdn. Bhd.	500	500
Twinicon (M) Sdn. Bhd.	150,000	500
33 Sentral Park Sdn. Bhd.	150,000	150,000
Everhall (M) Sdn. Bhd.	500	500
Magna Park (Mentakab) Sdn. Bhd.	500	500
Prima Awan (M) Sdn. Bhd.	500	500
Magna Prima Australia Pty. Ltd.	350,000	350,000
Pavilion Uptrend Sdn. Bhd.	500	500
	3,305,000	3,164,500

Key management personnel are 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 include all the Directors of the Group, and certain members of senior management of the Group. Significant related party transactions with key management personnel is disclosed in Note 24.

27. Financial Guarantees

	Company 2018 RM	Company 2017 RM
Guarantees given to financial institutions for facilities granted to subsidiary companies:		
- Secured on assets of subsidiary companies	271,720,000	301,409,904
Guarantees given to trade payables for credit facilities of subsidiary companies		
- Unsecured	15,000,000	15,000,000
Limit of guarantees	286,720,000	316,409,904
Amount utilised by subsidiary companies	212,807,651	221,025,932

28. Cash Flow Information

(a) Purchase of property, plant and equipment

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Cost of property, plant and equipment purchased	-	28,246	-	-
Less: finance lease financing	-	-	-	-
Cash payment	-	28,246	-	-

(b) Reconciliation of liabilities arising from financing activities

	Finance lease liabilities RM	Bridging and term loans RM	Total RM
Group			
At 1 January 2018	368,618	205,559,613	205,928,231
Net cash flows in financing activities	(98,787)	6,978,207	6,879,420
At 31 December 2018	269,831	212,537,820	212,807,651
Company			
At 1 January 2018	368,618	-	368,618
Net cash flows in financing activities	(98,787)	-	(98,787)
At 31 December 2018	269,831	-	269,831

29. Segmental Reporting

Segment information is primarily presented in respect of the Group's business segment which is based on the Group's management and internal reporting structure.

The reportable business segments of the Group comprise the following:

Properties : Property development

Construction and Engineering : Civil engineering and building construction

Investment : Investment holding

Other non-reportable segments comprise operations to subsidiary companies which are dormant.

Segment revenue, results, assets and liabilities include items directly attributable to a segment and those where a reasonable basis of allocation exists. Inter-segment revenues are eliminated on consolidation.

Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

The total of segment assets is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the Board of Directors. Segment total assets are used to measure the return of assets of each segment.

The total of segment liabilities is measured based on all liabilities of a segment, as included in the internal management reports that are reviewed by the Board of Directors.

Notes to the Financial Statements

29. Segmental Reporting (Continued)

Business Segments

2018	Properties RM	Construction/ and Engineering RM	Investment RM	Non-reportable Segments RM	Inter-segment Eliminations RM	Total RM
Revenue						
External revenue	32,092,932	-	-	1,030,286	-	33,123,218
Inter-segment revenue	-	(17,889,800)	3,528,799	-	14,361,001	-
Total revenue	32,092,932	(17,889,800)	3,528,799	1,030,286	14,361,001	33,123,218
Results						
Finance income	106,571	3,888	15,758	3,314	-	129,531
Finance cost	(10,126,192)	-	(3,675,780)	-	-	(13,801,972)
Depreciation	(338)	(6,192)	(189,480)	(2,308)	-	(198,318)
Net reversal of impairment of trade receivables	(4,769,323)	-	-	1,052,509	-	(3,716,814)
Impairment loss on other receivables	-	-	-	(1,813,435)	-	(1,813,435)
Unrealised foreign exchange gain	13,386,581	-	-	-	-	13,386,581
Fair value adjustments on investment properties	(12,350,000)	-	-	-	-	(12,350,000)
Taxation	24,166,375	4,286,681	(2,458,859)	22,886	-	26,017,083
Segment profit/(loss)	31,078,913	16,022,683	23,362,627	(150,997)	(13,595,330)	56,717,896
Assets						
Segment assets	1,086,272,343	56,469,957	352,777,355	1,076,789	(602,025,658)	894,570,786
Liabilities						
Segment liabilities	622,391,946	72,837,115	107,861,708	13,159,410	(449,446,586)	366,803,593

2017 (Restated)	Properties RM	Construction/ and Engineering RM	Investment RM	Non-reportable Segments RM	Inter-segment Eliminations RM	Total RM
Revenue						
External revenue	91,836,860	(2,056,597)	-	1,012,958	-	90,793,221
Inter-segment revenue	-	22,215,130	13,185,486	-	(35,400,616)	-
Total revenue	91,836,860	20,158,533	14,198,444	1,012,958	(35,400,616)	90,793,221
Results						
Finance income	463,090	23,822	51,106	14,680	-	555,647
Finance cost	(10,259,942)	-	(4,036,022)	-	-	(14,295,964)
Depreciation	(3,851)	(46,131)	(268,645)	(2,304)	-	(320,931)
Net impairment loss of trade receivables	-	-	-	(183,751)	-	(183,751)
Unrealised foreign exchange gain	4,677,055	-	-	-	-	4,677,055
Taxation	(5,476,356)	(894,093)	(2,498,127)	7,359	-	(7,326,102)
Segment profit/(loss)	1,454,987	7,195,386	(5,241,989)	6,408,842	(1,574,269)	(9,057,789)
Assets						
Segment assets	1,179,154,256	109,650,268	746,190,328	8,175,590	(1,075,981,753)	967,188,689
Liabilities						
Segment liabilities	670,063,091	109,994,742	477,912,054	20,038,464	(909,367,352)	368,640,999

29. Segmental Reporting (Continued)

Geographical segments

In determining the geographical segments of the Group, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of assets. The amount of non-current assets does not include financial instruments and deferred tax assets.

	Malaysia RM	Australia RM	Total RM
2018			
Revenue	28,105,684	5,017,534	33,123,218
(Loss)/Profit before tax	(43,004,974)	12,304,161	(30,700,813)
Non-current assets	592,008,643	-	592,008,643
2017 (Restated)			
Revenue	75,792,758	15,000,463	90,793,221
Profit before tax	11,153,147	5,230,744	16,383,891
Non-current assets	615,193,326	809,176	616,002,502

30. Financial Instruments

The following table analyses the financial assets and financial liabilities of the Group and of the Company by the classes and categories of financial instruments to which they are assigned, and therefore by the measurement basis:

	Group		Company	
	2018	2017	2018	2017
	Financial assets at amortised cost RM	Loans and receivables/ Other financial liabilities RM	Financial assets at amortised cost RM	Loans and receivables/ Other financial liabilities RM
Financial assets				
Trade and other receivables	18,301,756	36,817,890	447,315,781	433,049,946
Cash and cash equivalents (excluding bank overdrafts)	22,359,272	13,207,194	188,994	482,008
	40,661,028	50,025,084	447,504,775	433,531,954
Financial liabilities				
Trade and other payables	68,295,933	73,433,171	389,199,682	372,891,189
Borrowings	212,807,651	221,025,932	269,831	368,618
	281,103,584	294,459,103	389,469,513	373,259,807

Financial risk management objectives and policies

The Group's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's operations whilst managing its financial risks, including credit risk, liquidity risk and market risk. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

<u>Credit risk</u>

Credit risk is the risk of a financial loss to the Group if a counterparty of a financial asset fails to meet its contractual obligations. The Group's exposure to credit risk arises mainly from trade and other receivables and intercompany receivables.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis through the review of trade receivables ageing. At reporting date, there were no significant concentrations of credit risk except as disclosed in Note 7 to the financial statements. The Group monitors the results of the related parties regularly to safeguard credit risk on balances from intercompany receivables.

The maximum exposure to credit risk for the Group is the carrying amount of the financial assets shown in the statements of financial position.

