ANNUAL REPORT
年　報
2019

BGMC International Limited
璋利國際控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立的有限公司)
(Stock code 股份代號: 1693)

BUILDING GREEN MODERN CONSTRUCTIONS

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Tan Sri Dato' Sri Goh Ming Choon
(Chairman)

Dato' Mohd Arifin bin Mohd Arif
(Vice-chairman)

Dato' Teh Kok Lee
(Chief Executive Officer)

Ir. Azham Malik bin Mohd Hashim

INDEPENDENT NON-EXECUTIVE DIRECTORS

Tan Sri Dato' Seri Kong Cho Ha

Chan May May

Ng Yuk Yeung

AUDIT COMMITTEE

Ng Yuk Yeung *(Chairman)*

Tan Sri Dato' Seri Kong Cho Ha

Chan May May

REMUNERATION COMMITTEE

Chan May May *(Chairman)*

Tan Sri Dato' Sri Goh Ming Choon

Ng Yuk Yeung

NOMINATION COMMITTEE

Tan Sri Dato' Seri Kong Cho Ha *(Chairman)*

Dato' Teh Kok Lee

Chan May May

COMPANY'S WEBSITE

www.bgmc.asia

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN MALAYSIA

A-3A-02, Block A, Level 3A
Sky Park One City
Jalan USJ 25/1
47650 Subang Jaya
Selangor Darul Ehsan
Malaysia

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F, 148 Electric Road
North Point
Hong Kong

REGISTERED OFFICE

Estera Trust (Cayman) Limited
Clifton House, 75 Fort Street
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

LISTING INFORMATION

PLACE OF LISTING

Main Board of The Stock Exchange of Hong Kong Limited

STOCK CODE

1693

BOARD LOT

4,000 shares

COMPANY SECRETARY

Sir Kwok Siu Man KR, *FCIS, FCS*

AUTHORISED REPRESENTATIVES

Dato' Teh Kok Lee

Sir Kwok Siu Man KR, *FCIS, FCS*

CORPORATE INFORMATION

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Estera Trust (Cayman) Limited
Clifton House, 75 Fort Street
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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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INDEPENDENT AUDITOR

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LEGAL ADVISER

As to Hong Kong law

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PRINCIPAL BANKERS

United Overseas Bank Limited
23/F, 3 Garden Road
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DBS Bank (Hong Kong) Limited
Units 1201 & 1210–18
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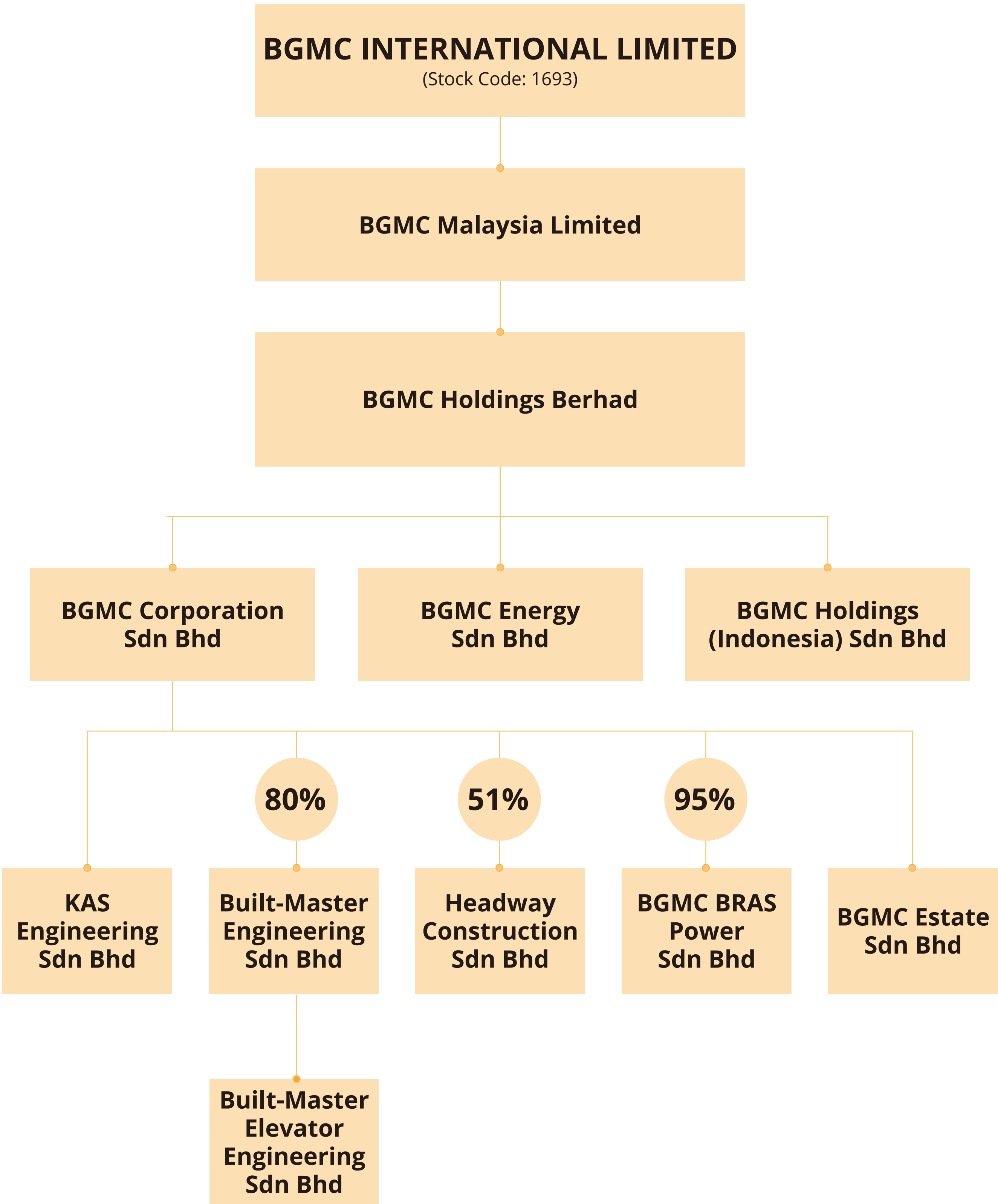
132 Nathan Road
Tsimshatsui, Kowloon
Hong Kong

CORPORATE STRUCTURE



Note: Unless otherwise stated, all subsidiaries are wholly-owned by BGMC International Limited.

CHAIRMAN'S STATEMENT

Dear valued shareholders,

On behalf of the board of directors ("**Directors**", each a "**Director**" and "**Board**", respectively) of BGMC International Limited ("**BGMC**" or "**Company**") and its subsidiaries (collectively the "**Group**"), I hereby present to you the Company's Annual Report for the financial year ended 30 September 2019 ("**FY2019**").

BGMC has gone through waves of challenges since it was listed on the main board of The Stock Exchange of Hong Kong Limited in August 2017. In home base Malaysia, we witnessed a historical change in leadership of the government and change of policies in turn: mega infrastructure projects such as the High-Speed Rail and Klang Valley Mass Rapid Transit remained postponed with the new government undergoing fiscal consolidation, and Goods and Services Tax was abolished and Sales and Services Tax has been reintroduced. Such moves have indirectly fuelled competition in the construction industry which has already been coping with a saturated property market, and inevitably affecting project cost structure. As a result of these local challenges and compounded by the Sino-US trade war shaking the global economy, our business was under unprecedented pressure.

Against such stiff headwind, we sought to adapt by repositioning our business, finding amid threats an opportunity to expand our other business. While the lacklustre construction industry affected our related pursuits, our concession business has remained relatively stable and continue in generating recurring income.

Thus, during FY2019, using conserved resources and facilities, we expanded concession business and boosted our defensive assets. We entered the renewable energy industry last year and secured the right to develop, own and operate a 30 megawatt alternate current solar power plant, and also signed a 21-year power purchase agreement with a sole energy distributor in Peninsular Malaysia, Tenaga Nasional Berhad. Furthermore, during the financial year, together with other local and international partners, we established a joint venture business that provides management services in relation to renewable energy projects.

Despite the challenges our construction business has been facing, priding a proven track record and capability of delivering integrated cost-effective solutions and high-quality services, we have secured 10 construction contracts worth RM551.4 million during FY2019. Of them, there are two substantial value projects from the Malaysian Resources Corporation Berhad worth RM189.0 million and RM326.9 million, respectively. These new additions to our already strong pipeline took the value of our order book to a RM1.2 billion.

CHAIRMAN'S STATEMENT

INDUSTRY OUTLOOK

Looking at the macro environment, we believe that the mega infrastructure projects deferred will resume soon because Malaysia needs new infrastructure to meet the demand of her growing and changing population. Although BGMC does not involve directly in those infrastructure projects, their development will have rippling effects, resurrecting the subdued property market and benefiting in turn players in the industry value chain, including BGMC. As and when the sector recovers, we believe that, with a strong track record and clear competitive edges, BGMC will be able to grasp opportunities and stay ahead of the game. With extensive experience and relevant abilities, it is confident of delivering integrated construction solutions that meet the requirements of those projects.

As for our venture into renewable energy business, with the Malaysian government intending to replace existing national power plants with ones using renewable energy, in particular solar power, we see tremendous development potential in the new business. The aim of the government is to increase the contribution of solar power from current level of 5% to 20% of the total power generated in the country by 2030. These factors, all favourable, and the gradual shift towards using sustainable renewable energy and related tariffs stabilising, are telling us that investing in relevant renewable energy businesses is a valuable opportunity for us, one that will turn into a platform for our concession business to support BGMC in achieving organic growth. In the long run, the joint venture business will also have potential to participate in developing and operating other solar concession projects in Malaysia and the ASEAN region. By engaging in renewable energy business, BGMC is advancing in a strategic direction in line with policies of the Malaysian government and global trends.

ACKNOWLEDGEMENT

I would like to express my appreciation to all our valued shareholders, customers, strategic partners, financiers, suppliers, the Malaysian Government and various regulatory authorities for their continuous support and assistance to BGMC. I would like to also thank fellow members on the Board for their valuable guidance, leadership and contribution to the Company. Last but not least, my gratitude also goes to the management team and staff for their commitment and dedication to helping the Group cope with and overcome global, regional and domestic challenges.

Despite the tough challenges we faced in the past years, we are as determined as ever to exert our best and excel in delivering each and every one of our projects.

Tan Sri Dato' Sri Goh Ming Choon
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

BGMC is a provider of full-fledged, integrated solutions in two specialized business sectors, namely:

i) Construction Services (comprising the Building and Structure segment, Energy Infrastructure segment, Mechanical and Electrical segment, and Earthworks and Infrastructure segment), which undertakes primarily construction service contracts of length not exceeding five years; and

ii) Concession and Maintenance, which undertakes Public Private Partnership ("**PPP**") contracts of duration more than 20 years.

Core Business	Segment/Model	What BGMC does
Construction Services	Building and Structure	Focuses on construction of low-rise and high-rise residential and commercial properties, factories, as well as government-led infrastructure and facility projects.
	Energy Infrastructure	The segment has two previously independent businesses: a) design and construction of power substations – medium and high voltage – and installation of the former; and b) installation of high voltage underground cabling systems. It also has the new task of establishing and developing a utility scale solar power plant.
	Mechanical and Electrical	Focuses on bringing value-adding engineering expertise to the installation of mechanical and electrical components and equipment for buildings and infrastructure, drawing on its all-round capabilities from design and planning to installation of the mechanical and electrical facilities.
	Earthworks and Infrastructure	Maintains a fleet of machinery for carrying out detailed earthworks, including site clearing, building platform preparation, road and drainage systems, and other infrastructure installation.
Concession and Maintenance	Build, Lease, Maintain, Transfer ("**BLMT**") model	A concession to build a campus over a three-years period for lease to Universiti Teknologi Mara Malaysia ("**UiTM**") and provide asset management services for 20 years.
	Build, Own, Operate ("**BOO**") model	A concession to build a solar power plant, and generate power and sell the power generated by the plant to Tenaga Nasional Berhad ("**TNB**") for 21 years.

MANAGEMENT DISCUSSION AND ANALYSIS

CONSTRUCTION SERVICES SECTOR

The Construction Services sector contributed RM334.9 million, or 84.5%, to the consolidated revenue of the Group in FY2019, against RM496.9 million, or 89.0%, in FY2018 (restated). Although there was a moderate decrease in contribution from the sector, it remained as the major revenue contributor of the Group in FY2019. The revenue mix of the Group changed mainly due to decreased revenue of the sector and a slight increase in revenue from the Concession and Maintenance sector.

During the year under review, the Construction Services sector secured 10 contracts of total worth RM552.7 million (30 September 2018 (restated): RM537.6 million), including two of substantial value from Malaysian Resources Corporation Berhad ("**MRCB**") worth RM189.0 million and RM326.9 million respectively.

As at 30 September 2019, BGMC had an outstanding order book of RM1.2 billion (30 September 2018: RM1.2 billion (restated)).

BGMC's major on-going projects are as follows:

Project name and description	Contract Value (RM'000)
Sentral Suite: Construction and completion of structural and architectural works for Tower 1 (architectural only works for the basement, podium, facilities floors and remaining balance of podium structure works up to transfer floor), Tower 2, and Tower 3 blocks of a proposed 46-storey commercial development at Kuala Lumpur ("**KL**") Sentral, Malaysia.	515,936
The Sky Seputeh: Construction of two 37-storey towers with 290 apartment units, car parks and other facilities at Taman Seputeh, Wilayah Persekutuan, Malaysia.	292,020
Bangsar 61: Construction of Earthworks, Basement and Associated Works for a 4-storey basement car park at Bangsar, KL, Malaysia.	273,647
Setia Spice: Construction of a 26-storey building with a 19-storey hotel (453 rooms), a 3-storey car park and 4-storey hotel facilities, plus a 2-storey basement car park at Setia Spice, Bayan Lepas, Penang, Malaysia.	209,488
TNB Worker's Quarters: Construction of one 8-storey block of executive quarters (24 units), three 9-storey blocks of non-executive quarters (160 units) and other facilities at Kuala Berang, Terengganu, Malaysia.	76,531

MANAGEMENT DISCUSSION AND ANALYSIS

Building and Structure

As the leading segment of the Construction Services sector and the Group as a whole with sizeable contracts on hand, Building and Structure contributed RM291.6 million, or 73.5%, to the Group's consolidated revenue in FY2019, compared to RM395.6 million, or 71.6%, in FY2018 (restated). Such decrease was mainly due to the Group's signature project D'Pristine Medini being almost completed in FY2019, while Setia Spice, The Sky Seputeh and TNB Worker's Quarters have just started the advance stage of the progress in the second half of FY2019. These projects are moving with structural, architectural, mechanical and electrical works concurrently now. Bangsar 61, on the other hand, has recorded a lesser construction activity and revenue recognition due to the need of engineering design review by the client. The review has however achieved some major breakthrough and we have increased the construction activities thereafter. The Sentral Suite which was secured in FY2019 meanwhile is still in the early stage of construction and therefore did not post significant contribution for the time being.

During FY2019, this segment won three projects of total worth RM516.1 million, including two large contracts from MRCB priced RM189.0 million and RM326.9 million and secured on 26 November 2018 and 4 March 2019, respectively. The two contracts are in relation to the construction and completion of structural and architectural works for part of a proposed 46-storey commercial development at KL Sentral, Malaysia.

As at 30 September 2019, the Building and Structure segment had an outstanding order book of RM1.1 billion (30 September 2018 (restated): RM935.5 million).

Energy Infrastructure

During FY2019, the Energy Infrastructure segment contributed revenue of RM21.1 million, or 5.3%, to the Group's consolidated revenue, compared to RM40.1 million, or 7.2%, for FY2018 (restated). Such decrease in segmental revenue contribution was mainly attributable to the delay of the installation of equipment at Damansara Heights power substation project. Meanwhile, lower recognition also come from the underground cabling system projects due to the challenges faced in implementing the projects. Changes of direction from client and also the bureaucratic work permit approval process by the governmental authority have slowed down the progress of the projects.

As at 30 September 2019, the Energy Infrastructure segment had an outstanding order book of RM59.8 million (30 September 2018 (restated): RM100.3 million).

Mechanical and Electrical

The Mechanical and Electrical segment recorded revenue of RM14.9 million, or a 3.8% contribution to the consolidated revenue of the Group for FY2019, compared to RM43.4 million, or 7.8%, in FY2018 (restated). Such decrease in the segmental revenue contribution was mainly due to the completion of major projects. For the projects secured in FY2019, revenue contribution will still be insignificant since they are still very much in the initial stage.

As at 30 September 2019, the segment had secured five new projects worth RM35.3 million, and an outstanding order book of RM79.1 million (30 September 2018 (restated): RM123.6 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Earthworks and Infrastructure

The Earthworks and Infrastructure segment recorded revenue of RM7.3 million for FY2019, or 1.8% of the consolidated revenue of the Group, compared to RM17.7 million, or 3.2%, in FY2018 (restated). The decrease in the segmental revenue was mainly due to the completion of major earthwork projects and no new sizeable earthwork projects having been secured. As the projects of earthworks and infrastructure works are very competitively priced, the management is taking a very pragmatic approach in tendering for new jobs.

As at 30 September 2019, the Earthworks and Infrastructure segment had secured two new projects worth a total of RM1.3 million.

CONCESSION AND MAINTENANCE SERVICES SECTOR

BGMC has on hand two PPP contracts currently: (i) a BLMT concession contract with UiTM; and (ii) a BOO solar power purchase agreement signed with TNB, the sole power distributor for Peninsular Malaysia.

BLMT Model – UiTM Campus

There are two sources of income from this concession contract, namely imputed interest income and building maintenance service income. During the year under review, the BLMT model brought a total income of RM52.8 million to the Group, relative to RM53.9 million for FY2018 (restated).

As at 30 September 2019, the concession had 16 years and 2 months to last. The outstanding imputed interest income and contract value for building maintenance services as at 30 September 2019 were RM788.5 million and RM173.8 million respectively, receivable over the remaining period of the concession.

BOO Model – Large Scale Solar Photovoltaic ("LSSPV") Power Plant

This new concession contract involves building a LSSPV power plant which will generate and sell the power generated by the plant to TNB. The plant at Kuala Muda, Kedah, Malaysia has a planned output capacity of 30-megawatt alternate current ("**MW a.c.**").

During the year, BGMC secured the financial closure for this contract, and is currently on track to achieve the commercial operation date of the plant by 30 September 2020, after which the plant will present another source of recurring income to the Group for 21 years.

During FY2019, the BOO business model contributed a revenue of RM4.7 million, or 1.2%, to the segmental consolidated revenue of the Group, compared to RM1.4 million, or 0.2%, in FY2018 (restated). Such revenue was derived from the adoption of IFRIC 12 *"Service Concession Arrangements"*.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Gross (Loss)/Profit

The Group recorded gross loss of RM13.7 million in FY2019 versus gross profit of RM41.6 million in FY2018 (restated). Such adverse change was mainly attributable to (i) an increase in material costs due to the implementation of the Sales and Services Tax Act 2018 in Malaysia; (ii) compressed gross margin as a result of the more competitive tender process in the subdued property market in Malaysia; (iii) competition intensified in the construction industry in Malaysia with the Malaysian government carrying out a review of major infrastructure projects; and (iv) provision for loss making projects.

Administrative and Other Expenses

Administrative and other expenses reduced from RM69.4 million in FY2018 (restated) to RM61.1 million in FY2019, down by RM8.3 million. Such decrease was due to a decrease in amortisation of intangible assets from RM7.2 million in FY2018 (restated) to RM1.7 million in FY2019, as the rights on construction contracts for unbilled portion had been substantially amortised in previous years. Furthermore, staff costs decreased from RM36.8 million in FY2018 to RM31.1 million in FY2019 with the number of employees down from 428 to 408.

Finance Costs

Finance costs for FY2019 were RM19.0 million, slightly higher by RM0.4 million, as compared to RM18.6 million in FY2018. Such marginal increase was mainly due to an increase in short term borrowings for financing working capital of the Company.

Income Tax

Income tax expenses improved from RM7.1 million in FY2018 (restated) to RM2.3 million in FY2019, mainly due to recognition of deferred tax assets of RM3.6 million and reduced tax provision.

Liquidity, Financial Resources and Capital Structure

The net gearing ratio (calculated by dividing total net debts by shareholders' equity) of the Group was at 0.89 as compared to 0.46 as at 30 September 2018 (restated). Such increase was mainly due to increased borrowing for financing working capital of the Company, and also the decrease in equity attributable to owners of the Company with a loss attributable to owners of the Company of RM53.1 million recorded in FY2019.

The total borrowing of RM310.1 million as at 30 September 2019 (FY2018 (restated): RM286.3 million) included an outstanding term loan previously drawn-down for the construction of the UiTM campus of RM204.6 million as at 30 September 2019 (FY2018 (restated): RM267.6 million). The campus has been leased to UiTM since its completion in November 2015, bringing in recurring annual income and cashflow to the Group sufficient for repaying the principal amount of the term loan annually.

Cash balances (including fixed deposits) stood at RM63.9 million as at 30 September 2019 as compared to RM118.9 million as at 30 September 2018 (restated), a decrease of RM55.0 million. Such decrease was mainly due to utilisation of cash to finance the operation of various projects, payment of finance costs and repayment of other payables outstanding balances.

MANAGEMENT DISCUSSION AND ANALYSIS

Net Current Liability

The Group recorded a net current liability of RM61.7 million as at 30 September 2019, against a net current asset of RM201.2 million as at 30 September 2018 (restated), a decrease of RM262.9 million. Such decrease was mainly due to: (i) RM180.8 million of a loan amount was reclassified from the non-current liabilities to current liabilities as we had been found to have technically breached a loan covenant as stipulated in the term loan drawn down for the construction of UiTM campus; (ii) an increase in borrowings and (iii) share application monies received for financing the LSSPV power plant project.

As disclosed in the Company's announcement dated 24 December 2019, the bank has not made any immediate repayment request of the loan yet while we have applied to the bank for a waiver of the technical breach. We shall make further announcement once the waiver is obtained.

The Board has regularly reviewed the maturity analysis of the Group's contractual liabilities and concluded that there is no liquidity issue that may cast significant doubt on the Company's ability to continue as a going concern.

Prior Years' Adjustments

In preparing the consolidated financial statements of the Group for the year ended 30 September 2019, the directors had noted that the accounting treatments in respect of certain construction contracts adopted by the Group in its previously issued consolidated financial statements were incorrect. The amounts presented in the consolidated financial statements in respect of the year ended 30 September 2018 have been restated to correct those errors identified. For the details of the prior years' adjustments, please refer to note 42 to the consolidated financial statements.

The above prior years' errors, after taking into consideration the corresponding tax effect for the year ended 30 September 2017 and 30 September 2018, gave rise to an overstatement of retained earnings of the Group by RM2,972,493 and RM8,563,454 as of 1 October 2017 and 30 September 2018 respectively and an overstatement of non-controlling interests by RM1,545,981 and RM6,164,352 as of 1 October 2017 and 30 September 2018 respectively. The prior years' adjustment for the year ended 30 September 2017 were related to the period from 1 April 2017 to 30 September 2017.

Treasury Policies

The Group's financing and treasury activities are centrally managed and controlled at the corporate level. Bank borrowings of the Group are all denominated in RM and on a floating-rate basis. It is the Group's policy not to enter into derivative transactions for speculative purposes.

Capital Expenditure

Capital expenditure mainly consisted of expenses on procurement of construction machineries and equipment such as aluminium formwork system, which were funded by hire purchase, the proceeds from the global offering of the Company, which was completed in August 2017, and internally generated funds. During FY2019, BGMC acquired RM5.6 million worth of fixed asset compared to RM7.0 million in FY2018 (restated).

MANAGEMENT DISCUSSION AND ANALYSIS

Charges on Group Assets

As at 30 September 2019, certain assets of the Group were pledged to bank to secure banking facilities and the term loan granted to finance the construction of UiTM campus, details of which are disclosed in Note 24 to the consolidated financial statements.

Material Acquisition and Disposal of Subsidiaries and Associated Companies

The Group had no material acquisitions or disposals of subsidiaries and associated companies during FY2019.

Foreign Exchange Exposure

The functional currency of BGMC's operation, assets and liabilities is RM. Therefore, the Company is not exposed to significant foreign exchange risk and has not employed any financial instrument for hedging, except for HK$ denominated bank balances.

Significant Investment Hold

Save as disclosed in Notes 14 and 15 to the consolidated financial statements, the Group did not hold any other significant investment during FY2019.

Employees and Remuneration Policies

As at 30 September 2019, the Group had 408 employees versus 428 as at 30 September 2018. Total staff costs incurred in FY2019 were RM31.1 million compared to RM36.8 million recorded in FY2018 (restated).

Staff remunerations are determined by the Group by reference to prevalent market terms and in accordance with the performance, qualifications and experience of an individual employee. Periodic in-house training is provided to enhance knowledge of the workforce. Employees can also attend training programmes conducted by qualified personnel to enhance their skills and working experience.

The Group has a share option scheme ("**Scheme**") in place, which became effective on 9 August 2017, the day the Company's issued shares were initially listed on the Stock Exchange. The Scheme enables the Board to grant share options to eligible participants with an opportunity to have a personal stake in the Company. As at the date of this report, there was no outstanding share option granted under the Scheme.

SIGNIFICANT EVENT DURING THE YEAR

Thinking ahead, with the LSSPV power plant requiring management services, including financing, construction, operation and maintenance services in due course, the Group announced on 29 August 2019 that one of our wholly-owned subsidiaries of the Company had signed a joint venture agreement with other parties (who are leaders in solar and/or transmission industries, in Malaysia and the world) to invest in a joint venture company ("**JV Company**") that provides management services in relation to renewable energy business. The JV Company has not only signed a management services agreement with the Group to provide management services in relation to renewable energy to the 30 MW a.c. solar power plant in Kuala Muda, Kedah, Malaysia but has also signed a management services agreement with another company holding a 30 MW a.c. LSSPV power plant at Machang, Kelantan in Malaysia.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PROSPECT

The end of FY2019 marked the beginning of the third year since BGMC was listed on The Stock Exchange of Hong Kong Limited. It has not been all smooth sailing for BGMC to get to where it is now. On top of the unpredictable global market climate and unstable macroeconomic environment in recent years, in Malaysia, there has been a political reshuffle, and the local property market has remained subdue for a number of years. These factors all together have presented BGMC with intense competition in the industry, testing the adaptability and sustainability of its business.

Nevertheless, BGMC was able to secure 10 construction contracts worth a total of RM552.7 million for its Construction Services sector during FY2019, despite facing strong headwinds, evidencing its responsiveness and adaptability to the fast changing business environment. The credit of such good work goes to the competent management team of the Group, backed by a strong past track record and its talented and experienced workforce. With the contracts won, the Group was able to maintain the outstanding order book at a sustainable level of RM1.2 billion as at 30 September 2019. These outstanding projects are expected to begin and continue in the next 24 to 36 months. BGMC will continue to explore means and ways to reduce cost and enhance the value of its business, so as to remain competitive and stand out among its peers in the industry.

With external turbulences and challenges likely to continue to pose threats to its business, BGMC has strengthened its Concession and Maintenance sector by beefing up defensive assets. This has been the strategy of the Group since it was listed on HKEX with the support of a hybrid business model, allowing it to generate constant cashflow from available strategic assets over two decades.

Renewable energy, a fast growing industry born of increasing environmental awareness worldwide, has caught BGMC's attention. Thus, in 2018, the Group made its foray into the industry by securing a 30 MW a.c. output LSSPV power plant in Kedah, Malaysia. The project is approved by the Energy Commission of Malaysia and a power purchase agreement has been signed by TNB, the sole power distributor of Peninsular Malaysia, and a subsidiary of BGMC to purchase the power generated by the plant for 21 years. The plant will take about 14 months to build and related works have been progressing on schedule thus far to meet the date for commercial operation in year 2020.

Meanwhile, by venturing into providing management services to LSSPV power plants, BGMC has not only brought synergies to the LSSPV plant it owns, but will also be able to reap value from the joint venture offering management services to other LSSPV power plants, not to mention that the JV Company is not limiting its appetite to only LSSPV power plants in Malaysia but worldwide, especially in the ASEAN region.

As a listed company responsible to its shareholders and stakeholders in the community, BGMC will stay committed to excellence, practising prudent financial management and enterprise risk management to avert risks, thereby ensuring that it has a strong footing and capabilities to compete and win in the market. BGMC is optimistic about the future of its business and all geared up to seize coming opportunities and deliver exemplary performance, and ultimately, bolster long-term shareholder value.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

TAN SRI DATO' SRI GOH MING CHOON *Chairman and Executive Director*

Tan Sri Dato' Sri Goh Ming Choon (丹斯里拿督斯里吳明璋) ("Tan Sri Barry Goh"), aged 55, was appointed as a Director on 18 November 2016 and is now the Chairman of the Board and an Executive Director. He is also a member of the Remuneration Committee. Tan Sri Barry Goh is also a director of certain subsidiaries of the Company. He is primarily responsible for formulating the overall development strategies and business plans of the Group and overseeing the management and strategic development of the Group. He graduated from Tunku Abdul Rahman College (currently known as Tunku Abdul Rahman University College) in Malaysia with a Diploma in Technology (Electronic Engineering) in July 1990. Tan Sri Barry Goh is an uncle of Dato' Michael Teh, the Chief Executive Officer, an Executive Director, and a controlling shareholder of the Company. In addition, he is a director of Prosper International Business Limited which holds about 48% of the shares of the Company ("Shares") in issue.

Tan Sri Barry Goh is an entrepreneur and has over 22 years of experience in the property development and construction business. In 1994, after obtaining his experience in Honeywell Engineering Sdn. Bhd., an engineering company, he established B&G Capital Resources Berhad ("**B&G Capital**") which was initially engaged in the trading of electronics and electrical components. B&G Capital currently engages in property development and property management in Malaysia, and B&G Capital and its subsidiaries (collectively "**B&G Capital Group**") were acquired by Tan Sri Barry Goh at the end of June 2018. Since February 2013, Tan Sri Barry Goh has been a director of Odenza Corp., a mining company quoted on the over-the-counter markets in the United States with the symbol ODZA.

Tan Sri Barry Goh has been appointed as an executive director of Kingsley Edugroup Limited (stock code: 8105) ("**Kingsley**") whose shares were initially listed on the Stock Exchange on 16 May 2018. He also serves as a member of the remuneration committee and the nomination committee of the board of directors of Kingsley.

Tan Sri Barry Goh has resigned from his position as director of MCT Bhd., a company listed on the Main Market of Bursa Malaysia Securities Berhad, with effect from 15 April 2019.

DATO' MOHD ARIFIN BIN MOHD ARIF *Vice-chairman and Executive Director*

Dato' Mohd Arifin bin Mohd Arif ("Dato' Arifin"), aged 56, was appointed as a Director on 18 November 2016 and is now the Vice-chairman of the Board and an Executive Director. Dato' Arifin is also a director of certain subsidiaries of the Company. In addition, he is a director of Kingdom Base Holdings Limited which holds about 7.9% of the issued Shares.

He is primarily responsible for overall management, corporate development and strategic planning of the Group. Dato' Arifin has over 25 years of experience in the construction field. From 1993 to 2006, he was a director of Ehsanibu Sdn. Bhd., a Malaysian construction company. Since June 2007, he has been a director of KAS Engineering Sdn. Bhd. ("**KAS Engineering**"), an indirectly wholly-owned subsidiary of the Company and he facilitated KAS Engineering to secure the Universiti Teknologi MARA ("**UiTM**") Project in 2012. Dato' Arifin sat for the Joint Examination for the Sijil Pelajaran Malaysia and General Certificate Examination in 1980 and obtained a Grade Three Certificate.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

DATO' TEH KOK LEE *Executive Director and Chief Executive Officer*

Dato' Teh Kok Lee (拿督鄭國利) ("Dato' Michael Teh"), aged 36, was appointed as a Director on 18 November 2016 and is now the Chief Executive Officer and an Executive Director. He is also a member of the Nomination Committee. Dato' Michael Teh is currently the chief executive officer and a director of BGMC Corporation Sdn. Bhd. ("BGMC Corporation"), an indirectly wholly-owned subsidiary of the Company. He is also a director of certain subsidiaries of the Company. He is primarily responsible for overall management, corporate development and strategic planning of the Group. He graduated from the University of the West of England, Bristol in the United Kingdom with a Bachelor's degree in Law in July 2006. Dato' Michael Teh is a nephew of Tan Sri Barry Goh, the Chairman, an Executive Director and a controlling shareholder of the Company. In addition, he is a director of Seeva International Limited which holds about 19.1% of the issued Shares.

Dato' Michael Teh has over 12 years of experience in the construction field. Prior to his joining of BGMC Corporation as its project director in April 2011, he joined B&G Concept Property Sdn. Bhd., a housing and commercial property development company in Malaysia, in September 2006, as a personal assistant to the managing director for about five years. He was responsible for providing guidance on contract and commercial practices and procedures to the managing director, project managers or other operational staff.

IR. AZHAM MALIK BIN MOHD HASHIM *Executive Director*

Ir. Azham Malik bin Mohd Hashim ("Ir. Azham Malik"), aged 53, was appointed as a Director on 18 November 2016 and is an Executive Director. Ir. Azham Malik is also a director of certain subsidiaries of the Company. He is primarily responsible for overall management, corporate development and strategic planning of the Group. He has been a member of the Board of Engineers Malaysia since 1998 and also a member of The Institution of Engineers Malaysia since 2012. He obtained his Bachelor's degree in Engineering from the University of New South Wales, Australia in 1992.

Ir. Azham Malik has over 19 years of experience in the construction field. He became a director of BGMC Corporation in December 1999 after obtaining his experience in several companies. In 2008, he became a director of MDP Studio Sdn. Bhd., a company that engages in architectural and engineering (civil, mechanical and electrical) consultancy services. He does not participate in the day-to-day management of this company, and he is able to spend the majority of his working time in the Group.

TAN SRI DATO' SERI KONG CHO HA *Independent Non-Executive Director*

Tan Sri Dato' Seri Kong Cho Ha (丹斯里拿督斯里江作漢) ("Tan Sri Kong"), aged 69, was appointed as an INED on 3 July 2017. He is the chairman of the Nomination Committee and a member of the Audit Committee. He is primarily responsible for supervising and providing independent advice to the Board. He graduated from the University of Malaya in Malaysia with a Degree of Bachelor in Science in June 1974 and graduated from the science, technology and innovation policy executive education program at the Harvard University's Kennedy School of Government in the United States in November 2006.

Tan Sri Kong has several years of experience in public service. From April 2009 to June 2010, he served as the Minister of Housing and Local Government in Malaysia and from June 2010 to May 2013, he served as the Minister of Transport in Malaysia. From April 2014 to May 2018, he was the deputy chairman of Invest Perak (Investment Council in the State of Perak). From August 2014 to May 2018, he served as the chairman of Port Klang Authority.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

CHAN MAY MAY *Independent Non-Executive Director*

Chan May May (陳美美) ("Ms. Chan"), aged 53, was appointed as an INED on 3 July 2017. She is the chairlady of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee. She is primarily responsible for supervising and providing independent advice to the Board. She has been admitted to the Malaysian Bar since March 1991. She graduated from the University of Malaya in Malaysia with a Bachelor's degree in Law in August 1990.

Ms. Chan has over 22 years of experience in the legal field. She has been the chief executive officer of ZICO Insource Inc. since July 2015, which engages in the provision of insourcing and consultancy services relating to legal, human resource and communications. Ms. Chan was the head of group corporate communication in Dialog Group Berhad from December 2012 to January 2015. From 2005 to 2012, Ms. Chan was the head of legal and corporate services in Media Chinese International Ltd., a company listed on both the Stock Exchange and Bursa Malaysia Securities Berhad. Ms. Chan has been appointed as an independent non-executive director of Pentamaster International Limited (stock code: 1665), a company listed on the Stock Exchange, since 19 December 2017.

NG YUK YEUNG *Independent Non-Executive Director*

Ng Yuk Yeung (吳旭陽) ("Mr. Ng"), aged 46, was appointed as an INED on 3 July 2017. He is the chairman of the Audit Committee and a member of the Remuneration Committee. He is primarily responsible for supervising and providing independent advice to the Board. He is a fellow member of the Association of Chartered Certified Accountants in England, a member of Hong Kong Institute of Certified Public Accountants and a Chartered Financial Analyst Charter holder. He graduated from the University of Hong Kong with a Bachelor's degree in Computer Science in November 1995.

Mr. Ng has over 22 years of experience in auditing and financial management, which was mostly gained from the positions in one of the international firms of certified public accountants from 1996 to 1999 and from 2001 to 2002, and in China Resources Enterprise, Limited (Stock Code: 291), the shares of which are listed on the Stock Exchange, from 2002 to 2007. He joined Shenguan Holdings (Group) Limited (Stock Code: 829) as the company secretary and financial controller in February 2009 and is responsible for supervising financial reporting, corporate finance, tax and other finance related matters.

Mr. Ng has resigned from his position as an independent non-executive director of Dowway Holdings Limited (stock code: 8403) with effect from 11 October 2019.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

DATO' MICHAEL TEH *Executive Director and Chief Executive Officer, 36 years old*

Dato' Michael Teh is primarily responsible for supervising and overseeing the overall business of the Group. Please refer to the paragraph headed "Directors" in this section above for his biography.

CHIANG WAI LAM *Project Director, 40 years old*

Chiang Wai Lam is a Project Director of the Group and BGMC Corporation and he is primarily responsible for supervising and overseeing the construction projects of the Group. He graduated from the University of Sheffield Hallam, England with a Bachelor's degree in Building Construction Management in September 2002. He has around 12 years of experience in the construction field. Prior to joining BGMC Corporation as a project manager in April 2011, he held the position of quantity surveyor at Modular Construction, a construction company in Malaysia, from October 2002 to July 2007, where he was responsible for cost estimation and contract documents. In October 2007, he joined B&G Concept Property Sdn. Bhd., a construction company in Malaysia, as a senior quantity surveyor/cost planner for 3 years. He was responsible for contract documents, cost estimation and cost planning.

EE KIAN YIAW *Project Director, 42 years old*

Ee Kian Yiaw is currently a Project Director of the Group and BGMC Corporation and he is primarily responsible for supervising and overseeing the construction projects of the Group. He graduated from the University of Hertfordshire in England with a Bachelor's degree in Engineering in June 2000. He has over 17 years of experience in the construction field. Prior to his joining BGMC Corporation in April 2011, he joined Mie Industrial Sdn. Bhd., a construction company in Malaysia, in November 2000 as a trainee engineer and was subsequently promoted to project engineer. He was responsible for planning and implementing construction projects. In February 2004, he joined Best Ventures Sdn. Bhd. as a project engineer for 7 years and was responsible for supervising and monitoring the construction projects.

CHUA BOON TUCK *Finance Director, 53 years old*

Chua Boon Tuck is the Finance Director of the Company and BGMC Corporation. He is primarily responsible for supervising and overseeing the overall financial management of the Group. He has been a fellow member of the Association of International Accountants in England since July 2013. He received his Master of Business Administration from University of Southern Queensland, Australia in March 2009. He has extensive experience working in the finance and accounting field. Prior to his joining BGMC Corporation as the Finance Manager in March 2014, he joined B&G Concept Engineering Sdn. Bhd., a construction company in Malaysia, in March 2013 as finance and accounts adviser where he was responsible for maintaining the financial systems and models.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

For The Year Ended 30 September 2019

1. ABOUT THIS REPORT

This environmental, social and governance ("**ESG**") report is written in compliance with the ESG reporting guide ("**Guide**") as set out in Appendix 27 to the Rules Governing the Listing of Securities ("**Listing Rules**") on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**").

