# Directors' Report and Audited Financial Statements

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# **Directors'** Report

The directors present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

**Principal activities**

The principal activities of the Company are that of investment holding, contractors and infrastructure development, provision of management and consultancy services. The principal activities of the subsidiaries are described in Note 16 to the financial statements. There have been no significant changes in the nature of these principal activities during the financial year.

**Results**

| | **Group** RM'000 | **Company** RM'000 |
|---|---|---|
| Loss net of tax | (38,824) | (34,691) |
| | ====== | ====== |
| Loss attributable to: | | |
| Owners of the Company | (37,487) | (34,691) |
| Non-controlling interests | (1,337) | - |
| | ------ | ------ |
| | (38,824) | (34,691) |
| | ===== | ===== |

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

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than the effects that arose from the settlement agreement in respect of a transmission line project which resulted in liquidated ascertained damages amounting to RM12,850,000 as disclosed in Note 4 to the financial statements.

**Dividend**

No dividend had been paid during the financial year and up to the date of this report.

**Directors**

The directors of the Company in office during the financial year and up to the date of this report are:

Dato Sri Mahmud Abu Bekir Taib
Dato Sri Fong Joo Chung
Dato' Ahmad Redza bin Abdullah
Tan Sri Dato' Seri H'ng Bok San
Yek Siew Liong
Datuk Kevin How Kow
Erman bin Radin
Dato Hajjah Hanifah Hajar Taib
Datuk Rozimi bin Remeli
Redzuan bin Rauf
Ng Woon Chiang - appointed as alternate director to Tan Sri Dato' Seri H'ng Bok San on 31 December 2018
Kon Ted Liuk - resigned as alternate director to Tan Sri Dato' Seri H'ng Bok San on 31 December 2018

**Directors (cont'd.)**

The directors of the Company's subsidiaries during the financial year and up to the date of this report, (not including those directors listed above) are:

Woon Wai En
Tan Kok Hong
Azhar bin Ariffin
Lu Yew Hung @ Lu Yew Hong
Danice Endawie Ita
Ling Ching Nei
Mary Joycelyn Dahop
Parulian Marpaung SE

**Directors' benefits**

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as disclosed in Note 11 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest other than those disclosed in Note 34 to the financial statements.

Details of directors' remuneration are disclosed in Note 11 to the financial statements.

The directors and officers of the Company are covered by liability insurance for any liability incurred in the discharge of their duties, provided that they have not acted fraudulently or dishonestly or derived any personal profit or advantage. The amount of premium paid for this policy was RM19,090. No payment was made for any indemnification during or since the financial year and up to the date of this report.

**Directors' interests**

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

| | Number of Ordinary Shares | | | |
|---|---|---|---|---|
| | **As at 1.1.2018** | **Bought** | **Sold** | **As at 31.12.2018** |
| Direct Interest: | | | | |
| Dato Sri Mahmud Abu Bekir Taib | 57,825,000 | 2,901,996 | - | 60,726,996 |
| Dato Sri Fong Joo Chung | 400,200 | - | - | 400,200 |
| Tan Sri Dato' Seri H'ng Bok San | 237,240 | - | - | 237,240 |
| Yek Siew Liong | 5,855,000 | - | - | 5,855,000 |
| Erman bin Radin | 125,160 | - | - | 125,160 |
| | | | | |
| Indirect Interest: | | | | |
| Dato Sri Mahmud Abu Bekir Taib | 26,082,000 | - | - | 26,082,000[1] |
| Tan Sri Dato' Seri H'ng Bok San | 36,488,400 | - | - | 36,488,400[2] |
| Yek Siew Liong | 31,682,000 | - | - | 31,682,000[3] |

1 Deemed interested by virtue of his interest in Central Paragon Sdn. Bhd. pursuant to Section 8(4) of the Companies Act 2016 ("the Act").
2 Deemed interested by virtue of his interest in Hng Capital Sdn. Bhd. and his son's shareholding pursuant to Section 8(4) and Section 59(11)(c) of the Act respectively.
3 Deemed interested by virtue of his interest in Central Paragon Sdn. Bhd. and UF Jaya Sdn. Bhd. pursuant to Section 8(4) of the Act.

By virtue of their interests in the Company, Dato Sri Mahmud Abu Bekir Taib and Yek Siew Liong are deemed interested in the shares in the subsidiaries to the extent that the Company has an interest.

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

**Other statutory information**

(a) Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

   (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there were all known bad debts had been written off and that adequate allowance had been made for doubtful debt; and

   (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

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

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

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

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

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

(f) In the opinion of the directors:

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

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

# **Directors'** Report (cont'd.)

**Auditors**

The auditors, Ernst & Young, have expressed their willingness to continue in office. Auditors' remuneration is disclosed in Note 9 to the financial statements.

**Indemnification of auditors**

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement against claims by third parties arising from the audit for an unspecified amount. No payment has been made to indemnify Ernst & Young during the financial year and up to the date of this report.

Signed on behalf of the Board in accordance with a resolution of the directors dated 16 April 2019.

**Dato Sri Fong Joo Chung**

**Dato' Ahmad Redza bin Abdullah**

# Statement by **Directors**

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

We, **Dato Sri Fong Joo Chung** and **Dato' Ahmad Redza bin Abdullah**, being two of the directors of **Sarawak Cable Berhad**, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 62 to 143 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 16 April 2019.

**Dato Sri Fong Joo Chung**

**Dato' Ahmad Redza bin Abdullah**

# **Statutory** Declaration

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

I, **Teoh Wen Jinq**, being the officer primarily responsible for the financial management of **Sarawak Cable Berhad**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 62 to 143 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed **Teoh Wen Jinq**
at Kuching in the State of Sarawak
on 16 April 2019

**Teoh Wen Jinq**
MIA25770

Before me,
Phang Dah Nan
Commissioner for Oaths (Q119)
Kuching, Sarawak

# **Independent** Auditors' Report

to the Members of Sarawak Cable Berhad (Incorporated in Malaysia)

**Report on the audit of the financial statements**

*Opinion*

We have audited the financial statements of **Sarawak Cable Berhad**, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 62 to 143.

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

*Basis for opinion*

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

*Independence and other ethical responsibilities*

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

*Key audit matters*

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

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements. We have identified two key audit matters as follows:

**1. Revenue from long-term transmission lines construction contracts**

A significant portion of the Group's and the Company's revenue were derived from contracts with customers to build transmission lines and such contracts generally spans over more than one accounting period. As disclosed in Note 4 to the financial statements, the Group and the Company recorded contract revenue of RM78.8 million (2017: RM92.4 million) and RM41.7 million (2017: RM75.1 million) respectively for the financial year ended 31 December 2018. The Group and the Company recognised such contract revenue over time, using the input method to measure the percentage of completion. Measurement of such revenue and the determination of the appropriate timing of its recognition, involved significant management judgement as disclosed in Note 3.2(a) to the financial statements. We have identified the measurement and recognition of such contract revenue as an area requiring special audit consideration due to the quantum and the significant management's judgement and estimates involved.

We focused on the following areas:

(a) evaluated management's judgement and estimates made in the determination of whether variations in contract works should be included in the contract revenue; and

(b) evaluated the estimated total contract costs for the contracts (which information is used in the computation of the percentage-of-completion).

**Report on the audit of the financial statements (cont'd.)**

*Key audit matters (cont'd.)*

1. **Revenue from long-term transmission lines construction contracts (cont'd.)**

Among others, our audit procedures included:

- read the material contracts and project correspondences to obtain an understanding of the specific terms and conditions, performance and status of the contracts;
- read the project correspondences and held discussion with project manager and determined the reasonableness of amount recognised as revenue;
- with respect to variations in contract works, we agreed the amounts to approved variation order;
- performed verification of cost incurred e.g. vouching to invoices and accrual of cost related to works performed till the reporting date to determine they are within the recoverable cost based on contract;
- assessed the reasonableness of the estimated total contract costs by reviewing inputs and assumptions used;
- reviewed management's basis for their assessment of potential liquidated ascertained damages ("LAD") in light of the delay in completion of the contracts, and the basis for the determination of the amount of LAD required, if any; and
- reviewed the computation of the percentage-of-completion by management.

The Group's accounting policies and disclosures on revenue from construction contract based on percentage of completion method are disclosed in Notes 2.16, 3.2(a), 4 and 18 respectively to the financial statements.

2. **Impairment assessment of property, plant and equipment - helicopters**

The Group is required to perform impairment test of property, plant and equipment whenever there is an indication that the carrying value of such property, plant and equipment may be impaired. As disclosed in Note 14 to the financial statements, included in property, plant and equipment of the Group at the reporting date were helicopters with carrying amount of RM139.4 million (2017: RM149.0 million). Some of these helicopters were under utilized and the subsidiary operating these helicopters have incurred losses during the year. These are indications that the carrying value of these helicopters may be impaired. Management has determined the recoverable amount of these helicopters based on either the value in use ("VIU") or fair value less costs to sell, whichever is higher. The fair value were derived from the valuations performed by an accredited independent valuer specialising in valuing helicopters. The VIUs were based on the discounted future net cash inflows estimated to be generated by the respective helicopters.

The impairment assessment of these helicopters has been identified as a key audit matter due to their quantum and significant judgement were involved in determining their recoverable amounts. We have performed the following procedures:

- For fair value less cost to sell, we:
  - evaluated the competency, capabilities and objectivity of the valuer;
  - obtained an understanding of the works performed by the valuer.
- For value in use, we:
  - evaluated the key assumptions used, in particular the estimated contract rates, the estimated operating costs and the terminal values applied;
  - evaluated the discount rate used together with our valuation specialist. This included an assessment of the specific inputs to the discount rate, including the risk-free rate, equity risk premium and beta, along with gearing and cost of debt;
  - in relation to the assessment on one of the helicopter, we obtained from management the process that is required for such transaction with the government. We have also discussed with management their views as to the likelihood of securing the lease contract;

**Report on the audit of the financial statements (cont'd.)**

*Key audit matters (cont'd.)*

**2. Impairment assessment of property, plant and equipment - helicopters (cont'd.)**

- For value in use, we: (cont'd.)

  - evaluated the disclosure concerning those key assumptions to which the outcome of the impairment test is most sensitive to. The disclosures on key assumptions and sensitivities are in Note 3.2(b) to the financial statements.

The Group's accounting policies and disclosures on impairment assessment of property, plant and equipment are disclosed in Notes 2.8, 3.2(b) and 14(f) respectively to the financial statements.

**3. Impairment assessment of concession financial assets**

As disclosed in Note 28 to the financial statements, the Group signed a power purchase agreement for 20 years with Perusahaan Listrik Negara Persero ("PLN"), North Sumatera, Indonesia for the installation, operation and maintenance of a mini hydro power plant. The Group commenced construction works on this mini hydro power plant in 2013 and reportedly achieved 93% physical completion as at the reporting date. There have been several extension of time granted by PLN and the latest extension of time granted was up to June 2019. At the reporting date, the carrying value of the concession financial asset stood at RM92.7 million (2017: RM86.0 million). Considering the protracted delay in the completion of this project, the carrying value of the concession financial assets may be impaired. We consider the impairment assessment of the concession financial assets to be a key audit matter due to the quantum and the significant judgement involved in determining its recoverable amount and completion date. Consequently, we have performed the following procedures:

- inquired from management and obtained the progress and technical reports regarding the physical completion and expected completion date of the mini hydro power plant;

- evaluated the following assumptions applied by management:

  - the expected annual energy production to be generated by the plant by reviewing the technical reports from an external consultant;

  - the period over which the plant will generate and supply energy;

  - further cost to be incurred to complete the construction of the plant including any potential liquidated ascertained damages:

- evaluated the competency, capabilities and objectivity of the external consultant;

- evaluated the adequacy of the disclosures concerning those key assumptions to which the outcome of the impairment test is most sensitive to as disclosed in Note 3.2 (c) to the financial statements.

The Group's accounting policies and disclosures on impairment assessment of concession financial assets are disclosed in Notes 2.9(a), 3.2(c) and 28 respectively to the financial statements

**4. Allowance for expected credit loss ("ECL") on amounts due from subsidiaries**

At the reporting date, the amounts due from subsidiaries involved in the provision of helicopters services and transmission lines constructions amounted to RM103.2 million (2017: RM146.8 million). The Company recorded ECL of RM28.6 million (2017: RM11.7 million) during the current financial year. The adoption of MFRS 9 has fundamentally changed the Company's accounting for impairment loss by replacing MFRS 139 incurred loss approach with a forward looking expected credit loss ("ECL") approach. The measurement of ECL requires the application significant judgment and assumptions such as expected future cash flows and forward looking macroeconomic factors. Thus, this impairment assessment has been identified as key audit matter. We have performed the following procedures:

- assessed the Group's expected future cash flows derived from these subsidiaries including key assumptions such as revenue growth rate and operating costs;

- considered the fair values of helicopters as discussed in the key audit matter above;

**Report on the audit of the financial statements (cont'd.)**

**4. Allowance for expected credit loss ("ECL") on amounts due from subsidiaries (cont'd.)**

- assessed the appropriateness of discount rate used;
- evaluated the disclosure concerning those key assumptions to which the outcome of the impairment test is most sensitive to as disclosed in Note 3.2(e) to the financial statements.

The Group's accounting policies and disclosures on allowances for expected credit loss on amounts due from subsidiaries are disclosed in Notes 2.9(a), 3.2(e) and 38(a) respectively to the financial statements.

*Information other than the financial statements and auditors' report thereon*

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

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

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

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

*Responsibilities of the directors for the financial statements*

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

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

*Auditors' responsibilities for the audit of the financial statements*

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

**Report on the audit of the financial statements (cont'd.)**

*Auditors' responsibilities for the audit of the financial statements (cont'd.)*

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

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

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

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

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

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

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

**Report on other legal and regulatory requirements**

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiary of which we have not acted as auditors, are disclosed in Note 16 to the financial statements.

**Other matters**

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

**ERNST & YOUNG**
AF: 0039
Chartered Accountants

**LOW KHUNG LEONG**
No. 02697/01/2021 J
Chartered Accountant

Kuching, Malaysia
Date: 16 April 2019

# Statements of **Profit or Loss** and **Other Comprehensive Income**

For the financial year ended 31 December 2018

| | Note | Group 2018 RM'000 | Group 2017 RM'000 | Company 2018 RM'000 | Company 2017 RM'000 |
|---|---|---|---|---|---|
| **Revenue from contracts with customers** | 4 | 789,539 | 1,024,175 | 73,222 | 113,292 |
| Cost of sales | | (738,326) | (964,510) | (50,448) | (83,327) |
| **Gross profit** | | 51,213 | 59,665 | 22,774 | 29,965 |
| **Other items of income** | | | | | |
| Interest income | 5 | 633 | 2,597 | 12,993 | 10,861 |
| Other income | 6 | 7,126 | 6,276 | 64 | 115 |
| **Other items of expense** | | | | | |
| Marketing and distribution | | (18,070) | (19,175) | - | - |
| Administrative expenses | | (31,894) | (32,140) | (10,400) | (9,508) |
| Finance costs | 7 | (28,771) | (31,720) | (21,579) | (20,706) |
| Other expenses | 8 | (13,480) | (11,124) | (38,594) | (38,163) |
| **Loss before tax** | 9 | (33,243) | (25,621) | (34,742) | (27,436) |
| Income tax expense | 12 | (5,581) | (9,901) | 51 | (71) |
| **Loss for the year, net of tax** | | (38,824) | (35,522) | (34,691) | (27,507) |
| **Other comprehensive income to be reclassified to profit or loss in subsequent periods:** | | | | | |
| Exchange differences on translation of foreign operations, net of RM nil tax | | (218) | (1,096) | - | - |
| Net movement of cash flow hedges | | (5,266) | 191 | - | - |
| Income tax related to cash flow hedges | | 1,264 | (46) | - | - |
| **Other comprehensive income, net of tax** | | (4,220) | (951) | - | - |
| **Total comprehensive income for the year** | | (43,044) | (36,473) | (34,691) | (27,507) |

# Statements of **Profit or Loss** and **Other Comprehensive Income**

For the financial year ended 31 December 2018 (cont'd.)

| | Note | Group 2018 RM'000 | Group 2017 RM'000 | Company 2018 RM'000 | Company 2017 RM'000 |
|---|---|---|---|---|---|
| Loss attributable to: | | | | | |
| Owners of the Company | | (37,487) | (34,392) | (34,691) | (27,507) |
| Non-controlling interests | | (1,337) | (1,130) | - | - |
| | | (38,824) | (35,522) | (34,691) | (27,507) |
| **Total comprehensive income attributable to:** | | | | | |
| Owners of the Company | | (41,660) | (35,106) | (34,691) | (27,507) |
| Non-controlling interests | | (1,384) | (1,367) | - | - |
| | | (43,044) | (36,473) | (34,691) | (27,507) |

| | Note | Group 2018 | Group 2017 |
|---|---|---|---|
| **Loss per share attributable to owners of the Company (sen per share):** | | | |
| Basic and Diluted | 13 | (11.82) | (10.85) |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Statements of **Financial Position**

As at 31 December 2018

| | Note | Group 2018 RM'000 | Group 2017 RM'000 | Company 2018 RM'000 | Company 2017 RM'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 14 | 424,410 | 448,628 | 555 | 2,970 |
| Intangible assets | 15 | 2,510 | 2,510 | - | - |
| Trade receivables | 19 | 39,234 | 51,548 | 15,600 | 15,465 |
| Concession financial assets | 28 | 92,671 | 85,990 | - | - |
| Deferred tax assets | 26 | 36,932 | 36,116 | - | - |
| Investment in subsidiaries | 16 | - | - | 371,652 | 376,652 |
| | | 595,757 | 624,792 | 387,807 | 395,087 |
| **Current assets** | | | | | |
| Inventories | 17 | 123,421 | 117,204 | - | - |
| Trade and other receivables | 19 | 197,443 | 253,851 | 174,092 | 216,616 |
| Other current assets | 20 | 8,206 | 6,626 | 1,596 | 875 |
| Contract assets | 18 | 2,954 | 44,091 | 2,746 | 10,539 |
| Tax recoverable | | 9,295 | 8,713 | 1,148 | 1,148 |
| Derivatives assets | 27 | - | 953 | - | - |
| Cash and bank balances | 21 | 47,859 | 46,909 | 1,561 | 961 |
| | | 389,178 | 478,347 | 181,143 | 230,139 |
| Assets held for sale | 22 | 2,191 | - | 2,191 | - |
| | | 391,369 | 478,347 | 183,334 | 230,139 |
| **TOTAL ASSETS** | | 987,126 | 1,103,139 | 571,141 | 625,226 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Current liabilities** | | | | | |
| Loans and borrowings | 23 | 455,605 | 475,080 | 79,004 | 103,454 |
| Finance lease payable | 24 | 2,825 | - | - | - |
| Trade and other payables | 25 | 103,887 | 172,703 | 248,401 | 245,674 |
| Contract liabilities | 18 | 8,462 | - | - | - |
| Income tax payable | | 1,016 | 1,253 | - | - |
| Derivatives liabilities | 27 | 4,314 | - | - | - |
| | | 576,109 | 649,036 | 327,405 | 349,128 |
| **Net current liabilities** | | (184,740) | (170,689) | (144,071) | (118,989) |

# Statements of **Financial Position**

As at 31 December 2018 (cont'd.)

| | Note | Group 2018 RM'000 | Group 2017 RM'000 | Company 2018 RM'000 | Company 2017 RM'000 |
|---|---|---|---|---|---|
| **EQUITY AND LIABILITIES (cont'd.)** | | | | | |
| **Non-current liabilities** | | | | | |
| Loans and borrowings | 23 | 120,194 | 139,285 | 49,452 | 50,344 |
| Finance lease payable | 24 | 16,874 | - | - | - |
| Trade payables | 25 | 15,401 | 12,524 | 14,188 | 10,916 |
| Deferred tax liabilities | 26 | 16,418 | 17,088 | - | 51 |
| | | 168,887 | 168,897 | 63,640 | 61,311 |
| **TOTAL LIABILITIES** | | 744,996 | 817,933 | 391,045 | 410,439 |
| **Net assets** | | 242,130 | 285,206 | 180,096 | 214,787 |
| **Equity attributable to owners of the Company** | | | | | |
| Share capital | 29 | 238,321 | 238,321 | 238,321 | 238,321 |
| Reverse acquisition reserve | | (37,300) | (37,300) | - | - |
| Foreign currency translation reserve | 30 | (700) | (529) | - | - |
| Hedge reserve | 31 | (3,279) | 723 | - | - |
| Revenue reserves | | 46,079 | 83,598 | (58,225) | (23,534) |
| | | 243,121 | 284,813 | 180,096 | 214,787 |
| **Non-controlling interests** | | (991) | 393 | - | - |
| **TOTAL EQUITY** | | 242,130 | 285,206 | 180,096 | 214,787 |
| **TOTAL EQUITY AND LIABILITIES** | | 987,126 | 1,103,139 | 571,141 | 625,226 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Statements of **Changes in Equity**