30. Financial Instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from trade and other payables and borrowings.

As at 31 December 2018, the Group had short term borrowings of RM79,386,059. Included in the short term borrowings is an amount of RM52,780,246 which was reclassed as current liabilities due to delayed borrowing instalment obligations made by the Group during the financial year as disclosed in Note 13 to the financial statements. As of the date of this report, the Group had repaid the delayed borrowing instalments obligations accordingly and the lenders has not issued any demand letters nor have the lenders called upon the loan to be fully repaid.

The Directors have prepared a cash flow forecast and its obligations are expected to be funded via the continued support of their lenders and creditors, the timely successful launch and sales of its upcoming property development projects as well as the profitability of these projects, timely realisation of the unsold developed properties held for sale and the timely completion of the planned disposal of its investment properties by the Group.

The Directors are of the opinion that the Group will have sufficient financial resources for a period of at least 12 months from the end of the financial year. Significant assumptions and judgements are used in the preparation of the cash flow forecast.

Cash flow forecasting is performed by monitoring the Group's liquidity requirements to ensure that it has sufficient liquidity to meet operational, financing repayments and other liabilities as they fall due.

	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Below 1 year RM	1 to 2 years RM	2 to 5 years RM	More than 5 years RM
2018							
Group							
Trade and other payables	68,295,933	-	68,295,933	68,295,933	-	-	-
Term loans	212,537,820	7.16 - 8.50	299,830,714	125,334,710	64,242,909	64,239,655	46,013,441
Finance lease liabilities	269,831	2.62	286,707	114,684	172,023	-	-
	281,103,584		368,413,354	193,745,327	64,414,932	64,239,655	46,013,441
Company							
Trade and other payables	389,199,682	-	389,199,682	389,199,682	-	-	-
Finance lease liabilities	269,831	2.62	286,707	114,684	172,023	-	-
	389,469,513		389,486,389	389,314,366	172,023	-	-
2017							
Group							
Trade and other payables	73,433,171	-	73,433,171	73,433,171	-	-	-
Bridging loan	36,843,939	6.03 - 6.08	37,323,205	37,323,205	-	-	-
Term loans	168,715,674	7.16 - 8.50	226,976,794	64,540,097	55,595,216	45,270,476	61,571,005
Bank overdraft	15,097,701	7.85	15,097,701	15,097,701	-	-	-
Finance lease liabilities	368,618	2.62	401,391	114,684	114,684	172,023	-
	294,459,103		353,232,262	190,508,858	55,709,900	45,442,499	61,571,005
Company							
Other payables	372,891,189	-	372,891,189	372,891,189	-	-	-
Finance lease liabilities	368,618	2.62	401,391	114,684	114,684	172,023	-
	373,259,807		373,292,580	373,005,873	114,684	172,023	-

30. Financial Instruments (Continued)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and cash flow and fair value risk that may affect the Group's financial position and cash flows. The Group is not significantly affected by foreign exchange rate and price risks.

(a) Foreign exchange risk

The Group is exposed to foreign currency risk on advances that are denominated in a currency other than the respective functional currencies of the Group's entities. The Group's exposure primarily arises from Ringgit Malaysia and is not material as the Group's functional currency is denominated in Ringgit Malaysia. Hence, sensitivity analysis is not presented.

(b) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arises from borrowings and deposits. The Group does not hedge the interest rate risk.

Exposure to interest rate risk

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

	Group	
	2018 RM	**2017 RM**
Fixed rate instruments		
Financial assets	10,932,025	9,128,340
Financial liabilities	(269,831)	(368,618)
	10,662,194	8,759,722
Floating rate instruments		
Financial liabilities	(212,537,820)	(220,657,314)

	Company	
	2018 RM	**2017 RM**
Fixed rate instruments		
Financial assets	116,110	230,318
Financial liabilities	(269,831)	(368,618)
	(153,721)	(138,300)

Since the Group's and the Company's fixed rate financial assets and liabilities are measured at amortised cost, possible changes in interest rates are not expected to have a significant impact on the Group's and the Company's profit or loss.

As at 31 December 2018, if interest rates of floating rate instruments had been lower by 25 basis points ("bp") with all other variables held constant, this will result in post-tax increases of the Group of RM403,822 (2017: RM419,249) in profit or loss.

Fair value information

The carrying amounts of cash and cash equivalents and short term receivables and payables reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

The carrying amount of long term borrowings carried on the statement of financial position reasonably approximates fair value as it is a floating rate instrument that is re-priced to market interest rates on or near the reporting date.

The Group and the Company do not anticipate the carrying amounts recorded at the reporting date to be significantly different from the values that would eventually be settled. Therefore, the fair value hierarchy is not presented.

31. Capital Management

The objective of the Group on capital management is to ensure that it maintains a strong credit rating and safeguard the Group's ability to continue as a going concern, so as to support its business, maintain the market confidence and maximise shareholder value.

The Group monitors the capital using gearing ratio, which is net borrowings divided by equity attributable to owners of the Company. The Group's policy is to keep the gearing ratio within reasonable levels.

	2018 RM	2017 RM
Total interest bearing borrowings	212,807,651	221,025,932
Less: Cash and cash equivalents	(22,359,272)	(13,207,194)
Net borrowings	190,448,379	207,818,738
Equity attributable to owners of the Company	523,734,152	593,056,488
Gearing ratio	0.36	0.35

There were no changes to the Group's approach to capital management during the financial year.

32. Material Litigation

(a) Government of Malaysia/Lembaga Hasil Dalam Negeri ("LHDN") vs Magna City Development Sdn. Bhd. ("MCD")

On 16 July 2018, LHDN has filed a summary of judgement in civil suit for unpaid income taxes for the assessment year 2016. The sum claimed is RM3,170,462 calculated based on MCD's submission of Form C.

MCD did not file an appeal against the matter. As at 31 December 2018, MCD had recognised the full tax liability for the year of assessment 2016.

(b) Liquidated and ascertained damages ("LAD")

(i) Magna City Development Sdn. Bhd. ("MCD") – Lawsuits by residential units' purchasers

As at the date of this report, there were 45 legal suits initiated by purchasers against MCD for unpaid LAD for the delay in handing over vacant possession of the residential units based on the stipulated timeline in the Sales and Purchase Agreements ("SPA"). Judgements have been obtained for 40 out of 45 legal suits in favour of the purchasers with interest of 5% per annum and costs against MCD.

(ii) Magna City Development Sdn. Bhd. ("MCD") – Lawsuits by commercial units' purchasers

As at the date of this report, there were 6 legal suits initiated by purchasers against MCD for unpaid LAD for the delay in handing over vacant possession of the residential units based on the stipulated timeline in the Sales and Purchase Agreements ("SPA"). Judgements have been obtained for 3 out of 6 legal suits in favour of the purchasers with costs against MCD.

As at 31 December 2018, the liabilities for the LAD obligations have been recognised as disclosed in Note 12 to the financial statements.

33. Subsequent Events

(a) Government of Malaysia/Lembaga Hasil Dalam Negeri ("LHDN") vs Magna City Development Sdn. Bhd. ("MCD")

On 8 April 2019, Magna City Development Sdn. Bhd. ("MCD"), a wholly owned subsidiary of the company received a letter of demand from the Inland Revenue Board of Malaysia ("IRB") for income tax debt due for year of assessment 2015 amounting to RM15,957,069. MCD is given 21 days from date of the letter to make settlement for the income tax debt due failing which action will be taken by IRB to wind up MCD.