This report presents the environmental and social performance of BGMC International Limited ("**Company**") and its subsidiaries (collectively "**Group**" or "**BGMC**") for the reporting period of financial year ended 30 September 2019 ("**Year**"). Environmental key performance indicators ("**KPIs**") were calculated in accordance with the document titled "How to prepare an ESG Report? – Appendix 2: Reporting Guidance on Environmental KPIs" ("**Environmental KPI Guide**") published on the website of the Stock Exchange. Where relevant, the environmental KPIs are also presented in the form of intensities, where the amount calculated is divided by either the total construction floor area ("**CFA**") or the office area that contributes to the KPI. Social KPIs, on the other hand, were calculated using the relevant universal formula.

For meaningful reporting, data for calculation of environmental and social KPIs were only collected from business segments and projects that were active throughout the entire reporting period. During the Year, significant ESG data were collected from two out of the five business segments of the Group, namely Building and Structure, and Energy Infrastructure. The remaining three segments – Concession and Maintenance, Earthwork and Infrastructure, and Mechanical and Electrical – did not contribute significant data.

Due to the varying activity levels of business segments and projects from one reporting period to the next, KPIs of different reporting periods may be calculated from data collected from different sets of business segments and projects. Nevertheless, as the method of establishing the reporting boundary for any particular reporting period has been consistent, the KPIs are representative of the Group's ESG performance, and meaningful comparisons can be made between different reporting periods.

During the Year, all of the Group's operations were located in Malaysia, hence the relevant laws and regulations mentioned in this report are those legislated in Malaysia.

Definitions

Unless otherwise defined, all capitalized terms in this report shall carry the same meaning as defined in the Guide.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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2. SUSTAINABILITY MANAGEMENT OBJECTIVES, STRATEGY AND APPROACH

The Group aims to instil the ESG concepts in its business and growth and to continuously improve its performance in each relevant subject area of the Guide. It does this by adopting ESG objectives, policies and procedures, allocating good resources for ESG, embedding ESG objectives into the Company's Qube System, and creating an ESG identity for the Group.

2.1. Adopting ESG Objectives, Policies and Procedures

The Group has adopted the following ESG objectives:

i. To ensure the company's operations are environmentally sustainable.

ii. To ensure the company's operations are socially sustainable.

iii. To ensure the company's operations adhere to good corporate governance practices.

The Group has in place the following set of policies and procedures aimed at achieving the above ESG objectives.

i. Waste Reduction Policy

ii. Emission Reduction Policy

iii. Personal Data Protection Policy

iv. Intellectual Property Protection Policy

v. Anti-Bribery and Anti-Corruption Policy

vi. Policy against Child Labour and Forced Labour

vii. Set of procedures on workplace environment, safety and health

viii. Set of procedures on quality management

ix. Set of corporate governance policies

Policies and procedures no. (i) to (viii) are explained in this report under their respective related ESG aspects. The Group's Corporate Governance policies are described separately in the Group's Corporate Governance Report.

In addition, the Group has an "ESG Reporting Policy" to ensure the Group complies with its reporting obligations under the Guide and the Listing Rules. This policy sets out the approach and principles applied during the production of ESG reports. To determine the materiality of each subject area listed in the Guide, the Group implements a "Subject Area Materiality Assessment" procedure. Details of this procedure are presented in the section titled "Materiality Assessment" in this report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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To determine which stakeholders the Group needs to engage, and the level of engagement required, the Group implements a "Stakeholder Influence Assessment" procedure. Details of this procedure are presented in the section titled "Stakeholder Engagement" in this report.

After the materiality and stakeholder influence assessments, the next steps are to engage the stakeholders that have been assessed to be relevant, collect and process ESG data, and finally prepare the ESG report. These steps are implemented according to the "Stakeholder Engagement", "Sustainability Data Collection" and "Sustainability Reporting" procedures.

2.2. Allocating Good Resources for ESG

The Company's board of directors ("**Board**") has overall responsibility for the Group's ESG strategy and reporting. In line with the Corporate Governance Code in Appendix 14 of the Listing Rules of the Stock Exchange, the Board is responsible for evaluating and determining the Group's ESG-related risks and ensuring that appropriate and effective ESG risk management and internal control systems are in place. More details of ESG risk management can be found in the section "ESG Risk Management" of this report.

The Group has a sustainability working group ("**SWG**") which comprises the chief executive officer ("**CEO**") as the chairman, and heads of divisions as members. The principal roles and functions of the SWG include:

i. Establishing ESG management approach, strategy, priorities and objectives;

ii. Determining the scope of the ESG report;

iii. Identifying and disclosing additional ESG issues and KPIs;

iv. Assessing and mitigating risks associated to ESG objectives;

v. Engaging stakeholders from time to time;

vi. Collecting information for ESG report; and

vii. Providing confirmation to the Board on the effectiveness of internal control systems for ESG matters.

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For The Year Ended 30 September 2019

2.3. Embedding ESG into the Qube System

The Group has a proprietary system called the Qube System 2.0. There are eight elements in the Qube System 2.0 that drive the everyday efficiencies that stack up as quality, time and cost advantages for the Company's stakeholders. Two of the eight elements are in line with the Group's emphasis on ESG. They are:

a) "**Sustainability**" – Conducting business responsibly in the environments, economies and communities the Group operates in for the benefit of today's and future generations.

b) "**Governance**" – Balancing the interests of all stakeholders to operate with accountability, fairness and integrity.

2.4. Creating an ESG Identity

To garner greater awareness and unite all stakeholders towards achieving ESG objectives, the Group has adopted a stand called "Better Together" – a movement that creates an identity for the collaborative nature of its ESG activities. Under the "Better Together" movement, the Group has the following three specific mottos:

SUSTAINING TOGETHER | PROSPERING TOGETHER | CARING TOGETHER

(a) "**Sustaining Together**" – The Group uses this motto to promote environmental sustainability. It is associated with initiatives to reduce emissions of air pollutants and greenhouse gases, as well as to reduce hazardous and non-hazardous wastes.

(b) "**Prospering Together**" – The Group uses this motto to promote social and economic sustainability. It is associated with efforts in balancing the interests of all stakeholders and operating with accountability, fairness and integrity.

(c) "**Caring Together**" – The Group uses this motto to promote community investments as part of social sustainability. It is associated with initiatives such as supporting charities, community sponsorships, and employee welfares.

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3. STAKEHOLDER ENGAGEMENT

Using the stakeholder influence matrix (see Figures 1A and 1B), the SWG has identified a list of stakeholders, stakeholders' engagement level, and their respective methods of engagement (see Figure 2).

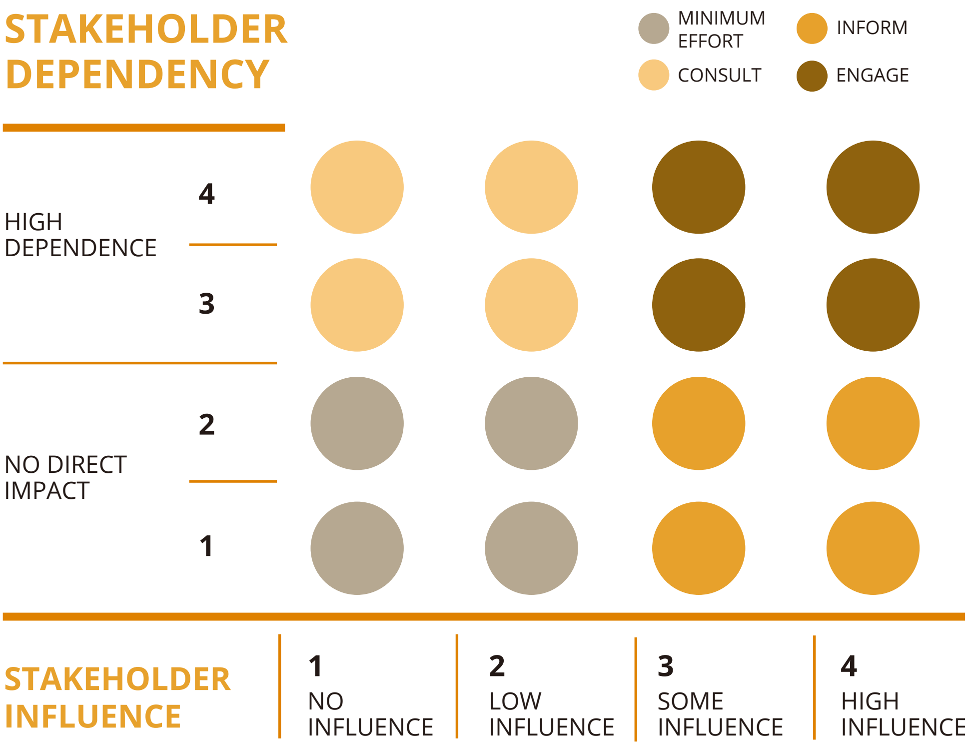

Figure 1A: Stakeholder Influence Matrix

STAKEHOLDER PRIORITIZATION	ENGAGEMENT LEVEL	ENGAGEMENT STRATEGIES
	MINIMUM EFFORT	• Keep these stakeholders sufficiently informed. • Provide stakeholders with access to feedback channels.
	CONSULT	• Keep these stakeholders sufficiently informed and engage when needed to ensure no issues are arising. • Honour commitments made through company policy, industry best practice and applicable regulations. • Keep stakeholders satisfied insofar as the costs and benefits allow.
	INFORM	• Ensure these stakeholders' concerns are proactively addressed as they may be involved in the processes as needed.
	ENGAGE	• These are stakeholders the Group fully engages and collaborates with, to find solutions to issues and make the greatest efforts to keep satisfied.

Figure 1B: Legend for Stakeholder Influence Matrix

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NO.	STAKEHOLDER GROUP	LEVEL OF ENGAGEMENT	METHOD OF ENGAGEMENT
1	Industry Players	Minimum Effort	• ESG Reports are available for their viewing • Company Website • Whistleblowing Channel
2	Customers	Inform	• Written Correspondence • Customer Satisfaction Survey • Non-Compliance Response Procedures • Company Profile/Website • Tender briefings and interviews
3	Employees	Engage	• Briefings by ESG Department • Employee Handbook • Company & ESG Policies • Grievance Channel • Whistleblowing Channel • Company events
4	Government and Regulators	Inform	• Written correspondence • Submission of statutory reports • Monitoring of Regulation Changes • Audits
5	Local Communities	Minimum Effort	• ESG Reports • Company Website • Contact information available on project signboards • Community events
6	Shareholders or Investors	Consult	• General Meetings • Board Meetings • Executive Committee Meetings • Meetings with investors (e.g. bankers) • Roadshows
7	Vendors	Engage	• Written correspondence • Vendor Pre-Qualification form • Performance evaluation form • Data collection form • Site meetings, briefings and trainings • Notices and signages within site compound

Figure 2: Results of Stakeholder Assessment and Engagement Methods

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4. MATERIALITY ASSESSMENT

The SWG has assessed the materiality of each ESG subject area, aspect and KPI listed in the Guide, using the materiality assessment matrix (see Figure 3). As a result, some KPIs under the Guide's "comply or explain" provisions have been determined to be immaterial to the Group's business and hence are not measured and disclosed in this report. They are explained in Figure 4. Meanwhile, some KPIs under the Guide's "Recommended Disclosures" have also been excluded from this report. They are listed in Figure 5.

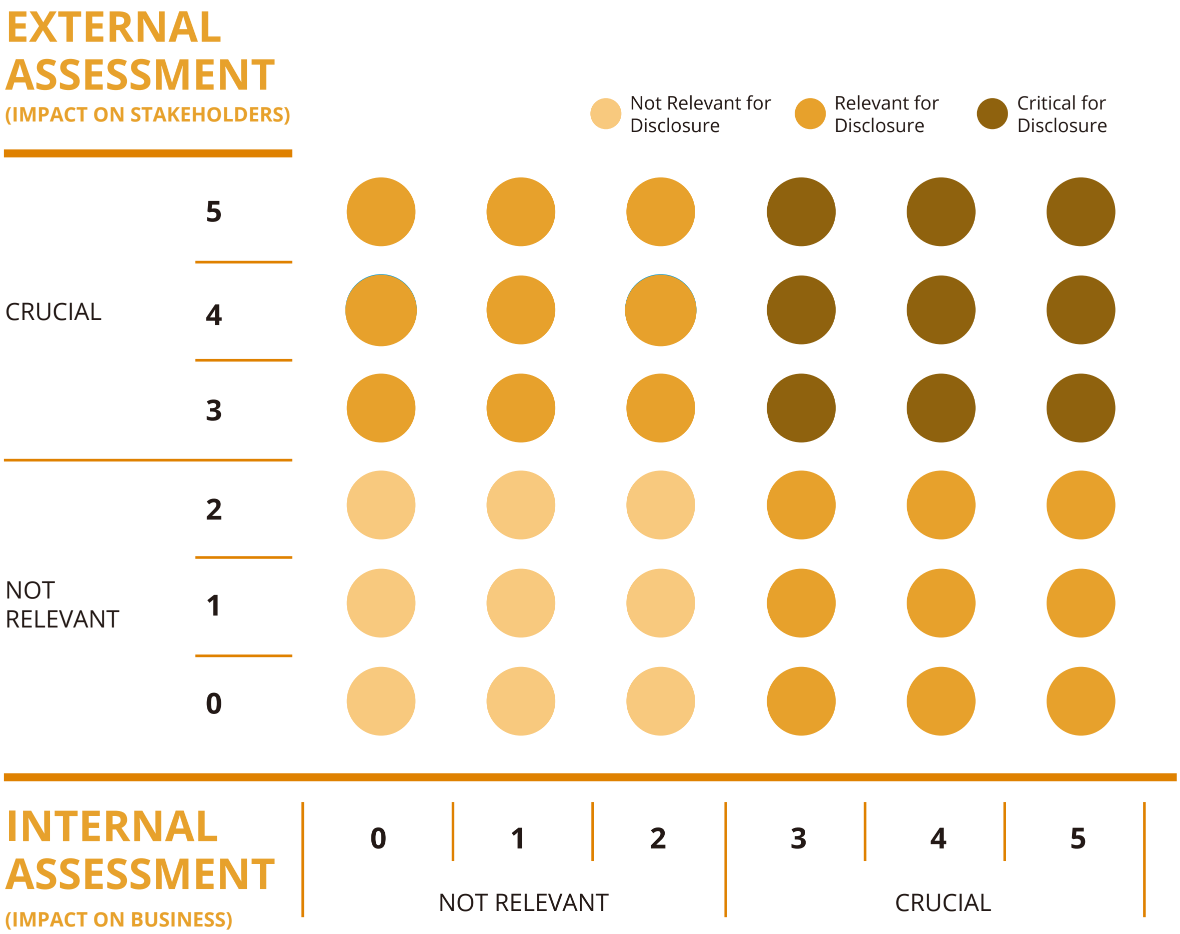

Figure 3: Materiality Assessment Matrix

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ASPECT OR KPI NO.	COMPONENT UNDER THE "COMPLY OR EXPLAIN" PROVISIONS THAT IS NOT REPORTED	WHY IT IS NOT REPORTED
A1.1	Emission data from gaseous fuel consumption.	The Group uses a very insignificant amount of gaseous fuel.
A1.2	Hydrofluorocarbons ("**HFC**") and perfluorocarbons ("**PFC**") emissions from refrigeration/air-conditioning.	The head offices of the Group use a centralized chilled-water air-conditioning system that does not require HFC or PFC as refrigerants. Other locations use very insignificant amount of refrigerant.
	GHG removals from newly planted trees.	The Group did not plant any trees in the Year.
	Indirect emissions from purchased gas.	The Group uses a very insignificant amount of purchased gas.
	Other indirect emissions from electricity used for processing sewage by government departments.	The amount of sewage produced from the Group's operations is very insignificant, as most of the fresh water used by the Group goes into the public drainage system.
A2.5	Total packaging material used for finished products per unit produced.	The completed works of the Group do not require packaging. Although the Group sometimes protect the finished parts with materials such as paper, plastic, and plywood, these are usually salvaged from construction wastes.
B6	Information on policies and compliance with relevant laws and regulations that have significant impact on the issuer relating to advertising and labelling.	The Group does not advertise or label its products or services.

Figure 4: Unreported KPIs under the "Comply or Explain" Provisions of the Guide and Their Explanations

ASPECT OR KPI NO.	COMPONENT UNDER THE "RECOMMENDED DISCLOSURE" PROVISIONS THAT IS NOT REPORTED
B5.1	Number of suppliers by geographical region.
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.
B6.2	Number of products and services related complaints received and how they are dealt with.
B6.4	Description of quality assurance process and recall procedures.
B8.2	Resources contributed (e.g. money or time) to the focus area of community investment.

Figure 5: Unreported KPIs under the "Recommended Disclosure" of the Guide

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5. ESG RISK MANAGEMENT

During the Year, the SWG has carried out risk management sessions to identify and assess risks associated with the ESG objectives of the Group. Figure 6 below summarises the ESG risks identified by the SWG and the mitigation plans to effectively manage the risks:

ESG OBJECTIVES	RISK	POSSIBLE ROOT CAUSE(S)	MITIGATION PLAN
To ensure the company's operations are environmentally sustainable.	Contamination of the environment & natural resources surrounding work sites.	Lack of environmental control measures at work sites.	• Implement Standard Operating Procedures ("**SOP**") to protect the environment from construction activities (e.g. slope protection, dip trays, bund walls, washing bays for heavy vehicles, proper waste bins, handling of hazardous materials). • Implementation of efficient work methods (e.g. Industrialised Building System ("**IBS**")). • Community services such as cleaning of drains.
	Inefficient use of resources.	Insufficient resource conservation efforts.	• Reuse construction materials. • Rainwater harvesting. • Set up recycle station. • Encourage efficient use of resources (e.g. conserve electricity & water, double-sided printing, reusing papers). • Implementation of efficient work methods (e.g. IBS).
	Excessive emission of air pollutants & greenhouse gases from construction activities.	Inefficient machinery.	Regular servicing & maintenance of machinery.
		Frequent long delivery distance by material suppliers.	Appoint suppliers with warehouses/factories nearer to work site.
		Inefficient work methods.	Implement efficient work methods (e.g. IBS).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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ESG OBJECTIVES	RISK	POSSIBLE ROOT CAUSE(S)	MITIGATION PLAN
To ensure the company's operations are socially sustainable.	Non-compliance to labour laws & employment acts.	Lack of awareness & understanding of such laws & acts.	• Regular review of HR policies. • Monitor for updates in labour laws and employment acts. • Proper recruitment SOPs in place.
	Health & safety hazards at workplace.	Unsafe practices at workplaces.	• Regular briefings on safe & healthy working habits. • Implement safety & health SOPs (e.g. personal protective equipment, signages, first aid). • Inclusion of subcontractors in safety & health programmes.
	Poor ESG practice in supply chain.	Omission of ESG factors in vendor selection.	Use environmentally friendly products sourced from responsible suppliers, subject to clients' approval.
To ensure the company's operations adhere to good corporate governance ("**CG**") practices.	Non-compliance to Malaysian Anti-Corruption Commission Act ("**MACC**").	Lack of awareness & understanding of latest Act.	• Seek consultancy on MACC Act requirements. • Provide training to staff on MACC Act requirements. • Implement anti-corruption and anti-bribery policies.
	Non-compliance to HKEX Code for CG.	Lack of awareness & understanding of CG Code.	• Annual review of CG practices using CG checklist. • Appointed professional parties to advise on CG matters & regulatory updates.
	Conflict of interest.	Poor management of conflicts of interest.	• SOPs on Connected Transactions in place. • Additional approvals to be required for transactions involving key employees.

Figure 6: Register of ESG Risks and Mitigation Plan by SWG

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

For The Year Ended 30 September 2019

6. SUSTAINING TOGETHER: ENVIRONMENTAL ASPECTS

6.1. Aspect A1: Emissions and Wastes

Policies and Targets

The Group has an emission reduction policy to reduce the emission of air pollutants and GHG. The policy includes incorporating greener options into the selection of company vehicles; maintaining efficient vehicles and machinery; choosing eco-friendly workspaces, systems and fittings; conscious use of air-conditioning, electricity and paper; conscious arrangements of business air travels; selection of major vendors closer to project sites; and setting up rainwater harvesting systems at project sites.

The Group also has a waste reduction policy to reduce its hazardous and non-hazardous wastes. The policy includes reducing the spillage of hazardous waste by using methods like dip trays and bund walls, reducing the use of hazardous substances by exploring alternatives, as well as reducing, reusing, and recycling products that result in non-hazardous wastes.

Laws and Regulations

There are currently no laws or regulations in Malaysia that govern the emission of GHG, although many of the Group's clients have embarked on their own emission reduction initiatives thus requiring the Group to follow suit. Emission of air pollutants and handling of hazardous and non-hazardous wastes are governed by the Malaysian Environmental Quality Act 1974 and amendments, with which the Group complies.

Air Pollutants

In accordance with the Environmental KPI Guide, air pollutants refer to nitrogen oxides ("**NO_x**"), sulphur oxides ("**SO_x**"), and particulate matter ("**PM**"). The main sources of air pollutants in the Group's operations are construction machinery and motor vehicles used for employee commuting and transporting goods. Figure 7 below shows the amounts and intensities of air pollutants emitted by the Group's operations during the Year and in the financial year ended September 2018 ("**FY2018**").

KPI Description	KPI Results for the Year	KPI Results for FY2018
Amount of air pollutants	2.61 tonnes	4.92 tonnes
Amount of air pollutants per CFA	2.53 grammes/m^2	4 grammes/m^2

Figure 7: Air Pollutants Emitted by the Group's Operations During the Year and in FY2018

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Greenhouse Gases

In accordance with the Environmental KPI Guide, GHG emissions refer to the sum of carbon dioxide ("**CO_2**") emission and the CO_2 equivalent emissions of methane ("**CH_4**") and nitrous oxide ("**N_2O**"). GHG emissions are categorized into direct emissions and indirect emissions.

The main sources of direct emission of GHG in the Group's operations are motor vehicles used for employee commuting and transporting goods, as well as machinery and power generators for construction activities. The main sources of indirect emission of GHG in the Group's operations are the use of purchased electricity, paper waste disposed at landfills, electricity used for processing fresh water by government departments, and business air travels by employees.

The Group does not purchase gas fuel for its operations, while the amount of electricity used for processing sewage is negligible because a very insignificant amount of fresh water consumed by the Group's operation goes into the sewerage system.

Figure 8 below shows the amounts and intensities of GHG emitted by the Group's operations during the Year and in FY2018.

KPI Description	KPI Results for the Year	KPI Results for FY2018
Direct GHG emissions due to mobile and stationary combustion (motor vehicles, machinery and power generators)	2,207.90 tonnes	3,689.57 tonnes
Indirect GHG emissions due to consumption of purchased electricity	399.98 tonnes	1,125.51 tonnes
Other indirect GHG emissions due to paper waste disposed at landfills, electricity used for processing fresh water and business air travel by employees	47.90 tonnes	66.54 tonnes
Total GHG removed from trees planted	0 tonnes	11.50 tonnes
Total GHG emissions	**2,655.79 tonnes**	**4,870.12 tonnes**
Total GHG emissions per CFA	**0.0032 tonnes/m^2 (3.2 kg/m^2)**	**0.0043 tonnes/m^2 (4.3 kg/m^2)**

Figure 8: GHG Emitted by the Group's Operations During the Year and in FY2018

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Hazardous Wastes

Hazardous wastes from the Group's operations are mainly unwanted hazardous substances, contaminated soil due to spillage, empty drums or containers previously contained hazardous substances, and contaminated rags such as cloths, gloves and other garments. Hazardous substances include but are not limited to diesel oil, lubricants, paints, and coating. Figure 9 below shows the amounts and intensities of hazardous wastes produced by the Group's operations during the Year and in FY2018.

KPI Description	KPI Results for the Year	KPI Results for FY2018
Hazardous Wastes Produced by Project Sites	0.51 tonnes	0.60 tonnes[(i)]
Hazardous Wastes Produced by Project Sites per CFA	0.00000049 tonnes/m^2 (0.49 g/m^2)	0.00000049 tonnes/m^2 (0.49 g/m^2)

Note (i): This figure was incorrectly reported in last year's ESG Report as 400.20 tonnes. The correct figure should be 0.60 tonnes as shown above. The resulting amount per CFA has also been corrected accordingly.

Figure 9: Hazardous Wastes Produced by the Group's Operations During the Year and in FY2018

Non-Hazardous Wastes

Non-hazardous wastes from the Group's operations include all other domestic and construction wastes like paper, plastics, wood, and metal. Figure 10 below shows the amounts and intensities of non-hazardous wastes produced by the Group's operations during the Year and in FY2018.

KPI Description	KPI Results for the Year	KPI Results for FY2018
Non-Hazardous Wastes Produced by Project Sites	1,753.85 tonnes	6,894.13 tonnes
Non-Hazardous Wastes Produced by Project Sites per CFA	0.0017 tonnes/m^2 (1.7 kg/m^2)	0.0056 tonnes/m^2 (5.6 kg/m^2)

Figure 10: Non-Hazardous Wastes Produced by the Group's Operations During the Year and in FY2018

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6.2. Aspect A2: Use of Resources

The Group's head offices are located in a building that applies green designs such as a centralized chilled-water air-conditioning system, motion-sensing lighting system, and plenty of natural ventilation and lighting. Majority of the lighting used inside the Group's offices are LED lamps. In addition, the Group promotes conscious use of resources by putting up signage and issuing reminders to its employees to switch off unused lights and air-conditioners, turn off water taps after use, and do not leave computers switched-on overnight. These initiatives are also extended to project sites.

Energy Consumption

The Group consumes energy in the form of electricity for both its office and worksite. It also consumes energy generated from diesel oil for construction machinery. Whenever possible, the Group taps into the existing electricity supply network to power worksite operations to minimize the usage of diesel oil which emits more GHG. Figure 11 below shows the amounts and intensities of energy consumed by the Group's operations during the Year and in FY2018.

KPI Description	KPI Results for the Year	KPI Results for FY2018
Energy Consumed by Project Sites (purchased electricity and diesel oil)	10,451,587.39 kWh	16,028,380 kWh
Energy Consumed by Project Sites (purchased electricity and diesel oil) per CFA	10.16 kWh/m^2	13.04 kWh/m^2
Energy Consumed by Offices (purchased electricity)	123,735.78 kWh	132,178 kWh
Energy Consumed by Offices (purchased electricity) per Office Floor Area	50.28 kWh/m^2	47.07 kWh/m^2

Figure 11: Energy Consumed by the Group's Operations During the Year and in FY2018

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Water Consumption

The Group consumes water for its worksite construction activities. The amount of water used at its offices are very insignificant and immeasurable as the head offices share the building's public restrooms. Figure 12 below shows the amounts and intensities of water consumed by the Group's worksite operations during the Year and in FY2018.

KPI Description	KPI Results for the Year	KPI Results for FY2018
Fresh Water Consumed by Project Sites	49,466.01 m^3	132,010.2 m^3
Fresh Water Consumed by Project Sites per CFA	0.048 m^3/m^2	0.107 m^3/m^2

Figure 12: Water Consumed by the Group's Worksite Operations During the Year and in FY2018

6.3. Aspect A3: The Environment and Natural Resources

As part of the clients' requirement, some of the Group's activities involved clearing lands, exposing slopes, and handling of hazardous substances that, if leaked, will contaminate the surrounding environment. Heavy vehicles are also prone to tracking mud and silt. Large amounts of water are needed for cleaning activities which are crucial for maintaining a safe and healthy workplace as well as to deliver good quality works. Construction sites are also notorious for producing wastes that, if not well contained, will also pollute the surroundings.

At the high level, the Green Ocean Builder ("**G.O. Builder**") model had been adopted, where the Group used more efficient methods to reduce construction time, and used natural resources responsibly. The Group applied the industrialized building system ("**IBS**") which involves prefabricating building components off-site in a better-controlled environment. As a result, on-site activities were simplified and shortened, which resulted in significant reduction in environmental impacts and wastes, less cleaning, as well as reduced energy and water consumption.

In addition, the Group also provides more localized systems and protections such as slope protection, dip trays and bund walls to contain hazardous spillage, washing bays for heavy vehicles, rainwater harvesting, solar-powered floodlights, and ample waste bins. Where relevant, these systems and protections adhere strictly to requirements of the Malaysian Department of Environment under the Ministry of Environment and Natural Resources.

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To further reduce impacts on the environment, the Group has also undertaken various initiatives at project work sites, as depicted in the photos below.

Recycling station in the worksite of Bangsar 61, Kuala Lumpur.

Recycling station in the compound of UiTM Campus in Dengkil, Selangor.

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Fine mist spraying system installed along the boundary hoarding of the work site at Sky Seputeh, Kuala Lumpur. This system reduces the amount of air pollution due to dust from the construction activities to the surrounding neighbourhood.

Rainwater harvesting system installed at the worksite of Bangsar 61, Kuala Lumpur.

"No Plastic Bottle" banner at the entrance of worksite at Bangsar 61, Kuala Lumpur.

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Desilting of drains around the worksite of Bangsar 61, Kuala Lumpur.

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7. PROSPERING TOGETHER: SOCIAL ASPECTS

7.1. Aspect B1: Employment

The Group strives to provide its employees with decent working environments with fair opportunities to grow with the Group. During the Year, all of the Group's employees were based in Malaysia. Therefore, the Group adopts employment policies that comply with the Malaysian Employment Act 1955 and Malaysian Industrial Relations Act 1967 (and their latest amendments), among other Malaysian laws and regulations that govern employment practices.

The Group's employment policies are merit-based with a structured compensation system. Employees' individual performances are transparently reviewed in a systematic appraisal process. The Group practices fair and non-discriminatory recruitment, promotion and other employment policies where all candidates are given equal opportunities (See Note A below). Diversity of employees is a significant factor in establishing workplace policies, in order to ensure such policies do not pose unfair advantage or disadvantage to any particular group of employees. Benefits and welfare such as annual and sick leave entitlement, medical and dental fees reimbursements, marriage and bereavement allowances, and insurance coverage that are above and beyond the minimum statutory requirements are also provided. The Group adopts fair dismissal provisions where employees are fully informed of their rights with respect to termination of employment, and takes great measures to ensure dismissal cases are handled ethically, sensitively, and cordially. Above all, the Group provides a clear and unobstructed employee grievances channel where employees have free and convenient access to high-level management and the Group's human resources department ("**HR Department**") to channel their grievances.

Note A: Construction services being one of the Group's main core businesses, it is natural that a larger percentage of the Group's employees are males.

Figures 13 to 16 below show the total workforce and turnover rates by gender and age group during the Year and in FY2018.

Gender	No. of Employees in the Year	No. of Employees in FY2018
Female	113	110
Male	303	317

Figure 13: Average Number of Employees in the Year and in FY2018 (by Gender)

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Age (Years)	No. of Employees in the Year	No. of Employees in FY2018
18 to 30	164	191
31 to 40	140	131
41 to 50	71	65
Above 50	41	38

Figure 14: Average Number of Employees in the Year and in FY2018 (by Age Group)

Gender	Turnover Rate in the Year	Turnover Rate in the FY2018
Female	2.14%	1.21%
Male	2.06%	2.23%

Figure 15: Average Monthly Employee Turnover Rate in the Year and in FY2018 (by Gender)

Age (Years)	Turnover Rate in the Year	Turnover Rate in the FY2018
18 to 30	2.99%	2.44%
31 to 40	1.54%	1.77%
41 to 50	1.06%	1.14%
Above 50	2.02%	1.73%

Figure 16: Average Monthly Employee Turnover Rate in the Year and in FY2018 (by Age Group)

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7.2. Aspect B2: Health and Safety

The Group's Environment, Safety and Health ("**ESH**") Division is dedicated to managing all workplace health and safety matters. It strives to provide a healthy and safe working environment for the Group's employees as well as sub-contractors. A comprehensive set of policies and procedures on workplace safety and health is strictly enforced by a team of qualified safety and health officers, supported by dedicated safety and health personnel, that form the Group's ESH Division.

The Group complies with the latest safety and health laws and regulations including but not limited to the Malaysian Occupational Safety and Health Act 1994, Malaysian Factories and Machinery Act 1967, and Malaysian Construction Industry Development Board ("**CIDB**") Act 1994 (and their latest amendments). The compliance includes providing the necessary personal protective equipment to all employees, training on good workplace safety and health practices that are tailored specifically to the nature of work and working environment, training on ergonomic habits and practices at the workplace, ample safety and health signages, inclusion of other organizations' employees in the Group's safety and health programmes for better effectiveness, and providing adequate first-aid boxes.

Figure 17 below shows the number of work-related fatalities and lost days due to work injury in the Year and in FY2018.

KPI Description	KPI Results for the Year	KPI Results for FY2018
No. of Work-Related Fatalities in the Year	0	1
No. of Lost Days Due to Work Injury in the Year	0	0

Figure 17: Work-Related Fatalities and Lost Days due to Work Injury in the Year and in FY2018

7.3. Aspect B3: Development and Training

The Group, via the HR Department and respective heads of divisions, ensures that its employees are provided with sufficient development and training. A systematic procedure is in place to determine the training and development needs of each employee. The Group sponsors its employees to attend training courses as well as continuous professional development courses which enables them to upgrade their knowledge and skills.

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Figures 18 to 21 below show the percentages of employees trained and average training hours completed per employee by gender and employee category in the Year and in FY2018.

Gender	Percentage of Employees Trained in the Year	Percentage of Employees Trained in FY2018
Female	18.04%	45.72%
Male	6.28%	10.45%

Figure 18: Percentage of Employees Trained in the Year and in FY2018 (by Gender)

Category	Percentage of Employees Trained in the Year	Percentage of Employees Trained in FY2018
Management	10.21%	28.32%
Executive	9.29%	17.80%
Non-Executive	9.69%	20.43%

Figure 19: Percentage of Employees Trained in the Year and in FY2018 (by Category)

Gender	Average Training Hours Per Employee in the Year	Average Training Hours Per Employee in FY2018
Female	4.43	5.03
Male	7.69	6.44

Figure 20: Average Training Hours Completed per Employee in the Year and in FY2018 (by Gender)

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Category	Average Training Hours Per Employee in the Year	Average Training Hours Per Employee in FY2018
Management	8.35	7.46
Executive	5.95	5.49
Non-Executive	4.12	4.13

Figure 21: Average Training Hours Completed per Employee in the Year and in FY2018 (by Category)

7.4. Aspect B4: Labour Standards

The Group has a strict policy against employing illegal child labour and forced labour, in line with the Children and Young Persons Employment Act 1966 of Malaysia (and its latest amendments). It ensures that all of its employees work voluntarily for the Group and are not intimidated or threatened to enforce employment.

The Group does not employ any persons under the age of 18. The Group holds concise and verified records of its employees. It is a pre-requisite for all prospective employees to provide the Group with official and certified true copies of documented evidence of date of birth.

Employees may voice out any contravention to this policy via employee grievances and whistleblowing procedures as set out in the Group's employee handbook. The Group also requires its suppliers and sub-contractors to sign a declaration of compliance with this policy. If the Group discovers that its supplier or sub-contractor employs illegal child labour or forced labour, the Group will instruct the supplier or sub-contractor to cease the use of illegal child labour or forced labour immediately, report the supplier or sub-contractor to the relevant authorities, and blacklist the said supplier or sub-contractor from all future projects.

7.5. Aspect B5: Supply Chain Management

During vendor selection, the Group considers the distance that the supplier will travel to deliver items to project sites especially when the items will be delivered at high frequencies while weighing other feasibility factors such as product specifications, vendor performance, and after-sales service.

Most products used by the Group for construction projects are pre-selected or pre-specified by its clients. However, whenever possible, and subject to feasibility, the Group will use environmentally friendly products sourced from responsible suppliers. The Group also promotes the use of such environmentally friendly products to its clients and consultants.

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7.6. Aspect B6: Product Responsibility

Quality, Health and Safety

The Group has a team of quality assurance and quality control ("**QAQC**") personnel that ensures construction and installation works are carried out in accordance with clients' specifications. The Group's ESH Division, on the other hand, ensures construction services are carried out in a safe and healthy manner. The Group also has in place a quality management system ("**QMS**") certified under ISO 9001:2015 that aims to consistently achieve client satisfaction. Client complaints are properly recorded and monitored until such actions have been taken to address said complaints. Root cause analysis is also carried out to prevent recurrence.

Intellectual Property Rights

The Group observes and protects its clients' intellectual property rights in accordance with intellectual property laws and regulations (and their latest amendments) such as the Malaysian Copyright Act 1987, Patents Act 1983 and Trade Marks Act 1976. As per the Group's written policy, it is committed to respecting the intellectual property of others, and requires its employees, consultants, professional service providers, sub-contractors and other agents to use legal and ethical resources to prevent the tainting of the Group's operations with improper introduction of proprietary information of third parties.

Privacy Rights

The Group has a personal data protection policy that complies with the Malaysian Personal Data Protection Act 2010. The policy includes information on the type of personal data that the Group may collect, why and how the personal data are collected, the parties with whom the Group may share the personal data, the possible transfer of personal data outside of Malaysia, the choices the Group offers its stakeholders, responsibilities on personal data protection, retention period, and stakeholders' consent.

The Group assures its stakeholders that personal data collected are wholly for the purpose of properly carrying out its obligations to its stakeholders, that it does not unnecessarily disclose personal data to third parties, that it protects personal data with its best endeavours, and that its stakeholders have options to control how their personal data are used.

7.7. Aspect B7: Anti-Corruption

The Group complies with the Malaysian Anti-Corruption Commission Act 2009 and its latest amendments. It has in place an anti-bribery and anti-corruption policy which forms part of the Group's employee handbook. This is intended to set out minimum standards to assist such persons in recognizing circumstances which may lead to or give the appearance of corruption or unethical business conduct.

In addition, the Group has in place a whistleblowing policy as part of its employee handbook which explains the provision of a secure whistleblowing channel for its employees that leads directly to the Group's whistleblowing committee. The policy also protects whistleblowers against unfair dismissal, victimization or unwarranted disciplinary action even if the concerns turn out to be unsubstantiated.

As of 30 September 2019, there has been no confirmed non-compliance incidents related to bribery, extortion, fraud and money laundering within the Group.

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8. CARING TOGETHER

8.1. Aspect B8: Community Investment

The Group endeavours to contribute its resources to the wellbeing and sustainability of the community in various ways. The following section outlines the initiatives undertaken by the Group during the Year.

Bringing Warmth to Local Communities in Need

The Group organised a few charity visitations in conjunction with Malaysia's festive seasons. On 14 December 2018, employees of the Group visited the House of Love, a shelter in Klang for underprivileged children and single mothers, bringing Christmas gifts to the residents and celebrating birthdays together. On 18 January 2019, the Group paid a visit to Yi Xing Old Folks Home in Subang Jaya and helped set up Chinese New Year decorations as well as distributed red packets and gifts to the elderly residents, while providing them some company. On 16 May 2019, the Group embarked on a collaboration with the Malaysian Department of Social Welfare ("**JKM**") to visit residents of the Selangor State Development Corporation ("**PKNS**") low-cost flats in Shah Alam. The Group's employees distributed sundry items to those in need, in hopes of providing some relief to their financial burden and a touch of comfort in the month of Ramadan.