For the financial year ended 31 December 2018

| Group | Attributable to owners of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share capital (Note 29) | Reverse acquisition reserve | Foreign currency translation reserves (Note 30) | Hedge reserve (Note 31) | Revenue reserves | Total owners attributable to owners of the Company | Non-controlling interests | Total equity |
| **2018** | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **Opening balance at 1 January 2018** | 238,321 | (37,300) | (529) | 723 | 83,598 | 284,813 | 393 | 285,206 |
| Adjustment on initial application of MFRS 9 | - | - | - | - | (32) | (32) | - | (32) |
| **Opening balance at 1 January 2018, as restated** | 238,321 | (37,300) | (529) | 723 | 83,566 | 284,781 | 393 | 285,174 |
| Loss for the year | - | - | - | - | (37,487) | (37,487) | (1,337) | (38,824) |
| Other comprehensive income | - | - | (171) | (4,002) | - | (4,173) | (47) | (4,220) |
| Total comprehensive income | - | - | (171) | (4,002) | (37,487) | (41,660) | (1,384) | (43,044) |
| **Closing balance at 31 December 2018** | 238,321 | (37,300) | (700) | (3,279) | 46,079 | 243,121 | (991) | 242,130 |

# Statements of **Changes in Equity**

For the financial year ended 31 December 2018 (cont'd.)

| Group | Note | Share capital (Note 29) | Reverse acquisition reserve | Share premium (Note 29) | Foreign currency translation reserves (Note 30) | Hedge reserve (Note 31) | Revenue reserves | Total owners attributable to owners of the Company | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Attributable to owners of the Company | | | | | | | | |
| **2017** | | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **Opening balance at 1 January 2017** | | 158,525 | (37,300) | 79,796 | 330 | 578 | 127,502 | 329,431 | 1,760 | 331,191 |
| Loss for the year | | - | - | - | - | - | (34,392) | (34,392) | (1,130) | (35,522) |
| Other comprehensive income | | - | - | - | (859) | 145 | - | (714) | (237) | (951) |
| Total comprehensive income | | - | - | - | (859) | 145 | (34,392) | (35,106) | (1,367) | (36,473) |
| | | 158,525 | (37,300) | 79,796 | (529) | 723 | 93,110 | 294,325 | 393 | 294,718 |
| **Transactions with owners:** | | | | | | | | | | |
| Dividends on ordinary shares | 32 | - | - | - | - | - | (9,512) | (9,512) | - | (9,512) |
| Transition to no-par value regime on 31 January 2017 | 29 | 79,796 | - | (79,796) | - | - | - | - | - | - |
| **Closing balance at 31 December 2017** | | 238,321 | (37,300) | - | (529) | 723 | 83,598 | 284,813 | 393 | 285,206 |

# Statements of **Changes in Equity**

For the financial year ended 31 December 2018 (cont'd.)

| | Note | Share capital (Note 29) RM'000 | Share premium (Note 29) RM'000 | Revenue reserves/ (accumulated losses) RM'000 | Total equity RM'000 |
|---|---|---|---|---|---|
| **Company** | | | | | |
| **2018** | | | | | |
| **Opening balance at 1 January 2018** | | 238,321 | - | (23,534) | 214,787 |
| Loss net of tax, representing total comprehensive income | | - | - | (34,691) | (34,691) |
| **Closing balance at 31 December 2018** | | 238,321 | - | (58,225) | 180,096 |
| **2017** | | | | | |
| **Opening balance at 1 January 2017** | | 158,525 | 79,796 | 13,485 | 251,806 |
| Loss net of tax, representing total comprehensive income | | - | - | (27,507) | (27,507) |
| **Transaction with owners:** | | | | | |
| Dividends on ordinary shares | 32 | - | - | (9,512) | (9,512) |
| Transition to no-par value regime on 31 January 2017 | 29 | 79,796 | (79,796) | - | - |
| **Closing balance at 31 December 2017** | | 238,321 | - | (23,534) | 214,787 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Statements of **Cash Flows**

For the financial year ended 31 December 2018

| | Note | Group 2018 RM'000 | Group 2017 RM'000 | Company 2018 RM'000 | Company 2017 RM'000 |
|---|---|---|---|---|---|
| **Operating activities** | | | | | |
| Loss before tax | | (33,243) | (25,621) | (34,742) | (27,436) |
| Adjustments for: | | | | | |
| Allowance for impairment loss of trade and other receivables | 8 | 4,775 | 1,576 | 28,575 | 11,674 |
| Amortisation of intangible assets | 8 | - | 9 | - | - |
| Bad debt written off | 8 | 5 | 31 | - | - |
| Depreciation of property, plant and equipment | 9 | 21,328 | 25,605 | 255 | 367 |
| Dividend income | 4 | - | - | (14,000) | (23,806) |
| Finance income from concessions financial assets | 6 | (4,435) | (4,434) | - | - |
| Gain on disposal of property, plant and equipment, net | 6 | (464) | - | (54) | - |
| Impairment of investment in subsidiaries | 8 | - | - | 10,000 | 26,489 |
| Impairment of property, plant and equipment | 8 | 4,253 | - | - | - |
| Interest income | 5 | (633) | (2,597) | (12,993) | (10,861) |
| Interest expense | 7 | 28,771 | 31,720 | 21,579 | 20,706 |
| Inventories written down | 9 | 909 | 2,526 | - | - |
| Net fair value gain on derivatives | 9 | - | (19) | - | - |
| Property, plant and equipment written off | 9 | 2,754 | 2 | - | - |
| Reversal of allowance for impairment loss of trade receivables | 6 | (206) | (131) | - | - |
| Unrealised loss on foreign exchange, net | 9 | 3,497 | 5,307 | - | - |
| Unwinding of discount on finance lease | 9 | - | (6) | - | - |
| **Operating cash flows before working capital changes** | | 27,311 | 33,968 | (1,380) | (2,867) |

# Statements of **Cash Flows**

For the financial year ended 31 December 2018 (cont'd.)

| | Note | Group 2018 RM'000 | Group 2017 RM'000 | Company 2018 RM'000 | Company 2017 RM'000 |
|---|---|---|---|---|---|
| Changes in working capital: | | | | | |
| Increase in inventories | | (7,125) | (595) | - | - |
| Decrease/(increase) in trade and other receivables | | 66,739 | 83,394 | 26,736 | (22,088) |
| Increase in concessions financial assets | | (4,987) | (7,735) | - | - |
| Decrease in other current assets | | 48,829 | 106,797 | 7,255 | 2,778 |
| (Decrease)/increase in trade and other payables | | (64,104) | (67,367) | 19,999 | 49,178 |
| Decrease in derivative liabilities | | - | (46) | - | - |
| Total changes in working capital | | 39,352 | 114,448 | 53,990 | 29,868 |
| Cash flows generated from operations | | 66,663 | 148,416 | 52,610 | 27,001 |
| Interest paid | | (31,372) | (36,383) | (21,429) | (20,389) |
| Tax paid, net of refund | | (6,336) | (8,120) | - | (1,884) |
| **Net cash flows from operating activities** | | 28,955 | 103,913 | 31,181 | 4,728 |
| **Investing activities** | | | | | |
| Additional investment in subsidiaries | | - | - | (5,000) | (2,500) |
| Purchase of property, plant and equipment | 14 | (5,588) | (8,814) | (265) | (48) |
| Proceeds from disposal of property, plant and equipment | | 519 | - | 105 | - |
| Interest received | | 633 | 2,597 | 71 | 445 |
| **Net cash used in investing activities** | | (4,436) | (6,217) | (5,089) | (2,103) |
| **Financing activities** | | | | | |
| Dividend paid on ordinary shares | 32 | - | (9,512) | - | (9,512) |
| (Repayment)/drawdown from borrowings, net | 41 | (13,313) | (130,401) | (25,461) | 567 |
| (Increase)/decrease in cash and bank balances pledged for banks borrowings | | (3,159) | 8,032 | - | 7,219 |
| **Net cash used in financing activities** | | (16,472) | (131,881) | (25,461) | (1,726) |
| **Net increase/(decrease) in cash and cash equivalents** | | 8,047 | (34,185) | 631 | 899 |
| **Effect of exchange rate changes** | | 1,554 | 3,771 | - | - |
| **Cash and cash equivalents at 1 January** | | 17,678 | 48,092 | (1,039) | (1,938) |
| **Cash and cash equivalents at 31 December** | 21 | 27,279 | 17,678 | (408) | (1,039) |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Notes to the
# **Financial Statements**
For the financial year ended 31 December 2018

**1. Corporate information**

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Lot 767, Block 8, Muara Tebas Land District, Demak Laut Industrial Estate Phase III, Jalan Bako, 93050 Kuching, Sarawak.

The principal activities of the Company are that of investment holding, contractors and infrastructure development, provision of management and consultancy services. The principal activities of the subsidiaries are described in Note 16. There have been no significant changes in the nature of the principal activities during the financial year.

**2. Basis of preparation and summary of significant accounting policies**

**2.1 Basis of preparation**

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

The financial statements of the Group and of the Company have also been prepared on the historical cost basis except otherwise disclosed in the accounting policies below.

The financial statements of the Group and the Company are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ("RM'000") except when otherwise indicated.

**2.2 Changes in accounting policies**

The accounting policies adopted are consistent with those of the previous financial year except as described below:

On 1 January 2018, the Group and the Company adopted the following new and amended MFRSs and Annual Improvements which are mandatory for annual financial periods beginning on or after 1 January 2018.

| **Description** | **Effective for annual periods beginning on or after** |
|---|---|
| Annual Improvements to MFRSs 2014-2017 Cycle: | |
| (i) Amendments to MFRS 1: First-time Adoption of | 1 January 2018 |
| Malaysian Financial Reporting Standards | 1 January 2018 |
| (ii) Amendments to MFRS 128: Investments in | |
| Associates and Joint Ventures | |
| Amendments to MFRS 2: Classification and Measurement | 1 January 2018 |
| of Share-based Payment Transactions | 1 January 2018 |
| Amendments to MFRS 140: Transfers of Investment Property | |
| MFRS 15 Revenue from Contracts with Customers | 1 January 2018 |
| MFRS 9 Financial Instruments | 1 January 2018 |
| IC Interpretation 22 Foreign Currency Transactions and Advance Consideration | 1 January 2018 |
| Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts | 1 January 2018 |

The adoptions of these new standards did not have a material impact on the financial statements of the Group and of the Company, except as disclosed below:

**(a) MFRS 15 Revenue from Contracts with Customers**

MFRS 15 supersedes MFRS 111 Construction Contracts, MFRS 118 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. MFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

**2. Basis of preparation and summary of significant accounting policies (cont'd.)**

**2.2 Changes in accounting policies (cont'd.)**

**(a) MFRS 15 Revenue from Contracts with Customers (cont'd.)**

Under MFRS 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. The Group and the Company adopted the new standard on the required effective date using the full retrospective method. The directors have assessed the effects of applying the new standards on the Group's and Company's financial statements and have concluded that there is no significant impact on the Group's and the Company's financial statements except for the presentation and disclosure requirements.

Many of the disclosure requirements in MFRS 15 are new and requires revenue recognised to be disaggregated into categories that depict the nature, amount and timing of cash flows as disclosed in Note 4.

**(b) MFRS 9 Financial Instruments**

MFRS 9 Financial Instruments replaces MFRS 139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. Retrospective application is required, but restatement of comparative information is not compulsory.

Based on the analysis of the Group's and the Company's financial assets and liabilities as at 1 January 2018 on the basis of facts and circumstances that exist at that date, the Group and the Company has assessed the impact of MFRS 9 to the Group's and the Company's financial statements as follows:

**(i) Classification and measurement**

There is no significant impact on the Group's and the Company's statements of financial position or equity on applying the classification and measurement requirements of MFRS 9. They continued measuring at fair value all financial derivatives currently held at fair value.

Loans and receivables were held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The contractual cash flow characteristics of those instruments meet the criteria for amortised cost measurement under MFRS 9.

The Group and the Company has not designated any financial liabilities as at fair value through profit or loss. There are no changes in measurement for the Group's and the Company's financial liabilities.

In summary, upon the adoption of MFRS 9, the Group had the following required reclassifications as at 31 December 2017.

| | **MFRS 9 measurement category - Amortised costs** | |
|---|---|---|
| | **Group** | **Company** |
| **Previously classified as** | RM'000 | RM'000 |
| Loans and receivables | | |
| Trade and other receivables | 305,399 | 232,081 |
| Cash and bank balances | 46,909 | 961 |
| Concession financial assets | 85,990 | - |
| | ======== | ======== |

**2. Basis of preparation and summary of significant accounting policies (cont'd.)**

**2.2 Changes in accounting policies (cont'd.)**

**(b) MFRS 9 Financial Instruments (cont'd.)**

**(ii) Impairment**

The Group and the Company applies the simplified approach and record lifetime expected credit losses on trade receivables and contract assets. The expected credit loss model is forward-looking and eliminates the needs for a trigger event to have occurred before credit losses are recognised.

The Group and the Company have not restated comparative information for prior year periods with respect to impairment requirements. Upon adoption of MFRS 9, the Group recognised additional impairment of RM313,000 and deferred tax assets of RM281,000, which resulted in a decrease in retained earnings of RM32,000 as at 1 January 2018.

**(iii) Hedge accounting**

The Group and the Company choose to continue to apply the hedge accounting requirements of MFRS 139 as allowed by the transitional requirement of MFRS 9.

**2.3 Standards issued but not yet effective**

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

| **Description** | **Effective for annual periods beginning on or after** |
|---|---|
| IC Interpretation 23 Uncertainty over Income Tax Treatments | 1 January 2019 |
| MFRS 16 Leases | 1 January 2019 |
| Annual Improvements to MFRSs 2015-2017 Cycle: | |
| (i) Amendments to MFRS 3: Business Combinations | 1 January 2019 |
| (ii) Amendments to MFRS 11: Joint Arrangements | 1 January 2019 |
| (iii) Amendments to MFRS 112: Income Taxes | 1 January 2019 |
| (iv) Amendments to MFRS 123: Borrowings Costs | 1 January 2019 |
| Amendments to MFRS 9: Prepayment Features with Negative Compensation | 1 January 2019 |
| Amendments to MFRS 128: Long-term Interest in Associates and Joint Ventures | 1 January 2019 |
| Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement | 1 January 2019 |
| Amendments to MFRS 3: Definition of a Business | 1 January 2020 |
| Amendments to MFRS 101 and MFRS 108 Definition of Material | 1 January 2020 |
| MFRS 17: Insurance Contracts | 1 January 2021 |
| Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Deferred |

Except for the new or revised MFRSs and amendments to MFRSs discussed below, there are no other standards that are not yet effective and that would be expected to have a material impact on the Group and the Company in the current reporting period.

**2. Basis of preparation and summary of significant accounting policies (cont'd.)**

**2.3 Standards issued but not yet effective (cont'd.)**

**MFRS 16 Leases**

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right of use of the underlying asset during the lease term. 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 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. Classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under MFRS 16, the lease payments will be split into a principal (which will be presented as financing cash flows) and an interest portion (which will be presented as operating cash flows).

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases. MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group is currently assessing the impact of MFRS 16 and plan to adopt the new standard on the required effective date.

**2.4 Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

**Business combinations**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses.

**2. Basis of preparation and summary of significant accounting policies (cont'd.)**

**2.4 Basis of consolidation (cont'd.)**

**Business combinations (cont'd.)**

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Other contingent consideration are subsequently measured at fair value with the changes in fair value recognised in the statement of profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re- assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

**2.5 Subsidiaries**

A subsidiary is an entity over which the Group has all the following:

(i) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);
(ii) Exposure, or rights, to variable returns from its investment with the investee; and
(iii) The ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

**2.6 Foreign currency**

The Group's consolidated financial statements are presented in Malaysian Ringgit, which is also the Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

**(a) Transaction and balances**

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

**2. Basis of preparation and summary of significant accounting policies (cont'd.)**

**2.6 Foreign currency (cont'd.)**

**(a) Transaction and balances (cont'd.)**

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognised in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group and the Company initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

**(b) Group companies**

On consolidation, the assets and liabilities of foreign operations are translated into Malaysian Ringgit at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

**2.7 Property, plant and equipment**

All items of property, plant and equipment are initially recorded at cost. The costs of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Freehold land has unlimited useful life and therefore is not depreciated.

Leasehold land is depreciated over the residual lease period.

**2. Basis of preparation and summary of significant accounting policies (cont'd.)**

**2.7 Property, plant and equipment (cont'd.)**

Depreciation of other property, plant and equipment are computed on a straight-line basis over the estimated useful lives of the assets as follows:

| | |
|---|---|
| Land and buildings | 20 to 50 years |
| Motor vehicles | 5 years |
| Helicopters | 20 years |
| Plant and machinery | 5 to 20 years |
| Office equipment | 5 to 6 years |
| Furniture and fittings | 6 years |
| Renovation | 6 to 50 years |

Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

**2.8 Impairment of non-financial assets**

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group and the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group and the Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset. For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

**2. Basis of preparation and summary of significant accounting policies (cont'd.)**

**2.8 Impairment of non-financial assets (cont'd.)**

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 December at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

**2.9 Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**(a) Financial assets**

***Initial recognition and measurement***

**Current financial year**

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("OCI"), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the Group and the Company initially measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group and the Company has applied the practical expedient are measured at the transaction price determined under MFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's and the Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group and the Company commit to purchase or sell the asset.

**Previous financial year**

A financial instrument was recognised initially, at its fair value plus or minus, in the case of a financial instrument not at fair value through profit or loss, transaction costs.

**2. Basis of preparation and summary of significant accounting policies (cont'd.)**

**2.9 Financial instruments (cont'd.)**

**(a) Financial assets (cont'd.)**

***Categories and subsequent measurement***

**Current financial year**

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

**(i) Financial assets at amortised cost (debt instruments)**

The Group and the Company measure financial assets at amortised cost if both of the following conditions are met:

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

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

**(ii) Financial assets at fair value through OCI (debt instruments)**

The Group and the Company measure debt instruments at fair value through OCI if both of the following conditions are met:

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

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss. At the reporting date, the Group and the Company do not have debt instruments at fair value through OCI.

**(iii) Financial assets designated at fair value through OCI (equity instruments)**

Upon initial recognition, the Group and the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under MFRS 132 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

**2. Basis of preparation and summary of significant accounting policies (cont'd.)**

**2.9 Financial instruments (cont'd.)**

**(a) Financial assets (cont'd.)**

*Categories and subsequent measurement (cont'd.)*

**Current financial year (cont'd.)**

**(iii) Financial assets designated at fair value through OCI (equity instruments) (cont'd.)**

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group and the Company benefit from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment. At the reporting date, the Group and the Company do not have financial assets designated at fair value through OCI (equity instruments).

**(iv) Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category. A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

**2. Basis of preparation and summary of significant accounting policies (cont'd.)**

**2.9 Financial instruments (cont'd.)**

**(a) Financial assets (cont'd.)**

***Categories and subsequent measurement (cont'd.)***

**Previous financial year**

The Group and the Company determine the classification of its financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

**(i) Financial assets at fair value through profit or loss**

Financial assets were classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading were derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss were measured at fair value. Any gains or losses arising from changes in fair value were recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss were recognised separately in profit or loss as part of other losses or other income.

**(ii) Loans and receivables**

Financial assets with fixed or determinable payments that were not quoted in an active market were classified as loans and receivables.

Subsequent to initial recognition, loans and receivables were measured at amortised cost using the effective interest method. Gains and losses were recognised in profit or loss when the loans and receivables were derecognised or impaired, and through the amortisation process.

**(iii) Held-to-maturity investments**

Financial assets with fixed or determinable payments and fixed maturity were classified as held-to-maturity when the Company has the positive intention and ability to hold the investment to maturity.

Subsequent to initial recognition, held-to-maturity investments were measured at amortised cost using the effective interest method. Gains and losses were recognised in profit or loss when the held-to-maturity investments were derecognised or impaired, and through the amortisation process.

The Group and the Company have not designated any financial assets as held-to-maturity investments.

**(iv) Available-for-sale financial assets**

Available-for-sale financial assets are financial assets that are designated as available for sale or were not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method were recognised in profit or loss.

