# DESTINI

ANNUAL REPORT 2018

# CONTENTS


## OVERVIEW

About This Report **002** | Our Business **004** | Corporate Diary **006** |
Corporate Information **010** | Corporate structure (subsidiary and sub-subsidiary) **012** |

## LEADERSHIP

Board of Directors **016** | Key Senior Management **026** |

## PERFORMANCE

Our Performance **034** | Chairman's Statement **036** |
Management Discussion and Analysis by President & Group Chief Executive Officer **040** |
Investor Relations **050** |

## SUSTAINABILITY REPORT

Commitment to Sustainability **052** | Sustainability Governance **054** |
Stakeholders Engagement **055** | Material Sustainability Matters **056** |

## GOVERNANCE

Statement on Corporate Governance **062** | Additional Compliance Information **079** |
Audit Committee Report **080** | Statement on Risk Management and Internal Control **083** |

## FINANCIAL STATEMENTS

Financial Reports **086** |

## LIST OF PROPERTIES OWNED **205** |

## STATISTICS OF SHAREHOLDINGS **206** |

## NOTICE OF FIFTEENTH (15TH) ANNUAL GENERAL MEETING **210** |

## STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING **214** |

## PROXY FORM **215** |

# ABOUT THIS REPORT

Destini Berhad is committed to establishing long-term trust to its stakeholders and has prepared its annual report which covers the progress of its operations which includes non-financial and financial reporting during its financial period in 2018.

This report is prepared in accordance with the principles prescribed by the International Reporting Council. The Group's journey to provide integrated reporting serves as a platform for its shareholders to view Destini's objectives, strategies and performance in a more comprehensive and transparent approach.

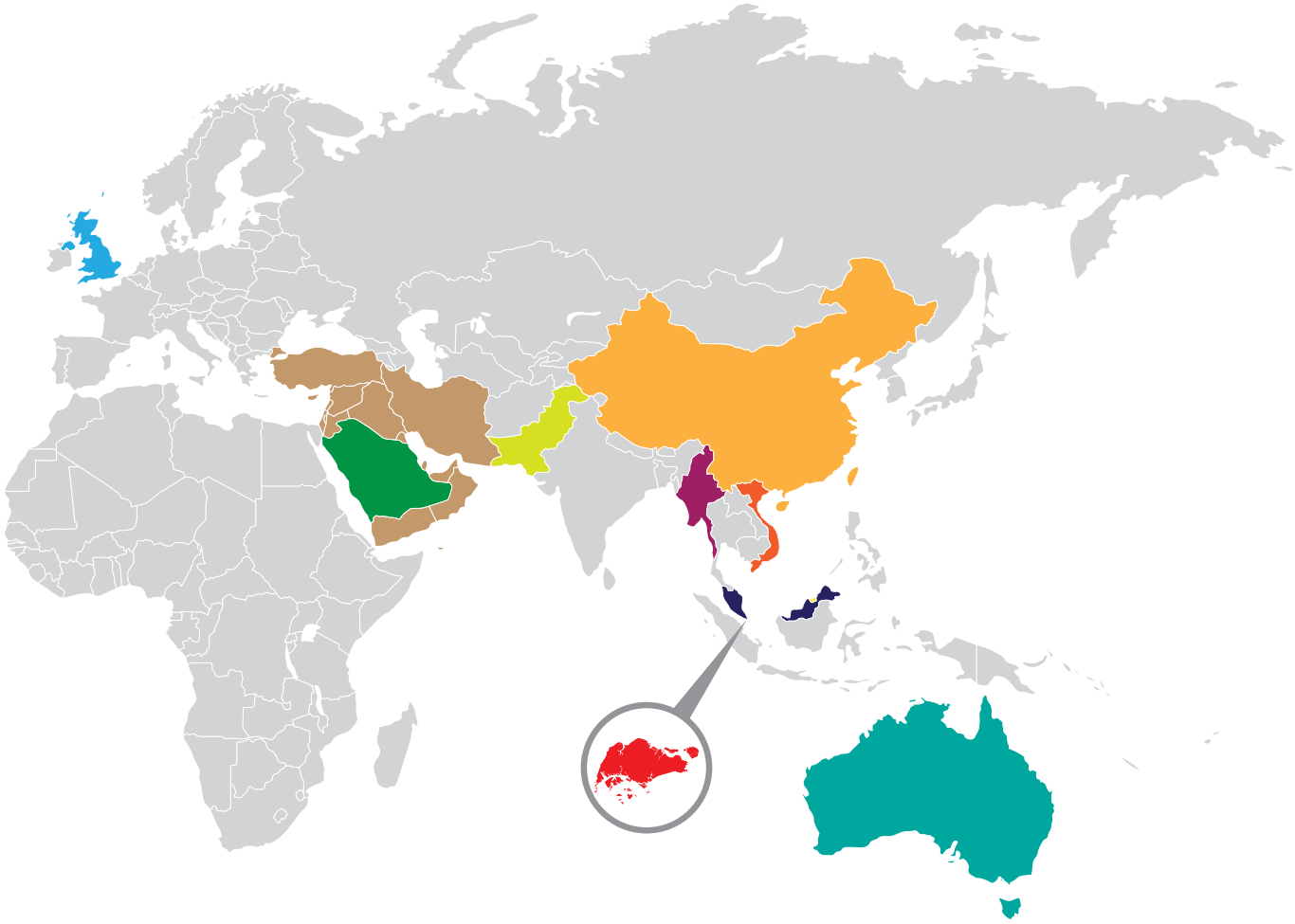
We have also compiled an overview of the Group's plans to promote the continuous growth of its diverse business sectors while providing a long-term framework towards its strategic goals. This report is built on the Group's business model, strategic goals and material matters. It also focuses on information that significantly effects the Groups ability to deliver value to its shareholders and stakeholders in the medium to short-term.

This report contains forward-looking statements that involve known and unknown risks, uncertainties and other factors that may cause a variance in the future performance and outcome of the Group. This report is not a guarantee of Destini's future performance and results may vary depending on the unknown risks in the future.

## An overview of **Destini**

Destini Berhad is an integrated engineering solutions provider that has global presence in the **aviation, marine, land systems** and **oil & gas** industries.

# DESTINI'S PRESENCE



MALAYSIA
SINGAPORE
VIETNAM
MYANMAR
PAKISTAN
SAUDI ARABIA
CHINA
AUSTRALIA
UAE
UNITED KINGDOM

# OUR BUSINESS

**Destini Berhad ("Destini" or "the Group") is an integrated engineering solutions provider with diverse interest in the aviation, marine, land system as well as oil and gas industries. The Group started off as an aviation tool and spare parts trading company supplying for the defence industry. Two decades later, Destini has evolved to provide a diversified range of products and services for the aviation, marine and land system industries for both defence and commercial sectors. With a wider portfolio and coupled with Destini's foray into oil and gas, it has expanded the Group's geographical footprint over the Asian, Australian, Middle East and European regions.**

## AVIATION

### Defence

- Supplies and provides safety and survival-related equipment maintenance, repair and overhaul ("MRO") for the Malaysian Armed Forces and civil airline aircrafts, both fixed and rotary winged aircraft.
- Cylinder testing and calibration services.
- Aircraft search & rescue and salvage.

### Commercial

- Technical Line Maintenance and Fixed- base Operation Services for commercial airlines.
- Ground Handling services for commercial airlines operating in Malaysian airports.
- Commercial airline safety and survival component MRO services.

## MARINE

### Manufacturing

- Builds paramilitary vessels of up to 80 meters in length and 1,400 dead weight tonnes.
- Manufacture and supply of lifeboats, fast rescue boats, outboard and inboard diesel engines, davit systems and hooks for commercial shipping and oil and gas industry.
- Manufactures proprietary Self-Propelled Hyperbaric Lifeboats used in deep sea diving operations.

### Services

- Routine repair, re-fit and emergency repair of paramilitary and commercial vessels.
- Design, fabrication and servicing of heat exchangers; fabrication, installation and erection of piping and steelworks.
- Provides MRO services relating to lifeboats, davits, load testing equipment, fire safety and other marine assets.
- Fleet management, calibration and automation services to global shipping lines.

## LAND SYSTEMS

**Defence**

- Provides fabrication, supply and MRO services for defence and security vehicles.
- Offers System Integration services for defence and security vehicles.
- Supply of electronic equipment, surveillance and tracking systems, spare parts, components and accessories for defence and security vehicles.

**Commercial**

- Manufacture and supply Motor Trollies, Wagons and Road Rail vehicles for the rail industry.
- Assembly, fabrication, refurbishment and MRO of rail systems.

## OIL & GAS

- Provides tubular running services for upstream onshore and offshore drilling programmes.
- Well delivery services which includes a comprehensive tubular and drilling programme.
- Subsea well intervention, platform abandonment and field decommissioning services.
- Subsea pipeline inspection as well as maintenance and repair services.
- Supply of handling and drilling tools.

## OTHER SERVICES

- Design, develop and manufacture of customised tools and equipment for aviation, marine and automotive industries.
- Research and development of rapid prototyping.

# DESTINI'S CORPORATE DIARY

## 1991

### MARCH

- Satang Jaya Sdn Bhd ("Satang Jaya") commenced operations as an aviation tools and spare parts supplier.

## 1998

### MAY

- Satang Jaya was awarded the contract to provide MRO services for RMAF's safety and survival equipment under Ministry of Defence Malaysia's ("MinDef") Royal Malaysian Airforce ("RMAF") Contractorisation Programme.

## 2005

### DECEMBER

- Satang Jaya entered Bursa Malaysia Securities Berhad ("Bursa Securities"), under the name Satang Jaya Holdings Berhad and subsequently changed its name to Satang Holdings Berhad ("Satang Holdings") in June 2007.

## 2008

### MAY

- Satang Holdings triggered the prescribed criteria pursuant to Practice Note 17 (PN17) of the Main Market Listing Requirements of Bursa Securities.

## 2009

### JULY

- Satang Holdings shares were suspended from trading by Bursa Securities on July 13.

## 2011

### SEPTEMBER

- As part of its regularization plan, Satang Holdings changed its name to Destini Berhad to reflect a synergized and aligned business direction. The name change is also part of a turnaround plan for the Group to strengthen its financial muscles while exploring new business ventures.

### AUGUST

- The suspension of trading in Destini's shares was uplifted by Bursa Securities on August 13 after its regularization plan was approved.

### DECEMBER

- Destini acquired a 51% stake in Singapore-based Vanguard Composite Engineering Pte Ltd (currently known as Vanguarde Pte Ltd), a company that manufactures lifeboats, fast rescue boats, davit systems and host of other safety equipment for the marine and oil and gas industries.

## 2012

### FEBRUARY

- Destini acquired a 50% stake in automotive supply and service company System Enhancement Resources & Technologies Sdn Bhd ("SERT").

## 2013

### MARCH

- Completed the purchase of oil and gas service provider Samudra Oil Services Sdn Bhd, now known as Destini Oil Services Sdn. Bhd. ("DOS") for RM80 million.

### APRIL

- Destini acquired the Techno Fibre Group to wholly-owned Techno Fibre Australia Pte Ltd, Techno Fibre Middle East Marine Services FZE, Technofibre International Sdn Bhd and Techno Fibre (S) Pte Ltd. The Techno Fibre Group is in the business of lifeboat and davit maintenance.

- After completing its regularization plan and achieving profits for two consecutive quarters, Destini was uplifted from PN17 status.

### AUGUST

- The Group acquired its own building in Glenmarie Industrial Park, Shah Alam to house its corporate office and workshop facility.

## 2014

### AUGUST

- Destini acquired a 50% stake in Detrac Sdn Bhd ("Detrac") to become the research and development arm of the Group. Subsequently, the Group increased its shareholding in Detrac to 70% in November 2014.

## 2015

### APRIL

- Destini acquired Land Auto Technology Sdn Bhd, which is in the business of motor vehicle, motor accessories and spare part trading and distributorship.

### JUNE

- Destini acquired an 80% stake in Safeair Technical Sdn. Bhd. ("SAT") a company that provides Line Maintenance services for civil airlines in local airports.

- Destini Aviation Sdn Bhd ("DASB") entered into a joint venture agreement with UK-based Avia Technique Limited to establish a new joint venture company called Destini Avia Technique Sdn Bhd ("DAT"). DAT was incorporated to carry on the provision of inspection, repair and overhaul services for civil air craft components.

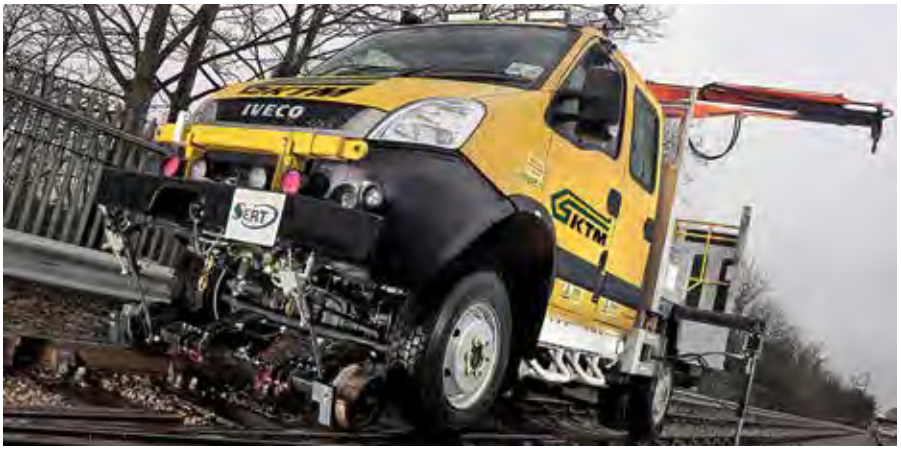
### SEPTEMBER

- Destini acquired the remaining 49% stake it did not own in Vanguard, making the lifeboat maker a wholly-owned subsidiary of the Group.

### DECEMBER

- The Group acquired Destini Shipbuilding & Engineering Sdn Bhd ("DSBE") to enable it to fabricate six 44.25-meter New Generation Patrol Craft ("NGPC") worth RM381.30 million for the Malaysian Maritime Enforcement Agency ("MMEA").

# DESTINI'S CORPORATE DIARY




## 2016

### MARCH
- Vanguard receives contract to supply eight Self-Propelled Hyberbaric Lifeboats to UK-based JFD

### APRIL
- Destini Prima Sdn. Bhd. ("DPSB") entered into a Memorandum of Understanding with Advanced Military Maintenance, Repair and Overhaul Centre ("AMMROC") L.L.C. to form a strategic alliance for the provision of MRO on aircraft escape systems.

### JUNE
- SERT accepted its first rail related award from the Ministry of Transport Malaysia for the design, manufacture, supply, delivery, testing and commissioning of new motor trolley and road rail vehicle for Keretapi Tanah Melayu Berhad ("KTMB") worth RM62 million.

### SEPTEMBER
- TF Corp Pte Ltd subscribed 60% shares in IMES Marine Safety Systems Limited, the company currently known as Destini Marine Safety Solutions Ltd. The company is principally in the business of inspection, testing, repair and maintenance of marine safety systems such as lifeboats and its components.

### OCTOBER
- Destini entered into a Joint Venture Agreement with TH Heavy Engineering Berhad ("THHE") to establish an unincorporated joint venture to procure the award for the supply, delivery, testing and commissioning of three 80-meter Offshore Patrol Vessels ("OPV") for the MMEA.

### NOVEMBER
- DSBE and THHE's wholly- owned subsidiary THHE Fabricators Sdn Bhd formed an incorporated joint venture company, Gigih Integrasi Sdn Bhd to undertake the fabrication of the three OPV's. Gigih Integrasi Sdn Bhd is now known as THHE Destini Sdn Bhd.

### DECEMBER
- The Group secured a three-year contract extension to provide MRO services and to supply safety and survival related equipment to the Royal Malaysian Airforce for RM98.20 million.

## 2017

### JANUARY
- THHE Destini Sdn Bhd, a 51:49 joint venture company between THHE and Destini secured a contract worth RM738.9 million for the supply, delivery, testing and commissioning of three OPV's for the MMEA.

### FEBRUARY
- Destini acquired 70% stake in safety and security equipment company, Halaman Optima Sdn Bhd, for RM5.5 million to enable the Group to supply six reconnaissance helicopters worth RM321.9 million by the MinDef for the Malaysian Armed Forces.

### JUNE
- DASB entered into a Joint Venture and Shareholders Agreement with Sapura Aero Sdn Bhd to incorporate a Joint Venture Company that is to be in the business of rotary wing and fixed aircraft sale, supply and provision of MRO in relation to aircraft and helicopters and the provision of programs such as wet leasing and dry leasing of aircraft.

### NOVEMBER
- DOS and Federal International (2000) Ltd, a company listed on the Mainboard of the Singapore Exchange, formed a joint venture to collectively bid for oil and gas projects in the South Asian and South- East Asia Region.

- Destini Armada Pte Ltd acquired 70% stake in AMS Marine Pte. Ltd, a Singapore- based company that is in the business of design, fabrication and servicing of heat exchangers, fabrication, installation and erection of piping and steelworks and non-destructive testing to the marine and oil and gas industry.

## 2018

### APRIL

- Destini Engineering Technologies Sdn. Bhd. ("DETSB") inked an MOU with Felcra Berhad to provide MRO services for industrial facilities and equipment for the agriculture and related industries within Malaysia and the ASEAN region.

- DOS was awarded a two-year umbrella contract by PETRONAS Carigali Sdn Bhd ("PCSB") for the provision of well abandonment integrated services.
- DPSB accepted an award from the Ministry of Defence Malaysia for an additional RM138 million to an existing contract to provide MRO services and the supply of safety and survival equipment for the RMAF.

### MAY

- DOS was awarded a US$8 million (RM31.76 million) contract to be Pakistan-based Lyallpur Oil Tool Pvt Ltd's technical partner for tubular running services in Pakistan.

### JUNE

- Destini incorporated a new wholly-owned Destini Empire Properties Sdn Bhd which is in the business of acquiring by purchase, lease, exchange, hire or otherwise, lands and property of tenure, buildings or any shares and interests.

### JULY

- The Group received a conditional work order for the provision of well abandonment integrated services for Pulai B platform, off the coast of Terengganu. This came under the the two-year umbrella contract by PCSB for the provision of well abandonment integrated services that Destini received in April.

### AUGUST

- DOS received an award from POSCO Daewoo Corporation for the provision of tubular running services in Myanmar for US$5.2 million (RM21.17 million).

### DECEMBER

- DOS was awarded the provision of tubular handling, conductor installation and slot recovery equipment and service for the Pan Malaysia Petroleum Arrangement Contractor ("PAC") Operators Drilling Program by PCSB.

# CORPORATE INFORMATION

## Board of Directors

**Tan Sri Dato' Sri Rodzali Daud**
Independent & Non-Executive Chairman

**Dato' Rozabil @ Rozamujib Abdul Rahman**
President & Group Chief Executive Officer

**Dato' Megat Fairouz Junaidi Tan Sri Megat Junid**
Senior Independent & Non-Executive Director

**Mohd Shihabuddin Mukhtar**
Non-Independent & Non-Executive Director

**Dato' Che Sulaiman Shapie**
Independent & Non-Executive Director

**Professor Datin Dr Suzana Sulaiman @ Mohd Suleiman**
Independent & Non-Executive Director

**Abdul Rahman Mohamed Rejab**
Executive Director

**Ismail Mustaffa**
Executive Director

## Audit Committee

**Dato' Megat Fairouz Junaidi Tan Sri Megat Junid** (Chairman)
**Dato' Che Sulaiman Shapie**
**Professor Datin Dr Suzana Sulaiman @ Mohd Suleiman**

## Nomination and Remuneration Committee

**Tan Sri Dato' Sri Rodzali Daud** (Chairman)
**Dato' Megat Fairouz Junaidi Tan Sri Megat Junid**
**Dato' Che Sulaiman Shapie**

## Risk Management Committee

**Tan Sri Dato' Sri Rodzali Daud** (Chairman)
**Professor Datin Dr Suzana Sulaiman @ Mohd Suleiman**
**Abdul Rahman Mohamed Rejab**

## Option Committee

**Dato' Rozabil @ Rozamujib Abdul Rahman** (Chairman)
**Dato' Megat Fairouz Junaidi Tan Sri Megat Junid**
**Dato' Che Sulaiman Shapie**

## Company Secretaries

Tan Tong Lang (MAICSA 7045482)
Thien Lee Mee (LS0009760)

## Auditors

Messrs UHY
Firm Number: AF 1411
Chartered Accountants
Suite 11.05, Level 11
The Gardens South Tower
Mid Valley City, Lingkaran Syed Putra
59200, Kuala Lumpur, Malaysia
Tel : 03-2279 3088
Fax : 03-2279 3099

## Principal Banker

AmBank Islamic Berhad (295576-U)
Malayan Banking Berhad (3813-K)
Export-Import Bank of Malaysia Berhad (357198-K)
Affin Hwang Investment Bank Berhad (14389-U)

## Stock Exchange Listing

Main Market of Bursa Malaysia Securities Berhad
Stock Name : DESTINI
Stock Code : 7212

## Registered Office

No. 10 Jalan Jurunilai U1/20
Hicom Glenmarie Industrial Park
40150 Shah Alam
Selangor Darul Ehsan
Tel : 03-5567 0333
Fax : 03-5569 1233

## Corporate Office

No. 10 Jalan Jurunilai U1/20
Hicom Glenmarie Industrial Park
40150 Shah Alam
Selangor Darul Ehsan
Tel : 03-5567 0333
Fax : 03-5569 1233
Email : info@destinigroup.com
Website : www.destinigroup.com

## Registrar

Insurban Corporate Services Sdn. Bhd. (76260-W)
149, Jalan Aminuddin Baki
Taman Tun Dr Ismail
60000 Kuala Lumpur
Tel : 03-7727 3873
Fax : 03-7728 5948
Email : insurban@yahoo.com

## Investor Relations

Alex Lam
No. 10 Jalan Jurunilai U1/20
Hicom Glenmarie Industrial Park
40150 Shah Alam
Selangor Darul Ehsan
Email : info@destinigroup.com
Tel : 03-5567 0333
Fax : 03-5569 1233

## Destini Share Information

**Company name**
Destini Berhad

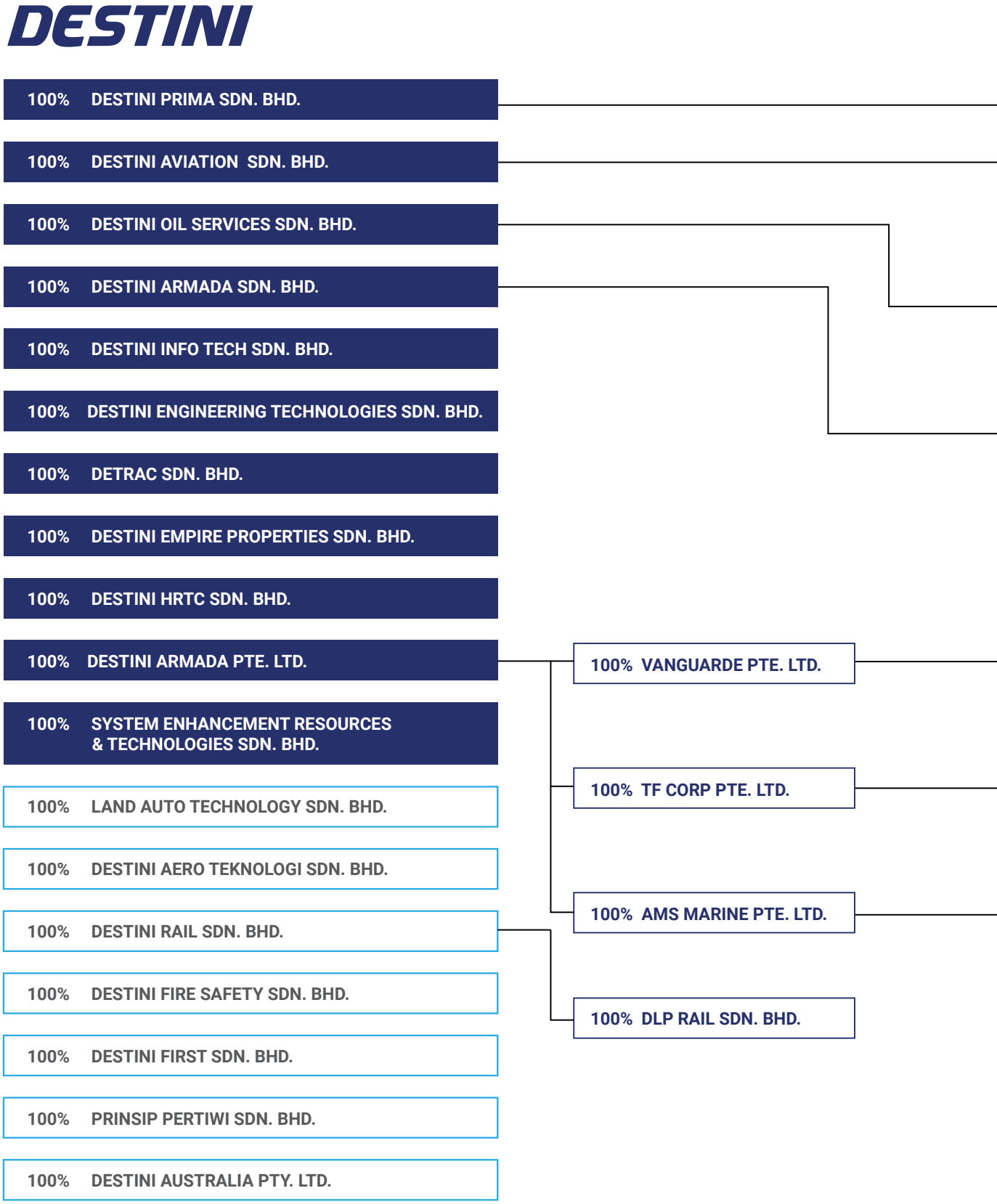
**Stock name**
DESTINI

**Stock code**
7212

**Ticker code**
- DSTN:MK (Bloomberg)
- DEST.KL (Reuters)

**Financial year end**
31 December

# GROUP CORPORATE STRUCTURE AS AT 29 MARCH 2019



- 100% DB PRECISION SDN. BHD.
- 70% HALAMAN OPTIMA SDN. BHD.
- 100% SATANG ENVIRONMENTAL SDN. BHD.
- 50.99% SATANG ICS-GLOBAL SDN. BHD.

- 97.95% SAFEAIR TECHNICAL SDN. BHD.
- 50% DESTINI AVIA TECHNIQUE SDN. BHD.
- 50% INVATION AERO SDN. BHD.

- 100% DESTINI DOWNSTREAM SDN. BHD.
- 50% FEDERAL DESTINI (S) PTE. LTD.
- 49% EMIRATES KEJURTERAAN SAMUDRA TIMUR BERHAD PETROLEUM SERVICES L.L.C

- 100% TECHNOFIBRE INTERNATIONAL SDN. BHD.
- 100% DESTINI SHIPBUILDING AND ENGINEERING SDN. BHD.
  - 51% THHE DESTINI SDN. BHD.

- 100% VANGUARDE OFFSHORE PTE. LTD.
- 100% VANGUARD (NANTONG) F.R.P CO. LTD.
- 100% VANGUARD MARINE ENGINE PTE. LTD. (FORMERLY KNOWN AS DBD INTERNATIONAL PTE. LTD.)
- 100% VANGUARD SAFETY TECHNOLOGIES SDN. BHD.

- 100% TECHNO FIBRE AUSTRALIA PTY. LTD.
- 100% TECHNO FIBRE MIDDLE EAST MARINE SERVICES FZE (SHARJAH)
- 51% TF CORP SAUDI CO. LTD.
- 49% T F EMIRATES MARINE SERVICES L.L.C.
- 100% TECHNO FIBRE (S) PTE. LTD.
- 60% DESTINI MARINE SAFETY SOLUTIONS LTD.

- 100% AMS ENGINEERING SOLUTIONS SDN. BHD. (FORMERLY KNOWN AS SIERRALEAP SDN. BHD.)

# SUBSIDIARY AND SUB-SUBSIDIARIES

**Destini Prima Sdn. Bhd. (223732-V)**
Distribution and supply of safety and survival related equipment for defence and commercial aviation and marine industries

**Halaman Optima Sdn. Bhd. (932855-V)**
Manufactures, imports and exports safety and security products and defence equipment.

**System Enhancement Resources & Technologies Sdn. Bhd. (844241-K)**
Supplying, servicing and upkeeping of army vehicles, buses as well as supplying motor trolley.

**Destini Armada Sdn. Bhd. (378597-W)**
Investment holding.

**Destini Shipbuilding and Engineering Sdn. Bhd. (1067389-K)**
Manufacturer of paramilitary boats and vessels and provides ship repair and marine-related engineering services.

**THHE Destini Sdn. Bhd. (1188632-X)**
Manufacturer of paramilitary vessels and provides ship repair and marine-related engineering services.

**Destini Aviation Sdn. Bhd. (367847-D)**
Investment holding.

**Safeair Technical Sdn. Bhd. (878513-M)**
Specialise in aircraft servicing and provide technical ground handling services for commercial airlines.

**Destini Avia Technique Sdn. Bhd. (1153331-T)**
Specialise in MRO for aircraft components and equipment catered to commercial aviation sector.

**Invation Aero Sdn. Bhd. (1224337-K)**
Sale of rotary wing and fixed wing aircraft, supply overhaul services and other related services.

**Destini Oil Services Sdn. Bhd. (905337-M)**
In the provision of tubular handling and inspection, piling hammer equipment and running services as well as repair and maintenance of assets related to the oil and gas industry. Provides supply, lease and operate drilling rigs we well as other oil and gas related services.

**Destini Downstream Sdn. Bhd. (1215320-V)**
Engage in the business of providing wholesale of variety of goods and trading.

**Emirates Kejurteraan Samudra Timur Berhad Petroleum Services L.L.C (Trade License No. CN-1000730)**
Provides oil and gas production facility operation and maintenance services. Engaged in onshore and offshore oil, gas field and facility services.

**Vanguarde Marine Engine Pte. Ltd. (Formerly known as DBD International Pte. Ltd.) (201718529N)**
Provision of service activities for oil and gas extraction. Provides engineering design and consultancy services.

**Detrac Sdn. Bhd. (1101831-X)**
Research and development of mechatronic system including software customisation, repair and maintenance of electronic systems, support and consultation on system development.

**Destini Engineering Technologies Sdn. Bhd. (536657-H)**
Maintenance, repair and overhaul of aviation related cylinders that include servicing, inspection, recycling and refilling of gas and general contractors, construction of telecommunication engineering and other related services. Provision of civil construction and construction of telecommunication construction and engineering as well as other related services.

**Destini Info Tech Sdn. Bhd. (561654-M)**
Provides IT consultancy and solution services, and implementing of high technology and computerized security systems and other related services.

**Destini HRTC Sdn. Bhd. (967258-X)**
Provides training and education consultancy.

**Destini Empire Properties Sdn. Bhd. (1282448-U)**
To acquire by purchase lease, exchange, hire or otherwise, lands and property of any tenure, buildings or any share

**DB Precision Sdn. Bhd. (1057950-U)**
To carry on the business of provision of calibration and cylinder services.

**Destini Armada Pte. Ltd. (201228769N)**
Investment holding.

**Vanguarde Pte. Ltd. (198700526G)**
Manufacture and offers service and maintenance of lifeboats, fast rescue boats, davit systems and a host of other safety equipment for the marine and oil and gas industries.

**Vanguard Safety Technologies Sdn. Bhd. (1033613-X)**
Supplying marine related lifesaving equipment, parts and accessories.

**Vanguarde Offshore Pte. Ltd. (200923004Z)**
Development and sale of Salf-Propelled Hyperbaric Life Boats ("SPHLB") and life- saving appliances.

**Vanguard (Nantong) F.R.P Co. Ltd. (3200775411024)**
Manufacturing, maintaining and trading of fiber-reinforced plastic ("FRP") ship, FRP products and life-saving equipment.

**TF Corp Pte. Ltd. (201310889H)**
Investment holding.

**Destini Marine Safety Solutions Ltd. (SC500305)**
Provides inspection, testing, repair and maintenance of marine safety systems including lifeboats and rescue boats.

**Techno Fibre Australia Pty. Ltd. (ACN 103 625 618)**
Provides maintenance, repair and testing of lifeboats and davits cruise ships, offshore platforms and general shipping.

**Technofibre International Sdn. Bhd. (522271-P)**
Lifeboat and davit servicing business, trading in other safety equipment catered to the marine and oil and gas industries as well as servicing life raft and firefighting equipment.

**Techno Fibre (S) Pte. Ltd. (199300541H)**
Repair and service of fibre composite life boats and davits and consultation engineering and servicing.

**Techno Fibre Middle East Marine Services FZE (06585)**
Repairs and maintenance of lifeboats and davits and fire and gas protection system servicing.

**T F Emirates Marine Services L.L.C. (TN-1794649)**
Engaged in the business of onshore and offshore oil and gas fields and facilities services, marine machines and equipment repairing and maintenance.

**TF Corp Saudi Co. Ltd.**
**(SAGIA License No - 12219360655725)**
Providing maintenance, installation and repair of marine equipment and trading activities of marine safety products.

**AMS Marine Pte. Ltd. (201000817H)**
Manufacture ships, tankers and other ocean- going vessels as well as provide ship repair services.

**AMS Engineering Solutions Sdn. Bhd.**
**(Formerly known as Sierraleap Sdn. Bhd.) (1251496-M)**
Building and repairing of ships, tankers and other ocean-going vessels.

**Federal Destini (S) Pte. Ltd. (201801877K)**
Engage in oil and gas activities leading into drilling and related services.