Visit to House of Love on 14 December 2018

Visit to Yi Xing Old Folks Home on 18 January 2019

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Visit to PKNS flats on 16 May 2019

The Group also supported the PERTIWI Soup Kitchen project, founded by Islam Women's Action Body ("**PERTIWI**") to provide regular food aid to the homeless and impoverished in Kuala Lumpur. On 25 November 2018, the Group's employees assisted in distributing packaged food around the designated areas of the inner city.

Helping PERTIWI Soup Kitchen in food distribution on 25 November 2018

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Blood Donation Campaign

The Group's blood donation initiatives in 2018 were well received by both the Group's employees and members of the pubic alike. On 14 June 2019, the Group organised its third blood donation drive at One City, Subang Jaya, and successfully collected blood donations from 69 donors for the National Blood Centre of Malaysia.

Employees showing support at the blood donation drive on 14 June 2019

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8.2. Employee Care

The Group aims to ensure that its employees feel included, appreciated, and valued. Various activities have been organised via the Group's human resources department and sports club to provide platforms where employees were able to unwind and connect with each other amidst enjoyable environments.

Employees gathering around for a "Lou Sang" ceremony during the Group's Chinese New Year dinner at One City, Subang Jaya on 22 February 2019

Fun day out hiking up Broga Hill, Semenyih, on 30 March 2019

Festive meals for the Group's employees based in project sites
(Left: Buka Puasa dinner at Penang on 23 May 2019; Right: Hari Raya dinner at Melaka on 30 May 2019)

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Ice Cream Day for employees at the Group's head office in One City, Subang Jaya on 19 July 2019

CORPORATE GOVERNANCE REPORT

1. CORPORATE GOVERNANCE PRACTICES

BGMC International Limited ("**Company**") is committed to fulfilling its responsibilities to its shareholders ("**Shareholders**") and protecting as well as enhancing Shareholders' value through good corporate governance. The Company has adopted the principles contained in the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**" and "**Listing Rules**", respectively), as its code of good corporate governance, which the board of directors of the Company ("**Directors**" and "**Board**", respectively) recognises as essential to the success of the Company.

The Board periodically reviews and continues to enhance the Company's corporate governance policies and practices, and the Company has complied with all the applicable code provisions as set out in the CG Code throughout the financial year ended 30 September 2019 ("**Year**"), save for the exception described in the following paragraph.

Up to the date of this annual report, the Company was not able to timely comply with the financial reporting provisions under the Listing Rules in (i) announcing the annual results for the Year; and (ii) publishing the annual report for the Year. Such delay has constituted non-compliance with Rules 13.46 (2) and 13.49 of the Listing Rules.

2. BOARD

2.1. Roles and Responsibilities

The main roles and responsibilities of the Board are to establish overall strategies, policies and business directions of the Company and its subsidiaries ("**Group**"), to review and monitor financial performances, internal controls, risk management and corporate governance practices of the Group, and perform all other functions reserved to the Board under the articles of association of the Company ("**Articles of Association**"). The Board has delegated the day-to-day operation of the Group to the executive Directors ("**EDs**") and the senior management of the Group. Such day-to-day operation includes execution of the business plans, strategies and policies adopted by the Board.

In addition, the Board has established Board committees as described in the section entitled "Board Committees" below, and has delegated key responsibilities to these Board committees as set out in their respective terms of reference ("**ToRs**").

The Directors can seek independent professional advice for performing their duties through the chairman of the Board ("**Chairman**") at the expense of the Company.

The Directors at all times have full access to information of the Group and they can also have access to information from the senior management of the Company independently. The Board is provided with monthly operating information which contains the up-to-date performance of the Group and information of the Company to enable the Board as a whole and each Director to discharge their duties.

Other than the independent non-executive Directors ("**INEDs**"), all EDs are appointed on a full-time basis and have sufficient time to deal with the affairs of the Company. All Directors are required to fulfil their responsibilities as directors of the Company and their common law duties as directors.

CORPORATE GOVERNANCE REPORT

2.2. Composition of the Board

The members of the Board during the Year and up to the date of this annual report are set out below:

EDs
Tan Sri Dato' Sri Goh Ming Choon ("**Tan Sri Barry Goh**") *(Chairman)*
Dato' Mohd Arifin bin Mohd Arif ("**Dato' Arifin**") *(Vice-chairman)*
Dato' Teh Kok Lee ("**Dato' Michael Teh**") *(Chief executive officer)*
Ir. Azham Malik bin Mohd Hashim ("**Ir. Azham Malik**")

INEDs
Tan Sri Dato' Seri Kong Cho Ha ("**Tan Sri Kong**")
Chan May May ("**Ms. Chan**")
Ng Yuk Yeung ("**Mr. Ng**")

The three INEDS make up more than one-third of the Board and among them, Mr. Ng, is a fellow member of the Association of Chartered Certified Accountants in England, a member of Hong Kong Institute of Certified Public Accountants and a Chartered Financial Analyst.

Dato' Michael Teh, an ED and the chief executive officer of the Company ("**Chief Executive Officer**") is a nephew of Tan Sri Barry Goh, the Chairman and Tan Sri Barry Goh is the uncle of Dato' Michael Teh. Save for the aforementioned relationship between the Chief Executive Officer and the Chairman, there was no financial, business, other family or other material relationships among the members of the Board during the Year and up to the date of this annual report.

The biographical information of the Directors is set out in "Directors and Senior Management" section of this annual report. An updated list of the Directors identifying the EDs and INEDs, and the roles and functions of each Director, is also maintained on the respective websites of Stock Exchange and the Company.

The Company reviews the Board composition regularly to ensure that it has a balance of expertise, skills and experience appropriate for the needs of the business of the Group. Directors have disclosed the number and nature of their offices held in public companies or organisations and other significant commitments in their biographical information. They are also reminded to notify the Company in a timely manner and confirm twice annually to the Company any change of such information so that the Company will set out the change and the updated information regarding such Directors in the next published annual report and interim report of the Company (as the case may be).

The Company has arranged appropriate insurance coverage in respect of any legal action against the Directors and the senior management of the Group.

CORPORATE GOVERNANCE REPORT

2.3. Meetings of the Board and the Shareholders and Directors' Attendance Records

The Board is scheduled to meet four times a year at approximately quarterly intervals with notice given to the Directors at least 14 days in advance. For all other Board meetings, notice will be given in a reasonable time in advance. All Directors are given draft agenda for all matters for deliberation and resolution at the meetings. The Directors are allowed to include into the draft agenda any additional matters that they wish to discuss and resolve at the meetings. To enable the Directors to be properly briefed on issues arising at each Board meeting and to make informed decisions, an agenda and the accompanying Board papers will be sent to all Directors at least three days prior to any regular Board meeting or such other period as agreed for other Board meetings.

The company secretary of the Company ("**Company Secretary**") is responsible to prepare and circulate the abovementioned draft agenda and board papers. All Board meetings' minutes recorded in sufficient detail of the matters considered and decisions reached will be kept by a duly appointed secretary of the meeting. Draft and final versions of the minutes are circulated to the Directors for comments and records respectively within a reasonable time after each meeting and the final version is open for the Directors' inspection.

If a matter to be considered by the Board involves a conflict of interests of any substantial or controlling Shareholder or Director and if the Board considers that the matter is material, it would be dealt with by a physical meeting rather than a written resolution of the Directors.

The Board ensures that there are sufficient INEDs (who, and whose close associates, have no material interests in the transaction) participating in discussing and voting on the resolution. A Director having material interests would abstain from deliberating and voting on the resolution to avoid any conflict of interests.

Six Board meetings and one annual general meeting of the Company ("**AGM**") were held during the Year and up to the date of this annual report. The attendance of each Director at the Board meetings and the AGM is as follows:

Name of Directors	Attendance at Board Meeting Held on:						Attendance at the AGM Held on 25 March 2019
	18 December 2018	25 March 2019	28 May 2019	10 September 2019	30 December 2019	20 February 2020	
EDs							
Tan Sri Barry Goh *(Chairman)*	Present	Present	Present	Present	Present	Present	Present
Dato' Arifin *(Vice-chairman)*	Present	Present	Present	Present	Present	Present	Present
Dato' Michael Teh *(Chief Executive Officer)*	Present	Present	Present	Present	Present	Present	Present
Ir. Azham Malik	Present	Present	Present	Present	Present	Present	Present
INEDs							
Tan Sri Kong	Present	Absent	Present	Present	Present	Present	Absent
Ms. Chan	Present	Present	Absent	Present	Present	Present	Present
Mr. Ng	Present	Present	Present	Present	Present	Present	Present

CORPORATE GOVERNANCE REPORT

2.4. Induction and Continuing Professional Development

On the first occasion of each Director's appointment, the Company will arrange a formal, comprehensive and tailored induction to each Director to ensure that he/she has a proper understanding of the Company's operations and business and is fully aware of the director's responsibilities under statue and common law, the Listing Rules, other legal and regulatory requirements and the Company's business and governance policies.

The Company has from time to time arranged relevant trainings at the Company's expense to all Directors to develop and refresh their duties and responsibilities. All Directors have provided the Company with records of the trainings attended by them during the Year. According to the training records maintained by the Company, the types of trainings received by each of the Directors during the Year are summarised as follows:

Name of Directors	Type of Trainings
EDs	
Tan Sri Barry Goh *(Chairman)*	A, B
Dato' Arifin *(Vice-chairman)*	A, B
Dato' Michael Teh *(Chief Executive Officer)*	A, B
Ir. Azham Malik	A, B
INEDs	
Tan Sri Kong	A, B
Ms. Chan	A, B
Mr. Ng	A, B

A: attending training sessions, including but not limited to, seminars, briefings, conferences, forums and workshops
B: reading newspapers, journals and updates relating to the economy, general business, corporate governance and directors' duties and responsibilities

2.5. Chairman and Chief Executive Officer

During the Year and up to the date of this annual report, Tan Sri Barry Goh acted as the Chairman and Dato' Michael Teh acted as the Chief Executive Officer. The Chairman performs the management of the Board and the Chief Executive Officer performs the day-to-day management of the Group's businesses. Clear division of their respective roles and responsibilities is in place and set out in writing to ensure a balance of power and authority.

CORPORATE GOVERNANCE REPORT

3. INEDs

INEDs are appointed on a term of three years.

Pursuant to the Articles of Association, all Directors (including INEDs) appointed by the Board shall hold office only until the first general meeting of the Company after his/her appointment (in the case of filling a casual vacancy) or until the next following AGM (in the case of an addition to the Board), and shall be eligible for re-election at that meeting.

All Directors shall be subject to retirement by rotation at least once every three years and the retiring Director shall be eligible for re-election.

During the Year, the Chairman, being an ED, held one meeting with the INEDs without the presence of other EDs. The Board as well as the Nomination Committee have reviewed the annual written confirmation of independence from each of the INEDs and based on such confirmations, the Company considers that all the INEDs are independent and have met the independence guidelines as set out in Rule 3.13 of the Listing Rules during the Year and up to date of this annual report.

4. BOARD COMMITTEES

The Board has established four Board committees, namely the Audit Committee, the Remuneration Committee, the Nomination Committee and the Risk Committee to oversee particular aspects of the Company's affairs. The Board committees are provided with sufficient resources to discharge their duties. The list of members of the four Board committees are as follows:

	Board Committees' Composition			
Name of Directors	Audit Committee	Remuneration Committee	Nomination Committee	Risk Committee
EDs				
Tan Sri Barry Goh *(Chairman)*	–	Member	–	–
Dato' Arifin *(Vice-chairman)*	–	–	–	Chairman
Dato' Michael Teh *(Chief Executive Officer)*	–	–	Member	Member
Ir. Azham Malik	–	–	–	–
INEDs				
Tan Sri Kong	Member	–	Chairman	Member
Ms. Chan	Member	Chairwoman	Member	Member
Mr. Ng	Chairman	Member	–	Member

The composition and the ToRs of the Board Committees are reviewed and updated regularly to ensure that they remain appropriate and in line with the Company's business and changes in governance practices. The written ToRs of the Board Committees excluding the Risk Committee are published on the respective websites of the Stock Exchange and the Company.

CORPORATE GOVERNANCE REPORT

4.1. Audit Committee

The Board has established an Audit Committee with written ToRs that comply with the CG Code, which have been published on the respective websites of the Stock Exchange and the Company. Such ToRs were adopted by the Company on 3 July 2017 and revised on 31 December 2018 to conform with the requirements under the Listing Rule and the CG Code. The principal roles and functions of the Audit Committee include but are not limited to:

i. Overseeing the engagement of internal and external auditors, and approving their remuneration and terms of engagement;

ii. Reviewing and monitoring the internal and external auditors' independence and objectivity and the effectiveness of the audit scope, process, and report;

iii. Monitoring the integrity of the financial statements of the Company, including its annual and interim reports and other formal announcements (if any) relating to its financial performance;

iv. Monitoring and reviewing the adequacy and effectiveness of the Company's policies and procedures regarding internal controls, and any statement concerning internal controls to be included in the annual financial statements prior to endorsement by the Board;

v. Monitoring and reviewing annually that management has discharged its duty to have an effective internal control system, including the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, and their training programmes and budget;

vi. Monitoring and reviewing annually the effectiveness of the Group's internal audit function, in particular, ensuring the adequacy of resources, staff qualifications and experience, training programmes and budget;

vii. Ensuring coordination between the internal and external auditors and that the internal audit function has appropriate standing within the Company and within the Group;

viii. Reviewing the management's response to the internal and external auditors' findings and recommendations, and ensuring that the Board will provide a timely response to the issues raised;

ix. If required, overseeing the engagement and approval of the remuneration of any accounting firm to perform an external review on the effectiveness of its designed control objectives and control activities, and review and approve any report produced; and

x. Reviewing and approving the assessment of the framework of controls put in place to mitigate corruption risks.

CORPORATE GOVERNANCE REPORT

During the Year, the Audit Committee has performed the following works:

i. Reviewed the reappointment and remuneration of Crowe Governance Sdn. Bhd. ("**Crowe**") as the Group's outsourced internal auditors;

ii. Reviewed the reappointment and remuneration of Deloitte PLT ("**Deloitte**") as the Group's external auditors;

iii. Reviewed the reappointment and remuneration of Deloitte Tax Services Sdn. Bhd. for the non-audit services provided to the Group;

iv. Reviewed the audit plans, scopes, methods and reporting formats proposed by Crowe and Deloitte;

v. Reviewed the internal and external audit reports by Crowe and Deloitte respectively, and the management's response to the reported findings;

vi. Reviewed the adequacy of qualified accountants in the Group;

vii. Reviewed the continuing connected transactions conducted by the Group;

viii. Reviewed the interim and annual financial statements, reports, and results announcement of the Group for the Year prior to publication;

ix. Reviewed the internal controls policies and procedures across the Group, including those for accounting and reporting; and

x. After due deliberation, recommended the appropriate outcomes of the above reviews for the Board's approval.

The Audit Committee held seven meetings during the Year and up to the date of this annual report. The attendance of each INED at the meetings is as follows:

	Attendance at Audit Committee Meeting Held on:						
Name of Directors	18 December 2018	25 March 2019	28 May 2019	10 September 2019	30 December 2019	11 February 2020	20 February 2020
Mr. Ng *(Chairman)*	Present	Present	Present	Present	Present	Present	Present
Ms. Chan	Present	Present	Absent	Present	Present	Present	Present
Tan Sri Kong	Present	Absent	Present	Present	Present	Present	Present

CORPORATE GOVERNANCE REPORT

4.2. Remuneration Committee

The Board has established a Remuneration Committee with written ToRs that comply with the CG Code, which have been published on the respective websites of the Stock Exchange and the Company. Such ToRs were adopted by the Company on 3 July 2017 and revised on 28 May 2019 to conform with the requirements under the Listing Rules and the CG Code. The principal roles and functions of the Remuneration Committee include but are not limited to:

i. Formulating a remuneration policy for approval by the Board, which shall take into consideration factors such as salaries paid by comparable companies, employment conditions as well as responsibilities and individual performance of the Directors, senior management and general staff;

ii. Establishing guidelines for the recruitment of the Chief Executive Officer and senior management;

iii. Recommending to the Board the policy and structure for the remuneration of the Directors and senior management whilst ensuring that no Director or any of his/her associates (as defined in the Listing Rules) is involved in deciding his/her own remuneration;

iv. In consultation with the Chairman and/or the Chief Executive Officer, determining the remuneration of EDs and senior management, including benefits in kind, pension right, and compensation payment;

v. Reviewing and approving the compensation arrangements in connection with any loss or termination of their office or appointment, or dismissal or removal for misconduct, to the EDs and senior management, which shall be fair and not excessive;

vi. Determining the criteria for assessing employee performance, which reflect the Company's business objectives and targets;

vii. Considering the annual performance bonus for the EDs, senior management and general staff, having regard to their achievements against the performance criteria and by reference to market norms, and making recommendations to the Board; and

viii. Engaging such external professional advisors to assist and/or advise the Remuneration Committee on issues as it considers necessary.

CORPORATE GOVERNANCE REPORT

During the Year, the Remuneration Committee had performed the following works:

i. Reviewed the performance of individual EDs and senior management, and recommended their discretionary bonus and remuneration package;

ii. Reviewed the remuneration of non-executive Directors;

iii. Reviewed the Group's remuneration policy and annual bonus policy;

iv. Reviewed the management's analysis on performance bonus funding methods, and its underlying principles and metrics to be used;

v. Reviewed the remuneration bands of Directors and the senior management; and

vi. After due deliberation, recommended the appropriate outcomes of the above reviews for the Board's approval.

The Remuneration Committee held two meetings during the Year and up to the date of this annual report. The attendance of each Director at the meetings is as follows:

	Attendance at Remuneration Committee Meeting Held on:	
Name of Directors	**18 December 2018**	**30 December 2019**
Ms. Chan *(Chairwoman)*	Present	Present
Tan Sri Barry Goh	Present	Absent
Mr. Ng	Present	Present

CORPORATE GOVERNANCE REPORT

4.3. Nomination Committee

The Board has established a Nomination Committee with written ToRs that comply with the CG Code, which have been published on the respective websites of the Stock Exchange and the Company. Such ToRs were adopted by the Company on 3 July 2017 and revised on 28 May 2019 to conform with the requirements under the Listing Rules and the CG Code. The principle roles and functions of the Nomination Committee include but are not limited to:

i. Reviewing the structure, size, composition and diversity of the Board at least annually and making recommendations on any proposed changes to the Board to implement the Company's corporate strategy;

ii. Considering the selection criteria of the Directors, and developing procedures for the sourcing and selection of candidates to stand for election by the Shareholders or to fill casual vacancies of the Directors for the Board's approval;

iii. Assessing the independence of the INEDs and reviewing the INEDs' annual confirmations on their independence;

iv. Disclosing its review results in the corporate governance report of the annual report of the Company; and

v. Reviewing succession planning for the Chairman, the Chief Executive Officer as well as senior management, considering the Company's corporate strategy and the mix of skills, knowledge, experience and diversity needed in the future, together with the Board, as appropriate.

The Nomination Committee has adopted a Nomination Policy which is set out under the Section 5 "Nomination Policy" of this report.

During the Year, the Nomination Committee had performed the following works:

i. Reviewed the structure, size and diversity of the Board. No changes were recommended in view that the Board's composition is still in line with the Company's corporate strategy;

ii. Reviewed the confirmation of independence by the INEDs;

iii. Reviewed the re-election of the retiring Directors at the AGM held on 25 March 2019;

iv. Reviewed the time commitment of the Directors for performance of their responsibilities;

v. Reviewed the Company's succession plan for the Board; and

vi. After due deliberation, recommended the appropriate outcomes of the above reviews for the Board's approval.

CORPORATE GOVERNANCE REPORT

The Nomination Committee held two meetings during the Year and up to the date of this annual report. The attendance of each Director at the meetings is as follows:

Name of Directors	Attendance to Nomination Committee Meeting Held on: 18 December 2018	Attendance to Nomination Committee Meeting Held on: 30 December 2019
Tan Sri Kong *(Chairman)*	Present	Present
Ms. Chan	Present	Present
Dato' Michael Teh	Present	Present

4.4. Risk Committee

The Board has established a Risk Committee with written ToRs that complies with the CG Code. The principle roles and functions of the Risk Committee include but are not limited to:

i. Advising the Board on the Group's risk appetite and risk principles;

ii. Advising the Board on other risk-related issues including corporate actions and proposed strategic transactions such as mergers, acquisitions and disposals;

iii. Overseeing risk management framework and reviewing its effectiveness;

iv. Approving the Group's risk policies and risk tolerance;

v. Considering emerging risks relating to the Group's business and strategies;

vi. Reviewing risk reports and breaches of risk tolerances and policies;

vii. Reviewing the Group's capital adequacy and solvency levels; and

viii. Monitoring stress testing results of the Group's key risk exposures.

During the Year, the Risk Committee had performed the following works:

i. Reviewed the appointment and remuneration of the Crowe as the Group's risk management consultant;

ii. Reviewed enterprise risk management ("**ERM**") reports by Crowe;

iii. Reviewed a risk analysis report for a new business segment of the Group;

iv. Reviewed the Group's risk management policies; and

v. After due deliberation, recommended the appropriate outcomes of the above reviews for the Board's approval.

CORPORATE GOVERNANCE REPORT

The Risk Committee held a total of five meetings during the Year and up to the date of this annual report. The attendance of each Director at the meetings is as follows:

Name of Directors	Attendance at Risk Committee Meeting Held on:				
	18 December 2018	25 March 2019	28 May 2019	10 September 2019	30 December 2019
Dato' Arifin *(Chairman)*	Present	Present	Present	Present	Present
Dato' Michael Teh	Present	Present	Present	Present	Present
Mr. Ng	Present	Present	Present	Present	Present
Ms. Chan	Present	Present	Present	Present	Present
Tan Sri Kong	Present	Absent	Present	Present	Present

5. NOMINATION POLICY

The Board has delegated its responsibilities and authority for selection and appointment of the Directors to the Nomination Committee of the Company. Without prejudice to the authority and duties of the Nomination Committee as set out in its ToRs, the ultimate responsibility for selection and appointment of the Directors rests with the entire Board.

The Nomination Committee will evaluate, select and recommend candidate(s) for directorships to the Board by giving due consideration to the selection criteria which include, but are not limited to, diversity of the Board, commitment for responsibilities, qualifications on both accomplishment and experience, independence of INEDs, reputation for integrity, potential contributions to the Board, and any plan(s) in place for the orderly succession of the Board.

The Nomination Committee will recommend to the Board for the selection, appointment and reappointment of a Director, including an INED in accordance with the following procedure and process:

A. The Nomination Committee:

i. will, giving due consideration to the current composition and size of the Board, develop a list of desirable skills, perspectives and experience at the outset to focus the search effort;

ii. may consult any source it considers appropriate in identifying or selecting suitable candidates, with due consideration given to the selection criteria described above;

iii. may adopt any process it considers appropriate in evaluating the suitability of the candidates, such as interviews, background checks, presentations and third-party reference check;

iv. will consider a broad range of candidates who are in and outside of the Board's circle of contacts;

v. upon considering a candidate suitable for the directorship, will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment;

CORPORATE GOVERNANCE REPORT

vi. The Nomination Committee will provide the relevant information of the selected candidate to the Remuneration Committee for consideration of the remuneration package of such selected candidate;

vii. The Nomination Committee will thereafter make the recommendation to the Board in relation to the proposed appointment, and where a non-executive Director is considered, the Remuneration Committee will make the recommendation to the Board on the policy and structure for the remuneration;

viii. The Board may arrange for the selected candidate to be interviewed by the members of the Board who are not members of the Nomination Committee and the Board will thereafter deliberate and decide the appointment as the case may be; and

ix. All appointment of Directors will be confirmed by the filing of the consent to act as Director of the relevant Director (or any other similar filings requiring the relevant Director to acknowledge or accept the appointment as Director, as the case may be) with the relevant regulatory authorities, if required.

The Nomination Committee will recommend to the Board for the re-election of a Director including an INED in accordance with the following procedure and process:

i. The Nomination Committee will review the overall contribution and service, and the level of participation and performance of the retiring Director during the period of service.

ii. The Nomination Committee will review and determine whether the retiring Director continues to meet the criteria as set out above.

iii. The Nomination Committee will provide the relevant information of the selected candidate to the Remuneration Committee for consideration of the remuneration package of such candidates.

iv. The Nomination Committee will then, on the basis of the recommendation made by the Nomination Committee and Remuneration Committee, make recommendation to Shareholders in respect of the proposed re-election of Director at the following general meeting.

Where the Board proposes a resolution to elect or re-elect a candidate as Director at the following general meeting, the relevant information of the candidate will be disclosed in the circular to Shareholders and/or explanatory statement accompanying the notice of the relevant following general meeting in accordance with the Listing Rules and/or applicable laws and regulations.

CORPORATE GOVERNANCE REPORT

6. BOARD DIVERSITY POLICY

The Company has a Board Diversity Policy whereby it recognises and embraces the benefits of having a diverse Board, which enhances the quality of its performance by achieving a sustainable and balanced growth towards the attainment of its strategic objectives. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. The design of the Board's composition shall consider a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. For implementing the Board Diversity Policy, the Board has set measurable objectives which require, among others, the Board to comprise at least one female director, and at least three Directors with professional experience in industries other than the construction industry. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members as well as the measurable objectives.

The Nomination Committee will continue to review the Board Diversity Policy from time to time to endure its continued effectiveness.

During the Year and as at the date of this annual report, the Board comprises seven Directors, one of whom is a female. The following tables further illustrate the diversity of the Board members as of the date of this annual report:

	Age Group				Ethnicity	
Name of Directors	30 to 39	40 to 49	50 to 59	Above 60	Chinese	Malay
Tan Sri Barry Goh			✓		✓ (Malaysian)	
Dato' Arifin			✓			✓ (Malaysian)
Dato' Michael Teh	✓				✓ (Malaysian)	
Ir. Azham Malik			✓			✓ (Malaysian)
Tan Sri Kong				✓	✓ (Malaysian)	
Ms. Chan			✓		✓ (Malaysian)	
Mr. Ng		✓			✓ (Hong Kong Resident)	

CORPORATE GOVERNANCE REPORT

Name of Director	Educational Background				Professional Experience			
	Engineering	Law	Accountancy	Science and/ or Others	Construction	Public Service	Law	Auditing and Finance
Tan Sri Barry Goh	✓				✓			
Dato' Arifin				✓	✓			
Dato' Michael Teh		✓			✓			
Ir. Azham Malik	✓				✓			
Tan Sri Kong				✓		✓		
Ms. Chan		✓					✓	
Mr. Ng			✓	✓				✓

7. CORPORATE GOVERNANCE FUNCTIONS

The Board recognises that the Directors should be collectively responsible for the corporate governance duties. Such duties include but are not limited to:

i. Developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board;

ii. Reviewing and monitoring the training and continuous professional development ("**CPD**") of the Directors and senior management;

iii. Reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;

iv. Developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and the Directors; and

v. Reviewing the Company's compliance with the CG Code and disclosure in this report.

During the Year and up to the date of this annual report, the Board has reviewed and performed the abovesaid corporate governance functions.

CORPORATE GOVERNANCE REPORT

8. AUDIT AND ACCOUNTABILITY

8.1. Independent Auditor's Remuneration

Deloitte has been engaged as the Group's independent auditor for the Year.

The remuneration paid/payable to Deloitte for the Year is set out below:

Services	Fee paid/payable (RM)
Statutory audit services	446,000
Accounting review services	See Note A
Evaluation of cash flow models and valuation reports	See Note A
Tax compliance and advisory services	82,400
Review of continuing connected transactions	20,000
Review of annual results announcements for the Year	15,000
Review of interim results announcements for the first half of the Year	120,000
Evaluation of IFRS 9 and IFRS 15 assessment effective for the Year	30,000
Evaluation of disclosure required for new standards effective for the Year	30,000
Total	**743,400**

Note A: *As at the time of printing of this report, the latest amount claimed by Deloitte for this item, which is not yet confirmed and is subject to on-going negotiation, is RM 700,000 excluding out-of-pocket expenses.*

8.2. Directors' Responsibility for the Financial Statements

It is the responsibility of the Board to present a balanced, clear and comprehensible assessment of the annual and interim reports, inside information announcements and other financial disclosures required under the Listing Rules, and reports to regulators as well as information required to be disclosed pursuant to applicable statutory requirements, such that they give a true and fair view of the state of affairs of the Group. The Board also confirms that the Company has an effective process for financial reporting and compliance with the Listing Rules.

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements of the Company. In preparing the financial statements for the Year, the Directors have, with sufficient information provided by the senior management for an informed assessment, selected appropriate accounting policies and applied them consistently, made judgements and estimates that are prudent and reasonable, and prepared the financial statements on a going concern basis (as the case may be). Material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern are disclosed in Note 2 to the consolidated financial statements.

In addition, Deloitte has stated in the independent auditor's report its reporting responsibilities on the Company's consolidated financial statements for the Year.

CORPORATE GOVERNANCE REPORT

9. APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the EDs has entered into a service agreement with the Company for a term of three years commencing on 9 August 2017 ("**Listing Date**"), while each of the INEDs has entered into a letter of appointment with the Company for a term of three years commencing on the Listing Date.

Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM and shall then be eligible for re-election.

All the Directors, including INEDs, are subject to retirement by rotation and eligible for re-election in accordance with the Articles of Association. At each AGM, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at the AGM at least once every three years. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he/she retires. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of Directors to retire by rotation) any Director who wishes to retire and does not offer himself/herself for re-election. Any further Directors so to retire shall be those who have been the longest in office since their last re-election or appointment and so that as between the persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

10. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Particulars of the Directors' remuneration for the Year are set out in Note 10 to the consolidated financial statements.

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management (other than the Directors) whose particulars are contained in the section headed "Directors and Senior Management" in this annual report for the Year by band is set out below:

Remuneration band (in RM)	Number of Individuals
Nil to 1,000,000	2

CORPORATE GOVERNANCE REPORT

11. MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a model code ("**Securities Code**") for securities transactions by the Directors and the employees likely to possess inside information of the Company ("**Relevant Employees**") on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules ("**Model Code**").

The Directors and senior management of the Company are required to comply with the Securities Code from time to time. Notices are sent to the Directors and the Relevant Employees reminding that they must not deal in the securities of the Company during the "black-out period" specified in the Model Code and before publishing any inside information announcement. The Directors, the Chief Executive Officer and the senior management of the Company are required to notify the Company and receive from the Company a dated written acknowledgement before dealing in the Company's securities.

Following a specific enquiry made by the Company on each of them, all Directors confirmed that they had complied with the Model Code and the Securities Code during the Year. No incident of non-compliance with the Securities Code by the Directors and the Relevant Employees was noted by the Company.

12. DISCLOSURE OF INSIDE INFORMATION

The Group acknowledges its responsibilities under the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong and the Listing Rules and the overriding principle that inside information should be announced as soon as reasonably practical when it is the subject of a decision. The procedures and internal controls for handling and dissemination of inside information are as follows:

i. The Group conducts its affairs with close regard to the disclosure requirement under the Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong in June 2012;

ii. The Group has implemented and disclosed its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and the Company's website;

iii. The Group has strictly prohibited the unauthorised use of confidential or inside information; and

iv. The Group has established and implemented procedures for responding to external enquiries about the Group's affairs, so that only the EDs as well as the Company Secretary and the head of investor relations of the Company are authorized to communicate with parties outside the Group.

CORPORATE GOVERNANCE REPORT

13. COMPANY SECRETARY

The Company Secretary is Sir Kwok Siu Man KR ("**Sir Seaman Kwok**"). Sir Seaman Kwok was nominated by Boardroom Corporate Services (HK) Limited ("**Boardroom**") to assume such position and Boardroom has been providing certain corporate secretarial services to the Company pursuant to an engagement letter entered into between the Company and Boardroom.

Sir Seaman Kwok is a fellow member of each of The Institute of Chartered Secretaries and Administrators in England ("**ICSA**"), The Institute of Financial Accountants in England, the Institute of Public Accountants in Australia, The Hong Kong Institute of Chartered Secretaries ("**HKICS**"), The Association of Hong Kong Accountants and The Hong Kong Institute of Directors, a Chartered Governance Professional of both ICSA and HKICS, and a member of the Hong Kong Securities and Investment Institute.

The primary person at the Company with whom Sir Seaman Kwok has been contacting in respect of company secretarial matters is Dato' Michael Teh, an ED who is also the Chief Executive Officer, or his delegates. Sir Seaman Kwok reports to the Chairman and the Chief Executive Officer. All Directors may call upon him for advice and assistance at any time in respect of his duties.

Sir Seaman Kwok complied with Rule 3.29 of the Listing Rules in receiving the relevant hours of CPD during the Year.

14. CONSTITUTIONAL DOCUMENTS

There was no change in the constitutional documents of the Company during the Year. A copy of the latest version of the Company's Memorandum and Articles of Association is available on the respective websites of the Stock Exchange and the Company.

15. SHAREHOLDERS' RIGHTS

15.1. Procedures for Putting Forward Proposals at Shareholders' Meetings

There is no provision allowing Shareholders to make proposals or move resolutions at the AGMs under the Articles of Association or the laws of the Cayman Islands. Shareholders who wish to make proposals or move a resolution may, however, convene an extraordinary general meeting ("**EGM**") in accordance with the "Procedures for Shareholders to convene an EGM" set out below.

15.2. Procedures for Shareholders to Convene an EGM

Any one or more Shareholders holding at the date of deposit of the requisition not less than 10% of the paid-up capital of the Company carrying the right of voting at general meetings of the Company ("**Eligible Shareholder(s)**") shall at all times have the right, by written requisition ("**Requisition**"), to require an EGM to be called by the Board or the Company Secretary for the transaction of any business specified in such requisition, including making proposals or moving a resolution at the EGM.

Eligible Shareholders who wish to convene an EGM for the purpose of making proposals or moving a resolution at the EGM must deposit a Requisition signed by the Eligible Shareholder(s) concerned ("**Requisitionist(s)**") at the principal place of business of the Company in Hong Kong (presently 31/F, 148 Electric Road, North Point, Hong Kong) for the attention of the Company Secretary. The Requisition must state clearly the name of the Requisitionist(s), his/her/their shareholding in the Company, the reason(s) to convene and EGM and the proposed agenda.

CORPORATE GOVERNANCE REPORT

The Company will check the Requisition and the identity and shareholding of the Requisitionist(s) will be verified with the Company's branch share registrar in Hong Kong. If the Requisition is found to be proper and in order, the Company Secretary will ask the Board to convene an EGM and/or include the proposal(s) made or the resolutions proposed by the Requisitionist(s) at the EGM within two months after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Requisitionist(s) will be advised of the outcome and accordingly, the Board will neither call for an EGM nor include the proposal(s) made or the resolution(s) proposed by the Requisitionist(s) at the EGM.

If within 21 days of the deposit of the Requisition the Board fails to proceed to convene such meeting, the Requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Board shall be reimbursed to the Requisitionist(s) by the Company.

15.3. Procedures for Shareholders to Send Enquiries to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them by post to the principle place of business of the Company in Hong Kong (presently at 31/F, 148 Electric Road, North Point, Hong Kong) or by email to info@bgmc.asia for the attention of the Company Secretary.

Upon receipt of the enquiries, the Company Secretary will forward the communications relating to:

i. the matters within the Board's purview to the EDs;

ii. the matters within a Board committee's area of responsibility to the chairman of the appropriate committee; and

iii. ordinary business matters such as suggestions, enquiries and client complaints to the appropriate management of the Company.

15.4. Communication with the Shareholders

The Company has established various and a wide range of communication channels with the Shareholders with the objective of ensuring that the Shareholders have equal and timely access to information about the Company in order to enable the Shareholders to exercise their rights in an informed manner and allow them to engage actively with the Company. General meeting is a main channel of communications between the Directors and the Shareholders. Other channels include annual reports and interim reports, notices and circulars, announcements, and all the published disclosures submitted to the Stock Exchange. In addition, the Company updates its website from time to time to provide the Shareholders with information of the Company's recent development.

For the AGM, the notice of meeting, the relevant form of proxy, the Company's annual report and the circular containing information on the proposed resolutions will be sent to the Shareholders at least 20 clear business days prior to the date of the meeting. The chairman and members of the Audit, Remuneration, Nomination and Risk Committees will be available to answer questions from the Shareholders at the meeting. At the meeting, separate resolution will be proposed by the Chairman in respect of each substantially separate issue, and voting on each resolution will be conducted by poll. The results of the poll will be posted on the respective websites of the Stock Exchange and the Company on the same day of the meeting.

CORPORATE GOVERNANCE REPORT

For the EGM, the notice of meeting and the circular containing information on the proposed resolutions will be sent to the Shareholders at least 10 clear business days prior to the date of the meeting. The chairman of the meeting and, if applicable, members of the independent board committee will be available to answer questions from the Shareholders at the meeting. At the meeting, separate resolution will be proposed by the chairman of the meeting in respect of each substantially separate issue, and voting on each resolution will be conducted by poll. The results of the poll will be posted on the respective websites of the Stock Exchange and the Company on the same day of the meeting.

15.5. Dividend Policy

The Company has a dividend policy ("**Dividend Policy**") that sets out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its consolidated net profits as dividends to the Shareholders.

15.5.1. Principles and Guidelines

i. The Company may declare and distribute dividends to the Shareholders, provided that the Company has a distributable reserve and records a consolidated profit after tax and that the declaration and distribution of dividends does not affect the normal operations of the Group. The recommendation of the payment of any dividend is subject to the absolute discretion of the Board and any declaration of final dividend will be subject to the approval of the Shareholders.

ii. It is the policy of the Board, in considering the payment of dividends, to allow Shareholders to participate in the Company's profits whilst preserving the Company's liquidity to capture future growth opportunities. In proposing any dividend payout, the Board shall also take into account, among other things, financial results and conditions, cash flow situation, business conditions, strategies and cycle, operations and earnings, general economic and political conditions, capital requirements and expenditure plans, interests of Shareholders, any restrictions on the payment of dividends, and any other factors that the Board may consider relevant.

iii. Any payment of the dividend by the Company is also subject to any restrictions under all applicable laws (including the Companies Law of the Cayman Islands), the rules, codes and regulations, accounting policies/financial reporting standards that the Group has adopted as well as the Articles of Association.

iv. If the Board intends to declare or recommend any dividend payment for a particular financial year, such dividend payout ratio will not be less than 30% of the Group's audited consolidated net profit for distribution to the Shareholders/equity owners of the Company for the financial year, subject to the criteria set out in the Dividend Policy.

v. The Dividend Policy will be reviewed from time to time and there is no assurance that a dividend will be proposed or declared in any specific periods.

CORPORATE GOVERNANCE REPORT

16. INVESTOR RELATIONS

The Company has been striving to maintain high transparency and communicate with the Shareholders and the investors of the Company through diversified communication channels. The Company holds press conferences and analyst briefing sessions from time to time to provide the latest business information of the Company to the investors. The website of the Company contains the latest data and information of the Group so that the Shareholders, the investors and the public can view/get the information about the Company in a timely manner. The Company's website address is www.bgmc.asia.

17. RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the Company's risk management and internal control system. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

During the Year, the Company has implemented a framework with defined levels of responsibility in the Company's risk management system. On the strategic level, the Board, via its Risk Committee, determined the strategic and departmental objectives of the Group's business, and set the risk appetite for the Group ("**Risk Appetite**"). Based on these objectives, the Group's risk management working group ("**RMWG**"), which consists of the Chief Executive Officer as the chairman and the senior management as well as the manager of internal control and risk management division of the Group ("**ICRM Division**"), determined the associated financial, operation, reporting and compliance risks, possible root causes, and existing mitigations. With due consideration of such existing mitigations, the RMWG then assessed the risks by giving them ratings and compares them to the Risk Appetite. Any risks that were rated higher than the threshold in the Risk Appetite were further assessed to determine additional mitigation plan to further reduce the risks until they fall within the acceptable level of Risk Appetite. The entire process and its outcome were documented and will be reviewed by the Risk Committee at least twice every year.

The Group has outsourced its internal audit function to Crowe which worked closely with the ICRM Division to carry out quarterly internal control audits on the Group. Such internal control audits covered periods of 12 months preceding the start of the audit cycle, focused on up to two business segments or operations of the Group, and covered the risks associated to each business segment as assessed by the RMWG. During the Year, Crowe has carried out internal control audits in accordance with the audit plan approved by the Audit Committee, which covered all functions of the Group. The reports, findings, and their corresponding management's response were presented quarterly to the Audit Committee meetings for its review and approval. In addition, the Audit Committee and the Risk Committee also review the Groups' risk management and internal control policy at least once a year.

As such, the Board confirms that during the Year and up to the date of this annual report, the Board, through the Audit Committee and the Risk Committee, has conducted a review of the effectiveness of the risk management and internal control systems of the Group and considers them adequate and effective.

DIRECTORS' REPORT

The directors of the Company ("**Directors**") are pleased to present the audited consolidated financial statements of the Company and its subsidiaries ("**Group**") for the year ended 30 September 2019 ("**Year**" or "**FY2019**" and "**Consolidated Financial Statements**", respectively).

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Company's subsidiaries during the Year are set out in Note 30 to the consolidated financial statements.

GROUP REORGANISATION AND GLOBAL OFFERING

The Company was incorporated on 18 November 2016 ("**Incorporation Date**") as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) in the Cayman Islands. To rationalize the corporate structure of the Group in preparation for the listing of the shares of the Company ("**Shares**") in issue on the Main Board of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**" and "**Main Board**", respectively), the companies now comprising the Group underwent the corporate reorganisation ("**Reorganisation**"), pursuant to which the Company became the holding company of the Group on 6 December 2016. For details of the Reorganisation, please refer to the sub-section "Reorganisation" in the section headed "History, Development and Reorganisation" in the prospectus of the Company dated 31 July 2017 ("**Prospectus**").

The issued Shares have been listed on the Main Board since 9 August 2017 ("**Listing Date**" and "**Listing**", respectively).

BUSINESS REVIEW

The discussion and analysis of the Group's business during the Year, future business development and the risks and uncertainties facing the Group are set out below and in the "Chairman's Statement" and the "Management Discussion and Analysis" ("**MD&A**") sections of this annual report.

The Group's financial risk management objectives and policies are set out in Note 33 to the consolidated financial statements. The MD&A section also provides a detailed analysis of the Group's financial performance during the Year using financial key performance indicators.

Details regarding the Group's compliance with the relevant laws and regulations that have a significant impact on the Group, are set out on pages 71 and 72 of this annual report.

RISK MANAGEMENT

Under the Group's risk management and internal control framework, the risk committee of the Company ("**Risk Committee**") determined the strategic and departmental objectives of the Group's business, and set the risk appetite for the Group (as stated in the sub-section "Risk Management and Internal Control" in the Corporate Governance Report of this annual report). Based on these objectives, the Risk Committee assesses its likely impacts and evaluates the risks in order to develop effective internal control activities for mitigation of the risks.

DIRECTORS' REPORT

Principal Risks

The Group's financial risk management objectives and policies are set out in Note 33 to the consolidated financial statements. The principal risk factors that the Group is exposed to and the key mitigation measures are summarised below:

Principal risks	Descriptions	Key mitigation measures

Environmental, safety, health and security risk	The Group's operations are heavily based on construction sites, which inherently have potential hazards on the safety and health of the workers, the well-being of the environment, and the security of the sites and their components.
	
	Any environmental, safety, health and security accidents or incidents may adversely affect the Group's operations and profitability due to financial losses and damages, loss of reputation, and loss of time.
		• Purchase sufficient insurance policies that cover site personnel, works and materials and third parties.
		• Incorporate the requirements of Occupational Safety and Health Act of Malaysia, and other relevant regulations into the Group's standard operating procedures.
		• Effectively implement the said standard operating procedures to ensure that their objectives are met. This includes:
		  • Deploying qualified safety officers and supervisors.
		  • Providing ample personnel protective equipment and first aid kits.
		  • Conducting safety training.
		  • Maintaining proper housekeeping.

Labour supply risk	Construction industry is highly labour-intensive and the Group relies on a stable supply of labour to carry out its projects.	• Adopt work methods and technologies which are less labour-intensive such as utilisation of plants and equipment, and Industrialised Building System. • Outsource labour work to more sub-contractors having their own workers. • Diversify to projects which are less labour-intensive.
Building maintenance risk	In general, the maintenance teams under the Groups' elevator division as well as Build, Lease, Maintain and Transfer projects usually require round-the-clock service and in the case of Universiti Teknologi MARA ("**UiTM**") campus, face periodic peak seasons where extra manpower is required due to their annual academic semesters. Such atypical manpower requirements require a unique set of manpower recruitment and management practices.	• Set up a 24-hour maintenance department for the Group's elevator division. • Employ contract/short-term staff to assist during peak periods and improve standard operation procedures to cater for such peak periods.

PARTICULARS OF IMPORTANT EVENTS AFTER REPORTING PERIOD

Subsequent to the financial year end, the Group made an announcement that KAS, an indirect wholly-owned subsidiary has technically breached the Loan Covenant in the Loan Agreement. The Lender has not made any demand for immediate repayment of the Loan under the Loan Agreement. The management has commenced discussion with the Lender for a waiver of the technical breach of the Loan Covenant from the Lender.

DIRECTORS' REPORT

ENVIRONMENTAL POLICIES AND PERFORMANCE

The board of Directors ("**Board**") has overall responsibility for the Group's environmental, social and governance ("**ESG**") strategy and reporting. The Board is responsible for the Group's ESG risk management and internal control systems to ensure that the ESG strategies and reporting requirements are met.

The details of ESG are set out in the Environmental, Social and Governance Report on pages 19 to 47 of this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group has adopted risk management and internal control policies to monitor the on-going compliance with relevant laws and regulations.

During the Year, as far as the Board is concerned, the Group has complied in material aspects with the relevant laws and regulations that have significant impacts on its business and operations.

In addition, up to the date of this annual report, the Company was not able to timely comply with the financial reporting provisions under the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") in (i) announcing the annual results for FY2019; and (ii) publishing the annual report for FY2019. Such delay has constituted non-compliance with Rules 13.46 (2) and 13.49 of the Listing Rules.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group maintains a good relationship with its employees and certain policies have been implemented to ensure that its employees are provided competitive remuneration, good welfare benefits and continuous professional training. The Group also maintains good relationships with its customers and suppliers, without whom success in the Group's production and operation would be at risk.

CONTINGENT LIABILITIES

(a) On 28 March 2019, BGMC Corporation Sdn. Bhd. ("**BGMC Corporation**"), an indirect wholly-owned subsidiary of the Company received a writ of summons, together with an indorsement of claim dated 19 March 2019 issued in the High Court of Shah Alam, Malaysia by 47 plaintiffs ("**Plaintiffs**") against Kingsley Hills Sdn. Bhd., a related party as the first Defendant and BGMC Corporation, as the second defendant.

As of the date of this report, BGMC Corporation has filed an interlocutory application to strike out the Plaintiffs' case as well as a counterclaim against the Plaintiffs' (claiming for alleged additional liquidated ascertained damaged ("**LAD**") absorbed in good faith and spirit of the full and final settlement agreement). The striking out application was first heard on 9 January 2020 and went for a continued hearing on 5 February 2020. Thereafter, the High Court Judge has set another date for further submission and hearing in March 2020.

Based on legal advice, the Directors are of the opinion that BGMC Corporation has a meritable and arguable case to defeat the Plaintiffs' claim for additional LAD. As a result, no provision has been made in the financial statements for FY2019.

(b) In the ordinary course of business, Built-Master Engineering Sdn. Bhd. ("**BME**"), an indirect subsidiary of the Company, had awarded a sub-contract for electrical work to a third party in 2018. The said sub-contract was subsequently terminated by BME due to breach of certain terms and conditions of the sub-contract on the part of the third party. The third party initiated a legal action against BME claiming, amongst others, the balance payment of RM733,292 and interest at 5% per annum from the due date which was the date of the full and final settlement on the basis that the termination was wrongful. BME has entered their defence denying the claim and thereafter filed a counterclaim against the said third party. The matter is currently at trial stage.

In the opinion of the Directors, after taking appropriate legal advice, BME has a chance to dismiss the claim and be successful in the counterclaim with the quantum to be fixed by the court. Accordingly, no provision has been made in the financial statements for the Year.

DIRECTORS' REPORT

SHARE CAPITAL

Details of movements in the share capital of the Company during the Year are set out in Note 21 to the consolidated financial statements.

USE OF NET PROCEEDS FROM THE LISTING

The Shares were successfully listed on the Main Board of the Stock Exchange on the Listing Date at HK$0.70 each. The proceeds (net of listing expenses) were approximately RM143.1 million. In accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus, the net proceeds received ("**Net Proceeds**") were applied by the Group from the Listing Date up to 30 September 2019 as follows:

Use of Net Proceeds	Net Proceeds (RM million)	Use of Net Proceeds during FY2019 (RM million)	Use of Net Proceeds from the Listing Date up to 30 September 2019 (RM million)	Unused amount (RM million)	Unused amount (Percentage)
Financing for new projects	93.0	–	93.0	–	0%
Acquisition of additional machineries and equipment	35.8	2.2	10.8	25.0	69.8%
Working capital	14.3	–	14.3	–	0%
Total	143.1	2.2	118.1	25.0	17.5%

The unutilised Net Proceeds will be applied in the manner consistent with that mentioned in the Prospectus. The Directors are not aware of any material change to the planned use of the Net Proceeds as at the date of this report.

RESULTS AND APPROPRIATIONS

The audited consolidated results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 98 of this annual report and in the accompanying Notes to the consolidated financial statements.

DIVIDEND POLICY

The Company has adopted a dividend policy ("**Dividend Policy**"), pursuant to which the Company may declare and distribute dividends to the shareholders of the Company ("**Shareholders**"), provided that the Group records a profit after tax and that the declaration and distribution of dividends does not affect the normal operations of the Group. Details of the Dividend Policy are set out in the section headed "Dividend Policy" in the Corporate Governance Report.

DIRECTORS' REPORT

RESERVES

Details of movements of the Group's reserves during the Year are set out in the consolidated statement of changes in equity on page 101 of this annual report.

As at 30 September 2019, the Company had reserves amounting to approximately RM104,453,226 (2018: RM108,706,000) available for distribution as calculated based on the Company's share premium and accumulated retained profit under applicable laws in the Cayman Islands.

PROPERTY, PLANT AND EQUIPMENT

During the Year, the Group acquired property, plant and equipment totalling approximately RM2.3 million (2018: RM7.0 million). Details of the above acquisition(s) and other movements in property, plant and equipment of the Group during the Year are set out in Note 12 to the consolidated financial statements.

DIRECTORS

The Directors during the Year and up to the date of this report are as follows:

Executive Directors ("EDs"):

Tan Sri Dato' Sri Goh Ming Choon ("**Tan Sri Barry Goh**") *(chairman)*
Dato' Mohd Arifin bin Mohd Arif ("**Dato' Arifin**") *(vice-chairman)*
Dato' Teh Kok Lee ("**Dato' Michael Teh**") *(chief executive officer)*
Ir. Azham Malik bin Mohd Hashim ("**Ir. Azham Malik**") *(executive director)*

Independent non-executive Directors ("INEDs"):

Tan Sri Dato' Seri Kong Cho Ha ("**Tan Sri Kong**")
Chan May May
Ng Yuk Yeung

Pursuant to article 108(a) of the articles of association of the Company ("**Articles of Association**"), at each annual general meeting of the Company ("**AGM**"), one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

Accordingly, Dato' Arifin, Dato' Michael Teh and Tan Sri Kong will retire from office by rotation at the forthcoming AGM and, being eligible, will offer themselves for re-election.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of the Directors and the senior management of the Company are set out in the "Directors and Senior Management" section of this annual report.

DIRECTORS' REPORT

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of the Directors has entered into a service contract or an appointment letter ("**Directors' Service Contract**") with the Company for an initial fixed term of three years. None of the Directors who offered himself/herself for re-election at the forthcoming AGM had a Directors' Service Contract with the Company or any of its subsidiaries, which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS'/CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Saved as disclosed in the sections headed "Group Reorganisation and Global Offering" and the "Connected Transactions" in this report, no transaction, arrangement or contract of significance in relation to the Group's business to which the Company or any of its subsidiaries or associates was a party and in which any Director or controlling shareholder (as defined in the Listing Rules) of the Company or an entity connected with him/her had a material interest, whether directly or indirectly, subsisted at any time during the Year.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements that (i) will or may result in the Company issuing Shares; or (ii) require the Company to enter into any agreement that will or may result in the Company issuing Shares were entered into by the Company during the Year or subsisted at the end of the Year.

SHARE OPTION SCHEME

Pursuant to the written resolutions of the Shareholders passed on 3 July 2017, the Company adopted a share option scheme conditional upon the Listing ("**Share Option Scheme**"). The Share Option Scheme became effective on the Listing Date. No share option under the Share Option Scheme ("**Option**") has been granted since the adoption of the Share Option Scheme and therefore, there was no outstanding Option as at 30 September 2019 and no Option was exercised or cancelled or lapsed during the Year.

The principal terms of the Share Option Scheme are set out as follows:

(a) Purpose

The Share Option Scheme is a share incentive scheme prepared in accordance with Chapter 17 of the Listing Rules and is established as incentives or rewards for the contributions or potential contributions that the Eligible Participants (as defined in paragraph (b) below) had or may have made to the Group.

The Share Option Scheme will provide the Eligible Participants with an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

(i) motivate the Eligible Participants to optimise their performance efficiency for the benefit of the Group; and

(ii) attract and retain or otherwise maintain an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

DIRECTORS' REPORT

(b) Who may join

The Board may, at its discretion, offer to grant an Option to the following persons (collectively "**Eligible Participants**") to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (f) below:

(i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;

(ii) any Directors (including INEDs) or directors of any of the Company's subsidiaries; and

(iii) any advisers, consultants, agents, suppliers, customers, distributors and such other persons, who in the sole opinion of the Board will contribute or have contributed to the Company or any of its subsidiaries.

(c) Acceptance of an offer of options

An Option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptances of the Options duly signed by the grantee, together with a remittance in favour of the Company of RM1.0 by way of consideration for the grant thereof, is received by the Company on or before the relevant acceptance date.

(d) Maximum number of Shares

The maximum number of Shares in respect of which Options may be granted under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10.0% of the total number of Shares in issue immediately following completion of the Listing, being 180,000,000 Shares. As at the offer date of any proposed grant of Options, the maximum number of Shares in respect of which Options may be granted is such number of Shares less the aggregate of the following Shares as at that offer date:

(i) the number of Shares which would be issued on the exercise in full of the Options or options under any other scheme but not cancelled, lapsed or exercised;

(ii) the number of Shares which have been issued and allotted pursuant to the exercise of any Options or options under any other scheme; and

(iii) the number of cancelled Shares.

The total number of Shares available for issue under the Share Option Scheme is 180,000,000 Shares, representing 10.0% of the issued Shares as at the date of this annual report.

DIRECTORS' REPORT

(e) Maximum number of underlying Shares comprised in Options to any one Eligible Participant

The maximum number of Shares issued and which may fall to be issued upon exercise of the Options and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant (subject to the following paragraph) in any 12-month period up to the date of grant shall not, when aggregated with:

(i) any Shares issued upon exercise of Options or options under the other schemes which have been granted to that Eligible Participant;

(ii) any Shares which would be issued upon the exercise of outstanding Options or options under the other schemes granted to that Eligible Participant; and

(iii) any cancelled Shares which were the subject of Options or options under the other schemes which had been granted to and accepted by that Eligible Participant,

exceed 1% of the Shares in issue as at the date of grant.

Options cannot be granted to a substantial shareholder (as defined in the Listing Rules) of the Company or any INED or their respective associates (as defined in the Listing Rules) resulting in the number of Shares issued and to be issued upon exercise of Options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% or such other percentage as may be from time to time provided under the Listing Rules of the Shares in issue on the date of grant; and

(ii) having an aggregate value in excess of HK$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the official closing price of the Shares at the date of each grant.

Unless provided otherwise in the Listing Rules, the date of the Board meeting at which the Board proposes to grant the Options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of the Shares.

DIRECTORS' REPORT

(f) Subscription price of Shares

Subject to any adjustments on certain circumstances, the subscription price of a Share in respect of any particular Option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the highest of:

(i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

(ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a Share.

(g) Time of exercise of Option and duration of the Share Option Scheme

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the Option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. Subject to termination, the Share Option Scheme shall be valid and effective for the scheme period after which no further Options shall be offered but the provisions of the Share Option Scheme shall in all other respects remain in full force and effect to the extent necessary to give effect to the exercise of any Options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme and Options granted prior thereto but not yet exercised shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(h) Minimum period for which an Option must be held before it can be exercised

There is no minimum period for which an Option granted must be held before it can be exercised except otherwise imposed by the Board.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors since the date of the Company's 2019 interim report are set out below:

- Tan Sri Barry Goh, the Chairman of the Board and an Executive Director, has resigned from his position as director of MCT Bhd., a company listed on the Main Market of Bursa Malaysia Securities Berhad, with effect from 15 April 2019.

- Mr. Ng Yuk Yeung, an Independent Non-Executive Director, has resigned from his position as an independent non-executive director of Dowway Holdings Limited (stock code: 8403), a company listed on the Stock Exchange, with effect from 11 October 2019.

DIRECTORS' REPORT

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 September 2019, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong ("**SFO**")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO), or as recorded in the register of the Company required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules ("**Model Code**") were as follows:

Interests in the Shares

Name of Directors	Capacity/Nature of interest	Interests in Shares (Note 1)	Approximate percentage of shareholding (Note 3)
Tan Sri Dato' Barry Goh (Note 1)	Interest of a controlled corporation and interests held jointly with another person	1,208,250,000 (L)	67.1%
Dato' Michael Teh (Note 1)	Interest of a controlled corporation and interests held jointly with another person	1,208,250,000 (L)	67.1%
Dato' Arifin (Note 2)	Interest of a controlled corporation	141,750,000 (L)	7.9%

"L" denotes long position

Notes:

*(1) On 15 December 2016, Tan Sri Barry Goh and Dato' Michael Teh entered into a concert party confirmatory deed ("**Concert Party Confirmatory Deed**") to acknowledge and confirm, among other things, that they had been parties acting in concert with each other with respect to their interests in or the business of the relevant members of the Group since they became shareholders of BGMC Holdings Berhad, an indirect wholly-owned subsidiary of the Company and would continue to act in concert after the signing of the Concert Party Confirmatory Deed. For further details, please refer to the paragraph headed "History, Development and Reorganisation – Concert Party Confirmatory Deed" in the Prospectus.*

*As at 30 September 2019, the 1,208,250,000 Shares interested by them in aggregate consisted of (i) 864,000,000 Shares beneficially owned by Prosper International Business Limited ("**Prosper International**") which in turn is beneficially wholly-owned by Tan Sri Barry Goh; and (ii) 344,250,000 Shares beneficially owned by Seeva International Limited ("**Seeva International**") which in turn is beneficially wholly-owned by Dato' Michael Teh. Each of Tan Sri Barry Goh and Dato' Michael Teh is deemed to be interested in all the Shares held or deemed to be held by them in aggregate by virtue of the SFO.*

DIRECTORS' REPORT

(2) *The entire issued share capital of Kingdom Base Holdings Limited ("**Kingdom Base**") is owned by Dato' Arifin, and therefore, Dato' Arifin is deemed to be interested in all the 141,750,000 Shares held by Kingdom Base under provisions of SFO.*

(3) *These percentages are calculated on the basis of 1,800,000,000 Shares in issue as at 30 September 2019.*

Interest in the Shares of Associated Corporations

Name of Directors	Name of associated corporations	Capacity/Nature of interest	Interests in ordinary shares	Percentage of shareholding
Tan Sri Barry Goh	Prosper International	Beneficial owner	100	100%
Dato' Michael Teh	Seeva International	Beneficial owner	1	100%

Save as disclosed above, as at 30 September 2019, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have taken under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 September 2019, so far as is known to the Directors, the following corporations or persons (other than a Director or the Chief Executive had interests or short positions in the Shares or underlying Shares, which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Shareholders	Capacity/Nature of interest	Number of Shares held	Percentage of shareholding *(Note 2)*
Prosper International *(Note 1)*	Beneficial owner and interests held jointly with another person	1,208,250,000 (L)	67.1%
Seeva International *(Note 1)*	Beneficial owner and interests held jointly with another person	1,208,250,000 (L)	67.1%
Kingdom Base	Beneficial owner	141,750,000 (L)	7.9%

"L" denotes long position

DIRECTORS' REPORT

Notes:

(1) *On 15 December 2016, Tan Sri Barry Goh and Dato' Michael Teh entered into the Concert Party Confirmatory Deed to acknowledge and confirm, among other things, that they had been parties acting in concert with each other with respect to their interests in or the business of the Company and the relevant members of the Group since they became shareholders of BGMC Holdings Berhad and would continue to act in concert after the signing of the Concert Party Confirmatory Deed. For further details of the Concert Party Confirmatory Deed, please refer to "Concert Party Confirmatory Deed" sub-section in the section headed "History, Development and Reorganisation" in the Prospectus.*

As at 30 September 2019, the 1,208,250,000 Shares interested by them in aggregate consisted of (i) 864,000,000 Shares beneficially owned by Prosper International which in turn is beneficially and wholly owned by Tan Sri Barry Goh; and (ii) 344,250,000 Shares beneficially owned by Seeva International which in turn is beneficially and wholly owned by Dato' Michael Teh. Each of Prosper International and Seeva International is deemed to be interested in all the Shares held or deemed to be held by Tan Sri Barry Goh and Dato' Michael Teh in aggregate by virtue of the SFO.

(2) *These percentages are calculated on the basis of 1,800,000,000 Shares in issue as at 30 September 2019.*

Save as disclosed above, so far as the Directors or the Chief Executive are aware of, as at 30 September 2019, no corporation or person (not being a Director or the Chief Executive) had any interests or short position in the Shares or underlying Shares, which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which was recorded in the register required to be kept by the Company under section 336 of the SFO.

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisitions of shares in, or debentures of, the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During FY2019 and thereafter up to the date of this report, the Company did not redeem any of its listed securities nor did the Company or any of its subsidiaries purchase or sell such securities.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct governing securities transactions by the Directors. Following a specific enquiry made by the Company with each of them, all Directors confirmed that they had complied with the required dealing standards set out in the Model Code during the Year.

CORPORATE GOVERNANCE CODE COMPLIANCE

The Company is committed to maintaining a high standard of corporate governance in order to achieve sustainable development and enhance corporate performance especially in the areas of internal control, fair disclosure and accountability to all Shareholders.

The Company has adopted the code provisions as set out in the Corporate Governance Code set out in Appendix 14 to the Listing Rules ("**CG Code**") as its own code of corporate governance. During FY2019 and up to the date of this report, the Company has complied with the applicable code provisions of the CG Code, save for the deviation discussed in the Corporate Governance Report of this annual report.

DIRECTORS' REPORT

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, the Directors shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses, which they or any of them shall or may incur or sustain by reason of any act alone, concurred in or omitted in or about the execution of their duty in relation thereto.

The Company has arranged Directors' and officers' liability insurance for all Directors and senior management of the Company, who subject to the applicable laws, will be indemnified against the costs, charges, losses, expenses and liabilities for legal action incurred by such a Director or officer in the execution of his/her duties or otherwise in relation thereto.

MANAGEMENT CONTRACTS

Save for the Directors' Service Contract or contracts of service that any members of the Group has entered into with the Directors or any person engaged in the full-time employment of the Company, no contract by which a person undertakes the management and administration of the whole or any substantial part of the Group's business was entered into or subsisted during the Year.

CONFIRMATION OF INDEPENDENCE OF INEDs

The Company has received from each of the INEDs an annual confirmation in writing of his/her independence pursuant to Rule 3.13 of the Listing Rules and is not aware of any unfavourably reported incident. Therefore, it considers all the INEDs to be independent for the Year and thereafter up to the date of this annual report.

DIRECTORS' REMUNERATION

The remuneration committee of the Company ("**Remuneration Committee**") determines the remuneration and other benefits of the EDs (including the Chief Executive who is an ex-officio member of the Board), and considers and recommends to the Board the policy and structure for the remuneration paid by the Company to the Directors (including the non-executive Directors). The remuneration of all Directors is subject to monitoring by the Remuneration Committee to ensure that the levels of their remuneration and compensation are appropriate. Details of the Directors' remuneration and the five highest paid individuals in the Group during the Year are set out in Note 10 to the consolidated financial statements.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed below, none of the Directors is interested in any business apart from the businesses operated by the Group which competed or was likely to compete, either directly or indirectly, with the Group's business during the Year and up to the date of this annual report.

DIRECTORS' REPORT

DEED OF NON-COMPETITION

A deed of non-competition dated 3 July 2017 has been entered into by Tan Sri Barry Goh, Prosper International, Dato' Michael Teh and Seeva International (collectively "**Controlling Shareholders**") in favour of the Company ("**Deed of Non-competition**"). Pursuant to the Deed of Non-competition, each of the Controlling Shareholders has undertaken, jointly and severally, to the Company that he/it would not, and would procure his/its close associates (as defined in the Listing Rules) and/or companies controlled by the respective Controlling Shareholders not to, directly or indirectly, either on his/its own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, partner, agent or otherwise) any business or activity which is or may be in competition with the business of the Group. Details of the Deed of Non- competition are set out in the sub-section headed "Non-Competition Undertakings" in the section headed "Relationship with our Controlling Shareholders" of the Prospectus.

Despite the fact that Tan Sri Barry Goh had acquired his interests with effect from the end of June 2019 in B&G Capital Resources Berhad ("**B&G Capital**") and its subsidiaries (collectively "**B&G Capital Group**"), the Board was satisfied that the business undertaken by B&G Capital Group was not in a competition with the Company or its subsidiaries, taking into account the differences in various aspects, including products and services, external revenue source, customers, suppliers, management as well as strategy, growth and expansion plan. The following table sets forth a brief comparison between the business of the Group and that of the B&G Capital Group, which illustrates the business delineation between them:

Areas in business operation	The Group	B&G Capital Group
Products/Services	• Principally engaged in the provision of construction services in Malaysia	• Principally engaged in property development in Malaysia
External revenue source	• Principally from the provision of various construction services, which accounted for approximately 98.4% for the financial year ended 30 September 2017	• Principally from sales of self-developed property projects, which accounted for approximately 91.7% for financial year ended 30 June 2017, while external revenue derived from construction activities accounted for approximately 3.2% for the financial year ended 30 June 2017
Customers	• Principally property developers in Malaysia, i.e. Sime Darby Group, MRCB Group, SP Setia Group, Tenaga Nasional Berhad, Pelaburan Hartanah and B&G Capital Group	• Principally property purchasers and investors who are normally individuals and companies, schools and/or end users
Suppliers	• Principally suppliers of construction materials, machineries providers and sub-contractors which engage in specific construction works in Malaysia	• Principally architects, engineers, construction service companies similar to the Group and sub-contractors which engage in specific construction works in Malaysia

DIRECTORS' REPORT

Areas in business operation	The Group	B&G Capital Group
Management	• No overlapping of senior management with the B&G Capital Group with the exception of Tan Sri Barry Goh being the Chairman and Executive Director of the Group	• No overlapping of senior management with the Group with the exception of Tan Sri Barry Goh being the Chairman and Executive Director of B&G Capital Group
Strategy, growth and expansion plan	• Continue to focus, grow and expand its construction services business in Malaysia and to seek opportunities to expand into overseas markets	• Continue to focus, grow and expand its property development in Malaysia without any current plan for overseas expansion

The Company has received an annual declaration in writing from each of the Controlling Shareholders confirming that he/it had complied with the non-competition undertakings provided to the Company under the Deed of Non-competition. The INEDs have reviewed the status of compliance with and enforcement of the Deed of Non-competition and confirmed that all the undertakings thereunder have been complied with since the date of the execution of the same and up to 30 September 2019.

RELATED PARTIES TRANSACTIONS

Details of the related parties transactions are set out in the Note 34 to the consolidated financial statements. None of the related party transactions as disclosed constituted disclosable non-exempted connected transaction or non-exempted continuing connected transaction under the Listing Rules and the Company had complied with the relevant requirements of Chapter 14A of the Listing Rules during the Year.

CONNECTED TRANSACTIONS

During the Year, the Group had the following continuing connected transactions:

A. Non-exempt continuing connected transactions subject to reporting, announcement and independent Shareholders' approval requirements

Construction services to B&G Capital Group

The Group provided various construction services to B&G Capital and its subsidiaries for their construction projects in Malaysia. Such subsidiaries included B&G Superb Property Sdn. Bhd., D' Pristine Medini Sdn. Bhd. and Kingsley Hill Sdn. Bhd..

During the Year, the Company provided such construction services to the B&G Capital Group, which included but were not limited to carrying out the construction works in accordance with the given specifications and building plans as well as supply of labour, materials, machineries and tools for the construction works ("**B&G Construction Services**").

B&G Capital Group was restructured. As at the date of this annual report, B&G Capital was owned as to (i) 22.6% by Tan Sri Barry Goh; and (ii) 77.4% by Syapurna Sdn Bhd which was owned as to 100% by Tan Sri Barry Goh. Accordingly, B&G Capital was an associate of Tan Sri Barry Goh and thus a connected person of the Company under Rule 14A.07(4) of the Listing Rules.

DIRECTORS' REPORT

On 3 July 2017, the Company entered into a master construction agreement ("**Master B&G Construction Agreement**") with B&G Capital, pursuant to which the Company would provide the B&G Construction Services to the B&G Capital Group for a term commencing on the Listing Date and up to 30 September 2019.

The Master B&G Construction Agreement had expired on 30 September 2019. In view of the delay of an on-going construction project which is scheduled to be completed in the financial year ending 30 September 2020 and to continue to regulate the provision of the B&G Construction Services by the Group to B&G Capital, the Company and B&G Capital had on 10 September 2019 entered into a conditional master construction agreement ("**New Master B&G Construction Agreement**"), pursuant to which the Company will provide the B&G Construction Services to B&G Capital for a term of one year from 1 October 2019 to 30 September 2020.

The entering into of the New Master B&G Construction Agreement was passed by the independent Shareholders on 18 November 2019.

<u>Transaction amounts</u>

During the following financial years, the Group derived the following revenue from the provision of the B&G Construction Services to the B&G Capital Group:

	Transaction amounts			
	Financial year ended 30 September 2016 RM million	Financial year ended 30 September 2017 RM million	Financial year ended 30 September 2018 RM million	Financial year ended 30 September 2019 RM million
The B&G Construction Services	163.0	268.8	249.9	78.5

<u>Annual caps and basis of determination</u>

The following sets forth the annual caps under the Master B&G Construction Agreement and the proposed annual cap under the New Master B&G Construction Agreement:

	Annual Caps			
	Financial year ended 30 September 2017 RM million	Financial year ended 30 September 2018 RM million	Financial year ended 30 September 2019 RM million	Financial year ending 30 September 2020 RM million
The B&G Construction Services	270.0	370.0	180.0	70.0

In determining the above annual cap, the Company has considered, among other factors, (i) the historical transaction amounts for the provision of B&G Construction Services by the Group to B&G Capital; (ii) the expected demand for the B&G Construction Services in the year ending 30 September 2020 in view of the business development of the Group; (iii) the estimated contract value and any payment arrangement of on-going project of the Group; and (iv) the estimated increase in the average market rates charged for similar services due to inflation and anticipated increase in cost.

DIRECTORS' REPORT

Given that each of the applicable percentage ratios, set out in Rule 14.07 of the Listing Rules, applied for determining the classification of a transaction under the Listing Rules ("**Applicable Percentage Ratios**"), in respect of the B&G Construction Services under the Master B&G Construction Agreement was/was expected to be more than 5% on an annual basis and the total annual consideration was/was expected to be more than HK$10,000,000, the transactions contemplated under the Master B&G Construction Agreement are subject to the reporting, announcement, annual review, circular and independent Shareholders' approval requirements under the Listing Rules.

As the highest of Applicable Percentage Ratio in respect of the proposed annual cap for the transactions contemplated under the New Master B&G Construction Agreement exceeds 5%, the New Master B&G Construction Agreement is subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

For further details, please refer to the Company's announcement dated 10 September 2019 and circular dated 29 October 2019.

B. Non-exempt continuing connected transactions subject to reporting and announcement requirements

(a) Supplies from the B&G Capital Group

The Group required supply of construction materials from Correct Lifestyle Sdn. Bhd. ("**Correct Lifestyle**") a subsidiary of B&G Capital for the construction projects in Malaysia. During the Year, the Company purchased various construction materials from the B&G Capital Group, which included but were not limited to kitchenware, tiles, sanitary wares or other construction materials ("**Supplies**").

B&G Capital had disposed of its shares in Correct Lifestyle to third parties in May 2018. Despite the fact that Correct Lifestyle was disposed of by B&G Capital, as at 21 July 2017 and up to the date of this annual report, B&G Capital was owned as to (i) 22.6% by Tan Sri Barry Goh; and (ii) 77.4% by Syapurna Sdn Bhd, which was owned as to 100% by Tan Sri Barry Goh.

On 3 July 2017, the Company entered into a master supply agreement ("**Master Supply Agreement**") with B&G Capital, pursuant to which the Group would purchase the Supplies from the B&G Capital Group for a term commencing on the Listing Date and up to 30 September 2019.

Transaction amounts

During the following financial years, the Group incurred the following amounts of purchases for the Supplies from the B&G Capital Group:

	Transaction amounts			
	Financial year ended 30 September 2016 RM million	Financial year ended 30 September 2017 RM million	Financial year ended 30 September 2018 RM million	Financial year ended 30 September 2019 RM million
The Supplies	5.5	16.5	10.1	0.32

DIRECTORS' REPORT

Annual caps and basis of determination

The annual caps for the Master Supply Agreement for the three years ended 30 September 2019 was as below:

	Annual caps		
	Financial year ended 30 September 2017 RM million	Financial year ended 30 September 2018 RM million	Financial year ended 30 September 2019 RM million
The Supplies	21.0	11.0	11.0

The terms of the Master Supply Agreement had been arrived at after arm's length negotiations between the Company and the B&G Capital Group, by reference to the prevailing market terms for the Supplies chargeable by other providers comparable with the B&G Capital Group. For the Supplies to be provided by the B&G Capital Group, the Group would compare the terms offered by the B&G Capital Group with at least two comparable quotations from independent third parties before entering into the relevant transaction to ensure that the purchases for the Supplies would be conducted on normal and commercial terms.

The annual caps with respect to the purchases of the Supplies had been arrived at after arm's length negotiations between the Company and the B&G Capital Group, by reference to the prevailing market price chargeable by other providers comparable with the B&G Capital Group. In determining the annual caps, the Company also took into account the fact that (i) the Group would continue to require the B&G Capital Group to supply construction materials of approximately RM5.0 million for its existing construction projects with the B&G Capital Group to be completed by 30 September 2019; and (ii) the projected amount of approximately RM10.0 million to be required by the Group from the B&G Capital Group for the Group's future construction projects based on the historical transaction amounts with the B&G Capital Group.

Given that each of the Applicable Percentage Ratios, in respect of the Supplies under the Master Supply Agreement was/was expected to be more than 0.1% but less than 5% on an annual basis, the transactions contemplated under the Master Supply Agreement were subject to the reporting, announcement and annual review requirements but were exempt from the circular and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

DIRECTORS' REPORT

(b) Sub-contracting to EXA Power

The Group sub-contracted part of its electrical works to EXA Power Sdn. Bhd. ("**EXA Power**") in relation to its construction projects in Malaysia. During the Year, the Group sub-contracted electrical works to EXA Power, which included but were not limited to the supply of material, equipment, labour and tools for the complete installation of the electrical services in accordance with the relevant drawings and specifications ("**Electrical Works**").

As at 1 October 2017 and up to the date of this annual report, EXA Power was owned to (i) approximately 70.0% by Mr. Wong Zheng Kai, a brother-in-law of Dato' Michael Teh, a Controlling Shareholder; and (ii) approximately 30.0% by Ms. Lee Chiew Yen, a sister-in-law of Dato' Michael Teh. Due to their close relationship with Dato' Michael Teh, EXA Power was deemed as a connected person of the Company under Rule 14A.21 of the Listing Rules.

On 3 July 2017, the Company entered into a master sub-contracting agreement ("**Master EXA Agreement**") with EXA Power, pursuant to which the Company would sub-contract the Electrical Works to EXA Power for a term commencing on the Listing Date and up to 30 September 2019.

The Master EXA Agreement expired on 30 September 2019. In view of the on-going and new constructions projects on hand and to continue to regulate the provision of Electrical Works by EXA Power to the Group, the Company and EXA Power had on 10 September 2019 entered into a New Master EXA Agreement ("**New Master EXA Agreement**") to renew the Master EXA Agreement, pursuant to which EXA Power will provide the Electrical Works to the Company for a term of two year from 1 October 2019 to 30 September 2021.

The entering into of the New Master EXA Agreement was passed by the independent Shareholders on 18 November 2019.

<u>Transaction amounts</u>

During the following financial years, the Group incurred the following amounts of purchases for the Electrical Works provided by EXA Power:

	Transaction amounts			
	Financial year ended 30 September 2016 RM million	Financial year ended 30 September 2017 RM million	Financial year ended 30 September 2018 RM million	Financial year ended 30 September 2019 RM million
The Electrical Works	2.9	8.1	1.6	2.8

DIRECTORS' REPORT

Annual caps and basis of determination

The following sets forth the annual caps under the Master EXA Agreement and the proposed annual cap under the New Master EXA agreement:

	Annual caps				
	Financial year ended 30 September 2017 RM million	Financial year ended 30 September 2018 RM million	Financial year ended 30 September 2019 RM million	Financial year ending 30 September 2020 RM million	Financial year ending 30 September 2021 RM million
The Electrical Works	10.0	5.5	3.0	21.4	2.5

In determining the above annual caps, the Company has considered, among other factors, (i) the historical transaction amounts for the purchase of Electrical Works provided by EXA Power; (ii) the expected demand for Electrical Works services in the upcoming years in view of the business development of the Group; (iii) the estimated contract value and any payment arrangement of projected new construction projects to be entered into by the Group; and (iv) the estimated increase in the average market rates charged for similar services due to inflation and anticipated increase in cost.