(b) Government of Malaysia/Lembaga Hasil Dalam Negeri ("LHDN") vs Dunia Epik Sdn. Bhd. ("MCD")

On 18 April 2019, Dunia Epik Sdn. Bhd. ("DE"), a wholly owned subsidiary of the company received a writ of summons from the Inland Revenue Board of Malaysia ("IRB") for income tax debt due for year of assessments 2014 to 2017 amounting to RM9,276,272. DE is given 14 days from the date of the letter to appear before the court for case review failing which action will be taken by IRB to wind up DE.

34. Reclassification

The Group's comparatives have been reclassified to conform with current year presentation whereby changes in the estimation of performance penalties arising from liquidated and ascertained damage were classified as administration expenses instead of an adjustment to revenue.

The effects of reclassification in the Group's financial statements are as follows:

	As previously stated RM	Adjustment RM	As restated RM
Statement of profit and loss and other comprehensive income (extract)			
Revenue	98,902,560	8,109,339	90,793,221
Administration expense	(14,677,046)	8,332,086	(6,344,960)
Other operating income	14,833,267	(222,747)	14,610,520

35. Effect of Adoption of MFRS 9

As disclosed in Note 2.1, the Group and the Company have adopted MFRS 9, which resulted in changes in accounting policies and adjustments to the financial position as follows:

Classification and measurement of financial assets

Until 31 December 2017, financial assets were classified in the following categories: financial assets at fair value through profit or loss ("FVTPL"), loans and receivables ("L&R"), held-to-maturity ("HTM"), and available-for-sale ("AFS") financial assets. Note 2.21(A)(i) and (ii) sets out the details of accounting policies for classification and measurement of financial assets under MFRS 139.

From 1 January 2018, the new accounting policies for classification and measurement of financial assets under MFRS 9 are set out in Note 2.21(B)(i) and (ii).

Classification of the Group's and of the Company's financial assets consisting of trade and other receivables and cash and cash equivalents that have previously been classified as loans and receivables based on MFRS 139 are now classified as and continue to be measured at amortised cost after adoption of MFRS 9.

Impairment

Until 31 December 2017, impairment of loan and receivables and AFS financial assets is assessed based on the incurred loss model. Note 2.21(A)(iii) set out the details of accounting policies for impairment of financial assets under MFRS 139.

From 1 January 2018, the Group and the Company apply the expected credit loss model to determine impairment on investment in debt instruments that are measured at amortised cost and at fair value through other comprehensive income ("FVOCI"). The new accounting policies for impairment under MFRS 9 are set out in Note 2.21(B)(iv).

There is no significant impact arising from this change in accounting policy.

PROPERTIES HELD BY THE GROUP
AS AT 31 DECEMBER 2018

Registered Owner	Location	Description and Existing Use	Tenure	Land / Built -up Area (Sq.ft.)	Age of Property / Building	Carrying Amount RM	Date of acquisition / Revaluation
Dunia Epik Sdn Bhd	H.S. (D) 6614 PT 4211, Mukim Mentakab, Daerah Temerloh.	Semi - Detached House	Leasehold (Expiring on 2088)	3,249	26 years	81,589	-
Magna Ecocity Sdn Bhd	H.S.(D) 16667, Lot PT12, Seksyen 15, Bandar Shah Alam, District of Petaling, Selangor.	Development Land	Leasehold (Expiring on 27.09.2083)	871,200	-	127,842,795	June 2012
33 Sentral Park Sdn Bhd	H.S (D) 16678 PT320, Mukim Kuala Lumpur, Daerah Petaling Negeri, Selangor.	Development Land	Freehold	302,996	-	65,099,670	September 2009
	H.S (D) 16679 PT321, Mukim Kuala Lumpur, Daerah Petaling Negeri, Selangor.						
Twinicon (M) Sdn Bhd	Lot 124 - 128, GRN Nos. 4628 - 4632, Section 44, Town and District of KL, Wilayah Persekutuan, Kuala Lumpur.	Investment property	Freehold	113,963	-	369,650,000	Dec 2018
Magna Park (Mentakab) Sdn Bhd	H.S.(D) 10059-10060, 10065-10066, 10094-10099, 10112-10113, 10115-10147, 10149-10154 , Mukim Mentakab, Daerah Termerloh, Pahang.	Investment property	Leasehold (Expiring on 13.06.2090)	481,620	-	7,519,000	July 2016
Everhall (M) Sdn Bhd	Lot No. 80791, Mukim of Batu, District of KL, Wilayah Persekutuan, Kuala Lumpur.	Investment property	Freehold	246,189	1 year	143,600,000	July 2016

ANALYSIS BY SIZE OF SHAREHOLDINGS
As at 29 March 2019

Total Number of Issued Shares	:	334,912,640
Issued Share Capital	:	RM83,728,160
Class of Shares	:	Ordinary Shares
Number of Shareholders	:	1,136
Voting Right	:	1 vote per Ordinary Share

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Shareholdings
Less than 100	11	0.97	148	0.00
100 to 1,000	72	6.34	42,740	0.01
1,001 to 10,000	636	55.99	3,355,284	1.00
10,001 to 100,000	297	26.14	9,539,860	2.85
100,001 to less than 5% of issued shares	118	10.39	174,084,668	51.98
5% and above of issued shares	2	0.17	147,889,940	44.16
TOTAL	**1,136**	**100.00**	**334,912,640**	**100.00**

THIRTY (30) LARGEST SHAREHOLDERS AS AT 29 MARCH 2019

No.	Names	Shareholdings	%
1	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD PLEDGED SECURITIES ACCOUNT FOR PRISMA PELANGI SDN BHD	102,889,940	30.72
2	FANTASTIC REALTY SDN BHD	45,000,000	13.44
3	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TOP FRESH FOODS (M) SDN BHD	15,070,000	4.50
4	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR RAHADIAN MAHMUD BIN MOHAMMAD KHALIL	12,000,000	3.58
5	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE SHU SHUN (MARGIN)	11,178,800	3.34
6	LEE EQUITY HOLDINGS SDN.BHD.	9,511,600	2.84
7	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHUN MEI NGOR	8,892,800	2.66
8	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR RAHADIAN MAHMUD BIN MOHAMMAD KHALIL	8,400,000	2.51
9	LEE CHOON HOOI	6,821,800	2.04
10	CHUA SEONG HEN	6,074,000	1.81
11	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE EQUITY HOLDINGS SDN BHD	5,950,000	1.78
12	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN PEI GEN DARLENE	5,000,000	1.49
13	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SOON NYUK LING	5,000,000	1.49

Analysis by Size of Shareholdings
As at 29 March 2019

THIRTY (30) LARGEST SHAREHOLDERS AS AT 29 MARCH 2019 (CONTINUED)

No.	Names	Shareholdings	%
14	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR JOAN YONG MUN CHING	4,571,000	1.36
15	LEE KUNG WAH	4,000,000	1.19
16	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOH PEE LEONG	3,865,500	1.15
17	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR CHUN MEI NGOR (SMART)	3,768,300	1.13
18	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HENRY WAN	3,459,000	1.03
19	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOW KIM LENG	3,294,900	0.98
20	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOH AI KIM	3,100,000	0.93
21	KOK SEW HONG	2,992,200	0.89
22	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHUN MEI NGOR	2,480,000	0.74
23	PLY CENTURY SDN BHD	2,400,000	0.72
24	MAGNA PRIMA BERHAD SHARE BUY BACK ACCOUNT	2,285,500	0.68
25	HSBC NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR BANK JULIUS BAER & CO LTD (SINGAPORE BCH)	2,000,000	0.60
26	LEE KUNG MENG	1,900,000	0.57
27	MAGNA PRIMA BERHAD	1,638,000	0.49
28	WONG KICHIN	1,627,900	0.49
29	TAN TEONG HAN	1,622,268	0.48
30	LEE KUNG MENG	1,595,000	0.48
	TOTAL	**288,388,508**	**86.11**