**DLP Rail Sdn. Bhd. (1323409-M)**
To build, construct, operate,develop, finance and maintain viable railway projects including supply, erection and commissioning of equipment and construction of new railway lines, upgradation of the existing railway lines and related infrastucture.

**Land Auto Technology Sdn. Bhd. (1139580-K)**
Dormant.

**Prinsip Pertiwi Sdn. Bhd. (1139310-V)**
Dormant.

**Destini Rail Sdn. Bhd. (1253943-P)**
Dormant.

**Destini First Sdn. Bhd. (217774-M)**
Dormant.

**Destini Aero Teknologi Sdn. Bhd. (967257-T)**
Dormant.

**Destini Australia Pty. Ltd. (ACN 158 026 049)**
Dormant.

**Destini Fire Safety Sdn. Bhd. (523347-K)**
Dormant.

**Satang Environmental Sdn. Bhd. (546811-V)**
Dormant.

**Satang ICS-Global Sdn. Bhd. (741664-D)**
Dormant.

# BOARD OF DIRECTORS

1. **TAN SRI DATO' SRI RODZALI DAUD**
   Independent & Non-Executive Chairman

2. **DATO' ROZABIL @ ROZAMUJIB ABDUL RAHMAN**
   President & Group Chief Executive Officer

3. **DATO' MEGAT FAIROUZ JUNAIDI**
   **TAN SRI MEGAT JUNID**
   Senior Independent & Non-Executive Director

4. **MOHD SHIHABUDDIN MUKHTAR**
   Non-Independent & Non-Executive Director

5. **DATO' CHE SULAIMAN SHAPIE**
   Independent & Non-Executive Director

6. **PROFESSOR DATIN DR SUZANA SULAIMAN @ MOHD SULEIMAN**
   Independent & Non-Executive Director

7. **ABDUL RAHMAN MOHAMED REJAB**
   Executive Director

8. **ISMAIL MUSTAFFA**
   Executive Director

# PROFILE OF DIRECTORS

## TAN SRI DATO' SRI RODZALI DAUD

INDEPENDENT & NON-EXECUTIVE CHAIRMAN

*Chairman of the Nomination and Remuneration Committee*
*Chairman of the Risk Management Committee*

| | | |
|---|---|---|
| **Nationality / Age** | : | Malaysian / 64 |
| **Date of Appointment** | : | 15 May 2015 |
| **Areas of expertise** | : | Defence |

**Qualifications**

1. Masters in Defence Studies from Universiti Kebangsaan Malaysia
2. Masters in Strategic Studies from Quaid-i-Azam University, Pakistan

| | | |
|---|---|---|
| **Tenure as Director** | : | 3 years |

Tan Sri Dato' Sri Rodzali has had an illustrious and exemplary career in the Royal Malaysian Air Force, starting off as an Officer in the RMAF in 1973 until his retirement as the Chief of the Royal Malaysian Air Force in March 2015.

He does not hold any directorships in any other public listed companies. He has no family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted for any offences within the past five years other than traffic offences, if any.

## DATO' ROZABIL @ ROZAMUJIB ABDUL RAHMAN

PRESIDENT & GROUP CHIEF EXECUTIVE OFFICER

*Chairman of the Option Committee*

| | | |
|---|---|---|
| **Nationality / Age** | : | Malaysian / 47 |
| **Date of Appointment** | : | 11 November 2010 |
| **Areas of expertise** | : | Construction, Investment Trading |

**Qualifications**

1. Master in Business Administration from University of Sunderland, England
2. Executive Diploma in Plantation Management from University of Malaya, Kuala Lumpur

| | | |
|---|---|---|
| **Tenure as Director** | : | 8 years |

Dato' Rozabil entered Destini as an Independent and Non-Executive Director in November 2010 and was re-designated as the Managing Director in January 2011. Dato' Rozabil was later then re-designated to Group Managing Director in January 2014, prior to becoming the President and Group Chief Executive Officer in April 2018.

His vision and strategies have led to the Group's successful growth track record as well as financial strength and is also instrumental in leading the executive team in implementing the Group's strategies. His leadership and entrepreneurial vision have been and will continue to be crucial in leading the Group into the future.

Dato' Rozabil started his career as Managing Director and owner of Benar Prima Holdings Sdn Bhd, a holding company that has businesses in engineering, property development and investments. He has diversified interests ranging from construction and property development to trading and serves as director to several other private companies.

He does not hold any directorships in any other public listed companies. He has no family relationship with any Director and/or major shareholder of the Company. He has not been convicted for any offences within the past five years other than traffic offences, if any.

# **PROFILE** OF DIRECTORS

| | | |
|---|---|---|
| **Nationality / Age** | : | Malaysian / 54 |
| **Date of Appointment** | : | 17 August 2010 |
| **Areas of expertise** | : | Information Technology (IT) |

**Qualifications**

1. Bachelor of Science in Finance from Arkansas State University
2. Master in Business Administration from Arkansas State University

| | | |
|---|---|---|
| **Tenure as Director** | : | 8 years |

Dato' Megat has many years of experience in the corporate sector and is currently the Independent Non-Executive Chairman of Inix Technologies Holdings Berhad.

He has no family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted for any offences within the past five years other than traffic offences, if any.

## DATO' MEGAT FAIROUZ JUNAIDI TAN SRI MEGAT JUNID

SENIOR INDEPENDENT & NON-EXECUTIVE DIRECTOR

*Chairman of the Audit Committee*
*Member of the Nomination and Remuneration Committee*
*Member of the Option Committee*

## MOHD SHIHABUDDIN MUKHTAR

NON-INDEPENDENT &
NON-EXECUTIVE DIRECTOR

| | | |
|---|---|---|
| **Nationality / Age** | : | Malaysian / 40 |
| **Date of Appointment** | : | 18 October 2018 |
| **Areas of expertise** | : | Accounting, Finance |

**Qualifications**

1. Masters in Finance from the University of Adelaide, Australia
2. Bachelor of Electronics Engineering (Hons) from Multimedia University, Malaysia
3. Diploma in Public Administration from the National Institute of Public Administration, Malaysia
4. Chartered Financial Analyst (CFA) charter holder from CFA Institute, USA
5. Certificate member of Chartered Insitute of Purchasing & Supply (CIPS), UK
6. Graduate member of Board of Engineers (BEM), Malaysia

| | | |
|---|---|---|
| **Tenure as Director** | : | 6 months |

En Mohd Shihabuddin Mukhtar was appointed to the Board of Destini Berhad in October 2018. He is currently the Section Head (Strategic Investment Division) for Ministry of Finance. His career began in 2002 as a Telecommunication Engineer in TM Cellular Sdn. Bhd. and then joined civil service in 2003 as an Administrative and Diplomatic Officer. He has held various positions predominantly in financial and investment management functions for several ministries and departments within the Malaysian Civil Service. He had also served a year of secondment stint in Shell Malaysia Limited as Senior Finance Analyst.

He does not hold any directorships in any other public listed companies. He has no family relationship with any Director and/ or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted for any offences within the past five years other than traffic offences, if any.

# **PROFILE** OF DIRECTORS

| | | |
|---|---|---|
| **Nationality / Age** | : | Malaysian / 62 |
| **Date of Appointment** | : | 8 January 2013 |
| **Areas of expertise** | : | Finance, Agriculture |

**Qualification**
Bachelor in Economics (Hons.) from Universiti Kebangsaan Malaysia

| | | |
|---|---|---|
| **Tenure as Director** | : | 6 years |

Dato' Sulaiman is currently running his own business in various fields. He has over 12 years of experience in the financial and credit management with Bank Islam Malaysia Berhad from 1984 until 1996.

He does not hold any directorships in any other public listed companies. He has no family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted for any offences within the past five years other than traffic offences, if any.

## DATO' CHE SULAIMAN SHAPIE

INDEPENDENT & NON-EXECUTIVE DIRECTOR

*Member of the Audit Committee*
*Member of the Nomination and Remuneration Committee*
*Member of the Option Committee*

## PROFESSOR DATIN DR SUZANA SULAIMAN @ MOHD SULEIMAN

INDEPENDENT & NON-EXECUTIVE DIRECTOR

*Member of the Audit Committee*
*Member of the Risk Management Committee*

| | | |
|---|---|---|
| **Nationality / Age** | : | Malaysian / 54 |
| **Date of Appointment** | : | 8 January 2013 |
| **Areas of expertise** | : | Management Accounting |

**Qualifications**

1. Doctorate with a PhD in Management Accounting, from University of Edinburgh, Scotland, United Kingdom
2. Master of Accounting (Distinction) from Curtin University of Technology, Australia
3. Chartered Global Management Accountant (CGMA) Chartered Accountant (CA), Malaysian Institute of Accountants (MIA)
4. Fellow of the Chartered Institute of Management Accountants (CIMA) UK

| | | |
|---|---|---|
| **Tenure as Director** | : | 6 years |

Professor Datin Dr Suzana is Professor in Management Accounting at Faculty of Accounting, Universiti Teknologi MARA (UiTM). She has about 13 years of administrative posts at UiTM. She was appointed as UiTM's Assistant Vice Chancellor at the Institute of Leadership & Quality Management (iLQAM), Head of Asian Management Accounting Research Centre (AMARC), Accounting Research Institute (ARI) and Deputy Dean (Academic). She has over 25 years of experience in the Education Field with UiTM from 1991 until now. She is also actively involved with Chartered Institute of Management Accountants (CIMA) (UK) activities and CIMA Malaysia Country Branch.

She does not hold any directorships in any other public listed companies. She has no family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. She has not been convicted for any offences within the past five years other than traffic offences, if any.

# **PROFILE** OF DIRECTORS

## ABDUL RAHMAN MOHAMED REJAB

EXECUTIVE DIRECTOR

*Member of the Risk Management Committee*

| | | |
|---|---|---|
| **Nationality / Age** | : | Malaysian / 53 |
| **Date of Appointment** | : | 15 October 2012 |
| **Areas of expertise** | : | Finance, Construction |

**Qualification**
Bachelor Degree in Finance from St. Louis University, Missouri, United States of America.

| | | |
|---|---|---|
| **Tenure as Director** | : | 6 years |

En Abdul Rahman has over 15 years of experience in the financial and asset management with his last attachment in AmBank (Malaysia) Berhad. He exited the financial sector to enter the Group as an Executive Director in October 2012.

He does not hold any directorships in any other public listed companies. He has no family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted for any offences within the past five years other than traffic offences, if any.

## ISMAIL MUSTAFFA

EXECUTIVE DIRECTOR

| | | |
|---|---|---|
| **Nationality / Age** | : | Singaporean / 56 |
| **Date of Appointment** | : | 30 May 2017 |
| **Areas of expertise** | : | Accounting, Finance |

**Qualifications**

1. Bachelor of Science (Hons) in Finance and Accounting from University of Salford, England
2. Diploma in Business Studies from Ngee Ann Polytechnic, Singapore
3. General Management Programme from National University of Singapore

| | | |
|---|---|---|
| **Tenure as Director** | : | 1 year |

En. Ismail started his career in 1990 as an Audit Senior with Foo, Kon & Tan Grant Thornton in Singapore and became a Financial Analyst for United Parcel Service Inc in 1992.

Subsequently in 1994, he was appointed as the Finance and Administration Manager for The Majlis Ugama Islam Singapura ("MUIS"), a statutory body under the Ministry of Community Development Singapore. From 1998 to 2001 he served as the Assistant Director for Mendaki Foundation and Mendaki Holdings Pte Ltd.

En Ismail has over 30 years of experience in the auditing, accounting, fund management and corporate finance services. Before joining Destini, his last attachment was with Al-Hidayah Investment Bank (Labuan) Ltd for 6 years since 2005 as the Chief Executive Officer.

Prior to joining the Board in May 2017, Ismail was appointed as Destini's Director of Strategic Planning and International Operations in 2011.

He does not hold any directorships in any other public listed companies. He has no family relationship with any Director and/ or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted for any offences within the past five years other than traffic offences, if any.

# MANAGEMENT COMMITTEE

## DATO' ROZABIL @ ROZAMUJIB ABDUL RAHMAN

DESTINI BERHAD,
PRESIDENT & GROUP CHIEF EXECUTIVE OFFICER
Please refer to profile on page 19

## ABDUL RAHMAN MOHAMED REJAB

DESTINI BERHAD,
EXECUTIVE DIRECTOR
Please refer to profile on page 24

## ISMAIL MUSTAFFA

DESTINI BERHAD,
EXECUTIVE DIRECTOR
Please refer to profile on page 25

## ARIS KEFLI MOHAMAD YUSOF

DESTINI BERHAD,
GROUP CHIEF FINANCIAL OFFICER

Date of Appointment : May 2017

Areas of Expertise : Accounting

Qualifications
- Chartered Institute of Management Accountant, UK
- A member of Chartered Practicing Accountants, Australia
- Master in Business Administration, Leicester, UK
- Advance Diploma in Accountancy, UiTM

Working Experience
- Head of Accounts and Finance, Destini Berhad (2012 – 2017)
- Chief Financial Officer, Imatex Berhad (2000 – 2012)
- Accountant, U-Wood Holding Berhad (1996 – 2000)
- Senior Accounts Executive, Imatex Berhad (1993 – 1996)

He does not hold any directorships in any other public listed companies. He has no family relationship with any Director and/ or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted for any offences within the past five years other than traffic offences, if any.

## ALEX LAM VUN CHIANG

DESTINI BERHAD,
SENIOR VICE PRESIDENT, STRATEGIC PLANNING DEPARTMENT

Date of Appointment : August 2016

Areas of Expertise : Finance

Qualifications
- Bachelor of Business (Accounting) from Royal Melbourne Institute of Technology University

Working Experience
- Executive Director – Investments, Gabungan AQRS Berhad (2015 – 2016)
- Deputy Director, Head - Malaysia Priority Financial Services 1, Corporate Investment Banking Services, RHB Investment Bank Berhad (2010 – 2015)
- General Manager, Head – Priority Broking, Hong Leong Investment Bank Berhad (2005 – 2010)

He does not hold any directorships in any other public listed companies. He has no family relationship with any Director and/ or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted for any offences within the past five years other than traffic offences, if any.

# **MANAGEMENT** COMMITTEE

## SHIRAD ANUAR

DESTINI BERHAD,
SENIOR VICE PRESIDENT, LEGAL AND CORPORATE AFFAIRS

Date of Appointment : March 2017

Areas of Expertise : Law and Corporate Secretarial

Qualifications
- Master in Business Administration in Islamic Banking and Finance from International Islamic University Malaysia
- LLB (Hons) Degree from Wolverhampton Polytechnic
- Certificate of Legal Practice
- Licensed Company Secretary

Working Experience
- Company Secretary and Legal Advisor, Utusan Melayu (Malaysia) Berhad (2013 – 2017)
- Legal Advisor, Naza Ttdi Sdn Bhd (2011 - 2013)
- Company Secretary and Legal Advisor, GJA Engineering Sdn Bhd (2009 – 2011)
- Legal Advisor, Pantai Holdings Berhad (2007 – 2009)
- Legal Advisor, Landmarks Berhad (2001 – 2007)
- Legal Manager, DRB-Hicom Berhad (1997 – 2001)
- Assistant Legal Manager, Faber Group Berhad (1995 – 1997)
- Magistrate (1991 – 1995)

He does not hold any directorships in any other public listed companies. He has no family relationship with any Director and/ or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted for any offences within the past five years other than traffic offences, if any.

## FAIZAL OSMAN

DESTINI BERHAD,
SENIOR VICE PRESIDENT, HUMAN CAPITAL AND ADMINISTRATION

Date of Appointment : April 2019

Areas of Expertise : Human Resource

Qualifications
- Bachelor of Arts in Business Economics
- Chartered Member with Chartered Institute of Personnel and Development (CIPD) UK – MCIPD 46369618
- Certified Professional with Australian Human Resource Institute (AHRI) – CAHRI 307826

Working Experience
- Human Resource Business Partner, UEM Edgenta Berhad (2014-2018)
- Head of Human Resource and Administration, KVMRT PDP Sdn Bhd (2012-2014)
- Head of Human Resource and Administration, MMC-Gamuda Joint Venture Sdn Bhd (2010-2012)
- Senior Human Resource Relationship Manager, Scope International (M) Sdn Bhd (2009-2010)
- Assistant Vice President, Global Service Centre Sdn Bhd (2007-2009)
- Assistant Vice President Human Resource Compliance and Performance Management, Alliance Bank Berhad (1996-2007)
- Senior Analyst Human Resource Governance, Malayan Banking Berhad (1996-2007)

He does not hold any directorships in any other public listed companies. He has no family relationship with any Director and/ or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted for any offences within the past five years other than traffic offences, if any.

## KHAIRUL RIZAL OSMAN

DESTINI BERHAD,
GROUP INTERNAL AUDIT MANAGER

Date of Appointment : November 2015

Areas of Expertise : Audit and Islamic Finance

Qualifications

- Diploma in Banking Studies from Mara University of Technologies
- Bachelor in Business Administration from Mara University of Technology
- Certified in Internal Auditing for Financial Institutions (CIAFIN)
- Associate Qualification in Islamic Finance (AQIF)

Working Experience

- Assistant Manager, Malaysian Industrial Development Finance (2007 – 2015)
- Head, Fraud & Authorisation Department, Cards Business, Affin Bank Berhad (2005 – 2007)
- Assistant Vice President, Group Internal Audit, Affin Bank Berhad (2000 – 2005)
- Senior Executive, Group Internal Audit, Bank Islam (M) Berhad (1997 – 2000)
- Credit Officer, Bank Islam (M) Berhad (1993 – 1996)

He does not hold any directorships in any other public listed companies. He has no family relationship with any Director and/ or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted for any offences within the past five years other than traffic offences, if any.

## KABOL SURAT

DESTINI PRIMA SDN BHD,
EXECUTIVE DIRECTOR & CHIEF EXECUTIVE OFFICER

Date of Appointment : March 2013

Areas of Expertise : Business Management and Logistics

Qualifications

- Master in Business Administration from Charles Sturt University, Australia
- Advance Diploma in Business and Management, Swansea College, UK
- Diploma Strategic and Defence Studies, University Malaya
- Malaysian Armed Forces Staff College, Haigate, KL

Working Experience

- Chief Executive Officer, Destini Prima Sdn Bhd (2011 – 2013)
- Executive Vice President and Chief Executive Officer, Satang Jaya Sdn Bhd (2008 – 2011)
- Executive Vice President, Business Sector 2 Satang Holdings (2008 – 2008)
- Senior Vice President, Group Business Development, Satang Holdings (2007 – 2007)
- General Manager, Executive Chairman's Office, Satang Holdings (2006 – 2007)
- Senior Manager, Executive Chairman's office, Satang Holdings (2005 – 2006)
- Various Positions, Royal Malaysian Air Force (1981 – 2005)

He does not hold any directorships in any other public listed companies. He has no family relationship with any Director and/ or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted for any offences within the past five years other than traffic offences, if any.

# **MANAGEMENT** COMMITTEE

## SURENDRAN PILLAY KUMARASAMY

SAFEAIR TECHNICAL SDN BHD,
EXECUTIVE DIRECTOR

Date of Appointment : March 2013

Areas of Expertise : Business Management and Logistics

Qualifications
- Licensed Aircraft Engineer - DCAM, CAAS, EASA
- Malaysia Airlines Aircraft Maintenance Engineering Graduate

Working Experience
- Maintenance Manager, Safeair Technical Sdn Bhd (2010 – 2014)
- Duty Engineer, Singapore Haeco Pte Ltd (2010)
- Maintenance Controller, AirAsia Berhad (2005 – 2010)
- Acting Maintenance Manager, Thai AirAsia, AirAsia Berhad (2004 – 2005)
- Licensed Engineer, AirAsia Berhad (2003 – 2004)
- Licensed Engineer, Malaysia Airlines Systems Berhad (1999 – 2003)

He does not hold any directorships in any other public listed companies. He has no family relationship with any Director and/ or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted for any offences within the past five years other than traffic offences, if any.

## MOHD FAIZAL ALLAUDIN

DETRAC SDN BHD,
EXECUTIVE DIRECTOR

Date of Appointment : August 2014

Areas of Expertise : Aerospace Engineer

Qualifications
- Degree in Aerospace Engineering, University Science Malaysia
- Master of Space Studies, International Space University, France

Working Experience
- General Manager, FAAS Engineering (2010 – 2014)
- Lecturer, School of Aerospace Engineering, USM (2003 – 2010)

He does not hold any directorships in any other public listed companies. He has no family relationship with any Director and/ or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted for any offences within the past five years other than traffic offences, if any.

## ALASTAIR JOHN BISSET

DESTINI ARMADA SDN BHD,
CHIEF EXECUTIVE OFFICER

Date of Appointment : September 2014

Areas of Expertise : General Management and Shipbuilding

Qualifications

- Bachelor of Science in Naval Architecture and Ocean Engineering from Glasgow University, Scotland
- Master of Science in Manufacturing Systems Engineering from Warwick University, England
- Doctorate (Hon) In International Defence Studies from The University of The Philippines

Working Experience

- Business Development Director, BAE Systems Plc (2013 – 2014)
- International Director, QinetiQ Plc (2002 – 2012)

He does not hold any directorships in any other public listed companies. He has no family relationship with any Director and/ or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted for any offences within the past five years other than traffic offences, if any.

## ZAINAL ABDULLAH

SYSTEM ENHANCEMENT RESOURCES
& TECHNOLOGIES SDN BHD,
CHIEF EXECUTIVE OFFICER

Date of Appointment : December 2012

Areas of Expertise : Marketing, Business Development and Engineering

Qualifications

- Diploma in Strategic and Defence Studies from University Malaya
- Diploma from Malaysia Armed Forces Command and Staff College

Working Experience

- Marketing Manager, DRB-Hicom-Deftech (2005 – 2007)
- Project Manager, Syarikat Malaysia Explosive Ordnans (2004)
- Technical Officer, Malaysia Armed Forces (1992 – 2003)

He does not hold any directorships in any other public listed companies. He has no family relationship with any Director and/ or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted for any offences within the past five years other than traffic offences, if any.

# **MANAGEMENT** COMMITTEE

## CHONG EU JIN

DESTINI OIL SDN BHD,
CHIEF EXECUTIVE OFFICER

Date of Appointment : May 2018

Areas of Expertise :

1. Transportation and Installation Of Offshore Structures
2. Subsea Production and Drilling Systems
3. Conductor Supported Platform for Marginal Field Development
4. Field Decommissioning and Well Plugging and Abandonment

Qualifications

- Bachelor of Engineering (Hons) Electrical and Electronic Engineering from University of Lincolnshire and Humberside, UK
- Business and Technology Education Council Higher National Diploma Mechatronics Engineering from Liverpool John Moores University, UK

Working Experience

- General Manager, Destini Oil Sdn Bhd (2015 - 2018)
- Regional Operations Manager, Aquaterra Energy Asia Pacific Sdn Bhd (2014-2015)
- Senior Manager –Cameron International Sdn Bhd (2009 - 2014)
- Regional Operations Manager, ProServ Offshore Sdn Bhd (2005-2009)
- Operations Manager, IEV Group Sdn Bhd (1999-2005)

He does not hold any directorships in any other public listed companies. He has no family relationship with any Director and/ or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted for any offences within the past five years other than traffic offences, if any.

## MOHD JAMIL ZULKIFLI

DESTINI AVIA TECHNIQUE SDN BHD,
GENERAL MANAGER

Date of Appointment : January 2016

Areas of Expertise : Engineering

Qualification

- BA (Hons) Engineering, University of Cambridge, UK

Working Experience

- Head of Engineering, DRB-HICOM Defence Technology (2011 - 2015)
- Principal Specialist, UNIKL – MIAT (2010 - 2011)
- Principal Engineer, Aricraft Design Centre Sdn Bhd (2006 - 2010)
- Program Manager, CTRM Sdn Bhd (2000 - 2006)
- Engineer, AIROD Sdn Bhd (1991 - 2000)

He does not hold any directorships in any other public listed companies. He has no family relationship with any Director and/ or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted for any offences within the past five years other than traffic offences, if any.

## BURHANUDIN NOORDIN ALI

INVATION AERO SDN BHD,
CHIEF EXECUTIVE OFFICER

Date of Appointment : May 2018

Areas of Expertise :

1. Business
2. Technical Management in Aerospace and Defence

Qualifications

- Masters of Business Administration from University of Strathclyde, Glasgow, Scotland – 2011-2014
- Bachelor of Science in Mechanical Engineering from Purdue Univeristy, West Lafayette, Indiana, USA – 1994-1988
- Member of the Royal Selangor Flying Club

Working Experience

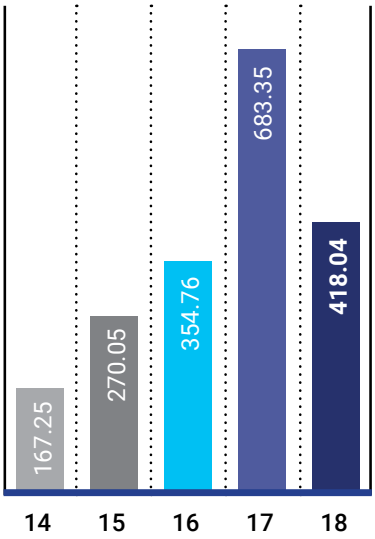
- Senior Vice President Aerospace and Defence, Contraves Advance Devices Sdn Bhd (2015 – Oct 2017)
- Vice President Aerospace and Defence, Contraves Advance Devices Sdn Bhd (Nov 2011 – Apr 2015)
- Engineering Manager, Spirit AeroSystems Malaysia Sdn Bhd (Feb 2009 – Nov 2011)
- Senior Design Engineer, BW Offshore Asia Sdn Bhd (Apr 2007 – Feb 2009)

He does not hold any directorships in any other public listed companies. He has no family relationship with any Director and/ or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted for any offences within the past five years other than traffic offences, if any.

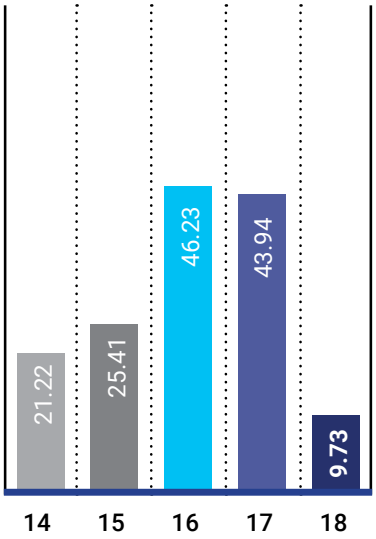
# OUR PERFORMANCE

| | '14 RM'000 | '15 RM'000 | '16 RM'000 | '17 RM'000 | '18 RM'000 |
|---|---|---|---|---|---|
| Revenue | 167.25 | 270.05 | 354.76 | 683.35 | 418.04 |
| Profit before tax | 21.22 | 25.41 | 46.23 | 43.94 | 9.73 |
| Profit after tax | 14.52 | 17.32 | 31.09 | 27.43 | 2.32 |
| Total Assets | 343.59 | 500.48 | 681.56 | 848.16 | 793.55 |
| Basic Earnings Per Share (sen) | 2.28 | 2.61 | 3.27 | 2.60 | 0.15 |
| Net Assets Per Share (sen) | 31 | 38 | 42 | 44 | 44 |

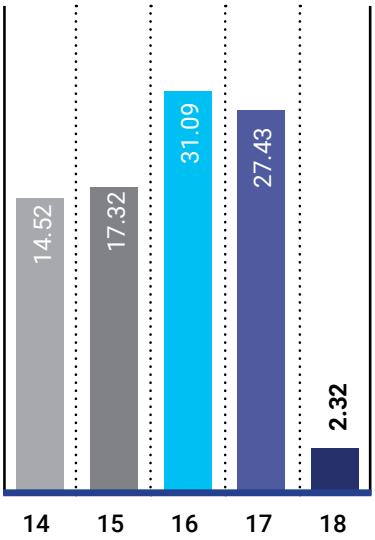
**REVENUE (RM'000)**



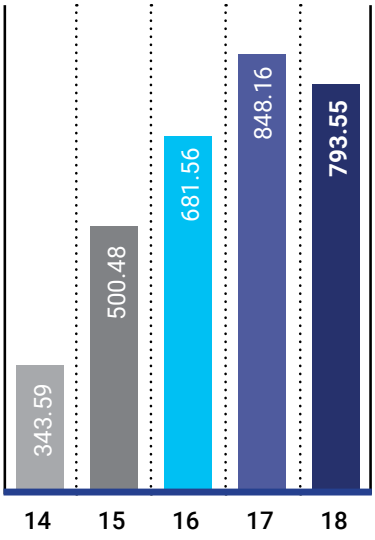

**PROFIT BEFORE TAX (RM'000)**



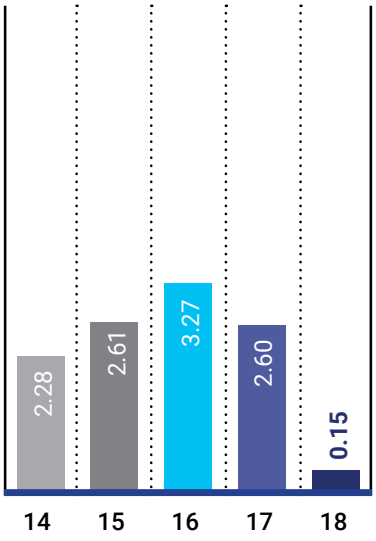

**PROFIT AFTER TAX (RM'000)**



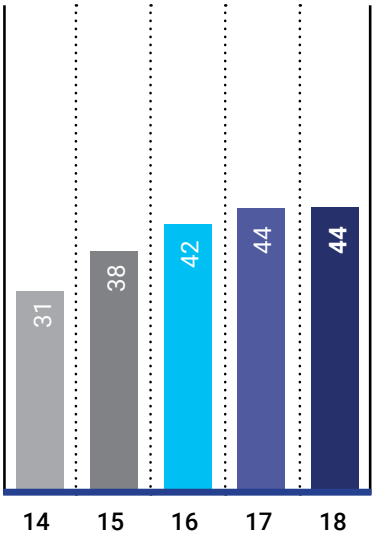

**TOTAL ASSETS (RM'000)**




**EARNINGS PER SHARE (SEN)**




**NET ASSETS PER SHARE (SEN)**



# CHAIRMAN'S STATEMENT

## DEAR SHAREHOLDERS,

**Despite facing external headwinds, the International Monetary Fund ("IMF") has praised Malaysia for its resilient performance in 2018 with an economic growth of 4.7%, achieving the equal estimated forecast. In tandem with a commendable performance of the local economy, it is with great pleasure to present Destini's Annual Report and Audited Financial Report for the financial year ended December 31, 2018 ("FY2018").**

**TAN SRI DATO' SRI RODZALI DAUD**
Independent & Non-Executive Chairman

The local economy has remained sustainable throughout the year, underpinned by robust growth from high domestic demand. The Malaysian Ringgit saw a mixed performance in 2018, mainly from external factors such as the Federal Reserve interest hike speculation, crude oil prices movement, the strengthening of the US Dollar and the fear of escalating trade war between the US and China. Domestically, Bank Negara Malaysia has taken prudent measures such as increasing the Overnight Policy Rate ("OPR") to keep the local currency in check.

## Corporate Developments

The year 2018 witnessed several positive corporate developments for the Group even though the global economy was in a state of volatility. Destini continued to strengthen its position in providing its MRO services for its four core businesses.

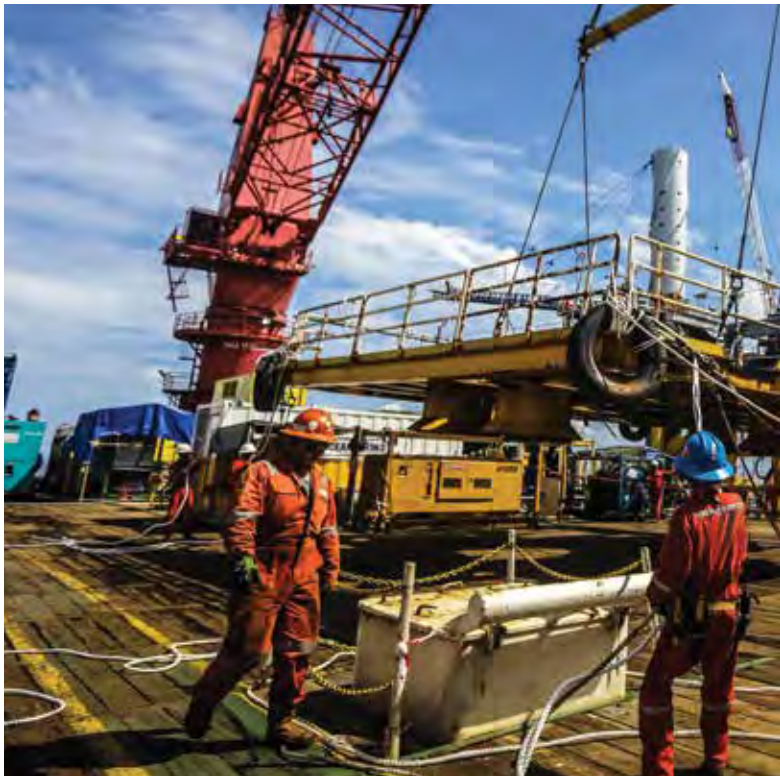
Sustaining its presence in the defence aviation business, Destini continues to provide MRO services and the supply of safety and survival equipment to the RMAF with an extension of its existing contract and an increase in the contract ceiling.

With oil prices recovering in 2018, oil majors have regained confidence to increase their activities in the upstream segment. DOS was awarded a three- year contract for the provision of tubular handling services ("TRS"), conductor installation and slot recovery equipment and services for the Pan Malaysia PAC Operators Drilling Program by Petronas Carigali Sdn Bhd ("PCSB"). This was followed by an award by Shell under the same PAC Operators Drilling Program.