Given that each of the Applicable Percentage Ratios in respect of the Electrical Works under the Master EXA Agreement was/was expected to be more than 0.1% but less than 5% on an annual basis, the transactions contemplated under the Master EXA Agreement were subject to the reporting, announcement and annual review requirements but were exempt from the circular and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the highest of the Applicable Percentage Ratios in respect of the proposed annual caps for the transactions contemplated under the New Master EXA agreement exceeds 5%, the New Master EXA Agreement is subject to the reporting, announcement, independent Shareholder's approval requirement under Chapter 14A of the Listing Rules.

For further details, please refer to the Company's announcement dated 10 September 2019 and the circular dated 29 October 2019.

DIRECTORS' REPORT

C. Exempt continuing connected transactions

Training services by Kingsley Professional

The Group required training services from Kingsley Professional Centre Sdn. Bhd. ("**Kingsley Professional**") for its staff. During the Year, the Group continued to require training services from Kingsley Professional, which included but were not limited to the provision of team building activities or other technical or soft skill training ("**Training Services**").

As at 1 October 2017 and up to the date of this annual report, Kingsley Professional was owned as to 100% by Kingsley Edugroup Berhad (Malaysia), an indirect wholly owned subsidiary of Kingsley Edugroup Limited ("**Kingsley**") (stock code: 8105) whose shares were initially listed on GEM of the Stock Exchange on 16 May 2018. Kingsley was owned jointly 69% by Tan Sri Barry Goh, a Controlling Shareholder and Dato' Danny Goh, the brother of a Controlling Shareholder. Accordingly, Kingsley Professional was an associate of Tan Sri Barry Goh and thus a connected person of the Company under Rule 14A.07(4) of the Listing Rules.

Transaction amounts

During the following financial years, the Group incurred the following amounts of purchases for the Training Services from Kingsley Professional:

	Transaction amounts			
	Financial year ended 30 September 2016 RM	Financial year ended 30 September 2017 RM	Financial year ended 30 September 2018 RM	Financial year ended 30 September 2019 RM
The Training Services	34,352.5	43,999.0	31,875.0	10,000.0

The terms of the purchases for the Training Services have been arrived at after arm's length negotiations between the Company and Kingsley Professional, by reference to the prevailing market terms chargeable by other providers comparable with Kingsley Professional. For future Training Services to be provided by Kingsley Professional, the Group will compare the terms offered by Kingsley Professional with at least two comparable quotations from independent third parties before entering into the relevant transaction to ensure that the purchases for the Training Services will be conducted on normal and commercial terms. The Group's transactions with Kingsley Professional during the Year were RM10,000.0 and the Group expects that the same will be immaterial and less than HK$3.0 million per year in the subsequent years.

Given that each of the Applicable Percentage Ratios in respect of the Training Services was/was expected to be less than 0.1% on an annual basis, the transactions contemplated under the Training Services are fully exempted from the reporting, announcement, annual review, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

DIRECTORS' REPORT

CONFIRMATION FROM THE DIRECTORS AND INDEPENDENT AUDITOR

The independent auditor of the Company ("**Independent Auditor**") had been engaged to report on the Group's continuing connected transactions for the Year. The Independent Auditor had provided an unqualified letter to the Board containing their findings and conclusions in respect of the Group's continuing connected transactions for the Year disclosed above in accordance with Rule 14A.56 of the Listing Rules. A copy of the Independent Auditor's letter had been provided by the Company to the Stock Exchange pursuant to Rule 14A.57 of the Listing Rules.

The Board including the INEDs had reviewed the Group's continuing connected transactions under the Master B&G Construction Agreement, the Master Supply Agreement and the Master EXA Agreement and was of the opinion that the transactions (i) were entered into in the Group's ordinary and usual course of business; (ii) on normal commercial terms; and (iii) according to the said agreements governing them on terms that are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

MAJOR SUPPLIERS AND CUSTOMERS

The five largest suppliers of the Group accounted for less than 6.6% of the total purchases of the Group for the Year (2018: less than 10.2%).

The five largest customers of the Group accounted for approximately 62.5% of the turnover of the Group for the Year (2018: less than 74.5%). D Pristine Medini Sdn Bhd was one of the largest customers of the Group for FY2019 which was 100% indirectly owned by Tan Sri Barry Goh, the Chairman and Executive Director of the Group.

During the Year, the aggregate sales attributable to the Group's largest customer and the aggregate purchases attributable to the Group's largest supplier were approximately 15.5% (2018: 46.1%) and 1.7% (2018: 3.6%) of the Group's sales and purchases respectively.

Save as disclosed above, none of the Directors or any of their close associates (as defined under the Listing Rules) or any shareholders (which to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.

DONATIONS

During the Year, the Group donated approximately RM4,000 to charity communities (2018: RM0.20 million).

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or under the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated.

PUBLIC FLOAT

Based on the information which is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient amount of public float of at least 25% of the issued Shares during the Year and thereafter up to the date of this annual report as required under the Listing Rules.

DIRECTORS' REPORT

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five years is set out in the section headed "Five-Year Financial Summary" on page 220 of this annual report.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company has reviewed the draft audited Consolidated Financial Statements and annual report before presenting them to the Board for consideration and approval.

TAX RELIEF

The Company is not aware of any relief on taxation available to the Shareholders by reason of their holdings of the Shares. If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in or exercising of any rights in relation to the Shares, they are advised to consult their professional advisers.

INDEPENDENT AUDITOR

The Consolidated Financial Statements have been audited by Messrs. Deloitte PLT ("**Deloitte**") which would retire at the forthcoming AGM and being eligible, offers itself for re-appointment. A resolution to re-appoint Deloitte as the Independent Auditor and to authorise the Directors to fix its remuneration will be proposed to the Shareholders for approval at the forthcoming AGM.

On behalf of the Board

Tan Sri Dato' Sri Goh Ming Choon
Chairman and Executive Director

Malaysia, 20 February 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BGMC INTERNATIONAL LIMITED

(Incorporated in the Cayman Islands with limited liability)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the consolidated financial statements of **BGMC INTERNATIONAL LIMITED** (the "**Company**") and its subsidiary companies (collectively referred to as the "**Group**"), which comprise the consolidated statement of financial position as at 30 September 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 98 to 219.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 September 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated 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 in accordance with 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 IESBA Code.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2 to the consolidated financial statements which indicates that the Group incurred a loss before tax of RM53.0 million and net cash used in operating activities of RM59.9 million during the financial year ended 30 September 2019. As of that date, the Group's current liabilities exceeded its current assets by RM61.7 million due to reclassification of non-current portion of bank borrowings to current liability resulted from the breach of loan covenant. These events or conditions, along with other matters as set forth in Note 2 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the current year. The matters were addressed in the context of our audit of the consolidated 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 key audit matters to be communicated in our report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BGMC INTERNATIONAL LIMITED

(Incorporated in the Cayman Islands with limited liability)

KEY AUDIT MATTERS (CONTINUED)

<table>
<tr><th>Key Audit Matters</th><th>How our audit address the key audit matters</th></tr>
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Revenue recognition on construction contracts

The Group recognises construction contract revenue and costs in profit or loss progressively over time based on the percentage of completion ("**POC**") method by using the cost-to-cost method ("**input method**").

The progress towards complete satisfaction of the Group's performance obligations under its construction contracts with customers is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation by reference to the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs.

Revenue recognition from construction contracts is identified as a Key Audit Matter as significant management judgement and estimate is required to:

- Determine the progress to completion for construction contracts including completeness and accuracy of POC schedules, the estimated total contract revenue and costs arising from these contracts as well as the overall profitability of the construction contracts in estimating foreseeable losses; and
- Evaluate the validity and recoverability of variation in scope of work performed by the Group as of year-end but have yet to be approved by the contract customers.

Further disclosures regarding the Group's revenue recognition from construction contracts are disclosed in Notes 4, 5 and 42 to the consolidated financial statements.

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We performed the following procedures in relation to the testing of revenue recognition from construction contracts:

- Read and obtained an understanding of the salient terms in the construction contracts between the Group and its customers to determine the Group's performance obligations under such contracts.
- Obtained an understanding of the relevant internal controls relating to the Group's accounting for construction contracts.
- Obtained management's latest budgets for the construction contracts and related POC schedules prepared by project directors and assessed the reasonableness of these budgets and on justifications to any changes made to the original budgets, and compared to actual costs incurred to determine its appropriateness.
- Assessed the competency of the personnel involved in the preparation and approvals over the budget setting process.
- Tested supplier invoices and other relevant supporting documents throughout the current reporting period to ascertain the validity of actual costs incurred on a sample basis.
- Recomputed the POC determined by the Group for revenue recognition based on actual costs incurred to-date against budgeted costs.
- Tested contractors' progress claims before and after reporting period on a sample basis to ascertain that costs are taken up in the current reporting period.
- Challenged the validity and recoverability of significant variation of scope of work recognised by management in the POC schedules for which no end customer approvals were obtained.
- Performed site visit and discussed the status of on-going constructions projects with management, finance personnel and project officer to assess the status of the construction projects. Obtained an understanding of the relevant key internal controls surrounding accounting for construction contracts.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BGMC INTERNATIONAL LIMITED

(Incorporated in the Cayman Islands with limited liability)

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matters	How our audit address the key audit matters
Impairment assessment of trade receivables and contract assets Impairment of trade receivables and contract assets is identified as a key audit matter due to the significance of trade receivables and contract assets to the Group's consolidated financial position and the involvement of significant judgements and management's estimates in evaluating the expected credit loss ("**ECL**") of the Group's trade receivables and contract assets at the end of the reporting period. As of 30 September 2019, the Group's trade receivables and contract assets is RM653.0 million which represented approximately 73.1% of total assets of the Group. As disclosed in Note 33 to the consolidated financial statements, the Group estimates the amount of lifetime ECL of trade receivables and contract assets based on the Group's assessment on the internal credit rating determined using individual customer's credit risk by considering the individual customer's financial performance and past collection records, adjusted for factors that are specific to the customers, and any forward-looking information.	Our procedures in relation to the impairment of trade receivables and contract assets included: • Obtained an understanding of the Group's procedures on how the Group estimates the loss allowance for trade receivables and contract assets. • Challenged management's basis and judgement in determining credit loss allowances on trade receivables and contract assets as of 1 October 2018 and 30 September 2019, including their identification of credit impaired trade receivables and contract assets, and the basis of estimated loss rate such as customers' credit risk grading dependent on the customers' financial performance, historical loss rate and forward-looking information. • Evaluated the presentation and disclosure regarding the impairment assessment of trade receivables and contract assets in Notes 17, 19 and 33 to the consolidated financial statements.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S 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 consolidated financial statements of the Group and our auditors' report thereon.

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BGMC INTERNATIONAL LIMITED

(Incorporated in the Cayman Islands with limited liability)

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements of the Group, the directors of the Company are responsible for assessing the Group'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 of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We do not assume responsibility towards or accept liability to any other person for the content of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 consolidated financial statements.

As part of an audit in accordance with 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 consolidated financial statements, 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 internal control.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BGMC INTERNATIONAL LIMITED

(Incorporated in the Cayman Islands with limited liability)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

- 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 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 consolidated financial statements of the Group 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 to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements of the Group, including the disclosures, and whether the consolidated financial statements of the Group 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 consolidated financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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 those charged with governance 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 of the Company, we determine those matters that were of most significance in the audit of the consolidated financial statements of the Group for the current year and are therefore the key audit matters. We describe these matters in our auditor's 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.

The engagement partner on the audit resulting the independent auditor's report is Khong Siew Chin.

DELOITTE PLT (LLP0010145-LCA)
Chartered Accountants (AF 0080)

20 February 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Year Ended 30 September 2019

	Notes	2019 RM	2018 RM (Restated)
Revenue	5	**353,737,968**	509,305,107
Cost of sales		**(367,463,123)**	(467,671,170)
Gross (loss)/profit		**(13,725,155)**	41,633,937
Income from concession agreements		**42,760,635**	43,077,064
Other income		**3,902,172**	2,891,032
Administrative and other expenses		**(61,120,540)**	(69,427,702)
Impairment losses of financial assets and contract assets, net	6(a)	**(1,763,440)**	–
Other losses, net	6(b)	**(4,081,461)**	(3,009,929)
Finance costs	7	**(18,984,639)**	(18,633,422)
Loss before tax	8	**(53,012,428)**	(3,469,020)
Income tax expense	9	**(2,263,740)**	(7,054,719)
Loss and total comprehensive loss for the year		**(55,276,168)**	(10,523,739)
Loss and total comprehensive loss for the year attributable to:			
Owners of the Company		**(53,062,778)**	(4,145,291)
Non-controlling interests		**(2,213,390)**	(6,378,448)
		(55,276,168)	(10,523,739)
Loss per share			
Basic (sen)	11	**(2.95)**	(0.23)
Diluted (sen)	11	**(2.95)**	(0.23)

The accompanying Notes form an integral part of the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2019

	Notes	30.9.2019 RM	30.9.2018 RM (Restated)	1.10.2017 RM (Restated)
ASSETS				
Non-Current Assets				
Property, plant and equipment	12	**36,056,623**	45,665,243	49,157,711
Investment property under construction		**507,297**	130,985	–
Goodwill	13	**2,154,870**	6,911,916	9,244,406
Investment in associates	14	**2**	–	–
Investment in redeemable convertible preference shares	15	**6,613,439**	–	–
Intangible assets	16	**12,834,693**	11,267,488	18,462,961
Trade receivables	17	**277,358,306**	277,875,497	281,422,452
Deferred tax assets	25	**3,601,871**	–	–
Share application monies	27(a)	**2,885,900**	–	–
Derivative assets	28	**2,364,940**	–	–
Total Non-Current Assets		**344,377,941**	341,851,129	358,287,530
Current Assets				
Investment in redeemable convertible preference shares	15	**15,431,359**	–	–
Inventories	18	**15,439,794**	19,299,741	–
Trade and other receivables, deposits and prepaid expenses	17	**139,113,819**	190,907,284	190,221,253
Amount owing by customers for contract works	19	**–**	199,844,148	228,755,297
Contract assets	19	**301,631,477**	–	–
Tax recoverable		**13,784,254**	7,341,401	–
Fixed deposits	20	**39,657,805**	49,426,960	132,591,798
Cash and bank balances	20	**24,274,634**	69,517,790	24,056,670
Total Current Assets		**549,333,142**	536,337,324	575,625,018
Total Assets		**893,711,083**	878,188,453	933,912,548
EQUITY AND LIABILITIES				
Capital and Reserves				
Share capital	21	**9,862,255**	9,862,255	9,862,255
Reserves	22	**256,695,982**	311,205,990	328,660,526
Equity attributable to owners of the Company		**266,558,237**	321,068,245	338,522,781
Non-controlling interests		**(545,518)**	(470,373)	5,908,070
Total Equity		**266,012,719**	320,597,872	344,430,851

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2019

	Notes	30.9.2019 RM	30.9.2018 RM (Restated)	1.10.2017 RM (Restated)
Non-Current Liabilities				
Obligations under finance leases	23	**2,227,309**	8,127,797	19,272,423
Borrowings	24	**–**	204,666,657	223,177,728
Deferred tax liabilities	25	**11,750,810**	9,651,351	8,463,083
Derivative liabilities	28	**2,700,000**	–	–
Total Non-Current Liabilities		**16,678,119**	222,445,805	250,913,234
Current Liabilities				
Contract liabilities	19	**7,120,062**	–	–
Amount owing to customers for contract works	19	**–**	11,724,155	24,531,615
Trade and other payables	26	**257,832,978**	249,050,665	256,832,500
Obligations under finance leases	23	**6,394,446**	10,612,111	12,564,077
Borrowings	24	**301,438,389**	62,908,815	31,617,724
Share application monies	27(b)	**37,229,810**	–	–
Tax liabilities		**1,004,560**	849,030	13,022,547
Total Current Liabilities		**611,020,245**	335,144,776	338,568,463
Total Liabilities		**627,698,364**	557,590,581	589,481,697
Total Equity and Liabilities		**893,711,083**	878,188,453	933,912,548

The consolidated financial statements on pages 98 to 219 were approved and authorised for issue by the board of directors on 20 February 2020 and are signed on its behalf by:

Tan Sri Dato' Sri Goh Ming Choon
Chairman and Executive Director

Dato' Teh Kok Lee
Chief Executive Officer and Executive Director

The accompanying Notes form an integral part of the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended 30 September 2019

	Share capital RM	Share premium RM	Other reserve RM	Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM
At 1 October 2017							
As previously stated	9,862,255	148,880,345	65,000,094	117,752,580	341,495,274	7,454,051	348,949,325
Prior years' adjustments *(Note 42)*	–	–	–	(2,972,493)	(2,972,493)	(1,545,981)	(4,518,474)
As restated	9,862,255	148,880,345	65,000,094	114,780,087	338,522,781	5,908,070	344,430,851
Profit/(Loss) and total comprehensive income/(loss) for the year							
As previously stated	–	–	–	1,445,670	1,445,670	(1,760,077)	(314,407)
Prior years' adjustments *(Note 42)*	–	–	–	(5,590,961)	(5,590,961)	(4,618,371)	(10,209,332)
As restated	–	–	–	(4,145,291)	(4,145,291)	(6,378,448)	(10,523,739)
Contribution by non-controlling interests	–	–	–	–	–	5	5
Dividend paid *(Note 29)*	–	(13,309,245)	–	–	(13,309,245)	–	(13,309,245)
At 30 September 2018	9,862,255	135,571,100	65,000,094	110,634,796	321,068,245	(470,373)	320,597,872
At 1 October 2018							
As previously stated	**9,862,255**	**135,571,100**	**65,000,094**	**119,198,250**	**329,631,699**	**5,693,979**	**335,325,678**
Adjustments on adoption of IFRS 9 *(Note 2)*:							
Trade receivables	**–**	**–**	**–**	**(1,237,708)**	**(1,237,708)**	**(300,572)**	**(1,538,280)**
Contract assets	**–**	**–**	**–**	**(555,690)**	**(555,690)**	**(506,220)**	**(1,061,910)**
Deferred tax liabilities	**–**	**–**	**–**	**346,168**	**346,168**	**42**	**346,210**
Prior years' adjustments *(Note 42)*	**–**	**–**	**–**	**(8,563,454)**	**(8,563,454)**	**(6,164,352)**	**(14,727,806)**
As restated	**9,862,255**	**135,571,100**	**65,000,094**	**109,187,566**	**319,621,015**	**(1,277,123)**	**318,343,892**
Loss and total comprehensive loss for the year	**–**	**–**	**–**	**(53,062,778)**	**(53,062,778)**	**(2,213,390)**	**(55,276,168)**
Contribution by non-controlling interests	**–**	**–**	**–**	**–**	**–**	**2,944,995**	**2,944,995**
At 30 September 2019	**9,862,255**	**135,571,100**	**65,000,094**	**56,124,788**	**266,558,237**	**(545,518)**	**266,012,719**

The accompanying Notes form an integral part of the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended 30 September 2019

	2019 RM	2018 RM (Restated)
OPERATING ACTIVITIES		
Loss before tax	**(53,012,428)**	(3,469,020)
Adjustments for:		
Finance costs	**18,984,639**	18,633,422
Depreciation of property, plant and equipment	**8,818,378**	9,403,568
Impairment of goodwill	**4,757,046**	2,332,490
Impairment of property, plant and equipment	**2,600,725**	–
Amortisation of intangible assets	**1,741,934**	7,195,473
Impairment of other receivables	**1,500,000**	–
Bad debts written off	**985,132**	2,047,845
Net loss on derivatives	**335,060**	–
Impairment of trade receivables	**293,810**	–
Property, plant and equipment written off	**8,514**	188,458
Imputed interest income from trade receivables	**(42,760,635)**	(43,077,064)
Interest income from bank deposits	**(2,284,001)**	(2,415,578)
Unrealised (gain)/loss on foreign exchange	**(735,021)**	379,499
Gain on disposal of property, plant and equipment	**(247,348)**	(1,113,800)
Reversal of impairment on contract assets	**(30,370)**	–
Operating Cash Flows Before Movements In Working Capital	**(59,044,565)**	(9,894,707)
Decrease/(Increase) in inventories	**3,859,947**	(19,299,741)
Decrease in trade and other receivables, deposits and prepaid expenses	**93,553,137**	43,890,143
Increase in contract assets	**(102,818,869)**	–
Decrease in amount owing by customers for contract works	**–**	28,911,149
Increase/(Decrease) in trade and other payables	**18,782,313**	(17,781,835)
Decrease in contract liabilities	**(4,604,093)**	–
Decrease in amount owing to customers for contract works	**–**	(12,807,460)
OPERATING ACTIVITIES		
Net Cash (Used In)/Generated From Operations	**(50,272,130)**	13,017,549
Income tax paid	**(9,967,665)**	(25,645,874)
Income tax refunded	**260,400**	264,505
Net Cash Used In Operating Activities	**(59,979,395)**	(12,363,820)

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended 30 September 2019

	2019 RM	2018 RM (Restated)
INVESTING ACTIVITIES		
Interest received	**2,284,001**	2,415,578
Purchase of intangible assets	**(3,309,139)**	–
Purchase of property, plant and equipment	**(2,154,673)**	(6,615,758)
Purchase of investment property under construction	**(376,312)**	(130,985)
Proceed from disposal of property, plant and equipment	**710,682**	2,000,000
Investment in redeemable convertible preference shares	**(22,044,798)**	–
Advances to related parties	**(2,799,068)**	–
Payment of share application monies	**(2,885,900)**	–
Placement of restricted bank balances	**(3,787,000)**	(13,369,820)
Withdrawal of restricted bank balances	**10,258,474**	402,000
Acquisition of investment in associate	**(2)**	–
Placement of pledged and restricted fixed deposits	**(23,410,256)**	(7,872,156)
Withdrawal of pledged and restricted fixed deposits	**–**	10,720,187
Net Cash Used In Investing Activities	**(47,513,991)**	(12,450,954)
FINANCING ACTIVITIES		
Interest paid	**(18,984,639)**	(18,633,422)
Dividend paid	**–**	(13,309,245)
New borrowings raised	**212,017,148**	154,920,866
Repayment of borrowings	**(185,428,769)**	(141,268,202)
Repayment of obligations under finance leases	**(10,245,811)**	(13,466,592)
Increase/(Decrease) in bank overdrafts	**8,409,091**	(872,644)
Receipt of share application monies	**37,229,810**	–
Advances from related parties	**–**	20,000,000
Repayment to related parties	**(10,000,000)**	(10,000,000)
Contributions by non-controlling interests	**2,944,995**	5
Net Cash From/(Used In) Financing Activities	**35,941,825**	(22,629,234)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(71,551,561)**	(47,444,008)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**88,738,153**	136,561,660
Effect of foreign exchange rates	**(399,532)**	(379,499)
CASH AND CASH EQUIVALENTS AT END OF YEAR	**16,787,060**	88,738,153

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended 30 September 2019

(a) Cash and cash equivalents at end of year are determined as follows:

	2019 RM	2018 RM (Restated)
Cash and bank balances	**24,274,634**	69,517,790
Fixed deposits with licensed banks	**39,657,805**	49,426,960
Less: Restricted bank balances	**(7,487,574)**	(13,959,048)
Restricted fixed deposits	**(7,901,244)**	(1,545,606)
Pledged fixed deposits	**(31,756,561)**	(14,701,943)
	16,787,060	88,738,153

(b) Purchases of property, plant and equipment during the year have been financed as follows:

	2019 RM	2018 RM
By cash	**2,154,673**	6,615,758
By finance lease arrangements	**127,658**	370,000
	2,282,331	6,985,758

(c) Certain comparative figures for the year ended 30 September 2018 has been restated as follows:

	Placement of restricted bank balances RM	Cash and cash equivalents RM
As previously reported	**11,824,214**	90,283,759
Adjustments made	**1,545,606**	(1,545,606)
As restated	**13,369,820**	88,738,153

The accompanying Notes form an integral part of the Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL AND BASIS OF PREPARATION AND PRESENTATION

The Company is a public limited company incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited since 9 August 2017. The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 18 November 2016.

The addresses of the Company's registered office and principal place of business are P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands and A-3A-02, Block A, Level 3A, Sky Park One City, Jalan USJ 25/1, 47650 Subang Jaya, Selangor Darul Ehsan, Malaysia, respectively.

The Company is an investment holding company and the Group is principally engaged in the provision of a wide range of construction services. The principal activities and other particulars of the subsidiaries are set out in Note 30.

The consolidated financial statements are presented in Malaysian Ringgit ("**RM**"), which is also the functional currency of the Company.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") and the disclosure requirements of the Hong Kong Companies Ordinance.

Going Concern Assumption

During the financial year ended 30 September 2019, the Group incurred a loss before tax of RM53.0 million and net cash used in operating activities of RM59.9 million. As at that date, the Group recorded net current liabilities of RM61.7 million. The net current liabilities arising mainly from the breach of a financial covenant as stipulated in the relevant loan agreement entered into by KAS Engineering Sdn. Bhd., a wholly owned subsidiary, for a term loan amounting to RM205 million, out of which RM180 million was reclassified from non-current liabilities to current liabilities. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

As disclosed in Notes 24 and 41, the management of the Company has commenced discussion with the lender for a waiver of the technical breach of the loan covenant from the lender. The Group has yet to receive the written waiver as of the date of this report.

The basis for the preparation of the consolidated financial statements of the Group is therefore dependent upon the written consent to waive such breach by the relevant bank being obtained, the operations of the Group to generate sufficient cash flows in the future to fulfill its obligations as and when they fall due and continued financial support from its lenders and creditors.

In the event that these conditions are not forthcoming, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Accordingly, the consolidated financial statements may require adjustments relating to the realisable amount and classification of recorded assets and to provide for further liabilities that may be necessary should the Group be unable to continue as a going concern.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Going Concern Assumption (Continued)

The directors of the Group are of the opinion that the preparation of the consolidated financial statements of the Group on a going concern basis remains appropriate as they believe the Group will obtain written consent from the relevant bank to waive on such breach and the Group will obtain the continuous financial support from the lenders and creditors which will enable the Group to operate profitably in the foreseeable future, and accordingly, realise its assets and discharge its liabilities in the normal course of business.

Adoption of New and Amendments to IFRSs

In the current financial year, the Group adopted all the new and amendments to IFRSs and amendments to IFRSs issued by the International Accounting Standard Board ("**IASB**") which are effective for annual financial period beginning on or after 1 October 2018 as follows:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
Amendments to IFRS 2	Clarification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014 – 2016 Cycle
Amendments to IAS 40	Transfers of Investment Property
IFRIC 22	Foreign Currency Transactions and Advance Consideration

The adoption of these new and amendments to IFRSs did not result in significant changes in the accounting policies of the Group and had no significant effect on the financial performance or position of the Group except for the changes arising from the adoption of new IFRSs namely IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers as described below:

Impact of Initial Application of IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39, Financial Instruments: Recognition and Measurement. It introduces new requirements for:

(a) classification and measurement of financial assets; and

(b) impairment of financial assets and other items (contract assets and financial guarantee contracts).

The Group has applied modified retrospective approach under IFRS 9 to items that existed at 1 October 2018 in accordance with the transition provisions. Differences between the previous reported carrying amounts and the new carrying amounts under IFRS 9 at 1 October 2018 are recognised as adjustments to the opening balance of retained earnings as at 1 October 2018. Comparative information is not restated.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 Financial Instruments: Recognition and Measurement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Impact of Initial Application of IFRS 9 Financial Instruments (Continued)

The key changes to the Group's accounting policies are on the classification and measurement and impairment of the Group's financial assets and other items, as further explained below:

(a) Classification and measurement of financial assets

The Group classified its financial assets for debt instruments such as receivables and cash and bank balances that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost, as follows:

	1 October 2018 RM (Restated)	Existing classification under IAS 39	New classification under IFRS 9
Financial assets	585,223,707	Loans and receivables	Amortised cost

(b) Impairment of financial assets, contract assets and financial guarantee contracts under Expected Credit Losses ("ECL") model

The Group applies the IFRS 9 simplified approach to measure ECL, which uses a lifetime ECL for all contract assets and trade receivables. Contract assets and trade receivables have been assessed based on the Group's assessment on the internal credit rating determined using individual customer's credit risk by considering the customers' financial performance and past collection records, adjusted for factors that are specific to the customers and any forward looking information. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore estimated loss rates for the trade receivables and contract assets on the same basis.

ECL for other financial assets at amortised cost, including bank balances and fixed deposits, other receivables and refundable deposits, are assessed on 12-month ("**12m**") ECL basis as there had been no significant increase in credit risk since initial recognition.

As of 1 October 2018, additional credit loss allowances (net of deferred tax liabilities of RM346,210) of RM2,253,980 has been recognised against retained earnings and non-controlling interests. The additional loss allowances of RM2,600,190 are charged against the respective assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Impact of Initial Application of IFRS 9 Financial Instruments (Continued)

(b) Impairment of financial assets, contract assets and financial guarantee contracts under Expected Credit Losses ("ECL") model (Continued)

The result of the assessment performed by the Group are as follows:

Items that existed as at 1 October 2018 that were subject to the impairment provision of IFRS 9	Credit risk attributed at 1 October 2018 RM	Carrying amounts as at 30 September 2018 RM (Restated)	Carrying amounts as at 1 October 2018 (Restated)
Current Assets			
Trade receivables	Refer to*	442,218,350	440,680,070#
Other receivables and refundable deposits	Low credit risk^	24,060,607	24,060,607
Amount owing by customers for contract works		199,844,148	–
Contract assets	Refer to*	–	198,782,238#
Fixed deposits	Low credit risk@	49,426,960	49,426,960
Bank balances	Low credit risk@	68,941,147	68,941,147

* *The Group applies the simplified approach and recognises lifetime ECL for these assets.*

^ *These balances are assessed to have low credit risk at each reporting date. There has been no significant increase in risk of default since initial recognition up to 1 October 2018. The Group therefore recognises 12-month ECL for these items.*

@ *All bank balances are assessed to have low credit risk at each reporting date as they are held with reputable financial institutions.*

ECL recognised against the Group's retained earnings and non-controlling interests as of 1 October 2018 in aggregate is RM2,253,980 (net of deferred tax liabilities amounting to RM346,210).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Impact of initial application of IFRS 15 Revenue from contract customers

IFRS 15 replaces IAS 11 "Construction Contracts" and IAS 18 "Revenue" which covers contracts with customers for goods and services. The Group has elected to adopt IFRS 15 using the modified retrospective method and applied only to contracts that were not completed at the date of initial application. Any difference of the change in accounting policy was reflected at the date of initial application, 1 October 2018. Hence, the comparative information was presented based on the requirements of IAS 11, IAS 18 and related interpretations. The application of this standard has had no material impact on the timing and amounts of revenue recognised in the current or prior accounting periods.

The core principle of IFRS 15 is that revenue is recognised when a performance obligation is satisfied by transferring control of a promised good or service to a customer. Depending on the nature and terms of the contract, control may transfer at a point in time or over time. Where customer contracts contain more than one performance obligation, IFRS 15 requires entities to apportion revenue from contract between individual performance obligations on a relative standalone selling price basis. The standard also sets out criteria for capitalisation of incremental cost of obtaining a contract.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios.

In accordance with IFRS 15, the Group recognises revenue when a performance obligation is satisfied, which is when 'control' of provision of services underlying the particular performance obligation is transferred to the customer and also accounted for any variable consideration element against transaction price.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Impact of initial application of IFRS 15 Revenue from contract customers (Continued)

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 October 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts as at 30 September 2018 RM (Restated)	Reclassification RM	Carrying amount under IFRS 15 as at 1 October 2018 RM (Restated)
Assets			
Trade and other receivables, deposits and prepaid expenses excluding related parties (non-trade)	468,777,290	(86,679,384)	382,097,906
Amount owing by customers for contract works	199,844,148	(199,844,148)	–
Contract assets	–	286,523,532	286,523,532
Current liabilities			
Contract liabilities	–	11,724,155	11,724,155
Amount owing to customers for contract works	11,724,155	(11,724,155)	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Impact of initial application of IFRS 15 Revenue from contract customers (Continued)

The following tables summarise the impacts of applying IFRS 15 on the Group's consolidated statement of financial position as at 30 September 2019 for each of the line items affected. Line items that were not affected by the changes have not been included.

	As reported RM	Adjustments RM	Amounts without application of IFRS 15 RM
Assets			
Trade and other receivables, deposits and prepaid expenses excluding related parties (non-trade)	413,667,566	94,236,799	507,904,365
Amount owing by customers for contract works	–	207,394,678	207,394,678
Contract assets	301,631,477	(301,631,477)	–
Current liabilities			
Contract liabilities	7,120,062	(7,120,062)	–
Amount owing to customers for contract works	–	7,120,062	7,120,062

The following table summarises the impacts of applying IFRS 15 on the Group's consolidated statement of cash flows for the year ended 30 September 2019 for each of the line items affected. Line items that were not affected by the changes have not been included.

	As reported RM	Adjustments RM	Amounts without application of IFRS 15 RM
Cash Flows From Operating Activities			
Decrease/(Increase) in trade and other receivables, deposits and prepaid expenses	93,553,137	(93,970,952)	(417,816)
Increase in contract assets	(102,818,869)	102,818,869	–
Increase in amount owing by customers for contract works	–	(8,847,917)	(8,847,917)
Decrease in contract liabilities	(4,604,093)	4,604,093	–
Decrease in amount owing to customer for contract works	–	(4,604,093)	(4,604,093)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Impact of initial application of IFRS 15 Revenue from contract customers (Continued)

The Group's accounting policies for its revenue recognition are disclosed in details in Note 3. Apart from providing more extensive disclosures on the Group's revenue transactions, the application of IFRS 15 has not had a significant impact on the financial position and/or financial performance of the Group.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position as of 1 October 2018 upon the application of all new standards. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 30 September 2018 RM (Restated)	IFRS 15 RM	IFRS 9 RM	Carrying amounts under IFRS 15 and IFRS 9 at 1 October 2018 RM (Restated)
Current Assets				
Trade and other receivables, deposits and prepaid expenses:				
Trade receivables	347,463,254	–	(1,538,280)	345,924,974
Retention receivables	94,755,096	(86,679,384)	–	8,075,712
Amount owing by customers for contract works	199,844,148	(199,844,148)	–	–
Contract assets	–	286,523,532	(1,061,910)	285,461,622
Capital and Reserves				
Reserves	311,205,990	–	(1,447,230)	309,758,760
Non-controlling interests	(470,373)	–	(806,750)	(1,277,123)
Non-Current Liability				
Deferred tax liabilities	9,651,351	–	(346,210)	9,305,141
Current Liabilities				
Contract liabilities	–	11,724,155	–	11,724,155
Amount owing to customers for contract works	11,724,155	(11,724,155)	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

New and amendments to IFRSs and interpretation in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs and interpretation that have been issued but not yet effective:

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[3]
IFRIC 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 3	Definition of a Business[5]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[2]
Amendments to IAS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[6]
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current[4]
Amendments to IAS 1 and IAS 8	Definition of Material[2]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendment to IFRSs	Annual Improvements to IFRSs 2015 – 2017 Cycle[1]

1 *Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted*

2 *Effective for annual periods beginning on or after 1 January 2020, with earlier application permitted*

3 *Effective for annual periods beginning on or after 1 January 2021, with earlier application permitted*

4 *Effective for annual periods beginning on or after 1 January 2022, with earlier application permitted*

5 *Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020*

6 *Effective for annual periods beginning on or after a date to be determined by IASB*

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in IFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

New and amendments to IFRSs and interpretation in issue but not yet effective (Continued)

The directors anticipate that the abovementioned new and amendments to IFRSs and interpretation will be adopted in the consolidated financial statements of the Group when they become effective and the adoption of these new and amendments to IFRSs and interpretation will have no material impact on the consolidated financial statements of the Group in the future except as disclosed below:

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 "Leases" and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group. Upfront prepaid lease payments will continue to be presented as investing or operating cash flows in accordance to the nature as appropriate.

Under IAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Furthermore, extensive disclosures are required by IFRS 16.

As at 30 September 2019, the Group has operating lease commitments of RM30,790,485 as disclosed in Note 35. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of RM522,540 as at 30 September 2019 as rights and obligations under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of the reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 "Inventories" or value in use in IAS 36 "Impairment of assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

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

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of a subsidiary to bring its accounting policies in line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interest entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or a loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interests and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (reclassified to profit or loss or transferred to another category of equity as specified/ permitted by applicable IFRSs). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 "Financial Instruments"/IAS 39 "Financial Instruments: Recognition and measurement", or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisition of subsidiaries and businesses are accounted for using acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity instruments issued by the Group in exchange for control of the acquiree. Acquisition related costs are recognised in profit or loss as incurred.

At acquisition date, the acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (revised) are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 "Income Taxes" and IAS 19 "Employee Benefits", respectively;

- liabilities or equity instruments related to share-based payments arrangements of the acquiree or share-based payment arrangement of the Group entered into to replace share-based payment arrangement of the acquiree are measured in accordance with IFRS 2 "Share-based Payment" at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations (Continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as of acquisition date. If, after reassessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the subsidiary's net assets in the event of liquidation initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

Where the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured to fair value at subsequent reporting dates with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interests in the acquiree are remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under IFRS 9/IAS 39 would be accounted for on the same basis as would be required if the Group had disposed directly at the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as at the acquisition date that, if known, would have affected the amounts recognised at that date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations (Continued)

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identified and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. Capital work in progress is stated at cost during the period of construction and is not depreciated as it has not been ready for its intended use. Upon completion of construction, the cost will be transferred to property, plant and equipment.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit to (or group of cash-generating units) which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or a group of cash-generating units) to which goodwill has been allocated is tested for impairment before end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units). Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of profit or loss and other comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent period.

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Alternatively, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment loss. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful lives are reviewed at the end of each financial year, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets-work-in-progress is not amortised as these assets are not ready for its intended for use.

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

Investment properties

Investment properties are properties which are owned or held under a freehold 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. After initial recognition, investment property is accounted for in accordance with the cost model as set out in IAS 16 "Property, Plant and Equipment" – cost less accumulated depreciation and less accumulated impairment losses.

Investment property under construction is measured at cost.

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.

Inventories

The cost of unsold completed units is stated at the lower of cost and net realisable value.

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

Impairment on tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives and contract costs to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount of tangible and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash- generating units for which a reasonable and consistent allocation basis can be identified.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concession agreements

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

The Group constructs infrastructure used to provide service and operates and maintains that infrastructure for a specified period of time. The Group recognises and measures the construction revenue in accordance with the accounting policy for construction contracts.

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

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

Concession assets resulting from the service concession are recorded in the consolidated statement of financial position under trade receivables and are amortised using a rate of return specific to the assets to give a constant periodic rate of return on the financial asset in each period.

Investment in an associate

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

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

An associate is equity accounted for from the date on which the investee becomes an associate unless the Group does not have contractual equity interest over the associate.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment in an associate (Continued)

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

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

After application of the equity method, the Group applies IAS 36 "Impairment of Assets" to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with IAS 36 as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains and interest in the former associate and the retained interest is a financial asset within the scope of IFRS 9/IAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation that associate on the same basis would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassified to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

The Group applies IFRS 9, including the impairment requirements, to long-term interests in an associate to which the equity method is not applied and which form part of the net investment in the investee.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 since 1 October 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The fair value of a financial instrument at initial recognition is normally the transaction price. However, if the fair value of the financial asset and financial liability at initial recognition differs from the transaction price, the entity shall account for that instrument at that date as follows:

(a) at the measurement of fair value if that fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets. An entity shall recognise the difference between the fair value at initial recognition and the transaction price as a gain or loss.