**2. Basis of preparation and summary of significant accounting policies (cont'd.)**

**2.9 Financial instruments (cont'd.)**

**(a) Financial assets (cont'd.)**

***Categories and subsequent measurement (cont'd.)***

**Previous financial year (cont'd.)**

**(iv) Available-for-sale financial assets (cont'd.)**

The cumulative gain or loss previously recognised in other comprehensive income was reclassified from equity to profit or loss as a reclassification adjustment when the financial asset was derecognised. Interest income calculated using the effective interest method was recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's and the Company's right to receive payment was established.

Investments in equity instruments whose fair value cannot be reliably measured were measured at costless any accumulated impairment losses.

***Impairment of financial assets***

**Current financial year**

The Group and Company recognise an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group and the Company applied a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group and the Company have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Group and the Company applied the low credit risk simplification. At every reporting date, the Group and the Company evaluate whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group and the Company reassess the internal credit rating of the debt instrument. In addition, the Group and the Company consider that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

The Group and the Company consider a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group and the Company may also consider a financial asset to be in default when internal or external information indicates that the Group and the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

**2. Basis of preparation and summary of significant accounting policies (cont'd.)**

**2.9 Financial instruments (cont'd.)**

**(a) Financial assets (cont'd.)**

***Impairment of financial assets (cont'd.)***

**Previous financial year**

The Group and the Company assess, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

**(i) Trade and other receivables and other financial assets carried at amortised cost**

To determine whether there was objective evidence that an impairment loss on financial assets have been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that were assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as 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. The impairment loss was recognised in profit or loss.

The carrying amount of the financial asset was 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 becomes uncollectible, it was written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss was reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal was recognised in profit or loss.

**(ii) Available-for-sale financial assets**

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market were considerations to determine whether there was objective evidence that investment securities classified as available-for-sale financial assets were impaired.

If an available-for-sale financial asset was impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, was transferred from equity to profit or loss.

Impairment losses on available-for-sale equity investments were not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss was recognised in other comprehensive income. For available-for-sale debt investments, impairment losses were subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

**2. Basis of preparation and summary of significant accounting policies (cont'd.)**

**2.9 Financial instruments (cont'd.)**

**(a) Financial assets (cont'd.)**

***Derecognition***

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group and the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group and the Company has transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group and the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group and the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

**(b) Financial liabilities**

***Initial recognition and measurement***

**Current financial year**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

**Previous financial year**

Financial liabilities were classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139 Financial Instruments: Recognition and Measurement, were recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

**2. Basis of preparation and summary of significant accounting policies (cont'd.)**

**2.9 Financial instruments (cont'd.)**

**(b) Financial liabilities (cont'd.)**

***Subsequent measurement***

**Current financial year**

The measurement of financial liabilities depends on their classification, as described below:

**(i) Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied.

**(ii) Amortised cost**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

**Previous financial year**

Financial liabilities were classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

**(i) Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Company. Derivative liabilities (excluding those that are hedge-accounted for) were initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss.

**2. Basis of preparation and summary of significant accounting policies (cont'd.)**

**2.9 Financial instruments (cont'd.)**

**(b) Financial liabilities (cont'd.)**

***Subsequent measurement (cont'd.)***

**Previous financial year (cont'd.)**

**(ii) Other financial liabilities**

The Group's and the Company's other financial liabilities include trade payables, other payables and loans and borrowings.

Trade and other payables were recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings were recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

For other financial liabilities, gains and losses were recognised in profit or loss when the liabilities were derecognised, and through the amortisation process.

***Derecognition***

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

**(c) Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

**2.10 Cash and cash equivalents**

Cash and cash equivalents in the statements of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statements of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's and the Company's cash management.

**2.11 Inventories**

Inventories are measured at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and conditions are accounted for as follows:

- Raw materials: purchase costs on weighted average method

- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity.

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

**2. Basis of preparation and summary of significant accounting policies (cont'd.)**

**2.12 Financial guarantee contracts**

**Current financial year**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs when the likelihood of default by the debtors is more than probable. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group and the Company, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

**Previous financial year**

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date, and the amount initially recognised less cumulative amortization.

**2.13 Borrowing costs**

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowings costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowings of funds.

**2.14 Employees benefits**

**(a) Short term benefits**

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

**(b) Defined contribution plans**

The Group and the Company participate in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

**2.15 Leases**

**(a) Determining whether an arrangement contains a lease**

At inception of an arrangement, the Group and the Company determine whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Company the right to control the use of the underlying asset.

**2. Basis of preparation and summary of significant accounting policies (cont'd.)**

**2.15 Leases (cont'd.)**

**(a) Determining whether an arrangement contains a lease (cont'd.)**

At inception or upon reassessment of the arrangement, the Group and the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group and the Company concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's and Company's incremental borrowing rate.

**(b) As lessee**

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

**(c) As lessor**

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

**2.16 Revenue from contracts with customers**

The Group are involved in the business of sale of telecommunication cables, low and high voltage power cables, contractors for long term transmission lines contract and provision of helicopter services. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group and the Company expect to be entitled in exchange for those goods or services. The Group and the Company have generally concluded that it act as a principal in its revenue arrangements.

**(a) Sale of goods**

Revenue from sale of goods is recognised at the points in time when control of the assets is transferred to the customers, generally on delivery of goods. The normal credit term is 30 to 90 days upon delivery.

**(b) Construction Contracts**

The Group and the Company recognises revenue from construction contracts over time, using an input method to measure progress toward completion of the construction. The normal credit term is 30 upon billings.

**(c) Interest income**

Interest income is recognised using the effective interest method.

## 2. Basis of preparation and summary of significant accounting policies (cont'd.)

### 2.16 Revenue from contracts with customers (cont'd.)

#### (d) Dividend income

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

#### (e) Revenue from provision of helicopter services

Revenue is measured at the fair value of the consideration received or receivable. Revenue from provision of helicopter services is recognised net of discount as at when services are performed. The normal credit term is 30 upon billings.

#### (f) Interest income from lease receivables

Interest income from lease receivables is recognised in the profit or loss using the effective interest rate method. The normal credit term is 30 upon billings.

#### (g) Management fees and consultancy fees

Management fees and consultancy fees are recognised net of discount when services are performed. The normal credit term is 30 upon billings.

**Contract balances**

**Contract assets**

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group and the Company perform by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

**Contract liabilities**

A contract liability is the obligation to transfer goods or services to a customer for which the Group and the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group and the Company transfer goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group and the Company perform under the contract.

**Trade receivables**

A receivable represents the Group's and the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

### 2.17 Taxes

#### (a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**2. Basis of preparation and summary of significant accounting policies (cont'd.)**

**2.17 Taxes (cont'd.)**

**(b) Deferred tax**

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilized.

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**(c) Goods and Services Tax ("GST")**

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

**2. Basis of preparation and summary of significant accounting policies (cont'd.)**

**2.18 Segment reporting**

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers' report 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 40, including the factors used to identify the reportable segments and the measurement basis of segment information.

**2.19 Share capital and share issuance expenses**

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transactions costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

**2.20 Contingencies**

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group and the Company.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group and the Company.

**2.21 Provisions**

*General*

Provisions are recognised when the Group and the Company 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.

Provisions are recognised when the Group and the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group and the company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

*Onerous contracts*

If the Group and the Company have a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the Group and the Company recognises any impairment loss that has occurred on assets dedicated to that contract. An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group and the Company cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

**2. Basis of preparation and summary of significant accounting policies (cont'd.)**

**2.22 Fair value measurements**

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group and the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair values is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurements as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Company determine whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group and the Company have determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the assets and liabilities and the level of the fair value hierarchy as explained above.

**2.23 Intangible assets**

**Other intangible assets**

Other intangible assets represent customers contracts (related to construction contracts) and a power purchase/supply agreement for a period of 20 years, arising from business combinations that are measured at their fair value as at the date of acquisition. Following initial measurement, other intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

Other intangible assets are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Customer contracts are amortised based on the percentage of completion of the respective contracts. The power purchase/supply agreement are amortised on a straight line basis over 20 years. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

**2. Basis of preparation and summary of significant accounting policies (cont'd.)**

**2.23 Intangible assets (cont'd.)**

**Other intangible assets (cont'd.)**

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

**2.24 Concession Service Arrangement**

The Group entered into a service concession agreement with Perusahaan Listrik Negara Persero ("the Grantor") for the construction and operation of a mini hydro power plant and thereafter the supply of power from this mini hydro plant to the public for a period of 20 years. The Grantor is obligated to purchase all the power produced over the 20 years. The Group recognises the estimated consideration received or receivable as a financial assets for the construction services rendered. Financial assets are accounted for in accordance with the accounting policy as set out in Note 2.9(a).

**2.25 Derivative financial instruments and hedge accounting**

**Initial recognition and subsequent measurement**

The Group uses derivative financial instruments, such as forward currency contracts and forward commodity contracts, to hedge its foreign currency risks and commodity price risks respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The purchase contracts that meet the definition of a derivative under MFRS 139 are recognised in the statement of profit or loss as cost of sales. Commodity contracts that are entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Group's expected purchase, sale or usage requirements are held at cost.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedge item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

(i) Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment

(ii) Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

**2. Basis of preparation and summary of significant accounting policies (cont'd.)**

**2.25 Derivative financial instruments and hedge accounting (cont'd.)**

**Fair value hedges**

The change in the fair value of a hedging instrument is recognised in the statement of profit or loss as a finance cost. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the statement of profit or loss as a finance cost.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the EIR method. EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit and loss.

**Cash flow hedges**

The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss as other operating expenses.

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments, as well as forward commodity contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to foreign currency contracts is recognised in finance costs and the ineffective portion relating to commodity contracts is recognised in other operating income or expenses.

Amounts recognised as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in other comprehensive income remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

**Derivatives that are not designated or do not qualify for hedge accounting**

Any gains or losses arising from changes in fair value of derivatives during the year that do not qualify for hedge accounting are directly recognised in profit or loss.

**2.26 Non-current asset held for sale**

The Group classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

**2. Basis of preparation and summary of significant accounting policies (cont'd.)**

**2.26 Non-current asset held for sale (cont'd.)**

Property, plant and equipment once classified as held for sale of distribution are not depreciated.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

**2.27 Current versus non-current classification**

The Group and the Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group and the company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

**3. Significant accounting judgement and estimates**

The preparation of the Group's and the Company's financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustments to the carrying amount of the asset or liability within the next financial year.

**3.1 Significant judgements made in applying accounting policies**

The following are judgements made by management in the process of applying the Group's and the Company's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

**Concession service arrangements**

The Group has entered into a concessions service arrangement for the installation, operation and maintenance of a mini hydro plant. The Group has evaluated based on the terms and conditions of the arrangement, whether the concession service arrangement is accounted for using intangible asset model or financial assets model.

The management is of the view that that based on the terms and conditions of the arrangement, the Group has a contractual right to receive cash from the grantor for the services provided, thus accounting for the concession service arrangements under the financial assets model.

**3. Significant accounting judgement and estimates (cont'd.)**

**3.2 Key sources of estimation uncertainty**

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

**(a) Construction contracts**

The Group and the Company recognises contract revenue and expenses in profit or loss by using the stage of completion method. The stage of completion is determined by the input method, the proportion that construction contract costs incurred for work performed to date bear to the estimated total construction contract costs. Significant judgement is required in determining the stage of completion, the extent of the construction contract costs incurred, the estimated total construction contract revenue and costs, as well as the recoverability of the construction contract costs. In making such judgement, the Group and the Company relies on past experience and work of specialist.

**(b) Impairment assessment of property, plant and equipment**

Impairment exists when the carrying value of an asset exceeds its recoverable amount which is the higher of its fair value less costs to sell and its value in use.

The Group and the Company assesses whether there are any indicators of impairment for its property, plant and equipment at each reporting date. During the current financial year, the Group carried out the impairment tests on the carrying value of the helicopters.

The fair value less costs to sell calculation is based on the valuations performed by independent valuers specialist in helicopter valuation. The value in use is based on the discounted future net cash inflows expected to be generated from the respective helicopters. In developing estimates of future net cash inflows, management made significant assumptions about future contract rates for the uncommitted contract period. These assumptions are based on current market contract rate as well as future expectation. The pre-tax discount rate applied to cash flows projection is 11.8%.

The calculation of value in use is most sensitive to contract rate and discount rate. If the assumed contract rate decreased by 10% or an increase in pre-tax discount rate by 2% from management's estimates, it would result in impairment of helicopters of RM3,230,000 and RM4,770,000 respectively.

Currently, the Group assumes that it will be able to lease all of its helicopters within the financial year. At present, only one (1) helicopter remains without a lease, however, a proposal has been submitted to a government body in anticipation of a long-term lease. The management has received positive feedback and will continue to monitor the outcome of this proposal. Meanwhile, the management is also exploring potential leases within the region.

**(c) Impairment assessment of concession financial assets**

The Group performed impairment assessment on concession financial assets under the requirements of MFRS 9.

The outcome of impairment assessment is depend heavily on the ability of the Group to complete and commission the mini hydro power plant within approved timeline and achieve the expected annual production energy.

The management is of the opinion that mini hydro plant can be completed by June 2019. The consultant for the project confirms this position. Currently, PLN has instructed the extension of the performance bond to reflect completion as at June 2019 and this has been done. The management will endeavour to meet this timeline to avoid any imposition of penalties.

**3. Significant accounting judgement and estimates (cont'd.)**

**3.2 Key sources of estimation uncertainty (cont'd.)**

**(d) Provision for expected credit losses ("ECL") of trade receivables and contract assets**

The Group and the Company uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by product type, customer type and coverage by letters of credit).

The provision matrix is initially based on the Group's and the Company's historical observed default rates. The Group and the Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's and Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's and Company's trade receivables are disclosed in Note 38.

**(e) Provision for expected credit losses of other receivables including amount due from subsidiaries**

For the other receivables including amount due from subsidiaries, the Group and the Company has provided lifetime ECL if there is significant increase in credit risk. The adoption of MFRS 9 has fundamentally changed the Company's accounting for impairment loss by replacing MFRS 139 incurred loss approach with a forward looking expected credit loss ("ECL") approach. At the reporting date, the Company has gross amount due from subsidiaries amounted to RM208.7 million which are involved in provision of helicopter services, transmission lines construction and operation of a mini hydro dam. The Company recorded ECL of RM28.6 million during the current financial year. The measurement of ECL require the application significant judgment and assumptions such as expected future cash flows and forward looking macroeconomic factors.

**4. Revenue from contracts with customers**

**4.1 Disaggregated revenue information**

Set out below is the disaggregation of the Group's and the Company's revenue from contracts with customers:

| | Group | | Company | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Revenue from contracts with customers** | | | | |
| Sales of cables and conductors | 668,221 | 888,044 | 8,952 | 9,432 |
| Sales of galvanised products and steel structures | 20,234 | 25,604 | - | - |
| Transmission lines construction contracts | 78,828* | 92,362 | 41,745 | 75,134 |
| Revenue from construction of power plant (Note 28) | 4,987 | 7,735 | - | - |
| Rental of helicopters | 9,304 | 2,239 | - | - |
| Interest income from lease receivables | 6,065 | 7,191 | - | - |
| Total revenue from contracts with customers | 787,639 | 1,023,175 | 50,697 | 84,566 |

## 4. Revenue from contracts with customers (cont'd.)

### 4.1 Disaggregated revenue information (cont'd.)

| | Group | | Company | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Other revenue** | | | | |
| Consultancy fees | 1,900 | 1,000 | 1,900 | 1,000 |
| Dividend income from subsidiaries | - | - | 14,000 | 23,806 |
| Management fee from subsidiaries | - | - | 6,625 | 3,920 |
| Total revenue | 789,539 | 1,024,175 | 73,222 | 113,292 |
| **Timing of revenue recognition** | | | | |
| At point in time | 690,355 | 914,698 | 24,852 | 34,238 |
| Over time | 99,184 | 109,527 | 48,370 | 79,054 |
| Total revenue from contracts with customers | 789,539 | 1,024,175 | 73,222 | 113,292 |

* During the financial year, the Group reached a settlement agreement in respect of a transmission line project which resulted in liquidated ascertained damages amounting to RM12,850,000, which is a variable consideration and is presented as reduction in revenue.

### 4.2 Transaction price allocated to the remaining performance obligations

Revenue from performance obligations that are unsatisfied/(partially unsatisfied) as at 31 December are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Within one year | 119,852 | 95,612 | 28,425 | 39,551 |
| More than one year | 2,942 | 81,236 | - | - |

The remaining performance obligations of the Group and of the Company relate primarily to the remaining construction works on transmission lines which is expected to be satisfied within two years.

## 5. Interest income

| | Group | | Company | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Interest income from: | | | | |
| Short term deposits with licensed banks | 633 | 1,036 | 71 | 360 |
| Advances to subsidiaries | - | - | 12,922 | 10,416 |
| Others | - | 1,561 | - | 85 |
| | 633 | 2,597 | 12,993 | 10,861 |

## 6. Other income

| | Group | | Company | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Finance income on concession financial assets (Note 28) | 4,435 | 4,434 | - | - |
| Miscellaneous income | 769 | 475 | - | 6 |
| Net gain on disposal of property, plant and equipment | 464 | - | 54 | - |
| Realised gain on foreign exchange | - | 110 | - | - |
| Rental income | 1,252 | 883 | 10 | 109 |
| Reversal of allowance for impairment loss on trade receivables (Note 38) | 206 | 131 | - | - |
| Unwinding of discount on finance lease | - | 6 | - | - |
| Unrealised gain on foreign exchange | - | 237 | - | - |
| | 7,126 | 6,276 | 64 | 115 |

## 7. Finance costs

| | Group | | Company | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Interest expense on: | | | | |
| Term loans and bank overdraft | 20,901 | 14,816 | 3,866 | 85 |
| Revolving credits | 1,691 | 7,150 | 3,526 | 6,826 |
| Bankers' acceptances | 6,851 | 7,686 | 361 | - |
| Loans from subsidiaries | - | - | 12,813 | 10,923 |
| Finance lease | 322 | 93 | - | - |
| Flexi loan, trust receipt, export financing | 1,380 | 6,638 | 863 | 2,555 |
| Amortisation of transaction cost | 256 | 459 | 150 | 317 |
| Others | 227 | - | - | - |
| Total finance costs | 31,628 | 36,842 | 21,579 | 20,706 |
| Less: Interest expenses capitalised in contract assets (Note 18) | (2,857) | (5,122) | - | - |
| | 28,771 | 31,720 | 21,579 | 20,706 |

## 8. Other expenses

| | Group | | Company | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Allowances for impairment loss of trade and other receivables (Note 38) | 4,775 | 1,576 | 28,575 | 11,674 |
| Amortisation of intangible assets | - | 9 | - | - |
| Bad debts written off | 5 | 31 | - | - |
| Impairment of investment in a subsidiary | - | - | 10,000 | 26,489 |
| Impairment of property, plant and equipment | 4,253 | - | - | - |
| Inventories written off | 29 | 40 | - | - |
| Loss on disposal of property, plant and equipment | - | 2 | - | - |
| Realised loss on foreign exchange | 833 | 1,989 | 19 | - |
| Unrealised loss on foreign exchange | 3,386 | 5,005 | - | - |
| Others | 199 | 2,472 | - | - |
| | 13,480 | 11,124 | 38,594 | 38,163 |

## 9. Loss before tax

The following items have been included in arriving at loss before tax:

| | Group | | Company | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Auditors' remuneration | | | | |
| - statutory audits | 407 | 365 | 69 | 57 |
| - under provision in previous year | 19 | 4 | 8 | - |
| - other services | 57 | 56 | 57 | 56 |
| Depreciation of property, plant and equipment (Note 14) | 21,328 | 25,605 | 255 | 367 |
| Employee benefits expense (Note 10) | 67,049 | 73,200 | 8,131 | 5,859 |
| Gain on disposal of property, plant and equipment, net | (265) | - | (54) | - |
| Inventories written down | 909 | 2,526 | - | - |
| Net fair value gain on derivatives designated at fair value through profit or loss | - | (19) | - | - |
| Non-executive directors' remuneration (Note 11) | 1,508 | 1,556 | 818 | 1,320 |
| Property, plant and equipment written off | 2,754 | 2 | - | - |
| Realised loss on foreign exchange | 1,577 | 1,880 | 19 | - |
| Rental expense | 1,241 | 1,609 | - | - |
| Unwinding of discount on finance lease | - | (6) | - | - |
| Unrealised loss on foreign exchange, net | 3,497 | 5,307 | - | - |

**10. Employee benefits expense**

| | Group | | Company | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Salaries, wages and bonuses | 63,426 | 70,384 | 8,781 | 5,922 |
| Contributions to defined contribution plan | 7,251 | 7,846 | 1,097 | 774 |
| Social security contributions | 642 | 672 | 30 | 31 |
| Other benefits | 1,825 | 2,482 | 95 | 111 |
| | 73,144 | 81,384 | 10,003 | 6,838 |
| Less: Capitalised in contract assets (Note 18) | (6,095) | (8,184) | (1,872) | (979) |
| | 67,049 | 73,200 | 8,131 | 5,859 |

Included in employee benefits expense of the Group and of the Company are executive director's remuneration amounting to RM1,901,000 (2017: RM2,293,000) and RM1,408,000 (2017: RM1,884,000) respectively as further disclosed in Note 11.