DIRECTORS' SHAREHOLDINGS AS AT 29 MARCH 2019

Names	Direct	%	Indirect	%
Tan Sri Datuk Adzmi bin Abdul Wahab	-	-	-	-
Datuk Seri Rahadian Mahmud bin Mohammad Khalil	21,400,000	6.39	-	-
Ho Wen Yan	-	-	102,889,940	30.72
Sazali bin Saad	-	-	-	-
Dato' Darawati Hussain	-	-	-	-
Chang Chee Kok	-	-	-	-
Low Yew Shen	-	-	-	-

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS AS AT 29 MARCH 2019

No	Name of Substantial Shareholder	No. of shares held			
		Direct	%	Indirect	%
1.	Prisma Pelangi Sdn Bhd	102,889,940	30.72	-	-
2.	Fantastic Realty Sdn Bhd	45,000,000	13.44	-	-
3.	Datuk Seri Rahadian Mahmud bin Mohammad Khalil	21,400,000	6.39	-	-
4.	Lee Hing Lee	-	-	45,000,000^^	13.44
5.	Heng Holdings Sdn Bhd	-	-	102,889,940**	30.72
6.	Hua Yang Berhad	-	-	102,889,940**	30.72
7.	Ho Wen Yan	-	-	102,889,940**	30.72
8.	Ho Wen Han	-	-	102,889,940**	30.72
9.	Ho Wen Fan	-	-	102,889,940**	30.72
10.	Ho Min Yi	-	-	102,889,940**	30.72
11.	Chew Po Sim	-	-	102,889,940**	30.72

^^ Deemed interested by virtue of his substantial shareholding in Fantastic Realty Sdn Bhd pursuant to the Companies Act, 2016

** Deemed interested by virtue of his substantial shareholding in Prisma Pelangi Sdn Bhd pursuant to Companies Act, 2016

ANALYSIS OF WARRANT HOLDINGS
As at 29 March 2019

No. of Warrants 2015/2020 issued	:	166,444,970
Exercise Price	:	RM0.90 for one ordinary share of RM0.25 each.
Exercise Rights	:	Each warrant entitles the holder to subscribe for one new ordinary share of RM0.25 each at the Exercise Price shall be satisfied fully in cash.
Exercise Period	:	7 September 2015 to 4 September 2020
No. of Warrants exercised	:	2,022,700
No. of Warrants unexercised	:	164,422,270

Size of Warrant Holdings	No. of Warrant Holders	% of Warrant Holders	No. of Warrants	% of Warrants
Less than 100	40	4.11	1,790	0
100 to 1,000	73	7.50	41,654	0.03
1,001 to 10,000	605	62.18	2,286,790	1.39
10,001 to 100,000	168	17.27	5,744,388	3.49
100,001 to less than 5% of issued warrants	85	8.74	113,034,648	68.75
5% and above of issued shares	2	0.20	43,313,000	26.34
TOTAL	**973**	**100.00**	**164,422,270**	**100.00**

THIRTY (30) LARGEST WARRANTS HOLDERS AS AT 29 MARCH 2019
(AS PER RECORD OF DEPOSITORS)

No.	Names	No. of Warrants Held	% of Warrants
1	FANTASTIC REALTY SDN BHD	34,000,000	20.68
2	TOP FRESH FOODS (M) SDN BHD	9,313,000	5.66
3	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TOP FRESH FOODS (M) SDN BHD	7,535,000	4.58
4	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR JOAN YONG MUN CHING	7,359,650	4.48
5	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LEE SHU SHUN (MARGIN)	6,518,100	3.96
6	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR RAHADIAN MAHMUD BIN MOHAMMAD KHALIL	6,500,000	3.95
7	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR CHUN MEI NGOR (M10)	5,381,200	3.27
8	LEE EQUITY HOLDINGS SDN BHD	4,755,800	2.89
9	LEE KONG MENG	4,280,000	2.60
10	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR RAHADIAN MAHMUD BIN MOHAMMAD KHALIL	4,200,000	2.55
11	YAP FATT THAI	4,057,500	2.47
12	AMSEC NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR KOH PEE LEONG	3,646,650	2.22
13	SELVARAJ A/L Y SUBRAMANIAM	3,548,500	2.16
14	KOK SEW HONG	3,241,600	1.97
15	CHUA SEONG HEN	3,037,000	1.85

Analysis of Warrant Holdings
As at 29 March 2019

THIRTY (30) LARGEST WARRANTS HOLDERS AS AT 29 MARCH 2019 (AS PER RECORD OF DEPOSITORS) (CONTINUED)

No.	Names	No. of Warrants Held	% of Warrants
16	AMSEC NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LEE EQUITY HOLDINGS SDN BHD	2,975,000	1.81
17	KOK SIEW HWA	2,618,050	1.59
18	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHUN MEI NGOR	2,500,000	1.52
19	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN PEI GEN DARLENE	2,500,000	1.52
20	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SOON NYUK LING	2,500,000	1.52
21	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HENRY WAN	1,917,500	1.17
22	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT – AMBANK (M) BERHAD FOR CHUN MEI NGOR (SMART)	1,909,200	1.16
23	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHUN MEI NGOR	1,876,250	1.14
24	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOW KIM LENG	1,800,000	1.09
25	CHUN MEI NGOR	1,781,000	1.08
26	LEE KUNG MENG	1,713,900	1.04
27	LEE KUNG WAH	1,620,000	0.99
28	PLY CENTURY SDN BHD	1,200,000	0.73
29	LEE CH'NG FAH	1,162,100	0.71
30	LEE CHOON HOOI	1,159,500	0.71
	TOTAL	**136,606,500**	**83.07**

DIRECTORS' INTEREST IN WARRANTS 2015/2020 AS AT 29 MARCH 2019 (AS PER REGISTER OF DIRECTORS' WARRANT HOLDINGS)

Names	Direct Interest Warrant Holdings	%	Indirect Interest Warrant Holdings	%
Tan Sri Datuk Adzmi bin Abdul Wahab	-	-	-	-
Datuk Seri Rahadian Mahmud bin Mohammad Khalil	*10,700,000	6.51	-	-
Ho Wen Yan	-	-	-	-
Sazali bin Saad	-	-	-	-
Dato' Darawati Hussain	-	-	-	-
Chang Chee Kok	-	-	-	-
Low Yew Shen	-	-	-	-

* Includes warrants held through nominee companies

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Fourth Annual General Meeting ("AGM") of Magna Prima Berhad ("Magna Prima") will be held at Ideal Convention Centre - IDCC Shah Alam, Level 7, Jalan Pahat L 15/L, Seksyen 15, 40200 Shah Alam, Selangor Darul Ehsan on Thursday, 20 June 2019 at 10.00 a.m. for the following purposes:

As Ordinary Business:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2018 together with the Reports of the Directors and the Auditors thereon. ***Please refer to Note 1***

2. To re-elect the following Directors who are retiring in accordance with Article 100 of the Company's Articles of Association and being eligible, offer themselves for re-election:
   i. YBhg Tan Sri Datuk Adzmi bin Abdul Wahab **Resolution 1**
   ii. En. Sazali bin Saad **Resolution 2**

3. To re-elect YBhg Dato' Darawati Hussain who is retiring in accordance with Article 105 of the Company's Articles of Association. **Resolution 3**

4. To approve the payment of Directors' fees up to RM442,000 in respect of the period from 21 June 2019 until the conclusion of the next Annual General Meeting of the Company. **Resolution 4**

5. To approve the payment of a meeting attendance allowance of RM500 per meeting to the Non-Executive Directors and leave passage allowance of RM12,000 per annum to the Chairman for the period from 21 June 2019 until the conclusion of the next Annual General Meeting of the Company. **Resolution 5**

6 . To re-appoint Messrs Morison Anuarul Azizan Chew (AF 001977) as Auditors of the Company for the financial year ending 31 December 2019 and to authorise the Board of Directors to fix their remuneration. **Resolution 6**

AS SPECIAL BUSINESS:

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

7. **Special Resolution**
   Proposed Adoption of a New Constitution of the Company ("Proposed Adoption")

   "**THAT** approval be and is hereby given to revoke the existing Memorandum and Articles of Association of the Company with immediate effect and in place thereof, a new Constitution of the Company, as set out in Appendix A of the Circular to Shareholders dated 30 April 2019 be and is hereby adopted as the Constitution of the Company with immediate effect. **Resolution 7**

   AND THAT the Directors of the Company be and are hereby authorised to do all such acts and deeds as they may consider necessary and/or expedient in order to give full effect to the Proposed Adoption with full powers to assent to any conditions, modifications and/or amendments as may be required by any relevant authorities to give effect to the Proposed Adoption."