(b) In all other cases, at the measurement of fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. After initial recognition, the entity shall recognise that deferred difference as a gain or loss only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the assets or liabilities.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Assets

Classification and subsequent measurement of financial assets (upon application of IFRS 9 from 1 October 2018)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("**FVTPL**"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("**OCI**") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 "Business Combination" applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Assets (Continued)

Classification and subsequent measurement of financial assets (upon application of IFRS 9 from 1 October 2018) (Continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL. Specifically, investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Assets (Continued)

Impairment of financial assets (upon application of IFRS 9 from 1 October 2018)

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables and contract assets. The expected credit losses on these financial assets are estimated using individual assessment based on the historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

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

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Assets (Continued)

Impairment of financial assets (upon application of IFRS 9 from 1 October 2018) (Continued)

(i) Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if: (i) it has a low risk of default; (ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

The Group considers a debt instrument to have low credit risk when it has an external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Assets (Continued)

Impairment of financial assets (upon application of IFRS 9 from 1 October 2018) (Continued)

(i) Significant increase in credit risk (Continued)

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contract, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Assets (Continued)

Impairment of financial assets (upon application of IFRS 9 from 1 October 2018) (Continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of defaults that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Assets (Continued)

Impairment of financial assets (upon application of IFRS 9 from 1 October 2018) (Continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For a financial guarantee contract, the Group is required to make payment only in the event of a default by the debtor in accordance with the terms of the instalment that is guaranteed. Accordingly, the expected losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs loss any amounts that the Group expects to reserve from the holder, the debtor or any other party.

For ECL on financial guarantee contracts or on loan commitments for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

For financial guarantee contracts the loss allowance are recognised at the higher of the amount of the loss allowance determined in accordance with IFRS 9, and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Assets (Continued)

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 October 2018)

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, fixed deposits, and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets:

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

- default or delinquency in interest or principal payments; or

- it is becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Assets (Continued)

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 October 2018) (Continued)

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are debited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments:

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities:

Financial liabilities (including trade and other payables, borrowings and derivative liabilities) are subsequently measured at amortised cost, using the effective interest method or at FVTPL.

(i) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies; (ii) held for trading; or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near future; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual patterns of short term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

(ii) Financial liability at amortised cost

Financial liabilities including borrowings, trade and other payables are subsequently measured at amortised cost using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities and equity instruments (Continued)

Financial guarantee contracts:

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contracts liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9 (since 1 October 2018)/IFRS 37 "Provision, Contingent Liabilities and Contingent Assets" (before application of IFRS 9 on 1 October 2018); and

- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period in accordance to the principles of IFRS 15.

Derecognition of financial liabilities:

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derivative financial instruments

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the consolidated financial statements unless the Group has both a legally enforceable right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Share Application Monies

Share application monies represent funds contributed or received by the Group during the year for which shares have yet to be issued and allocated to/by the Group. These monies are measured at the amounts contributed or received and will be reclassified to either investments or equity (as applicable) upon successful issuance and allocation of relevant shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from Contracts with Customers (upon application of IFRS 15 from 1 October 2018)

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services are substantially the same.

Controls is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. Contract liabilities are recognised as revenue when the Group performs the contracts.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from Contracts with Customers (upon application of IFRS 15 from 1 October 2018) (Continued)

Contracts with multiple performance obligation (including allocation of transaction price):

For contracts that contains more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis except for the allocation of discounts and variable consideration.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligations:

Input method: The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance transferring control of goods or services.

Output method: The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Variable consideration:

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either: (a) the expected value method; or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction prices (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from Contracts with Customers (upon application of IFRS 15 from 1 October 2018) (Continued)

Financing components:

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer represents a financing component with the exception of concession revenue which will be accounted for under IFRS 9. As a result, the Group does not adjust any of the transaction prices for the time value of money.

Warranties and defect periods:

Generally construction and services contracts include defect and warranty periods following completion of the project. These obligations are not deemed to be separate performance obligations and therefore estimated and included in the total costs of the contracts. Where required, amounts are recognised accordingly in line with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

Loss making contracts:

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Revenue recognition (before application of IFRS 15 on 1 October 2018)

Revenue is measured at the fair value of the consideration received or receivable.

The Group's policy for recognition of revenue from construction contracts is described in the accounting policy on construction contracts below.

Building maintenance service, and supply and installation of elevators income are recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from Contracts with Customers (upon application of IFRS 15 from 1 October 2018) (Continued)

Construction contracts:

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the percentage of completion of the contract activity at the end of the reporting period, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the percentage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When a contract covers a number of assets, the construction of each asset is treated as a separate contract when separate proposals have been submitted for each asset, each asset has been separately negotiated and the costs and revenues of each asset can be separately identified. A group of contracts, performed concurrently or in a continuous sequence, is treated as a single construction contract when the contracts were negotiated as a single package and they are so closely inter-related that they constitute a single project with an overall profit margin.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts owing by customers for contract works. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts owing to customers for contract works. Amounts received before the related work is performed are included in the consolidated statement of financial position under “trade and other payables”. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under “trade and other receivables, deposits and prepaid expenses”.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee:

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as obligations under finance leases.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

Gains on sale and leaseback transactions resulting in finance leases are deferred and amortised over the lease term on a straight-line basis, while losses are recognised immediately in the profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

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 added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

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

Retirement benefit costs

Payments to defined contribution retirement benefit plan, state-managed retirement benefit schemes and the Employees Provident Fund ("**EPF**") Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign Currency Conversion

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Ringgit Malaysia ("**RM**"), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair values were determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the financial period. Taxable profit differs from '(loss)/ profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities at the end of reporting period and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets, if any, is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Provision for performance guarantees and bonds are recognised when crystallisation is probable. When crystallisation is possible, the performance guarantees and bonds are disclosed as contingent liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingent Liabilities

The Group does not recognise a contingent liability but discloses its existence in the consolidated financial statements. 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 or a sufficiently reliable estimate of the amount of the obligation cannot be made.

Segment Reporting

For management purposes, the Group is organised into operating segments based on their operating activities which are independently managed by the respective segments under their charge. The segment managers' report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 5.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgement in applying accounting policies:

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Significant influence over Spark Energy International Limited ("**SPARK**"):

Note 14 describes that SPARK is an associate of the Group although the Group owns 45.1% and there are two call options for the Group to buy up to 2.5% equity interest each currently owned by two shareholders of SPARK.

Despite the fact that the Group represents the shareholder holding the highest equity interest of that company based on assessment on the relevant agreements including the shareholders', agreement, the directors are of the opinion that the Group has significant influence over SPARK by virtue of the contractual right to appoint two out of the five directors to the board of directors of that company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

(i) Construction contracts with customers

As revenue from on-going construction contracts are recognised over time, the amount of revenue recognised at the reporting date depends on the extent to which the performance obligation has been satisfied. The revenue recognition over time is determined on a cost-to-cost method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs.

Significant judgement is required in determining the percentage of completion, the extent of the contract costs incurred, the estimated total revenue and total costs and the recoverability of the construction projects and contract costs. In making these judgements, management relies on past experience and, if necessary, the works of specialists.

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

The information about contract assets/(liabilities) (2018: amounts owing by/(to) customers for contract works) for construction contracts at the reporting date are disclosed in Note 19.

(ii) Impairment of trade receivables and contract assets

Upon application of IFRS 9, the Group uses simplified approach in calculating ECL for trade receivables and contract assets by applying an ECL rate. The ECL rate is determined based on the management's assessment on the individual customer's credit risk grading dependent on the customer's financial performance, adjusted for factors that are specific to the debtors, general economic conditions at the reporting date that is available, including time value of money where appropriate. At each reporting date, the ECL rate is remeasured. The ECL is sensitive to changes in circumstances and of forecast economic conditions and consequently, may not be representative of customers' actual default in the future.

Before application of IFRS 9 on 1 October 2018, the Group assesses at the end of each reporting period whether there is any objective evidence that a receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the counterparty and default or significant delay in payments. The Group also considers the creditworthiness, the past collection history of each customer, ageing analysis and subsequent settlement of individual balance. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

The carrying amounts of receivables and contract assets at the reporting date and information about the ECL are disclosed in Notes 17, 19 and 33.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

(iii) Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating units to which goodwill has been allocated, which is the higher of the value in use and fair value less cost of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected or change in facts and circumstances which results in downward revision of future cash flows, a material impairment loss/further impairment may arise.

Details of the recoverable amount calculation are disclosed in Note 13.

(iv) Impairment of property, plant and equipment

The Group assesses whether there is any indication that property, plant and equipment are impaired at the end of each reporting period.

Impairment is measured by comparing the carrying amount of an asset with its recoverable amount. The recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flow derived from that asset discounted at an appropriate discount rate. Projected future cash flows are calculated based on historical sector and industry trends, general market and economic conditions, changes in technology and other available information. Changes to any of these assumptions would affect the amount of impairment.

During the financial year, in view of the deteriorating performance of the earthworks and infrastructure segment, the earthworks and infrastructure segment recorded an impairment of property, plant and equipment amounted to RM2.6 million (2018: Nil) as disclosed in Note 8.

(v) Provision for liquidated ascertained damages ("LAD")

Significant judgement is required in determining the amount of provision for LAD in respect of construction contracts to be made. The Group evaluates the amount of provision required based on the past experience, industry norm and the results from mitigating measures taken by the Group such as requesting extension of time to complete the affected projects and waive their LAD claim. Where the actual outcome deviates from the expected outcome and that there are wide range of possible outcomes, a material provision for LAD may arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

(vi) Fair value measurements and valuation processes

When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair values are measured using valuation techniques. Valuation techniques include the discounted cash flows method, option pricing models, credit models and other relevant valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values.

Further information on the carrying amounts of these assets and the sensitivity of those amounts to changes in unobservable inputs are provided in Note 33.

5. REVENUE, INCOME FROM CONCESSION AGREEMENTS AND SEGMENTAL INFORMATION

(a) Disaggregation of revenue from contracts with customers

The Group derives its revenue from contract with customers (2018: revenue) in the following major revenue streams:

	2019 RM	2018 RM (Restated)
Building construction revenue	**343,306,464**	498,293,858
Building maintenance service income	**10,414,808**	10,872,052
Supply and installation of elevators	**16,696**	139,197
	353,737,968	509,305,107

	2019 RM
Timing of revenue recognition:	
Over time	**353,737,968**

Construction contract revenue recognised amounting to RM4,326,099 (2018: RM1,376,812) relates to the development and construction of a solar photovoltaic energy generating facility as disclosed in Note 5(d)(ii).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. REVENUE, INCOME FROM CONCESSION AGREEMENTS AND SEGMENTAL INFORMATION (CONTINUED)

(b) Performance obligations for contracts with customers

(i) Building construction

The Group provides building construction services to customers. Such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised for these construction services based on the percentage of completion of the contracts using input method.

The Group's construction contracts include payment schedules which require stage payments over the construction period once certain specified milestones are reached. The Group may require certain customers to provide upfront deposits of certain % of total contract sum. When the Group receives a deposit before construction commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the specific contract exceeds the amount of the deposit.

A contract asset, net of contract liability related to the same contract, is recognised over the period in which the construction services are performed representing the Group's right to consideration for the services performed because the rights are conditioned on the Group's future performance in achieving specified milestones. The contract assets are transferred to trade receivables when the rights become unconditional.

Retention sum receivables, prior to expiration of defect liability period, ranges from one to two years from the date of the practical completion of the construction. The relevant amount of contract asset is reclassified to trade receivables when the defect liability period expires. The defect liability period serves as an assurance that the construction services performed comply with agreed-upon specification and such assurance cannot be purchased separately.

(ii) Building maintenance service

The Group engages in providing services for maintenance of buildings. Contracts entered into can cover various different processes. These processes and activities tend to be highly inter-related and the Group provides a significant service of integration for these assets under contract. Where this is the case, these are taken to be one performance obligation. The total transaction price is allocated across each service or performance obligation and, where linked, the construction of the relevant asset. The transaction price is allocated to each performance obligation based on contracted prices. The total transaction price may include variable consideration.

Performance obligations are fulfilled over time as the customer simultaneously receives and consume the benefits provided by the Group's performance as the Group performs. Revenue is recognised in the accounting period in which the services are rendered based on the amount of the expected transaction price allocated to each performance obligation. Customers are in general invoiced on a monthly basis for an amount that is calculated on a schedule of rates. Payment is received following invoice on normal commercial terms. For performance obligations satisfied over time, the percentage of completion is measured on an output basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. REVENUE, INCOME FROM CONCESSION AGREEMENTS AND SEGMENTAL INFORMATION (CONTINUED)

(c) Transaction price allocated to the remaining performance obligations for contracts with customers

The following table shows the aggregate amount of the transaction price allocated to performance obligations that is unsatisfied (or partially unsatisfied) as at the end of the reporting period. As permitted under the transitional provisions in IFRS 15, the transaction price allocated to partially unsatisfied performance obligations as of 30 September 2018 is not disclosed.

	2019 RM
Building construction revenue	**1,253,294,426**
Building maintenance service income	**163,879,392**
Supply and installation of elevators	**1,047,626**
	1,418,221,444

The Group expects revenue from unsatisfied performance obligations to be recognised in the following years as follows:

	2019 RM
Within one year	**740,025,629**
More than one year, but not more than two years	**535,120,415**
More than two years	**143,075,400**
	1,418,221,444

The Group has applied IFRS 15 in accordance with the modified transitional approach and applied the expedient in IFRS 15:C5(d) allowing both non-disclosure of the amount of the transaction price allocated to the remaining performance obligations, and an explanation of when it expected to recognise that amount as revenue for all reporting periods presented before the date of initial application.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. REVENUE, INCOME FROM CONCESSION AGREEMENTS AND SEGMENTAL INFORMATION (CONTINUED)

(d) Income from concession agreements

	2019 RM	2018 RM
Income from concession agreements – imputed interest income:		
(i) UiTM	**42,394,597**	43,061,814
(ii) REPPA	**366,038**	15,250
	42,760,635	43,077,064

(i) KAS Engineering Sdn. Bhd. ("**KAS Engineering**"), which became a wholly-owned subsidiary of BGMC Holdings Bhd. ("**BGMC Holdings**") on 28 September 2015, entered into a concession agreement on 14 March 2012 with Universiti Teknologi Mara ("**UiTM**") and the Government of Malaysia (the "**Government**") as represented by the Ministry of Higher Education Malaysia under a private finance initiative for the right and authority to undertake the financing, planning, design, development, construction, landscaping, equipping, installations, completion, testing and commissioning of the facilities and infrastructure of a UiTM campus in Dengkil, Malaysia and to carry out the property management services in relation to the maintenance of the facilities and infrastructure.

This concession agreement is for a period of 23 years comprising 3 years of construction works and 20 years of maintenance works commencing immediately from the date when the construction and related infrastructure works were accepted by UiTM and ending on the 23rd anniversary of the commencement date (the "**Maintenance Period**"). The maintenance works will commence upon the issuance of Certificate of Acceptance by UiTM and expire on the last date of the Maintenance Period (the "**Repayment Period**"). Upon expiry of the Maintenance Period, the Group is required to handover the facilities and infrastructure at no cost to UiTM in a well-maintained and operational condition.

UiTM will pay the Group throughout the Maintenance Period (i) equal monthly concession charges for the enjoyment of the availability of the facilities which were provided by KAS Engineering over the initial 3 years of construction works ("**Availability Charges**"); and (ii) monthly infrastructure and maintenance charges for the provision of maintenance works to be provided by KAS Engineering in accordance with the provisions of the concession agreements. The Group and UiTM may make request in writing for the review of the maintenance charges at the interval of every five years after the commencement date of the Maintenance Period, subject to the Government's approval.

The construction of the facilities and infrastructures of the university campus were completed on 25 September 2015 and accepted by UiTM on 25 November 2015 which represents the commencement of the Maintenance Period of the facilities and infrastructure. Upon acceptance by UiTM, the balance previously recognised as amount owing by customers for contract works assets was reclassified to trade receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. REVENUE, INCOME FROM CONCESSION AGREEMENTS AND SEGMENTAL INFORMATION (CONTINUED)

(d) Income from concession agreements (Continued)

(i) (Continued)

The financial asset arising from the above concession agreements, which represents the fair value of the consideration receivable for the construction services delivered during the construction, amounted to RM268,709,086 (2018: RM281,084,024) as at 30 September 2019, and is included as trade receivables as disclosed in Note 17. Such receivable is settled by equal monthly Availability Charges over the Repayment Period. Since KAS Engineering's entitlement to receive the Availability Charges resulted from construction work provided by KAS Engineering, as well as the provision of finance in respect of such work over the Repayment Period, the related trade receivable was discounted over the Repayment Period using an effective interest rate of 15.1% (2018: 15.1%) per annum. The imputed interest income recognised for the year ended 30 September 2019 amounted to RM42,394,597 (2018: RM43,061,814).

All rights, interest and title limited to the Availability Charges, any amount payable by the Government of Malaysia, and reimbursement of costs by UiTM under the aforesaid concession agreement are assigned to a financial institution to secure a term loan facility granted to KAS Engineering as disclosed in Note 24.

(ii) During the previous financial year, a subsidiary, BGMC Bras Power Sdn. Bhd. ("**BP**") entered into a Renewable Energy Power Purchase Agreement ("**REPPA**") with Tenaga Nasional Berhad ("**TNB**") to design, construct, own, operate and maintain a solar photovoltaic energy generating facility ("**the Facility**") with a capacity of 30MWac proposed to be located at Kuala Muda, Kedah, Malaysia to generate and deliver solar photovoltaic energy to TNB. BP will sell to TNB, and TNB will purchase from BP the electrical output generated by the Facility and delivered to TNB in exchange for energy payments as set out in the REPPA ("**the Kuala Muda Project**").

The REPPA is for a period of 21 years ("**the Term**") commencing upon the fulfillment of the condition precedent ("**CP**") set out in the REPPA and expires on the day before the 21st anniversary of the CP fulfillment date (including such day), unless otherwise extended in accordance with certain clauses or terminated in accordance with the provisions of the REPPA. Upon expiry of the Term or the earlier termination of the REPPA, TNB shall have the right to disconnect the TNB interconnection facility from the Facility.

The construction activities of the Facility has not commenced as at 30 September 2019.

The financial asset arising from the REPPA, which represents the fair value of the consideration receivable for the preliminary services delivered, amounted to RM6,084,199 (2018: RM1,392,062) as at 30 September 2019, and is included as trade receivables as disclosed in Note 17. Such receivable is settled over the Term of the REPPA. Since BP's entitlement is to receive the energy payments resulted from construction work provided as well as the operation and maintenance of the Facility upon commercial operation date as defined under the REPPA, the related trade receivable was discounted over the Term using a rate of return specific to the Facility to give a constant periodic rate of return on the financial asset in each period. The imputed interest income recognised during the year ended 30 September 2019 amounted to RM366,038 (2018: RM15,250).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. REVENUE, INCOME FROM CONCESSION AGREEMENTS AND SEGMENTAL INFORMATION (CONTINUED)

(d) Income from concession agreements (Continued)

(ii) (Continued)

As disclosed in Note 40(b), BGMC Energy Sdn. Bhd., an indirect wholly- owned subsidiary entered into a shareholders' agreement for the investment of 45.1% equity interest in an associate company, namely SPARK, a company incorporated in Cayman Islands. Through the arrangement as disclosed in Note 40(b), it will provide financing for Kuala Muda Project and Machang Project (as defined in Note 40(a)).

(e) Segment information

Information reported to the Executive Directors of the Group, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance focuses on types of services provided. This is the basis on which the Group is organised.

Specifically, the Group's operating and reportable segments under IFRS 8 "Operating Segments" are as follows:

(i) Building and structures – provision of construction services in building and structural construction works;

(ii) Energy infra-structure – provision of construction services in energy transmission and distribution works;

(iii) Mechanical and electrical – provision of construction services in mechanical and electrical installation works;

(iv) Earthworks and infrastructure – provision of construction services in earthworks and infrastructure construction works; and

(v) Concession and maintenance – provision of construction services under private finance initiative and related post-construction property management services in relation to the maintenance of the related facilities and infrastructure and provision of development and construction services under REPPA.

In addition to the above reportable segments, the Group has certain operating segments (including supply and installation of elevators; and investment in solar power infrastructure business) that do not meet any of the quantitative thresholds for determining reportable segments. These operating segments are grouped under "Others" segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. REVENUE, INCOME FROM CONCESSION AGREEMENTS AND SEGMENTAL INFORMATION (CONTINUED)

(e) Segment information (Continued)

The following is an analysis of the Group's revenue, results, assets and liabilities by reportable and operating segment:

Segment revenue

As at 30 September 2019

	Building and structures RM	Energy Infra-structure RM	Mechanical and electrical RM	Earthworks and infrastructure RM	Concession and maintenance RM	Others RM	Sub-total RM	Elimination RM	Consolidated RM
SEGMENT REVENUE									
External revenue	291,606,410	21,072,067	14,910,450	7,293,107	57,468,843	4,147,726	396,498,603	-	396,498,603
Inter-segment revenue	-	-	36,063,291	-	-	3,140,993	39,204,284	(39,204,284)	-
Total	291,606,410	21,072,067	50,973,741	7,293,107	57,468,843	7,288,719	435,702,887	(39,204,284)	396,498,603
RESULT									
Segment results	(54,871,804)	(3,668,580)	(7,371,893)	(2,883,261)	24,381,125	(1,946,969)	(46,361,382)	-	(46,361,382)
Unallocated corporate income less expenses									(2,569,585)
Other losses, net									(4,081,461)
Loss before tax									(53,012,428)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. REVENUE, INCOME FROM CONCESSION AGREEMENTS AND SEGMENTAL INFORMATION (CONTINUED)

(e) Segment information (Continued)

Segment revenue (Continued)

As at 30 September 2018 (Restated)

	Building and structures RM	Energy Infra-structure RM	Mechanical and electrical RM	Earthworks and infrastructure RM	Concession and maintenance RM	Others RM	Sub-total RM	Elimination RM	Consolidated RM
SEGMENT REVENUE									
External revenue	395,645,053	40,091,882	43,441,526	17,738,585	55,325,928	139,197	552,382,171	-	552,382,171
Inter-segment revenue	-	-	80,538,144	-	-	8,585,804	89,123,948	(89,123,948)	-
Total	395,645,053	40,091,882	123,979,670	17,738,585	55,325,928	8,725,001	641,506,119	(89,123,948)	552,382,171
RESULT									
Segment results	(7,442,608)	(754,181)	4,315,764	(18,156,721)	30,112,003	(1,088,117)	6,986,140	-	6,986,140
Unallocated corporate income less expenses									(7,445,231)
Other losses, net									(3,009,929)
Loss before tax									(3,469,020)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. REVENUE, INCOME FROM CONCESSION AGREEMENTS AND SEGMENTAL INFORMATION (CONTINUED)

(e) Segment information (Continued)

Segment revenue (Continued)

External segment revenue includes revenue and income from concession agreements as presented in the consolidated statement of profit or loss and other comprehensive income.

Segment results represents the profit of each segment without allocation of corporate income and expenses, other losses, and income tax expenses. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

The total segment revenue can be reconciled to the revenue as presented in the consolidated statement of profit or loss and other comprehensive income as follows:

	2019 RM	**2018 RM (Restated)**
Total segment revenue	**435,702,887**	641,506,119
Less: Inter-segment revenue	**(39,204,284)**	(89,123,948)
Less: Income from concession agreements	**(42,760,635)**	(43,077,064)
Revenue as presented in the consolidated statement of profit or loss and other comprehensive income	**353,737,968**	509,305,107

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. REVENUE, INCOME FROM CONCESSION AGREEMENTS AND SEGMENTAL INFORMATION (CONTINUED)

(e) Segment information (Continued)

Segment assets and liabilities

As at 30 September 2019

	Building and structures RM	Energy infra-structure RM	Mechanical and electrical RM	Earthworks and infrastructure RM	Concession and maintenance RM	Others RM	Sub-total RM	Elimination RM	Consolidated RM
Segment assets	473,672,038	34,228,496	45,077,283	30,176,458	334,989,225	33,137,298	951,280,798	(80,568,031)	870,712,767
Unallocated corporate assets									5,612,191
Deferred tax assets									3,601,871
Tax recoverable									13,784,254
Total assets									893,711,083
Segment liabilities	433,600,890	31,332,874	42,134,336	33,721,714	243,417,027	34,913,744	819,120,585	(207,903,678)	611,216,907
Unallocated corporate liabilities									3,276,087
Deferred tax liabilities									11,750,810
Tax liabilities									1,004,560
Total liabilities									627,698,364

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. REVENUE, INCOME FROM CONCESSION AGREEMENTS AND SEGMENTAL INFORMATION (CONTINUED)

(e) Segment information (Continued)

Segment assets and liabilities (Continued)

As at 30 September 2018 (Restated)

	Building and structures RM	Energy infra-structure RM	Mechanical and electrical RM	Earthworks and infrastructure RM	Concession and maintenance RM	Others RM	Sub-total RM	Elimination RM	Consolidated RM
Segment assets	459,262,314	44,176,031	56,081,957	31,613,393	309,293,340	4,557,058	904,984,093	(45,981,282)	859,002,811
Unallocated corporate assets									11,844,241
Tax recoverable									7,341,401
Total assets									878,188,453
Segment liabilities	248,891,329	23,940,634	43,126,332	37,159,385	237,912,424	5,334,722	596,364,826	(53,099,617)	543,265,209
Unallocated corporate liabilities									3,824,991
Deferred tax liabilities									9,651,351
Tax liabilities									849,030
Total liabilities									557,590,581

For the purpose of monitoring segment performances and allocating resources between segments:

- All assets are allocated to reportable segments other than unallocated corporate assets, tax recoverable and deferred tax assets; and
- All liabilities are allocated to reportable segments other than unallocated corporate liabilities, tax liabilities and deferred tax liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. REVENUE, INCOME FROM CONCESSION AGREEMENTS AND SEGMENTAL INFORMATION (CONTINUED)

(e) Segment information (Continued)

Other entity-wide segment information

For the year ended 30 September 2019

	Building and structures RM	Energy infra-structure RM	Mechanical and electrical RM	Earthworks and infrastructure RM	Concession and maintenance RM	Others RM	Unallocated RM	Consolidated RM
Amounts included in the measure of segment results or segment assets:								
Additions of intangible assets	2,961,325	213,992	58,403	33,217	-	42,202	-	3,309,139
Additions of property, plant and equipment	2,152,303	-	-	-	130,028	-	-	2,282,331
Depreciation of property, plant and equipment	7,209,588	520,979	285,152	499,131	196,594	106,934	-	8,818,378
Impairment of goodwill	4,757,046	-	-	-	-	-	-	4,757,046
Amortisation of intangible assets	890,356	-	375,689	550	475,339	-	-	1,741,934
Bad debts written off	331,268	-	375,575	-	79,117	199,172	-	985,132
Impairment/(Reversal of impairment) of:								
Property, plant and equipment	-	-	-	2,600,725	-	-	-	2,600,725
Trade receivables	(847)	(61)	1,004,123	(709,393)	-	(12)	-	293,810
Other receivables	-	1,500,000	-	-	-	-	-	1,500,000
Contract assets	(27,178)	(1,964)	(536)	(305)	-	(387)	-	(30,370)
Property, plant and equipment written off	7,787	-	-	727	-	-	-	8,514
Gain on disposal of property, plant and equipment	(12,278)	-	-	(235,070)	-	-	-	(247,348)
Net loss on derivatives	-	-	-	-	-	-	335,060	335,060

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. REVENUE, INCOME FROM CONCESSION AGREEMENTS AND SEGMENTAL INFORMATION (CONTINUED)

(e) Segment information (Continued)

Other entity-wide segment information (Continued)

For the year ended 30 September 2018

	Building and structures RM	Energy infra-structure RM	Mechanical and electrical RM	Earthworks and infrastructure RM	Concession and maintenance RM	Others RM	Unallocated RM	Consolidated RM
Amounts included in the measure of segment results or segment assets:								
Additions of property, plant and equipment	6,275,343	635,899	50,380	–	14,039	10,097	–	6,985,758
Amortisation of intangible assets	5,256,163	–	1,199,901	264,071	475,338	–	–	7,195,473
Depreciation of property, plant and equipment	7,233,254	732,967	137,421	1,099,377	197,536	3,013	–	9,403,568
Gain on disposal of property, plant and equipment	–	–	–	(1,113,800)	–	–	–	(1,113,800)
Impairment of goodwill	–	–	1,261,353	1,022,007	–	49,130	–	2,332,490
Property, plant and equipment written off	48,175	4,882	1,205	134,196	–	–	–	188,458
Bad debt written off	–	–	–	2,047,845	–	–	–	2,047,845

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. REVENUE, INCOME FROM CONCESSION AGREEMENTS AND SEGMENTAL INFORMATION (CONTINUED)

(e) Segment information (Continued)

Geographical information

No geographical segment information is presented as the Group's revenue is all derived from Malaysia based on the location of trading and services delivered and the Group's non-current assets are located in Malaysia by physical location of assets.

Information about major customers

Revenue from customers individually contributing over 10% of the total revenue of the Group during the year are as follows:

	2019 RM	2018 RM
Customer A[1]	**49,034,386**	237,021,576
Customer B[1]	**55,126,606**	N/A[2]
Customer C[1]	**47,651,099**	N/A[2]
Customer D[1]	**50,567,690**	N/A[2]

[1] *These customers are from the building and structures segment.*

[2] *The revenue from these customers did not individually exceed 10% of the total revenue of the Group for the year ended 30 September 2018.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. IMPAIRMENT LOSSES OF FINANCIAL ASSETS AND CONTRACT ASSETS, NET AND OTHER LOSSES, NET

(a) Impairment losses of financial assets and contract assets, net

	2019 RM	2018 RM
Impairment losses on:		
Trade receivables	**(293,810)**	–
Other receivables	**(1,500,000)**	–
Reversal of impairment loss on contract assets	**30,370**	–
	(1,763,440)	–

(b) Other losses, net

	2019 RM	2018 RM
Impairment of goodwill	**(4,757,046)**	(2,332,490)
Net loss on derivatives *(Note 40(b))*	**(335,060)**	–
Realised gain/(loss) on foreign exchange	**28,276**	(1,411,740)
Gain on disposal of property, plant and equipment	**247,348**	1,113,800
Unrealised gain/(loss) on foreign exchange	**735,021**	(379,499)
	(4,081,461)	(3,009,929)

7. FINANCE COSTS

	2019 RM	2018 RM
Interest on:		
Borrowings	**18,197,789**	17,117,123
Obligations under finance leases	**786,850**	1,516,299
	18,984,639	18,633,422

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. LOSS BEFORE TAX AND STAFF COSTS

Loss before tax is arrived at after charging/(crediting):

	2019 RM	2018 RM
Depreciation of property, plant and equipment	**8,818,378**	9,403,568
Impairment of property, plant and equipment	**2,600,725**	–
Amortisation of intangible assets	**1,741,934**	7,195,473
Minimum lease payments paid under operating leases in respect of official premises	**869,957**	792,576
Bad debts written off	**985,132**	2,047,845
Auditors' remuneration: statutory audit	**446,000**	440,000
Property, plant and equipment written off	**8,514**	188,458
Interest income from bank deposits	**(2,284,001)**	(2,415,578)
Bad debts recovered	**(5,000)**	(784,352)
Staff costs	**31,085,649**	36,852,594
Directors' emoluments *(Note 10)*	**2,406,605**	2,815,610
Total staff costs	**33,492,254**	39,668,204

Staff costs include salaries and contributions to the EPF in Malaysia and all other staff related expenses. Contributions to EPF for staff by the Group for the year ended 30 September 2019 amounted to RM3,315,932 (2018: RM3,738,453).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. INCOME TAX EXPENSE

	2019 RM	2018 RM (Restated)
Malaysia corporate income tax:		
Current year	**4,469,465**	3,746,163
(Over)/Underprovision in prior years	**(1,049,523)**	2,120,288
	3,419,942	5,866,451
Deferred tax *(Note 25)*:		
Current year	**(1,466,199)**	2,662,923
Under/(Over)provision in prior years	**309,997**	(1,474,655)
	(1,156,202)	1,188,268
	2,263,740	7,054,719

Income tax expenses for the year can be reconciled to the loss before tax as follows:

	2019 RM	2018 RM (Restated)
Loss before tax	**(53,012,427)**	(3,469,020)
Statutory tax rate in Malaysia	**24%**	24%
Tax at applicable statutory tax rate	**(12,722,982)**	(832,565)
Tax effects of:		
Expenses not deductible for tax purposes	**2,151,090**	4,767,992
Income not taxable for tax purposes	**(409,016)**	(204,190)
Deferred tax assets not recognised	**13,984,174**	2,677,849
(Over)/Underprovision of estimate tax expense in prior years	**(1,049,523)**	2,120,288
Under/(Over)provision of deferred tax liabilities in prior years	**309,997**	(1,474,655)
	2,263,740	7,054,719

Malaysia corporate income tax is calculated at the statutory tax rate on the estimated assessable profits for each assessable year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors and chief executive

For the year ended 30 September 2019

	Directors' fees RM	Basic salaries, allowances and benefits in kind RM	Bonus (Note a) RM	Contribution to defined contribution plan RM	Total RM
Executive Directors					
Tan Sri Dato' Sri Goh Ming Choon	–	474,000	–	–	474,000
Dato' Teh Kok Lee *(Note b)*	–	491,181	–	38,454	529,635
Dato' Mohd Arifin bin Mohd Arif	–	639,910	75,000	50,105	765,015
Ir. Azham Malik bin Mohd Hashim	–	280,463	–	14,784	295,247
	–	1,885,554	75,000	103,343	2,063,897
Non-executive Directors					
Tan Sri Dato' Seri Kong Cho Ha	114,236	–	–	–	114,236
Chan May May	114,236	–	–	–	114,236
Ng Yuk Yeung	114,236	–	–	–	114,236
	342,708	–	–	–	342,708
	342,708	1,885,554	75,000	103,343	2,406,605

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (CONTINUED)

Directors and chief executive (Continued)

For the year ended 30 September 2018

	Directors' fees RM	Basic salaries, allowances and benefits in kind RM	Bonus (Note a) RM	Contribution to defined contribution plan RM	Total RM
Executive Directors					
Tan Sri Dato' Sri Goh Ming Choon	–	456,000	228,000	–	684,000
Dato' Teh Kok Lee *(Note b)*	–	442,000	216,000	54,000	712,000
Dato' Mohd Arifin bin Mohd Arif	–	444,000	222,000	54,000	720,000
Ir. Azham Malik bin Mohd Hashim	–	240,000	120,000	5,850	365,850
	–	1,582,000	786,000	113,850	2,481,850
Non-executive Directors					
Tan Sri Dato' Seri Kong Cho Ha	111,253	–	–	–	111,253
Chan May May	111,253	–	–	–	111,253
Ng Yuk Yeung	111,254	–	–	–	111,254
	333,760	–	–	–	333,760
	333,760	1,582,000	786,000	113,850	2,815,610

Notes:

(a) Bonus are determined based on the results of the Group and/or performance of directors.

(b) Dato' Teh Kok Lee is the chief executive officer of the Group, and his emoluments disclosed above include those for services rendered by him as the chief executive officer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (CONTINUED)

Directors and chief executive (Continued)

The executive directors' emoluments shown were mainly for their services in connection with the management of the affairs of the Group and the Company. The non-executive directors' emoluments were for their services as directors of the Company.

Employees

The five highest paid employees of the Group during the year included three (2018: three) existing directors, details of whose emoluments are set out above. Details of the emoluments of the remaining two (2018: two) highest paid employees who are neither an existing director nor chief executive of the Company for the year ended 30 September 2019 and 30 September 2018 are as follows:

	2019 RM	2018 RM
Basic salaries, allowances and benefits in kind	**602,451**	551,023
Bonus	**–**	120,000
Contribution to defined contribution plan	**70,928**	78,437
	673,379	749,460

Bonus are determined based on the results of the Group and/or performance of employees.

The number of the highest paid employees, other than directors of the Company, whose emolument fell within the following bands is as follows:

	2019	2018
Nil to HK$1,000,000 (RM530,000)	**2**	2

During both years, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. LOSS PER SHARE

	2019 sen	2018 sen (Restated)
Basic	**(2.95)**	(0.23)
Diluted	**(2.95)**	(0.23)

Basic

The calculation of the basic loss per share is based on the following data:

	2019 RM	2018 RM (Restated)
Loss for the year attributable to the owners of the Company for the purpose of calculating basic loss per share	**(53,062,778)**	(4,145,291)

	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,800,000,000**	1,800,000,000

There is no diluted earnings per share in 2019 and 2018 as there is no potential dilutive shares during the respective reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fittings RM	Computers and software RM	Machinery and site equipment RM	Motor vehicles RM	Office equipment RM	Total RM
Cost						
At 1 October 2017	61,580	1,224,907	50,070,640	6,328,775	356,403	58,042,305
Additions	166,845	581,049	5,839,618	396,946	1,300	6,985,758
Disposals	–	–	(984,000)	(1,000)	–	(985,000)
Write offs	(18,780)	(271,634)	(670,957)	(1,926,952)	(138,200)	(3,026,523)
At 30 September 2018/1 October 2018	**209,645**	**1,534,322**	**54,255,301**	**4,797,769**	**219,503**	**61,016,540**
Additions	**–**	**10,570**	**2,020,300**	**251,461**	**–**	**2,282,331**
Disposals	**–**	**–**	**(480,000)**	**(208,900)**	**–**	**(688,900)**
Write offs	**(227)**	**–**	**(12,000)**	**–**	**(3,116)**	**(15,343)**
At 30 September 2019	**209,418**	**1,544,892**	**55,783,601**	**4,840,330**	**216,387**	**62,594,628**
Accumulated depreciation						
At 1 October 2017	20,450	481,480	5,223,031	3,028,665	130,968	8,884,594
Additions	27,354	477,437	7,312,477	1,538,597	47,703	9,403,568
Disposals	–	–	(98,400)	(400)	–	(98,800)
Write offs	(4,938)	(271,634)	(499,740)	(1,926,952)	(134,801)	(2,838,065)
At 30 September 2018/1 October 2018	**42,866**	**687,283**	**11,937,368**	**2,639,910**	**43,870**	**15,351,297**
Additions	**23,932**	**453,480**	**7,224,428**	**1,090,086**	**26,452**	**8,818,378**
Disposals	**–**	**–**	**(80,000)**	**(145,566)**	**–**	**(225,566)**
Write offs	**(40)**	**–**	**(4,400)**	**–**	**(2,389)**	**(6,829)**
At 30 September 2019	**66,758**	**1,140,763**	**19,077,396**	**3,584,430**	**67,933**	**23,937,280**
Accumulated impairment losses						
At 1 October 2018	**–**	**–**	**–**	**–**	**–**	**–**
Impairment	**–**	**–**	**2,600,725**	**–**	**–**	**2,600,725**
At 30 September 2019	**–**	**–**	**2,600,725**	**–**	**–**	**2,600,725**
Carrying values						
At 30 September 2019	**142,660**	**404,129**	**34,105,480**	**1,255,900**	**148,454**	**36,056,623**
At 30 September 2018	166,779	847,039	42,317,933	2,157,859	175,633	45,665,243

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

In view of the deteriorating performance of the earthworks and infrastructure segment, the earthworks and infrastructure segment recorded an impairment of property, plant and equipment amounted to RM2.6 million (2018: Nil) during the current financial year.