Regionally, DOS managed to expand its oil and gas presence to Pakistan by becoming a TRS technical partner for Pakistan-based Lyallpur Oil Tool Pvt Ltd. In addition, DOS was also awarded a contract for TRS from POSCO Daewoo Corporation in Myanmar. These contract wins reinforces Destini's position as a global TRS provider and an increasingly positive outlook for the oil and gas industry.

# CHAIRMAN'S STATEMENT

For the decommissioning segment, DOS managed to secure a two-year umbrella contract from PCSB for the provision of well abandonment integrated services for the Pulai-B oilfield in Peninsular Malaysia. This further increases the Group's profile in the area of oilfield decommissioning and well abandonment.



### Financial Performance

Destini recorded a revenue of RM 418.04 million as compared to RM683.35 million in 2017, representing a decrease of 38.82%. Profit after tax and non-controlling interest ("PATNCI") was at RM 1.77 million, representing a decrease of 94% from RM28.85 million reported in the year before.

The Group's marine business remained as the Groups main revenue driver with a 59% contribution. This was followed by aviation at 20% and oil and gas at 11%. Destini's land systems contributed 10% to the Group's revenue.

The details of the Group's financial performance is discussed in this reports Management Discussion and Analysis from page 40 to 49.

## Destini remains cautiously optimistic on the operational and financial growth of the Group.

### Share Performance

Destini's share price performance was relatively encouraging during the first quarter of 2018. The Group saw its share price highest at 64 sen in February 2018. However, due to policy uncertainties during the year, Destini's share price was unable to hold through and slid 80% to 14 sen in December 2018.

The Group saw a slight rebound in its shares when it closed at 23 sen during the last trading day of 2018, closing with a market cap of RM363 million at the end of the year.

Destini's net assets per share rose slightly to 44.09 sen in FY2018 as compared to 44 sen reported in the previous year. Basic earnings per share however dipped to 0.15 sen from 2.60 sen in financial year ended December 31, 2017 ("FY2017").

### Moving forward

Destini remains cautiously optimistic on the operational and financial growth of the Group. During the year, there were several strategies that were laid out that will continuously be implemented in the years to come to ensure that Destini maintains a sustainable growth path. Oil prices, new policies, global economic and political stability remain as important catalysts for Destini to sustain its growth. While the Group remains optimistic that oil prices have stabilised and policies are still in check, Destini will remain vigilant with its spending and cautious in managing its four core business segments.

Destini's orderbook grew by 44.31% year-on-year is a testament to its capabilities and track record. This was made possible through its strategic initiative to increase contributions from its commercial businesses. To further enhance shareholders value, the Group is focused on optimizing operational efficiency and risk mitigation.

Moving forward, Destini will continue to expand its geographical footprint while adding more capabilities to its four core business segments. In addition, Destini also intends to leverage on its current partnerships to expand and diversify its capabilities. It will also forge new partnerships in the future to ensure that the Group's presence expands in its targeted regions.

## Sustainability

As a responsible corporate entity, we are committed to embracing sustainable practices across our organisation. This enables us to support the long-term growth of the Group and ensure that we make a positive impact in relevant areas.

## Appreciation

On behalf of the Board, I would like to take this opportunity to express our sincere appreciation to our stakeholders, who have been instrumental to our accomplishments during the year in review.

I would also like to extend my gratitude to our highly-experience Board members for their continued wisdom, guidance and support in helping us grow from strength to strength in 2018.

On behalf of the Group, I would like to extend a warm welcome to En. Mohd Shihabuddin Mukhtar to the Board as a non-independent and non-executive director who was appointed in October 2018. His well-established professional background and valuable expertise will certainly be an asset to the Group.

Last but not least, I would like to extend my gratitude to our Management Team and employees who have shown incredible support and pledge to the growth of the Group. Your exceptional commitment to work, dedication and passion throughout the year has helped translate our vision into strong business results.

Paving the path into 2019, I believe that we will all drive forward and advance throughout the year as we build Destini's dominant presence in the industry.

# MANAGEMENT DISCUSSION AND ANALYSIS BY PRESIDENT & GROUP CHIEF EXECUTIVE OFFICER

## THE YEAR IN REVIEW

In 2018, Destini continued to focus on its strategies to deliver sustainable long-term growth. The Group delivered a satisfactory performance during the year considering the operational challenges that were faced.

**DATO' ROZABIL ABDUL RAHMAN**
President & Group Chief Executive Officer

Destini operates in four major industries, namely aviation, marine, oil & gas and land systems. Each of these industries have different operational landscapes and challenges. However, a common denominator that had an effect on the Group was a slowdown in public expenditure from the Government's continuous caution over fiscal policies amid a background of high public debt as well as volatile crude oil and commodity prices.

Nonetheless, current public policies remain accommodative while crude oil prices have seen improvements that allowed oil and gas majors to increase their capital expenditure that were previously curtailed by the oil price crash in 2014. Recognising this, Destini has put in place strategies to capitalise on these circumstances in order to optimise returns for investors and stakeholders.

## Destini has a secured orderbook of RM1.34 billion (as at March 31, 2019) that will sustain the Group for the next three years.

Despite the headwinds, Destini has a secured orderbook of RM1.34 billion (as at March 31, 2019) that will sustain the Group for the next three years. The highest contributor to this figure comes from the Group's oil and gas business segment which gained confidence from improved oil prices.

Destini's wholly-owned subsidiary DOS was awarded a two-year umbrella contract by PCSB which saw the company receiving a work order for the provision of well abandonment integrated services worth RM20.2 million for the Pulai B oil field, off the coast of Terengganu.

The company was also awarded a contract for the provision of tubular handling, conductor installation and slot recovery equipment and services for the Pan Malaysia Petroleum Arrangement Contractors Operators Drilling Programme by PCSB. Work orders from this contract is expected to commence in 2019.

In addition, DOS has also managed to make inroads internationally by securing contracts worth a combined RM52.93 million in Pakistan and Myanmar. Contracts from Pakistan-based Lyallpur Oil Tool Pvt Ltd and POSCO Daewoo Corporation in Myanmar has reaffirmed DOS credentials as a major service provider in the TRS segment.

Destini's aviation business segment also saw progress when its wholly-owned subsidiary, DPSB accepted an award from the Malaysian Ministry of Defence for an additional RM138 million to provide MRO services and the supply of safety and survival equipment for the RMAF.

This contract was first awarded to Destini in 2013 and renewed in 2016 with an increased contract ceiling. The additional allocation above signifies the long-standing trust from the Government towards Destini in the provision of MRO services to the RMAF.

# MANAGEMENT DISCUSSION AND ANALYSIS
## BY PRESIDENT AND GROUP CHIEF EXECUTIVE OFFICER

On the commercial aviation front, Destini, via its subsidiary SAT, reached a new milestone by starting its Ground Handling operations in Kota Kinabalu, Sabah with the handling of a Chinese airline's maiden flight in December.

This will strategically equip SAT to operate as a full-fledged technical and ground handling service provider in Kota Kinabalu and tap into the opportunities to serve new customers given Kota Kinabalu's geographic location and its appeal to tourists as a major gateway to Borneo.

### Strategic Direction

While Destini has achieved many positives during the year under review, there were various challenges caused by changes in the political and economic landscape. In view of this, Destini increased its strategic focus on developing its commercial business segments to ensure a balanced portfolio for the Group while continuing to strengthen and improve its presence and capabilities in the Government segments. The results are evident in the Group's orderbook of RM1.34 billion of which 40% is attributable to Destini's commercial businesses.

As part of this strategy, Destini has also been aggressively expanding its geographical footprint. This was achieved via the expansion of its oil & gas and marine businesses into new territories, namely Saudi Arabia, Pakistan, Brunei, Indonesia, Myanmar and Vietnam.

Destini continuously strives to enhance its fundamentals while remaining competitive with its product and service offerings. With this, the Group has adopted several initiatives to grow organically within its core segments.

In the commercial aviation services segment, Destini expanded its service offerings to include ground handling on top of its traditional technical handling services. This is a complementary value adding service for its customers that will contribute to improving the performance of the segment.

Over at the commercial marine services segment, Destini added marine calibration services, marine automation systems and the supply and provision of MRO services for Life Saving Apparatus' ("LSA") in order to provide a comprehensive suite of services to better serve its customers in the marine industry. Destini has also formed a collaboration with an international marine safety expert to manufacture and co-brand LSA products.

Within the land systems segment, Destini has successfully developed a prototype of an electric bus which is currently being field tested in a controlled environment.

In order to enhance operational efficiencies, the Group has implemented an Enterprise Resource Planning ("ERP") system that integrates the various business processes of its subsidiaries into a centralized system. This enables the Group to streamline processes and information thus enabling greater accuracy and collaboration between its subsidiaries and departments across the globe.

Finally, Destini will also continue its focus on enhancing the Group's talent and workforce by improving capabilities and a continued emphasis on its performance driven culture.

## Risk Mitigation

At Destini, the Board and its Management is cognisant of its various financial, operational and business risks. The Group has implemented various measures in line with its risk management framework and internal controls to mitigate these risks.

To this end, a risk management working committee has been established which consist of professionals from all levels of the Group. The committee is tasked with developing a sound risk management framework and internal control policies to safeguard the interests of all stakeholders. The framework is intended to cover all aspects of risks relating to finance, operations and compliance in adherence to international best practices and MS ISO 31000 (2010), being the Malaysian Standard on risk management.

With the strategic direction that has been mapped out and the risk mitigation policies in place, Destini is confident of ensuring the long-term sustainability of its businesses.

## Financial Review

Destini remains prudent in maintaining a sound financial position that enables the Group to execute its strategic objectives while creating value to its businesses in the coming years. For its financial year ended 31 December 2018 ("FY2018") Destini's PATNCI slid to RM1.77 million from RM28.85 million in FY2017. The decrease in PATNCI was on the back of a 39.31% slide in revenue of RM418.04 million in FY2018 from RM683.35 million the year before.

During the year in review, Destini's decrease in earnings were as a result of lower recognition of revenue and profits from the supply of NGPC to the MMEA with this contract being at the tail-end of its tenure.

Additionally, several contracts had to be rescheduled due to a change in Government policies. These changes in schedule were mutually agreed upon between the Group and the Government. As such, Destini was unable to recognise the revenue from these contracts. Furthermore, several contracts that Destini secured during the year in review will only commence in the following year. The Group is confident of recognising revenue from the contracts above in 2019.

# MANAGEMENT DISCUSSION AND ANALYSIS
BY PRESIDENT AND GROUP CHIEF EXECUTIVE OFFICER

## BUSINESS PERFORMANCE REVIEW

## AVIATION

### Defence

- Destini's aviation defence business segment recorded a revenue of RM78.2 million in FY2018 from RM277.6 million in FY2017. The business segment recorded a lower PATNCI of RM12.49 million from RM33.1 million in FY2017.
- This was due to a reduction of MRO activities and the rescheduling of the delivery of six Multipurpose Armed Reconnaissance Helicopters for the Armed Forces to 2019.
- However, a positive development saw Destini receiving its second contract extension along with an additional ceiling value of RM138 million for its existing contract with the RMAF. This is a testament of the Government's trust in Destini to continuously maintain the nation's military assets.
- Existing contracts for the provision of MRO services to the RMAF, the Royal Malaysian Navy and the Royal Malaysian Police continues to contribute to the Group's recurring income.
- The Group is confident of the successful delivery of the Multipurpose Armed Reconnaissance Helicopters in 2019 which will enable Destini to extend its existing MRO capabilities to include rotary-wing aircraft.
- The Government is expected to reduce its spending on the procurement of new assets within the defence sector with an increased emphasis on maintaining its existing assets. Destini is well positioned in this regard as it has the capabilities and track record in maintaining the readiness of the nation's military assets.
- Destini will continue to strengthen its position by continuously improving its capabilities and performance as well as introducing new products and services.

### Commercial

- Destini's commercial aviation business segment recognised a revenue of RM5.4 million from RM4.7 million in 2017. This business segment remained in the red with LATNCI of RM5.2 million in FY2018 from a LATNCI of RM3 million the previous year.
- The Group diversified its commercial aviation capabilities into Ground Handling and secured its first customer at the Kota Kinabalu International Airport in Sabah.
- Destini secured a license from the Civil Aviation Administration of China for line maintenance work on China's aircrafts that flies to Malaysian Airports and is the first Malaysian company to have obtained this license from China.
- The Group has implemented an aggressive sales strategy to expand its Ground Handling customer base as well as increasing its coverage to other major airports in Malaysia. This will contribute positively towards the segment by enabling the Group to fulfil the market demand for a full-fledged technical and ground handling service operator.
- Through its 50:50 joint venture company with UK-based Avia Technique Ltd, DAT began offering MRO services for commercial airline slide rafts. Currently, DAT services aircraft safety components for Malaysian Airlines, AirAsia, AirAsia X and Lion Air.
- Leveraging on its UK counterpart, DAT is en route to obtaining its European Union Aviation Safety Agency ("EASA") certification. The company also plans to secure licenses from the Civil Aviation Authority of Thailand and Civil Aviation Authority of Singapore to enable it to service a wider range of customers while expanding its presence regionally.
- Malaysia sees an increase in airline passenger volume every year. In 2018, 99.03 million passengers passed through the country's 39 airports, a 2.5% increase from the previous year's passenger volume of 96.64 million. The increasing air traffic at Malaysian airports would provide more MRO opportunities for Safeair and DAT.

# MARINE

## Manufacturing

- Destini's marine manufacturing business segment saw a PATNCI of RM11.7 million on the back of RM200.6 million in revenue in FY2018. During the previous year, PATNCI was 25.8 million on the back of revenue of RM337.3 million.
- The lower earnings was due to the fact that the RM381.3 million contract for the supply of six NGPCs to the MMEA was at the tail-end of its tenure.
- In 2017, THHE Destini Sdn Bhd, a 49:51 joint venture company between THHE and Destini's wholly-owned subsidiary DSBE, secured a RM738.9 million contract to build three Offshore Patrol Vessels for the MMEA. The vessels are currently built at THHE's yard in Pulau Indah, Port Klang. Barring any unforeseen circumstances, the first vessel is expected for delivery in 2021. The OPV contract is expected to contribute positively to the Group in 2019.
- On commercial marine manufacturing, Destini's wholly-owned subsidiary Vanguarde Pte Ltd has built 60 lifeboats on 2018, an increase from 13 lifeboats from the year before. The increase in demand came mainly from the recovery in the oil & gas industry.

## Services

- The Group's marine services improved by reporting a PATNCI of RM1.8 million in FY2018 as compared to a LATNCI of RM2.3 million the year before. This was on the back of an increase in revenue of RM46.3 million from RM22.3 million in FY2017.
- Destini has invested in enhancing its facilities with new machinery to expand its existing ship repair services. By doing so, the Group expects its ship repair services to improve in 2019.
- Destini's wholly-owned subsidiary TF Corp returned to profitability due to the increase in MRO of lifeboats as a result of the recovery in the oil and gas industry.
- As part of the Group's long-term strategy for its marine services, TF Corp intends to venture into fleet management for shipping companies.
- In addition, TF Corp is also gearing to expand its network of service stations to include China, North Africa and Europe, which will enhance the Group's marine service chain as a whole.
- The company has also formed strategic alliances with reputed suppliers of LSA products to support its expansion plan.

# MANAGEMENT DISCUSSION AND ANALYSIS
BY PRESIDENT AND GROUP CHIEF EXECUTIVE OFFICER

## LAND SYSTEMS

- Destini's land systems business segment also saw improvements after reporting a PATNCI of RM2.1 million in FY2018 from a LATNCI of RM400,000 the year before. This was on the back of a 94% increase in revenue of RM39.4 million in FY2018 from RM20.3 million in FY2017.
- The improvement in earnings are from the delivery of 35 motor trollies and 2 road rail vehicles for KTMB during the year in review.
- The Group had also completed the delivery of six TATRA vehicles and six IVECO vehicles for the Malaysia Civil Defence Force in mid-2018.
- In addition, the Group has also embarked on the development of a prototype for an electric bus which is envisioned as an environmentally friendly last mile solution for the public transportation sector.
- Destini is also in constant engagement with the Government and rail operators for the supply and maintenance of rail systems in Malaysia and the region.

# OIL AND GAS

- The Group's oil and gas business segment narrowed its losses in FY2018 with a LATNCI of RM1.1 million from a LATNCI of RM15 million the year before. Revenue stood stronger at RM47.4 million from RM24.3 million in FY2017.
- Destini's oil and gas business segment saw positive momentum in 2018 as oil prices started to recover which was evident in DOS clinching four contracts.
- DOS secured a major contract from PCSB to be its primary TRS contractor for the PAC Operators' Drilling Programme in East Malaysia. This 3+2 year contract is expected to contribute positively to the company's earnings.
- In addition, DOS also secured another TRS contract from Shell under the same PAC Operators' Drilling Programme.
- DOS expanded its regional footprint by securing two TRS contracts in Myanmar and Pakistan, respectively.
- On the decommissioning segment, DOS was awarded an umbrella contract by PCSB for the provision of well abandonment integrated services and was followed by the award of its first work order shortly after.
- The numerous contract awards have fortified DOS's position as the only Malaysian Tubular Running Services company in the region and the only Malaysian company that has successfully completed a decommisioning project for Petronas in the last five years.
- Decommissioning is expected to be a major contributor to the company in the coming years as oil majors begin to embark on their well abandonment and decommissioning programmes. Petroliam Nasional Bhd's ("PETRONAS") in its "Activity Outlook Report 2019-2021" has guided a bullish decommissioning programme for the next three years while a report by Wood Mackenzie estimates up to USD100 billion worth of decommissioning jobs in the Asia-Pacific region in the coming decade.

# MANAGEMENT DISCUSSION AND ANALYSIS
BY PRESIDENT AND GROUP CHIEF EXECUTIVE OFFICER

## Dividend

In February 2018, Destini had announced its commitment to creating long-term value for its shareholders by adopting a dividend policy to pay an annual dividend of 30% to 40% of its full year profits from FY2018 onwards.

The dividend declaration and payment is subject to the cash generated from its operations after setting aside necessary funds for its working capital and business operation needs.

Barring unforeseen circumstances. Investors are to note that the Group's dividends are subject to changes based on Destini's capital base, capital market regulations and the Board's discretion.

## Prospects

Destini remains committed to maintain its profitability and optimise returns for shareholders. With strategies in place focusing on growing our commercial businesses organically coupled with geographic expansion, Destini is confident of delivering better results for the coming year while maintaining a discipline towards managing risks. In addition, Destini will strengthen its initiatives in talent development, process improvement, capabilities enhancement and cost optimisation.

Moving forward, Destini anticipates several avenues that would enable the Group to achieve its ambitions. Within the marine manufacturing segment, the Government has expressed its commitment to enhance the nation's maritime border security. This would entail the procurement of additional maritime assets to patrol and secure Malaysia's borders.

DSBE is well positioned with the necessary track record and expertise to fulfil these requirements. In addition, DSBE also has positioned itself to bid for the fabrication of both paramilitary and commercial vessels within the region.

Vanguarde is also expanding its capabilities to producing tender boats for the passenger cruise industry aside from its current lifeboat contracts for the oil & gas and marine industries. In addition to that, stringent regulatory requirements will require ship owners to improve their maintenance standards on lifeboats which would ensure added opportunities for TF Corp to extend its lifeboat MRO services.

DOS anticipates exciting times ahead due to the recovery in oil & gas prices. The company intends to leverage on the momentum that started in 2018 to secure additional contracts within its core expertise, namely TRS and oil field decommissioning. DOS is also constantly exploring strategic partnerships with industry experts to further enhance its capabilities.

Additionally, in an effort to strenghten our foorhold in the rail business, Destini intends to form partnerships with established rail companies to bid for various rail projects in Malaysia and the region.

As we move forward, Destini will continue to pursue sustainable growth strategies for its four main core businesses and enhance shareholders value.

# INVESTOR RELATIONS

Destini's investor relations initiative is spearheaded by the Group's Strategic Planning Department ("SPD"); a department that plays a crucial role in engaging and disseminating information on key developments of the Group to existing and potential shareholders and stakeholders.

The team is fully committed in providing complete, transparent and timely information to the investment community on the financial performance, strategies and future prospects of the Group. Their objective is to convey a fair and accurate representation of Destini to ensure that shareholders and stakeholders can formulate a balanced understanding on Destini's outlook.

The SPD facilitates a two-way communication between Destini and the investment community through meetings, conference calls, site visits and management participation in investment conferences to create better understanding of Destini's businesses.

Aside to being a medium for investors to be well informed on the Group's developments, the department also plays a central role in ensuring that Destini's Board and Management are constantly updated and given a thorough understanding on investor sentiment and sector trends in the wider investment landscape.

**Creating shareholder value**

In February 2018, Destini adopted a dividend policy to pay 30% to 40% of its full year profits of a calendar year from the financial year ended December 31, 2018. This is to ensure shareholders of the Group's commitment in enhancing long-term shareholders value and consistent cash returns through the declaration of dividends.

It should be noted that although Destini has committed to a dividend policy, this only describes the Group's intention and should not be constituted as a legally binding statement in respect of future dividends which are subject to the discretion of the Board.

It is also worth noting that Destini is a holding company and its income and ability to pay dividends is dependent upon income and dividends received from its subsidiaries.

**Communicating with shareholders**

Destini engages with its shareholders through dialogues and planned investor relation programmes which includes roadshows, meetings with institutional investors and regular analyst briefings.

Destini is tracked by the investment community and as at March 2019, three financial institutions provided coverage on the Group. Research reports written by analysts are compiled regularly and feedback are summarised to provide a comprehensive view of the Group from the investment community.

Aside from engaging with analysts and fund managers as a medium between Destini and public investors, the Group also takes on the initiative to engage with its shareholders during its Annual General Meeting ("AGM").

Destini's AGM's are led by its Independent & Non-Executive Chairman, Tan Sri Dato' Sri Rodzali Daud and President & Group Chief Executive Officer, Dato' Rozabil @ Rozamujib Abdul Rahman, who are accompanied by Destini's board of directors. During the AGM, shareholders are briefed on the market outlook, business and financial highlights, project progress and strategic initiatives going forward.

Aside from that, Destini supplements shareholder engagement with a dedicated investor relations page on its corporate website, https://www.destinigroup.com/investor-relations/. Our investor relations page provides corporate information, financial data, share price information and corporate announcements that are also listed on Bursa Malaysia Securities Berhad's company announcements.

The webpage was developed to provide timely disclosure of information on quarterly results, corporate developments and all material announcements, as required under Bursa Malaysia's Listing Requirements.

# COMMITMENT TO SUSTAINABILITY

Sustainability has always been a pillar of the Group's culture as we strived to achieve continuing growth and profitability in a safe, caring and sustainable environment. We recognise that sustainability practices are fast gaining importance as a criterion in investors' investment decisions.

In line with Bursa Malaysia Securities Berhad's Sustainability Reporting Guide, the Group's sustainability practices are to ensure that economic, environmental and social risks and opportunities are tied in with our governance framework and social responsibilities. This enables our corporate success and behaviour to be judged and measured by the public.

In this respect, our mission, as a responsible corporate citizen, is to ensure high standards of governance across our business to promote responsible business practices, manage environmental impacts, and meet the social needs of the community in which we operate, which is in line with our Environmental, Social and Governance Policy.

## OUR POLICY ON SUSTAINABILITY

- Embrace Sustainability in Organisation Culture
- Capitalise on Technology and Information
- Strengthen the Core
- Build Regional Global Connectivity
- Foster a High Performance Partnership

The Group continued success in maintaining a sustainable business and generating long-term shareholder value is influenced by several internal and external factors. Each material factor presents unique risks and opportunities to our organisation and is a key consideration in our approach to strategies formulation and execution as it substantially influences the assessments and decisions of our stakeholders. We regularly review these factors to assess their impacts on our business model over the near, medium and long term.

**SERVICE & PRODUCT QUALITY**

**TECHNOLOGY**

**MANAGEMENT**

**TALENT**

| ECONOMIC | ENVIRONMENT | SOCIAL |
|---|---|---|
| **Sustaining our economy**<br>Delivering sustainable returns to our shareholders<br><br>Delivering quality services and products to achieve customers' satisfaction | **Conserving our environment**<br>Protecting and preserving the environment | **Building a resilient workforce**<br>Ensuring a positive workplace for our employees<br><br>**Serving our community**<br>Contributing to the well-being of the community around us |

## OUR SCOPE OF REPORTING

This Statement covers Destini Berhad and its subsidiaries. Information disclosed in this Statement encompasses our core activities related to integrated engineering solutions for diverse segments in the aviation, marine, land system as well as oil and gas industries.

DESTINI

### Aviation

- Maintenance, repair & overhaul ("MRO") for the armed forces and civil airline aircraft and helicopters
- Supplies aviation safety and survival - related equipment
- Aircraft search, rescue and salvage
- Technical Line Maintenance and Fixed-base Operation Services for civil airlines
- MRO for civil airline component
- Ground handling services for commercial airlines

### Marine

- Fabricates vessels of up to 80 meters in length for defence and security vessels
- Manufactures lifeboats, fast rescue boats, davit systems and hooks
- Provides MRO services to defence and security vessels, lifeboats, davits, load testing equipment, fire safety and others
- Provides safety and survival-related equipment MRO for government and maritime agencies, locally and globally

### Land System

- Assembles, fabricates, refurbishment and MRO for the:
  - Vehicles of armed forces, police and other government agencies
  - Security vehicles for commercial use
  - Motor trollies, wagons and road-rail vehicles for the rail sector
  - Rail systems
- Supplies of electronic equipment, surveillance and tracking systems, spare parts, components and accessories

### Oil & Gas

- Oil field decommissioning and well plug abandonment
- Provides tubular handling equipment and running services for oil and gas exploration and production
- Provides bucking services and hammer services for well drilling
- Provides thru-tubing workover / completion systems and a variety of thru-tubing packer systems for remedial wellbore operations

This report cover data which had been compiled internally from 1 January 2018 to 31 December 2018. Where available and relevant, historical data of the preceding year has been included for comparison.

# SUSTAINABILITY GOVERNANCE

**Corporate Governance**

Sustainability is embedded in our organisational approach and is led from the top. The Board of Directors ("Board") plays a vital guidance and oversight role in advancing sustainability across the organisation with the assistance from the Senior Management to oversee the implementation of the organisation's sustainability approach and ensures that key targets are being met.

The Board also acknowledges that risk management and internal control are integral to our corporate governance and that it is responsible for establishing a sound risk management framework and internal control system as well as to ensure their adequacy and effectiveness. The review of the adequacy and effectiveness of the risk management framework and the system of internal control is delegated by the Board to the Risk Management Committee. The Group's performance is also tracked with the assistance of the Nomination and Remuneration Committee.

The responsibility of the Board to promote and embed sustainability in the Group includes overseeing the following:

**Board of Directors**

Oversees the Group's sustainability initiatives, and endorses the proposed sustainability initiatives and material sustainability matters related to the Group

| Audit Committee | Nomination and Remuneration Committee | Risk Management Committee |
|---|---|---|
| Reviews the Company's processes for produces timely and accurate financial data, and internal controls as well as oversees all risk management activities | Assists the Board in developing and establishing competitive remuneration policies and packages<br><br>Oversees matters related to the proposing suitable new candidates for appointment to fill the seats of Board and Senior Management | Assists the Board in overseeing all risk management activities within the Group and review the efficiency and effectiveness of the internal controls within the Group. |

- Stakeholders engagement.
- Materiality assessment and identification of sustainability risks and opportunities relevant to us.
- Management of material sustainability risks and opportunities.

**Ethical Business Practices**

The Board recognise the importance of ethical business conduct across the operations to maintain our stakeholders' trust. Our businesses are conducted with integrity through good governance as mentioned by the Code of Ethics and Conduct. Our Whistle Blowing Policy, uploaded on our website, provides all stakeholders a direct channel for reporting instances of misconduct that contradict to our Code of Ethics and Conduct and/or other non-compliance offences.

Good governance is the bedrock of our business, led by ethical business practises, integrity and professionalism. We have embedded the highest standards of governance in our business not only by complying with the law but through processes and directives that continue to reinforce the principles.

# STAKEHOLDERS ENGAGEMENT

We continued to engage our stakeholders actively throughout the fiscal year as part of our sustainability assessment process. Engagement with stakeholders allows us to gain a more complete understanding of our materiality issues and matters whilst, we are also able to capture the key aspects and impacts of our sustainability journey.

The table below lists our key stakeholder groups and their respective areas of interest as well as methods by which we engage them.

| STAKEHOLDERS | ENGAGEMENT METHODS | ENGAGEMENT AREA |
|---|---|---|
| **Shareholders** | • Annual & Extraordinary General Meetings<br>• Investors presentations<br>• Press releases<br>• Bursa announcements<br>• Quarterly report<br>• Annual report<br>• Timely update on corporate website | • Financial and operational performance<br>• Share price performance<br>• Dividend policy<br>• Return on investments |
| **Government** | • Compliances to laws and regulations | • Operation regulations<br>• Bursa Malaysia Listing Requirements<br>• Companies Act 2016<br>• Labour law<br>• Taxations<br>• Occupational Safety and Health Act, 1994<br>• Factories and Machinery Act 1997<br>• Factories and Machinery (Electric Passenger and Goods Lift) Regulation 1970 |
| **Board of directors** | • Board meetings | • Corporate strategy<br>• Corporate governance |
| **Employees/Union** | • Technical and skills trainings<br>• Performance appraisal<br>• Team building activities<br>• Employee engagement activities (events)<br>• Dialogues between employers and employees | • Occupational safety & health<br>• Remuneration policy<br>• Career development<br>• Performance review<br>• Fair employment practices |
| **Financial insitutions** | • Bursa announcements<br>• Quarterly report<br>• Annual report<br>• Timely update on corporate website | • Financial and operational performance<br>• Interest/Profit payment |
| **Customers** | • Regular meetings<br>• Marketing activities<br>• Sponsorship activities | • Customer satisfactions<br>• After-sales services<br>• Quality assurance<br>• Innovative services and products |
| **Suppliers** | • Regular meetings<br>• Quality audit on services and products<br>• Contract negotiation | • Services and products' quality<br>• Legal compliance |
| **Communities & Non Governmental Organisation** | • Conferences and Dialogues | • Socioeconomics development |
| **Communities** | • Community events | • Social contribution<br>• Job opportunities<br>• Donation and financial aid |
| **Analyst/Media** | • Annual & Extraordinary General Meetings<br>• Press conferences and media releases | • Financial and operational performance<br>• General announcements |

# MATERIAL SUSTAINABILITY MATTERS

## Economic

### Shareholders

Our shareholders are the ultimate owners of the Company and as such, they are entitled to timely and quality information on the Group's financial performance and position. From time to time, Destini engages with our shareholders through open dialogues and a planned investor relations programme which includes roadshows, meetings, and regular analyst briefings. These sessions are typically hosted by the Senior Vice President of the Strategic Planning Department and Executive Directors.

Apart from the Annual General Meeting where shareholders are encouraged to ask questions to the Board and Executive Management on business operations, and the financial performance and position of the Group, the Group's corporate website at www.destinigroup.com also provide a link on investor relations where quarterly and annual financial statements, announcements, financial information, annual reports, circulars/statements to shareholders and other pertinent information are uploaded on a timely basis when available.

### Customer, Products and Services

The Group is committed to see that not only our shareholders' interests are taken care of but also those of our customers and suppliers. For our customers, we will supply quality services and products which meet their satisfaction and expectations through continual improvements in technology, processes and services as the case may be. In order to ensure that our products are of consistent standard and quality, our management has internally established a Regulatory, Safety and Quality Assurance Department to establish, check and continually improve the continuity compliance as required by Statutory and/or Regulator bodies, Standard Certifying Agency, Customer and/or Original Equipment Manufacturer ("OEM"). This is also to ensure that we are able to achieve, sustain and continually improve the business relevant standard that directly impacts the business continuity.

## CUSTOMERS' SATISFACTION

- Internationally recognised best practices and international quality accreditation
- Experienced management and equipped with industry knowledge, extensive technical support and comprehensive training services
- Prompt delivery and reliable customer service
- Efficient after-sales service, create an integrated and resilient workforce

### AVIATION

In terms of quality control, our aviation operation is accredited by ISO 9001:2015 - Quality Management System in Maintenance, Repair, Overhaul, and Technical Assistance of: A) Safety and survival equipment; B) Electronics and electro-mechanical equipment; C) Auto-mechanical, crash & salvage and fire fighting equipment for aerospace, marine and defence industries.

It must be noted that, locally, we are Approved Maintenance Organisation for the services and maintenance of aircraft and safety and survival equipment which is certified by the Malaysian State Technical Airworthiness Authority, and also by Civil Aviation Authority Malaysia ("CAAM") for MRO activities that are governed by CAAM or Malaysian Civil Aviation Regulation.

We are also certified by aviation regulators from Singapore, Thailand, India, Vietnam, Sri Lanka and China to service airlines from those countries that fly into Malaysia.

Internationally, we are certified by Pipeline Hazardous Material Safety Agency of Department of Transport, from the United States of America as an Authorized Re-qualification Cylinder Service Station. This authorises our Group on requalification of the authorized cylinder specifications by the "hydrostatic" test method.

We are also proudly certified by several private and public authorities as an OEM authorised centre, preferred partner or supported service centre for the maintenance of aircraft ejection seat, safety equipment and others.

**MARINE**

For the marine segment, we are accredited with ISO 9001:2015 - Quality Management System on:

- provision of ship/boat building and ship/boat repair services; and
- inspection, repair, and service of lifeboats and davit systems.

In this respect, we are the Authorised Life Raft Service Station issued by Malaysian Marine Department in compliance to the International Maritime Organisation and/or Safety of Live at Seas Regulation.