**11. Directors' remuneration**

The details of remuneration receivable by directors of the Group and the Company during the year are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Directors of the Company** | | | | |
| **Executive:** | | | | |
| Salaries and other emoluments | 1,210 | 1,653 | 1,210 | 1,653 |
| Contributions to defined contribution plan | 198 | 231 | 198 | 231 |
| Total executive directors' remuneration (Note 10) | 1,408 | 1,884 | 1,408 | 1,884 |
| **Non-executive:** | | | | |
| Fees | 1,452 | 1,488 | 1,168 | 1,252 |
| Other emoluments | 56 | 68 | 52 | 68 |
| Total non-executive directors' remuneration | 1,508 | 1,556 | 1,220 | 1,320 |
| Total directors' remuneration | 2,916 | 3,440 | 2,628 | 3,204 |
| Estimated money value of benefits-in-kind | 3 | 15 | 2 | 15 |
| Total directors' remuneration including benefits-in-kind | 2,919 | 3,455 | 2,630 | 3,219 |

**11. Directors' remuneration (cont'd.)**

The details of remuneration receivable by directors of the Group and the Company during the year are as follows: (cont'd.)

| | Group | | Company | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Other directors** | | | | |
| **Executive:** | | | | |
| Salaries and other emoluments | 430 | 354 | - | - |
| Contributions to defined contribution plan | 63 | 55 | - | - |
| Total executive directors' remuneration | 493 | 409 | - | - |
| **Non-executive:** | | | | |
| Fees | 83 | 94 | - | - |
| Other emoluments | 2 | - | - | - |
| Total non-executive directors' remuneration | 85 | 94 | - | - |
| Total directors' remuneration | 578 | 503 | - | - |
| Estimated money value of benefits-in-kind | 63 | 81 | - | - |
| Total directors' remuneration including benefits-in-kind | 641 | 584 | - | - |
| Total directors' remuneration (Note 34(b)) | 3,560 | 4,039 | 2,630 | 3,219 |

**12. Income tax expense**

**<u>Major components of income tax expense</u>**

The major components of income tax expense for the years ended 31 December 2018 and 2017 are:

| | Group | | Company | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Statements of profit or loss and other comprehensive income:** | | | | |
| Current income tax: | | | | |
| - Based on results for the year | 3,344 | 2,242 | - | - |
| - Under/(over) provision in respect of previous years | 2,172 | (1,073) | - | (1,080) |
| | 5,516 | 1,169 | - | (1,080) |
| Deferred income tax (Note 26): | | | | |
| - Origination and reversal of temporary differences | 300 | 9,264 | (51) | 36 |
| - (Over)/under provision in respect of previous years | (235) | (532) | - | 1,115 |
| | 65 | 8,732 | (51) | 1,151 |
| Income tax expense recognised in profit or loss | 5,581 | 9,901 | (51) | 71 |

**12. Income tax expense (cont'd.)**

**Reconciliation between tax expense and accounting loss**

The reconciliation between tax expense and the product of accounting loss multiplied by the applicable corporate tax rate for the years ended 31 December 2018 and 2017 are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Accounting loss before tax | (33,243) | (25,621) | (34,742) | (27,436) |
| Tax at Malaysian statutory tax rate 24% (2017: 24%) | (7,978) | (6,149) | (8,338) | (6,585) |
| Adjustments: | | | | |
| Income not subject to tax | - | - | (4,226) | (6,202) |
| Effect of non-deductible expenses | 3,850 | 4,130 | 9,340 | 12,189 |
| (Over)/under provision of deferred tax in respect of previous years | (235) | (532) | - | 1,115 |
| Under/(over) provision of income tax in respect of previous years | 2,172 | (1,073) | - | (1,080) |
| Deferred tax assets not recognised on unabsorbed tax losses and unutilised capital allowances | 7,772 | 13,525 | 3,173 | 634 |
| Income tax expense recognised in profit or loss | 5,581 | 9,901 | (51) | 71 |

Income tax is calculated at the Malaysian statutory rate of 24% (2017: 24%) of the estimated assessable profit for the year.

The Group and the Company have the following items which are available for offset against future taxable income.

| | Group | | Company | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Unabsorbed tax losses | 104,955 | 61,751 | 14,001 | 941 |
| Unutilised capital allowance | 12,727 | 2,167 | 588 | 487 |
| Unutilised export allowances | 203,080 | 209,212 | - | - |
| Others | 3,693 | 24,799 | 364 | 303 |
| | 324,455 | 297,929 | 14,953 | 1,731 |

## 13. Loss per share

Basic and Diluted Loss Per Share

Basic earnings per share amounts are calculated by dividing loss for the year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share amounts are calculated by dividing the loss for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. The Company do not have any dilutive instruments as at reporting date and therefore, diluted earnings per share is presented as equal to basic earnings per share.

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| Loss net of tax attributable to owners of the Company | (37,487) | (34,392) |
| | ====== | ====== |
| Weighted average number of ordinary shares in issue ('000) | 317,050 | 317,050 |
| | ====== | ====== |
| Basic loss per share (sen per ordinary share) | (11.82) | (10.85) |
| | ====== | ====== |

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

## 14. Property, plant and equipment

| Group | *Land and buildings RM'000 | Motor vehicles RM'000 | Plant and machinery RM'000 | Helicopters RM'000 | Office equipment RM'000 | Furniture, fittings and equipment RM'000 | Renovation RM'000 | Capital work-in-progress RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | |
| At 1 January 2017 | 208,367 | 12,423 | 331,833 | 160,161 | 3,199 | 73,675 | 918 | 6,457 | 797,033 |
| Additions | 1,076 | 1,113 | 4,713 | - | 138 | 3,819 | - | 1,084 | 11,943 |
| Written off | - | - | - | - | - | (15) | - | - | (15) |
| Reclassification | 743 | - | 2,976 | - | - | - | - | (3,719) | - |
| At 31 December 2017 | 210,186 | 13,536 | 339,522 | 160,161 | 3,337 | 77,479 | 918 | 3,822 | 808,961 |
| At 1 January 2018 | 210,186 | 13,536 | 339,522 | 160,161 | 3,337 | 77,479 | 918 | 3,822 | 808,961 |
| Additions | 81 | 293 | 5,215 | - | 54 | 2,537 | - | 64 | 8,244 |
| Disposals | - | (1,833) | - | - | (18) | (428) | - | - | (2,279) |
| Written off | - | - | (4) | - | - | (1,110) | - | (2,754) | (3,868) |
| Reclassification | - | - | 38 | - | - | - | - | (38) | - |
| Adjustment | - | - | - | - | - | - | - | (1,023) | (1,023) |
| Reclassification to assets held for sale | (2,739) | - | - | - | - | - | - | - | (2,739) |
| At 31 December 2018 | 207,528 | 11,996 | 344,771 | 160,161 | 3,373 | 78,478 | 918 | 71 | 807,296 |

# Notes to the **Financial Statements**
For the financial year ended 31 December 2018 (cont'd.)

## 14. Property, plant and equipment (cont'd.)

| Group (cont'd.) | *Land and buildings RM'000 | Motor vehicles RM'000 | Plant and machinery RM'000 | Helicopters RM'000 | Office equipment RM'000 | Furniture, fittings and equipment RM'000 | Renovation RM'000 | Capital work-in-progress RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Accumulated depreciation and impairment** | | | | | | | | | |
| At 1 January 2017 | 14,272 | 10,890 | 247,716 | 5,749 | 2,618 | 52,398 | 175 | - | 333,818 |
| Depreciation charge for the year | 3,592 | 895 | 11,804 | 5,382 | 194 | 4,600 | 61 | - | 26,528 |
| Recognised in profit or loss (Note 9) | 3,592 | 596 | 11,235 | 5,382 | 146 | 4,593 | 61 | - | 25,605 |
| Capitalised in contract assets (Note 18) | - | 299 | 569 | - | 48 | 7 | - | - | 923 |
| Written off | - | - | - | - | - | (13) | - | - | (13) |
| At 31 December 2017 | 17,864 | 11,785 | 259,520 | 11,131 | 2,812 | 56,985 | 236 | - | 360,333 |

**14. Property, plant and equipment (cont'd.)**

| **Group (cont'd.)** | ***Land and buildings** RM'000 | **Motor vehicles** RM'000 | **Plant and machinery** RM'000 | **Helicopters** RM'000 | **Office equipment** RM'000 | **Furniture, fittings and equipment** RM'000 | **Renovation** RM'000 | **Capital work-in-progress** RM'000 | **Total** RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Accumulated depreciation and impairment (cont'd.)** | | | | | | | | | |
| At 1 January 2018 | 17,864 | 11,785 | 259,520 | 11,131 | 2,812 | 56,985 | 236 | - | 360,333 |
| Depreciation charge for the year (Note 9) | 3,581 | 610 | 8,923 | 5,382 | 155 | 3,475 | 60 | - | 22,186 |
| Recognised in profit or loss (Note 9) | 3,581 | 395 | 8,346 | 5,382 | 100 | 3,464 | 60 | - | 21,328 |
| Capitalised in contract assets (Note 18) | - | 215 | 577 | - | 55 | 11 | - | - | 858 |
| Written off | - | - | (4) | - | - | (1,110) | - | - | (1,114) |
| Disposal | - | (1,782) | - | - | (14) | (428) | - | - | (2,224) |
| Impairment | - | - | - | 4,253 | - | - | - | - | 4,253 |
| Reclassification to assets held for sale | (548) | - | - | - | - | - | - | - | (548) |
| At 31 December 2018 | 20,897 | 10,613 | 268,439 | 20,766 | 2,953 | 58,922 | 296 | - | 382,886 |
| Net carrying amount | | | | | | | | | |
| At 31 December 2017 | 192,322 | 1,751 | 80,002 | 149,030 | 525 | 20,494 | 682 | 3,822 | 448,628 |
| At 31 December 2018 | 186,631 | 1,383 | 76,332 | 139,395 | 420 | 19,556 | 622 | 71 | 424,410 |

**14. Property, plant and equipment (cont'd.)**

*** Land and buildings**

| **Cost** | **Freehold land** RM'000 | **Short term leasehold land** RM'000 | **Building** RM'000 | **Total** RM'000 |
|---|---|---|---|---|
| At 1 January 2017 | 76,800 | 17,266 | 114,301 | 208,367 |
| Addition | - | - | 1,076 | 1,076 |
| Reclassified from capital work-in-progress | - | - | 743 | 743 |
| At 31 December 2017 | 76,800 | 17,266 | 116,120 | 210,186 |
| At 1 January 2018 | 76,800 | 17,266 | 116,120 | 210,186 |
| Addition | - | - | 81 | 81 |
| Reclassification to assets held for sale | - | - | (2,739) | (2,739) |
| At 31 December 2018 | 76,800 | 17,266 | 113,462 | 207,528 |
| **Accumulated depreciation** | | | | |
| At 1 January 2017 | - | 3,282 | 10,990 | 14,272 |
| Depreciation charge for the year | - | 469 | 3,123 | 3,592 |
| At 31 December 2017 | - | 3,751 | 14,113 | 17,864 |
| At 1 January 2018 | - | 3,751 | 14,113 | 17,864 |
| Depreciation charge for the year | - | 469 | 3,112 | 3,581 |
| Reclassification to assets held for sale | - | - | (548) | (548) |
| At 31 December 2018 | - | 4,220 | 16,677 | 20,897 |
| **Net carrying amount** | | | | |
| At 31 December 2017 | 76,800 | 13,515 | 102,007 | 192,322 |
| At 31 December 2018 | 76,800 | 13,046 | 96,785 | 186,631 |

**14. Property, plant and equipment (cont'd.)**

| | Building RM'000 | Motor vehicles RM'000 | Office equipment RM'000 | Furniture and fittings RM'000 | Renovation RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **Company** | | | | | | |
| **Cost** | | | | | | |
| At 1 January 2017 | 2,739 | 1,590 | 434 | 270 | 132 | 5,165 |
| Additions | - | - | 38 | 10 | - | 48 |
| At 31 December 2017 | 2,739 | 1,590 | 472 | 280 | 132 | 5,213 |
| At 1 January 2018 | 2,739 | 1,590 | 472 | 280 | 132 | 5,213 |
| Additions | - | 249 | 15 | 1 | - | 265 |
| Disposal | - | (342) | - | - | - | (342) |
| Reclassification to assets held for sale | (2,739) | - | - | - | - | (2,739) |
| At 31 December 2018 | - | 1,497 | 487 | 281 | 132 | 2,397 |
| **Accumulated depreciation** | | | | | | |
| At 1 January 2017 | 309 | 1,019 | 168 | 136 | 66 | 1,698 |
| Depreciation during the year | 137 | 285 | 65 | 38 | 20 | 545 |
| Recognised in profit or loss (Note 9) | 137 | 157 | 19 | 34 | 20 | 367 |
| Capitalised in contract assets (Note 18) | - | 128 | 46 | 4 | - | 178 |
| At 31 December 2017 | 446 | 1,304 | 233 | 174 | 86 | 2,243 |

**14. Property, plant and equipment (cont'd.)**

| | Building RM'000 | Motor vehicles RM'000 | Office equipment RM'000 | Furniture and fittings RM'000 | Renovation RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **Company (cont'd.)** | | | | | | |
| **Accumulated depreciation (cont'd.)** | | | | | | |
| At 1 January 2018 | 446 | 1,304 | 233 | 174 | 86 | 2,243 |
| Depreciation during the year 102 | 209 | 70 | 37 | 20 | 438 | |
| Recognised in profit or loss (Note 9) | 102 | 81 | 20 | 32 | 20 | 255 |
| Capitalised in contract assets (Note 18) | - | 128 | 50 | 5 | - | 183 |
| Disposal | - | (291) | - | - | - | (291) |
| Reclassification to assets held for sale | (548) | - | - | - | - | (548) |
| At 31 December 2018 | - | 1,222 | 303 | 211 | 106 | 1,842 |
| **Net carrying amount** | | | | | | |
| At 31 December 2017 | 2,293 | 286 | 239 | 106 | 46 | 2,970 |
| At 31 December 2018 | - | 275 | 184 | 70 | 26 | 555 |

**14. Property, plant and equipment (cont'd.)**

(a) Assets held under finance leases

During the financial year, the Group acquired property, plant and equipment at aggregate cost of RM2,656,000 (2017: RM3,129,000) by means of financial lease. The cash flow on acquisition of property, plant and equipment amounted to RM5,588,000 (2017: RM8,814,000). All other acquisitions of plant and equipment were by way of cash payments.

The carrying amount of motor vehicles and plant and machinery of the Group held under finance leases at the reporting date were RM899,000 (2017: RM744,000) and RM4,995,000 (2017: RM2,547,000) respectively.

Leased assets are pledged as security for the related finance lease liabilities as referred in Note 23.

(b) The net carrying amount of property, plant and equipment pledged to financial institutions for bank borrowing as referred in Note 23 are RM21,597,000 (2017: RM22,540,000).

(c) Included in the property, plant and equipment are helicopters with the carrying amount of RM115,501,000 (2017: RM120,546,000) which are pledged as security for the loans and borrowings as referred in Note 23.

(d) During the financial year, the Group entered into sales and leaseback arrangement with a third party for a helicopter with the carrying value of RM23,894,000 as referred in Note 24.

(e) The short term leasehold land of the Group includes a leasehold land with net carrying amount of RM524,000 (2017: RM541,000) of which the legal title is still in process of being registered under the name of one of the subsidiary of the Company.

(f) The Group has performed a review of the recoverable amount of the helicopters during the financial year. The recoverable amount was based on the fair value less costs to sell or value in use, whichever is higher. The fair value of helicopters were derived from the valuations performed by independent valuers specialist in helicopter valuation. The value in use were based on the discounted future net cash inflows estimated to be generated by the respective helicopters. The Group has recognised impairment loss of RM 4,253,000 on certain helicopters during the financial year based on their recoverable amounts of RM31,589,000.

**15. Intangible assets**

| **Group** | **Customers contracts** RM'000 | **Power purchase agreement** RM'000 | **Total** RM'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2017/2018 and 31 December 2017/2018 | 9,917 | 2,510 | 12,427 |
| **Accumulated amortisation** | | | |
| At 1 January 2017 | 9,908 | - | 9,908 |
| Amortisation (Note 9) | 9 | - | 9 |
| At 31 December 2017/2018 | 9,917 | - | 9,917 |
| **Net carrying amount** | | | |
| At 31 December 2018 | - | 2,510 | 2,510 |
| At 31 December 2017 | - | 2,510 | 2,510 |

Amortisation of the power purchase agreement will commence on the commissioning of the mini hydro power plant project referred to in Note 28.

## 16. Investment in subsidiaries

| | Company 2018 RM'000 | Company 2017 RM'000 |
|---|---|---|
| Unquoted shares, at cost | 465,652 | 460,652 |
| Accumulated impairment losses | (94,000) | (84,000) |
| | 371,652 | 376,652 |

Details of the subsidiaries are as follows:

| Name of subsidiaries | Country of incorporation | Principal activities | % of ownership held by the Group β 2018 % | % of ownership held by the Group β 2017 % | % of ownership held by non-controlling interest β 2018 % | % of ownership held by non-controlling interest β 2017 % |
|---|---|---|---|---|---|---|
| **Held by the Company:** | | | | | | |
| Universal Cable (Sarawak) Sdn. Bhd.* | Malaysia | Manufacture and sale of power cables and wires | 100 | 100 | - | - |
| Sarawak Power Solutions Sdn. Bhd.* | Malaysia | Dormant | 100 | 100 | - | - |
| Sarwaja Timur Sdn. Bhd.* | Malaysia | Manufacturing, fabrication, galvanising and sale of steel structures | 100 | 100 | - | - |
| SCB Power Transmission Sdn. Bhd. (formerly known as Trenergy Infrastructure Sdn. Bhd.)* | Malaysia | General contractors and infrastructure development | 100 | 100 | - | - |
| PT. Inpola Mitra Elektrindo + | Indonesia | Designing, financing construction of independent and mini hydro power plant | 78 | 78 | 22 | 22 |
| Aerial Power Lines Sdn. Bhd.* | Malaysia | Power lines construction, inspection and maintenance services and provide of chartered or non-scheduled helicopter services | 100 | 100 | - | - |
| Leader Cable Industry Berhad * | Malaysia | Manufacture and sale of telecommunication and power cables | 100 | 100 | - | - |
| Universal Cable (M) Berhad * | Malaysia | Manufacture and sale of telecommunication and power cables | 100 | 100 | - | - |

* Audited by Ernst & Young, Malaysia
\+ Audited by a firm other than Ernst & Young
β equal to proportion of voting rights held

## 16. Investment in subsidiaries (cont'd.)

Details of the subsidiaries are as follows: (cont'd.)

(a) Acquisition of additional interest in subsidiary

During the year, the Company increased its investment in a subsidiary namely, Aerial Power Lines Sdn. Bhd. ("APLSB"), by way of an increase in the paid up share capital of this subsidiary from RM5 million to RM10 million.

(b) The investment in subsidiaries of the Company with the carrying amount of RM205,806,000 (2017: RM205,806,000) is pledged as securities for the borrowings as referred in Note 23.

(c) The Company has impaired the carrying value of its entire interest in APLSB due to continuing operating losses sustained

(d) There were no new business combination during the financial year.

(e) Information with regards to non-controlling interests is not presented as they are not material to the Group.

## 17. Inventories

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | RM'000 | RM'000 |
| **At cost** | | |
| Raw materials | 48,397 | 42,624 |
| Work-in-progress | 30,286 | 24,837 |
| Finished goods | 37,484 | 43,189 |
| Consumables | 7,254 | 6,554 |
| | 123,421 | 117,204 |

During the financial year, the amount of inventories recognised as cost of sales of the Group was RM642,417,000 (2017: RM815,487,000).