8. **Retention of Independent Non-Executive Directors pursuant to the Practice 4.2 of the Malaysian Code on Corporate Governance 2017**

   I. "THAT subject to the passing of Resolution 1, YBhg Tan Sri Datuk Adzmi bin Abdul Wahab who would have served as an Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years, be and is hereby retained as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting of the Company." **Resolution 8**

   II. "THAT subject to the passing of Resolution 2, En. Sazali bin Saad who would have served as an Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years, be and is hereby retained as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting of the Company." **Resolution 9**

9. **Authority to Allot and Issue Shares in General pursuant to Sections 75 and 76 of the Companies Act, 2016** **Resolution 10**

"**THAT** pursuant to Section 75 and 76 of the Companies Act 2016 ("the Act"), the Directors be and are hereby empowered to issue and allot shares in the Company, at any time to such persons 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 to be issued does not exceed ten (10) percent of the issued share capital 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 the Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company, subject always to the Act, the Articles of Association of the Company and approval of all relevant regulatory bodies being obtained for such allotment and issue."

10. **Proposed Renewal of Authority for Purchase of Own Shares by the Company ("Proposed Renewal of Share Buy-Back")** **Resolution 11**

"**THAT** subject to the Act, the provisions of the Articles of Association of the Company, the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of all relevant governmental and/or regulatory authorities, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such amount of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:-

i. the aggregate number of shares purchased or held as treasury shares does not exceed 10% of the total number of issued and paid-up shares of the Company as quoted on Bursa Securities as at the point of purchase;

ii. the maximum fund to be allocated by the Company for the purpose of purchasing the shares be backed by an equivalent amount of retained profits; and

iii. the Directors of the Company may decide either to retain the shares purchased as treasury shares, or cancel the shares, or retain part of the shares so purchased as treasury shares and cancel the remainder, or resell the shares, or transfer the shares or distribute the shares as dividends;

AND THAT the authority conferred by this resolution will commence after the passing of this ordinary resolution and will continue to be in force until:-

i. the conclusion of the next AGM at which time it shall lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or

ii. the expiration of the period within which the next AGM of the Company is required by law to be held; or

iii. revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting;

whichever occurs first.

AND THAT the Directors of the Company be and are hereby authorised to take all such steps as are necessary or expedient to implement or to effect the purchase(s) of the shares with full power to assent to any condition, modification, variation and/or amendment as may be imposed by the relevant authorities and to take all such steps as they may deem necessary or expedient in order to implement, finalise and give full effect in relation thereto."

By order of the Board,

YUEN YOKE PING (MAICSA 7014044)
Company Secretary
Shah Alam
Date: 30 April 2019

Notice of Annual General Meeting

Notes:

1. A member of the Company who is entitled to attend and vote at this Meeting is entitled to appoint a proxy or proxies to attend and vote on his behalf.
2. A proxy need not be a member of the Company.
3. Where the member of the Company appoints two or more proxies, the appointment shall be invalid unless the member specifies the proportion of his shareholding to be represented by each proxy.
4. If the proxy is executed by a corporation, the Form of Proxy must be under its common seal or the hand of an officer or attorney duly authorised.
5. The instrument appointing the proxy must be deposited at the Registered Office of the Company at Lot 4.01, Level 4, IDCC Corporate Tower, Jalan Pahat L 15/L, Seksyen 15, 40200 Shah Alam, Selangor Darul Ehsan, not less than forty-eight (48) hours before the time set for holding the Meeting or adjourned Meeting.
6. Depositors who appear in the Record of Depositors as at 14 June 2019 shall be regarded as member of the Company entitled to attend the Twenty Fourth Annual General Meeting or appoint a proxy to attend and vote on his behalf.

Explanatory Notes on Ordinary Business:

1. Audited Financial Statements for the financial year ended 31 December 2018

This Agenda item is meant for discussion only as the Section 340(1) of the Act does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda is not put forward for voting.

2. Special Resolution - Proposed Adoption

The proposed resolution 7 is undertaken primarily to streamline the existing Memorandum and Articles of Association ("M&A") of the Company with the Companies Act, 2016 which was effective from 31 January 2017. The Proposed Adoption is also to align the clauses and articles of the existing M&A with the revised Main Market Listing Requirement issued by Bursa Malaysia Securities Berhad on 29 November 2017, and to provide clarity to certain provision thereof and to render consistency throughout in order to facilitate and further enhance administrative efficiency.

Please refer to the Circular to Shareholders dated 30 April 2019 for further information.

3. Resolution 8 and 9 - Retention of Independent Non-Executive Directors pursuant to the Practice 4.2 of the Malaysian Code on Corporate Governance 2017

The Nomination Committee has assessed the independence of the following Directors, who have served as Independent Non-Executive Directors of the Company for a cumulative term of more than twelve (12) years, and recommended them to continue to act as Independent Non-Executive Directors of the Company based on the following justifications:

<u>Resolution 8: YBhg Tan Sri Datuk Adzmi bin Abdul Wahab</u>

i. He has confirmed and declared that he is an Independent Director as defined in the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities");
ii. He does not have any conflict of interest with the Company and has not entered/is not expected to enter into contract(s) especially material contract(s) with the Company and/or its subsidiary companies;
iii. He has been with the Company since 2 May 2006 for more than twelve (12) years with incumbent knowledge of the Company and the Group's activities and corporate history; and
iv. He has performed his duty diligently and in the best interest of the Company and provides a broader view, independent and balanced assessment of proposals from the Management.

<u>Resolution 9: En. Sazali bin Saad</u>

i. He has confirmed and declared that he is an Independent Director as defined in the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities");
ii. He does not have any conflict of interest with the Company and has not entered/is not expected to enter into contract(s) especially material contract(s) with the Company and/or its subsidiary companies;
iii. He has been with the Company since 2 May 2006 for more than twelve (12) years with incumbent knowledge of the Company and the Group's activities and corporate history; and
iv. He has performed his duty diligently and in the best interest of the Company and provides a broader view, independent and balanced assessment of proposals from the Management.

3. **Resolution 8 and 9 - Retention of Independent Non-Executive Directors pursuant to the Practice 4.2 of the Malaysian Code on Corporate Governance 2017 (continued)**

   Practice 4.2 of the Malaysian Code on Corporate Governance 2017 states that the tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

   If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

4. **Resolution 10**

   The Resolution 10, if passed, will give the Directors of the Company, from the date of the above General Meeting, authority to issue and allot ordinary shares from the issued capital of the Company for such purposes as the Directors consider would be in the interest of the Company. This authority will, unless revoked or varied by the Company in General Meeting expire at the conclusion of the next AGM or the expiration of the period within which the next AGM is required by law to be held, whichever is the earlier.

   The general mandate sought for issue of securities is a renewal of the mandate that was approved by the shareholders on 6 June 2018. The Company has not issued any new share which was approved at the Twenty Third AGM held on 6 June 2018 and which will lapse at the conclusion of the forthcoming Twenty Fourth AGM.