Apart from that, internationally, our company is also certified by Lloyd's Register Group Limited as Approved Service Suppliers in servicing and maintenance of lifeboats, launching appliances, on-load release gear and davit-launched life-raft automatic release hooks.

American Bureau of Shipping, Bureau Veritas and DNV GL had been audited on our marine segment and given a satisfactory practical demonstration of our services. As such, Destini has been recognised worldwide as a qualified and trustable service provider in servicing/maintenance of lifeboats.

**LAND SYSTEM**

While for the land system segment, we are accredited with ISO 9001:2015 – Quality Management System in troubleshooting and repair of electronic equipment. We are also certified by the Ministry of International Trade and Industry of Malaysia for the fabrication of commercial vehicle bodies, and assembly of chassis bus and military vehicle.

**OIL & GAS**

For the oil & gas segment, we are accredited with ISO 9001:2015 – Quality Management System as well as ISO 18001:2007 – Occupational Health and Safety Management System on provision of tubular handling equipment and conductor installation services for oil & gas industry.

In conclusion, these certifications provide worldwide recognition and acceptance of our services and products. In respect of this, throughout the years, we have received several awards and appreciation letters from our business partners and associates as a token of appreciation of our services and products rendered.

Our services and products quality with international quality accreditation had gained us as one of the market leaders in this industry. Plus, Destini possesses teams of well equipped employees with industry knowledge who are able to manage and deliver customers' expectation.

**Business Model and Planning**

Destini has laid out several sustainability and growth strategies across all of its business segments to remain resilient to the external challenging operating environment and this includes diversifying its range of services and products within its core expertise.

The sustainability of Destini's businesses are strong as the Group is operating with a diversified portfolio of services and products in a high entry barrier industry and one of the major sources of revenue earnings was generated from recurring MRO business. Aside to that, there are many more possibilities for Destini to explore and expand its existing capabilities in the industries it has a foothold in.

Moving away from local shores, Destini is also constantly looking to extend its services and products to the wider global market. The Group is always in the mode of sourcing potential business partners in different markets to form strategic alliances. It opens up greater opportunity for the Group to grow internationally. From the current presence which spans from Australia, China, Malaysia, Middle East, Singapore, and United Kingdom, Destini is on the blueprint to expand its current business network to the American region and Southeast Asian countries it does not have a presence in as well.

# **MATERIAL** SUSTAINABILITY MATTERS

**Business Model and Planning (cont'd)**

Moving forward, Destini will also continuously focus on quality and delivery timeliness to achieve better customers' satisfaction. Intensive technical training shall be provided to our current operation personnel and recruitment of highly capable staff shall contribute to our Group's talent pool. In order to achieve high working standards at all times, revision and enhancement of the current working procedures shall be implemented in stages as well.

**Suppliers**

To our suppliers, we are committed to enhance our processes and engage with our suppliers to identify and manage risks, increase productivity and efficiency within the supply chain, underpinned by values of integrity and transparency. We look to create value, by looking for opportunities to collaborate and to share best practices with our suppliers. In compliance with ISO 9001:2015, every specification and materials involved in the production and operation processes are being closely monitored. Hence, our suppliers are filtered through careful selection ensuring only the ones with specific criteria's are met are engaged.

## Environment

**Operations**

As our business involves manufacturing in which is heavily regulated by the various regulatory bodies, the Group is conscious of complying with all applicable environmental laws, guidelines and regulations in relation to emission standards, noise level management and treatment of plant effluents and waste water. The Group is committed that the business does not generate any major environmental concerns.

Our standard operating procedures for environmental management includes:

- Preserving, conserving, minimising wastage of resources and ensuring that the work environment is free from pollution hazards;
- Complying with all acts, rules, regulations and orders of the Department of Environment; and
- Communicating clearly to all employees, customers and suppliers to instil in them the environmental awareness culture and values of our Group.

**Waste Management**

Proper waste disposal has wide-ranging implications on the environment and the surrounding communities' health. Eliminating waste altogether is obviously the ideal scenario though it is a daunting goal for the industry. The Group seeks to contribute whatever extent feasible towards the eventual realisation of total safe waste elimination. Part of the Group's commitment to waste management is ensuring the disposal of scheduled waste are in compliance with the Environmental Quality (Scheduled Wastes) Regulations, 2005. In this respect, the scheduled wastes will be packaged, labelled and transported in accordance with the prescribed Department of Environment guidelines and regulations. Moreover, we are also certified with ISO 14001:2015 - Environmental Management System in providing MRO of safety, survival, search, rescue equipment.

Paper recycling initiatives are already in progress by encouraging the employees to prioritise electronic means to share and store documents, and to reduce printing or photocopying, otherwise, to use double-sided printing. Additionally, other materials such as furnishing and fixture are recycled or reused where possible.

Waste segregation has been done by placing different bins in and around our warehouse. Waste segregation is planned to be fully implemented in the coming years throughout the Group where recycling stations will be set up in convenient locations.

**Water Saving Initiatives**

Water is a limited resource, and as the world continues to advance and the global population continues to grow, an increasing strain is being placed on the supply of clean water. Water conservation is therefore an area that our Group is working hard on, both improving the efficiency with which we use our water, as well as working to educate our employees and the public about the need to conserve it.

## Social

The Group recognised that employees are our greatest assets hence we proactively provide opportunities for growth and development for talent in the organisation through targeted development plans and succession planning. Ensuring our long-term sustainability, we continuously invest time and effort in recruiting (internal and external), upskilling, engaging and rewarding talents/employees of the organisation accordingly.

**Succession Planning**

For critical and leadership roles, succession planning is vital to our long-term performance as part of our Group's sustainability move. Our Nomination Committee will review the Group's human resources plan including the succession management framework and activities, human resources initiatives such as jobs and salary review, and the annual manpower budget. The succession planning across the Group is implemented by stages where the training programme is designed specifically for management staff.

**Safe Workplace**

The Group believes that the safety and well-being of its employees is the foundation of its success. Hence we strive to provide a safe and healthy environment for our employees and to ensure safe practices in all aspects of our business operations. The Group has in place a policy that highlights our commitment to:

- prevent injury and ill health to our employees;
- ensure compliance to laws and regulations in relation to occupational safety and health;
- require contractors to meet our occupational safety and health standards across all operations;
- set targets and measures to drive occupational safety and health performance across the organisation; and
- promote a culture where all employees share the commitment to prevent harm to the safety and health of our employees, contractors and the general public.

The Group is regularly engaging and educating employees to inculcate a culture of safety and compliance through safety and health training. In this context, the Group places utmost importance on compliance with all relevant health and safety laws and regulations such as Occupational Safety and Health Act, 1994 and Factory and Machinery Act, 1997, as well as Integrated Safety Management Manual approved by the Board of the Company.

Safety Induction Training was conducted for all of our newly joined employees. The programme is designed to train employees to become fully aware of the safety and health measures and to meet the Department of Occupational Safety and Health's guidelines. Workers are equipped with safety protective wear and equipment such as ear muffs for protection against noise pollution, goggles for protection against glare, dust, water and other particles, and gloves for the handling of chemicals or other potentially hazardous materials. Furthermore, safety briefings are compulsorily conducted to all factory visitors on the awareness of safety and health before entering to the factory.

**Talent Motivation and Skill Development**

The Group also recognises that the Industrial Revolution 4.0 will place pressure in organisations to continuously upskill and reskill their workforce, to stay relevant and productive. Employees are encouraged to attend internal or external training or pursue professional development to enhance their knowledge and skill for career enhancement and personal development, in the field of aviation and marine development, human resource management, technical skills, and others.

In the appointment and recruitment process, we pride ourselves on being an employer that provides equal opportunities and continuously seek to promote it regardless of religious belief, age, marital status, gender, family status or any disability. Our commitment in that respect applies to all areas of the working environment, all employment activities, resource allocation and all employment terms and conditions. Every employee is given an equal opportunity to rise up in their careers through hard work and dedication.

# **MATERIAL** SUSTAINABILITY MATTERS

**Talent Motivation and Skill Development (cont'd)**

We draw strength from the diversity and inclusiveness that is prevalent in our workplace. As at 31 December 2018, the total number of employees stood at 651 employees (2017: 595 employees), of which 18.7% (2017: 18.0%) is female and the remaining 81.3% (2017: 82.0%) is male. Having a diverse team of employees, across age, gender and industry experience, encourages open-minded dialogues, broadens our positive influence and reach, helps bridge gaps, and brings in new perspectives and strategies.

Apart from safety and promoting good health, motivation is an essential part of the Group's responsibility to our employees. The Group has on October and November 2018 organised team-building activities at Agrotek Garden Resort, Hulu Langat Selangor and Tadom Hill Resort, Banting Selangor respectively. These were leadership development programme that provides a highly personal experience that is tailored to help each leader and the subordinate get the most out of sessions by providing a safe environment for learning and skill practice and to be able to recognise stress levels amongst the staff and to drive a motivated harmonious culture in the workplace.

In addition to the day-to-day motivation measures, it is the Group's tradition to have a monthly lunch for its employees to mingle around. Given that our Group comprised multi-racial employees, as with previous years, our Group held a Majlis Berbuka Puasa, a ceremony to commemorate Muslim's breaking of fast during the holy month of Ramadhan, Hari Raya Aidilfitri, Chinese New Year, Deepavali, and Christmas & New Year celebrations and its represented a big part of our culture to foster stronger relationships amongst the staff across generations while celebrating the festival.

We are also delighted that the Group had on January 2018 organised its first Gala Night with the theme of Glitz & Glam at The Majestic Hotel, Kuala Lumpur where our staff locally and internationally of closed to 500 employees attended the event and meet as one big Destini family.

**Corporate Social Responsibility**

As we are deeply rooted in the community we operate, we actively engage in community outreach programmes and activities. We are proud of having the privilege to serve various segments of the community towards providing for social empowerment and helping to make a positive difference for people across all walks of life. We have from time to time made donations to various charitable organisation via Yayasan Destini, which was set up in December 2013. The mission of Yayasan Destini are as follows:

- Charity-Welfare Programmes - to fund and promote charitable events that encourage the improvement of socio-economic conditions especially to communities caught in the poverty cycle and former servicemen who have served in the armed forces.

- Religious Support - to provide support for New Muslims (converts) and their families by giving guidance on Islam through awareness programmes, structured classes and one-off seminars.

- Environmental Activities - to educate the community on the importance of environmental conservation as well as to enhance positive community engagement by becoming an active participant that supports sustainability initiatives.

Aside from this, we also ensure that the welfare and wellbeing of ex-servicemen who are retirees from the Air Force, Navy and Army are not neglected. It is a commitment by Destini to provide employment opportunities to ex-servicemen, ever since we commenced our business operations. We acknowledge that the ex-servicemen could contribute positively to the Company even after their retirement and that the valuable experience, skills and mastery in their industries can still be gainfully utilised. In this respect, the Group is proud that it has been a strong source of employment for these ex-servicemen for past years. This has raised the quality of life of these ex-servicemen as there is greater income stability and consequently, better and improved living standards and conditions.

## OUR COMMITMENT

As a responsible corporate citizen, the Group shall endeavour to undertake sustainable and responsible practices to add value to sustainable business growth, environmental stewardship and social responsibility.

| Rewarding our shareholder | Sustaining long term value | Advancing our business | Investing in our human resources | Contributing to society |
|---|---|---|---|---|
| Dividend Policy of paying an annual dividend of between 30% - 40% of its full year profits of any calendar | Investment in our resources to ensure long-term benefits to our various stakeholders | Reinvestment and diversification | Competitive remuneration, compensation, benefits and trainings | Continued upliftment of our society's well-being through taxes and donations |

# STATEMENT ON CORPORATE GOVERNANCE

The Board acknowledges that the practice of good corporate governance is an essential part in the Group's continued growth and success. Hence, the Board remains committed to attaining high standards of corporate governance within the Group through its support and application of the principles and best practices set out in Malaysian Code on Corporate Governance ("MCCG") to enhance business prosperity and maximise shareholders' value. In 2017, the MCCG, which supercedes its earlier edition, takes on a new approach to promote greater internalisation of corporate governance culture. The Board will continuously evaluate the Group's corporate governance practices and procedures, and where appropriate will adopt and implement the best practices as enshrined in MCCG to the best interest of the shareholders of the Company.

Set out below is a statement which outlines the application of the various principles and complied with the best practice provisions as laid out in MCCG throughout the financial year ended 31 December 2018 pursuant to Paragraph 15.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements"). The detailed application for each practice as set out in the MCCG is disclosed in the Corporate Governance Report which is available at the Company's website at www.destinigroup.com.

## BOARD OF DIRECTORS

### Board Composition

Our Board consists of eight (8) members, which comprises of an Independent & Non-Executive Chairman, a President & Group Chief Executive Officer, two (2) Executive Directors, one (1) Non-Independent & Non-Executive Director and three (3) Independent & Non-Executive Directors. The profiles of these Board members are laid out in pages 18 to 25 of this Annual Report.

The current composition of the Board provides an effective Board with a mix of industry specific knowledge, broad based business and commercial experience together with independent judgement on matters of strategy, operations, resources and business conduct.

The Board has identified and appointed Dato' Megat Fairouz Junaidi Tan Sri Megat Junid as the Senior Independent & Non-Executive Director of the Company to share the concerns of Directors to the President and Group Chief Executive Officer on sensitive issues of the Company and perform as the alternative contact person for shareholder communication.

### Boardroom Diversity

The Board is aware of the importance of boardroom diversity and is supportive of the recommendation of MCCG to the establishment of boardroom and workforce gender diversity policy. However, the Board does not adopt any formal gender diversity policy in the selection of new Board candidates and does not have specific policies on setting target for female candidates in the Group. The Group basically evaluate the suitability of candidates as new Board member or as a member of the workforce based on the candidates' competency, skills, character, time commitment, knowledge, experience and other qualities in meeting the needs of the Group, regardless of gender. Equal opportunity is given and does not practise discrimination of any form, whether based on age, gender, race and religion, throughout the organisation.

Nevertheless, the Board will evaluate and match the criteria of the potential candidate as well as considering the boardroom diversity for any new proposed appointment of directors of the Company in the future.

Currently, our Board members comprise of one (1) female director. In line with the country's aspirational target of 30% representation of women on boards, the Board may consider appointing more females onto the Board in future to bring about a more diverse perspective.

**Board Responsibilities**

The Board assumes responsibility for effective stewardship and control of the Group and its members have established terms of reference to assist them in the discharge of their responsibilities.

The Board retains full and effective control of the Group and has developed corporate objectives and position descriptions including the limits to management's responsibilities, which the management are aware of and are responsible for meeting.

The Board has a formal schedule of matters reserved to itself for decision, which includes the overall Group strategy and direction, investment policy, major capital expenditures, consideration for significant financial matters and review of the financial and operating performance of the Group.

The Board understands the principal risks of all aspects of the business that the Group is engaged in and recognises that business decisions require the incurrence of risk. To achieve a proper balance between risks incurred and potential returns to shareholders, the Board ensures that there are systems in place that effectively monitor and manage these risks view of the long term viability of the Group.

The principal roles and responsibility assumed by the Board are as follows:

- **Review and adopt strategic plan of the Group**

  The Board plays an active role in the development of the Group's overall corporate strategy, marketing plan and financial plan. The Board is presented with the short and long term strategy of the Group together with its proposed business plans for the forthcoming year. The Board also monitor budgetary exercise which supports the Group's business plan and budget plan.

- **Implementation of internal compliance controls and justify measure to address principle risks**

  The Board is fully alert of the responsibilities to maintain a proper risk management and internal control system. The Board's responsibilities for the Group's system of internal controls including financial condition of the business, operational, regulatory compliance as well as risk management matters.

- **To formulate and have in place an appropriate succession plan**

  The Board is responsible to formulate and have in place an appropriate succession plan encompassing the appointment, training, and determination of compensation for senior management of the Group, as well as assessing the performance of Directors and Committee members and, where appropriate, on the retirement and appointment of the members of the Board and Executive Directors.

- **Developing and implementing an investor relations program or shareholder communications policy for the Group**

  The Board recognises that shareholders and other stakeholders are entitled to be informed in a timely and readily accessible manner of all material information concerning the Company through a series of regular disclosure events during the financial year. Hence, the Company's website is the primary medium in providing information to all shareholders and stakeholders.

The roles and responsibilities of the Board are clearly defined in the Board Charter, which is available on the Company's website at www.destinigroup.com.

# **STATEMENT ON** CORPORATE GOVERNANCE

The Board will normally hold meetings at least four (4) times in each financial year to consider:

i) relevant operational reports from the management;
ii) reports on the financial performance;
iii) specific proposals for capital expenditure and acquisitions, if any;
iv) major issues and opportunities for the Company, if any; and
v) quarterly financial statements for announcement to authorities.

In addition, the Board will, at intervals of not more than one (1) year:

i) approve annual financial statements, and other reports to shareholders;
ii) consider and, if appropriate, declare or recommend the payment of dividends;
iii) review the Board composition, structure and succession plan;
iv) review the Company's audit requirements;
v) review the performance of, and composition of Board committees;
vi) undertake Board and individual Board member evaluations;
vii) review Board remuneration; and
viii) review risk assessment policies and controls and compliance with legal and regulatory requirements.

The roles and responsibilities of the Independent & Non-Executive Directors and Executive Directors are clearly defined and properly segregated. All the Independent & Non-Executive Directors are independent of the Executive Directors, management and major shareholders of the Company, and are free from any business or other relationship with the Group that could materially interfere with the exercise of their independent judgement. This offers a strong check and balance on the Board's deliberations.

The Executive Directors are responsible for the overall performance and operations as well as the corporate affairs and administrations of the Group. They are assisted by the senior management personnel of the Group in managing the business activities of the Group in the manner that is consistent with the policies, standards, guidelines, procedures and/or practices of the Group and in accordance with the specific plans, instructions and directions set by the Board.

The President & Group Chief Executive Officer holds the principal obligations in focusing, guiding, addressing, supervising, regulating, managing and controlling as well as communicating the Company's goals and objectives, as well as all significant corporate matters, corporate restructuring plans, business extension plans and proposals. The President and Group Chief Executive Officer, assisted by other Executive Directors, is also responsible for proposing, developing and implementing applicable and relevant new policies and procedures.

The Independent & Non-Executive Directors of the Company play a key role in providing unbiased and independent views, advice and contributing their knowledge and experience toward the formulation of policies and in the decision making process. The Board structure ensures that no individual or group of individuals dominates the Board's decision-making process. Although all the Directors have equal responsibility for the Company and the Group's operations, the role of the Independent Directors are particularly important in ensuring that the strategies proposed by the Executive Directors are deliberated on and have taken into account the interest, not only of the Company, but also that of the shareholders, employees, customers, suppliers and the community.

In discharging its fiduciary duties, the Board has delegated specific tasks to four (4) Board Committees namely the Audit Committee, Nomination and Remuneration Committee, Risk Management Committee and Option Committee. All the Board Committees have their own terms of reference and have the authority to act on behalf of the Board within the authority as lay out in the terms of reference and to report to the Board with the necessary recommendation.

**Board Charter**

As part of governance process, the Board has formalised and adopted the Board Charter. This Board Charter sets out the composition and balance, roles and responsibilities, operation and processes of the Board and is to ensure that all Board members acting on behalf of the Company are aware of their duties and responsibilities as Board members. The Board will periodically review the Board Charter and make any changes whenever necessary. A copy of the Board Charter is available at the Company's website at www.destinigroup.com.

**Code of Conduct and Ethics**

The Board is committed in maintaining a corporate culture, which engenders ethical conduct. The Board has formalised the Code of Conducts and Ethics which summarises what the Company must endeavour to do proactively in order to increase corporate value, and which describes the areas in daily activities that require caution in order to minimise any risks that may occur. The Code of Conduct and Ethics provides guidance for Directors regarding ethical and behavioural considerations and/ or actions as they address their duties and obligations during the appointment.

The Board will review the Code of Conduct and Ethics when necessary to ensure it remains relevant and appropriate. The details of the Code of Ethics and Conduct are available for reference at the Company's website at www.destinigroup.com.

**Promote Sustainability**

The Board ensures that the Company's strategies promote sustainability with attention given particularly to environmental, social and governance ("ESG") aspects of business, which underpin sustainability. The Board understands that balancing ESG aspects with the interests of various stakeholders is essential to enhancing investor perception and public trust. Disclosures on corporate responsibility are presented under Sustainability Report of this Annual Report.

**Whistle-blowing Policy**

The Board has formalised a Whistle-blowing Policy, with the aim to provide an avenue for raising concerns related to possible breach of business conduct, non-compliance of laws and regulatory requirements as well as other malpractices.

The main objectives of the policy are:

i) Be committed to the Company's business ethics of Honesty, Integrity and Transparency;
ii) To provide a transparent and confidential process for all parties to give information on non-compliances to the Code of Conduct and Ethics, or any misconduct regardless of his or her position, to an independent party to investigate the allegations and take the appropriate actions; and
iii) To uphold the moral duty being a Company by protecting the interest of all its stakeholders.

The details of the Whistle-blowing Policy are available for reference at the Company's website at www.destinigroup.com.

Stakeholders, who have suspected fraud, misconduct or any integrity concerns, are encouraged to fill up a Whistle Blowing Report Form and email to:

Attention : Dato' Megat Fairouz Junaidi Tan Sri Megat Junid
Designation : Audit Committee Chairman / Senior Independent & Non-Executive Director
Email : megatfj@gmail.com

# **STATEMENT ON** CORPORATE GOVERNANCE

**Board Meetings**

The Board held five (5) meetings during the financial year ended 31 December 2018. The details of Directors' attendances are set out below:

| Name of Directors | No. of meetings attended |
|---|---|
| Tan Sri Dato' Sri Rodzali Daud | 5/5 |
| Dato' Rozabil @ Rozamujib Abdul Rahman | 5/5 |
| Dato' Megat Fairouz Junaidi Megat Junid | 5/5 |
| Dato' Sri Dr Mohmad Isa Hussain (resigned on 18 October 2018) | 3/4 |
| Dato' Abd Aziz Sheikh Fadzir (resigned on 18 May 2018) | 2/2 |
| Dato' Che Sulaiman Shapie | 5/5 |
| Professor Datin Dr Suzana Sulaiman @ Mohd Suleiman | 5/5 |
| Abdul Rahman Mohamed Rejab | 5/5 |
| Ismail Mustaffa | 5/5 |
| Mohd Shihabuddin bin Mukhtar (appointed on 18 October 2018) | 0/1 |

The Board is satisfied with the level of time commitment given by the Directors of the Company towards fulfilling their duties and responsibilities. This is evidenced by the attendance record of the Directors as set out herein above.

Save for Mohd Shihabuddin Mukhtar, who was unable to attend any meeting held after his appointment as Director on 18 October 2018 due to overseas travelling, all other Directors have complied with the minimum 50% attendance requirement in respect of Board meetings held during the financial year ended 31 December 2018.

The Board meets on a quarterly basis, with amongst others, review the operations, financial performance, reports from the various Board Committees and other significant matters of the Group. Where any direction or decisions are required expeditiously or urgently from the Board between the regular meetings, special Board meetings maybe convened by the Company Secretaries, after consultation with the Chairman. Additionally, in between Board meetings, the Directors also approved various matters requiring the sanction of the Board by way of circular resolutions.

**Time Commitment and Directorship in Other Public Listed Companies**

All the Directors are required to devote sufficient time and efforts to carry out their responsibilities. Each Director is expected to commit time as and when required to discharge the relevant duties and responsibilities, besides attending meetings of the Board and Board Committees.

Each Board member is expected to achieve at least fifty percent (50%) attendance of total Board Meetings in any applicable financial year with appropriate leave of absence be notified to the Chairman and/or Company Secretaries, where applicable.

Under the Board Charter, the directorships in other public listed companies in Malaysia held by any Board member at any one time shall not exceed any number as may be prescribed by the relevant authorities. In addition, at the time of appointment, the Board shall obtain the Director's commitment to devote sufficient time to carry out his responsibilities. Directors are required to notify the Chairman before accepting any new directorship(s). The notification would include an indication of time that will be spent on the new appointment(s). Any Director is, while holding office, at liberty to accept other Board appointment in other companies so long as the appointment is not in conflict with the Company's business and does not affect the discharge of his/her duty as a Director of the Company. To ensure the Directors have the time to focus and fulfill their roles and responsibilities effectively, one (1) criterion as agreed by the Board is that they must not hold directorships at more than five (5) public listed companies as prescribed in Paragraph 15.06 of the Listing Requirements.

**Access to Information and Advice**

Unless otherwise agreed, notice of each meeting confirming the venue, time, date and agenda of the meeting together with relevant Board papers shall be forwarded to each director no later than seven (7) days before the date of the meeting. This is to ensure that Board papers comprising of due notice of issues to be discussed and supporting information and documentations were provided to the Board sufficiently in advance. Furthermore, Directors are given sufficient time to read the Board paper and seek for any clarification as and when they may need advice or further explanation from management and Company Secretaries. The deliberations of the Board in terms of the issues discussed during the meetings and the Board's conclusions in discharging its duties and responsibilities are recorded in the minutes of meetings by the Company Secretaries.

The Board has unrestricted access to all information within the Company as a full Board to enable them to discharge their duties and responsibilities and is supplied on a timely basis with information and reports on financial, regulatory and audit matters by way of Board papers for informed decision making and meaningful discharge of its duties.

In addition, all Directors have direct access to the advice and services of the Company Secretaries whoare responsible for ensuring the Board's meeting procedures are adhered to and that applicable rules and regulatory are complied with. External advisers are invited to attend meetings to provide insights and professional views, advice and explanation on specific items on the meeting agenda, when required. Senior management team from different business units are also invited to participate at the Board meetings to enable all Board members to have equal access to the latest updates and developments of business operations of the Group presented by the senior management team. The Chairman of the Board Committees, namely, the Audit Committee and Nomination and Remuneration Committee briefs the Board on matters discussed as well as decisions taken at the meetings of their respective Board Committees meetings.

When necessary, Directors may whether as a full Board or in their individual capacity, seek independent professional advice, including the internal and external auditors, at the Company's expense to enable the directors to discharge their duties with adequate knowledge on the matters being deliberated, subject to approval by the Chairman of the Board, and depending on the quantum of the fees involved.

**Qualified and Competent Company Secretaries**

The Board is supported by qualified and competent Company Secretaries who are responsible for ensuring that the Company's Memorandum and Articles of Association/ Constitution, procedures and policies and regulations are complied with. The Board is regularly updated and advised by the Company Secretaries on any new statutory and regulatory requirements in relation to their duties and responsibilities. The Board recognises that the Company Secretaries are suitably qualified and capable of carrying out the duties required. The Board is satisfied with the service and support rendered by the Company Secretaries in discharge of their functions.

The Company Secretaries attend all Board and all Board Committees meetings and ensure that meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are taken and maintained accordingly.

**Continuing Education Programs**

All Directors appointed to the Board have attended the Mandatory Accreditation Program ("MAP") as prescribed by Bursa Securities. The Board acknowledges that continuous training is essential in keeping the Directors abreast with changes in law and regulations, business environment and corporate governance developments, besides enhancing professionalism and knowledge in enabling them to discharge their duties more effectively. Although the Board does not have a policy requiring each Director to attend a specific number and types of training sessions each year, the Directors are encouraged to evaluate their own training needs on a continuous process and determine the relevant programmes/seminar /conferences that would enhance their knowledge to enable the Directors to discharge their responsibility more effectively.

# **STATEMENT ON** CORPORATE GOVERNANCE

The Board has undertaken an assessment of the training needs of each of each Director and ensured that all the Directors undergo the necessary training programme to enable them to effectively discharge their duties.

Details of seminars / conferences / training programmes attended by the Board members during the financial year as listed below:

| Name of Director | Seminars/Conferences/Training Attended |
|---|---|
| Professor Datin Dr Suzana Sulaiman @ Mohd Suleiman | Productivity Gain Measurement (PGM), Malaysian Productivity Corporation (MPC), The Saujana Hotel Kuala Lumpur from 18 to 19 December 2018 |
| | New Technologies And New Challenges For Transformational Leadership, Dewan Bistari, Intekma on 17 December 2018 |
| | 14th Asia Pacific Management Accounting Association (APMAA) 2018 Conference, Tokyo, Japan from 29 October to 1 November 2018 |
| | CIMA Train The Trainer Programme, CIMA Malaysia from 22 to 23 May 2018 |
| | Workshop On Strategic Planning 2108, Avillion Admiral Cove, Port Dickson from 7 to 9 February 2018 |
| Mohd Shihabuddin Mukhtar | Shanghai International Program For Development Evaluation Training, Shanghai from 26 to 30 November 2018 |
| | Malaysia A New Dawn 2018 Conference, Kuala Lumpur on 9 October 2018 |
| | Guru Series With Maybank Investment Bank On MYR Sukuk Experience, Project Financing And Islamic Structures, Bangi from 19 to 20 September 2018 |
| | Meir Statman Talk On Behavioral Finance, Kuala Lumpur on 4 September 2018 |
| | Economist Intelligence Unit Briefing Session On Global Financial Risk, Putrajaya on 7 August 2018 |
| Abdul Rahman Mohamed Rejab | Balanced Scorecard Workshop, Glenmarie on 4 July 2018 |

Saved as disclosed above, other Directors of the Company were not able to select any suitable training programmes to attend during the financial year due to overseas travelling commitment and their busy work schedule. However, they have constantly been updated with relevant reading materials and technical updates, which will enhance their knowledge and equip them with the necessary skills to effectively discharge their duties as Directors of the Company. In addition, during the financial year under review, the Directors would be updated on recent developments in the areas of statutory and regulatory requirements from the briefing by the External Auditors, the Internal Auditors and the Company Secretaries during the Committee and/or Board meetings and suitable training and education programmes were identified for their participation from time to time.

## NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee ("NRC") was established comprising exclusively of Independent & Non-Executive Directors.

The present members of the NRC are:

| | |
|---|---|
| Chairman | Tan Sri Dato' Sri Rodzali Daud |
| Members | Dato' Megat Fairouz Junaidi Tan Sri Megat Junid |
| | Dato' Che Sulaiman Shapie |

The NRC meets when required and is entrusted, among others, with assessing the balance composition of Board members, nominate the proposed Board member by looking into his skills and expertise for contribution to the Company on an ongoing basis, reviewing the performance of the Directors and examining the remuneration packages and other benefits of the Directors.

The Terms of Reference of the NRC can be viewed at the Company's website at www.destinigroup.com.

The NRC shall meet at least once a year unless otherwise determine by the NRC. The quorum for meeting and/or for the sanction and endorsement of approvals in writing shall be at least two (2) members, of which at least one (1) shall be an independent director.

The summary of activities undertaken by the NRC during the financial year included the following :

i) Reviewed the effectiveness of the Board, as a whole, Board Committees and individual Directors and make appropriate recommendation to the Board;

ii) Reviewed and recommended the re-election of Directors at the forthcoming Annual General Meeting in accordance with the Company's Articles of Association;

iii) Reviewed and recommended the payment of Directors' fees and other benefits payable to the Directors;

iv) Reviewed and recommended the appointment of Mohd Shihabuddin Mukhtar as Non-Independent Non-Executive Director; and

v) Reviewed and recommended the remuneration package of Mohd Shihabuddin Mukhtar as Non-Independent Non-Executive Director.

**Criteria for Recruitment**

The appointment of new Directors is the responsibility of the full Board after considering the recommendations of the NRC. As a whole, the Company maintains a very lean number of Board members. The Board appoints its members through a formal and transparent selection process which is consistent with Articles of Association/ Constitution of the Company. This process has been reviewed, approved and adopted by the Board. New appointees will be considered and evaluated by the NRC. The NRC will then recommend the candidates to be approved and appointed by the Board. The Company Secretaries will ensure that all appointments are properly made, and that legal and regulatory obligations are met.

Generally, the Board adopts a flexible approach when selecting and appointing new directors depending upon the circumstances and timing of the appointment. The NRC will help assess and recommend to the Board, the candidature of directors, appointment of directors to board committees, review of Board's succession plans and training programmes for the Board.

# **STATEMENT ON** CORPORATE GOVERNANCE

In assessing suitability of candidates, consideration will be given to the core competencies, commitment, contribution and performance of the candidates to ensure that there is a range of skills, experience and diversity (including gender diversity) represented in addition to an understanding of the Business, the Markets and the Industry in which the Group operates and the accounting, finance and legal matters.

In general, the process for the appointment of director to the Board is as follows:

(i) The NRC reviews the Board's composition through Board assessment/evaluation;

(ii) The NRC determines skills matrix;

(iii) The NRC evaluates and matches the criteria of the candidates, and will consider diversity, including gender, where appropriate;

(iv) The NRC recommends to the Board for appointment; and

(v) The Board approves the appointment of the candidates.

Factors considered by the NRC when recommending a person for appointment as a director include:

(i) the merits and time commitment required for a Non-Executive Director to effectively discharge his or her duties to the Company;

(ii) the outside commitments of a candidate to be appointed or elected as a Non-Executive Director and the need for that person to acknowledge that they have sufficient time to effectively discharge their duties; and

(iii) the extent to which the appointee is likely to work constructively with the existing directors and contribute to the overall effectiveness of the Board.

**Criteria for Board Assessment**

The NRC would conduct an assessment of the performance of the Board, as a whole, Board Committees and individual Directors, based on a self-assessment approach on an annually basis. From the results of the assessment, including the mix of skills and experience possessed by Directors, the Board will consider and approve the recommendations on the re-election and re-appointment of Directors at the Company's forthcoming Annual General Meeting, with a view to meeting current and future requirements of the Group.

The criteria used by the NRC in evaluating the performance of individual, including contribution to interaction, integrity, competency and time commitment of the members of the Board and Board Committees in discharging their duties, are in a set of questionnaires. Each of the Directors will perform a self-assessment on an annually basis. The Board did not engage any external party to undertake an independent assessment of the Directors.