## 18. Contract assets/liabilities

| | Group | | Company | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Construction contract cost incurred to date | 1,126,718 | 1,049,791 | 685,458 | 650,709 |
| Attributable (loss)/profit | (26,277) | 284 | 29,816 | 30,209 |
| | 1,100,441 | 1,050,075 | 715,274 | 680,918 |
| Less: Progress billings | (1,105,949) | (1,005,984) | (712,528) | (670,379) |
| | (5,508) | 44,091 | 2,746 | 10,539 |
| Presented as: | | | | |
| Contract assets | 2,954 | 44,091 | 2,746 | 10,539 |
| Contract liabilities | (8,462) | - | - | - |
| | (5,508) | 44,091 | 2,746 | 10,539 |

**18. Contract assets/liabilities (cont'd.)**

| | Group | | Company | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| The costs incurred to date on contract assets/liabilities include the following charges during the financial year: | | | | |
| Interest expense (Note 7) | 2,857 | 5,122 | - | - |
| Rental expenses for building | 1,348 | 4,268 | 760 | 153 |
| Employee benefits expense (Note 10) | 6,095 | 8,184 | 1,872 | 979 |
| Depreciation of property, plant and equipment (Note 14) | 858 | 923 | 183 | 178 |

The significant decrease in contract assets of the Group and of the Company in 2018 is due to the completion certain projects during the year and the settlement agreement reached in respect of a transmission line project as disclosed in Note 4.1. The increase in contract liabilities of the Group in 2018 was mainly due to recognition of foreseeable loss on one of construction project.

**19. Trade and other receivables**

| | Group | | Company | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Current** | | | | |
| **Trade receivables** | | | | |
| Third parties | 186,044 | 221,822 | 5,597 | 16,322 |
| Retention sums on contracts | 3,495 | 12,926 | - | - |
| Amounts due from related parties | 1,968 | 7,564 | - | - |
| Lease receivables | 4,689 | 6,341 | - | - |
| | 196,196 | 248,653 | 5,597 | 16,322 |
| Less: Allowance for expected credit loss ("ECL")/ impairment | (13,823) | (8,079) | - | - |
| Trade receivables, net | 182,373 | 240,574 | 5,597 | 16,322 |
| **Other receivables** | | | | |
| Refundable deposits | 1,127 | 1,165 | 8 | 18 |
| Other receivables | 15,619 | 13,788 | 3 | 3 |
| Amounts due from subsidiaries | - | - | 208,733 | 211,947 |
| Other receivables, net | 16,746 | 14,953 | 208,744 | 211,968 |
| Less: Allowance for ECL/impairment | (1,676) | (1,676) | (40,249) | (11,674) |
| | 15,070 | 13,277 | 168,495 | 200,294 |
| Total trade and other receivables (current) | 197,443 | 253,851 | 174,092 | 216,616 |

**19. Trade and other receivables (cont'd.)**

| | Group | | Company | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Non-current** | | | | |
| **Trade receivables** | | | | |
| Retention sum on contracts | 20,931 | 29,869 | 15,600 | 15,465 |
| Lease receivables | 18,303 | 22,541 | - | - |
| | 39,234 | 52,410 | 15,600 | 15,465 |
| Less: Allowance for impairment | - | (862) | - | - |
| Trade receivables, net | 39,234 | 51,548 | 15,600 | 15,465 |
| Total trade and other receivables | 236,677 | 305,399 | 189,692 | 232,081 |

**(a) Trade receivables**

**(i) Lease receivables**

Lease receivables consist of the following:

| Group | **Gross receivables** RM'000 | **Unearned interest** RM'000 | **Net receivables** RM'000 |
|---|---|---|---|
| **2018** | | | |
| Less than 1 year | 9,643 | (4,954) | 4,689 |
| Between 1 and 5 years | 26,810 | (8,507) | 18,303 |
| | 36,453 | (13,461) | 22,992 |
| **2017** | | | |
| Less than 1 year | 12,520 | (6,179) | 6,341 |
| Between 1 and 5 years | 34,713 | (13,407) | 21,306 |
| More than 5 years | 1,289 | (54) | 1,235 |
| | 48,522 | (19,640) | 28,882 |

**(b) Amounts due from subsidiaries**

The amounts due from subsidiaries are unsecured, bear interest at rates ranging from of 5.12% to 6.85% (2017: 3.70% to 5.61%) per annum and are receivable on demand.

**(c) Amounts due from related parties**

Related parties refer to subsidiaries of a corporate shareholder namely, Sarawak Energy Berhad. The amounts due from related parties are subject to normal trade terms.

**(d)** Information on credit risks is disclosed in Note 38.

## 20. Other current assets

| | Group | | Company | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Prepayments | 5,498 | 3,721 | 1,596 | 875 |
| Advance payment to Subcontractors | 2,708 | 2,905 | - | - |
| | 8,206 | 6,626 | 1,596 | 875 |

## 21. Cash and bank balances

| | Group | | Company | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Cash in hand and at banks | 25,760 | 19,121 | 1,561 | 961 |
| Deposits with licensed banks | 22,099 | 27,788 | - | - |
| Cash and bank balances | 47,859 | 46,909 | 1,561 | 961 |

(a) Cash at bank of the Group amounted RM4,007,000 (2017: RM31,000) are placed in a designated account for the purpose of repayment obligation in relation to the Group's borrowing as referred in Note 23.

(b) Deposits with licensed banks of the Group amounting to RM14,604,000 (2017: RM15,421,000) are pledged to banks for borrowings granted as referred in Note 23 and guarantee deposit for the power purchase agreement granted to a subsidiary.

(c) The weighted average effective interest rates for the deposits at the reporting date for the Group were 3.07% (2017: 2.98%) per annum with an average maturity of 1 month (2017: 1 month).

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following as at the reporting date.

| | Group | | Company | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Cash and bank balances | 47,859 | 46,909 | 1,561 | 961 |
| Less: Bank overdrafts (Note 23) | (1,969) | (13,779) | (1,969) | (2,000) |
| Cash restricted for repayment | (4,007) | (31) | - | - |
| Deposits pledged | (14,604) | (15,421) | - | - |
| Cash and cash equivalents | 27,279 | 17,678 | (408) | (1,039) |

## 22. Assets held for sale

| | Group and Company | |
|---|---|---|
| | **2018** | **2017** |
| | RM'000 | RM'000 |
| Building | 2,191 | - |

The asset held for sale is in respect of a building (under strata title) located in Kuala Lumpur. The Group signed an agreement to sell this building for RM3 million and is expecting all conditions precedents to be fulfilled by next financial year.

## 23. Loans and borrowings

| | Maturity | Group 2018 RM'000 | Group 2017 RM'000 | Company 2018 RM'000 | Company 2017 RM'000 |
|---|---|---|---|---|---|
| **Current** | | | | | |
| Unsecured: | | | | | |
| Bankers' acceptances | 2019/2018 | 296,666 | 249,303 | - | - |
| Revolving credits | 2019/2018 | 64,548 | 83,550 | 47,833 | 65,210 |
| Trust receipts/foreign currency trade loan/ export credit financing | 2019/2018 | 2,955 | 6,790 | - | - |
| Invoice financing-i | 2019 | 5,986 | - | - | - |
| Term loans | 2019/2018 | 3,600 | 3,600 | - | - |
| Flexi term financing-i | 2019/2018 | 15,316 | 25,660 | 15,316 | 22,773 |
| Bank overdrafts (Note 21) | 2019/2018 | 1,969 | 12,800 | 1,969 | 2,000 |
| Cash line facility-i | 2019/2018 | 3,352 | 33,468 | - | - |
| | | 394,392 | 415,171 | 65,118 | 89,983 |
| Secured: | | | | | |
| Term loan | 2019/2018 | 25,849 | 23,403 | - | - |
| Bankers' acceptances | 2019/2018 | 8,065 | 4,247 | - | - |
| Revolving credits | 2019/2018 | 12,020 | 17,000 | - | - |
| Hire purchase payables | 2019/2018 | 1,393 | 809 | - | - |
| Bank overdrafts (Note 21) | 2018 | - | 979 | - | - |
| Flexi term financing-i | 2019/2018 | 13,886 | 13,471 | 13,886 | 13,471 |
| | | 61,213 | 59,909 | 13,886 | 13,471 |
| Total current loans and borrowings | | 455,605 | 475,080 | 79,004 | 103,454 |
| **Non-current** | | | | | |
| Unsecured: | | | | | |
| Term loan | 2020/2019-2020 | 2,700 | 6,300 | - | - |
| Revolving credits | 2019 | - | 815 | - | - |
| | | 2,700 | 7,115 | - | - |
| Secured: | | | | | |
| Flexi term financing-i | 2020-2022/2019-2022 | 49,452 | 50,344 | 49,452 | 50,344 |
| Hire purchase payables | 2020-2023/2019-2022 | 3,734 | 2,787 | - | - |
| Term loan | 2020-2023/2019-2023 | 64,308 | 79,039 | - | - |
| | | 117,494 | 132,170 | 49,452 | 50,344 |
| Total non-current loans and borrowings | | 120,194 | 139,285 | 49,452 | 50,344 |
| Total loans and borrowings | | 575,799 | 614,365 | 128,456 | 153,798 |

Included in loans and borrowings are amounts denominated in foreign currency as follows:

| | Group 2018 USD'000 | Group 2017 USD'000 |
|---|---|---|
| USD | 7,589 | 7,157 |

Other information on financial risks of borrowing are disclosed in Note 38.

**23. Loans and borrowings (cont'd.)**

The remaining maturities of the loans and borrowings at the reporting date are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| On demand or within 1 year | 455,605 | 475,080 | 79,004 | 103,454 |
| More than 1 year and less than 2 years | 47,237 | 31,155 | 13,235 | 13,192 |
| More than 2 years and less than 5 years | 72,957 | 103,284 | 36,217 | 37,152 |
| More than 5 years | - | 4,846 | - | - |
| | 575,799 | 614,365 | 128,456 | 153,798 |

Hire purchase payables

These hire purchase payables are secured by a charge over the leased assets (Note 14). The average discount rate implicit in the hire purchase range between 4.37% and 5.70% (2017: 4.57% and 5.70%) per annum.

Bankers' acceptances and revolving credit

The bankers' acceptances and revolving credit are secured by:

(i) first legal charge over the land as referred in Note 14;
(ii) a debenture covering fixed and floating charge over present and future assets of the subsidiary; and
(iii) deposits with a licensed bank as referred to in Note 21.

Term loans

A term loan of the Group amounting to RM61,487,000 (2017: RM73,547,000) are secured by:

(i) Mortgage over the helicopters as referred in Note 14.
(ii) Corporate guarantee from the Company.
(iii) Assignment of project account.

A term loan of the Group amounting to RM28,670,000 (2017: RM28,895,000) are secured by:

(i) Specific debenture covering fixed and floating charge over present and future assets which relating to a mini hydro power plant as referred in Note 28.
(ii) Deed of Assignment over the rights and interest of Power Purchase Agreement owned by its subsidiary as referred in Note 28.
(iii) Deposit with licensed bank as referred in Note 21.
(iv) Assignment of escrow accounts maintained with the bank.

Flexi term financing-i

The flexi term financing-i of the Group and of the Company amounting to RM63,338,000 (2017: RM63,815,000) is secured by 100% equity interest in both subsidiaries, Universal Cable (M) Berhad and Leader Cable Industry Berhad as referred in Note 16.

The overdrafts and certain revolving credits of the Company amounted to RM30,705,000 (2017: RM30,672,000) are secured by corporate guarantee and indemnity by one of the subsidiary within the Group, namely Universal Cable (Sarawak) Sdn. Bhd..

Other unsecured borrowings of the Group are secured by corporate guarantee of the Company.

**23. Loans and borrowings (cont'd.)**

The interest rates of these borrowings at the reporting date are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | % | % | % | % |
| Bankers' acceptances | 3.74-5.26 | 3.80 - 5.10 | - | - |
| Revolving credits | 5.15-6.20 | 4.70 - 6.12 | 5.87-6.12 | 5.22 - 5.87 |
| Term loans | 5.45-6.85 | 5.39 - 5.70 | - | - |
| Foreign currency trade loan | 3.23-3.84 | - | - | - |
| Flexi term financing-i | 5.97 | 5.87 | 5.97 | 5.87 |
| Flexi financing trade loan | 4.35-6.15 | 4.07 - 5.51 | 4.35-5.81 | 4.07 - 5.51 |
| Invoice financing-i | 6.15 | - | - | - |
| Cash line financing-i | 5.76 | 5.25 | - | - |
| Bank overdrafts | 3.66 | 5.80 | 3.66 | 5.80 |
| Export credit financing | 2.95-5.05 | - | - | - |

**24. Finance lease payable**

| | Group and Company | |
|---|---|---|
| | **2018** | **2017** |
| | RM'000 | RM'000 |
| **Secured** | | |
| Amount due within 12 months | 2,825 | - |
| Amount due after 12 months | 16,874 | - |
| | 19,699 | - |

The finance lease payable arose from a sale and leaseback arrangement of a helicopter as referred in Note 14 and is payable over 21 quarterly instalments commencing from May 2018. Interest is charged at 7.76% per annum.

**25. Trade and other payables**

| | Group | | Company | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Current** | | | | |
| **Trade payables** | | | | |
| Third parties | 52,009 | 67,072 | 7,220 | 24,231 |
| Amount due to related parties | 7,866 | 28,041 | - | - |
| Trade payables, net | 59,875 | 95,113 | 7,220 | 24,231 |
| **Other payables** | | | | |
| Accrued operating expenses | 18,305 | 37,543 | 1,949 | 7,144 |
| Other payables | 25,707 | 40,047 | 1,288 | 373 |
| Amounts due to subsidiaries | - | - | 237,944 | 213,926 |
| | 44,012 | 77,590 | 241,181 | 221,443 |
| Total trade and other payables (current) | 103,887 | 172,703 | 248,401 | 245,674 |

**25. Trade and other payables (cont'd.)**

| | Group | | Company | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Non-current** | | | | |
| **Trade payables** | | | | |
| Retention sum on contracts | 15,401 | 12,524 | 14,188 | 10,916 |
| Total trade and other payables | 119,288 | 185,227 | 262,589 | 256,590 |

**(a) Trade payables**

These amounts are non-interest bearing. Trade payables are normally settled on 14 to 120 day (2017: 14 to 120 day) terms.

Related parties refer to companies within the HNG Capital Sdn. Bhd. Group, a corporate shareholder of the Company.

**(b) Other payables**

These amounts are non-interest bearing. Other payables are normally settled on an average term of 30 to 90 day (2017: average term of 30 to 90 day).

**(c) Amounts due to subsidiaries**

The amounts due to subsidiaries are unsecured, bear interest at rates ranging from 5.75% to 6.12% (2017: 5.65% to 5.93%) per annum and are payable on demand.

## 26. Deferred tax

Deferred tax as at 31 December 2018 and 2017 relates to the following:

| Group | As at 1 January 2017 | Exchange difference | Recognised in profit or loss (Note 12) | Recognised in other comprehensive income | As at 31 December 2017 | Adjustment on initial adoption of MFRS9 | Exchange difference | Recognised in profit or loss (Note 12) | Recognised in other comprehensive income | As at 31 December 2018 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **Deferred tax liabilities:** | | | | | | | | | | |
| Property, plant and equipment | 37,221 | - | (3,986) | - | 33,235 | - | - | (1,602) | - | 31,633 |
| Construction contracts | (1,121) | - | 1,112 | - | (9) | - | - | - | - | (9) |
| Others | (59) | - | (33) | - | (92) | - | - | 71 | - | (21) |
| Other financial assets | 2,465 | (350) | 1,167 | - | 3,282 | - | (94) | 1,146 | - | 4,334 |
| Derivatives | 185 | - | - | 46 | 231 | - | - | - | (1,264) | (1,033) |
| | 38,691 | (350) | (1,740) | 46 | 36,647 | - | (94) | (385) | (1,264) | 34,904 |
| **Deferred tax assets:** | | | | | | | | | | |
| Trade receivables | (2,790) | - | (177) | - | (2,967) | (281) | - | (722) | - | (3,970) |
| Inventories | (115) | - | 113 | - | (2) | - | - | (32) | - | (34) |
| Unabsorbed capital allowance and export allowances | (58,890) | - | 8,679 | - | (50,211) | - | - | 1,472 | - | (48,739) |
| Unutilised tax losses | (2,076) | 251 | (670) | - | (2,495) | - | 88 | (268) | - | (2,675) |
| Property, plant and equipment | (2,527) | - | 2,527 | - | - | - | - | - | - | - |
| | (66,398) | 251 | 10,472 | - | (55,675) | (281) | 88 | 450 | - | (55,418) |
| Deferred tax (assets)/liabilities | (27,707) | (99) | 8,732 | 46 | (19,028) | (281) | (6) | 65 | (1,264) | (20,514) |

**26. Deferred tax (cont'd.)**

| | As at 1 January 2017 RM'000 | Recognised in profit or loss (Note 12) RM'000 | As at 31 December 2017 RM'000 | Recognised in profit or loss (Note 12) RM'000 | As at 31 December 2018 RM'000 |
|---|---|---|---|---|---|
| **Company** | | | | | |
| **Deferred tax liability:** | | | | | |
| Property, plant and equipment | 31 | 20 | 51 | (51) | - |
| **Deferred tax assets:** | | | | | |
| Unabsorbed capital allowances | (17) | 17 | - | - | - |
| Amount due from customers | (1,114) | 1,114 | - | - | - |
| Deferred tax (assets)/ liabilities | (1,100) | 1,151 | 51 | (51) | - |

| | Group | | Company | |
|---|---|---|---|---|
| | **2018** RM'000 | **2017** RM'000 | **2018** RM'000 | **2017** RM'000 |
| Presented after appropriate offsetting as follows: | | | | |
| Deferred tax assets | (36,932) | (36,116) | - | - |
| Deferred tax liabilities | 16,418 | 17,088 | - | 51 |
| | (20,514) | (19,028) | - | 51 |

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2018** RM'000 | **2017** RM'000 | **2018** RM'000 | **2017** RM'000 |
| Unutilised tax losses | 94,046 | 51,117 | 14,001 | 941 |
| Unabsorbed capital allowances | 12,727 | 2,167 | 588 | 487 |
| Others | 3,693 | 24,799 | 364 | 303 |
| | 110,466 | 78,083 | 14,953 | 1,731 |
| Deferred tax asset at 24%, if recognised | 26,512 | 18,740 | 3,589 | 415 |

**Unrecognised tax losses**

At the reporting date, the Group and the Company has tax losses of approximately RM94,046,000 (2017: RM51,117,000) and RM14,001,000 (2017: RM941,000) respectively that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised because it is not probable that future taxable profits will be available against which the Group and the Company can use the benefits therefrom. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate. Included in unrecognised tax losses are losses of RM73,180,000 (2017: RM51,117,000) and RM14,001,000 (2017:RM941,000) respectively that will expire in 2025. Other losses may be carried forward indefinitely subject to the conditions imposed by law including the retention of majority shareholders as defined.

## 27. Derivatives assets/(liabilities)

| | Notional amount | | Assets/(liabilities) | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Group** | | | | |
| Derivatives - designated as cash flow hedges | | | | |
| - Commodity forward contracts | 97,610 | 10,275 | (4,314) | 953 |
| Total derivatives | 97,610 | 10,275 | (4,314) | 953 |

**Cash flow hedges**

**Commodity forward contracts**

The Group purchases aluminium rods and copper on an ongoing basis for their own production. As a result of the volatility in aluminium and copper prices, the Group held commodity forward contracts designated as a hedges of highly probable forecast aluminium and copper purchases to reduce the volatility of cash flows.

These contracts are intended to hedge the volatility in the purchase price of aluminium and copper for a period between 3 to 12 months based on anticipated raw material requirements.

The cash flow hedges of the highly probable forecast aluminium and copper purchases were assessed to be highly effective and as at 31 December 2018, a net unrealised loss of RM5,266,000 (2017: a net unrealised gain of RM191,000) with a related deferred tax assets of RM1,264,000 (2017: deferred tax liabilities of RM46,000) was included in other comprehensive income in respect of these contract. The amounts retained in other comprehensive income in December 2018 and December 2017 are expected to mature and affect the profit or loss by a loss of RM3,279,000 in 2019 (2018: loss of RM723,000).