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Furniture and fittings	10% – 20%
Computers and software	20% – 33%
Machinery and site equipment	10% – 20%
Motor vehicles	20%
Office equipment	20%

Capital work-in-progress is not depreciated until the asset is ready for its intended use.

The carrying amount of property, plant and equipment of the Group held under finance leases as at 30 September 2019 is RM19,522,089 (2018: RM29,140,056) and sales and leaseback arrangement of Nil (2018: RM2,345,000).

13. GOODWILL

	2019 RM	2018 RM
At beginning of year	**6,911,916**	9,244,406
Impairment during the year	**(4,757,046)**	(2,332,490)
At end of year	**2,154,870**	6,911,916

Goodwill arising from business combination has been allocated to the following cash-generating units ("**CGU**").

	2019 RM	2018 RM
BGMC Corporation Sdn. Bhd.	**2,154,870**	6,911,916

As at 30 September 2019, the directors carried out a review of the recoverable amount of goodwill and concluded that the recoverable amount is less than its carrying amount. Accordingly, the shortfall of RM4,757,046 (2018: RM2,332,490) had been impaired (Note 6(b)).

The recoverable amount of the CGU has been determined on the basis of value in use calculations. These calculations use cash flow projections based on financial budgets approved by the directors covering a 2 year period (2018: 2 year period). The cash flows from the third to fifth year period are prepared based on best estimate of the Directors taking into account existing secured contracts and estimation of contracts to be secured during that period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. GOODWILL (CONTINUED)

The key assumptions for the value in use calculations as at the end of the reporting period are as follows:

	2019 Growth rate for cash flows between third and fifth years	2019 Discount rates applied	2018 Growth rate for cash flows between third and fifth years	2018 Discount rates applied
CGU				
BGMC Corporation Sdn. Bhd.	**1.90%**	**12.88%**	4.40%	13.46%

(a) Growth rate

The growth rate is forecasted after considering factors like general market conditions, industry-specific and other relevant information and does not exceed the average long-term growth rate for the relevant industry.

(b) Discount rates

The discount rate applied to the cash flow projections is pre-tax and reflect the weighted average cost of capital of the respective CGU.

Goodwill would be fully impaired if the discount rate increase by 0.36%.

14. INVESTMENT IN ASSOCIATES

	2019 RM	2018 RM
Investment in associates:		
At cost	**2**	–

Details of the investment in associates as of 30 September 2019 are as follows:

Name of associate	Place of incorporation and operation	Proportion of ownership interest and voting power held 2019	Principal activity
SPARK (a)	Cayman Islands	45.1%	Investment holding
Machang Estate Sdn. Bhd. (b)	Malaysia	–	Property investment
Machang Estate (II) Sdn. Bhd. (b)	Malaysia	–	Property investment

The financial statements of these associates are audited by auditors other than the auditors of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. INVESTMENT IN ASSOCIATES (CONTINUED)

(a) SPARK

Pursuant to a shareholders' agreement entered into by BGMC Energy Sdn. Bhd., an indirect wholly-owned subsidiary as disclosed in Note 40(b), the Group subscribed 45.1% equity interest in a newly set up company, namely SPARK, a company incorporated in Cayman Islands.

SPARK issued USD21.43 million (equivalent to approximately RM88.5 million) non-voting class 1 preference shares to DPI Solar 1 Pte Ltd, a company incorporated in Singapore and a corporate shareholder of SPARK for the purpose of financing the development and construction of the Kuala Muda Project and Machang Project (as defined on Note 40(a)).

As disclosed in Note 40(b), BGMC Energy Sdn. Bhd. entered into call option agreements with each of the two shareholders, BV Energy Sdn. Bhd. and Idiqa Energy Sdn. Bhd. to acquire up to 2.5% equity interest in SPARK held by BV Energy Sdn. Bhd. and Idiqa Energy Sdn. Bhd., respectively.

The summarised financial information of SPARK is set out below:

	2019 **RM**
Non-current assets	**65,690,006**
Current assets	**37,284,010**
Current liabilities	**(14,733,042)**
Net assets	**88,240,974**
Revenue	**–**
Loss and total comprehensive loss for the period	**(361,727)**

Reconciliation of the above summarised financial information to the carrying amount of the interest in SPARK recognised in the consolidated financial statements of the Group:

	2019 **RM**
Net assets of SPARK	**88,240,974**
Excluding obligation for class 1 preference shares	**(88,602,690)**
	(361,716)
Proportion of the Group's interest in SPARK	**45.1%**
The Group's share of net liabilities of SPARK	**(163,134)**
The unrecognised share of loss for the period	**(163,139)**
Cumulative unrecognised share of loss in SPARK	**(163,139)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. INVESTMENT IN ASSOCIATES (CONTINUED)

(b) Machang Estate Sdn. Bhd. and Machang Estate (II) Sdn. Bhd.

As disclosed in Note 15, the Group subscribed redeemable convertible preference shares in three Land Companies (as defined in Note 40(a)) during the year.

As of 30 September 2019, the conversion features of the redeemable convertible preference shares in two of the Land Companies, namely Machang Estate Sdn. Bhd. and Machang Estate (II) Sdn. Bhd., ("**Machang Companies**") are currently exercisable. In the event that the conversion being exercised, the Group has the potential to own up to approximately 50% of Machang Companies. As a result, the Company has concluded that it has significant influence over Machang Companies and as such Machang Companies are also the associates of the Group. However, these investments are not accounted for using the equity method as the Group has not owned any ordinary shares in Machang Companies as of 30 September 2019.

The summarised financial information of Machang Companies which was not equity accounted for by the Group as of 30 September 2019 is set out below.

	2019 **RM**
Non-current assets	**24,472,000**
Current assets	**1,087,950**
Current liabilities	**(23,490,980)**
Net assets	**2,068,970**
Revenue	**384,000**
Loss and total comprehensive loss for the period	**(1,760,024)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. INVESTMENT IN REDEEMABLE CONVERTIBLE PREFERENCE SHARES

	2019 RM	2018 RM
Analysed for reporting purposes as:		
Current assets	**15,431,359**	–
Non-current assets	**6,613,439**	–
Financial assets measured at FVTPL	**22,044,798**	–

Pursuant to a subscription agreement entered into by BGMC Holdings, an indirect wholly-owned subsidiary as disclosed in Note 40(a), the Group subscribed 50% of the redeemable convertible preference shares ("**RCPS**") in each of the Land Companies (as defined in Note 40(a)) for a total consideration of USD5,363,196 (equivalent to approximately RM22,044,798).

Land Companies will acquire land for lease to BGMC Bras Power Sdn. Bhd., a subsidiary of the Group and Idiwan Solar Sdn. Bhd., a company incorporated in Malaysia, for the development of solar photovoltaic energy production plants in Malaysia, including the Kuala Muda Project (as defined in Note 5(d)(ii)) and Machang Project (as defined in Note 40(a)).

The salient features of RCPS are as follows:

(a) the Land Companies shall issue and BGMC Holdings shall subscribe the RCPS at the value of USD1 each for a total amount of USD5,363,196;

(b) any payment to be received by the Land Companies under this RCPS shall be utilised solely for the purpose of purchasing of the land;

(c) subject to the availability of distributable profits, the RCPS shall yield a fixed cumulative dividend of twenty percent (20%) per annum from the date which the RCPS has been subscribed by BGMC Holdings;

(d) BGMC Holdings shall, at its option, be entitled to convert all or any part of the RCPS into ordinary shares at any time after the Land Companies having been registered as the landowner in the document of title of the land on the basis of each RCPS being equivalent to 4 ordinary shares. Such number of ordinary shares that issued on conversion shall be credited as fully paid and rank pari passu in all respects with the ordinary shares then in issue in the Land Companies;

(e) the Land Companies may be entitled at any time at its sole discretion cancel the RCPS and pay BGMC Holdings the cancellation payment, i.e. principal and accrued interest i.e. principal and accrued interest;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. INVESTMENT IN REDEEMABLE CONVERTIBLE PREFERENCE SHARES (CONTINUED)

(f) BGMC Holdings shall have the right to receive notice of any general meeting of the members and to attend such meeting but shall have no right, unless otherwise permitted under Companies Act, 2016 in Malaysia, to vote or to move or second any resolutions at any general meeting of the Land Companies, except that BGMC Holdings shall have one (1) vote for each RCPS fully paid up with conditions as stated in the subscription agreement;

(i) during such period as any Fixed RCPS Dividend or any part thereof that has been declared for payment remains in arrear and unpaid, such period starting from a date falling not later than twelve (12) months after the due date of the relevant sum of the Fixed RCPS Dividend;

(ii) upon any resolution which varies or is deemed to vary the rights attached to the RCPS;

(iii) upon any resolution which creates or issues (i) shares ranking in priority to or pari passu with the RCPS in relation to participation in profits or assets of the Company or (ii) equity share capital except for the RCPS which is not in all respects uniform with the Ordinary Shares;

(iv) upon any resolution which would result in a change in the dividend policy of the RCPS which deviates from the terms as set out under this Agreement;

(v) appointment of a receiver or an administrator over the Company's assets, and (in the case of voluntary liquidation) an application for the appointment of a liquidator, determining the liquidator's remuneration or making any other insolvency decision whereby the Company may be wound up; or

(vi) upon any resolution for the winding up of the Company.

(g) In the event of winding-up or return of capital of the Land Companies, RCPS holders have the right to receive, in priority to holders of ordinary shares, the cash payment in full of the subscription price of the RCPS after the payment and discharge of all debts and liabilities of the Land Companies and the costs of winding-up or such capital reduction exercise;

(h) RCPS holders shall have no voting rights save for matters relating to, among others, the variation of the rights attached to RCPS, a change in dividend policy, the creation of equity share capital except for RCPS which is not in all aspects uniform with ordinary shares and the winding-up of the Land Companies;

(i) Without the prior written consent of BGMC Holdings, the Land Companies shall not, among others, sell, pledge, charge, mortgage, transfer, dispose of or otherwise subject to any security interests or encumbrances to any of its properties or assets, including the land; and

(j) The RCPS is redeemable by Land Companies for cash based on USD1.00 per RCPS at any time after the date of allotment and issue of the RCPS.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. INTANGIBLE ASSETS

	Intangible assets RM	Intangible assets-work-in-progress RM	Total RM
Cost			
At 1 October 2017/1 October 2018	35,147,971	–	35,147,971
Additions	–	3,309,139	3,309,139
At 30 September 2019	**35,147,971**	**3,309,139**	**38,457,110**
Accumulated amortisation			
At 1 October 2017	16,685,010	–	16,685,010
Amortisation during the year	7,195,473	–	7,195,473
At 30 September 2018/1 October 2018	**23,880,483**	**–**	**23,880,483**
Amortisation during the year	**1,741,934**	**–**	**1,741,934**
At 30 September 2019	**25,622,417**	**–**	**25,622,417**
Net book value			
At 30 September 2019	**9,525,554**	**3,309,139**	**12,834,693**
At 30 September 2018	11,267,488	–	11,267,488

The Group's intangible assets, which arose from acquisition of subsidiaries, have finite useful lives, consisting of the following:

(i) Rights on construction contract amounting to RM1,920,133 (2018: RM3,186,728) represents right on the unbilled portion of construction contracts secured when BGMC Holdings, an indirect subsidiary acquired its subsidiaries in 2016 and are billable upon completion of the construction work in subsequent years. The amortisation period ranges from 4 to 5 years as determined based on the progress to complete the construction work; and

(ii) Rights to management service income amounting to RM7,605,421 (2018: RM8,080,760) represents right to receive management service income from a concession agreement to carrying out the property management services on a university. The amortisation period is 20 years.

Intangible assets-work-in-progress represents accounting and project software under development.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

	2019 RM	2018 RM
Trade receivables:		
Third parties	**345,369,159**	345,169,724
Related parties	**7,871,081**	2,293,530
Less: Impairment of trade receivables	**(1,832,090)**	–
	351,408,150	347,463,254
Retention receivables:		
Third parties	**4,614,001**	52,791,484
Related parties	**8,412,457**	41,963,612
	13,026,458	94,755,096
Other receivables:		
Third parties	**11,677,330**	15,643,026
Related parties	**2,804,559**	5,491
	14,481,889	15,648,517
Stakeholder's sum	**26,800,000**	–
Refundable deposits	**5,060,744**	8,412,090
Prepaid expenses	**5,610,005**	2,406,411
Goods and services tax receivable	**84,879**	97,413
	416,472,125	468,782,781
Analysed for reporting purposes as:		
Current assets	**139,113,819**	190,907,284
Non-current assets	**277,358,306**	277,875,497
	416,472,125	468,782,781

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES (CONTINUED)

Included in trade receivables from third parties are receivables arising from concession agreements amounted to RM274,793,284 (2018: RM282,476,086) at 30 September 2019.

Details of trade receivables arising from the concession agreement and renewable energy power purchase agreement are set out in Note 5(d)(i) and Note 5(d)(ii).

As of 30 September 2019 and 1 October 2018, trade and retention receivables from contracts with customers amounted to RM364,434,608 and RM354,000,686, respectively.

Stakeholder's sum represents amount held by a professional firm in trust for the Group which will be released to the contractors directly for the construction activities of the Kuala Muda Project.

Related parties refer to:

(a) companies in which certain directors of the Company or siblings of certain directors are also directors and have control; and

(b) Machang Companies (as defined in Note 14).

Amounts owing by related parties included under trade receivables and retention receivables are unsecured and interest-free.

Amounts owing by related parties included under other receivables which arose mainly from expenses paid on behalf by the Group, are unsecured, interest-free and are repayable on demand.

Trade receivables of the Group comprise amounts receivable from sales of goods and services rendered in connection with contract customers. The credit period granted to the customers ranges from 30 to 90 days (2018: 30 to 90 days).

No interest is charged on the outstanding balance.

The credit period on retention receivables is 24 months (2018: 24 months) after completion of construction.

As of the end of the reporting period, there was significant concentration of credit risk arising from amounts owing by five (2018: four) major customers which accounted for 90% (2018: 83%) of total trade receivables. The extension of credit to and the repayments from customers are closely monitored by the management to ensure that they adhere to the agreed credit term and policies.

As of 30 September 2018, the Group has trade receivables and retention receivables amounting to RM52,160,761 and RM94,751,803, respectively, that are past due at the end of the reporting period but against which the Group has not recognised an allowance for doubtful debts as the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES (CONTINUED)

The table below is an analysis of trade and retention receivables that are past due but not impaired as of 30 September 2018:

	2018 Trade receivables RM	**2018 Retention receivables RM**
Overdue:		
1 – 30 days	22,165,837	2,243,965
31 – 60 days	1,645,540	11,683,583
61 – 90 days	2,204,206	1,797,843
Over 90 days	26,145,178	79,026,412
	52,160,761	94,751,803

Upon application of IFRS 9 on 1 October 2018, the Group always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The ECL model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The following is an aged analysis of trade receivables (excluding receivables arising from the concession agreements) presented based on the invoice date (net of provision for impairment of trade receivables) at the end of each reporting period.

	2019 RM	**2018 RM**
0 to 30 days	**43,578,728**	12,826,407
31 to 90 days	**7,439,718**	23,811,377
Over 90 days	**25,596,420**	28,349,384
	76,614,866	64,987,168

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES (CONTINUED)

The following table shows the movements in ECL that has been recognised for trade and other receivables in accordance with the simplified approach and general approach respectively set out in IFRS 9.

	Trade receivables RM	Other receivables RM
At 1 October 2018 as previously stated under IAS 39	–	–
Adjustment on adoption of IFRS 9	1,538,280	–
At 1 October 2018 as restated under IFRS 9	1,538,280	–
Allowance for impairment	293,810	1,500,000
Written off against receivables	–	(1,500,000)
At end of year	1,832,090	–

Details of impairment assessment of trade and other receivables for the year ended 30 September 2019 are set out in Note 33.

Retention receivables are unsecured, interest-free and are expected to be collected as follows:

	2018 RM
Within 1 year	12,514,536
1 year to 2 years	82,240,560
	94,755,096

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. INVENTORIES

	2019 RM	2018 RM
Unsold completed units:		
At cost	**15,439,794**	19,299,741

Cost of inventories recognised as an expense during the year amounted to RM4,155,637 (2018: Nil).

19. CONTRACT ASSETS AND CONTRACT LIABILITIES

	30.9.2019 RM	1.10.2018 RM (Restated)
Contract assets:		
Unbilled revenue of construction contracts (a)	**207,660,525**	198,782,238
Retention receivables of construction contracts (b)	**93,970,952**	86,679,384
	301,631,477	285,461,622
Contract liabilities	**(7,120,062)**	(11,724,155)

	30.9.2018 RM (Restated)	1.10.2017 RM (Restated)
Contracts in progress at the end of the reporting period:		
Contract costs incurred plus recognised profit less recognised loss	2,712,898,161	2,227,130,302
Less: progress billings	(2,524,778,168)	(2,022,906,620)
	188,119,993	204,223,682

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

	30.9.2019 RM	30.9.2018 RM (Restated)	1.10.2017 RM (Restated)
Analysed for reporting purposes:			
Contract assets	**301,631,477**	–	–
Amount owing by customers for contract works	**–**	199,844,148	228,755,297
Contract liabilities	**(7,120,062)**	–	–
Amount owing to customers for contract works	**–**	(11,724,155)	(24,531,615)
	294,511,415	188,119,993	204,223,682

(a) Unbilled revenue included in contract assets represents the Group's right to receive consideration for work completed but not yet billed because the rights are conditional upon the satisfaction by the customers on the construction work completed by the Group and the work is pending for the certification by the customers. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the time the Group obtains the certification of the completed construction work from the customers.

(b) Retention receivables included in contract assets represent the Group's right to receive consideration for work performed and not yet billed because the rights are conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the expiry date of the period for the provision of assurance by the Group on the service quality of the construction work performed by the Group. The due dates for retention receivables are usually upon obtaining certificate of practical completion or issuance of certificate of completion of making good defects.

As of 1 October 2018, contract assets and contract liabilities amounting to RM285,461,622 and RM11,724,155, respectively.

As of 30 September 2019, retention by customers for contract works amounted to RM93,970,952.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

Typical payment terms which impact on the amount of contract assets recognised are as follows:

The Group's construction contracts include payment schedules which require stage payments over the construction period once certain specified milestone are reached. As of 30 September 2019, the Group received an upfront deposit of 7.2% of total contract sum as part of its credit risk management policies from a contract with a customer.

The Group also typically agrees to a retention period ranging from 12 months to 24 months for 5% of the contract value. This amount is included in receivables until the end of the retention period at the Group's entitlement to this final payment is conditional on the issuance of certificate of making good defect by the customer.

The Group classifies these contract assets as current assets because the Group expects to realise them in its normal operating cycle ranging from 1 to 2 years.

Retention receivables are unsecured, interest-free and are expected to be collected as follows:

	2019 **RM**
Within 1 year	**46,126,855**
1 year to 2 years	**41,065,055**
More than 2 years	**6,779,042**
	93,970,952

Significant changes in contract assets and contract liabilities during the year are as follows:

	2019 **RM**
Contract liabilities at the beginning of the period recognised as revenue	**6,705,825**
Contract assets (other than retention sums) at the beginning of the period transferred to trade receivables	**122,167,372**
Retention sums receivables included in contract assets at the beginning of the period transferred to trade receivables	**4,950,746**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

The following table shows the movements in lifetime ECL that has been recognised for contract assets in accordance with simplified approach set out in IFRS 9.

	2019 RM
At 1 October 2018 as previously stated under IAS 39	–
Adjustment on adoption of IFRS 9	1,061,910
At 1 October 2018 as restated under IFRS 9	1,061,910
Reversal of impairment	(30,370)
At end of year	1,031,540

20. FIXED DEPOSITS/CASH AND BANK BALANCES

	2019 RM	2018 RM
Cash and bank balances:		
Hong Kong Dollar	142,152	711,319
United States Dollar	218,121	325,609
Ringgit Malaysia	23,914,361	68,480,862
	24,274,634	69,517,790
Fixed deposits with licensed banks:		
Hong Kong Dollar	–	10,848,332
Ringgit Malaysia	39,657,805	38,578,628
	39,657,805	49,426,960
	63,932,439	118,944,750

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. FIXED DEPOSITS/CASH AND BANK BALANCES (CONTINUED)

As at 30 September 2019, fixed deposits carry interest at fixed rates ranging from 2.65% to 4.35% (2018: 0.05% to 4.20%) per annum, with maturity period ranging from 30 to 365 days (2018: 30 to 365 days). Included in fixed deposits as at 30 September 2019 are pledged fixed deposits of RM31,756,561 (2018: RM14,701,943) and restricted fixed deposits of RM7,901,244 (2018: RM1,545,606) for borrowings as disclosed in Note 24(a), (b) and (c).

Included in cash and bank balances are restricted bank balances of RM7,487,574 (2018: RM13,959,048) as at 30 September 2019 representing designated accounts to secure the performance bonds for certain construction contracts of the subsidiaries and term loan as disclosed in Note 24(b) and (c).

For the year ended 30 September 2019, the Group performed impairment assessment on bank balances and concluded the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit loss is provided. Details of impairment assessment of bank balances as of 30 September 2019 are set out in Note 33.

21. SHARE CAPITAL

The share capital as at 30 September 2019 and 30 September 2018 represents the share capital of the Company with details as follows:

	Number of shares	Amount HK$	Amount RM
Ordinary shares of HK$0.01 each			
Authorised:			
As at 1 October 2017, 30 September 2018 and 30 September 2019	5,000,000,000	50,000,000	
Issued and fully paid:			
As at 1 October 2017, 30 September 2018 and 30 September 2019	1,800,000,000	18,000,000	9,862,255

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. RESERVES

	30.9.2019 RM	30.9.2018 RM (Restated)	1.10.2017 RM (Restated)
Share premium	**135,571,100**	135,571,100	148,880,345
Other reserve	**65,000,094**	65,000,094	65,000,094
Retained earnings	**56,124,788**	110,634,796	114,780,087
	256,695,982	311,205,990	328,660,526

Share premium

Share premium represents premium from the issue of ordinary shares of the Company above par value in prior years.

Other reserve

Other reserve comprises the following:

(a) The transfer of the difference between the nominal amount of the share capital issued by the Company and the nominal amount of the issued share capital of BGMC Holdings after the Company became the ultimate holding company of the Group upon the completion of the reorganisation on 6 December 2016.

(b) The repayment of amounts due to directors of RM65,000,000 in BGMC Holdings through the issue of additional shares by BGMC Holdings to BGMC Malaysia Limited on 26 January 2017 as part of the reorganisation requirements. The directors mentioned are the controlling shareholders of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2019 RM	2018 RM	2019 RM	2018 RM
Obligations under finance leases payable:				
Within one year	**6,669,671**	11,420,858	**6,394,446**	10,612,111
Within a period of more than one year but not more than two years	**1,687,780**	6,375,204	**1,608,591**	6,116,569
Within a period of more than two years but not more than five years	**627,934**	2,080,976	**618,718**	2,011,228
	8,985,385	19,877,038	**8,621,755**	18,739,908
Less: Future finance charges	**(363,630)**	(1,137,130)	**–**	–
Present value of lease obligations	**8,621,755**	18,739,908	**8,621,755**	18,739,908
Less: Amount owing for settlement with twelve months (shown under current liabilities)			**(6,394,446)**	(10,612,111)
Amount owing for settlement after twelve months			**2,227,309**	8,127,797

It is the Group's policy to lease certain of its property, plant and equipment under finance leases. Interest rates underlying all obligations under finance leases as at 30 September 2019 are fixed at respective contract rates ranging from 2.34% to 3.45% (2018: 2.38% to 3.90%) per annum.

Obligations under finance leases were secured by property, plant and equipment under finance leases, personal guarantee of a director of the Company and jointly and severally guaranteed by the Company and/or the subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. BORROWINGS – SECURED

	2019 RM	2018 RM
Current:		
Bank overdrafts (a)	**11,697,208**	3,288,117
Term loan (b)	**204,666,657**	23,844,659
Multiple facilities (c)	**62,478,676**	35,776,039
Loan from DPI Solar 1 Pte. Ltd. ("**DPI Solar**")(d)	**22,595,848**	–
Total current	**301,438,389**	62,908,815
Non-Current:		
Term loan (b)	**–**	204,666,657
Total non-current	**–**	204,666,657
Total	**301,438,389**	267,575,472

Summary of borrowing arrangements are as follows:

(a) Bank overdrafts are secured by facility agreements for a sum of RM15,500,000 (2018: RM5,500,000) as at 30 September 2019, memorandum of deposit over certain fixed deposits of the Group of RM21,016,368 (2018: RM14,281,758) as at 30 September 2019 and corporate guarantee by the Company and/or the subsidiaries.

(b) Term loan was entered into in 2016 to finance the construction of UiTM campus as mentioned in Note 5(d)(i). It is secured by the following:

(i) master facility agreements;

(ii) debenture creating a first fixed and floating charge over all present and future assets of a subsidiary;

(iii) assignment of all rights, title, interest and benefits of a subsidiary under certain clauses of the concession agreement;

(iv) assignment of all rights, title, interest and benefits of a subsidiary under:

– the lease agreement entered into between a subsidiary as lessee and UiTM as lessor in respect of the land for constructing the UiTM campus (the "**Project Land**"); and

– the sub-lease agreement ("**Sub-lease agreement**") entered into between the said subsidiary as sub-lessor and UiTM as sub-lessee in respect of the Project Land;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. BORROWINGS – SECURED (CONTINUED)

(b) (Continued)

(v) assignments of all the present and future rights, title, interest and benefits of subsidiary under the construction contract of the project;

(vi) assignment over the designated accounts as stipulated in the loan agreement. The pledged fixed deposits and restricted bank balances as at 30 September 2019 are RM10,300,000 and RM98,029 (2018: Nil and RM10,356,503), respectively;

(vii) assignment of all the present and future rights, title, interest and benefits of a subsidiary under all Islamic insurance policies taken out in respect of or rising from the project (excluding workmen's compensation and public liability insurances);

(viii) corporate guarantee by BGMC Holdings and BGMC Corporation Sdn. Bhd., both are wholly-owned subsidiaries of the Company;

(ix) irrecoverable letter of undertaking by the shareholders of the Company to complete the project in accordance with the terms of the concession agreement and to provide cash injection in the event of cost overrun during construction period and cash flow shortfall during concession period;

(x) irrevocable letter of undertaking from a subsidiary ensuring that at least thirty percent (30%) of the construction and maintenance works is to be sub-contracted out to bumiputra contractors and at least sixty percent (60%) of the subsidiary's workforce is bumiputra employees; and

(xi) any other security or documents as may be required by Bank Pembangunan Malaysia Berhad ("**BPMP**") and/or as advised by BPMP's solicitors for a facility of this nature.

Pursuant to a loan agreement (the "**Loan Agreement**") entered into between KAS Engineering Sdn Bhd ("**KAS**"), an indirect wholly-owned subsidiary of the Company, as borrower and a financial institution (the "**Lender**") in connection with the grant of loan facilities (collectively, the "**Loan**") in an aggregate amount of RM269,370,000 by the Lender to KAS, KAS is required to comply with, among others, the covenant that restricts KAS from lending any money or extending any advances and/or financings to, among others, its related companies, except it is in the course of ordinary business (the "**Loan Covenant**"). If KAS fails to perform or comply with such covenant, the Lender may declare the outstanding principal amount, accrued interest and all other sums payable under the Loan immediately due and payable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. BORROWINGS – SECURED (CONTINUED)

(b) (Continued)

Subsequent to the financial year end, the Company became aware that KAS has technically breached the Loan Covenant in the Loan Agreement as KAS has extended advances to its immediate holding company, BGMC Corporation Sdn Bhd, total amounting to RM11,500,000 during the year. As at the date of this report, the Lender has not made any demand for immediate repayment of the Loan under the Loan Agreement.

Out of the outstanding loan as of 30 September 2019 of RM204,666,657, RM180,821,998 was reclassified from non-current liabilities to current liabilities.

As disclosed in Note 41, the management of the Company has commenced discussion with the Lender for a waiver of the technical breach of the Loan Covenant from the Lender.

(c) Multiple facilities, comprising general financing line and blanket contract financing line to finance construction projects, are secured by facility agreements for a sum of RM296,280,000 (2018: RM298,180,000), corporate guarantee by the Company and memorandum of legal charge over deposit and letter of set-off over fixed deposit of a subsidiary, by creating a sinking fund account of RM7,901,245 (2018: RM1,545,606), pledged fixed deposits and restricted bank balances of RM440,193 and RM7,389,545 (2018: RM420,185 and RM3,602,545), respectively, and assignment of considerations received from the customers.

(d) During the current financial year, the Company entered into a loan agreement with DPI Solar, a company incorporated in Singapore, for a loan amounting to USD14,288,196 (equivalent to approximately RM59,296,013). The said loan is subject to fixed interest at 6.5% per annum and with tenure of six months, commencing from the date of the first withdrawal which was on July 2019. The Company has drawdown an amount of RM22,595,848 as of 30 September 2019.

The said loan is secured by the following:

(i) corporate guarantee provided by BGMC Corporation Sdn. Bhd., an indirect wholly owned subsidiary;

(ii) an assignment and charge over a bank account to be maintained by BGMC Energy Sdn. Bhd., an indirect wholly owned subsidiary;

(iii) an assignment and charge over the BGMC Holdings's stake in the investment in RCPS in the Land Companies (Note 15) and Land Companies' RCPS Subscription Agreements; and

(iv) a charge over the shares in associate owned by BGMC Energy Sdn. Bhd. (Note 14).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. BORROWINGS – SECURED (CONTINUED)

(d) (Continued)

The remaining maturity periods of borrowings as at 30 September 2019 and 30 September 2018 are as follows:

	2019 RM	2018 RM
On demand or within one year	**301,438,389**	62,908,815
More than one year but not exceeding two years	**–**	23,844,659
More than two years but not exceeding five years	**–**	71,533,977
More than five years	**–**	109,288,021
	301,438,389	267,575,472

The weighted average interest rates per annum for borrowings as at end of the reporting period are as follows:

	The Group 2019 RM	2018 RM
Variable rate:		
Bank overdrafts	**7.50%**	7.70%
Term loan	**6.75%**	6.85%
Multiple facilities	**6.00%**	5.89%
Fixed rate:		
Loan from DPI Solar	**6.50%**	–

25. DEFERRED TAX ASSETS/(LIABILITIES)

	The Group 2019 RM	2018 RM
Deferred tax assets	**3,601,871**	–
Deferred tax liabilities	**(11,750,810)**	(9,651,351)
	(8,148,939)	(9,651,351)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during financial years.

	Accelerated tax depreciation RM	Concession agreement RM	Intangible assets RM	Unused tax losses RM	Unabsorbed tax capital allowance RM	Contract assets RM	Total RM
At 1 October 2017	3,425,438	5,619,000	2,377,645	(2,959,000)	-	-	8,463,083
Deferred tax (credit)/charge recognised in profit or loss	(765,838)	2,768,711	(1,624,296)	2,039,307	(951,482)	(278,134)	1,188,268
1 October 2018							
As previously stated	**2,659,600**	**8,387,711**	**753,349**	**(919,693)**	**(951,482)**	**(278,134)**	**9,651,351**
Adjustment on adoption of IFRS 9 *(Note 2)*	**-**	**-**	**-**	**-**	**-**	**(346,210)**	**(346,210)**
As restated	**2,659,600**	**8,387,711**	**753,349**	**(919,693)**	**(951,482)**	**(624,344)**	**9,305,141**
Deferred tax charge/(credit) recognised in profit or loss	**801,109**	**3,155,451**	**(320,782)**	**443,671**	**(1,926,635)**	**(3,309,016)**	**(1,156,202)**
At 30 September 2019	**3,460,709**	**11,543,162**	**432,567**	**(476,022)**	**(2,878,117)**	**(3,933,360)**	**8,148,939**

As at 30 September 2019, the Group has unused tax losses and unabsorbed tax capital allowances of approximately RM1,983,425 (2018: RM3,832,054) and RM11,992,154 (2018: RM3,964,508), respectively, available for offset against future taxable profits of the relevant subsidiary. Deferred tax assets has been recognised in respect of such tax losses and tax capital allowances.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unabsorbed capital allowances to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unabsorbed capital allowances can be utilised. As at 30 September 2019, the estimated amounts of unused tax losses, unabsorbed capital allowances and other deductible temporary differences arising from contract assets for which deferred tax assets have not been recognised in the consolidated financial statements due to uncertainty of its realisation, are as follows:

	2019 RM	2018 RM
Unused tax losses	**58,314,678**	6,457,945
Unabsorbed capital allowances	**4,877,052**	8,590,788
Contract assets	**10,517,590**	393,195
	73,709,320	15,441,928

The unused tax losses, unabsorbed capital allowances and other deductible temporary differences arising from contract assets are available for offset against future chargeable profits.

Under the Malaysia Finance Act 2018 which was gazetted on 27 December 2018, the unused tax losses of subsidiaries incorporated in Malaysia amounting to RM60,298,103 as at 30 September 2019 will be imposed with a time limit of utilisation. Any accumulated unused tax losses brought forward from year of assessment 2019 can be carried forward for another 7 consecutive years of assessment (i.e. from year of assessments 2020 to 2026). These unused tax losses were classified as 'no expiry period' in previous financial years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. TRADE AND OTHER PAYABLES

	30.9.2019 RM	30.9.2018 RM (Restated)	1.10.2017 RM (Restated)
Trade payables:			
Third parties	**146,508,306**	131,847,502	155,141,097
Related parties	**5,149,363**	14,582,806	14,999,045
	151,657,669	146,430,308	170,140,142
Retention sum payables:			
Third parties	**36,006,971**	30,541,911	22,753,441
Related parties	**13,326,305**	13,097,879	12,550,865
	49,333,276	43,639,790	35,304,306
Other payables:			
Third parties	**5,679,794**	4,690,431	5,826,546
Related party	**–**	10,000,000	–
	5,679,794	14,690,431	5,826,546
Accrued expenses	**48,478,154**	44,290,136	45,561,506
Goods and services tax payable	**2,684,085**	–	–
	257,832,978	249,050,665	256,832,500

Amount owing to related parties (as defined in Note 17) included under trade payables and retention sum payables are unsecured and interest-free.

Amounts owing to related party (as defined in Note 17) included under other payables which arose mainly from expenses paid by related parties on behalf of the Group, are unsecured, interest-free and repayable on demand.

Trade payables comprise amounts outstanding for trade purchases and ongoing costs. The credit period granted to the Group for trade purchase ranges from 30 to 60 days (2018: 30 to 60 days).

The credit period on retention sum payables is 24 months (2018: 24 months) after completion of construction.

Included in retention sum payables as of 30 September 2019 are amounts totaling RM5,411,782 (2018: RM8,147,721) due for payment more than 12 months.

Included in other payables as at 30 September 2019 is amount owing to a director, amounting to RM250,000, is unsecured, interest-free and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. TRADE AND OTHER PAYABLES (CONTINUED)

The following is an aged analysis of trade payables presented based on the invoice dates.

	2019 RM	2018 RM
0 – 30 days	**37,275,840**	32,186,778
31 – 90 days	**16,320,336**	30,390,835
Over 90 days	**98,061,493**	83,852,695
	151,657,669	146,430,308

27. SHARE APPLICATION MONIES

	2019 RM	2018 RM
Current assets:		
Share application monies (a)	**2,885,900**	–
Current liabilities		
Share application monies (b)	**(37,229,810)**	–

(a) Pursuant to shareholders' agreement entered into by BGMC Energy Sdn. Bhd. for investment in SPARK as disclosed in Note 14, BGMC Energy Sdn. Bhd. had paid RM2,885,900 as share application monies for the purpose of subscription of ordinary shares to be issued in SPARK as at 30 September 2019.

(b) Pursuant to a subscription agreement entered into by BGMC Corporation Sdn. Bhd. ("**the issuer**"), an indirect wholly-owned subsidiary, with Sparks Energy 1 Sdn. Bhd. ("**SE1**"), a company incorporated in Malaysia, which is also an indirect wholly-owned subsidiary of SPARK, as disclosed in Note 40(c), BGMC Corporation Sdn. Bhd. had received RM37,229,810 as share application monies from SE1 for the purpose of issuance of redeemable preferences shares ("**RPS**") as at 30 September 2019.

The RPS has yet to be issued as of the date of this report.

The salient features of the RPS are as follows:

(i) the RPS is redeemable by the issuer for cash based on the redemption value. The issuer may redeem the RPS at the discretion of its board provided that no redemption shall take place or prior to such date which is one year after the commercial operation date;

(ii) the issuer may at any time at its sole discretion cancel the RPS and pay SE1 the cancellation payment;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. SHARE APPLICATION MONIES (CONTINUED)

(b) (Continued)

(iii) subject to the availability of distributable profits, the RPS shall yield a fixed cumulative fixed dividend of 7.5% per annum from the date on which the RPS has subscribed by third party;

(iv) the RPS shall not be convertible into ordinary shares of the issuer and SE1 shall have no rights, unless otherwise permitted under the Companies Act, 2016, to vote or to move or second any resolutions at any general meeting of the issuer; and

(v) the RPS is transferrable in that SE1 may at its sole and absolute discretion sell and transfer the RPS to any RPS transferee by giving no less than ten (10) business days prior written notification to the issuer notifying the issuer of its intent to sell and transfer the RPS to such RPS transferee. The issuer shall do all things necessary to facilitate and give effect to any such transfer of the RPS intended by SE1 to any such RPS transferee.

28. DERIVATIVE ASSETS/(LIABILITIES)

	2019 RM	2018 RM
At FVTPL:		
Derivative assets	**2,364,940**	–
At FVTPL:		
Derivative liabilities	**(2,700,000)**	–

Derivative assets represent the fair value of the call option on class 1 preference shares yet to be exercised, stated at fair value, as of the end of the reporting period as disclosed in Note 40(b)(i).

Derivative liabilities represents the fair value of the put option on class 1 preference shares yet to be exercised, stated at fair value, as of the end of the reporting period as disclosed in Note 40(b)(ii).

29. DIVIDENDS

A final dividend in respect of the financial year ended 30 September 2017 of HK$0.015 per ordinary share, in an aggregate amount of HK$27,000,000 (RM13,309,245) has been proposed by the Board on 28 December 2017 and approved by the Shareholders in the annual general meeting on 26 February 2018. The final dividend has been paid through distribution of the Company's share premium on 27 March 2018.