Based on the assessment conducted for the financial year 2018, the Board and the NRC were satisfied with the current size, composition as well as the mix of qualifications, skills and experience among the Board members and the independence of its Independent & Non-Executive Directors.

**Re-election of Directors**

In accordance with the Company's Articles of Association/ Constitution, all Directors who are appointed by the Board are subject to election by shareholders at the next Annual General Meeting after their appointment. The Articles of Association/ Constitution also provide that at least one third (1/3) of the remaining Directors are subject to retirement by rotation at least once every three (3) years at each Annual General Meeting and retiring Directors can offer themselves for re-election.

Upon the recommendation of the NRC and the Board, the Directors who are standing for re-election and re-appointment at the forthcoming Annual General Meeting of the Company to be held in 2019 are as stated in the Notice of Annual General Meeting.

**Annual Assessment of Independence**

Annual assessments will be conducted by NRC on annually basis and the criteria for assessment covers areas such as contributions to interaction, roles and responsibilities and quality of input to enhance the Board's effectiveness. The independence of Independent Directors was assessed based on their relationship with the Group and their involvement in any significant transactions with the Group including their ability to exercise independent judgment at all times and based on the criteria set out in the Listing Requirements of Bursa Securities.

Based on the assessment carried out during the financial year ended 31 December 2018, the Board was satisfied with the level of independence demonstrated by all the Independent Directors and their ability to act in the best interests of the Company during the financial year under review, and that each of them continues to fulfill the definition of independence as set out in the Listing Requirements of Bursa Securities.

**Tenure of Independent Directors**

The tenure of an independent director should not exceed a cumulative term of nine (9) years. Upon completion of nine (9) years, an independent director may continue to serve on the Board subject to the directors' re-designation as a non-independent director. For the Board to justify and seek shareholders' approval for retaining a person who has served in that capacity for more than nine (9) years, as an independent director, the NRC/Board must conduct a rigorous review to determine whether the Director is independent in character and judgment, taking into account the need for progressive refreshing of the Board.

However, as recommended by the MCCG, upon completion of the nine (9) years, an independent director may continue to serve on the Board subject to the director's re-designation as a non-independent director. In the event the Board intends to retain such Director as Independent Director after the latter has served a cumulative term of nine (9) years, the Board must justify the decision and seek shareholders' approval at a general meeting, normally the annual general meeting of the Company. If the Board continues to retain the Independent Director after the twelfth (12) years, the Board will seek annual shareholders' approval through a two-tier voting process.

As at the date of this statement, none of the independent directors had served the Company for more than nine (9) years.

**Separation of Positions of President & Group Chief Executive Officer**

During the financial year under review, the Company has complied with the recommendation of the MCCG where the positions of the Chairman and President & Group Chief Executive Officer are held by different individuals, and that the Chairman is a non-executive member of the Board.

The roles of the President & Group Chief Executive Officer are clearly defined and segregated, to ensure appropriate balance of power and authority, increased accountability and enhanced capacity of the Board for independent decision-making. The Chairman is not related to the President & Group Chief Executive Officer and is responsible in leading the Board in the oversight and supervision of the Group's management; whilst the President & Group Chief Executive Officer is responsible for the day-to-day operations of the Group, making strategic business decision and implementing the Board's policies and decisions.

**Independent Chairman**

During the financial year under review, the Board was chaired by an Independent & Non-Executive Director.

The Chairman being an Independent & Non-Executive Director, did not involve in the day-to-day management of the Group's business and had no relationship that could materially interfere with his judgment.

The Board therefore believes that balance of power and authority exists within its current structure to sufficiently enable them to discharge their duties objectively.

# **STATEMENT ON** CORPORATE GOVERNANCE

## DIRECTORS' REMUNERATION

The NRC is responsible for reviewing the performance of the Executive Directors and recommending to the Board the remuneration package in line with the contributions made by them for the year. The remunerations of the Executive Directors are determined fairly based on the performance and the profitability of the Group as a whole. The Directors' remuneration is at the discretion of the Board, taking into account the comparative market rates that commensurate with the level of contribution, experience and participation of each Director. The overriding principle adopted in setting the remuneration packages for the Executive Directors by the NRC is to ensure that the Company attracts and retains the appropriate Directors of the calibre needed to run the Group successfully.

The determination of the remuneration for Non-Executive Directors is a matter of the Board as a whole. The level of remuneration for Non-Executive Directors reflects the amount paid by other comparable organisations, adjusted for the experience and levels of responsibilities undertaken by the particular Non-Executive Directors concerned. The remuneration package of Non-Executive Directors will be a matter to be deliberated by the Board, with the Director concerned abstaining from deliberations and voting on deliberations in respect of his individual remuneration. In addition, the Company also reimburses reasonable out-of-pocket expenses incurred by all the Non-Executive Directors in the course of their duties as Directors of the Company. The aggregate annual Directors' fees and other benefits payable are to be approved by the shareholders at the Annual General Meeting based on recommendations of the Board.

Details of the Directors' remuneration paid or payable to all Directors of the Company (both by the Company and the Group) for the financial year ended 31 December 2018 are as follows:

| Director | Company | | Group | |
|---|---|---|---|---|
| | Fees (RM) | Salaries and * Other emoluments (RM) | Fees (RM) | Salaries and * Other emoluments (RM) |
| Tan Sri Dato' Sri Rodzali Daud | 180,000 | 20,000 | 180,000 | 20,000 |
| Dato' Rozabil @ Rozamujib Abdul Rahman | Nil | 1,176,800 | Nil | 1,176,800 |
| Dato' Sri Dr Mohmad Isa Hussain | 47,742 | 8,000 | 47,742 | 8,000 |
| Dato' Megat Fairouz Junaidi Tan Sri Megat Junid | 60,000 | 19,000 | 60,000 | 19,000 |
| Dato' Abd Aziz Sheikh Fadzir | Nil | 4,000 | Nil | 4,000 |
| Dato' Che Sulaiman Shapie | 120,000 | 16,500 | 120,000 | 16,500 |
| Prof Datin Dr Suzana Sulaiman @ Mohd Suleiman | 60,000 | 15,500 | 60,000 | 15,500 |
| Abdul Rahman Mohamed Rejab | Nil | 303,200 | Nil | 303,200 |
| Ismail Mustaffa | Nil | 521,600 | Nil | 521,600 |
| Mohd Shihabuddin Mukhtar | 12,258 | Nil | 12,258 | Nil |
| **Total** | **480,000** | **2,084,600** | **480,000** | **2,084,600** |

* Other emoluments include the meeting allowance and other benefits and allowance payable to the Directors' of the Company.

The aggregate remuneration paid to the Senior Management of the Group during the financial year analysed into bands of RM50,000 are as follows:

| Range of Remuneration | Number of Senior Management |
|---|---|
| RM100,001 to RM150,000 | 4 |
| RM150,001 to RM200,000 | 2 |
| RM200,001 to RM250,000 | 2 |
| RM250,001 to RM300,000 | 2 |
| RM300,001 to RM350,000 | 2 |
| RM350,001 to RM400,000 | 1 |
| RM400,001 to RM450,000 | 4 |

Details of total remuneration received by the senior management are not disclosed in this report as the Board is of the view that the above remuneration disclosure by band satisfies the accountability and transparency aspects of the MCCG.

## RISK MANAGEMENT COMMITTEE

The Risk Management Committee was established on April 2019 comprising the following members:

Chairman Tan Sri Dato' Sri Rodzali Daud
Members Prof Datin Dr Suzana Sulaiman @ Mohd Suleiman
Abdul Rahman Mohamed Rejab

The functions of the Risk Management Committee is to oversee the risk management matters relating to the activities of the exchange holding company and its subsidiaries ("the Group") and assists the Board to fulfil its responsibilities with regard to risk management in order to manage the overall risk exposure of the Group. The RMC is also responsible to oversee the compliance function and monitoring the overall compliance of the Group.

## OPTION COMMITTEE

The Option Committee was established on 27 February 2014 comprising the following members:

Chairman Dato' Rozabil @ Rozamujib Abdul Rahman
Members Dato' Megat Fairouz Junaidi Tan Sri Megat Junid
Dato' Che Sulaiman Shapie

The functions of the Option Committee is to administer the implementation of the Employee Share Option Scheme ("ESOS") in accordance with the objectives and regulations set out in the By-Laws, make rules and regulations or impose such terms and conditions in such manner as it deems fit and with such powers and duties as are conferred upon it by the Board.

The ESOS approved by the shareholders of the Company at the Extraordinary General Meeting held on 10 February 2014, is the only share scheme in existence during the financial year.

# STATEMENT ON CORPORATE GOVERNANCE

## COMMUNICATION BETWEEN THE COMPANY AND ITS SHAREHOLDERS AND INVESTORS

### Corporate disclosure policies and procedures

The Group values dialogue and recognises the need to communicate with its investors, thus encouraging constructive two-way communication. The Group uses several channels to appropriately inform its investors of major developments and of the operations of the Company through disclosures and announcements made to Bursa Securities, press releases, annual reports and the Board also has the option to arrange meetings with analysts or investors, if necessary.

In order to maintain its commitment of effective communication with shareholders, the Group embraces the practice of comprehensive, timely and continuing disclosures of information to its shareholders as well as the general investing public.

The practice of disclosure of information is to adopt the best practices recommended in the MCCG with regard to strengthening engagement and communication with shareholders, it is not only established to comply with the Listing Requirements of Bursa Securities.

The Group also endeavours to provide additional disclosures of information on a voluntary basis, where necessary. The management believes that consistently maintaining a high level of disclosure and extensive communication is vital to shareholders and investors in making informed investment decisions. The Company strives to provide a high level of transparency reporting in order to provide value for stakeholders.

Besides the above, the Company's Annual Report, circulars and financial results are dispatched on an annual basis to the shareholders to provide an overview of the Group's business activities and performances. The Share Registrar is available to attend to administrative matters relating to shareholder interests.

### Leverage on Information Technology for Effective Dissemination of Information

The Company's website at www.destinigroup.com incorporates an Investor Relations section which provides all relevant information on the Company accessible to the public. This section enhances the Investor Relations function by including all announcements made by the Company and its annual reports.

The quarterly financial results are announced via Bursa LINK after the Board's approval. This is important in ensuring equal and fair access to information by the investing public.

Shareholders and investors may also forward their queries to the Company via email to info@destinigroup.com.

### Dialogue with Shareholders

In addition to the dissemination of information to shareholders and other interested parties via announcements to Bursa Securities, its website, circulars and press releases, the Board is of the view that the annual and any extraordinary general meetings as ideal opportunities to communicate with shareholders.

During general meetings, the Chairman or the President & Group Chief Executive Officer of the Company will brief shareholders on the Company's projects and elaborate further on proposals for which the approval of shareholders is being sought.

Whilst the Company endeavours to provide as much information as possible to its shareholders, it is also mindful of the legal and regulatory framework governing the release of material and price-sensitive information.

**Annual General Meeting ("AGM")**

The AGM is the principal forum for dialogue with the shareholders. As recommended by the MCCG, the notice of AGM will be despatched to shareholders at least twenty eight (28) days before the AGM, to allow shareholders to have additional time to go through the Annual Report and make the necessary attendance and voting arrangements. The Notice of AGM, which sets out the business to be transacted at the AGM, is also published in a major local newspaper. The Board will ensure that each item of special business included in the notices of the AGM or extraordinary general meeting is accompanied by a full explanation of the effects of any proposed resolution. At the AGM, the Board will present to the shareholders with a comprehensive report on the progress and performance of the Group and the shareholders are encouraged to participate in the questions and answers session there at, which they will be given the opportunity to raise questions or seek more information during the AGM. Informal discussions will be conducted between the Directors, senior management staff, the shareholders and investors before and after the general meetings.

The 15th AGM Notice has been issued to the shareholders on 30 April 2019. Apart from contacts at general meetings, there is no other formal program or schedule of meetings with investors, shareholders, stakeholders and the public currently. However, the management has the option of calling for meetings with investors/analysts if it deems necessary. Thus far, the management is of the opinion that the existing arrangement is suffice.

**Attendance of Directors at General Meetings**

The tentative dates of the AGM will be discussed and fixed by the Board in advance to ensure that each of the Directors is able to make necessary arrangement to attend the planned AGM.

At the Fourteenth (14th) AGM of the Company held on 30 May 2018, all the Directors were present in person to engage directly with shareholders, and be accountable for their stewardship of the Company.

**Poll Voting**

In line with Paragraph 8.29A of the Listing Requirements, the Company will ensure that any resolution set out in the notice of any general meeting, or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting, is voted by poll. At the same time, the Company will appoint at least one (1) scrutineer to validate the votes cast at the general meeting.

**Effective Communication and Proactive Engagement**

The Group maintains its effective communication with shareholders by adopting timely, comprehensive, and continuing disclosures of information to its shareholders as well as the general investing public and adopts the best practices recommended by the MCCG with regards to strengthening engagement and communication with shareholders.

To this end, the Group relies on the following channels for effective communication with the shareholders and stakeholders:

i) Interim financial reports to provide updates on the Group's operations and business developments on a quarterly basis;

ii) Annual audited financial statements and annual report to provide an overview of the Group's state of governance, state of affairs, financial performance and cash flows for the relevant financial year;

iii) Corporate announcements to Bursa Securities on material developments of the Group, as and when necessary and mandated by the Listing Requirements; and

iv) Annual General Meetings.

# STATEMENT ON CORPORATE GOVERNANCE

Shareholders and stakeholders may raise their concerns and queries by contacting the Registered Office of the Group, the details of which as provided under the "Corporate Information" section of this Annual Report. The Share Registrar is also available to attend to administrative matters relating to shareholder interests. As recommended by the MCCG, the Company has appointed a Senior Independent & Non-Executive Director to whom queries and concerns regarding the Group may be conveyed.

## UPHOLD INTEGRITY OF FINANCIAL REPORTING

### Compliance with Applicable Financial Reporting Standards

The Board strives to provide shareholders with a balanced and meaningful evaluation of the Group's financial performance, financial position and prospects through the annual audited financial statements, interim financial reports, annual report and announcements to Bursa Securities.

The interim financial reports, annual audited financial statements and annual report of the Group for the financial year ended 31 December 2018 are prepared in accordance with the Malaysian Financial Reporting Standards, Listing Requirements and the Companies Act, 2016. The Board is assisted by the Audit Committee in overseeing the financial reporting processes and ensuring the quality of its financial reporting.

### Risk Management and Internal Control

The Board is entrusted with the overall responsibility of continually maintaining a sound system of internal control, which covers not only financial controls as well as risk management, and the need to review its effectiveness regularly in order to safeguard shareholders' investments and the Company's assets. The internal control system is designed to access current and emerging risks, respond appropriate to risks of the Group.

As an effort to enhance the system of internal control, the Board together with the assistance of the internal auditors adopted on-going monitoring and review to the existing risk management process in place within the aim of formalising the risk management functions across the Group. This function also acts as a source to assist the Audit Committee and the Board to strengthen and improve current management and operating style in pursuit of best practices.

As an ongoing process, significant business risks faced by the Group are identified and evaluated and consideration is given on the potential impact of achieving the business objectives. This includes examining principal business risks in critical areas, assessing the likelihood of material exposures and identifying the measures taken to mitigate, avoid or eliminate these risks.

The information on the Group's risk management and internal control is further elaborated in pages 83 to 85 on the Statement on Risk Management and Internal Control of this Annual Report.

### Assessment of Suitability and Independence of External Auditors

The Company has established a transparent arrangement with the External Auditors to meet their professional requirements. From time to time, the External Auditors highlight to the Audit Committee and Board of Directors on matters that require the Board's attention.

The Audit Committee is responsible for reviewing the audit, recurring audit-related and non-audit services provided by the External Auditors. The Audit Committee has been explicitly accorded the power to communicate directly with both the External Auditors and Internal Auditors. The terms of engagement for services provided by the External Auditors are reviewed by the Audit Committee prior to submission to the Board for approval. The effectiveness and performance of the External Auditors are reviewed annually by the Audit Committee.

In assessing or determining the suitability and independence of the External Auditors, the Audit Committee has taken into consideration of the following :

i) the adequacy of the experience and resources of the External Auditors;

ii) the External Auditor's ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;

iii) the nature of the non-audit services provided by the External Auditors and fees paid for such services relative to the audit fee; and

iv) whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit arising from the provision of non-audit services or tenure of the External Auditors.

Annual appointment or re-appointment of the External Auditors is via shareholders' resolution at the Annual General Meeting on the recommendation of the Board. The External Auditors are being invited to attend the Annual General Meeting of the Company to response and reply to the Shareholders' enquiries on the conduct of the statutory audit and the preparation and contents of the audited financial statement.

Where necessary, the Audit Committee will meet with the External Auditors without the presence of Executive Directors and members of management to ensure that the independence and objectivity of the External Auditors are not compromised and matters of concerns expressed by the Audit Committee are duly recorded by the Company Secretaries.

In presenting the Audit Planning Memorandum to the Audit Committee, the External Auditors have highlighted their internal policies and procedures with respect to their audit independence and objectivity which include safeguards and procedures and independent policy adopted by the External Auditors. The External Auditors have also provided the required independence declaration to the Audit Committee and the Board for the financial year ended 31 December 2018.

The Audit Committee is satisfied with the competence and independence of the External Auditors for the financial year under review. Having regard to the outcome of the annual assessment of the External Auditors, the Board approved the Audit Committee's recommendation for the shareholders' approval to be sought at the Annual General Meeting on the re-appointment of Messrs UHY as the External Auditors of the Company for the financial year ending 31 December 2019.

## STATEMENT ON DIRECTORS' RESPONSIBILITY IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of financial statements for each financial year to give a true and fair view of the state of affairs the Group and the Company at the end of the financial year and of the results and cash flows of the Group and the Company for the financial year.

In preparing these financial statements, the Directors have observed the following criteria:

i) Overseeing the overall conduct of the Company's business and that of the Group;

ii) Identifying principal risks and ensuring that an appropriate system of internal control exists to manage these risks;

iii) Reviewing the adequacy and integrity of Internal Controls System and Management Information System in the Company and within the Group;

iv) Adopting suitable accounting policies and apply them consistently;

v) Making judgments and estimates that are reasonable and prudent; and

vi) Ensuring compliance with application Approved Accounting Standards in Malaysia.

# **STATEMENT ON** CORPORATE GOVERNANCE

The Directors are responsible for ensuring that proper accounting and other records which are closed with reasonable accuracy at any time the financial position of the Group and ensuring that the financial statements comply with the Listing Requirements, the provisions of the Companies Act, 2016 and applicable Approved Accounting Standards in Malaysia. The Directors are also responsible for taking such reasonable steps to safeguard the assets of the Group and to minimise fraud and other irregularities.

The Directors are satisfied that in preparing the financial statements of the Group for the financial year ended 31 December 2018, the Group has used the appropriate accounting policies and applied them consistently and supported by reasonable and prudent judgments and estimates. The Directors also consider that all applicable approved accounting standards have been complied with and further confirm that the financial statements have been prepared on a going concern basis.

## COMPLIANCE STATEMENT

Saved as disclosed above, the Board is of all the view that the Group has complied with and shall remain committed to attaining the highest possible standard through the continuous adoption of the principles and best practices set out in MCCG and all other applicable laws, where applicable and appropriate.

# ADDITIONAL COMPLIANCE INFORMATION

**Utilisation of Proceeds from Corporate Exercise**

During the financial year, there were no proceeds raised by the Company from any corporate proposals.

**Audit and Non Audit Fees Paid to External Auditors**

During the financial year, the amount of audit and non-audit fees paid/payable to the external auditors by the Company and the Group respectively for the financial year ended 31 December 2018 were as follows :

| | | Company (RM) | Group (RM) |
|---|---|---|---|
| **Audit Services Rendered** | | **95,000** | **909,918** |
| **Non-Audit Services Rendered** | | | |
| (a) | Review of Statement on Risk Management and Internal Control | 5,000 | 5,000 |

**Material Contracts**

There was no material contract entered into by the Company and/or its subsidiaries involving Directors' and major shareholders' interests.

**Contracts Relating to Loans**

There was no material contract relating to loans entered into by the Company involving Directors and major shareholders.

**Recurrent Related Party Transactions of a Revenue Nature**

Save for such disclosure made in note 39 to the audited consolidated financial statements on page 183 and 184 of this Annual Report, there were no material recurrent related party transactions of revenue nature during the financial year ended 31 December 2018.

# AUDIT COMMITTEE REPORT

**Audit Committee Members and Meeting Attendances**

The present members of the Audit Committee comprise the following:

| | |
|---|---|
| Chairman | Dato' Megat Fairouz Junaidi bin Tan Sri Megat Junid |
| Members | Professor Datin Dr Suzana bt Sulaiman @ Mohd. Suleiman |
| | Dato' Che Sulaiman bin Shapie |

The Audit Committee held five (5) meetings during the financial year ended 31 December 2018. The details of attendance of the Audit Committee members are as follows:

| Name of Directors | No. of meetings attended |
|---|---|
| Dato' Megat Fairouz Junaidi Tan Sri Megat Junid | 5/5 |
| Dato' Che Sulaiman Shapie | 5/5 |
| Professor Datin Dr Suzana Sulaiman @ Mohd Suleiman | 5/5 |

The Audit Committee may invite the Head of Internal Audit, the Accountant and the Company Secretary or any members of the management to attend any of its meetings as it determines.

**Independence of the Audit Committee**

The Company recognised the need to uphold independence of its external auditors and that no possible conflict of interest whatsoever should arise. Currently, none of the members of the Board nor the Audit Committee of the Company were former key audit partners of the external auditors appointed by the Group. The Company will observe a cooling-off period of at least two (2) years in the event any potential candidate to be appointed as a member of the Audit Committee was a key audit partner of the external auditors of the Group.

**Financial Literacy of the Audit Committee Members**

Collectively, the members of the Audit Committee have the relevant experience and expertise in finance and accounting, and have carried out their duties in accordance with the Terms of Reference of the Audit Committee. The qualification and experience of the individual Audit Committee members are disclosed in the Directors' Profiles on pages 18 to 25 of this Annual Report.

**Summary of Activities of the Audit Committee**

The activities undertaken by the Audit Committee during the financial year ended 31 December 2018 included the following:

1. Reviewed the quarterly and year–to-date unaudited financial results before submission to the Board for consideration and approval;
2. Reviewed the external auditor's scope of work and audit plan for the year;
3. Reviewed the annual audited financial statements of the Group before recommending to the Board for their approval and release of the Group's results to Bursa Securities;
4. Reviewed and discussed with the external auditors of their audit findings inclusive of system evaluation, audit fees, issues raised, audit recommendations and management's response to these recommendations;
5. Evaluated the performance of the external auditors for the financial year ended 31 December 2018 covering areas such as calibre, quality processes, audit team, audit scope, audit communication, audit governance and independence and considered and recommended the re-appointment of the external auditors;
6. Reviewed and assessed the adequacy of the scope and functions of the internal audit plan;

7. Reviewed the internal audit reports presented and considered the major findings of internal audit in the Group's operating subsidiaries through the review of the internal audit reports tabled and management responses thereof and ensuring significant findings are adequately addressed by management;
8. Reviewed the effectiveness of the Group's system of internal control;
9. Reviewed the proposed fees for the external auditors and internal auditors in respect of their audit of the Company and the Group;
10. Reviewed related party transactions and conflict of interest situation that may arise within the Company or the Group;
11. Reviewed the Company's compliance with the Listing Requirements, applicable Approved Accounting Standards and other relevant legal and regulatory requirements;
12. Reported to the Board on its activities and significant findings and results; and
13. Reviewed the Audit Committee Report and Statement on Risk Management and Internal Control before recommending to the Board for approval and inclusion in the Annual Report.

**Terms of Reference**

The Terms of Reference of the Audit Committee which laid down its duties and responsibilities are accessible via the Company's website at www.destinigroup.com.

**Internal Audit Function**

The Group has established its in house Internal Audit Department since 2004, which reports to the Audit Committee and assists the Audit Committee in reviewing the effectiveness of the internal control and risk management systems within the Group whilst ensuring that there is an appropriate balance of controls and risks throughout the Group in achieving its business objectives. With the internal audit function being put in place, remedial action can be taken in relation to weaknesses identified and noted in the systems and controls of the respective operating units. The setting up of the internal audit function is geared towards increasing efficiency and better management of resources in all aspects of the Group's operations. The scope of internal audit covers the audit of all units and operations, including subsidiaries as stated in the letter of engagement.

The Internal Audit Department of the Group has a total of 4 professional staff and it is led by Mr. Khairul Rizal Osman as the Head of Internal Audit. Mr Khairul Rizal holds a Diploma in Banking Studies and Bachelor of Business Administration from Universiti Teknologi Mara ("UiTM") and is certified in Internal Auditing for Financial Institutions ("CIAFIN"), has Associate Qualification in Islamic Finance ("AQIF") and a Lead Auditor Intergrated Management System ("IMS") ISO9001, ISO 14001 & ISO 45001 Exemplar Global Certified. The Internal Audit Department of the Group performs its duties in accordance with standards set by relevant professional bodies, namely Institute of Internal Auditors.

The internal auditors monitor and report on the system of internal control. They work on a plan agreed with the Audit Committee and support the Audit Committee in discharging its duties and responsibilities, giving assurance that adequate, efficient and effective internal control systems are in place.

The cost incurred for the internal audit function in respect of the financial year is approximately RM272,789.43.

During the financial year, the following activities were carried out by the internal audit department in discharging its responsibilities.

# **AUDIT COMMITTEE** REPORT

**Summary of Activities of the Internal Audit Function**

1. Reviewed the existing systems, controls, procedures and risk assessment of various operating units within the Group;

2. Provided recommendations to assist the various operating units and the Group in accomplishing its internal control and risk management requirements by suggesting improvements to the effectiveness of such control processes;

3. Followed up with management on the implementation of the agreed audit recommendations; and

4. Present the Internal Audit Plan for the year for review and evaluate by the Audit Committee.

The Audit Committee and the Board agree that the internal audit review was done in accordance with the audit plan and the coverage is adequate.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Listing Requirements) specified that the Board of Directors is to provide a Statement on Risk Management and Internal Control for the Group. The Malaysian Code of Corporate Governance requires listed companies to maintain a sound system of internal controls to safeguard shareholders' investments and the Group's assets. The Board is pleased to include a statement on the state of the Group's risk management and internal control during the period under review. The statement is prepared in accordance with the Listing Requirements and as guided by the "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers".

**Risk Management**

The function of Risk Management was included under the Audit Committee scope of reference. The Group has established the Risk Management Committee ("RMC") with the primary responsibility of ensuring the effective functioning of the integrated risk management function within the Destini Group.

The RMC will assist the Board to see overall managements of all risks covering industry risk, country risk, strategic risk, financial risk, product risk, internal processes risk, people risk and information technology risks. The RMC will also review and evaluate the adequacy of overall risk management policies and procedures and ensures that there is adequate risk reporting of core business activities.

**Internal Control**

The Group's system of internal control includes, among others:

1) A well-defined organisational structure with clear lines of accountability and responsibilities provide a sound framework within the organisation in facilitating check and balance for proper decision making at the appropriate authority levels of management including matters that require the Board's approval.
2) A documented delegation of authority that sets out decisions that need to be taken and the appropriate levels of management involved including matters that require the Board's approval.
3) The Board of Directors and Audit Committee meet at least once on a quarterly basis to review and deliberate on financial reports, annual financial statements, internal audit reports and etc. Discussions with management were held to deliberate on the actions that are required to be taken to address internal control issues identified.
4) Internal policies and procedures had been established for key business units within the Group.
5) Comprehensive guidelines on employment and retention of employees are in place to ensure that the Group has a team of employees who are qualified and equipped with all the necessary knowledge, skills and abilities to carry out their responsibilities effectively.
6) Scheduled operational and management meetings are held to discuss and review the business plans, budgets, financial and operational performances of the Group. Monthly management accounts containing key financial results, operational performances and comparison of actual performance against budgets are presented to the management team for monitoring and review. The quarterly financial statements are presented to the Audit Committee and Board for their review and approval. The Board also plays an active role in discussing and reviewing the business plans, strategies, performance and risks faced by the Group.

The Board of Directors does not regularly review the internal control system of its associates and joint venture, as the Board of Directors does not have any direct control over their operations. The Group's interests are served through representations on the Boards of the respective associates and joint venture and the review of their management accounts, and enquiries thereon. These representatives also provide the Board with information and timely decision-making on the continuity of the Group's investment based on the performance of the associates and joint venture.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

**Corrective Actions**

In the process of investigating the revenue and profit misstatements, the Board has gained valuable experience about the areas of weaknesses and the causes of the failure in the system of internal control. The Board has learned and benefited from this experience and is committed in its efforts to reform and reorganised the system of internal control.

The Audit Committee and the Board has reviewed the in-house internal audit function and is satisfied with the level of independence and the competence of its staff. In order to improve the effectiveness of the internal audit function, the Board has empowered the internal auditors to exercise more influence in determination of their scope of work and the implementation of their audit strategy which includes the following:

a) Clearly defined terms of reference, authorities and responsibilities of the various committees, which include Audit Committee, Nomination and Remuneration Committee;
b) Regular and comprehensive information provided to management and the Board, covering financial performance and key business indicators;
c) A detailed budgeting process where operating units prepare budgets for the coming year which are approved both at the operating unit level and by the Board;
d) Quarterly monitoring of results by the management and appropriate action taken, when necessary; and
e) Regular visits to reporting units by the management team and, where deem appropriate, the Board.

**Board Responsibility**

The Board is responsible to maintain a sound system of internal controls and for reviewing its adequacy and integrity. It includes not only financial controls but operational and compliance controls. Due to the limitations inherent in an internal control system, management has affected an internal control system designed to manage rather than eliminate the risk that may impede the achievement of the Group's business objectives.

**Management Responsibility**

The management is responsible for implementing the Group's strategies and day-to-day businesses. The organisation structure sets out clear segregation of roles and responsibilities, lines of accountability and levels of authority to ensure effective and independent stewardship. The management assists the Board in implementing the policies approved by the Board, implementing risk control procedures and developing, operating and monitoring internal controls to mitigate and control identified risks.

**Internal Audit Responsibility**

The Group Internal Audit Department ("GIAD") function was set up by the Board to provide independent assurance of the adequacy of risk management, internal control and governance systems. GIAD activities are guided by an Internal Audit Charter which is approved by the Audit Committee ("AC"). The Group's internal audit function undertakes regular reviews of the Group's operations and its system of internal control. The audit plan is developed based on the risk profiles of the Group business. Internal audit findings are discussed at management level and actions are agreed in response to the internal audit recommendations. The progress of implementation of the agreed actions is being monitored by GIAD through follow up reviews.

GIAD's scope of coverage encompasses all business and support units, including subsidiaries that do not have their own audit units. The selection of the units to be audited from the audit universe is based on an annual audit plan that is approved by the AC. The annual audit plan is developed based on assessment of risks, exposures and strategies of the company. Units that are assessed to be high risk are subject to an annual audit, while those that are assessed to be medium or low risk are subject to a cycle audit. GIAD also undertakes investigations into alleged fraud by staff, customers or third parties and recommends appropriate improvements to prevent recurrence and actions against persons responsible.

The Audit Report is the final product of an audit assignment, which provides the scope of audit work performed, a general evaluation of the system of internal controls together with detailed audit observations, response of management, and comments and recommendations by GIAD for improvement. The AC reviews and evaluates any exceptions or non-compliance raised by GIAD and monitors that appropriate and prompt remedial actions are taken by the management.

The GIAD is committed to provide an independent, objective assurance and advisory services that will add value and improve the company's operations. It does this by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of the risk management, control and governance processes, in line with the conceptual framework and guidance promulgated by the Institute of Internal Auditors ("IIA") International Standards for the Professional Practice of Internal Auditing and relevant regulatory guidelines.

**Review of the Statement by External Auditors**

The External Auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the Annual Report of the Company for the financial year ended 31 December 2018 and reported to the Board that nothing has come to their attention that causes them to believe that this statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal control.

**Management's Assurance**

The Board has received assurance from the President & Group Chief Executive Officer that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group.

**Conclusion**

For the financial year under review, there were no significant internal control deficiencies or material weaknesses resulting in material losses or contingencies requiring disclosure in the Annual report. The Board is of the view that the existing system of the risk management and internal control is adequate. Nevertheless, the Board recognises that the system of risk management and internal control must continuously improve in line with the Group's business environment. Therefore, the Board would put in place adequate plans, where necessary, to continuously improve the Group's system of risk management and internal control.

# **FINANCIAL** STATEMENTS

Directors' Report **088**

Statement by Directors **093**

Statutory Declaration **094**

Independent Auditors' Report **095**

Statements of Financial Position **100**

Statements of Profit or Loss and other Comprehensive Income **102**

Statements of Changes in Equity **103**

Statements of Cash Flows **106**

Notes to the Financial Statements **109**

# DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

## Principal Activities

The principal activities of the Company consist of the investment holding and provision of management services. The principal activities of its subsidiaries are disclosed in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

## Financial Results

| | Group RM | Company RM |
|---|---|---|
| Net profit/(loss) for the financial year | 2,325,566 | (5,838,732) |
| Attributable to: | | |
| Owners of the Parent | 1,774,613 | (5,838,732) |
| Non-controlling interests | 550,953 | - |
| | 2,325,566 | (5,838,732) |

## Reserves and Provisions

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

## Dividends

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

## Issue of Shares and Debentures

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

## Options Granted Over Unissued Shares

No options were granted to any person to take up unissued shares of the Company during the financial year apart from the issue of options pursuant to Employee Share Option Scheme ("ESOS").