   The renewal of the general mandate, if granted, is to provide flexibility to the Company to issue new securities without the need to convene a separate general meeting to obtain shareholders' approval so as to avoid incurring additional cost and time.

   The purpose of this general mandate is for possible fund raising exercises including but not limited to further placement of shares for the purpose of funding current and/or future investment projects, working capital and/or acquisitions.

5. **Resolution 11**

   The Resolution 11, if passed, will empower the Directors to purchase the Company's shares of up to 10% of the total number of issued shares of the Company at any point of time, by utilising the funds allocated which shall not exceed the total retained profits of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the conclusion of the next Annual General Meeting..

   Please refer to Statement to Shareholders for the Proposed Renewal of Share Buy-Back in the Annual Report.

SHARE BUY-BACK STATEMENT

PROPOSED RENEWAL OF AUTHORITY FOR MAGNA PRIMA TO PURCHASE ITS OWN SHARES OF UP TO TEN PERCENT (10%) OF ITS ISSUED AND PAID-UP SHARE CAPITAL ("PROPOSED RENEWAL OF SHARE BUY-BACK")

DISCLAIMER STATEMENT

Bursa Securities has not perused this Statement prior to its issuance as it is exempted pursuant to the provisions of Practice Note 18 of the Main Market Listing Requirements of Bursa Securities. Bursa Securities takes no responsibility for the contents of this Statement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Statement.

1. DETAILS OF THE PROPOSED RENEWAL OF SHARE BUY-BACK

The Board of Magna Prima had, during the AGM held on 6 June 2018 obtained its shareholders' approval to continue the share buy-back exercise, to purchase up to 10% of the total number of issued shares of the Company as quoted on Bursa Securities as at the point of purchase. In accordance with the Listing Requirements governing the purchase of own shares by a listed company, the aforesaid approval will lapse at the conclusion of the forthcoming AGM unless a new mandate is obtained from the shareholders.

In connection thereto, the Company had on 15 April 2019 announced its intention to seek approval of its shareholders on the Proposed Renewal of Share Buy-Back at the forthcoming AGM of the Company which will be held on 20 June 2019.

The Board proposes to seek approval from the shareholders for a renewal of authorisation to enable Magna Prima to purchase up to 10% of its total number of issued shares as quoted on Bursa Securities as at the point of purchase.

The Proposed Renewal of Share Buy-Back shall be effective upon the passing of the resolution at the forthcoming AGM of Magna Prima and shall continue to remain in force until:

(i) the conclusion of the next AGM of Magna Prima in 2020 at which time such authority would lapse unless renewed by ordinary resolution passed at that meeting, either unconditionally or subject to conditions; or

(ii) the expiration of the period within which the next AGM after that date is required by law to be held; or

(iii) the authority is revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting;

whichever occurs first.

2. MAXIMUM LIMIT

The maximum aggregate number of Shares which may be purchased by the Company shall not exceed 10% of the total number of issued shares of the Company at any point of time.

The Company may purchase up to 33,491,264 Magna Prima Shares based on total number of issued shares of the Company of 334,912,640 Magna Prima Shares as at LPD, 29 March 2019. The total number of Magna Prima Shares purchased by the Company and being held as Treasury Shares up to and including LPD is 2,285,500.

The actual number of Shares to be purchased and the timing of such purchase will depend on (among others) the prevailing equity market conditions and sentiments of the stock market as well as the retained profits and financial resources available to the Company at the time of the purchase(s).

3. TREATMENT OF SHARES PURCHASED

If the Company purchases its own shares using external borrowings, the Board will ensure that the Group has sufficient funds to repay the external borrowings and that the repayment would not have any material effect on the cash flow of the Group.

3. TREATMENT OF SHARES PURCHASED (CONTINUED)

Magna Prima may only purchase its own shares at a price which is not more than 15% above the weighted average market price of the Magna Prima shares for the 5 market days immediately prior to the date of the purchase.

The Company may only resell the purchased shares held as treasury shares at a price, which is:-

(a) not less than the weighted average market price of the shares for the 5 market days immediately prior to the date of the resale; or

(b) a discounted price of not more than 5% to the weighted average market price of the shares for the 5 market days immediately prior to the date of the resale, provided that the resale takes place no earlier than 30 days from the date of the purchase; and the resale price is not less than the cost of purchase of the shares being resold.

The Company shall, upon each purchase or re-sale of shares, make the necessary announcements to Bursa Securities.

The purchased Magna Prima shares held as treasury shares may be dealt with by the Board, in the following manner:-

(i) to cancel the purchased shares;

(ii) to retain the purchased shares as treasury shares for distribution as share dividends to the shareholders and/or resell the treasury shares on Bursa Securities in accordance with the relevant rules of Bursa Securities and/or be cancelled subsequently;

(iii) transfer as purchase consideration, or

(iv) sell, transfer or otherwise use as the Minister may prescribe.

(v) a combination of (i) and (ii) above.

The decision whether to retain the purchased shares as treasury shares, to cancel the purchased shares, distribute the treasury shares as share dividends or to resell the treasury shares on Bursa Securities will be made by the Board at the appropriate time. The distribution of treasury shares as share dividends may be applied as a reduction of the retained profits of the Company.

While the purchased shares are held as treasury shares, the rights attached to them in relation to voting, dividends and participation in any distribution and otherwise are suspended. The treasury shares shall not be taken into account in calculating the number or percentage of shares or of a class of shares in the Company for any purposes including substantial shareholding, takeovers, notices, the requisitioning of meetings, the quorum for a meeting and the result of a vote on a resolution at a meeting.

The Company will make an immediate announcement to Bursa Securities of any purchase and resale of the shares and whether the purchased shares will be cancelled or retain as treasury shares or a combination of both.

The Proposed Renewal of Share Buy-Back will be carried out in accordance with the prevailing laws at the time of the purchase including compliance with the 25% public shareholding spread as required by the Main Market Listing Requirements of Bursa Securities.

As at 29 March 2019, the public shareholding spread of the Company based on the issued and paid-up share capital of 334,912,640 Magna Prima Shares was 49.42%. The Board will endeavour to ensure that the Company complies with the public shareholding spread requirements and shall not buy back the Company's own shares if the purchase would result in the public shareholding spread requirements not being met.

During the financial year ended 31 December 2018, there was no resale or cancellation of treasury shares.

4. RATIONALE FOR THE PROPOSED RENEWAL OF SHARE BUY-BACK

In addition to the advantages as set out in Section 4 below, the Proposed Renewal of Share Buy-Back, if implemented, will provide the Group with an additional option to utilise its surplus financial resources more efficiently by purchasing Magna Prima shares from the open market to help stabilise the supply and demand for Magna Prima shares traded on the Main Market of Bursa Securities, and thereby support its fundamental value.

The purchased shares can be held as treasury shares and resold on Bursa Securities at a higher price with the intention of realising a potential gain without affecting the Company's total issued and paid-up share capital. Should any treasury shares be distributed as share dividends, this would serve to reward the shareholders of Magna Prima.

5. ADVANTAGES AND DISADVANTAGES

The potential advantages of the Proposed Renewal of Share Buy-Back, if implemented, are as follows:-

(i) allows the Company to take preventive measures against excessive speculation, in particular when the Company's shares are undervalued;

(ii) the earnings per share of the Magna Prima shares and the return on equity, assuming all other things being equal, would be enhanced resulting from the smaller issued and paid-up share capital of the Company. This is expected to have a positive impact on the market price of Magna Prima shares which will benefit the shareholders of Magna Prima;

(iii) to stabilise a downward trend of the market price of the Company's shares;

(iv) allows the Company the flexibility in achieving the desired capital structure, in terms of its debt and equity composition and the size of its equity;

(v) treasury shares can be treated as long-term investments. It makes business sense to invest in our own Company as the Board is confident of Magna Prima's future prospects and performance in the long term; and

(vi) If the treasury shares are distributed as dividends by the Company, it may then serve to reward the shareholders of the Company.