The Directors do not recommend any dividends payment in respect of the current reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. PARTICULAR OF SUBSIDIARIES

The Company has the following subsidiaries:

Name of subsidiaries	Place of incorporation	Place of operations	Issued and fully paid ordinary share capital 2019	Issued and fully paid ordinary share capital 2018	Attributable equity interest held by the Company 2019	Attributable equity interest held by the Company 2018	Principal activities
BGMC Malaysia Limited	British Virgin Islands	Malaysia	**USD100**	USD100	**100%**	100%	Investment holding
BGMC Holdings Bhd. (formerly known as BGMC Holdings Sdn. Bhd.)[1]	Malaysia	Malaysia	**RM1,000**	RM1,000	**100%**	100%	Investment holding
BGMC Corporation Sdn. Bhd.[2]	Malaysia	Malaysia	**RM10 million**	RM10 million	**100%**	100%	Building construction and investment holding
Built-Master Elevator Engineering Sdn. Bhd.[4]	Malaysia	Malaysia	**RM0.75 million**	RM0.75 million	**80%**	80%	Supply and installation of elevators
Built-Master Engineering Sdn. Bhd.[3]	Malaysia	Malaysia	**RM0.75 million**	RM0.75 million	**80%**	80%	Mechanical and electrical engineering and investment holding
Headway Construction Sdn. Bhd.[3]	Malaysia	Malaysia	**RM6.75 million**	RM0.75 million	**51%**	51%	Earthworks and infrastructure works

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. PARTICULAR OF SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place of incorporation	Place of operations	Issued and fully paid ordinary share capital 2019	Issued and fully paid ordinary share capital 2018	Attributable equity interest held by the Company 2019	Attributable equity interest held by the Company 2018	Principal activities
KAS Engineering Sdn. Bhd.[3]	Malaysia	Malaysia	**RM5 million**	RM5 million	**100%**	100%	Concession with the Government of Malaysia for the construction of a university building, and building maintenance service provider for the said university building
BGMC Bras Power Sdn. Bhd.[3]	Malaysia	Malaysia	**RM0.10 million**	RM100	**95%**	95%	Development and construction relating to provision of renewable energy
BGMC Holdings (Indonesia) Sdn. Bhd.[2]	Malaysia	Malaysia	**RM1**	-	**100%**	-	Dormant
BGMC Estate Sdn. Bhd.[3]	Malaysia	Malaysia	**RM100**	RM100	**100%**	100%	Holding of investment properties
BGMC Energy Sdn. Bhd.[2]	Malaysia	Malaysia	**RM1**	RM1	**100%**	100%	Investment in the solar power infrastructure business

1 *BGMC Holdings is indirectly held by the Company through BGMC Malaysia Limited*
2 *These companies are indirectly held by the Company through BGMC Holdings*
3 *These companies are indirectly held by the Company through BGMC Corporation Sdn. Bhd.*
4 *Built-Master Elevator Engineering Sdn. Bhd. is indirectly held by the Company through Built-Master Engineering Sdn. Bhd.*

None of the subsidiaries had issued any debt securities at the end of the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. PARTICULARS OF NON WHOLLY-OWNED SUBSIDIARIES OF THE COMPANY

Details of non-wholly owned subsidiary companies that have material non-controlling interests to the Group are as follows:

Name of subsidiary companies	Place of incorporation and principal place of business	Proportion of ownership interest and voting rights held by non-controlling interests			(Loss)/Profit allocated to non-controlling interests		Accumulated non-controlling interests		
		2019	2018	2017	2019 RM	2018 RM (Restated)	30.9.2019 RM	30.9.2018 RM (Restated)	1.10.2017 RM (Restated)
Headway Construction Sdn. Bhd.	Malaysia	**49%**	49%	49%	**(905,150)**	(6,604,146)	**(1,561,368)**	(2,789,603)	3,866,172
Individually immaterial subsidiaries with non-controlling interests					**(1,308,240)**	225,698	**1,015,850**	2,319,230	2,041,898
					(2,213,390)	(6,378,448)	**(545,518)**	(470,373)	5,908,070

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information presented below is the amount before inter-company elimination. The non-controlling interests of the other subsidiaries which are not material to the Group are not presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. PARTICULARS OF NON WHOLLY-OWNED SUBSIDIARIES OF THE COMPANY (CONTINUED)

Summarised statement of financial position:

Headway Construction Sdn. Bhd.	30.9.2019 RM	30.9.2018 RM (Restated)	1.10.2017 RM (Restated)
Current assets	**25,650,547**	27,776,573	59,379,009
Non-current assets	**126,389**	3,546,103	5,665,878
Total assets	**25,776,936**	31,322,676	65,044,887
Current liabilities	**28,735,661**	35,877,461	53,163,015
Non-current liabilities	**227,741**	1,138,283	3,991,725
Total liabilities	**28,963,402**	37,015,744	57,154,740
Net (liabilities)/assets	**(3,186,466)**	(5,693,068)	7,890,147

Summarised statement of profit or loss and other comprehensive income:

Headway Construction Sdn. Bhd.	2019 RM	2018 RM (Restated)
Revenue	**4,022,174**	78,135
Expenses	**(5,869,419)**	(13,555,983)
Loss/Total comprehensive loss attributable to:		
Owners of the Company	**(942,095)**	(6,873,702)
Non-controlling interests	**(905,150)**	(6,604,146)
Loss/Total comprehensive loss for the year	**(1,847,245)**	(13,477,848)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. PARTICULARS OF NON WHOLLY-OWNED SUBSIDIARIES OF THE COMPANY (CONTINUED)

Summarised statement of cash flows:

Headway Construction Sdn. Bhd.	2019 RM	2018 RM (Restated)
Net cash (outflow)/inflow from operating activities	**(1,834,008)**	583,670
Net cash inflow from investing activities	**–**	2,500,279
Net cash inflow/(outflow) from financing activities	**1,755,054**	(3,086,415)
Net cash outflow for the year	**(78,954)**	(2,466)

32. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the current and previous financial years.

The capital structure of the Group consists of net debt which includes obligations under finance leases, borrowings and share application monies as disclosed in Notes 23, 24 and 27, respectively, net of cash and cash equivalents, and attributable to owners of the Company, comprising issued share capital, share premium, other reserve and retained earnings.

The directors review the capital structure periodically. As part of this review, the directors considers the cost of capital and the risks associated with each class of capital. The Group will also balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt, if necessary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. FINANCIAL INSTRUMENTS

(i) Categories of financial instruments

	At amortised cost 2019 RM	At FVTPL 2019 RM	Loans and receivables 2018 RM
Financial assets			
Trade and other receivables (including cash and bank balances)	**447,909,680**	**–**	585,223,707
Investment in redeemable convertible preference shares	**–**	**22,044,798**	–
Derivative assets	**–**	**2,364,940**	–

	At amortised cost 30.9.2019 RM	At FVTPL 30.9.2019 RM	Other financial liabilities 30.9.2018 RM (Restated)	Other financial liabilities 1.10.2017 RM (Restated)
Financial liabilities				
Other financial liabilities	**556,587,282**	**–**	516,626,137	511,627,952
Derivative liabilities	**–**	**2,700,000**	–	–

(ii) Financial risk management objectives and policies

The Group's major financial instruments include investment in redeemable preference shares, derivative assets, trade and other receivables, fixed deposits, cash and bank balances, derivative liabilities, trade and other payables and borrowings. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include interest rate risk, credit risk, foreign currency risk and liquidity risk. The policies on how the Group mitigates these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. FINANCIAL INSTRUMENTS (CONTINUED)

(ii) Financial risk management objectives and policies (Continued)

Interest rate risk

The Group is exposed to cash flow interest rate risk as certain of its bank balances and borrowings are subject to floating interest rates. Management considers any significant interest rate exposure should the need arise.

The Group is also exposed to fair value interest rate risk in relation to its fixed-rate bank deposits and borrowings.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to floating interest rates for borrowings at the end of the reporting period and assumed the amounts outstanding at the end of this reporting period were outstanding for the whole year and held constant throughout the financial year. If interest rates on interest bearing borrowings were 50 basis points higher/lower and all other variables were held constant, the loss for the year ended 30 September 2019 would increase/decrease by approximately RM1,060,000 (2018: RM1,017,000).

The above sensitivity analysis is unrepresentative of the inherent interest rate risk because the year end exposure does not reflect the exposure during the year.

Credit risk and impairment assessment

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the end of each reporting period in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated statement of financial position.

The Group's credit risk is primarily attributable to its trade receivables and retention receivables. In order to minimise the credit risk, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits for customers. Limit and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of IFRS 9 (2018: incurred loss model under IAS 39) on trade balances individually. In this regard, the directors of the Company consider the Group's credit risk is significantly reduced.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. FINANCIAL INSTRUMENTS (CONTINUED)

(ii) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The Group's internal credit rating assessment comprises the following categories:

Internal Credit Rating	Description	Trade receivables/ contract assets	Other financial assets
Good	Debtor's financial information is positive with low risk of default and frequently repay before due date and do not have any past-due historically	Lifetime ECL – not credit-impaired	12-month ECL
Fair	Certain debtor's financial information is negative though information developed internally or external sources with no history of bad debts or debtors frequently repay and settle after due date	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Marginal	There have been no information on debtors' financial performance and debtors frequently repay and settle after due date	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Weak	The information of the debtors' financial performance is negative and have historical bad debts with the Group	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Poor	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired

In determining the ECL for other receivables, the management of the Group has taken into account the historical default experience and forward-looking information, as appropriate, for example, the Group has considered the consistently low default rate in connection with payments, and concluded that credit risk inherent in the Group's outstanding receivables is insignificant.

The credit risks on fixed deposits and bank balances are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. FINANCIAL INSTRUMENTS (CONTINUED)

(ii) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The tables below detail the credit exposure of the Group's financial assets and contract assets, which are subject to ECL assessment:

2019	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount RM
Financial assets at amortised costs				
Trade receivables *(Note 1)*	17	Good	Life time ECL – not credit-impaired	335,985,485
		Fair	Life time ECL – not credit-impaired	6,858,123
		Marginal	Life time ECL – not credit-impaired	385,074
		Weak	Life time ECL – not credit-impaired	8,549,533
		Poor	Lifetime ECL – credit-impaired	1,462,025
Retention receivables *(Note 1)*	17	Good	Life time ECL – not credit-impaired	10,012,480
		Fair	Life time ECL – not credit-impaired –	4,000
		Marginal	Life time ECL – not credit-impaired	1,548,505
		Weak	Life time ECL – not credit-impaired	1,461,473
Other receivables	17	Good	12-month ECL	19,542,633
Contract assets *(Note 1)*	19	Good	Life time ECL – not credit-impaired	232,110,060
		Fair	Life time ECL – not credit-impaired	63,572,131
		Marginal	Life time ECL – not credit-impaired	1,918,193
		Weak	Life time ECL – not credit-impaired	5,062,633
Fixed deposit	20	Good	12-month ECL	39,657,805
Bank balances	20	Good	12-month ECL	23,695,232

Note 1: For trade and retention receivables and contract assets, the Group has applied the simplified approach of IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items based on individual assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. FINANCIAL INSTRUMENTS (CONTINUED)

(ii) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The following table shows the movements in lifetime ECL that has been recognised for trade receivables and contract assets under simplified approach.

Internal Credit Rating	Lifetime ECL (not credit impaired) RM	Lifetime ECL (credit impaired) RM	Total RM
At 1 October 2018 as previously stated under IAS 39	–	–	–
Effects of adoption of IFRS 9	2,600,190	–	2,600,190
At 1 October 2019 as restated under IFRS 9	**2,600,190**	**–**	**2,600,190**
(Reversal of impairment losses)/ Impairment losses recognised	**(1,198,585)**	**1,462,025**	**263,440**
At 30 September 2019	**1,401,605**	**1,462,025**	**2,863,630**

Foreign currency risk management

The Group has certain fixed deposits, bank balances and loan from DPI Solar which are denominated in currency other than RM which are exposed to foreign currency risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. FINANCIAL INSTRUMENTS (CONTINUED)

(ii) Financial risk management objectives and policies (Continued)

Foreign currency risk management (Continued)

Foreign currency sensitivity analysis

The Group has transactional currency exposures mainly to Hong Kong Dollar ("**HKD**") and United Stated Dollar ("**USD**").

The following table details the Group's sensitivity to a 10% increase and decrease in RM against the relevant foreign currency. The sensitivity analysis includes only outstanding foreign currency denominated fixed deposits, bank balances, and loan from DPI Solar and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive/(negative) number below indicates a decrease/(an increase) in loss where the RM strengthens 10% against the relevant currency. For a 10% weakening of the RM against the relevant currency, there would be an equal and opposite impact on the loss.

HKD Impact	**Carrying amount RM**	**Foreign currency risk +10% RM**	**Foreign currency risk –10% RM**
At 30 September 2019			
Financial Assets			
Bank balances	**142,152**	**(14,215)**	**14,215**
At 30 September 2018			
Financial Assets			
Fixed deposits	10,848,332	(1,084,833)	1,084,833
Bank balances	711,319	(71,132)	71,132

USD Impact	**Carrying amount RM**	**Foreign currency risk +10% RM**	**Foreign currency risk –10% RM**
At 30 September 2019			
Financial Assets			
Bank balances	**218,121**	**(21,812)**	**21,812**
Financial Liabilities			
Loan from DPI Solar	**22,595,848**	**2,259,585**	**(2,259,585)**
At 30 September 2018			
Financial Assets			
Bank balances	325,609	(32,561)	32,561

The above sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period does not reflect the exposure during the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. FINANCIAL INSTRUMENTS (CONTINUED)

(ii) Financial risk management objectives and policies (Continued)

Liquidity risk

The Group's total assets less current liabilities as at 30 September 2019 are RM282,690,838 (2018: RM543,043,677); and the Group's net current liabilities as at 30 September 2019 are RM61,687,103 (2018: net current assets are RM201,192,548).

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. As at 30 September 2019, the Group has available unutilised bank borrowing facilities of approximately RM228,327,000 (2018: RM244,347,000). As disclosed in Note 24, a subsidiary had technically breached the loan covenant in the loan agreement. As further disclosed in Note 41, the management of the Company has commenced discussion with the Lender for a waiver of the technical breach of the Loan Covenant from the Lender.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from prevailing market interest rates at the end of each reporting period.

	Weighted average effective interest rate %	On demand or less than 12 months RM	1 to 5 years RM	More than 5 years RM	Total undiscounted cash flows RM	Total carrying amount RM
As at 30 September 2019						
Trade and other payables	–	**249,737,111**	**5,411,782**	**-**	**255,148,893**	**255,148,893**
Obligations under finance leases	3.23	**6,669,671**	**2,315,714**	**-**	**8,985,385**	**8,621,755**
Borrowings	5.95	**331,291,469**	**-**	**-**	**331,291,469**	**301,438,389**
		587,698,251	**7,727,496**	**-**	**595,425,747**	**565,209,037**
As at 30 September 2018 (Restated)						
Trade and other payables	–	240,902,944	8,147,721	–	249,050,665	249,050,665
Obligations under finance leases	3.19	11,420,858	8,456,180	–	19,877,038	18,739,908
Borrowings	6.97	77,811,166	138,656,698	126,749,279	343,217,143	267,575,472
		330,134,968	155,260,599	126,749,279	612,144,846	535,366,045

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. FINANCIAL INSTRUMENTS (CONTINUED)

(iii) Fair value measurements of financial instruments

The directors consider that the fair value of financial assets and financial liabilities measured at amortised cost approximate their carrying amounts, other than the following:

(a) Borrowings

The fair value of borrowings is determined by estimating future cash flows on a borrowing-by-borrowing basis, and discounting these future cash flows using an interest rate which takes into consideration the Group's incremental borrowing rate at the end of the reporting period for similar types of debt arrangements (Level 2).

	Carrying amount		Fair value	
	2019 RM	2018 RM	2019 RM	2018 RM
Borrowings	**301,438,389**	267,575,472	**296,595,848**	262,041,764

(b) Obligations under finance leases

The fair value is estimated using discounted cash flow analysis based on current borrowing rates for similar types of finance lease arrangement (Level 2). The carrying amount and fair value of obligations under finance leases are as follows:

	The Group			
	Carrying amount		Fair value	
	2019 RM	2018 RM	2019 RM	2018 RM
Obligations under finance leases	**8,621,755**	18,739,908	**8,534,346**	18,486,912

The fair values of the above financial liabilities have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. FINANCIAL INSTRUMENTS (CONTINUED)

(iii) Fair value measurements of financial instruments (Continued)

(c) Financial instruments that are measured at fair value on a recurring basis

As at the reporting date, the Group has the following financial instruments that are measured at fair value by level of fair value hierarchy:

	Level 3 RM	Total RM
2019		
Financial assets at fair value through profit or loss:		
Investment in RCPS	22,044,798	22,044,798
Derivative assets at fair value through profit or loss:		
Call option with DPI Solar	2,364,940	2,364,940
Call option agreement with BV Energy Sdn. Bhd. and Idiqa Energy Sdn. Bhd.	–*	–*
Derivative liabilities at fair value through profit or loss:		
Put option with DPI Solar	2,700,000	2,700,000

* *As fair value on call option agreements is not material and accordingly, the directors concluded that no adjustment is made in the consolidated financial statements.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. RELATED PARTIES TRANSACTIONS

In addition to the balances of the Group with related parties disclosed in Notes 17, 26 and 27 above, the Group has the following transactions with related parties (as defined in Note 17) carried out based on agreed terms and conditions:

	2019 RM	2018 RM
Construction revenue from related parties:		
D Pristine Medini Sdn. Bhd.	**49,034,386**	237,021,576
B&G Global Property Sdn. Bhd.	**29,467,710**	12,877,836
Construction cost paid to related parties:		
Exa Power Sdn. Bhd.	**2,768,752**	1,601,606
Building materials cost paid to related party:		
Correct Lifestyle Sdn. Bhd.	**324,060**	10,136,278
Rental of office premises to related party:		
One City Properties Sdn. Bhd.*	**689,331**	693,616
Parking fees paid to related parties:		
One City Properties Sdn. Bhd.*	**179,925**	147,656
JMB Sky Park @ One City*	**20**	–
Utility expenses paid to related party:		
MCT Green Technology Sdn. Bhd.*	**129,258**	136,544
Advances from related party:		
D Pristine Medini Sdn. Bhd.	**–**	20,000,000
Site management fees paid to related party:		
E-City Hotel Sdn. Bhd.*	**2,003**	6,285
Gym membership fees paid to related party:		
The Place Properties Sdn. Bhd.*	**14,720**	13,840
E-City Hotel Sdn. Bhd.*	**–**	34,598
Rental of ballroom paid to related party:		
E-City Hotel Sdn. Bhd.*	**–**	20,664
Training fees paid to related party:		
Kingsley Professional Centre Sdn. Bhd.	**10,000**	31,875

* *These companies ceased to be related parties during the current financial year.*

The remuneration of the directors and key management including chief executive of the Company is disclosed in Note 10.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. OPERATING LEASE ARRANGEMENTS

At the end of the reporting period, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of related office premises and land for Kuala Muda Project which fall due as follows:

	2019 RM	2018 RM
Within one year	**2,747,226**	744,717
Within two to five years	**11,093,291**	–
More than five years	**16,949,968**	–
	30,790,485	744,717

Leases are negotiated for terms ranging from two to four years for office premises and fifteen years for land for Kuala Muda Project and rentals are fixed over the term of the relevant leases.

36. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had approved and contracted for subscription of ordinary shares in an associate, purchase of property, plant and equipment, intangible assets, and investment properties under construction, as follows:

	2019 RM	2018 RM (Restated)
Approved and contracted for:		
Investment in an associate *(Note 40)*	**37,014,100**	–
Intangible assets	**3,360,779**	–
Property, plant and equipment	**–**	600,000
Investment properties under constructions	**3,538,828**	3,867,605
	43,913,707	4,467,605
Less: Deposits paid	**(3,248,076)**	(550,245)
Outstanding capital commitments	**40,665,631**	3,917,360

The settlement of outstanding capital commitments of the Group will be made in cash upon subscription of ordinary shares in associate and delivery of the property, plant and equipment, intangible assets, and investment properties that has been approved and contracted for.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details the reconciliation of opening and closing balances in the statement of financial position for each liability for which cash flows have been or would be, classified as financing activities in the statement of cash flows:

The Group	As at 1.10.2018 RM	Drawdown/ Advances RM	Cash Flows Interest accrued RM	Repayment RM	Unrealised gain on foreign exchange	As at 30.9.2019 RM
Borrowings	**267,575,472**	**220,426,239**	**18,197,789**	**(203,626,558)**	**(1,134,553)**	**301,438,389**
Obligations under finance leases	**18,739,908**	**127,658**	**786,850**	**(11,032,661)**	**–**	**8,621,755**
Amount owing to related party	**10,000,000**	**–**	**–**	**(10,000,000)**	**–**	**–**
Share application monies	**–**	**37,229,810**	**–**	**–**	**–**	**37,229,810**

The Group	As at 1.10.2017 RM	Drawdown/ Advances RM	Cash Flows Interest accrued RM	Repayment RM	As at 30.9.2018 RM
Borrowings	254,795,452	154,920,866	17,117,123	(159,257,969)	267,575,472
Obligations under finance leases	31,836,500	370,000	1,516,299	(14,982,891)	18,739,908
Amount owing to related party	–	20,000,000	–	(10,000,000)	10,000,000

38. NON-CASH TRANSACTIONS

During the year ended 30 September 2019, the Group acquired property, plant and equipment amounted to RM127,658 (2018: RM370,000) under finance lease arrangements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. CONTINGENT LIABILITIES

(a) On 28 March 2019, BGMC Corporation Sdn. Bhd. an indirect wholly-owned subsidiary received a writ of summons together with an indorsement of claim dated 19 March 2019 issued in the High Court of Shah Alam, Malaysia by 47 plaintiffs against Kingsley Hills Sdn. Bhd., a related party as the first defendant and BGMC Corporation Sdn. Bhd., as the second defendant.

As of the date of this report, BGMC Corporation Sdn. Bhd. has filed an interlocutory application to strike out the plantiff's case as well as a counterclaim against the plaintiffs (claiming for alleged additional liquidated ascertained damages absorbed in good faith and spirit of the full and final settlement agreement). The striking out application was first heard on 9 January 2020 and went for a continued hearing on 5 February 2020. Therefore, the high court judge has set another date for further submission and hearing in March 2020.

Based on legal advice, the Directors are of the opinion that BGMC Corporation Sdn. Bhd. has a meritable and arguable case to defeat the plantiff's claim for additional liquidated ascertained damages. As a result, no provision has been made in the consolidated financial statements for the year ended 30 September 2019.

(b) In the ordinary course of business, Built-Master Engineering Sdn. Bhd., an indirect subsidiary ("**BME**") has awarded a sub-contract for electrical work to a third party in 2018. The said sub-contract was subsequently terminated by BME due to breach of certain terms and conditions of the sub-contract on the part of the third party. The third party initiated a legal action against BME claiming amongst others, the balance payment of RM733,292 and interest at 5% per annum from the due date to the date of the full and final settlement on the basis that the termination was wrongful. BME has entered their defence denying the claim and thereafter filed a counterclaim against the said third party. The matter is currently at trial stage.

In the opinion of the Directors, after obtaining appropriate legal advice, BME has a chance to dismiss the claim and be successful in the counterclaim with the quantum to be fixed by the court. Accordingly, no provision have been made in the consolidated financial statements.

40. SIGNIFICANT EVENTS DURING THE YEAR

(a) On 25 July 2019, BGMC Holdings, an indirect wholly owned subsidiary, entered into a subscription agreement with Kuala Muda Estate, Machang Estate and Machang Estate (II) (collectively refers to "**Land Companies**"), respectively for the subscription of 50% of RCPS in each of the Land Companies at a total consideration of USD5,363,196 (equivalent to approximately RM22,044,798).

The Land Companies are purchases of three pieces of land in Malaysia, including the Kuala Muda land upon which the Kuala Muda Project will be undertaken and the Machang Land upon which the Machang Project (as defined below) will be undertaken.

Machang Project refers to the development of a 30MWa.c. solar photovoltaic energy producing power plant on a piece of land located at Daerah Jajahan Machang in Kelantan, Malaysia, which had been awarded to Idiwan Solar Sdn Bhd, a company incorporated in Malaysia.

The transactions had been completed as of 30 September 2019 and the related salient features of RCPS are disclosed in Note 15.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40. SIGNIFICANT EVENTS DURING THE YEAR (CONTINUED)

(b) On 29 August 2019, BGMC Energy Sdn. Bhd., an indirect wholly owned subsidiary entered into a shareholders' agreement for the investment of 45.1% equity interest in an associate company, namely SPARK, a company incorporated in Cayman Islands.

Pursuant to the abovementioned shareholders' agreement, a capital commitment in the sum of approximately RM88.5 million is expected to be contributed by the shareholders through the issuance of ordinary shares in SPARK and other forms of financing in accordance with the agreed proportion for the purpose of funding the Kuala Muda Project and Machang Project (as defined in (a)).

The principal objective of SPARK is to conduct the business of investing in and managing the special purpose vehicle established as wholly owned subsidiaries of SPARK in providing comprehensive management services in relation to the development, financing, construction, operation and maintenance of renewable energy power plants, including the Kuala Muda Project (as defined in Note 5(d)(ii)) and Machang Project (as defined in Note 40(a)), investing and financing in renewable energy power projects and such other business activities.

The capital commitment to be made by BGMC Energy Sdn. Bhd. pursuant to the shareholders' agreement is approximately RM39.9 million. This commitment is expected to be fully funded by a loan to be advanced by DPI Solar, a company incorporated in Singapore and also one of the shareholders to the abovementioned shareholders' agreement, to the Company ("**Loan from DPI Solar**").

The cost of investment and the outstanding balance of Loan from DPI Solar as of 30 September 2019 is approximately RM2 (Note 14) and RM22,595,848 (Note 24(d)), respectively.

In connection with the shareholders' agreement, BGMC Energy Sdn. Bhd. also entered into an option agreements with each of the two shareholders, namely BV Energy Sdn. Bhd. and Idiqa Energy Sdn. Bhd., being companies incorporated in Malaysia. Pursuant to the option agreements, BGMC Energy Sdn. Bhd. is granted the option to acquire up to 2.5% equity interest in SPARK held by BV Energy Sdn. Bhd. and Idiqa Energy Sdn. Bhd., respectively. Each of the call option is granted at a nominal value of HK$10 to BGMC Energy Sdn. Bhd..

The directors performed an assessment on the fair value measurement of the call options and concluded that the fair value is not material.

Pursuant to the abovementioned shareholders' agreement, one of the shareholders, namely DPI Solar, a company incorporated in Singapore, is required to subscribe 21.43 million preference shares to be issued by SPARK.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40. SIGNIFICANT EVENTS DURING THE YEAR (CONTINUED)

(b) (Continued)

In connection with the shareholders' agreement, the following call and put options agreements has been entered into:

(i) DPI Solar has irrevocably agreed to grant to BGMC Energy Sdn. Bhd. a call option which may be exercised by BGMC Energy Sdn. Bhd. at its sole discretion to purchase up to 45.1% of the preference shares of USD1 each issued by SPARK and held by DPI Solar.

The call option may be exercised by BGMC Energy Sdn. Bhd. during the date of first issue of the option shares by DPI Solar and ending on 18 months thereafter, subject to BGMC Energy having repaid all amounts owing to DPI Solar under the Loan from DPI Solar (Note 24(d)).

The fair value measurement of the call options amounting to RM2,364,940 has been recognised in the consolidated financial statements (Note 28).

(ii) The Company has irrevocably agreed to grant DPI Solar a put option which may be exercised by DPI Solar at its sole discretion to require the Company to purchase 45.1% to up to 50.1% of the preference shares of USD1 each issued by SPARK and held by DPI Solar. The Company may at its sole and absolute discretion nominate another entity to be the registered owner of the preference shares of USD1 or part thereof.

The put option may be exercised by DPI Solar. at any time during the date of first issue of class 1 preference shares by DPI Solar and ending on 18 months thereafter, but no earlier than the date falling six months after the date on which DPI Solar has fully subscribed and paid for the preference shares of USD1 each.

The Company is required to recognise the fair value of the put option which is not exercisable yet as of the reporting date, because DPI Solar has the right to require the Company on its nominee to pay the counterparty cash or another financial asset in exchange for the preference shares. A fair value of RM2,700,000 is recognised in the consolidated financial statements (Note 28).

(c) On 29 August 2019, BGMC Corporation Sdn. Bhd., an indirect wholly owned subsidiary entered into a subscription agreement with SE1, to which SE1 will subscribe for 86,000,000 redeemable preference shares of RM1 each to be allotted and issued by BGMC Corporation Sdn. Bhd. for a total consideration of RM86 million ("**RPS**").

The proceeds from the subscription of the RPS to be issued by BGMC Corporation Sdn. Bhd. to SE1 can only be used by BGMC Corporation Sdn. Bhd. solely for the purpose of funding its subscription of the redeemable convertible preference shares to be issued by BGMC Bras Power Sdn. Bhd., an indirect subsidiary.

As of 30 September 2019, share application monies amounting to RM37,229,810 had been received by BGMC Corporation Sdn. Bhd..

The salient terms and conditions for RPS to be issued by BGMC Corporations Sdn. Bhd. is disclosed in Note 27.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40. SIGNIFICANT EVENTS DURING THE YEAR (CONTINUED)

(d) On 30 September 2019, BGMC Bras Power Sdn. Bhd., an indirect subsidiary, entered into a deed of covenant with a financial institution in Malaysia in relation to the financing for the total construction costs of the development of the Kuala Muda Project.

41. EVENTS AFTER THE END OF THE REPORTING PERIOD

Subsequent to the financial year end, the Group made an announcement that KAS, an indirect wholly-owned subsidiary has technically breached the Loan Covenant in the Loan Agreement. The Lender has not made any demand for immediate repayment of the Loan under the Loan Agreement. The management has commenced discussion with the Lender for a waiver of the technical breach of the Loan Covenant from the Lender.

42. PRIOR YEARS' ADJUSTMENTS

In preparing the consolidated financial statements of the Group for the year ended 30 September 2019, the directors had noted that the accounting treatments in respect of certain construction contracts adopted by the Group in its previously issued consolidated financial statements were incorrect. The amounts presented in the consolidated financial statements in respect of the year ended 30 September 2018 have been restated to correct those errors identified. The effects of the restatements to the amounts presented in the consolidated statement of financial position and the consolidated statement of profit or loss and other comprehensive income are summarised as below:

(a) Accounting for unapproved variation orders relating to construction contracts

In prior financial years, construction costs relating to variation orders pending approval by the Group's customers had not been recognised in profit or loss for the purposes of determining the percentage of completion ("**POC**") for certain projects. These construction costs had been deferred and included within amount owing by customers for contract works on the assumptions that the variation orders would ultimately be recovered from the Group's customers.

Upon reassessment, the directors concluded that it was not probable that those variation orders would have been ultimately approved by the Group's customers and therefore the said construction costs should have been expensed off to profit or loss in the prior years. After taking into account the estimated costs for defect liability period, this has resulted in an overstatement of contract revenue and understatement of contract costs recognised in profit or loss in the prior year of RM367,644 and RM3,810,793 respectively and a corresponding overstatement in the amount due from customers for contract works of RM5,483,164 and RM4,628,437 as of 1 October 2017 and 30 September 2018 respectively. These misstatements represent prior period errors that have been corrected by way of prior year adjustments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42. PRIOR YEARS' ADJUSTMENTS (CONTINUED)

(b) Omission of re-measurement reduction variation order from a customer

During the current financial year, the Group discovered an omitted re-measurement reduction variation order which was issued by a customer and received by the Group during financial year ended 30 September 2018. This variation order was inadvertently excluded from the POC schedule in determining revenue arising from the said project in prior financial year.

To rectify this omission, the Group has revised the POC schedule for this project to reflect the impact of the omitted re-measurement reduction variation order on revenue recognised from the said project. This resulted in an overstatement of contract revenue and understatement of contract costs recognised in profit or loss in prior year of RM4,511,363 and RM726,404 respectively and the corresponding overstatement of amount due from customers for contract works of RM5,237,767 as of 30 September 2018. These misstatements represent prior period errors that have been corrected by way of prior year adjustments.

(c) Projects with certificate of practical completion issued but not closed out

During the current financial year, the Group has identified two construction contracts where certificates of practical completion were issued during the financial year ended 30 September 2017. However, the remaining contract revenue and contract costs for the two construction contracts were only closed-out and recognised in profit or loss in the financial year ended 30 September 2018.

Consequently, after taking into consideration the estimated costs for defect liability period, the contract revenue and contract costs recognised during the year ended 30 September 2018 had been overstated by RM907,111 and understated by RM304,387 respectively while there was a corresponding overstatement of amount due from customers on contract works of RM907,111 as of 30 September 2018. This represents a prior period error that has been corrected by way of a prior year adjustment.

The above prior years' errors, after taking into consideration the corresponding tax effect for the year ended 30 September 2017 and 30 September 2018, gave rise to an overstatement of retained earnings of the Group by RM2,972,493 and RM8,563,454 as of 1 October 2017 and 30 September 2018, respectively and an overstatement of non-controlling interests by RM1,545,981 and RM6,164,352 as of 1 October 2017 and 30 September 2018 respectively. The prior years' adjustment for the year ended 30 September 2017 were related to the period from 1 April 2017 to 30 September 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42. PRIOR YEARS' ADJUSTMENTS (CONTINUED)

The effect of the prior years' adjustments, together with correction on the POC computation, are as follows:

	As previously reported RM	Prior years' adjustments (a) RM	(b) RM	(c) RM	As restated RM
Consolidated statement of profit or loss and other comprehensive income for the year ended 30 September 2018:					
Revenue	515,091,225	(367,644)	(4,511,363)	(907,111)	509,305,107
Cost of sales	(462,829,586)	(3,810,793)	(726,404)	(304,387)	(467,671,170)
Profit/(Loss) before tax	7,158,682	(4,178,437)	(5,237,767)	(1,211,498)	(3,469,020)
Income tax expense	(7,473,089)	115,184	–	303,186	(7,054,719)
Profit/(Loss) and total comprehensive income/(loss) for the year attributable to:					
Owners of the Company	1,445,670	(2,178,036)	(2,671,261)	(741,664)	(4,145,291)
Non-controlling interests	(1,760,077)	(1,885,217)	(2,566,506)	(166,648)	(6,378,448)
	(314,407)	(4,063,253)	(5,237,767)	(908,312)	(10,523,739)
Basic earnings/(loss) per share (sen)	0.08	(0.12)	(0.15)	(0.04)	(0.23)
Diluted earnings/(loss) per share (sen)	0.08	(0.12)	(0.15)	(0.04)	(0.23)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42. PRIOR YEARS' ADJUSTMENTS (CONTINUED)

	As previously reported RM	Prior years' adjustments (a) RM	(b) RM	(c) RM	As restated RM
Consolidated statement of financial position as of 30 September 2018:					
Current assets					
Amount owing by customers for contract works	216,062,823	(10,111,601)	(5,237,767)	(869,307)	199,844,148
Tax recoverable	6,923,031	418,370	–	–	7,341,401
Current Liabilities					
Trade and other payables	248,696,278	–	–	354,387	249,050,665
Tax liabilities	2,275,916	(1,120,773)	–	(306,113)	849,030
Capital and Reserves					
Reserves	319,769,444	(5,143,114)	(2,671,261)	(749,079)	311,205,990
Non-controlling interests	5,693,979	(3,429,344)	(2,566,506)	(168,502)	(470,373)
Consolidated statement of cash flows for the year ended 30 September 2018:					
Cash flow from Operating Activities:					
Profit/(Loss) before tax	7,158,682	(4,178,437)	(5,237,767)	(1,211,498)	(3,469,020)
Change in working capital:					
(Decrease)/Increase in trade and other payable	(17,636,222)	(450,000)	–	304,387	(17,781,835)
Decrease in amount owing by customers for contract works	18,137,834	4,628,437	5,237,767	907,111	28,911,149

	As previously reported RM	Prior years' adjustments (a) RM	(b) RM	(c) RM	As restated RM
Consolidated statement of financial position as of 1 October 2017:					
Current assets					
Amount owing by customers for contract works	234,200,657	(5,483,164)	–	37,804	228,755,297
Current Liabilities					
Trade and other payables	256,332,500	450,000	–	50,000	256,832,500
Tax liabilities	14,449,433	(1,423,959)	–	(2,927)	13,022,547
Capital and Reserves					
Reserves	331,633,019	(2,965,078)	–	(7,415)	328,660,526
Non-controlling interests	7,454,051	(1,544,127)	–	(1,854)	5,908,070

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period are as follows:

	2019 RM	2018 RM
ASSETS		
Non-Current Asset		
Investment in a subsidiary	**446**	446
Current Assets		
Other receivables	**33,965**	133,071
Amount owing from subsidiaries	**148,757,645**	114,112,107
Fixed deposits	**–**	10,848,332
Cash and bank balances	**360,273**	1,036,928
Total Current Assets	**149,151,883**	126,130,438
Total Assets	**149,152,329**	126,130,884
EQUITY AND LIABILITIES		
Capital and Reserves		
Share capital	**9,862,255**	9,862,255
Share premium	**135,571,100**	135,571,100
Accumulated losses	**(31,117,874)**	(26,865,134)
Total equity	**114,315,481**	118,568,221
Non-Current Liability		
Derivative liabilities	**2,700,000**	–
Current Liabilities		
Other payables and accrued expenses	**729,355**	342,292
Amounts due to subsidiaries	**8,811,645**	7,220,371
Borrowings	**22,595,848**	–
Total Current Liabilities	**32,136,848**	7,562,663
Total Liabilities	**34,836,848**	7,562,663
Total Equity and Liabilities	**149,152,329**	126,130,884

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

RESERVES OF THE COMPANY

	Share premium RM	Accumulated Losses RM	Total RM
At 30 September 2018	**135,571,100**	**(26,865,134)**	**108,705,966**
Loss and total comprehensive loss for the year	**–**	**(4,252,740)**	**(4,252,740)**
At 30 September 2019	**135,571,100**	**(31,117,874)**	**104,453,226**
At 30 September 2017	148,880,345	(19,665,999)	129,214,346
Loss and total comprehensive loss for the year	–	(7,199,135)	(7,199,135)
Dividend paid *(Note 29)*	(13,309,245)	–	(13,309,245)
At 30 September 2018	135,571,100	(26,865,134)	108,705,966

The Company provides financial guarantees to banks for banking facilities of its subsidiaries. The Company monitors on an ongoing basis, the results of the subsidiaries and the repayments made by the subsidiaries. The maximum exposure to credit risk are equivalent to the amounts of the banking facilities utilised by the subsidiaries as of the reporting date.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five years, as extracted from the published consolidated financial statements or the Prospectus of the Company is set out below.

	2019 RM	2018 (Restated) RM	2017 (Restated) RM	2016 RM	2015 RM
Total turnover	**353,737,968**	509,305,107	700,475,402	516,879,122	425,592,506
Profit/(loss) before taxation	**(53,012,428)**	(3,469,020)	70,350,066	86,630,439	26,634,096
Income tax	**(2,263,740)**	(7,054,719)	(19,745,599)	(21,649,639)	(5,720,013)
Profit/(loss) and total comprehensive income for the year	**(55,276,168)**	(10,523,739)	50,604,467	64,980,800	20,914,083
Profit/(loss) attributable to owners of the Company	**(53,062,778)**	(4,145,291)	51,860,963	62,919,122	20,967,277
ASSETS AND LIABILITIES					
Total assets	**893,711,083**	878,188,453	933,912,548	669,549,566	580,025,789
Total liabilities	**627,698,364**	557,590,581	589,481,697	599,465,777	530,768,470

BGMC International Limited
璋利國際控股有限公司
(Incorporated in the Cayman Islands with limited liability)
（於開曼群島註冊成立的有限公司）
(Stock code 股份代號：1693)

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