## 28. Concessions financial assets

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | RM'000 | RM'000 |
| **Non-current:** | | |
| At 1 January | 85,990 | 83,729 |
| Concessions construction revenue (Note 4) | 4,987 | 7,735 |
| Accrued finance income (Note 6) | 4,435 | 4,434 |
| Exchange difference | (2,741) | (9,908) |
| At 31 December | 92,671 | 85,990 |

**28. Concessions financial assets (cont'd.)**

On 23 September 2010, PT Inpola Mitra Elektrindo ("IME"), a subsidiary of the Company, signed a Power Purchase Agreement ("PPA") with Perusahaan Listrik Negara Persero, North Sumatera, Indonesia ("PLN") for the installation, operation and maintenance of a mini hydro power plant. IME is required to design, finance, develop, own and operate the mini hydro power plant at Lae Kombih 3 at net capacity of 8 MW (2X 4000KW) for the period of 20 years upon the commercial operation date of the plant. PLN is the sole provider of electricity supply to the end consumers in North Sumatera, Indonesia.

Significant terms of the arrangement are as follows:

- The period of the concession is 20 years. This duration can be extended based on the written agreement of both parties;

- PLN must purchase and make payment to IME for the electrical energy produced from IME's owned generation plant, according to the measured kWH transactions;

- IME must sell and distribute the electrical energy it produce to the PLN as stipulated in the clauses of the agreement, except when so determined by both parties at other occasions;

- IME is required to ensure the constant supply of electrical energy produced averaging 45.55 GWh per year or with the capacity factor the size of 65% during the concession period;

- IME must construct Mid Distribution Tension (20 kV) ("JTM 20 kV") from its power house to the Sub Station Salak (new substation owned by PLN);

- All cost of construction and maintenance of the JTM 20 kV from the power house owned by IME to the new Sub Station Salak owned by PLN is the sole responsibility of IME;

- IME is responsible to manage all government authorizations and agreement including extension and/or changes needed to be done for development, operation and maintenance of generation plant including management of land ownership;

- The purchase price of the electrical energy is specified in Clause 10 in the PPA;

- The adjustment to the electrical energy price can only be made when there are changes in Laws and Regulation of the Government, but not limited to issues of taxes, retribution of water and others which have direct implications to the costs of implementation of the project;

- When during the execution of the agreement, accidents, damages, fire or theft occurred including indirect losses from defaults and negligence, then either IME or PLN that causes the losses will have to bear the cost of losses.

The above arrangement is within the scope of IC Interpretation 12: Service Concession Arrangement under the financial assets model. At the reporting date, IME is still in the process of constructing the mini hydro power plant. The fair value of construction services provided is recognised as receivables from PLN.

The concession financial assets, a mini hydro power plant together with power purchase agreement have been charged as security for a term loan granted to a subsidiary of the Group as referred in Note 23.

## 29. Share capital and share premium

### (a) Share capital

| | Number of ordinary shares | | Amount | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| ' | 000 | '000 | RM'000 | RM'000 |
| **Company** | | | | |
| Issued and fully paid: | | | | |
| At 1 January | 317,050 | 317,050 | 238,321 | 158,525 |
| Transfer from share premium | - | - | - | 79,796 |
| At 31 December | 317,050 | 317,050 | 238,321 | 238,321 |

The new Companies Act 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium become part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium reserve of RM79,796,000 for purposes as set out in Section 618(4) of the Act.

There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

### (b) Share premium

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | RM'000 | RM'000 |
| At 1 January | - | 79,796 |
| Transfer to share capital | - | (79,796) |
| At 31 December | - | - |

## 30. Foreign currency translation reserve

The foreign currency translation reserves represent exchange difference arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

## 31. Hedge reserve

Cash flow hedge reserve represents the net gains or losses, net of tax, on effective cash flow hedging instruments that will be recycled to the profit or loss when the hedged transaction affects profit or loss.

## 32. Dividends

| | Group and Company |
|---|---|
| | **2017** |
| **Recognised during the financial year:** | RM'000 |
| Dividends on ordinary shares: | |
| - Final single tier dividend for 2016: 3.0 sen per ordinary share | 9,512 |

No dividend had been paid in respect of financial year ended 31 December 2018 and 31 December 2017.

## 33. Commitments

### (a) Capital commitments

Capital expenditure as at the reporting date is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Capital expenditure | | | | |
| Approved and contracted for: | | | | |
| Property, plant and equipment | 632 | 29,949 | 69 | - |
| Approved but not contracted for: | | | | |
| Property, plant and equipment | 6,888 | 5,501 | 2,253 | 1,027 |
| | 7,520 | 35,450 | 2,322 | 1,027 |

### (b) Operating lease commitments - as lessee

The Group has entered into non-cancellable operating lease agreements for the use of land and buildings. These leases have a life of between 1 to 2 years with between 2 and 3 years renewal period and purchase option included in the contracts. The Group is restricted from sub-leasing some of the leased land and buildings to third parties.

The future aggregate minimum lease payments under non-cancellable operating leases contracted for as at the reporting date but not recognised as liabilities, are as follows:

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | RM'000 | RM'000 |
| **Future minimum rental payments:** | | |
| Not later than 1 year | 50 | 134 |
| Later than 1 year and not later than 5 years | 11 | 30 |
| | 61 | 164 |

### (c) Finance lease commitments

Future minimum lease payments under finance lease together with the present value of the net minimum lease payments are as follows:

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | RM'000 | RM'000 |
| **Minimum lease payments:** | | |
| Not later than 1 year | 5,848 | 1,006 |
| Later than 1 year but not later than 2 years | 5,483 | 1,006 |
| Later than 2 years but not later than 5 years | 18,935 | 2,134 |
| | 30,266 | 4,146 |
| Less: Amounts representing finance charges | (5,440) | (550) |
| Present value of minimum lease payments | 24,826 | 3,596 |

## 33. Commitments (cont'd.)

### (c) Finance lease commitments (cont'd.)

Future minimum lease payments under finance lease together with the present value of the net minimum lease payments are as follows: (cont'd.)

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | RM'000 | RM'000 |
| **Present value payments:** | | |
| Not later than 1 year | 4,218 | 810 |
| Later than 1 year but not later than 2 years | 4,117 | 863 |
| Later than 2 years but not later than 5 years | 16,491 | 1,923 |
| | ------ | ------ |
| Present value of minimum lease payments | 24,826 | 3,596 |
| Less: Amounts due within 12 months | (4,218) | (809) |
| | ------ | ------ |
| Amount due after 12 months | 20,608 | 2,787 |
| | ===== | ===== |

## 34. Related party transactions

### (a) Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and the related parties took place at terms agreed between the parties during the financial year.

| | Group | | Company | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Sale of cables, conductors and steel structures to: | | | | |
| - Related to corporate shareholders | 21,278 | 30,533 | - | - |
| Transmission line contract revenue: | | | | |
| - Related to corporate shareholders | - | 6,141 | - | - |
| Rental and interest paid to: | | | | |
| - Subsidiaries | - | - | 12,813 | 10,923 |
| - Related to corporate shareholders | 46 | 95 | - | - |
| Purchase of raw materials from: | | | | |
| - Related to corporate shareholders | 214,935 | 445,281 | - | - |
| Interest and rental income received from: | | | | |
| - Subsidiaries | - | - | 12,922 | 10,417 |
| Management fees received from: | | | | |
| - Subsidiaries | - | - | 6,625 | 3,920 |
| Purchase of cable from: | | | | |
| - Subsidiaries | - | - | 7,618 | 7,700 |
| Advance received from: | | | | |
| - Subsidiaries | - | - | 42,439 | 31,481 |
| Advance to: | | | | |
| - Subsidiaries | - | - | 14,668 | 29,589 |
| | ====== | ====== | ===== | ===== |

**34. Related party transactions (cont'd.)**

**(a) Sale and purchase of goods and services (cont'd.)**

Related parties:

These are subsidiaries and associates of the corporate shareholders of the Company, namely, Sarawak Energy Berhad and HNG Capital Sdn. Bhd. Group.

The related party transactions entered into by the Group and the Company were made according to the published prices and terms mutually agreed between the respective parties which were not materially different from those obtainable in transactions with unrelated parties.

Information regarding outstanding balances arising from related party transactions as at 31 December 2018 and 31 December 2017 are disclosed in Note 19 and 25.

**(b) Compensation of key management personnel**

The remuneration of directors and other members of key management during the year was as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Short-term employee benefits | 10,994 | 8,119 | 7,306 | 5,669 |
| Contributions to defined contribution plan | 1,263 | 1,076 | 848 | 617 |
| | 12,257 | 9,195 | 8,154 | 6,286 |
| Included in the total key management personnel: | | | | |
| Directors' remuneration (Note 11) | 3,560 | 4,039 | 2,630 | 3,219 |

**35. Fair value of financial instruments**

**(a) Set out below, is a comparison by class of the carrying amount and the fair value of the Group's financial instruments, other than those which carrying amount are reasonable approximation of fair value**

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | **Carrying amount** | **Fair value** | **Carrying amount** | **Fair value** |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Financial liabilities:** | | | | |
| Hire purchase payables | 5,126 | 5,268 | 3,596 | 3,647 |

**Obligation under finance lease**

The fair value of these financial instruments are estimated by discounting expected future cash flows and the market incremental lending rate for similar type of leasing arrangement at the reporting date.

**35. Fair value of financial instruments (cont'd.)**

**(b) Determination of fair value**

**Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value**

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

| | **Note** |
|---|---|
| Trade and other receivables | 19 |
| Cash and bank balances | 21 |
| Trade and other payables | 25 |
| Loans and borrowings except hire purchase payables | 23 |
| Concessions financial assets | 28 |

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

**(i) Cash and bank balances, other receivables and other payables**

The carrying amounts of these balances approximate their fair values due to the short term nature of these instruments

**(ii) Trade receivables and trade payables**

The carrying amounts of trade receivables and trade payables approximate their fair values because they are subject to normal trade credit terms of 14 days to 120 days.

**(iii) Amounts due from/to subsidiaries**

The carrying values of the amounts due from/to subsidiaries approximate their fair values due to the short term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

**(iv) Loans and borrowings**

The carrying values of bank borrowings and term loans approximate their fair values as they bear interest rates which approximate the current incremental borrowing rates for similar types of lending and borrowing arrangements.

**(v) Derivatives**

Fair values of forward contracts and commodity forward contracts are calculated by reference to forward rates or prices quoted at the reporting date for contracts with similar maturity profiles.

**(vi) Concessions financial assets**

The carrying values of the concessions financial assets approximately their fair values as they bear interest rate which approximately the current incremental borrowing rates for similar types of lending.

**36. Fair value measurement**

The Group uses the following hierarchy for determining and disclosing the fair value of the Group's assets and liabilities:

Level 1 : quoted (unadjusted) prices in active markets for identical assets and liabilities.

Level 2 : other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3 : techniques which uses inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The following table provides the fair value measurements hierarchy of the Group's assets and liabilities:

(a) Quantitative disclosures fair value measurement hierarchy for assets and liabilities of the Group as at 31 December 2018:

| | Date of valuation | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Financial liabilities measured at fair value** | | | | | |
| Derivatives | | | | | |
| - Commodity forward contracts | 31 December 2018 | - | 4,314 | - | 4,314 |
| | | ===== | ===== | ===== | ===== |
| **Liabilities for which fair value are disclosed** | | | | | |
| Hire purchase payables | 31 December 2018 | - | 5,268 | - | 5,268 |
| | | ===== | ===== | ===== | ===== |

(b) Quantitative disclosures fair value measurement hierarchy for assets and liabilities of the Group as at 31 December 2017:

| | Date of valuation | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Financial assets measured at fair value** | | | | | |
| Derivatives | | | | | |
| - Commodity forward contracts | 31 December 2017 | - | 953 | - | 953 |
| | | ===== | ===== | ===== | ===== |
| **Liabilities for which fair value are disclosed** | | | | | |
| Hire purchase payables | 31 December 2017 | - | 3,647 | - | 3,647 |
| | | ===== | ===== | ===== | ===== |

There have been no transfers between the fair value hierarchy during the financial year ended 31 December 2018.

**37. Categories of financial instruments**

The table below provides an analysis of the Group's financial instruments as at 31 December 2018, categorised as follows:

(a) Amortised cost ("AC")
(b) Fair value through profit or loss ("FVTPL")
(c) Derivatives designated as hedging instruments ("DDHI")

| **2018**<br>**Group** | **AC**<br>RM'000 | **DDHI**<br>RM'000 |
|---|---|---|
| **Financial assets** | | |
| Trade and other receivables | 236,677 | - |
| Cash and bank balances | 47,859 | - |
| Concession financial assets | 92,671 | - |
| | 377,207 | - |
| **Financial liabilities** | | |
| Trade and other payables | 119,288 | - |
| Loans and borrowings | 575,799 | - |
| Finance lease payables | 19,699 | - |
| Derivatives | - | 4,314 |
| | 714,786 | 4,314 |

The table below provides an analysis of the Group's financial instruments as at 31 December 2017 categorised as follows:

(a) Loans and receivables ("L&R")
(b) Fair value through profit or loss ("FVTPL")
(c) Financial liabilities measured at amortised cost ("FL")

| **2017**<br>**Group** | **L&R/**<br>**FL**<br>RM'000 | **FVTPL**<br>RM'000 |
|---|---|---|
| **Financial assets** | | |
| Trade and other receivables | 305,399 | - |
| Cash and bank balances | 46,909 | - |
| Derivative assets | - | 953 |
| | 352,308 | 953 |
| **Financial liabilities** | | |
| Trade and other payables | 185,227 | - |
| Loans and borrowings | 614,365 | - |
| | 799,592 | - |

**37. Categories of financial instruments (cont'd.)**

The table below provides an analysis of the Company's financial instruments as at 31 December 2018, categorised as follows:

(a) Amortised cost ("AC")
(b) Fair value through profit or loss ("FVTPL")

| **2018**<br>**Company** | **AC**<br>RM'000 |
|---|---|
| **Financial assets** | |
| Trade and other receivables | 189,692 |
| Cash and bank balances | 1,561 |
| | 191,253 |
| **Financial liabilities** | |
| Trade and other payables | 262,589 |
| Loans and borrowings | 128,456 |
| | 391,045 |

The table below provides an analysis of the Company's financial instruments as at 31 December 2017 categorised as follows:

(a) Loans and receivables ("L&R")
(b) Fair value through profit or loss ("FVTPL")
(c) Financial liabilities measured at amortised cost ("FL")

| **2017**<br>**Company** | **L&R/**<br>**FL**<br>RM'000 |
|---|---|
| **Financial assets** | |
| Trade and other receivables | 232,081 |
| Cash and bank balances | 961 |
| | 233,042 |
| **Financial liabilities** | |
| Trade and other payables | 256,590 |
| Loans and borrowings | 153,798 |
| | 410,388 |

**38. Financial risk management objectives and policies**

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and commodity price risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks. The audit committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient.

**38. Financial risk management objectives and policies (cont'd.)**

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

**(a) Credit risk**

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. At the reporting date, the Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment securities, cash and bank balances and derivatives), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by:

- The carrying amount of each class of financial assets recognised in the statements of financial position, including derivatives with positive fair values.

- A nominal amount of RM522,693,000 (2017: RM497,234,000) and RM397,000 (2017: RM2,271,000) relating to corporate guarantee provided by the Company to the banks on the subsidiaries' bank loan and suppliers of the subsidiaries respectively.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the trade and other receivables on an ongoing basis.

At the reporting date, approximately:

- 48% (2017: 31%) of the Group's trade receivables were due from 6 (2017: 4) major customers located in Malaysia.

Recognition and measurement of impairment loss

The following table provides information about exposure to credit risk and expected credit loss for trade debtors of the Group and of the Company as at 31 December 2018 which are grouped together as they are expected to have similar risk nature.

| **Group** | | **2018** | |
|---|---|---|---|
| | **Gross Carrying Amount** RM'000 | **Expected Credit losses** RM'000 | **Net Balances** RM'000 |
| Current (not past due) | 142,969 | 208 | 142,761 |
| Past due: | | | |
| - 1 to 30 days past due | 16,921 | 143 | 16,778 |
| - 31 to 60 days past due | 23,736 | 154 | 23,582 |
| - 61 to 90 days past due | 16,994 | 633 | 16,361 |
| - 91 to 120 days past due | 2,610 | 212 | 2,398 |
| - More than 121 days past due | 2,893 | 238 | 2,655 |
| | 63,154 | 1,380 | 61,774 |
| Credit impaired – individual impaired | 29,307 | 12,235 | 17,072 |
| | 235,430 | 13,823 | 221,607 |

**38. Financial risk management objectives and policies (cont'd.)**

**(a) Credit risk (cont'd.)**

| **Company** | **Gross Carrying Amount** RM'000 | **2018 Expected Credit losses** RM'000 | **Net Balances** RM'000 |
|---|---|---|---|
| Current (not past due) | 16,975 | - | 16,975 |
| Past due: | | | |
| - 1 to 30 days past due | 31 | - | 31 |
| - 31 to 60 days past due | 33 | - | 33 |
| - 61 to 90 days past due | 624 | - | 624 |
| - 91 to 120 days past due | 1,634 | - | 1,634 |
| - More than 121 days past due | 1,900 | - | 1,900 |
| | 4,222 | - | 4,222 |
| Credit impaired – individual impaired | - | - | - |
| | 21,197 | - | 21,197 |

The movement in allowance for expected credit losses ("ECL") during the year for the Group are shown below:

| | **Credit Impaired** RM'000 | **2018 Lifetime ECL** RM'000 | **Total** RM'000 |
|---|---|---|---|
| **Balance at 1 January 2018 as per MFRS 139** | 8,941 | - | 8,941 |
| Adjustment on initial application of MFRS 9 | (861) | 1,174 | 313 |
| **Balance at 1 January 2018 as per MFRS 9** | 8,080 | 1,174 | 9,254 |
| Charge for the year (Note 8) | 4,361 | 414 | 4,775 |
| Reversal during the year (Note 6) | (206) | - | (206) |
| Balance at 31 December 2018 | 12,235 | 1,588 | 13,823 |

## 38. Financial risk management objectives and policies (cont'd.)

### (a) Credit risk (cont'd.)

**Comparative information under MFRS 139**

The aging of trade receivables as at 31 December 2017 was as follows:

| | Gross | Individual impairment | Net |
|---|---|---|---|
| | RM'000 | RM'000 | RM'000 |
| **Group** | | | |
| **2017** | | | |
| Neither past due not impaired | 193,774 | - | 193,774 |
| 1 to 30 days past due not impaired | 42,677 | - | 42,677 |
| 31 to 60 days past due not impaired | 16,810 | - | 16,810 |
| 60 to 90 days past due not impaired | 12,438 | - | 12,438 |
| 91 to 120 days past due not impaired | 13,698 | - | 13,698 |
| More than 121 days past due not impaired | 6,650 | - | 6,650 |
| Impaired | 15,016 | 8,941 | 6,075 |
| | 301,063 | 8,941 | 292,122 |
| **Company** | | | |
| **2017** | | | |
| Neither past due not impaired | 18,748 | - | 18,748 |
| 1 to 30 days past due not impaired | 12,453 | - | 12,453 |
| 31 to 60 days past due not impaired | 23 | - | 23 |
| 60 to 90 days past due not impaired | 286 | - | 286 |
| 91 to 120 days past due not impaired | 265 | - | 265 |
| More than 121 days past due not impaired | 12 | - | 12 |
| Impaired | - | - | - |
| | 31,787 | - | 31,787 |

The movements in the allowance for impairment losses of trade receivables during the financial year were:

| | 2017 |
|---|---|
| | RM'000 |
| At 1 January | 8,711 |
| Impairment loss recognized (Note 8) | 1,576 |
| Reversal of allowances for impairment loss (Note 6) | (131) |
| Written off | (1,215) |
| At 31 December | 8,941 |

<u>Receivables that are neither past due nor impaired</u>

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group and the Company. The majority of the Group's and the Company's trade receivables arise from customers with more than five years of relationship with the Group and the Company and losses have occurred in infrequently.

None of the Group's and the Company's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

**38. Financial risk management objectives and policies (cont'd.)**

**(a) Credit risk (cont'd.)**

**Comparative information under MFRS 139 (cont'd.)**

Receivables that are past due but not impaired

The Group and the Company have trade receivables amounting to RM63,154,000 (2017: RM92,273,000) and RM4,222,000 (2017: RM13,039,000) respectively, and that are past due at the reporting date but not impaired

**Other receivables**

Other receivables that are impaired

The Group's and the Company's other receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Other receivables - nominal amounts | 1,676 | 1,676 | 143,458 | 27,101 |
| Less: Allowance for impairment | (1,676) | (1,676) | (40,249) | (11,674) |
| | - | - | 103,209 | 15,427 |
| Movement in allowance accounts: | | | | |
| At 1 January | 1,676 | 1,801 | 11,674 | - |
| Charge for the year (Note 8) | - | - | 28,575 | 11,674 |
| Written off | - | (125) | - | - |
| At 31 December | 1,676 | 1,676 | 40,249 | 11,674 |

Other receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments.