**Employee Share Option Scheme ("ESOS")**

The Company has established an ESOS of not more than 15% of the issued share capital of the Company at the point of time throughout the duration of the scheme to eligible Directors and employees of the Group, which was approved by shareholders as an Extraordinary General Meeting held on 10 February 2014.

The ESOS became effective for a period of five (5) years from 17 April 2014 to 16 April 2019.

The salient features and terms of the ESOS, details of share options exercised or lapsed during the financial year and outstanding at the end of the financial year are disclosed in Note 23 to the financial statements.

**Directors**

The Directors in office during the financial year until the date of this report are:

| | |
|---|---|
| Dato' Rozabil @ Rozamujib Bin Abdul Rahman * | |
| Tan Sri Dato' Sri Rodzali Bin Daud * | |
| Dato' Che Sulaiman Bin Shapie * | |
| Prof. Datin Dr. Suzana Bt. Sulaiman @ Mohd Suleiman * | |
| Abdul Rahman Bin Mohamed Rejab * | |
| Dato' Megat Fairouz Junaidi Bin Tan Sri Megat Junid | |
| Ismail Bin Mustaffa * | |
| Mohd Shihabuddin Bin Mukhtar | (appointed on 18.10.2018) |
| Dato' Sri Dr Mohmad Isa Bin Hussain | (resigned on 18.10.2018) |
| Dato' Abd Aziz Bin Haji Sheikh Fadzir * | (resigned on 18.5.2018) |

The Directors who held office in the subsidiaries (excluding Directors who are also Directors of the Company) during the financial year up to the date of this report:

Othman Bin Ahmad
Hasbullah Bin Hassin
Dato' Rosli Bin Rashid
Kabol Bin Surat
Mohd Faizal Bin Allaudin
Fahredza Bin Muhamad
Zainuri Bin Zainal
Mohamad Najib Bin Saad
Surendran Pillay A/L Kumarasami
Suhaimi Bin Badrul Jamil
Dato' Harrison Bin Hassan
Shahril Sufian Bin Hamdan
Chua Seng Chye
Kevin Nah Kwang Sinn
Bernard Johan Te Beek ^
Dato' Mohd Zaihan Bin Mohd Zain ^
Rene Cornelis Antonius De Swart #

* *Director of the Company and its subsidiaries*
^ *Appointed during the financial year*
\# *Resigned during the financial year*

The information required to be disclosed pursuant to Section 253 of the Companies Act, 2016 is deemed incorporated herein by such reference to the financial statements of the respective subsidiaries and made a part hereof.

# DIRECTORS' REPORT

## Directors' Interests in Shares

The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end (including their spouses or children) according to the Register of Directors' Shareholdings are as follows:

| | Number of ordinary shares | | | |
|---|---|---|---|---|
| | At 1.1.2018 | Bought | Sold | At 31.12.2018 |
| **Interests in the Company** | | | | |
| **Direct Interests** | | | | |
| Dato' Rozabil @ Rozamujib Bin Abdul Rahman | 31,998,500 | 51,128,000 | - | 83,126,500 |
| Ismail Bin Mustaffa | 640,000 | - | - | 640,000 |
| Abdul Rahman Bin Mohamed Rejab | - | 150,000 | (50,000) | 100,000 |
| Dato' Abd Aziz Bin Haji Sheikh Fadzir | - | 5,650,000 | - | 5,650,000 |
| **Indirect Interests** | | | | |
| Dato' Rozabil @ Rozamujib Bin Abdul Rahman ^ | 261,426,112 | 38,924,300 | (71,635,000) | 228,715,412 |

^ *deemed interests under Section 8 of the Companies Act, 2016 by virtue of his shareholdings in BPH Capital Sdn Bhd., Mazer Sdn. Bhd. and R Capital Sdn. Bhd.*

By virtue of his interests in the shares of the Company, Dato' Rozabil @ Rozamujib Bin Abdul Rahman is also deemed interested in the shares of all the subsidiaries during the financial year to the extent that the Company has an interest under Section 8 of the Companies Act, 2016.

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

## Directors' Benefits

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors as shown in Note 39(c) to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither during nor at the end of the financial year, was the Company a party to any arrangement whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## Indemnity and Insurance Costs

During the financial year, the total amount of indemnity coverage and insurance premium paid for the Directors and certain officers of the Company were RM5,000,000 and RM13,000 respectively. No indemnity was given to or insurance effected for auditors of the Company.

**Other Statutory Information**

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

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

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

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

(i) which would render 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; or

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

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

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

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

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

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

(d) In the opinion of the Directors:

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

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

(iii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

**Subsequent Event**

The details of the subsequent event are disclosed in Note 43 to the financial statements.

# DIRECTORS' REPORT

## Subsidiaries

The details of the subsidiaries are disclosed in Note 5 to the financial statements.

## Auditors' Remuneration

The details of the auditors' remuneration are set out in Note 33 to the financial statements.

## Auditors

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

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 22 April 2019.

DATO' ROZABIL @ ROZAMUJIB BIN ABDUL RAHMAN

ISMAIL BIN MUSTAFFA

SHAH ALAM

# STATEMENT BY DIRECTORS

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

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 100 to 204 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2018 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 22 April 2019.

**DATO' ROZABIL @ ROZAMUJIB BIN ABDUL RAHMAN**

**ISMAIL BIN MUSTAFFA**

**SHAH ALAM**

# STATUTORY DECLARATION

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

I, Aris Kefli Bin Mohamad Yusof (MIA Membership No: 12516), being the Officer primarily responsible for the financial management of Destini Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 100 to 204 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared )
by the abovenamed at Kuala Lumpur )
in the Federal Territory on 22 April )
2019. )

**ARIS KEFLI BIN MOHAMAD YUSOF**

Before me,

No. W71
MOHAN A.S. MANIAM

**COMMISSIONER FOR OATHS**

# INDEPENDENT AUDITORS' REPORT
# TO THE MEMBERS OF DESTINI BERHAD

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Destini Berhad, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of profit and loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 100 to 204.

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 financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

### Basis for Opinion

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

### Independence and Other Ethical Requirements

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 IESBA Code.

### Key Audit Matters

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

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DESTINI BERHAD

Key Audit Matters

**Impairment assessment on goodwill**

The Group has goodwill amounting to RM192,164,115 as at 31 December 2018.

The management is required to perform impairment test on the goodwill annually. There is significant judgement involved in forecasting and discounting of future cash flows, which is the basis of assessment of the recoverability of the goodwill.

How we addressed the key audit matters

Our procedures in relation to management's impairment assessment included:

- Examined management's cash flows forecast that support the impairment assessment;
- Assessed the reliability of management's forecast through the review of past trends of actual financial performances against previous forecasted results;
- Assessed the key assumptions on which the cash flows projections are based, by amongst others, comparing them against business plans, historical results and market data;
- Evaluated the appropriateness of the discount rate used to determine the present value of the cash flows and whether the rate used reflects the current market assessments of the time value of money and the risks specific to the asset;
- Performed sensitivity analysis on the key inputs to impairment models, to understand the impact that reasonably possible changes to key assumption would have on the overall carrying value of the goodwill at the end of the reporting period; and
- Assessed the adequacy and reasonableness of the disclosures in the financial statements.

Key Audit Matters

**Recognition of revenue and cost of long term contract**

The Group's revenue and profits are derived from long term contract which span more than one accounting period. As at 31 December 2018, the revenue arising from the long term contracts represents 49% of the total Group's revenue.

The Group uses the percentage of completion method in accounting for these long term contracts. The stage of completion is measured by reference to the physical completion of the contracts.

We focused on this area because management applies significant judgment and estimates in determining the stage of physical completion in respect of projects and in estimating total estimated project costs.

How we addressed the key audit matters

Our procedures included:

- Obtain an understanding of the relevant internal controls over the accuracy and timing of revenue and cost recognised in the financial statements, including controls performed by the management in estimating total project costs, profit margin and percentage of completion of projects.
- Read all key contracts to obtain an understanding of the specific terms and conditions;
- Agreed contract revenue to the original signed customer contracts and/or approved change orders;
- Reviewed management meeting minutes to obtain an understanding of the performance and status for the projects above our testing threshold;
- Assessed the reasonableness of assumptions applied in the determination of percentage of completion in light of supporting evidence such as engineers' reports in relation to projects; and
- Considered the historical accuracy of management's budgeted project margins in assessing the reasonableness of estimated margins of similar projects.

| Key Audit Matters | How we addressed the key audit matters |
| --- | --- |
| **Impairment on trade receivables**<br><br>The Group's trade receivables amounting to RM264 million, representing approximately 56.8% of the Group's total current assets as at 31 December 2018. The assessment of recoverability of receivables involved judgments and estimation uncertainty in analysing historical bad debts, customer concentration, customer creditworthiness and customer payment terms. | Our procedures included:<br><br>• Obtain an understanding of:<br><br>• the Group's control over the receivables collection process;<br><br>• how the Group identifies and assesses the impairment of receivables.<br><br>• Reviewing the ageing analysis of receivables and testing the reliability thereof.<br><br>• Reviewing subsequent cash collections for major receivables and overdue amount.<br><br>• Making inquiries of management regarding the action plans to recover overdue amounts.<br><br>• Evaluating the reasonableness and adequacy of the allowance for impairment recognised for identified exposures. |

**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 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 Directors for the Financial Statements**

The Directors of the Company are responsible for the preparation of the 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 has no realistic alternative but to do so.

# **INDEPENDENT AUDITORS' REPORT** TO THE MEMBERS OF DESTINI BERHAD

**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 the financial statements.

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

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

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

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

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

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

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

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

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

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

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 5 to the financial statements.

**Other Matters**

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

UHY
Firm Number: AF 1411
Chartered Accountants

TIO SHIN YOUNG
Approved Number: 03355/02/2020 J
Chartered Accountant

KUALA LUMPUR
22 April 2019

# STATEMENTS OF FINANCIAL POSITION

## AS AT 31 DECEMBER 2018

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2018 | 2017 | 2018 | 2017 |
| | Note | RM | RM | RM | RM |
| | | | (Restated) | | |
| **Non-Current Assets** | | | | | |
| Property, plant and equipment | 4 | 108,087,938 | 106,939,615 | 27,407,948 | 26,404,214 |
| Investment in subsidiaries | 5 | - | - | 99,722,218 | 99,722,217 |
| Investment in associates | 6 | - | - | - | - |
| Investment in joint ventures | 7 | 184,740 | - | - | - |
| Investment in securities | 8 | 1,136,660 | 1,923,981 | 1,136,660 | 1,923,981 |
| Intangible assets | 9 | 204,722,466 | 205,831,178 | - | - |
| Land use rights | 10 | 1,634,283 | 1,684,218 | - | - |
| Other receivables | 11 | 12,910,389 | 12,321,101 | 12,910,389 | 12,321,101 |
| Other investment | 12 | 320,000 | 320,000 | 150,000 | 150,000 |
| | | 328,996,476 | 329,020,093 | 141,327,215 | 140,521,513 |
| **Current Assets** | | | | | |
| Inventories | 13 | 11,662,958 | 13,012,520 | - | - |
| Contract assets | 14 | 49,775,224 | 10,683,825 | - | - |
| Trade receivables | 15 | 264,076,910 | 340,629,119 | - | - |
| Other receivables | 11 | 77,056,913 | 92,929,779 | 5,157,028 | 4,555,260 |
| Amount due from subsidiaries | 16 | - | - | 283,981,456 | 300,721,006 |
| Amount due from joint ventures | 17 | 693,952 | 693,952 | - | - |
| Tax recoverable | | 1,140,729 | 2,702,076 | - | - |
| Fixed deposits with licensed banks | 18 | 32,130,418 | 41,223,384 | - | - |
| Cash and bank balances | 19 | 28,018,043 | 11,468,292 | 2,105,872 | 337,653 |
| | | 464,555,147 | 513,342,947 | 291,244,356 | 305,613,919 |
| **Total Assets** | | 793,551,623 | 842,363,040 | 432,571,571 | 446,135,432 |

# STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018 (CONT'D)

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2018 | 2017 | 2018 | 2017 |
| | Note | RM | RM | RM | RM |
| | | | (Restated) | | |
| **Equity** | | | | | |
| Share capital | 20 | 382,806,871 | 382,806,871 | 382,806,871 | 382,806,871 |
| Foreign currency translation reserve | 22 | 12,357,852 | 12,156,242 | - | - |
| Retained earnings/ (Accumulated losses) | | 111,859,274 | 113,186,371 | (5,525,082) | 313,650 |
| Equity attributable to owners of the parent | | 507,023,997 | 508,149,484 | 377,281,789 | 383,120,521 |
| Non-controlling interests | | (453,093) | (2,851,194) | - | - |
| **Total Equity** | | 506,570,904 | 505,298,290 | 377,281,789 | 383,120,521 |
| **Non-Current Liabilities** | | | | | |
| Finance lease liabilities | 24 | 1,527,053 | 1,697,840 | - | - |
| Bank borrowings | 25 | 115,611,436 | 145,614,680 | 34,177,824 | 53,922,062 |
| Deferred tax liabilities | 26 | 5,479,741 | 4,044,795 | 25,093 | 52,552 |
| Redeemable preference shares | 27 | 1,346,903 | 1,363,558 | - | - |
| | | 123,965,133 | 152,720,873 | 34,202,917 | 53,974,614 |
| **Current Liabilities** | | | | | |
| Contract liabilities | 14 | 6,477,984 | 18,109,779 | - | - |
| Trade payables | 28 | 70,315,266 | 66,868,580 | - | - |
| Other payables | 29 | 40,438,246 | 43,520,954 | 471,578 | 1,706,757 |
| Amount due to subsidiaries | 16 | - | - | 13,089,971 | - |
| Amout due to a Director | 30 | - | 1,500,000 | - | - |
| Finance lease liabilities | 24 | 920,463 | 767,010 | - | 10,700 |
| Bank borrowings | 25 | 20,490,158 | 30,898,806 | 4,092,848 | 4,025,600 |
| Tax payable | | 24,373,469 | 22,678,748 | 3,432,468 | 3,297,240 |
| | | 163,015,586 | 184,343,877 | 21,086,865 | 9,040,297 |
| **Total Liabilities** | | 286,980,719 | 337,064,750 | 55,289,782 | 63,014,911 |
| **Total Equity and Liabilities** | | 793,551,623 | 842,363,040 | 432,571,571 | 446,135,432 |

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

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2018 | 2017 | 2018 | 2017 |
| | Note | RM | RM | RM | RM |
| | | | (Restated) | | |
| Revenue | 31 | 418,047,562 | 683,351,960 | 11,313,050 | 24,457,547 |
| Cost of sales | | (302,558,071) | (563,252,569) | - | - |
| Gross profit | | 115,489,491 | 120,099,391 | 11,313,050 | 24,457,547 |
| Other income | | 4,527,815 | 10,942,747 | 3,494,276 | 7,457,541 |
| Administrative expenses | | (104,673,814) | (83,078,215) | (16,683,343) | (13,555,507) |
| Net loss on impairment of financial instruments | | (1,666,359) | (1,713,054) | - | - |
| Finance costs | 32 | (3,330,608) | (2,307,547) | (3,161,529) | (3,704,599) |
| Share of results of associate and joint ventures | | (612,030) | (1) | - | - |
| **Profit/(Loss) before tax** | 33 | 9,734,495 | 43,943,321 | (5,037,546) | 14,654,982 |
| **Taxation** | 34 | (7,408,929) | (16,509,517) | (801,186) | (3,695,926) |
| **Profit/(Loss) for the financial year** | | 2,325,566 | 27,433,804 | (5,838,732) | 10,959,056 |
| **Other comprehensive income** | | | | | |
| **Items that are or may be reclassified subsequently to profit or loss** | | | | | |
| Exchange translation differences for foreign operations | | 218,584 | (2,133,198) | - | - |
| **Other comprehensive income/(loss) for the financial year** | | 218,584 | (2,133,198) | - | - |
| **Total comprehensive income/(loss) for the financial year** | | 2,544,150 | 25,300,606 | (5,838,732) | 10,959,056 |
| **Profit/(Loss) for the financial year attributable to:** | | | | | |
| Owners of the parent | | 1,774,613 | 28,852,995 | (5,838,732) | 10,959,056 |
| Non-controlling interests | | 550,953 | (1,419,191) | - | - |
| | | 2,325,566 | 27,433,804 | (5,838,732) | 10,959,056 |
| **Total comprehensive income/(loss) for the financial year attributable to:** | | | | | |
| Owners of the parent | | 1,976,223 | 26,770,090 | (5,838,732) | 10,959,056 |
| Non-controlling interests | | 567,927 | (1,469,484) | - | - |
| | | 2,544,150 | 25,300,606 | (5,838,732) | 10,959,056 |
| **Earnings per share** | | | | | |
| Basic earnings per share (sen) | 35 | 0.15 | 2.50 | | |
| Diluted earnings per share (sen) | 35 | 0.15 | 2.50 | | |

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

# STATEMENTS OF CHANGES IN EQUITY

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

| | | Attributable to Owners of the Parent | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Non-Distributable | | | Distributable | | | |
| | Note | Share Capital RM | Share Premium RM | Foreign Currency Translation Reserve RM | Retained Earnings RM | Total RM | Non-controlling Interests RM | Total Equity RM |
| **Group** | | | | | | | | |
| At 1 January 2018 | | 382,806,871 | - | 12,156,242 | 113,186,371 | 508,149,484 | (2,851,194) | 505,298,290 |
| Effect of adopting MFRS 9 | | - | | - | (1,271,536) | (1,271,536) | - | (1,271,536) |
| At 1 January 2018, as restated | | 382,806,871 | - | 12,156,242 | 111,914,835 | 506,877,948 | (2,851,194) | 504,026,754 |
| Profit for the financial year | | - | - | - | 1,774,613 | 1,774,613 | 550,953 | 2,325,566 |
| Exchange translation differences for foreign operations | | - | - | 201,610 | - | 201,610 | 16,974 | 218,584 |
| Total comprehensive income for the financial year | | - | - | 201,610 | 1,774,613 | 1,976,223 | 567,927 | 2,544,150 |
| **Transactions with owners:** | | | | | | | | |
| Acquisition of additional interest from non-controlling interest | | - | - | - | (1,830,174) | (1,830,174) | 1,830,174 | - |
| Total transactions with owners | | - | - | - | (1,830,174) | (1,830,174) | 1,830,174 | - |
| At 31 December 2018 | | 382,806,871 | - | 12,357,852 | 111,859,274 | 507,023,997 | (453,093) | 506,570,904 |

# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

| | | Attributable to Owners of the Parent | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Non-Distributable | | | Distributable | | | |
| | Note | Share Capital RM | Share Premium RM | Foreign Currency Translation Reserve RM | Retained Earnings RM | Total RM | Non-controlling Interests RM | Total Equity RM |
| **Group** | | | | | | | | |
| At 1 January 2017 | | 115,523,020 | 267,283,851 | 14,239,147 | 84,333,376 | 481,379,394 | (1,555,716) | 479,823,678 |
| Profit for the financial year, as restated (Prior year adjustment) | 36 | - | - | - | 28,852,995 | 28,852,995 | (1,419,191) | 27,433,804 |
| Exchange translation differences for foreign operations | | - | - | (2,082,905) | - | (2,082,905) | (50,293) | (2,133,198) |
| Total comprehensive income for the financial year | | - | - | (2,082,905) | 28,852,995 | 26,770,090 | (1,469,484) | 25,300,606 |
| **Transactions with owners:** | | | | | | | | |
| Acquisition of subsidiaries | | - | - | - | - | - | (2,711,755) | (2,711,755) |
| Disposal of a subsidiary | | - | - | - | - | - | 2,885,761 | 2,885,761 |
| Total transactions with owners | | - | - | - | - | - | 174,006 | 174,006 |
| Transition to no-par value regime on 31 January 2017 | 20, 21 | 267,283,851 | (267,283,851) | - | - | - | - | - |
| At 31 December 2017, as restated | | 382,806,871 | - | 12,156,242 | 113,186,371 | 508,149,484 | (2,851,194) | 505,298,290 |

# STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

| | | Attributable to Owners of the Parent | | | |
|---|---|---|---|---|---|
| | | Non-Distributable | | Distributable | |
| | Note | Share Capital RM | Share Premium RM | (Accumulated Losses)/ Retained Earnings RM | Total Equity RM |
| **Group** | | | | | |
| At 1 January 2018 | | 382,806,871 | - | 313,650 | 383,120,521 |
| Loss for the financial year, representing total comprehensive loss for the financial year | | - | - | (5,838,732) | (5,838,732) |
| At 31 December 2018 | | 382,806,871 | - | (5,525,082) | 377,281,789 |
| At 1 January 2017 | | 115,523,020 | 267,283,851 | (10,645,406) | 372,161,465 |
| Profit for the financial year, representing total comprehensive income for the financial year | | - | - | 10,959,056 | 10,959,056 |
| Transition to no-par value regime on 31 January 2017 | 20, 21 | 267,283,851 | (267,283,851) | - | - |
| At 31 December 2017 | | 382,806,871 | - | 313,650 | 383,120,521 |

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

# STATEMENTS OF CASH FLOWS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2018 | 2017 | 2018 | 2017 |
| | Note | RM | RM | RM | RM |
| | | | (Restated) | | |
| **Cash Flows From Operating Activities** | | | | | |
| Profit/(Loss) before tax | | 9,734,495 | 43,943,321 | (5,037,546) | 14,654,982 |
| Adjustments for: | | | | | |
| Amortisation of intangible assets | | 2,149,534 | 1,480,299 | - | - |
| Amortisation of land use right | | 38,683 | 40,359 | - | - |
| Bad debts written off | | 109,478 | 665,747 | - | - |
| Depreciation of property, plant and equipment | | 12,737,834 | 12,666,718 | 2,031,971 | 1,682,539 |
| Fair value adjustment on investment in securities | | 657,260 | (103,999) | 657,260 | (103,999) |
| Gain on disposal of a subsidiary | | - | (7,211,655) | - | (4,099,999) |
| Gain on disposal of property, plant and equipment | | (165,536) | - | - | - |
| Impairment loss on: | | | | | |
| - Trade receivables | | 1,328,069 | 1,449,131 | - | - |
| - Other receivables | | 338,290 | 263,923 | - | - |
| - Investment in subsidiaries | | - | - | - | 143,701 |
| - Intangible assets | | - | 1,334,431 | - | - |
| Interest expense | | 3,330,608 | 2,307,547 | 3,161,529 | 3,704,599 |
| Interest income | | (1,588,944) | (548,817) | (3,145,993) | (2,960,480) |
| Property, plant and equipment written off | | 30,760 | 54,245 | - | - |
| Reversal of impairment loss on trade receivables | | (18,868) | - | - | - |
| Waiver of debts by other payables | | - | (5,627) | - | - |
| Share of results of associates and joint venture | | 612,030 | 1 | - | - |
| Unrealised (gain)/loss on foreign exchange | | (85,839) | 180,615 | - | - |
| Operating profit/(loss) before working capital changes | | 29,207,854 | 56,516,239 | (2,332,779) | 13,021,343 |

# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2018 | 2017 | 2018 | 2017 |
| | Note | RM | RM (Restated) | RM | RM |
| **Changes in working capital:** | | | | | |
| Inventories | | 1,349,562 | (194,042) | - | - |
| Contract assets/liabilities | | (50,723,194) | 3,893,847 | - | - |
| Receivables | | 108,258,014 | (175,255,811) | (1,191,056) | (15,153,719) |
| Payables | | (17,313,866) | 23,324,241 | (1,235,179) | 1,290,722 |
| | | 41,570,516 | (148,231,765) | (2,426,235) | (13,862,997) |
| Cash generated from/(used in) operations | | 70,778,370 | (91,715,526) | (4,759,014) | (841,654) |
| Interest received | | 1,588,944 | 548,817 | 3,145,993 | 2,960,480 |
| Interest paid | | (3,330,608) | (2,307,547) | (3,161,529) | (3,704,599) |
| Tax refunded | | 2,403,111 | 28,133 | - | - |
| Tax paid | | (4,865,783) | (13,992,865) | (693,417) | (282,387) |
| | | (4,204,336) | (15,723,462) | (708,953) | (1,026,506) |
| Net cash from/(used in) operating activities | | 66,574,034 | (107,438,988) | (5,467,967) | (1,868,160) |
| **Cash Flows From Investing Activities** | | | | | |
| Advance to subsidiaries | | - | - | 16,739,550 | (15,632,854) |
| Advance to associate and joint venture | | 450,960 | (704,967) | - | - |
| Purchase of property, plant and equipment | 4(b) | (12,645,719) | (17,200,243) | (3,035,705) | (3,128,293) |
| Proceeds from disposal of a subsidiary, net of cash disposed | 5(c) | - | 4,176,760 | - | 4,400,000 |
| Proceeds from disposal of property, plant and equipment | | 277,178 | 299,387 | - | - |
| Proceeds from disposal of investment in securities | | 130,061 | - | 130,061 | - |
| Investment in joint ventures | | (796,770) | (1) | - | - |
| Net cash inflows arising from acquisition of subsidiaries | 5(b) | - | 2,730,258 | - | - |
| Acquisition of a subsidiary | | - | - | (1) | (1) |
| Addition to intangible assets | 9 | (1,099,348) | (551,511) | - | - |
| Net cash (used in)/from investing activities | | (13,683,638) | (11,250,317) | 13,833,905 | (14,361,148) |

# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2018 | 2017 | 2018 | 2017 |
| | Note | RM | RM (Restated) | RM | RM |
| **Cash Flows From Financing Activities** | | | | | |
| Advance from subsidiaries | | - | - | 13,089,971 | - |
| (Repayment to)/Advance from a Director | | (1,500,000) | 1,500,000 | - | - |
| Drawdown of term loans | | 2,215,559 | 88,328,324 | - | - |
| Repayment of term loans | | (27,001,993) | (11,805,332) | (19,676,990) | (4,391,507) |
| Repayment of finance lease liabilities | | (759,661) | (727,028) | (10,700) | (13,333) |
| Changes in trust receipts | | (15,622,788) | 17,351,480 | - | - |
| Decrease/(Increase) in deposits pledged to licensed banks | | 11,226,039 | (16,392,159) | - | - |
| Net cash from/(used in) financing activities | | (31,442,844) | 78,255,285 | (6,597,719) | (4,404,840) |
| **Net increase/(decrease) in cash and cash equivalents** | | 21,447,552 | (40,434,020) | 1,768,219 | (20,634,148) |
| **Effect of exchange translation difference** | | (2,767,218) | (1,021,322) | - | - |
| **Cash and cash equivalents at the beginning of the financial year** | | 10,901,829 | 52,357,171 | 337,653 | 20,971,801 |
| **Cash and cash equivalents at the end of the financial year** | | 29,582,163 | 10,901,829 | 2,105,872 | 337,653 |
| **Cash and cash equivalents at the end of the financial year comprise:** | | | | | |
| Cash and bank balances | | 28,018,043 | 11,468,292 | 2,105,872 | 337,653 |
| Fixed deposits with licensed banks | | 32,130,418 | 41,223,384 | - | - |
| Bank overdrafts | | (933,180) | (930,690) | - | - |
| | | 59,215,281 | 51,760,986 | 2,105,872 | 337,653 |
| Less: Fixed deposits pledged with licensed banks | | (29,633,068) | (40,859,107) | - | - |
| Cash at bank pledged with licensed banks | | (50) | (50) | - | - |
| | | 29,582,163 | 10,901,829 | 2,105,872 | 337,653 |

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

# NOTES TO THE FINANCIAL STATEMENTS

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 Market of the Bursa Malaysia Securities Berhad.

The registered office and the principal place of business of the Company is located at No. 10, Jalan Jurunilai U1/20, Hicom Glenmarie Industrial Park, 40150 Shah Alam, Selangor Darul Ehsan.

The principal activities of the Company consist of the investment holding and provision of management services. The principal activities of its subsidiaries are disclosed in Note 5. There have been no significant changes in the nature of these activities of the Company and its subsidiaries during the financial year.

## 2. Basis of Preparation

(a) Statement of compliance

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

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

**Adoption of new and amended standards**

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

| | |
|---|---|
| MFRS 9 | Financial Instruments (IFRS 9 issued by IASB in July 2014) |
| MFRS 15 | Revenue from Contracts with Customers |
| IC Interpretation 22 | Foreign Currency Transactions and Advance Consideration |
| Amendments to MFRS 2 | Classification and Measurement of Share-based Payment Transactions |
| Amendments to MFRS 4 | Applying MFRS 9 *Financial Instruments* with MFRS 4 *Insurance Contracts* |
| Amendments to MFRS 15 | Clarifications to MFRS 15 |
| Amendments to MFRS 140 | Transfers of Investment Property |

Annual improvements to MFRSs 2014 - 2016 Cycle:

- Amendments to MFRS 1
- Amendments to MFRS 128

The adoption of the new and amendments to MFRSs did not have any significant impact on the financial statements of the Group and the Company, except for:

(i) MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in July 2014)

The adoption of MFRS 9 resulted in changes in accounting policies and adjustments to the financial statements.

The accounting policies that relate to the recognition, classification, measurement and derecognition of financial instruments and impairment of financial assets are amended to comply with the provisions of this Standard, while the hedge accounting requirements under this standard are not relevant to the Group and to the Company.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

**Adoption of new and amended standards (Cont'd)**

(i) MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in July 2014) (Cont'd)

The Group and the Company applied MFRS 9 retrospectively, and have elected not to restate the comparative periods in the financial year of initial adoption as permitted under MFRS 9 transitional provision. The impact arising from MFRS 9 adoption were included in the opening retained earnings at the date of initial application, 1 January 2018.

(a) Classification of financial assets and liabilities

MFRS 9 contains three principal classification categories for financial assets: measured at amortised cost ("AC"), fair value through other comprehensive income ("FVTOCI") and fair value through profit or loss ("FVTPL") and replaces the existing MFRS 139 *Financial Instruments: Recognition and Measurement* categories of loans and receivables, held-to maturity and available-for-sale. Classification under MFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flows characteristics.

Investments in securities are always measured at FVTPL with an irrevocable option at inception to present changes in OCI (provided the instruments is not held for trading). The Group classifies the measurements of the investments in securities as FVTPL.

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification of financial liabilities. There were no changes to the classification and measurements of financial liabilities to the Group and the Company.

(b) Impairment

MFRS 9 requires impairment assessments to be based on an Expected Credit Loss ("ECL") model, replacing the incurred loss model under MFRS 139. The Group and the Company require to record ECL on all of its debt instruments, loans and receivables, either on a 12-months or lifetime basis. The Group and the Company applied the simplified approach and record lifetime expected losses on all receivables.

(c) Effect of changes in classification and measurement of financial assets on 1 January 2018

| | As at 31.12.2017 | Remeasurement | Reclassification to MFRS 9 AC |
|---|---|---|---|
| | RM | RM | RM |
| **Group** | | | |
| **Financial assets** | | | |
| Loans and receivables | | | |
| Trade receivables | 340,629,119 | (1,271,536) | 339,357,583 |
| Other receivables | 92,929,779 | - | 92,929,779 |
| Amount due from joint venture | 693,952 | - | 693,952 |
| Fixed deposit with licenced banks | 41,223,384 | - | 41,223,384 |
| Cash and bank balances | 11,468,292 | - | 11,468,292 |
| | 486,944,526 | (1,271,536) | 485,672,990 |

## 2. Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

**Adoption of new and amended standards (Cont'd)**

(i) MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in July 2014) (Cont'd)

(c) Effect of changes in classification and measurement of financial assets on 1 January 2018 (Cont'd)

| | As at 31.12.2017 RM | Remeasurement RM | Reclassification to MFRS 9 FVTPL RM |
|---|---|---|---|
| FVTPL | | | |
| Investment in securities | 1,923,981 | - | 1,923,981 |

| | As at 31.12.2017 RM | Remeasurement RM | Reclassification to MFRS 9 AC RM |
|---|---|---|---|
| **Company** | | | |
| **Financial assets** | | | |
| Loans and receivables | | | |
| Other receivables | 4,555,260 | - | 4,555,260 |
| Amount due from subsidiaries | 300,721,006 | - | 300,721,006 |
| Cash and bank balances | 337,653 | - | 337,653 |
| | 305,613,919 | - | 305,613,919 |

| | As at 31.12.2017 RM | Remeasurement RM | Reclassification to MFRS 9 FVTPL RM |
|---|---|---|---|
| FVTPL | | | |
| Investment in securities | 1,923,981 | - | 1,923,981 |

(d) Effect on impairment allowances on 1 January 2018

| | Group RM |
|---|---|
| **Impairment of financial assets** | |
| Balances under MFRS 139 as at 31 December 2017 | 5,437,015 |
| Impairment loss on trade receivables | 1,271,536 |
| Balances under MFRS 9 as at 1 January 2018 | 6,708,551 |

# NOTES TO THE FINANCIAL STATEMENTS

## 2. Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

Adoption of new and amended standards (Cont'd)

(ii) MFRS 15 *Revenue from Contracts from Customers*

MFRS 15 establishes a five-step model that will apply to recognition of revenue arising from contracts with customers and provide a more structured approach in measuring and recognising revenue. Revenue is recognised when a customer obtains control of a good or service, at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

With the adoption of MFRS 15, revenue is recognised by reference to each distinct performance obligation in the contract with customer. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or services promised in the contract. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

The Group and the Company using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Accordingly, the comparative information was not restated and the cumulative effects of initial application of MFRS 15 were recognised as an adjustment to the opening balance of retained earnings as at 1 January 2018. The comparative information continued to be reported under the previous accounting policies governed under MFRS 118 and MFRS 111.

In applying the modified retrospective method, the Group and the Company applied the following practical expedients:

(a) for completed contracts, contracts that begin and end within the same annual reporting period were not restated;

(b) for completed contracts that have variable consideration, transaction price at the date the contract was completed was used rather than estimating variable consideration amounts in the comparative reporting periods; and

(c) for all reporting periods presented before the date of initial application, the amount of the transaction price allocated to the remaining performance obligation and an explanation of when the entity expects to recognise that amount as revenue is not disclosed.