The potential disadvantages of the Proposed Renewal of Share Buy-Back, if implemented, are as follows:-

(i) it will reduce the financial resources of the Company which may otherwise be retained and used for the businesses of the Group. Nevertheless, the Board will be mindful of the interests of the Group and its shareholders in undertaking the Proposed Renewal of Share Buy-Back; and

(ii) as the Proposed Renewal of Share Buy-Back can only be made out of retained earnings, it may result in the reduction of financial resources available for distribution as dividends and bonus issues to the shareholders of the Company.

6. FUNDING

In accordance with the Listing Requirements, the Proposed Renewal of Share Buy-Back must be made wholly out of retained profits of the Company. The maximum amount of funds to be utilised for the Proposed Renewal of Share Buy-Back will be limited to the amount of retained profits based on the latest audited and/or unaudited financial statements of the Company. As at 31 December 2018, being the latest available audited financial statements, the audited accumulated profit of the Company amounted to RM394,154,412.

The Proposed Renewal of Share Buy-Back is expected to be financed by internally generated funds of the Group or external borrowings. In the event that the Company intends to purchase its own shares using borrowings, the Board will ensure that the Company shall have sufficient funds to repay the borrowings and that the repayment will not adversely affect the operations and cash flows of the Company. In addition, the Board will ensure that the Company satisfy the solvency test as stated in the Section 112(2) of the Act before execution of the Proposed Renewal of Share-Buy Back. Depending on the quantum and the purchase price, the Proposed Renewal of Share Buy-Back may reduce the working capital of the Magna Prima Group.

7. FINANCIAL EFFECTS OF THE PROPOSED RENEWAL OF SHARE BUY-BACK

The effects of the Proposed Renewal of Share Buy-Back on the share capital, shareholding structure, net assets, earnings and working capital of the Company are set out below based on the following scenarios:-

Minimum scenario : Assuming that no warrants are converted under the Warrants 2015/2020

Maximum scenario : Assuming that outstanding warrants are converted under the Warrants 2015/2020

7.1 Share Capital

The proforma effects of the Proposed Renewal of Share Buy-Back on the issued and paid-up share capital of the Company are set out below:-

	Minimum scenario	Maximum scenario
	No. of shares '000	No. of shares '000
Issued and paid-up share capital*	334,912	334,912
To be issued pursuant to: - Assuming full conversion of outstanding warrants 2015/2020	-	164,422
Enlarged share capital	**334,912**	**499,334**
Maximum number of purchased shares to be cancelled pursuant to the Proposed Renewal of Share Buy-Back	(33,491)	(49,933)
Upon completion of the Proposed Renewal of Share Buy-Back	**301,421**	**449,401**

Notes:-

* As at LPD, 29 March 2019 (Treasury shares was 2,285,500).

7.2 Substantial Shareholders' and Directors' Shareholdings

The proforma effects of the Proposed Renewal of Share Buy-Back on the substantial shareholdings of the Company are set out below based on the Register of Substantial Shareholders as at 29 March 2019:-

(i) Minimum Scenario

	As at 29 March 2019				After the Proposed Renewal of Share Buy-Back			
	Direct		Indirect		Direct		Indirect	
Substantial shareholders	No. of shares '000	%	No. of shares '000	%	No. of shares '000	%	No. of shares '000	%
Prisma Pelangi Sdn Bhd	102,889	30.72	-	-	102,889	34.13	-	-
Fantastic Realty Sdn Bhd	45,092	13.46	-	-	45,092	14.95	-	-
Datuk Seri Rahadian Mahmud bin Mohammad Khalil	21,400	6.39	-	-	21,400	7.09	-	-
Lee Hing Lee	-	-	^^45,092	13.46	-	-	^^45,092	14.95
Heng Holdings Sdn Bhd	-	-	**102,889	30.72	-	-	**102,889	34.13
Hua Yang Berhad	-	-	**102,889	30.72	-	-	**102,889	34.13
Ho Wen Yan	-	-	**102,889	30.72	-	-	**102,889	34.13
Ho Wen Han	-	-	**102,889	30.72	-	-	**102,889	34.13
Ho Wen Fan	-	-	**102,889	30.72	-	-	**102,889	34.13
Ho Min Yi	-	-	**102,889	30.72	-	-	**102,889	34.13
Chew Po Sim	-	-	**102,889	30.72	-	-	**102,889	34.13

^^ Deemed interested by virtue of his substantial shareholding in Fantastic Realty Sdn Bhd pursuant to the Companies Act, 2016

** Deemed interested by virtue of his substantial shareholding in Prisma Pelangi Sdn Bhd pursuant to Companies Act, 2016

Share Buy-Back Statement

7. FINANCIAL EFFECTS OF THE PROPOSED RENEWAL OF SHARE BUY-BACK (CONTINUED)

7.2 Substantial Shareholders' and Directors' Shareholdings (continued)

(ii) Maximum Scenario

	As at 29 March 2019 and assuming conversion of the outstanding warrants 2015/2020^^^				After the Proposed Renewal of Share Buy-Back^			
	Direct		Indirect		Direct		Indirect	
Substantial shareholders	No. of shares '000	%	No. of shares '000	%	No. of shares '000	%	No. of shares '000	%
Prisma Pelangi Sdn Bhd	102,889	20.60	-	-	102,889	22.89	-	-
Fantastic Realty Sdn Bhd	45,092	9.03	-	-	45,092	10.03	-	-
Datuk Seri Rahadian Mahmud bin Mohammad Khalil	21,400	4.28	-	-	21,400	4.76	-	-
^^Lee Hing Lee	-	-	^^45,092	9.03	-	-	^^45,092	10.03
**Heng Holdings Sdn Bhd	-	-	**102,889	20.60	-	-	**102,889	22.89
**Hua Yang Berhad	-	-	**102,889	20.60	-	-	**102,889	22.89
**Ho Wen Yan	-	-	**102,889	20.60	-	-	**102,889	22.89
**Ho Wen Han	-	-	**102,889	20.60	-	-	**102,889	22.89
** Ho Wen Fan	-	-	**102,889	20.60	-	-	**102,889	22.89
**Ho Min Yi	-	-	**102,889	20.60	-	-	**102,889	22.89
**Chew Po Sim	-	-	**102,889	20.60	-	-	**102,889	22.89

^^ Deemed interested by virtue of his substantial shareholding in Fantastic Realty Sdn Bhd pursuant to the Companies Act, 2016

** Deemed interested by virtue of his substantial shareholding in Prisma Pelangi Sdn Bhd pursuant to Companies Act, 2016

Notes:-

^^^ Assuming 164.422 million warrants were converted under warrants 2015/2020

^ Assuming that the Proposed Renewal of Share Buy-Back is implemented in full, i.e. up to ten percent (10%) of the issued and paid-up share capital, the purchased shares are acquired from public shareholders and the purchased shares are held as treasury shares or cancelled

	As at LPD				Scenario 1				Scenario 2			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
Directors*	No of shares '000	%	No of shares '000	%	No of shares '000	%	No of shares '000	%	No of shares '000	%	No of shares '000	%
Tan Sri Datuk Adzmi bin Abdul Wahab	-	-	-	-	-	-	-	-	-	-	-	-
Datuk Seri Rahadian Mahmud bin Mohammad Khalil	21,400	6.39	-	-	21,400	7.09	-	-	21,400	4.32	-	-
Ho Wen Yan	-	-	102,889	30.72	-	-	102,889	34.13	-	-	102,889	22.89
Sazali bin Saad	-	-	-	-	-	-	-	-	-	-	-	-
Low Yew Shen	-	-	-	-	-	-	-	-	-	-	-	-
Dato' Darawati Hussain	-	-	-	-	-	-	-	-	-	-	-	-
Chang Chee Kok	-	-	-	-	-	-	-	-	-	-	-	-

Notes:-

* Based on the Register of Directors as at 29 March 2019.