**(b) Liquidity risk**

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

**38. Financial risk management objectives and policies (cont'd.)**

**(b) Liquidity risk (cont'd.)**

**Analysis of financial instruments by remaining contractual maturities**

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the reporting date based on contractual undiscounted repayment obligations.

| | On demand or within one year RM'000 | One to five years RM'000 | Over five years RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Group** | | | | |
| **At 31 December 2018** | | | | |
| **Financial liabilities:** | | | | |
| Trade and other payables | 103,887 | 15,401 | - | 119,288 |
| Loans and borrowings | 468,533 | 129,641 | - | 598,174 |
| Finance lease payables | 4,227 | 20,252 | - | 24,479 |
| Total undiscounted financial liabilities | 576,647 | 165,294 | - | 741,941 |
| **At 31 December 2017** | | | | |
| **Financial liabilities:** | | | | |
| Trade and other payables | 172,703 | 12,524 | - | 185,227 |
| Loans and borrowings | 476,808 | 143,108 | 9,690 | 629,606 |
| Total undiscounted financial liabilities | 649,511 | 155,632 | 9,690 | 814,833 |

| | On demand or within one year RM'000 | One to five years RM'000 | Total RM'000 |
|---|---|---|---|
| **Company** | | | |
| **At 31 December 2018** | | | |
| **Financial liabilities:** | | | |
| Trade and other payables | 262,773 | 14,188 | 276,961 |
| Loans and borrowings | 81,924 | 52,971 | 134,895 |
| Financial guarantee contracts* | 523,090 | - | 523,090 |
| Total undiscounted financial liabilities | 867,787 | 67,159 | 934,946 |
| **At 31 December 2017** | | | |
| **Financial liabilities:** | | | |
| Trade and other payables | 258,275 | 10,916 | 269,191 |
| Loans and borrowings | 107,110 | 53,614 | 160,724 |
| Financial guarantee contracts* | 499,505 | - | 499,505 |
| Total undiscounted financial liabilities | 864,890 | 64,530 | 929,420 |

* Based on the maximum amount that can be called under the financial guarantee contracts.

**38. Financial risk management objectives and policies (cont'd.)**

**(c) Interest rate risk**

Interest rate risk is the risk that the fair values or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 50 basis points (2017: 50 basis points) lower/higher, with all other variables held constant, the Group's and the Company's (loss)/profit net of tax would have been RM2,010,000 and RM597,000 (2017: RM1,851,000 and RM604,000) higher/lower respectively, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

**(d) Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposures arising from purchases that are denominated in a currency other than the respective functional currency of Group entities, primarily Ringgit Malaysia (RM). The foreign currencies in which these transactions are denominated are mainly US Dollars ("USD").

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the USD, EURO, SGD and CNY exchange rates against the functional currency of the Group, with all other variables held constant.

| | | **(Loss)/ profit net of tax** | |
|---|---|---|---|
| | | **2018** | **2017** |
| | | RM'000 | RM'000 |
| USD/RM | - strengthened 5% (2017: 5%) | 600 | 430 |
| | - weakened 5% (2017: 5%) | (600) | (430) |
| | | ===== | ===== |
| EURO/RM | - strengthened 5% (2017: 5%) | 1 | 5 |
| | - weakened 5% (2017: 5%) | (1) | (5) |
| | | ===== | ===== |
| SGD/RM | - strengthened 5% (2017: 5%) | (22) | 31 |
| | - weakened 5% (2017: 5%) | 22 | (31) |
| | | ===== | ===== |
| CNY/RM | - strengthened 5% (2017: 5%) | 1 | 1 |
| | - weakened 5% (2017: 5%) | (1) | (1) |
| | | ===== | ===== |

**(e) Commodity price risk**

Commodity price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in commodity prices.

The Group is exposed to commodity price risk arising from the commodity forward contracts entered into to hedge its forecasted purchases of aluminium. Changes in the spot and forward prices of aluminium will cause corresponding changes in the fair values of the commodity forward contracts. The Group applies cash flow hedge accounting on its commodity forward contracts.

Sensitivity analysis for commodity price risk

At the reporting date, had aluminium prices been 5% higher/lower, with all other variables held constant, the Group's hedging reserve would have been RM164,000 (2017: RM36,000) higher/lower, arising as a result of an increase/decrease in the fair value of derivatives on which cash flow hedge accounting is applied.

## 39. Capital management

The primary objective of the Group's and the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2018 and 2017.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, borrowings and finance lease payables less cash and bank balances. Capital includes equity attributable to equity holders of the Company.

As at reporting date, the Group and the Company are not subjected to externally imposed capital requirements.

| | | Group | | Company | |
|---|---|---|---|---|---|
| | **Note** | **2018** | **2017** | **2018** | **2017** |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| Loans and borrowings | 23 | 575,799 | 614,365 | 128,456 | 153,798 |
| Finance lease payables | 24 | 19,699 | - | - | - |
| Less: Cash and bank balances | 21 | (47,859) | (46,909) | (1,561) | (961) |
| Net debt | | 547,639 | 567,456 | 126,895 | 152,837 |
| Equity | | 243,121 | 284,813 | 180,096 | 214,787 |
| **Capital and net debt** | | 790,760 | 852,269 | 306,991 | 367,624 |
| **Gearing ratio** | | 69.3% | 66.6% | 41.3% | 41.6% |

## 40. Segmental information

The Group is organised into business units based on their products and services, and has four operating segments as follows:

(a) The sale of power cables and conductors segment supplies power cables and conductors components to consumers.

(b) The sale of galvanised steel products and steel structures segment supplies galvanised steel products and steel structures. It also offers galvanising services.

(c) The transmission lines construction segment involves supply, installation and commissioning of transmission line projects.

(d) The corporate segment is involved in Group-level corporate and management services, power generation business and provision of helicopters services.

Except as indicated above, no other operating segments have been aggregated to form the above reportable operating segments.

Segmental operating results are reviewed on a regular basis by the Group's key management personnel in order to make decision about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss before tax.

# Notes to the **Financial Statements**

For the financial year ended 31 December 2018 (cont'd.)

## 40. Segmental information (cont'd.)

| | Sales of cables and conductors | | Sales of galvanised products and steel structures | | Transmission lines construction | | Power generation, helicopter services and corporate | | Elimination | | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | | 2018 | 2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | | RM'000 | RM'000 |
| Sales to external customers | 667,629 | 888,044 | 20,234 | 25,604 | 79,420 | 92,362 | 22,256 | 18,165 | - | - | | 789,539 | 1,024,175 |
| Inter-segments sales | 20,640 | 1,131 | 3 | - | - | - | 20,625 | 27,726 | (41,268) | (28,857) | A | - | - |
| Total revenue | 688,269 | 889,175 | 20,237 | 25,604 | 79,420 | 92,362 | 42,881 | 45,891 | (41,268) | (28,857) | | 789,539 | 1,024,175 |
| Results: | | | | | | | | | | | | | |
| Interest income | 13,544 | 11,130 | 378 | 1,791 | 418 | 413 | 1,652 | 1,594 | (15,359) | (12,331) | B | 633 | 2,597 |
| Dividend income | - | - | - | - | - | - | 14,000 | 23,806 | (14,000) | (23,806) | C | - | - |
| Depreciation and amortisation | 14,293 | 18,224 | 1,259 | 1,327 | 99 | 283 | 5,677 | 5,803 | - | - | | 21,328 | 25,637 |
| Other non-cash expenses | 5,413 | 2,141 | (310) | 215 | 284 | 288 | 3,588 | 6,634 | - | - | D | 8,975 | 9,278 |
| Segment profit/(loss) | 35,753 | 59,438 | 55 | 1,047 | (29,004) | (47,617) | (26,047) | (14,683) | (14,000) | (23,806) | E | (33,243) | (25,621) |
| Segment assets | 856,003 | 830,891 | 69,124 | 63,666 | 41,248 | 100,814 | 284,429 | 350,587 | (263,678) | (242,819) | F | 987,126 | 1,103,139 |
| Segment liabilities | 403,333 | 390,592 | 19,154 | 13,908 | 104,179 | 135,210 | 525,220 | 526,156 | (306,890) | (247,933) | G | 744,996 | 817,933 |

## 40. Segmental information (cont'd.)

**Notes** Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements.

A Inter-segment revenues are eliminated on consolidation.

B Inter-segment interest income is eliminated on consolidation.

C Inter-segment dividend income is eliminated on consolidation.

D Other material non-cash expenses consist of the following items:

| | **2018** RM'000 | **2017** RM'000 |
|---|---|---|
| Allowance of impairment of receivables | 4,775 | 1,576 |
| Unrealised loss on foreign exchange | 3,497 | 5,307 |
| Inventory written down | 909 | 2,526 |
| Reversal of impairment losses of receivables | (206) | (131) |
| | 8,975 | 9,278 |

E Reconciliation of profit before tax

| | **2018** RM'000 | **2017** RM'000 |
|---|---|---|
| Segment loss | (19,243) | (1,815) |
| Dividend received from subsidiaries | (14,000) | (23,806) |
| | (33,243) | (25,621) |

F Reconciliation of segment operating assets to arrive at total assets reported in the Group's statement of financial position:

| | **2018** RM'000 | **2017** RM'000 |
|---|---|---|
| Segment operating assets | 1,250,804 | 1,345,958 |
| Amount due from fellow subsidiaries | (263,678) | (242,819) |
| | 987,126 | 1,103,139 |

G Reconciliation of segment operating liabilities to arrive at total liabilities reported in the Group's statement of financial position:

| | **2018** RM'000 | **2017** RM'000 |
|---|---|---|
| Segment operating liabilities | 1,051,886 | 1,065,866 |
| Amount due to fellow subsidiaries | (306,890) | (247,933) |
| | 744,996 | 817,933 |

## 41. Changes in liability arising from financing activities

| Group | 1 January 2018 RM'000 | Cash flows RM'000 | Foreign exchange movement RM'000 | New leases RM'000 | Others RM'000 | 31 December 2018 RM'000 |
|---|---|---|---|---|---|---|
| Current interest-bearing loans and borrowings (excluding item listed below) | 474,271 | (50,057) | (7) | - | 30,005 | 454,212 |
| Current obligations under finance leases and hire purchase contracts | 809 | (1,124) | - | 366 | 4,167 | 4,218 |
| Non-current interest-bearing loans and and borrowings (excluding item listed below) | 136,498 | 18,168 | 4,320 | - | (42,526) | 116,460 |
| Non-current obligations under finance leases and hire purchase contracts | 2,787 | 19,700 | - | 2,290 | (4,169) | 20,608 |
| **Total liabilities from financing activities** | 614,365 | (13,313) | 4,313 | 2,656 | (12,523) | 595,498 |

| Group | 1 January 2017 RM'000 | Cash flows RM'000 | Foreign exchange movement RM'000 | New leases RM'000 | Others RM'000 | 31 December 2017 RM'000 |
|---|---|---|---|---|---|---|
| Current interest-bearing loans and borrowings (excluding item listed below) | 554,341 | (106,674) | (1,644) | - | 28,248 | 474,271 |
| Current obligations under finance leases and hire purchase contracts | 397 | (517) | - | 130 | 799 | 809 |
| Non-current interest-bearing loans and and borrowings (excluding item listed below) | 179,901 | (23,210) | (3,395) | - | (16,798) | 136,498 |
| Non-current obligations under finance leases and hire purchase contracts | 594 | - | - | 2,999 | (806) | 2,787 |
| **Total liabilities from financing activities** | 735,233 | (130,401) | (5,039) | 3,129 | 11,443 | 614,365 |

**41. Changes in liability arising from financing activities (cont'd.)**

| | 1 January 2018 RM'000 | Cash flows RM'000 | Others RM'000 | 31 December 2018 RM'000 |
|---|---|---|---|---|
| **Company** | | | | |
| Current interest-bearing loans and borrowings | 103,454 | (37,752) | 13,302 | 79,004 |
| Non-current interest-bearing loans and borrowings | 50,344 | 12,291 | (13,183) | 49,452 |
| | 153,798 | (25,461) | 119 | 128,456 |

| | 1 January 2017 RM'000 | Cash flows RM'000 | Others RM'000 | 31 December 2017 RM'000 |
|---|---|---|---|---|
| **Company** | | | | |
| Current interest-bearing loans and borrowings | 94,238 | (4,151) | 13,367 | 103,454 |
| Non-current interest-bearing loans and borrowings | 58,642 | 4,718 | (13,016) | 50,344 |
| | 152,880 | 567 | 351 | 153,798 |

The 'Others' column includes the effect of reclassification of non-current portion of interest-bearing loans and borrowings, including obligations under finance leases and hire purchase contracts to current due to the passage of time, the unwinding discount on finance lease and changes in bank overdraft.

**42. Authorisation of financial statements for issue**

The financial statements for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 16 April 2019.

# **Analysis** of Shareholdings

as at 1 April 2019

Total number of issued shares : 317,050,000
Class of shares: : Ordinary shares
Voting rights : one (1) vote per ordinary share.

## Distribution schedule of ordinary shares

| Size of holdings | No. of holders | Total holdings | % |
|---|---|---|---|
| Less than 100 shares | 60 | 2,031 | # |
| 100 - 1,000 shares | 285 | 195,813 | 0.06 |
| 1,001 - 10,000 shares | 2,048 | 11,332,940 | 3.57 |
| 10,001 - 100,000 shares | 1,218 | 38,262,104 | 12.07 |
| 100,001 to less than 5% of issued shares | 153 | 108,050,120 | 34.08 |
| 5% and above of issued shares | 4 | 159,206,992 | 50.22 |
| **Total** | **3,768** | **317,050,000** | **100.00** |

# less than 0.01%

# **Substantial** Shareholders

as per the Register of Substantial Shareholders as at 1 April 2019

| | Direct | | Indirect | |
|---|---|---|---|---|
| Name | No. of shares held | % | No. of shares held | % |
| 1 Dato Sri Mahmud Abu Bekir Taib | 60,726,996 | 19.15 | 26,082,000 (1) | 8.23 |
| 2 Sarawak Energy Berhad | 52,397,996 | 16.53 | - | - |
| 3 HNG Capital Sdn Bhd | 31,356,900 | 9.89 | - | - |
| 4 Central Paragon Sdn. Bhd | 26,082,000 | 8.23 | - | - |
| 5 Yek Siew Liong | 5,855,000 | 1.85 | 31,682,000 (2) | 9.99 |
| 6 UF Jaya Sdn. Bhd. | 5,600,000 | 1.77 | 26,082,000 (3) | 8.23 |
| 7 Tan Sri Dato' Seri H'ng Bok San | 237,240 | 0.07 | 36,448,400 (4) | 11.50 |
| 8 Dato' H'ng Chun Hsiang | 2,620,750 | 0.83 | 31,356,900 (5) | 9.89 |
| 9 Datin H'ng Hsieh Ling | 2,470,750 | 0.78 | 31,356,900 (9) | 9.89 |
| 10 Sarawak State Financial Secretary | - | - | 52,397,996 (6) | 16.53 |
| 11 Delegateam Sdn. Bhd | - | - | 52,397,996 (6) | 16.53 |
| 12 Baodi Development Sdn. Bhd. | - | - | 31,682,000 (7) | 9.99 |
| 13 Yek Min Ek Sdn. Bhd. | - | - | 31,682,000 (8) | 9.99 |

Notes:
(1) Deemed interested by virtue of his interest in Central Paragon Sdn. Bhd. pursuant to Section 8(4) of the Companies Act 2016.
(2) Deemed interested by virtue of his interest in Central Paragon Sdn. Bhd. and UF Jaya Sdn. Bhd. via Yek Min Ek Sdn. Bhd. and Baodi Development Sdn. Bhd. respectively pursuant to Section 8(4) of the Companies Act 2016.
(3) Deemed interested by virtue of its interest in Central Paragon Sdn. Bhd. pursuant to Section 8(4) of the Companies Act 2016.
(4) Deemed interested by virtue of his interest in HNG Capital Sdn. Bhd and his children's interest respectively pursuant to Section 8(4) and Section 59(11)(c) of the Companies Act 2016.
(5) Deemed interested by virtue of his interest in HNG Capital Sdn. Bhd. pursuant to Section 8(4)of the Companies Act 2016.
(6) Deemed interested by virtue of its interests in Sarawak Energy Berhad pursuant to Section 8(4) of the Companies Act 2016.
(7) Deemed interested by virtue of its interests in Central Paragon Sdn. Bhd. via UF Jaya Sdn. Bhd. and UF Jaya Sdn. Bhd. pursuant to Section 8(4) of the Companies Act 2016.
(8) Deemed interested by virtue of its interests in Central Paragon Sdn. Bhd. and UF Jaya Sdn. Bhd. via Baodi Development Sdn. Bhd. pursuant to Section 8(4) of the Companies Act 2016.
(9) Deemed interested by virtue of her interest in HNG Capital Sdn. Bhd. pursuant to Section 8(4) of the Companies Act 2016.

# List of **Top Thirty Largest Shareholders** as at 1 April 2019

| Name | | No. of shares held | % |
|---|---|---|---|
| 1. | Sarawak Energy Berhad | 52,397,996 | 16.53 |
| 2. | Mahmud Abu Bekir Taib | 50,726,996 | 16.00 |
| 3. | AmSec Nominees (Tempatan) Sdn. Bhd.<br>Pledged securities account - AmBank (M) Berhad for<br>HNG Capital Sdn. Bhd. | 30,000,000 | 9.46 |
| 4. | Central Paragon Sdn. Bhd. | 26,082,000 | 8.23 |
| 5. | MIDF Amanah Investment Nominees (Tempatan) Sdn. Bhd.<br>Pledged securities account for David Sengalang Anak<br>Uyang (MGN-DSU0001M) | 15,500,000 | 4.89 |
| 6. | AmSec Nominees (Tempatan) Sdn. Bhd.<br>Pledged securities account for<br>Mahmud Abu Bekir Taib | 10,000,000 | 3.15 |
| 7. | Kenanga Nominees (Tempatan) Sdn. Bhd.<br>Pledged securities account for Toh Chee Ching | 8,110,900 | 2.56 |
| 8. | UF Jaya Sdn. Bhd. | 5,600,000 | 1.77 |
| 9. | CIMSEC Nominees (Tempatan) Sdn. Bhd.<br>CIMB Bank for Yek Siew Liong (PBCL-0G0186) | 4,500,000 | 1.42 |
| 10. | AmSec Nominees (Tempatan) Sdn. Bhd.<br>Pledged securities account for<br>Toh Chee Ching | 3,874,000 | 1.22 |
| 11. | Citigroup Nominees (Tempatan) Sdn. Bhd.<br>Employees Provident Fund Board | 3,766,300 | 1.19 |
| 12. | H'ng Chun Hsiang | 2,620,750 | 0.83 |
| 13. | H'ng Hsieh Ling | 2,470,750 | 0.78 |
| 14. | Kiu Siu Ley | 2,350,000 | 0.74 |
| 15. | Kenanga Nominees (Tempatan) Sdn. Bhd.<br>Pledged securities account for Pui Chin Kim | 1,850,000 | 0.58 |

# List of **Top Thirty Largest Shareholders** as at 1 April 2019

| Name | No. of shares held | % |
|---|---|---|
| 16. Yayasan Guru Tun Hussein Onn | 1,838,000 | 0.58 |
| 17. Tan Eng @ Tan Chin Huat | 1,568,600 | 0.49 |
| 18. RHB Capital Nominees (Tempatan) Sdn. Bhd.<br>Tiong Teck Mee (SIB) | 1,385,900 | 0.44 |
| 19. HNG Capital Sdn Bhd | 1,356,900 | 0.43 |
| 20. Yayasan Guru Tun Hussein Onn | 1,350,000 | 0.43 |
| 21. Yek Siew Liong | 1,305,000 | 0.41 |
| 22. Public Nominees (Tempatan) Sdn Bhd<br>Pledged securities account for Tay Soon Hwa (E-TSA) | 1,169,000 | 0.37 |
| 23. Toh Chee Ching | 1,082,000 | 0.34 |
| 24. Lim Seng Chee | 1,001,060 | 0.32 |
| 25. Maybank Nominees (Tempatan) Sdn. Bhd.<br>Ling Soon Hing | 930,300 | 0.29 |
| 26. Maybank Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account For Toh Leh Hua | 928,000 | 0.29 |
| 27. Public Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account For Tan Kien Wi (E-KPT) | 820,000 | 0.26 |
| 28. Maybank Nominees (Tempatan) Sdn Bhd<br>Lim Yong Huat | 810,500 | 0.26 |
| 29. Danice Endawie Ita | 801,000 | 0.25 |
| 30. Mah Chuen Huei | 793,700 | 0.25 |

# Directors' Interest in the Company

as at 1 April 2019

| | Direct | | Indirect | |
|---|---|---|---|---|
| Name | No. of shares held | % | No. of shares held | % |
| 1 Dato Sri Mahmud Abu Bekir Taib | 60,726,996 | 19.15 | 26,082,000 (1) | 8.23 |
| 2 Dato Sri Fong Joo Chung | 400,200 | 0.13 | - | - |
| 3 Dato' Ahmad Redza bin Abdullah | - | - | - | - |
| 4 Tan Sri Dato' Seri H'ng Bok San | 237,240 | 0.07 | 36,448,400 (2) | 11.50 |
| 5 Yek Siew Liong | 5,855,000 | 1.85 | 31,682,000 (4) | 9.99 |
| 6 Datuk Kevin How Kow | - | - | - | - |
| 7 Erman bin Radin | 125,160 | 0.04 | - | - |
| 8 YB Dato Hajjah Hanifah Hajar Taib | - | - | - | - |
| 9 Datuk Rozimi bin Remeli | - | - | - | - |
| 10 Redzuan bin Rauf | - | - | - | - |
| 11 Ng Woon Chiang (alternate director to Tan Sri Dato' Seri H'ng Bok San) | - | - | - | - |

The Director, Dato Sri Mahmud Abu Bekir Taib, by virtue of his interests in the Company, is also deemed to have interests in shares in the related corporations of the Company to the extent the Company has an interest, pursuant to Section 8(4) of the Companies Act 2016. The other Directors have no interests in shares of the related corporations of the Company

Notes:
(1) Deemed interested by virtue of his interest in Central Paragon Sdn. Bhd. pursuant to Section 8(4) of the Companies Act 2016.
(2) Deemed interested by virtue of his interest in HNG Capital Sdn. Bhd. and his children's interest pursuant to Section 8(4) and Section 59(11)(c) of the Companies Act 2016.
(3) Deemed interested by viture of his interest in Central Paragon Sdn. Bhd. and UF Jaya Sdn. Bhd. via Yek Min Ek Sdn. Bhd. and Boadi Development Sdn. Bhd. respectively pursuant to Section 8(4) of the Companies Act 2016.