The adoption of MFRS 15 has no material financial impact other than the disclosures made in the financial statements.

Impact arising from the adoption of MFRS 9 on the Group's financial statements:

| | As at 31.12.2017 | MFRS 9 adjustments | As at 1.1.2018 |
|---|---|---|---|
| **Group** | **RM** | **RM** | **RM** |
| Trade receivables | 340,629,119 | (1,271,536) | 339,357,583 |
| Cash and bank balances | 113,186,371 | (1,271,536) | 111,914,835 |

## 2. Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

**Standards issued but not yet effective**

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

| | | **Effective dates for financial periods beginning on or after** |
|---|---|---|
| MFRS 16 | Leases | 1 January 2019 |
| IC Interpretation 23 | Uncertainty over Income Tax Treatments | 1 January 2019 |
| Amendments to MFRS 9 | Prepayment Features with Negative Compensation | 1 January 2019 |
| Amendments to MFRS 119 | Plan Amendment, Curtailment or Settlement | 1 January 2019 |
| Amendments to MFRS 128 | Long-term interests in Associates and Joint Ventures | 1 January 2019 |
| Annual Improvements to MFRSs 2015 – 2017 Cycle: | | |
| • Amendments to MFRS 3 | | 1 January 2019 |
| • Amendments to MFRS 11 | | 1 January 2019 |
| • Amendments to MFRS 112 | | 1 January 2019 |
| • Amendments to MFRS 123 | | 1 January 2019 |
| Amendments to References to the Conceptual Framework in MFRS Standards | | 1 January 2020 |
| Amendments to MFRS 3 | Definition of a Business | 1 January 2020 |
| Amendments to MFRS 101 | Definition of Material | 1 January 2020 |
| MFRS 17 | Insurance Contracts | 1 January 2021 |
| Amendments to MFRS 10 and MFRS 128 | Sales or Contributions of Assets between an Investor and its Associate or Joint Venture | Deferred until further notice |

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

The initial application of the abovementioned MFRSs is not expected to have any significant impacts on the financial statements of the Group and of the Company except as mentioned below:

MFRS 16 *Leases*

MFRS 16, which upon the effective date will supersede MFRS 117 *Leases*, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under MFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes noncancelable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, MFRS 117.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

**Standards issued but not yet effective (Cont'd)**

MFRS 16 *Leases* (Cont'd)

In respect of the lessor accounting, MFRS 16 substantially carries forward the lessor accounting requirements in MFRS 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The impact of the new MFRSs, amendments and improvements to published standard on the financial statements of the Group and of the Company are currently being assessed by management.

(b) Functional and presentation currency

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

(c) Significant accounting judgments, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgments, 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 adjustment to the carrying amount of the asset or liability affected in the future.

**Judgments**

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

Satisfaction of performance obligations in relation to contracts with customers

The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method for recognising revenue. This assessment was made based on the terms and conditions of the contracts, and the provisions of relevant laws and regulations.

The Group recognises revenue over time in the following circumstances:

(a) The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

(b) The Group does not create an asset with an alternative use to the Group and has an enforceable right to payment for performance completed to date; and

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

Where the above criteria are not met, revenue is recognised at a point in time. Where revenue is recognised at a point of time, the Group assesses each contract with customers to determine when the performance obligation of the Group under the contract is satisfied.

## 2. Basis of Preparation (Cont'd)

(c) Significant accounting judgments, estimates and assumptions (Cont'd)

**Key sources of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are set out below:

Useful lives of property, plant and equipment

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

Impairment of goodwill on consolidation

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units to which the goodwill is allocated. Estimating the value-in-use amount requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The key assumptions used to determine the value-in-use is disclosed in Note 9.

Inventories valuation

Inventories are measured at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on an assessment of expected sales prices. Demand levels and pricing competition could change from time to time. If such factors result in an adverse effect on the Group's products, the Group might be required to reduce the value of its inventories. Details of inventories are disclosed in Note 13.

Determination of transaction prices

The Group is required to determine the transaction price in respect of each of its contracts with customers. In making such judgment the Group assesses the impact of any variable consideration in the contract, due to discounts or penalties, the existence of any significant financing component and any non-cash consideration in the contract.

There is no estimation required in determining the transaction price, as revenue from sale of goods or services are based on invoiced values. Discounts are not considered as they are not only given in rare circumstances.

Impairment of receivables

The Group review the recoverability of its receivables, include trade and other receivables, amounts due from subsidiaries at each reporting date to assess whether an impairment loss should be recognised. The impairment provisions for receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions at the end of each reporting period.

The carrying amounts at the reporting date for receivables are disclosed in Notes 11, 15, 16 and 17 respectively.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. Basis of Preparation (Cont'd)

(c) Significant accounting judgments, estimates and assumptions (Cont'd)

**Key sources of estimation uncertainty (Cont'd)**

Revenue from construction contracts

Construction revenue and costs are recognised over the period of the contract in the profit or loss by reference to the progress towards complete satisfaction of that performance obligation.

The progress towards complete satisfaction of performance obligation is measured based on the physical proportion of contract work-to-date certified by professional consultants. Significant judgement is required in determining the progress based on technical milestone defined under the contract and take into account the nature of activities and its associated risks.

The details of construction contracts are disclosed in Note 14.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the unused tax losses, unabsorbed capital allowances and other deductible temporary differences can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies of the carrying value of recognised and unrecognised deferred tax assets are disclosed in Note 26.

Income taxes

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

The Group and the Company recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. As at 31 December 2018, the Group has tax recoverable and payable of RM1,140,729 (2017: RM2,702,076) and RM24,373,469 (2017: RM22,678,748) respectively. The Company has tax payable of RM3,432,468 (2017: RM3,297,240).

Fair values of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments where active market quotes are not available. Details of the assumptions used are given in the Note 42(c) regarding financial assets and liabilities. In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

## 3. Significant Accounting Policies

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

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

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

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

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9 *Financial Instruments* measured at fair value with the changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

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

# NOTES TO THE FINANCIAL STATEMENTS

## 3. Significant Accounting Policies (Cont'd)

(a) Basis of consolidation (Cont'd)

(i) Subsidiaries (Cont'd)

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

(ii) Changes in ownership interests in subsidiaries without change of control

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

(iii) Goodwill on consolidation

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

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

(b) Investments in associate and joint venture

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

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

## 3. Significant Accounting Policies (Cont'd)

(b) Investments in associate and joint venture (Cont'd)

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

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

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

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

The requirements of MFRS 136 *Impairment of Assets* are applied to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate or joint venture. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with MFRS 136 as a single asset, by comparing its recoverable amount (higher of value-in-use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

## 3. Significant Accounting Policies (Cont'd)

(c) Foreign currency translation

(i) Foreign currency transactions and balances

Transactions in foreign currency are recorded in the functional currency of the respective Group entities using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are included in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the reporting period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. Exchange differences arising from such non-monetary items are also recognised in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at the rate of exchange prevailing at the reporting date, except for goodwill and fair value adjustments arising from business combinations before 1 January 2012 (the date of transition to MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve ("FCTR") in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

## 3. Significant Accounting Policies (Cont'd)

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 3(n)(i).

(i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

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

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is recognised in the profit or loss on straight line basis to write off the cost or valuation of each asset to its residual value over its estimated useful life. Freehold land is not depreciated. Leased assets are depreciated over the shorter of the lease terms and their useful lives. Property, plant and equipment under construction are not depreciated until the assets are ready for its intended use.

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

| | |
|---|---|
| Buildings | 33-50 years |
| Leasehold properties and industrial land | Over the remaining lease periods |
| Furniture and fittings | 1 - 10 years |
| Office equipment | 5 - 10 years |
| Yard infrastructure, machinery and equipment | 1 - 10 years |
| Motor vehicles | 5 years |
| Renovation | 5 years |
| Computers and software | 3 - 5 years |

# NOTES TO THE FINANCIAL STATEMENTS

## 3. Significant Accounting Policies (Cont'd)

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

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

(e) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

As lessee

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between 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 recognised in finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

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

(ii) Operating lease

Leases, where the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

(ii) Operating lease (Cont'd)

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

Leasehold land which in substance is an operating lease is classified as prepaid land lease payments.

## 3. Significant Accounting Policies (Cont'd)

(e) Leases (Cont'd)

As lessor

Leases in which the Group or the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(f) Intangible assets

(i) Internally-generated intangible assets - research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- its intention to complete and its ability and intention to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete; and
- the ability to measure reliably the expenditure during development.

The amount initially recognised for internally–generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure in recognised in profit or loss in the period in which it is incurred.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful lives and amortisation methods are reviewed at the end of each reporting date, with the effect of any changes in estimate being accounted for on a prospective basis.

(ii) Intangible assets acquired in a business combination

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

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

(iii) Intangible assets acquired separately

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

# NOTES TO THE FINANCIAL STATEMENTS

## 3. Significant Accounting Policies (Cont'd)

(f) Intangible assets (Cont'd)

(iv) Derecognition of intangible assets

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

See accounting policy Note 3(n)(i) to the financial statements on impairment of non-financial assets for intangible assets.

(g) Financial assets

***Policy applicable from 1 January 2018***

Financial assets are recognised in the statements of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at FVTPL, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include trade and other receivables, amount due from subsidiaries and joint venture, deposits, cash and bank balances.

(a) Financial assets at amortised cost

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

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.

(b) Fair value through other comprehensive income

The Group and the Company have not designated any financial assets as FVOCI.

(c) Financial assets at fair value through profit or loss

All financial assets not classified as measured at amortised cost or FVOCI, as described above, are measured at FVTPL. This includes derivative financial assets (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument). On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as FVTPL are subsequently measured at their fair value with gains or losses recognised in the profit or loss.

## 3. Significant Accounting Policies (Cont'd)

(g) Financial assets (Cont'd)

(c) Financial assets at fair value through profit or loss (Cont'd)

All financial assets, except for those measured at FVTPL and equity investments measured at FVOCI, are subject to impairment.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Group and the Company commit to purchase or sell the asset.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received for financial instrument is recognised in profit or loss.

***Policy applicable before 1 January 2018***

Financial assets are recognised on 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.

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately in profit or loss.

The Group and the Company classify their financial assets depends on the purpose for which the financial assets were acquired at initial recognition, into the following categories:

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

Financial assets at fair value through profit or loss include financial assets held for trading, contingent consideration in a business combination or financial assets that are designated into this category upon initial recognition. A financial asset is classified in this category if it is acquired principally for the purpose of selling it in the near term. Derivatives, including separated embedded derivatives, are also categorised as held for trading unless they are designated as effective hedging instruments. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

After initial recognition, financial assets in this category are measured at fair value with any gains or losses arising from changes in the fair values recognised in profit or loss in the period in which the changes arise.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 3. Significant Accounting Policies (Cont'd)

(g) Financial assets (Cont'd)

(c) Financial assets at fair value through profit or loss (Cont'd)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those maturing later than 12 months after the end of the reporting period which are classified as non-current assets.

After initial recognition, financial assets categorised as loans and receivables are measured at amortised cost using the effective interest method, less impairment losses. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Group and the Company commit to purchase or sell the asset.

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company have transfen-ed substantially all risks and rewards of ownership. On derecognition of a financial asset, the difference between the can-ying amount and the sum of consideration received and any cumulative gains or loss that had been recognised in equity is recognised in the profit or loss.

(h) Financial liabilities

***Policy applicable from 1 January 2018***

Financial liabilities are recognised when, and only when, the Group and the Company become a party to the contractual provisions of the financial instruments. All financial liabilities are recognised initially at fair value plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

## 3. Significant Accounting Policies (Cont'd)

(h) Financial liabilities (Cont'd)

***Policy applicable before 1 January 2018***

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definition of financial liabilities.

Financial liabilities are recognised on 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.

The Group and the Company classify their financial liabilities at initial recognition, into the following categories:

(i) Other financial liabilities measured at amortised cost

The Group's and the Company's financial liabilities comprise trade and other payables, amounts due to a Director and subsidiaries and loans and borrowings.

Trade and other payables, amounts due to a Director and subsidiaries are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Gains and losses on financial liabilities measured at amortised cost are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

(ii) Financial guarantee contracts

A specific payment to reimburse the holder for a loss it incurs because a specific debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, 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 recognised less cumulative amortisation.

A financial liability is derecognised when, and only when, the obligation specified in the contract 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

## 3. Significant Accounting Policies (Cont'd)

(i) Financial guarantee contracts

***Policy applicable from 1 January 2018***

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

Financial guarantee contracts are recognised initially as liabilities at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of:

- the best estimate of the expenditure required to settle the present obligation at the reporting date; and
- the amount initially recognised less cumulative amortisation.

Liabilities arising from financial guarantees are presented together with other provisions.

(j) Offsetting of financial instruments

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

(k) Inventories

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

Inventories which comprise raw materials, spare part and consumables, work-in-progress and finished goods are stated at the lower of cost and net realisable value.

Cost of raw material comprise cost of purchase and other costs incurred in bringing it to their present location and condition are determined on a first-in-first-out basis. Cost of finished goods and work-in-progress consists of direct material, direct labour and an appropriate proportion of production overheads (based on normal operating capacity) are stated on a first-in-first-out.

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

(l) Construction contracts

Construction contracts are contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Cost incurred to fulfil the contracts, comprising cost of direct materials, direct labour, other direct costs, attributable overheads and payments to subcontractors are recognised as an asset and amortised over to profit or loss systematically to reflect the transfer of the contracted service to the customer.

## 3. Significant Accounting Policies (Cont'd)

(l) Construction contracts (Cont'd)

The Group measure the entity's progress towards complete satisfaction of a performance obligation satisfied over time on the basis of direct measurements of the value transferred by the entity to the customer. This is determined based on technical milestone defined under the contract and take into account the nature of activities and its associated risks.

The Group presents as an asset the gross amount due from customers for contract work in progress for which costs incurred plus recognised profits (less recognised losses) exceed contract liabilities. Contract liabilities not yet paid by customers and retention monies are included within receivables and contract assets. The Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which contract liabilities exceed costs exceed costs incurred plus recognised profits (less recognised losses).

(m) Cash and cash equivalents

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

(n) Impairment of assets

(i) Non-financial assets

The carrying amounts of non-financial assets (except for inventories) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives, or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value-in-use and its fair value less costs of disposal. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment loss is recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amounts of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (group of cash-generating units) on a pro rata basis

# NOTES TO THE FINANCIAL STATEMENTS

## 3. Significant Accounting Policies (Cont'd)

(n) Impairment of assets (Cont'd)

(i) Non-financial assets (Cont'd)

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only if there has been a change in the estimates used to determine the 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 or amortisation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

(ii) Financial assets

***Policy applicable from 1 January 2018***

The Group and the Company recognise an allowance for expected credit losses ("ECLs") for all debt instruments not held at FVTPL. 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, other receivables, contract assets and inter-company balances, the Group and the Company apply 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.

***Policy applicable before 1 January 2018***

All financial assets, other than those at fair value through profit or loss, investment in subsidiaries, associates and joint ventures, are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

Financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivable and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics.

## 3. Significant Accounting Policies (Cont'd)

(n) Impairment of assets (Cont'd)

(ii) Financial assets (Cont'd)

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with defaults on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of impairment loss is recognised in the profit or loss. Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery.

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 is 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 is recognised in profit or loss.

(o) Share capital

(i) Ordinary shares

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity.

Dividend distribution to the Company's shareholders is recognised as a liability in the period they are approved by the Board of Directors except for the final dividend which is subject to approval by the Company's shareholders.

(ii) Preference shares

Preference share capital is classified as equity if it is non-redeemable, or is redeemable but only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distribution within equity. Preference share capital is classified as financial liability if it is redeemable on a specific date or at the option of the equity holders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

(p) Provisions

Provisions are recognised when there is a present legal or constructive obligation that can be estimated reliably, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

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

# NOTES TO THE FINANCIAL STATEMENTS

## 3. Significant Accounting Policies (Cont'd)

(p) Provisions (Cont'd)

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. The expense relating to any provision is presented in the statements of profit or loss and other comprehensive income net of any reimbursement.

(q) Employee benefits

(i) Short term employee benefits

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

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employee Provident Fund ("EPF"). Some of the Group's foreign subsidiaries also make contributions to their respective countries' statutory pension schemes. Such contributions are recognised as an expense in the profit or loss as incurred. Once the contributions have been paid, the Group has no further payment obligations.

(iii) Equity-settled share-based payment transaction

The Group operates an equity-settled, share-based compensation plan for the employees of the Group. Employee services received in exchange for the grant of the share options is recognised as an expense in the profit or loss over the vesting periods of the grant with a corresponding increase in equity.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to be vested. At the end of each reporting date, the Group revises its estimates of the number of share options that are expected to be vested. It recognises the impact of the revision of original estimates, if any, in the profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised. When options are not exercised and lapsed, the share option reserve is transferred to retained profits.

(r) Revenue recognition

(i) Revenue from contracts with customers

Revenue is recognised when the Group satisfied a performance obligation ("PO") by transferring a promised good or services to the customer, which is when the customer obtains control of the good or service. A PO may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied PO.

## 3. Significant Accounting Policies (Cont'd)

(r) Revenue recognition (Cont'd)

(i) Revenue from contracts with customers (Cont'd)

The Group recognises revenue from the following major sources:

(a) Revenue from construction contracts

The Group recognises revenue from construction contracts over time when control over the asset has been transferred to the customers. The assets have no alternative use to the Group due to contractual restriction and the Group has an enforceable right to payment for performance completed to date. Revenue from construction contracts is measured at the transaction price agreed under the construction contracts.

Revenue is recognised over the period of the contract using the output method to measure the progress towards complete satisfaction of the performance obligations under the construction contract, based on technical milestone defined under the contract and take into account the level of completion of the physical proportion of contract work to date, certified by professional consultants.

The Group becomes entitled to invoice customers for construction of promised asset based on achieving a series of performance-related milestones (i.e. progress billing). The Group previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the progress billing exceeds the revenue recognised todate, the Group recognises a contract liability for the difference. There is not considered to be a significant financing component in contracts with customers as the period between the recognition of revenue and the progress billing is always less than one year.

(b) Sale of goods

Revenue from sale of goods is recognised when control of the products has transferred, being the goods are delivered to the customers.

Revenue is recognised based on the price specified in the contract, net of the rebates, discounts and taxes. Payment of the transaction price is due immediately at the point the customer purchases the goods.

(c) Rendering of services

Revenue from services and management fees are recognised in the reporting period in which the services are rendered, which simultaneously received and consumes the benefits provided by the Group, and the Group has a present right to payment for the services.

(ii) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(iii) Interest income

Interest income is recognised on accruals basis using the effective interest method.

# NOTES TO THE FINANCIAL STATEMENTS

## 3. Significant Accounting Policies (Cont'd)

(s) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets, which are assets that necessarily take a substantial period of time to get ready for theirs intended use or sale, are capitalised as part of the cost of those assets. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(t) Income taxes

Tax expense in profit or loss comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method for all temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(u) Segments reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-makers are responsible for allocating resources and assessing performance of the operating segments and make overall strategic decisions. The Group's operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

(v) Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

(w) Land use rights

Land use rights are initially measured at cost. Subsequent to initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over their lease terms

# NOTES TO THE FINANCIAL STATEMENTS

## 4. Property, Plant and Equipment

| | Freehold land | Buildings | Leasehold properties and industrial land | Furniture and fittings | Office equipment | Yard infrastructure, machinery and equipment | Motor vehicles | Renovation | Computers and software | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | RM | RM | RM | RM | RM | RM | RM | RM | RM | RM |
| **Group** | | | | | | | | | | |
| **2018** | | | | | | | | | | |
| **At cost** | | | | | | | | | | |
| At 1 January 2018 | 12,063,260 | 15,876,176 | 16,438,945 | 1,667,104 | 5,350,471 | 72,021,136 | 8,950,480 | 28,573,229 | 3,024,704 | 163,965,505 |
| Additions | - | - | 13,057 | 289,470 | 1,460,742 | 4,624,104 | 425,083 | 6,222,194 | 353,396 | 13,388,046 |
| Disposals | - | - | - | - | (47,398) | (39,481) | (498,300) | (987) | - | (586,166) |
| Written off | - | - | - | - | (49,088) | (14,444) | - | - | - | (63,532) |
| Exchange differences | - | - | (113,743) | (11,467) | (5,851) | 586,300 | (8,836) | 9,528 | - | 455,931 |
| At 31 December 2018 | 12,063,260 | 15,876,176 | 16,338,259 | 1,945,107 | 6,708,876 | 77,177,615 | 8,868,427 | 34,803,964 | 3,378,100 | 177,159,784 |
| **Accumulated depreciation** | | | | | | | | | | |
| At 1 January 2018 | - | 1,357,650 | 1,712,875 | 912,999 | 4,027,647 | 33,456,827 | 5,897,518 | 7,577,360 | 2,083,014 | 57,025,890 |
| Charge for the financial year | - | 444,777 | 325,128 | 94,111 | 501,414 | 6,320,633 | 1,143,088 | 3,585,453 | 323,230 | 12,737,834 |
| Disposals | - | - | - | - | (17,646) | (31,100) | (425,778) | - | - | (474,524) |
| Written off | - | - | - | - | (30,032) | (2,740) | - | - | - | (32,772) |
| Exchange differences | - | - | (38,420) | 532 | (8,198) | (122,842) | (16,846) | 1,192 | - | (184,582) |
| At 31 December 2018 | - | 1,802,427 | 1,999,583 | 1,007,642 | 4,473,185 | 39,620,778 | 6,597,982 | 11,164,005 | 2,406,244 | 69,071,846 |
| **Carrying amount** | | | | | | | | | | |
| At 31 December 2018 | 12,063,260 | 14,073,749 | 14,338,676 | 937,465 | 2,235,691 | 37,556,837 | 2,270,445 | 23,639,959 | 971,856 | 108,087,938 |

## 4. Property, Plant and Equipment (Cont'd)

| | Freehold land | Buildings | Leasehold properties and industrial land | Furniture and fittings | Office equipment | Yard infrastructure, machinery and equipment | Motor vehicles | Renovation | Computers and software | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | RM | RM | RM | RM | RM | RM | RM | RM | RM | RM |
| **Group** | | | | | | | | | | |
| **2017** | | | | | | | | | | |
| **At cost** | | | | | | | | | | |
| At 1 January 2017 | 12,063,260 | 15,876,176 | 16,581,087 | 1,604,849 | 3,739,634 | 78,332,847 | 7,628,349 | 20,353,223 | 3,375,418 | 159,554,843 |
| Additions | - | - | - | 26,985 | 751,227 | 4,096,221 | 836,074 | 11,698,022 | 202,214 | 17,610,743 |
| Acquisition through business combination | - | - | - | 100,113 | 631,670 | 2,757,342 | 1,079,046 | 23,539 | 10,338 | 4,602,048 |
| Disposals | - | - | - | - | - | (329,600) | - | - | - | (329,600) |
| Disposals of subsidiary | - | - | - | (60,626) | (530,369) | (12,387,806) | (405,290) | (3,258,699) | (58,176) | (16,700,966) |
| Written off | - | - | - | (4,234) | (45,791) | - | (132,883) | (209,887) | - | (392,795) |
| Exchange differences | - | - | (142,142) | 17 | 804,100 | (447,868) | (54,816) | (32,969) | (505,090) | (378,768) |
| At 31 December 2017 | 12,063,260 | 15,876,176 | 16,438,945 | 1,667,104 | 5,350,471 | 72,021,136 | 8,950,480 | 28,573,229 | 3,024,704 | 163,965,505 |
| **Accumulated depreciation** | | | | | | | | | | |
| At 1 January 2017 | - | 912,875 | 1,423,958 | 860,975 | 2,741,960 | 32,655,886 | 4,475,307 | 6,708,291 | 2,304,405 | 52,083,657 |
| Charge for the financial year | - | 444,775 | 331,821 | 46,828 | 659,922 | 7,099,860 | 1,053,010 | 2,713,112 | 317,390 | 12,666,718 |
| Acquisition through business combination | - | - | - | 69,981 | 444,168 | 2,107,754 | 868,843 | 6,436 | 5,652 | 3,502,834 |
| Disposals | - | - | - | - | - | (30,213) | - | - | - | (30,213) |
| Disposals of subsidiary | - | - | - | (60,568) | (320,416) | (8,260,130) | (324,102) | (1,665,124) | (39,342) | (10,669,682) |
| Written off | - | - | - | (4,234) | (4,340) | (12,404) | (132,883) | (184,689) | - | (338,550) |
| Exchange differences | - | - | (42,904) | 17 | 506,353 | (103,926) | (42,657) | (666) | (505,091) | (188,874) |
| At 31 December 2017 | - | 1,357,650 | 1,712,875 | 912,999 | 4,027,647 | 33,456,827 | 5,897,518 | 7,577,360 | 2,083,014 | 57,025,890 |
| **Carrying amount** | | | | | | | | | | |
| At 31 December 2017 | 12,063,260 | 14,518,526 | 14,726,070 | 754,105 | 1,322,824 | 38,564,309 | 3,052,962 | 20,995,869 | 941,690 | 106,939,615 |

# NOTES TO THE FINANCIAL STATEMENTS

## 4. Property, Plant and Equipment (Cont'd)

| | Freehold land | Buildings | Leasehold industrial land | Furniture and fittings | Office equipment | Renovation | Computers and software | Machinery and equipment | Total |
|---|---|---|---|---|---|---|---|---|---|
| | RM | RM | RM | RM | RM | RM | RM | RM | RM |
| **Company** | | | | | | | | | |
| **2018** | | | | | | | | | |
| **At cost** | | | | | | | | | |
| At 1 January 2018 | 11,713,260 | 9,402,170 | 842,459 | 103,592 | 288,873 | 8,966,843 | 740,354 | 36,040 | 32,093,591 |
| Additions | - | - | - | 58,625 | - | 2,956,377 | 20,703 | - | 3,035,705 |
| At 31 December 2018 | 11,713,260 | 9,402,170 | 842,459 | 162,217 | 288,873 | 11,923,220 | 761,057 | 36,040 | 35,129,296 |
| **Accumulated depreciation** | | | | | | | | | |
| At 1 January 2018 | - | 949,474 | 67,669 | 33,863 | 54,905 | 3,970,172 | 604,886 | 8,408 | 5,689,377 |
| Charge for the financial year | - | 253,134 | 8,509 | 12,377 | 28,888 | 1,623,805 | 98,050 | 7,208 | 2,031,971 |
| At 31 December 2018 | - | 1,202,608 | 76,178 | 46,240 | 83,793 | 5,593,977 | 702,936 | 15,616 | 7,721,348 |
| **Carrying amount** | | | | | | | | | |
| At 31 December 2018 | 11,713,260 | 8,199,562 | 766,281 | 115,977 | 205,080 | 6,329,243 | 58,121 | 20,424 | 27,407,948 |

## 4. Property, Plant and Equipment (Cont'd)

| | Freehold land | Buildings | Leasehold industrial land | Furniture and fittings | Office equipment | Renovation | Computers and software | Machinery and equipment | Total |
|---|---|---|---|---|---|---|---|---|---|
| | RM | RM | RM | RM | RM | RM | RM | RM | RM |
| **Company** | | | | | | | | | |
| **2017** | | | | | | | | | |
| **At cost** | | | | | | | | | |
| At 1 January 2017 | 11,713,260 | 9,402,170 | 842,459 | 91,032 | 160,045 | 6,017,751 | 702,541 | 36,040 | 28,965,298 |
| Additions | - | - | - | 12,560 | 128,828 | 2,949,092 | 37,813 | - | 3,128,293 |
| At 31 December 2017 | 11,713,260 | 9,402,170 | 842,459 | 103,592 | 288,873 | 8,966,843 | 740,354 | 36,040 | 32,093,591 |
| **Accumulated depreciation** | | | | | | | | | |
| At 1 January 2017 | - | 696,341 | 59,159 | 23,940 | 32,438 | 2,726,238 | 467,522 | 1,200 | 4,006,838 |
| Charge for the financial year | - | 253,133 | 8,510 | 9,923 | 22,467 | 1,243,934 | 137,364 | 7,208 | 1,682,539 |
| At 31 December 2017 | - | 949,474 | 67,669 | 33,863 | 54,905 | 3,970,172 | 604,886 | 8,408 | 5,689,377 |
| **Carrying amount** | | | | | | | | | |
| At 31 December 2017 | 11,713,260 | 8,452,696 | 774,790 | 69,729 | 233,968 | 4,996,671 | 135,468 | 27,632 | 26,404,214 |

# NOTES TO THE FINANCIAL STATEMENTS

## 4. Property, Plant and Equipment (Cont'd)

(a) Assets pledged as securities to financial institutions

The carrying amounts of property, plant and equipment of the Group and of the Company pledged as securities for bank borrowings as disclosed in Note 25 are:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| Freehold land | 12,063,260 | 12,063,260 | 11,713,260 | 11,713,260 |
| Buildings | 14,073,749 | 14,518,526 | 8,199,562 | 8,452,696 |
| Leasehold properties and industrial land | 14,338,676 | 14,726,070 | 766,281 | 774,790 |
| | 40,475,685 | 41,307,856 | 20,679,103 | 20,940,746 |

The remaining lease period of the leasehold properties and industrial land of the Group and of the Company are 56 (2017: 57) years and 88 (2017: 89) years, which are expired on 2073 and 2105 respectively.

(b) The aggregate costs for the property, plant and equipment of the Group and of the Company acquired under finance lease financing and cash payments are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| Aggregate costs | 13,388,046 | 17,610,743 | 3,035,705 | 3,128,293 |
| Less: Finance lease financing | (742,327) | (410,500) | - | - |
| Cash payments | 12,645,719 | 17,200,243 | 3,035,705 | 3,128,293 |

(c) Included in the property, plant and equipment, the carrying amounts of leased assets are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| Motor vehicles | 1,553,972 | 2,007,092 | - | - |
| Machinery and equipment | - | 27,632 | - | 27,632 |
| | 1,553,972 | 2,034,724 | - | 27,632 |

## 5. Investments in Subsidiaries

| | Company | |
|---|---|---|
| | 2018 RM | 2017 RM |
| **In Malaysia:** | | |
| **At cost** | | |
| Unquoted shares | 108,125,008 | 108,125,007 |
| Less: Accumulated impairment losses | (18,449,996) | (18,449,996) |
| | 89,675,012 | 89,675,011 |
| **Outside Malaysia:** | | |
| **At cost** | | |
| Unquoted shares | 10,047,206 | 10,047,206 |
| | 99,722,218 | 99,722,217 |

Movement in the allowance for impairment loss are as follows:

| | Company | |
|---|---|---|
| | 2018 RM | 2017 RM |
| At 1 January | 18,449,996 | 22,406,294 |
| Impairment losses recognised | - | 143,701 |
| Amount written off | - | (4,099,999) |
| At 31 December | 18,449,996 | 18,449,996 |

In previous financial year, due to declining business operations of certain subsidiaries, the Company carried out a review of the recoverable amounts based on value-in-use, determined by discounted future cash flows. The recoverable amount is estimated at Nil and an impairment loss of RM143,701 was recognised in statements of profit or loss and other comprehensive income.