Scenario 1 : Assuming that no conversion of warrants for Warrants 2015/2020 and after the Proposed Renewal of Share Buy-Back

Scenario 2 : Assuming that conversion of outstanding warrants for Warrants 2015/2020 and after the Proposed Renewal of Share Buy-Back.

7. FINANCIAL EFFECTS OF THE PROPOSED RENEWAL OF SHARE BUY-BACK (CONT.'D)

7.3 Net Assets

The consolidated net assets of the Company may increase or decrease depending on the number of shares purchased under the Proposed Renewal of Share Buy-Back, the purchase prices of the shares, the effective cost of funding and the treatment of the shares so purchased.

The Proposed Renewal of Share Buy-Back will reduce the consolidated net assets per share when the purchase price exceeds the consolidated net assets per share of the Company at the time of purchase. On the contrary, the consolidated net assets per share will increase when the purchase price is less than the consolidated net assets per share of the Company at the time of purchase.

If the shares purchased under the Proposed Renewal of Share Buy-Back are held as treasury shares and subsequently resold on Bursa Securities, the consolidated net assets per share would increase if the Group realise a gain from the resale or vice versa. If the treasury shares are distributed as share dividends, it will decrease the consolidated net assets by the cost of the treasury shares redistributed.

7.4 Earnings

The effect of the Proposed Renewal of Share Buy-Back on the consolidated earnings per share of the Company will depend on the purchase prices paid for the shares, the effective funding cost to the Group to finance the purchase of the shares or any loss in interest income to the Group if internally generated funds are utilised to finance the purchase of the shares.

Assuming that any shares so purchased are retained as treasury shares as per Companies Act, 2016 and resold on Bursa Securities, the effects on the consolidated earnings of the Company will depend on the actual selling price, the number of treasury shares resold and the effective gain or interest savings arising from the exercise.

7.5 Working Capital

The implementation of the Proposed Renewal of Share Buy-Back is likely to reduce the working capital of the Group, the quantum being dependent on the number of the purchased shares, the purchase price(s) and the amount of financial resources to be utilised for the purchase of the shares.

For the purchased shares retained as treasury shares as per Companies Act, 2016 upon its resale, the working capital of the Company will increase. Again, the quantum of the increase in the working capital will depend on the actual selling price of the treasury shares resold, the effective gain or interest saving arising and the gain or loss from the disposal.

8. APPROVAL REQUIRED

The Proposed Renewal of Share Buy-Back is subject to the approval being obtained from the shareholders of Magna Prima.

9. IMPLICATION OF THE MALAYSIAN CODE ON TAKE-OVERS AND MERGERS, 2016 ("CODE")

Pursuant to the Code, a person and/or any person acting in concert with him will be required to make a mandatory offer for the remaining shares not already owned by him/them if his and/or their holding of voting shares in a company is increased beyond 33% or, if his and/or their holding of voting shares is more than 33% but less than 50%, his and/or their holding of voting shares is increased by more than 2% in any 6 months period.

The Board takes cognisance of the requirements of the Code and will be mindful of the requirements when making any purchases of shares pursuant to the Proposed Renewal of Share Buy-Back.

10. DIRECTORS' RECOMMENDATION

The Board, after having considered all aspects of the Proposed Renewal of Share Buy-Back and after careful deliberation, is of the opinion that the Proposed Renewal of Share Buy-Back is in the best interest of the Company. Accordingly, the Board recommends that you vote in favour of the resolution in relation to the Proposed Renewal of Share Buy-Back to be tabled at the forthcoming AGM.

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MAGNA PRIMA BERHAD

(369519-P)
(Incorporated in Malaysia)

PROXY FORM

I/We, ____ of

____

being a member / members of MAGNA PRIMA BERHAD hereby appoint ______________________

____

of ____

or failing him/her, CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the Twenty Fourth Annual General Meeting ("AGM") of Magna Prima Berhad will be held at Ideal Convention Centre - IDCC Shah Alam, Level 7, Jalan Pahat L 15/L, Seksyen 15, 40200 Shah Alam, Selangor Darul Ehsan on Thursday, 20 June 2019 at 10.00 a.m. and at any adjournment thereof.

Agenda	Resolution	For	Against
To re-elect YBhg Tan Sri Datuk Adzmi bin Abdul Wahab who shall retire in accordance with Article 100 of the Company's Articles of Association.	1		
To re-elect En. Sazali bin Saad who shall retire in accordance with Article 100 of the Company's Articles of Association.	2		
To re-elect YBhg Dato' Darawati Hussain who shall retire in accordance with Article 105 of the Company's Articles of Association.	3		
To approve the payment of Directors' fees up to RM442,000 in respect of the period from 21 June 2019 until the conclusion of the next Annual General Meeting of the Company.	4		
To approve the payment of meeting attendance allowances of RM500 per meeting to the Non-Executive Directors and leave passage allowance of RM12,000 per annum to the Chairman for the period from 21 June 2019 until the conclusion of the next Annual General Meeting of the Company.	5		
To re-appoint Messrs Morison Anuarul Azizan Chew (AF 001977) as Auditors of the Company for the financial year ending 31 December 2019 and to authorise the Board of Directors to fix their remuneration.	6		
AS SPECIAL BUSINESS: Proposed Adoption of a New Constitution of the Company.	7		
Retention of YBhg Tan Sri Datuk Adzmi bin Abdul Wahab as Independent Non-Executive Director.	8		
Retention of En Sazali bin Saad as Independent Non-Executive Director	9		
Authority to Allot and Issue Shares in General pursuant to Sections 75 and 76 of the Companies Act, 2016	10		
Proposed Renewal of Share Buy-Back.	11		

Please indicate with an "X" in the space provided, how you wish your vote to be cast. If you do not do so, the proxy may vote or abstain at his/her discretion.

NO. OF SHARES HELD

______________________ Signature/Common Seal

______________________ Date

Notes:

1. A member of the Company who is entitled to attend and vote at this Meeting is entitled to appoint a proxy or proxies to attend and vote on his behalf.
2. A proxy need not be a member of the Company.
3. Where the member of the Company appoints two or more proxies, the appointment shall be invalid unless the member specifies the proportion of his shareholding to be represented by each proxy.
4. If the proxy is executed by a corporation, the Form of Proxy must be under its common seal or the hand of an officer or attorney duly authorised.
5. The instrument appointing the proxy must be deposited at the Registered Office of the Company at Lot 4.01, Level 4, IDCC Corporate Tower, Jalan Pahat L 15/L, Seksyen 15, 40200 Shah Alam, Selangor Darul Ehsan, not less than forty-eight (48) hours before the time set for holding the Meeting or adjourned Meeting.
6. Depositors who appear in the Record of Depositors as at 14 June 2019 shall be regarded as member of the Company entitled to attend the Twenty Fourth Annual General Meeting or appoint a proxy to attend and vote on his behalf.

Fold here to seal

STAMP

THE COMPANY SECRETARY

MAGNA PRIMA BERHAD (369519-P)
Lot 4.01, Level 4,
IDCC Corporate Tower,
Jalan Pahat L 15/L, Seksyen 15,
40200 Shah Alam, Selangor Darul Ehsan.

Tel : 03 5022 5555
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Email : enquiry@magnaprima.com.my

www.magnaprima.com.my

Fold here to seal

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