# List of **Properties** as at 31 December 2018

| Item No. | Name of Company | Location | Description | Tenure | Land/ Built-up area (sq. ft.) | Age of Building (years) | Net Book Value (RM'000) | Date of Acquisition |
|---|---|---|---|---|---|---|---|---|
| 1 | Leader Cable Industry Berhad | HS (D) 2/1977, Plot 11, Mukim Pekula, Daerah Kuala Muda, Kedah | Double storey detached office building, three (3) storey detached office, a single storey guard house cum open-sheded parking, detached factory building and detached sub-station building | Leasehold interest 99 years expiring on 11 February 2076 | 508,514/32,780 | 28 | 16,464 | 13 February 1977 |
| 2 | Leader Cable Industry Berhad | Lot No.8B, Mukim Pekula, Daerah Kuala Muda, Kedah | Industrial land | Leasehold interest 60 years expiring on 14 June 2049 | 87,120 | - | 883 | 30 June 1997 |
| 3 | Leader Cable Industry Berhad | HS (M) 121, Plot 6, Mukim Pekula, Daerah Kuala Muda, Kedah | One and a half (1 ½) storey detached factory | Leasehold interest 99 years expiring on 9 November 2081 | 62,293/3,443 | 28 | 1,330 | 27 September 2002 |
| 4 | Leader Cable Industry Berhad | HS (M) 2/1977, Plot 5, Mukim Pekula, Daerah Kuala Muda, Kedah | A double storey detached office building, a single storey detached pump house c/w water tank, a detached sub-station, a single storey detached guard house, a single storey detached guard house cum open-sheded parking, an open sided parking shed, a single storey detached warehouse (Block A), a single storey detached warehouse (Block B) and a single storey detached factory building | Leasehold interest 99 years expiring on 30 January 2076 | 383,052/19,066 | 28 | 10,195 | 31 May 1991 |
| 5 | Leader Cable Industry Berhad | Geran 68913, Lot No 43816, Mk Kapar, Daerah Klang, Selangor | Three (3) storey office building, a single storey factory annexe, an EHV tower annexe, a canteen, a utilities buidling, a sub-station, a guardhouse and two (2) refuse chambers | Freehold | 705,597/18,403 | 17 | 33,988 | 15 May 2012 |
| 6 | Sarwaja Timur Sdn Bhd | Lot 342, Block 8, Muara Tebas Land District, Jalan Kampung Sejingkat, Off Jalan Bako, 93050 Kuching, Sarawak. | Three (3) storey administrative block, a galvanising plant, a fabrication plant, a warehouse and a guard house | Leasehold interest 60 years expiring on 6 November 2049 | 779,953/265,001 | 22 | 14,735 | 1 January 1999 |
| 7 | Universal Cable (M) Berhad | Lot 7302, Title No. Geran 28831, Mukim of Tebrau, District of Johor Bahru, Johor | A single storey detached factory cum double storey office building (Block A), a single storey detached factory (Block B), a single storey detached factory (Block D), a single storey workshop (Block E), a compound plant building (Block F) | Freehold | 495,549/72,000 | 39 | 35,504 | 1 January 1979 |
| 8 | Universal Cable (M) Berhad | Lot 7301, Title No. Geran 28836, Mukim of Tebrau, District of Johor Bahru, Johor | Single storey detached factory | Freehold | 67,317/25,740 | 39 | 3,904 | 1 January 1979 |
| 9 | Universal Cable (M) Berhad | Lot No. MLO 6211, Title No. HS(D) 9028, Mukim of Plentong and District of Johor Bahru, Johor | Detached factory annexed with multi storey ccv tower, sub-station, HL and LT room, open shed, guard house and canteen | Freehold | 593,770/350,130 | 24 | 48,073 | 1 January 1994 |
| 10 | Universal Cable (Sarawak) Berhad | Lot 767, Block 8, Muara Tebas Land District, Demak Laut Industrial Estate, Phase III, 93050 Kuching, Sarawak | Three (3) adjoining units of single storey factory, three (3) storey administrative block, a single storey product warehouse, a raw material warehouse and a guard house | Leasehold interest 60 years expiring on 2 November 2063 | 261,348/121,766 | 9 | 1,555 | 3 November 2003 |

# Notice of
# Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Twenty First (21st) Annual General Meeting of Sarawak Cable Berhad ("**SCB**" or "**the Company**") will be held at M Hotel, Hock Lee Centre, Level 4, Hotel Towers A, Jalan Datuk Abang Abdul Rahim, 93450 Kuching, Sarawak on Wednesday, 12 June 2019 at 10:00 a.m. to transact the following businesses:

**AGENDA**

**Ordinary Business**

1. To receive the Audited Financial Statements for the financial year ended 31 December 2018 together with the Reports of the Directors and Auditors thereon. **[Please refer to Explanatory Note (a)]**
2. To approve the following payments to Directors:
   i) Directors' fees amounting to RM1,168,00.00 for the financial year ended 31 December 2018. **Resolution 1**
   ii) Meeting allowances up to RM120,000.00 for the year ending 31 December 2019 until the next annual general meeting of the Company **Resolution 2**
3. To re-elect the following Directors retiring pursuant to Article 86 of the Company's Articles of Association and being eligible, offer themselves for re-election:
   i) Tan Sri Dato' Seri H'ng Bok San @ H'ng Ah Ba **Resolution 3**
   ii) Datuk Kevin How Kow **Resolution 4**
   iii) Dato' Ahmad Redza bin Abdullah **Resolution 5**
4. To re-appoint Messrs. Ernst & Young as auditors of the Company until the conclusion of the next annual general meeting and to authorise the Board of Directors to fix their remuneration. **Resolution 6**

**Special Business**

5. To consider and, if thought fit, pass the following ordinary resolution:

   **Continuation in office as Independent Non-Executive Director pursuant to Practice 4.2 of the Malaysian Code on Corporate Governance 2017** **Resolution 7**

   "THAT subject to the passing of Ordinary Resolution No. 4, approval be and is hereby given to Datuk Kevin How Kow who has served as an Independent Non-Executive Director of the Company for a consecutive term of more than nine (9) years, to continue in office as an Independent Non-Executive Director".
6. To consider and, if thought fit, pass the following ordinary resolution:

   **Continuation in office as Independent Non-Executive Director pursuant to Practice 4.2 of the Malaysian Code on Corporate Governance 2017** **Resolution 8**

   "THAT approval be and is hereby given to Encik Erman bin Radin who has served as an Independent Non-Executive Director of the Company for a consecutive term of more than nine (9) years, to continue in office as an Independent Non-Executive Director".
7. To consider and, if thought fit, pass the following ordinary resolution:

   - **Authority to issue shares pursuant to Section 76 of the Companies Act 2016** **Resolution 9**

   "**THAT** pursuant to Section 76 of the Companies Act 2016 and subject always to the approval of the relevant authorities, the Directors be and are hereby empowered to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company for the time being **AND THAT** the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad **AND FURTHER THAT** such authority shall continue in force until the conclusion of the next annual general meeting of the Company."

**8.** To consider and, if thought fit, pass the following ordinary resolution:

- **Proposed renewal of shareholder mandate for recurrent related party transactions of a revenue or trading nature ("Shareholder Mandate")** **Resolution 10**

"**THAT** subject always to the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries ("SCB Group") to enter into any of the categories of related party transactions which are recurrent, of a revenue or trading nature and are necessary for the day-to-day operations of SCB Group as outlined in Section 3.2 on pages 3 to 7 of the Circular to Shareholders dated 30 April 2019 ("Circular"), with the specific related parties mentioned therein subject further to the followings:

(i) the transactions are in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those generally available to the public and not detrimental to the interest of the minority shareholders; and

(ii) disclosure is made in the annual report a breakdown of the aggregate value of the transactions conducted pursuant to the Shareholder Mandate during the financial year where the aggregate value is equal to or more than the threshold prescribed under Paragraph 10.09(1) of the Main Market Listing Requirements, and amongst others, based on the following information:

- the type of the recurrent related party transactions made; and
- the names of the related parties involved in each type of the recurrent related party transactions made and their relationship with the Company.

**AND THAT** such approval will continue to be in force until:

(i) the conclusion of the next annual general meeting ("AGM") of the Company, at which time it will lapse, unless by an ordinary resolution passed at the meeting, the authority is renewed;

(ii) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("the Act") [but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act]; or

(iii) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier.

**AND THAT** the Board of Directors of the Company be and is hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to the Shareholder Mandate."

**9.** To consider and if thought fit, to pass the following special resolution in relation to the Proposed Adoption of a New Constitution of the Company as set out in Part B of the Circular to Shareholders dated 30 April 2019 despatched together with the Company's 2018 Annual Report:

"**THAT** approval be and is hereby given to the Company to revoke the existing Memorandum and Articles of Association in its entirety with immediate effect and in place thereof, the new Constitution of the Company as set out in Part B of the Circular to Shareholders dated 30 April 2019 be and is hereby adopted as the Constitution of the Company.

**AND THAT** the Directors of the Company be and are hereby authorised to do all acts, deeds and things as are necessary and/or expedient with full powers to assent to any variations, modifications and/or amendments as may be required by any relevant authorities to give full effect to the foregoing."

**10.** To transact any other business which may properly be transacted at an annual general meeting, due notice of which shall have been previously given in accordance with the Companies Act 2016 and the Company's Articles of Association.

**By Order of the Board of Directors**
***Teoh Wen Jinq (MIA 25770)***
***Voon Jan Moi (MAICSA 7021367)***
Company Secretaries

Kuching, Sarawak
Dated: 30 April 2019

**Explanatory Notes:**

***(a) This agenda item is meant for discussion only and therefore, it will not be put forward for voting.***

***(b) Ordinary resolution in relation to the re-election of Independent Non-Executive Director (proposed resolution no. 4)***

*The Nomination Committee and the Board of Directors have assessed the independence of Datuk Kevin How Kow and recommended him to be re-elected as the Directors of the Company.*

***(c) Ordinary resolution to retain Independent Non-Executive Directors pursuant to Practice 4.2 of the Malaysian Code on Corporate Governance 2017 (proposed resolutions 7 and 8)***

*The proposed Resolutions No. 7 and 8 are to seek shareholders' approval to retain Datuk Kevin How Kow and Encik Erman bin Radin who have served as an Independent Non-Executive Directors of the Company for a consecutive term of nine (9) years. The Board of Directors ("Board") and the Nomination Committee have assessed them and thereby recommended that they continue in office as Independent Non-Executive Directors of the Company based on the following justifications:*

*(i) their experiences, networking, understanding of business and objectivity in approach enables them to provide the Board and Board Committees with pertinent expertise, skills and competence and their independence judgement will continue to add credence to the Company;*

*(ii) they remain professionally independent and vocal, actively participated in deliberation and exercised independent judgement at Board and Board Committee meetings without being influenced by operational consideration;*

*(iii) they act in the best interests of all shareholders and their continuation in office as Independent Non-Executive Directors will provide a check and balance to operational management;*

*(iv) they continue to bring independent and objective judgements to Board deliberations and the decision making process as a whole. They also possess vast professional experience and bring the right mix of skills to the Board;*

*(v) they fulfilled the criteria as Independent Non-Executive Director as stipulated in the Listing Requirements and therefore are able to offer impartial judgement and advice to the Board; and*

*(vi) they continue to exercise independent and objective judgement in carrying out their duties as Independent Non-Executive Directors and they provide guidance, unbiased and independent views to many aspects of the Company and the Group's strategy so as to safeguard the interests of minority shareholders. Their long tenure as Independent Non-Executive Directors have no conflict of interest or undue influence from management and interested parties.*

***(d) Ordinary resolution on Authority to issue shares pursuant to Section 76 of the Companies Act 2016***

*The proposed resolution no. 9 will give powers to the Directors to issue shares up to ten per centum (10%) of the total number of issued shares of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next annual general meeting of the Company.*

*The general mandate sought for issue of shares is a renewal of the mandate that was approved by the shareholders at the Company's annual general meeting held on 22 May 2018 ("AGM 2018"). The Company did not utilize the mandate that was approved at the AGM 2018.*

*The renewal of the general mandate is to provide flexibility to the Company to issue new shares without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional cost and time.*

*The purpose of this general mandate is for possible fund raising exercises including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital and/or acquisitions.*

***(e) Ordinary resolution on Shareholder Mandate for recurrent related party transactions***

*Paragraph 10.09 of the Main Market Listing Requirements states that with regard to related party transactions which are recurrent, of a revenue or trading nature and which are necessary for day-to-day operations ("RRPT"), a public listed company may seek a shareholder mandate.*

*The proposed resolution no. 10, if passed, will authorise the Company and each of its subsidiaries to enter into RRPT with the mandated related parties as identified in Section 3.2 on pages 3 to 7 of the Circular dated 30 April 2019 ("Circular"), which are necessary for the SCB Group's day-to-day operations, provided that such transactions are in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those generally available to the public and not detrimental to the interest of the minority shareholders.*

*By obtaining the Shareholder Mandate, the necessity to convene separate meetings from time to time to seek shareholders' approval as and when such RRPT occur would not arise. This would reduce substantial administrative time and costs associated with the convening of such meetings without compromising on the corporate objectives of SCB Group or adversely affecting the business opportunities available to SCB Group.*

*Please refer to the Circular for further information.*

***(f) Special resolution on the Proposed Adoption of a New Constitution of the Company***

*The Proposed Special Resolution, if passed, will streamline the Company's existing Memorandum and Articles of Association with the Companies Act 2016, which came into force on 31 January 2017, and to align to amendments made in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, as well as for better clarity and to enhance administrative efficacy.*

*The Proposed new Constitution of the Company is set out in Part B of the Circular to Shareholders dated 30 April 2019.*

**Notes:**

1. A member entitled to attend, speak and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote in his stead. A proxy may but need not be a member of the Company and there shall be no restriction as to the qualification of the proxy. A proxy appointed to attend, speak and vote at a meeting of a Company shall have the same rights as the member to speak at the meeting.
2. A member entitled to attend, speak and vote at this Annual General Meeting shall not be entitled to appoint more than two (2) proxies to attend, speak and vote at the same meeting. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
3. If the appointor is a corporation, the form of proxy must be executed under its Common Seal or under the hand of an officer or attorney duly authorized.
4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
5. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Lot 767, Block 8, Muara Tebas Land District, Demak Laut Industrial Estate Phase III, Jalan Bako, 93050 Kuching, Sarawak not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.
6. A depositor whose name appears in the Record of Depositors as at 4 June 2019 shall be entitled to attend the meeting and to speak and vote thereat.

SARAWAK CABLE BERHAD
(Company No. 456400-V)

# Form of **Proxy**

| CDS Account No. | |
|---|---|
| No. of shares held | |

* I/We .............................................................................................. (Name in full) ............................................................. (*NRIC/Company No.)
of ........................................................................................................................................................................................ (Address)
being *a member/members of **Sarawak Cable Berhad ("the Company")** hereby appoint ................................................................................ (Name in full) ............................................................. (*NRIC/Passport No.) of
........................................................................................................................................................................................ (Address) or
failing *him/her, ..................................................................... (Name in full) .......................................................... (*NRIC/Passport No.) of
........................................................................................................................................................................................ (Address)
or the Chairman of the Meeting as *my/our proxy to vote for *me/us and on *my/our behalf at the Twenty First (21st) Annual General Meeting of the Company to be held at M Hotel, Hock Lee Centre, Level 4, Hotel Towers A, Jalan Datuk Abang Abdul Rahim, 93450 Kuching, Sarawak on Wednesday, 12 June 2019 at 10:00 a.m. and, at any adjournment thereof for/against the resolution(s) to be proposed thereat.

*My/Our proxy is to vote as indicated below :

| No. | Resolutions | For | Against |
|---|---|---|---|
| 1 | To approve the payment of Directors' fees amounting to RM1,168,000.00 for the financial year ended 31 December 2018. | | |
| 2 | To approve the payment of meeting allowances up to RM120,000.00 for the period from 13 June 2019 until the next annual general meeting of the Company. | | |
| 3 | To re-elect Tan Sri Dato' Seri H'ng Bok San @ H'ng Ah Ba as Director. | | |
| 4 | To re-elect Datuk Kevin How Kow as Director. | | |
| 5 | To re-elect Dato' Ahmad Redza bin Abdullah as Director. | | |
| 6 | To re-appoint Messrs. Ernst & Young as auditors. | | |
| 7 | To retain Datuk Kevin How Kow as an Independent Non-Executive Director. | | |
| 8 | To retain Encik Erman bin Radin as an Independent Non-Executive Director. | | |
| 9 | To authorise the Directors to issue shares pursuant to Section 76 of the Companies Act 2016. | | |
| 10 | To approve the proposed renewal of shareholder mandate for recurrent related party transactions of a revenue or trading nature. | | |
| 11 | To approve the Proposed Adoption of a new Constitution of the Company. | | |

** Strike out whichever is not desired.*

*Please indicate with an "X" in the appropriate box against each resolution how you wish your vote to be cast. If you do not indicate how you wish your proxy to vote on any resolution, the proxy shall vote as he thinks fit, or at his discretion, abstain from voting.*

The proportions of *my/our holdings to be presented by my *proxy/our proxies are as follows:

| | |
|---|---|
| Proxy 1 | % |
| Proxy 2 | % |
| Total | 100% |

Dated this .................... day of .......................... 2019

..........................................................................
*Signature of shareholder(s)/common seal

**Notes:-**

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6. A depositor whose name appears in the Record of Depositors as at 4 June 2019 shall be entitled to attend the meeting and to speak and vote thereat.

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AFFIX
STAMP
HERE


The Company Secretary

**SARAWAK CABLE BERHAD**
(Company No. 456400-V)

**Registered Office**
Lot 767, Block 8, Muara Tebas Land District
Demak Laut Industrial Estate Phase III, Jalan Bako
93050 Kuching, Sarawak, Malaysia


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SARAWAK CABLE BERHAD
(Company No. 456400-V)

Registered Office
Lot 767, Block 8, Muara Tebas Land District,
Demak Laut Industrial Estate Phase III,
Jalan Bako, 93050 Kuching,
Sarawak, Malaysia.
Tel : **+6 082 434 311**
Fax : **+6 082 435 311**

www.sarawakcable.com

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