# NOTES TO THE FINANCIAL STATEMENTS

## 5. Investments in Subsidiaries (Cont'd)

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

| Name of company | Place of Business / Country of Incorporation | Effective equity interest 2018 % | Effective equity interest 2017 % | Principal activities |
|---|---|---|---|---|
| Destini Prima Sdn. Bhd. | Malaysia | 100 | 100 | Investment holding, and distribution and supply of defence and commercial aviation and marine equipment and accessories, contract management and Consultant to Original Equipment Manufacturers (OEMs) |
| Destini Armada Sdn. Bhd. | Malaysia | 100 | 100 | Investment holding |
| Destini Fire Safety Sdn. Bhd. | Malaysia | 100 | 100 | Dormant |
| Destini Engineering Technologies Sdn. Bhd. | Malaysia | 100 | 100 | Maintenance, repairs and overhaul of aviation related cylinders that include servicing, inspection, recycling and refilling of gas and general contractors, construction of telecommunication engineering and other related services |
| Destini Info Tech Sdn. Bhd. | Malaysia | 100 | 100 | Providing consultancy and solution services and implementing of high technology and computerised security systems and its related services |
| Destini Australia Pty. Ltd.* | Australia | 100 | 100 | Dormant |
| Destini Aero Teknologi Sdn. Bhd. | Malaysia | 100 | 100 | Dormant |
| Destini HRTC Sdn. Bhd. | Malaysia | 100 | 100 | Provides training and education consultancy services |
| Destini Armada Pte. Ltd.* | Singapore | 100 | 100 | Investment holding |
| Destini Oil Services Sdn. Bhd. | Malaysia | 100 | 100 | Provision of tubular handling and running services in the oil and gas industry |
| System Enhancement Resources & Technologies Sdn. Bhd. | Malaysia | 100 | 100 | Supplying, servicing and upkeeping army vehicles, buses and supplying motor trolley |
| Destini Empire Properties Sdn. Bhd. | Malaysia | 100 | - | Buying, selling, renting and operating of self-owned or leased real estate- non residential buildings |
| Detrac Sdn. Bhd. | Malaysia | 70 | 70 | Research and development of mechatronic system including software customisation, repair and maintenance of electronic systems, support and consultation on system development |
| Land Auto Technology Sdn. Bhd. | Malaysia | 100 | 100 | Dormant |

## 5. Investments in Subsidiaries (Cont'd)

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

| Name of company | Place of Business / Country of Incorporation | Effective equity interest 2018 % | Effective equity interest 2017 % | Principal activities |
|---|---|---|---|---|
| Prinsip Pertiwi Sdn. Bhd | Malaysia | 100 | 100 | Dormant |
| Destini First Sdn. Bhd. | Malaysia | 100 | 100 | Dormant |
| Destini Aviation Sdn. Bhd. | Malaysia | 100 | 100 | Maintenance, repairs and overhaul of aviation ground support safety and survival equipment |
| Destini Rail Sdn. Bhd. | Malaysia | 100 | 100 | Dormant |
| ***Held through Destini Prima Sdn. Bhd.:*** | | | | |
| Satang Environmental Sdn. Bhd. | Malaysia | 100 | 100 | Dormant |
| Satang-ICS Global Sdn. Bhd. | Malaysia | 51 | 51 | Dormant |
| DB Precision Sdn. Bhd. | Malaysia | 100 | 100 | Supplying calibration and cylinder services |
| Halaman Optima Sdn. Bhd | Malaysia | 70 | 70 | Manufacturers, importer and exporters of safety and security products and defence equipment |
| ***Held through Destini Armada Sdn. Bhd.:*** | | | | |
| Destini Shipbuilding And Engineering Sdn. Bhd. | Malaysia | 100 | 100 | Manufacturer of paramilitary boats and vessels and provides ship repair and marine related engineering services |
| Technofibre International Sdn. Bhd. | Malaysia | 100 | 100 | Lifeboat and davit servicing business, trading in other safety equipment catered to the marine and oil and gas industries as well as servicing life raft and firefighting equipment |
| ***Held through Destini Aviation Sdn. Bhd.:*** | | | | |
| Safeair Technical Sdn. Bhd. | Malaysia | 97.95 | 80 | Specialise in aircraft servicing and provide technical ground handling services for commercial airlines |
| ***Held through Destini Shipbuilding And Engineering Sdn. Bhd.:*** | | | | |
| THHE Destini Sdn. Bhd. | Malaysia | 51 | 51 | Manufacturer of paramilitary boats and vessels and provides ship repair and marine related engineering services |
| ***Held through Destini Oil Services Sdn. Bhd.*** | | | | |
| Destini Downstream Sdn. Bhd. | Malaysia | 100 | 100 | Dormant |
| Vanguarde Marine Engine Pte. Ltd. (formerly known as DBD International Pte. Ltd.) | Singapore | 100 | 100 | Dormant |

# NOTES TO THE FINANCIAL STATEMENTS

## 5. Investments in Subsidiaries (Cont'd)

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

| Name of company | Place of Business / Country of Incorporation | Effective equity interest 2018 % | Effective equity interest 2017 % | Principal activities |
|---|---|---|---|---|
| ***Held through Destini Armada Pte. Ltd.:*** | | | | |
| Vanguarde Pte. Ltd.* | Singapore | 100 | 100 | Manufacture and offers the service and maintenance of lifeboats, fast rescue boats, davit systems and a host of other safety equipment for the marine and oil and gas industries |
| TF Corp Pte. Ltd.* | Singapore | 100 | 100 | Investment holding |
| AMS Marine Pte. Ltd.* | Singapore | 70 | 70 | Building and repairing of ships, tankers and other ocean-going vessels |
| ***Held through Vanguarde Pte. Ltd.:*** | | | | |
| Vanguarde Offshore Pte. Ltd.* | Australia | 100 | 100 | Development and sale of Self-Propelled Hyperbaric Life Boat ("SPHLB") and life saving appliances |
| Vanguard Nantong FRP Co. Ltd.* | People Republic of China | 100 | 100 | Manufacturing, maintaining and trading of FRP ship, FRP products and life-saving equipment |
| Vanguard Safety Technologies Sdn. Bhd. | Malaysia | 100 | 100 | Supplying marine related lifesaving equipment, parts and accessories |
| ***Held through TF Corp Pte. Ltd.:*** | | | | |
| Techno Fibre Australia Pty. Ltd.* | Australia | 100 | 100 | Provide maintenance, repair and testing of lifeboats and davits cruise ships, offshore platforms and general shipping |
| Techno Fibre Middle East Marine Services FZE* | United Arab Emirates | 100 | 100 | Repair and maintenance of lifeboats and davits and fire and gas protection system servicing |
| Techno Fibre (S) Pte. Ltd.* | Singapore | 100 | 100 | Repair and service of fibre composite life boats and davits and consultation engineering and servicing |
| Destini Marine Safety Solutions Ltd.* | Scotland | 60 | 60 | Provides inspection, testing, repair and maintenance of marine safety systems including lifeboats and rescue boats |
| TF Corp Saudi Arabia Co. Ltd.* | Kingdom of Saudi Arabia | 51 | 51 | Providing maintenance, installation and repair of marine equipment and trading activities of marine safety products |

## 5. Investments in Subsidiaries (Cont'd)

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

| Name of company | Place of Business / Country of Incorporation | Effective equity interest 2018 % | Effective equity interest 2017 % | Principal activities |
|---|---|---|---|---|
| ***Held through AMS Marine Pte. Ltd.:*** | | | | |
| AMS Engineering Solutions Sdn. Bhd. (formerly known as Sierraleap Sdn. Bhd.) | Malaysia | 100 | 100 | Building and repairing of ships, tankers and other ocean-going vessels |

** Subsidiaries not audited by UHY*

(a) Material partly-owned subsidiaries

Set out below are the Group's subsidiaries that have material non-controlling interests:

| Name of Company | Proportion of ownership interests and voting rights held by non- controlling interests 2018 % | 2017 % | Profit/(Loss) allocated to non-controlling interests 2018 RM | 2017 RM | Accumulated non-controlling interests 2018 RM | 2017 RM |
|---|---|---|---|---|---|---|
| Detrac Sdn. Bhd. | 30 | 30 | (193,595) | 164,953 | 288,656 | 482,251 |
| Halaman Optima Sdn. Bhd. | 30 | 30 | (5,140) | 865,601 | 379,066 | 384,206 |
| Safeair Technical Sdn. Bhd. | 2.05 | 20 | (293,492) | (755,146) | 52,473 | (1,484,209) |
| AMS Marine Pte. Ltd. | 30 | 30 | 1,060,155 | - | (1,170,205) | (2,230,360) |
| | | | | | (450,010) | (2,848,112) |
| Individually immaterial subsidiaries with non-controlling | | | | | (3,083) | (3,083) |
| Total non-controlling interests | | | | | (453,093) | (2,851,195) |

## 5. Investment in Subsidiaries (Cont'd)

(a) Material partly-owned subsidiaries (Cont'd)

Summarised financial information for the subsidiaries that have non-controlling interest that are material to the group is set out below. The summarised financial information below represents amounts before inter-company eliminations.

| | Detrac Sdn. Bhd. | | Halaman Optima Sdn. Bhd. | | Safeair Technical Sdn. Bhd. | | AMS Marine Pte. Ltd. | |
|---|---|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| | RM | RM | RM | RM | RM | RM | RM | RM |
| **Summarised statements of financial position** | | | | | | | | |
| Non-current assets | 845,405 | 333,051 | 26,388 | 33,066 | 3,944,213 | 2,599,448 | 1,342,288 | 1,061,140 |
| Current assets | 2,391,585 | 3,505,166 | 122,061,610 | 122,237,073 | 8,390,633 | 5,715,668 | 9,910,600 | 3,819,706 |
| Non-current liabilities | - | (37,542) | (77,540,051) | (86,157,439) | (61,779) | (77,653) | (608,417) | (136,106) |
| Current liabilities | (2,274,805) | (2,193,171) | (43,284,395) | (34,832,012) | (9,713,387) | (15,658,507) | (14,545,154) | (12,179,272) |
| Net assets/(liabilities) | 962,185 | 1,607,504 | 1,263,552 | 1,280,688 | 2,559,680 | (7,421,044) | (3,900,683) | (7,434,532) |
| **Summarised statements of profit or loss and other comprehensive income** | | | | | | | | |
| Revenue | 2,502,504 | 3,688,203 | - | 225,330,000 | 5,400,552 | 4,709,106 | 25,388,746 | - |
| Net profit/(loss) for the financial year | (645,319) | 549,843 | (17,133) | 2,885,338 | (14,316,683) | (3,775,737) | 3,533,850 | - |
| Total comprehensive income/(loss)for the financial year | (645,319) | 549,843 | (17,133) | 2,885,338 | (14,316,683) | (3,775,737) | 3,533,850 | - |

## 5. Investment in Subsidiaries (Cont'd)

(a) Material partly-owned subsidiaries (Cont'd)

Summarised financial information for the subsidiaries that have non-controlling interest that are material to the group is set out below. The summarised financial information below represents amounts before inter-company eliminations. (Cont'd)

| | Detrac Sdn. Bhd. | | Halaman Optima Sdn. Bhd. | | Safeair Technical Sdn. Bhd. | | AMS Marine Pte. Ltd. | |
|---|---|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| | RM | RM | RM | RM | RM | RM | RM | RM |
| **Summarised statements of cash flows** | | | | | | | | |
| Net cash from/(used in) operating activities | (447,847) | 502,706 | 7,103 | (119,026,799) | (7,175,192) | (4,620,560) | (873,939) | 302,639 |
| Net cash used in investing activities | 528,071 | (1,499,446) | (4,328,001) | - | (1,744,318) | (275,102) | (3,445,006) | (127,046) |
| Net cash from/(used in) financing activities | 107,786 | 563,854 | 3,910,697 | 112,158,587 | 8,936,717 | 5,139,786 | 5,447,863 | (18,988) |
| Net (decrease)/increase in cash and cash equivalents | 188,010 | (432,886) | (410,201) | (6,868,212) | 17,207 | 244,124 | 1,128,918 | 156,605 |

# NOTES TO THE FINANCIAL STATEMENTS

## 5. Investment in Subsidiaries (Cont'd)

(b) Acquisition of subsidiaries

During the financial year

On 5 June 2018, the Company incorporated a new wholly-owned subsidiary company at Malaysia with the name Destini Empire Properties Sdn. Bhd. ("DEPSB") with the registered capital of RM1.

In previous financial year

(i) On 16 February 2017, Destini Prima Sdn. Bhd., a wholly-owned subsidiary of the Company, entered into a Share Sale Agreement ("SSA") with third parties for proposed acquisition of 700,000 ordinary shares, representing 70% equity interest in Halaman Optima Sdn. Bhd. ("HOSB") for a total cash consideration of RM5,500,000. The condition precedent for the SSA has been compiled and acquisition has been duly completed on 29 March 2017.

(ii) On 28 February 2017, Destini Oil Services Sdn. Bhd., a wholly-owned subsidiary of the Company, acquired 2 ordinary shares, representing entire shareholding in Destini Downstream Sdn Bhd ("DDSB") (formerly known as Massive Maxim Sdn. Bhd.) for cash consideration of RM2.

(iii) On 3 July 2017, Destini Oil Services Sdn. Bhd., a wholly-owned subsidiary of the Company, incorporated a new wholly-owned subsidiary at Singapore with the name Vanguarde Marine Engine Pte. Ltd. (formerly known as DBD International Pte. Ltd) ("VMEPL") with the registered capital of RM6 (SGD 2).

(iv) On 27 November 2017, Destini Armada Pte. Ltd., a wholly-owned subsidiary of the Company, entered into a share subscription and shareholders agreement ("SSA") with third parties for subscription of 4,200,000 new ordinary shares in AMS Marine Pte. Ltd ("AMS"), representing 70% of the enlarged issued and paid up capital of AMS for a total cash consideration of RM3 (SGD 1). The condition precedent for the SSA has been compiled and the acquisition has been duly completed on 4 December 2017.

(v) On 15 December 2017, the Company acquired 1 ordinary share in Destini Rail Sdn. Bhd. ("DRSB") representing the 100% of the issued and paid-up share capital of DRSB for a cash consideration of RM1.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

| Fair value of consideration transferred | 2017<br>RM |
|---|---|
| Cash consideration paid | 5,500,012 |

## 5. Investment in Subsidiaries (Cont'd)

(b) Acquisition of subsidiaries During the financial year (Cont'd)

Fair value of identifiable assets acquired and liabilities assumed

| | 2017<br>RM |
|---|---|
| Property, plant and equipment | 1,099,214 |
| Inventories | 649,364 |
| Trade and other receivables | 3,097,845 |
| Cash and bank balances | 8,230,270 |
| Trade and other payables | (21,914,237) |
| Finance lease liabilities | (201,630) |
| Total identifiable net liabilities | (9,039,174) |

Net cash inflows arising from acquisition of subsidiaries

| | 2017<br>RM |
|---|---|
| Purchase consideration settled in cash | (5,500,012) |
| Cash and cash equivalents of subsidiaries acquired | 8,230,270 |
| | 2,730,258 |

Goodwill arising from business combination

| | 2017<br>RM |
|---|---|
| Fair value of consideration transferred via cash | 5,500,012 |
| Non-controlling interests, based on their proportionate interest in the recognised amounts of the assets and liabilities of the acquiree | (2,711,755) |
| Fair value of identifiable assets acquired and liabilities assumed | 9,039,174 |
| Goodwill | 11,827,431 |

The goodwill recognised on the acquisition is attributable mainly to the skills and technical talent of the acquired business's work force and the synergies expected to be achieved from integrating the subsidiaries into the Group's existing business.

Acquisition-related costs

The Group incurred acquisition-related costs of Nil RM101,000 related to external legal fees and due diligence costs. The expenses have been included in administrative expenses in the profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

## 5. Investment in Subsidiaries (Cont'd)

(c) Disposal of a subsidiary

In previous financial year

On 29 December 2017, the Company entered into a share sale agreement ("SSA") with a third party for disposal of its entire 51.92% equity interest in its subsidiary, Green Pluslink Sdn Bhd ("GPSB"), comprising of 2,700,000 ordinary shares in GPSB for a total cash consideration of RM4,400,000.

The effect of the disposal of GPSB on the financial position of the Group as at the date of disposal was as follows:

| | RM |
|---|---|
| Property, plant and equipment | 6,031,284 |
| Inventories | 149,621 |
| Trade and other receivables | 433,240 |
| Cash and bank balances | 223,240 |
| Trade and other payables | (119,167) |
| Amount due to holding company | (10,571,041) |
| Amount due to related companies | (1,749,857) |
| Finance lease liabilities | (94,736) |
| Net liabilities | (5,697,416) |
| Add: Non-controlling interests | 2,885,761 |
| Total net liabilities disposed | (2,811,655) |
| Gain on disposal | 7,211,655 |
| Proceeds from disposal | 4,400,000 |
| Less: Cash and bank balances disposed | (223,240) |
| Net cash inflows from disposal | 4,176,760 |

(d) Acquisition of non-controlling interest

On 19 March 2018, Destini Aviation Sdn. Bhd., a wholly-owned subsidiary of the Company, subscribed additional 15,333,005 new ordinary shares in Safeair Technical Sdn. Bhd. ("STSB"), increasing its ownership from 80% to 97.95% for consideration other than cash of RM15,333,005.

The effect of change in the equity interest in STSB that is attributable to owners of the Company:

| | RM |
|---|---|
| Carrying amount of non-controlling interests acquired | (1,830,174) |
| Consideration paid to non-controlling interests | - |
| Decrease in parent's equity | (1,830,174) |

There are no significant restrictions on the ability of the subsidiaries to transfer funds to the Group in the form of cash dividends or repayment of loans and advances. Generally, for all subsidiaries which are not wholly-owned by the Company, non-controlling shareholders hold protective rights restricting the Company's ability to use the assets of the subsidiaries and settle the liabilities of the Group, unless approval is obtained from non-controlling shareholders.

## 6. Investment in Associates

| Outside Malaysia | Group 2018 RM | Group 2017 RM | Company 2018 RM | Company 2017 RM |
|---|---|---|---|---|
| At cost | | | | |
| Unquoted shares | 315,406 | 315,406 | - | - |
| Share of post acquisition reserve | (315,406) | (315,406) | - | - |

Details of the associates are as follows:

| Name of company | Place of Business / Country of Incorporation | Effective equity interest 2018 % | Effective equity interest 2017 % | Principal activities |
|---|---|---|---|---|
| Emirates Kejuruteraan Samudra Timur Berhad Petroleum Services L.L.C.* . | Emirates of Abu Dhabi | 49 | 49 | Provides oil and gas production facilities operation and maintenance services, and onshore and offshore, oil fields and facilities services |
| TF Emirates Marine Services L.L.C.* | Emirates of Abu Dhabi | 49 | 49 | Engaged in the business of onshore and offshore oil and gas fields and facilities services, marine machines and equipment repairing and maintenance |

** Associates not audited by UHY*

Summarised financial information of the Group's associates, Emirates Kejuruteraan Samudra Timur Berhad Petroleum Services L.L.C. ("EKSTB") and TF Emirates Marine Services L.L.C. ("TFEMS"), are set out below. The summarised financial information represents the amounts in the MFRS financial statements of the associates and not the Group's share of those amounts.

# NOTES TO THE FINANCIAL STATEMENTS

## 6. Investment in Associates (Cont'd)

| | EKSTB | | TFEMS | |
|---|---|---|---|---|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| Summarised statements of financial position | | | | |
| Non-current assets | - | - | 10,131 | 41,628 |
| Current assets | 539,170 | 577,390 | 552,706 | 329,359 |
| Current liabilities | (7,360,812) | (7,357,514) | (732,325) | (687,965) |
| Net liabilities | (6,821,642) | (6,780,124) | (169,488) | (316,978) |
| Interest in associate | 49% | 49% | 49% | 49% |
| Group's share of net assets/(liabilities) | - | - | - | - |
| Carrying value of the Group's interest in associate | - | - | - | - |
| Summarised statements of profit or loss and other comprehensive income | | | | |
| Revenue | - | - | 564,934 | 27,539 |
| Net profit/(loss) for the financial financial year | (41,518) | (788,124) | (56,127) | (313,999) |
| Total comprehensive loss for the financial year | (41,518) | (788,124) | (56,127) | (313,999) |

The Group has not recognised accumulated losses related to EKSTB and TFEMS totaling RM3,534,342 (2017: RM3,513,998) and RM291,780 (2017: RM264,278) respectively, since the Group has no obligation in respect of their losses.

There are no commitment nor contingent liabilities relating to the Group's interest in the associates.

## 7. Investment in Joint Ventures

| | Group | |
|---|---|---|
| Outside Malaysia | 2018 RM | 2017 RM |
| In Malaysia: | | |
| At Cost | | |
| Unquoted shares | 1,296,771 | 500,001 |
| Less: Share of post acquisition reserve | (1,112,031) | (500,001) |
| | 184,740 | - |

## 7. Investment in Joint Ventures (Cont'd)

Details of the joint ventures are as follows:

| Name of company | Country of Incorporation | Effective equity interest | | Principal activities |
|---|---|---|---|---|
| | | 2018 | 2017 | |
| | | % | % | |
| Destini Avia Technique Sdn. Bhd. ("DATSB") | Malaysia | 50 | 50 | Specialise in maintenance, repair and overhaul for aircraft components and equipment catered to commercial aviation sector |
| Invation Aero Sdn Bhd. ("IASB")* | Malaysia | 50 | 50 | Sale of rotary wing and fixed wing aircraft, supply and provision of maintenance, repair and overhaul services and other related services |
| Federal Destini (S) Pte. Ltd. ("FDSPT")* | Singapore | 50 | - | Drilling and related services, well intervention services, offshore greenfield development and decommissioning services in the South Asia and South-East Asia region |

** Joint ventures not audited by UHY*

On 16 Jan 2018, Destini Oil Services Sdn. Bhd. ("DOS"), a wholly-owned subsidiary of the Company, entered into a Joint Venture and Shareholders Agreement with a joint venture partner to form a jointly controlled entity, Federal Destini (S) Pte. Ltd. ("FDSPT") at equal basis of equity interest in FDSPT held by both parties. DOS subscribed 100,000 ordinary shares, representing 50% equity interest in FDSPT for cash consideration of SGD100,000 (equivalent to RM296,770).

On 8 June 2018, Invation Aero Sdn. Bhd. allotted 1,000,000 new ordinary shares to its existing shareholders, Destini Aviation ("DASB"), a wholly owned subsidiary of the Company and a joint venture partner at equal basis of equity interest. DASB subscribed 500,000 new ordinary shares in IASB for cash consideration of RM500,000. There is no change in ownership interest after the share subscription.

There are no commitment nor contingent liabilities relating to the Group's interest in the joint ventures.

## 7. Investment in Joint Ventures (Cont'd)

Summarised financial information of the Group's joint ventures is set out below. The summarised financial information represents the amounts in the MFRS financial statements of joint venture and not the Group's share of those amounts.

| | DATSB | | IASB | | FDSPT | |
|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| | RM | RM | RM | RM | RM | RM |
| **Summarised statements of financial position** | | | | | | |
| Non-current assets | 897,517 | 1,136,315 | 173,509 | 6,777 | - | - |
| Current assets | 3,077,297 | 2,069,325 | 934,121 | 1,002 | 389,117 | - |
| Current liabilities | (6,021,762) | (5,154,790) | (1,301,252) | (174,635) | (19,637) | - |
| Net liabilities | (2,046,948) | (1,949,150) | (193,622) | (166,856) | 369,480 | - |
| Interest in joint ventures | 50% | 50% | 50% | 50% | 50% | - |
| Group's share of net (liabilities)/assets | (1,023,474) | (974,575) | (96,811) | (83,428) | 184,740 | - |
| Carrying value of the Group's interest in joint venture | (1,023,474) | (974,575) | (96,811) | (83,428) | 184,740 | - |
| **Summarised statements of comprehensive income profit or loss and other** | | | | | | |
| Revenue | 2,963,758 | 684,424 | - | - | - | - |
| Net loss for the financial year, representing total comprehensive loss for the financial year | (97,391) | (1,228,555) | (1,026,751) | (166,858) | (224,060) | - |
| **Unrecognised share of losses of joint ventures:** | | | | | | |
| The unrecognised share of losses of joint ventures | (48,696) | (614,278) | (513,376) | (83,427) | - | - |
| Cumulative unrecognised share of losses of joint ventures | 925,250 | 973,946 | (596,803) | (83,427) | - | - |

## 8. Investment in Securities

| Outside Malaysia | Group and Company 2018 RM | 2017 RM |
|---|---|---|
| **Financial assets at fair value through profit or loss** | | |
| **Quoted securities at fair value** | | |
| - Quoted shares in Malaysia | 1,136,660 | 1,923,981 |

The quoted securities measured at fair value recurring basis and classified as level 1 of the fair value hierarchy.

## 9. Intangible Assets

| | Brand RM | Goodwill RM | Product technology RM | Development costs RM | Total RM |
|---|---|---|---|---|---|
| **Group** | | | | | |
| **2018** | | | | | |
| **At cost** | | | | | |
| At 1 January 2018 | 1,617,000 | 193,467,393 | 6,746,994 | 9,678,260 | 211,509,647 |
| Additions | - | - | - | 1,099,348 | 1,099,348 |
| Written off | - | - | - | (32,235) | (32,235) |
| Exchange differences | - | 31,153 | - | (6,090) | 25,063 |
| At 31 December 2018 | 1,617,000 | 193,498,546 | 6,746,994 | 10,739,283 | 212,601,823 |
| **Accumulated amortisation** | | | | | |
| At 1 January 2018 | 323,400 | - | 963,856 | 3,056,782 | 4,344,038 |
| Recognised in profit or loss | 107,800 | - | 963,856 | 1,077,878 | 2,149,534 |
| Written off | - | - | - | (32,235) | (32,235) |
| Exchange differences | - | - | - | 83,589 | 83,589 |
| At 31 December 2018 | 431,200 | - | 1,927,712 | 4,186,014 | 6,544,926 |
| **Accumulated impairment losses** | | | | | |
| At 1 January 2018/ 31 December 2018 | - | 1,334,431 | - | - | 1,334,431 |
| **Carrying amount** | | | | | |
| At 31 December 2018 | 1,185,800 | 192,164,115 | 4,819,282 | 6,553,269 | 204,722,466 |

# NOTES TO THE FINANCIAL STATEMENTS

## 9. Intangible Assets (Cont'd)

| | Brand RM | Goodwill RM | Product technology RM | Development costs RM | Total RM |
|---|---|---|---|---|---|
| **Group** | | | | | |
| **2017** | | | | | |
| **At cost** | | | | | |
| At 1 January 2017 | 1,617,000 | 184,248,933 | 6,746,994 | 10,046,117 | 202,659,044 |
| Additions | - | - | - | 551,511 | 551,511 |
| Acquisition through business combination | - | 11,827,431 | - | - | 11,827,431 |
| Disposal of subsidiary | - | (1,843,063) | - | (642,530) | (2,485,593) |
| Exchange differences | - | (765,908) | - | (276,838) | (1,042,746) |
| At 31 December 2017 | 1,617,000 | 193,467,393 | 6,746,994 | 9,678,260 | 211,509,647 |
| **Accumulated amortisation** | | | | | |
| At 1 January 2017 | 215,600 | - | - | 3,417,912 | 3,633,512 |
| Recognised in profit or loss | 107,800 | - | 963,856 | 408,643 | 1,480,299 |
| Disposal of subsidiary | - | - | - | (642,530) | (642,530) |
| Exchange differences | - | - | - | (127,243) | (127,243) |
| At 31 December 2017 | 323,400 | - | 963,856 | 3,056,782 | 4,344,038 |
| **Accumulated impairment losses** | | | | | |
| At 1 January 2017 | - | 1,843,063 | - | - | 1,843,063 |
| Recognised in profit or loss | - | 1,334,431 | - | - | 1,334,431 |
| Disposal of subsidiary | - | (1,843,063) | - | - | (1,843,063) |
| At 31 December 2017 | - | 1,334,431 | - | - | 1,334,431 |
| **Carrying amount** | | | | | |
| At 31 December 2017 | 1,293,600 | 192,132,962 | 5,783,138 | 6,621,478 | 205,831,178 |

(a) Description of the intangible assets

Brand

Brand relates to the Techno Fibre Companies brand name of which the fair value of the acquired brand name was established using a form of income approach known as Relief-From-Royalty ("RFR") method of which an independent valuation specialist had been engaged by the Group to value the brand name as part of the purchase price allocation exercise on the acquisition of the Techno Fibre Companies. It has remaining amortisation period of 11 years (2017: 12 years).

## 9. Intangible Assets (Cont'd)

(a) Description of the intangible assets (Cont'd)

Product technology

Product technology relates to the Group's new technology on the production of hyperbaric lifeboat. Due to the increased industry regulation and demand for hyperbaric lifeboats, the acquired subsidiary sees a potential for such market and hence has spent two years to develop the new technology. As part of the purchase price allocation exercise on the acquired subsidiary, the Group engaged an independent valuation specialist to value the product technology by using the cash flows projections i.e. multi-period excess earnings method ("MEEM"). It has remaining amortisation period of 5 years (2017: 6 years).

Development costs

Development costs related to the boats production which consist of license fees, certification fees, review fee on design, interests and workshop costs have an average remaining amortisation period of 4 years (2017: 4 years).

(b) Impairment testing for cash generating units ("CGU") containing goodwill

For impairment testing, goodwill is allocated to the Group's subsidiaries which represent the lowest level of CGU level within the Group at which the goodwill is monitored for internal management proposes.

The aggregate carrying amount of goodwill allocated to each subsidiary is as follows:

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | **RM** | **RM** |
| Technofibre International Sdn. Bhd. | 2,411,262 | 2,411,262 |
| Techno Fibre (S) Pte. Ltd. | 12,388,228 | 12,377,619 |
| Techno Fibre Middle East Marine Services FZE | 16,746,340 | 16,731,999 |
| Techno Fibre Australia Pty. Ltd. | 281,446 | 281,205 |
| Destini Oil Services Sdn. Bhd. | 67,158,888 | 67,158,888 |
| Destini Shipbuilding And Engineering Sdn. Bhd | 77,391,604 | 77,391,604 |
| System Enhancement Resources & Technologies Sdn. Bhd. | 2,199,962 | 2,199,962 |
| Destini Marine Safety Solutions Ltd. | 1,754,494 | 1,752,992 |
| Halaman Optima Sdn. Bhd. | 6,623,255 | 6,623,255 |
| AMS Marine Pte. Ltd. | 5,208,636 | 5,204,176 |
| | 192,164,115 | 192,132,962 |

The recoverable amount of the Safeair Technical Sdn. Bhd. is determined based on a value-in-use, determined by discounted future cash flows. The recoverable amount is estimated at Nil and a full impairment loss of RM1,334,431 was recognised in previous financial year.

# NOTES TO THE FINANCIAL STATEMENTS

## 9. Intangible Assets (Cont'd)

(b) Impairment testing for cash generating units ("CGU") containing goodwill (Cont'd)

The recoverable amount for the above was based on its value-in-use and was determined by discounting the future cash flows generated from the continuing use of those units and was based on the following key assumptions:

(i) Cash flows were projected based on actual operating results and a five-year business plan;

(ii) Revenue was projected at anticipated annual revenue growth of approximately 13% to 40% per annum;

(iii) Expenses were projected at annual increase of approximately 5% to 10% per annum; and

(iv) A pre-tax discount rate of 7% to 8% was applied in determining the recoverable amount of the respective CGU. The discount rate was estimated based on the weighted average cost of capital of individual CGU.

With regards to the assessments of value-in-use of these CGUs, management believes that no reasonably possible changes in any of the key assumptions would cause the carrying values of these units to differ materially from their recoverable amounts except for the changes in prevailing operating environment which is not ascertainable.

## 10. Land Use Rights

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| | RM | RM |
| **At cost** | | |
| At 1 January | 1,973,125 | 2,050,107 |
| Exchange differences | (12,562) | (12,562) |
| At 31 December | 1,960,563 | 1,973,125 |
| **Accumulated amortisation** | | |
| At 1 January | 288,907 | 259,179 |
| Charge for the financial year | 38,683 | 40,359 |
| Exchange differences | (1,310) | (10,631) |
| At 31 December | 326,280 | 288,907 |
| **Carrying amount** | | |
| At 31 December | 1,634,283 | 1,684,218 |

The Group has land use right over a plot of state-owned land in the People's Republic of China ("PRC") where the Group's PRC manufacturing and storage reside. The land use right is not transferrable and has a remaining tenure of 40 (2017: 41 years).

The carrying amount of the Group's land use right had been pledged as securities for bank borrowings as disclosed in Note 25.

## 11. Other Receivables

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 RM | 2017 RM (Restated) | 2018 RM | 2017 RM |
| **Non-Current Assets** | | | | |
| Other receivable | 12,910,389 | 12,321,101 | 12,910,389 | 12,321,101 |
| **Current Assets** | | | | |
| Other receivables | 38,738,424 | 40,967,195 | 4,394,066 | 3,960,734 |
| GST receivable | 5,205,269 | 2,768,795 | ¬478,482 | 170,455 |
| Deposits | | | | |
| - Suppliers (Trade) | 7,400,493 | 28,779,115 | - | - |
| - Others (Non-trade) | 1,613,112 | 3,663,045 | 213,609 | 247,364 |
| | 9,013,605 | 32,442,160 | 213,609 | 247,364 |
| Prepayments | 24,890,360 | 18,147,382 | 70,871 | 176,707 |
| | 77,847,658 | 94,325,532 | 5,157,028 | 4,555,260 |
| Less: Accumulated impairment losses | (790,745) | (1,395,753) | - | - |
| | 77,056,913 | 92,929,779 | 5,157,028 | 4,555,260 |
| | 89,967,302 | 105,250,880 | 18,067,417 | 16,876,361 |

***Non-current assets***

This represents unsecured, interest-bearing at rate of 6% (2017: 6%) per annum and repayable on or before 31 December 2020.

***Current assets***

Include in other receivables is amount due from an associate amounting to RM6,961,088 (2017: RM6,784,540). This represents unsecured, interest free advances and are repayable on demand.

Movements in allowance for impairment loss of other receivables during the financial year are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| **Non-Current Assets** | | | | |
| At 1 January | 1,395,753 | 1,518,968 | - | - |
| Impairment loss recognised | 338,290 | 263,923 | - | - |
| Written off | (943,298) | (387,138) | - | - |
| | 790,745 | 1,395,753 | - | - |

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.

# NOTES TO THE FINANCIAL STATEMENTS

## 12. Other Investment

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| Golf club membership | 320,000 | 320,000 | 150,000 | 150,000 |

This represents investment stated at cost in a local golf club and resort, which entitles the Group's and the Company's management and staff to utilise the facilities.

## 13. Inventories

| | Group | |
|---|---|---|
| | 2018 RM | 2017 RM |
| **At cost** | | |
| Spare parts and consumables | 3,802,570 | 3,862,569 |
| Raw materials | 3,474,464 | 2,453,520 |
| Work-in-progress | 634,694 | 2,606,369 |
| Finished goods | 3,751,230 | 4,090,062 |
| | 11,662,958 | 13,012,520 |
| Recognised in profit or loss: | | |
| Inventories recognised as cost of sales | 18,201,751 | 12,316,672 |

## 14. Contract Assets/(Liabilities)

| | Group | |
|---|---|---|
| | 2018 RM | 2017 RM |
| **Current** | | |
| Contract assets | | |
| Construction contract | 49,775,224 | 10,683,825 |
| Contract liabilities | | |
| Construction contract | 6,477,984 | 18,109,779 |

The significant changes in the contract assets and contract liabilities during the financial year relating to change in measure of construction progress.

## 14. Contract Assets/(Liabilities) (Cont'd)

Construction contracts

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| | RM | RM |
| Contract costs incurred to date | 1,105,018,555 | 877,397,698 |
| Attributable profits | 179,294,706 | 163,625,682 |
| | 1,284,313,261 | 1,041,023,380 |
| Less: Progress billings | (1,241,016,021) | (1,048,449,334) |
| | 43,297,240 | (7,425,954) |
| Presented as: | | |
| Contract assets | 49,775,224 | 10,683,825 |
| Contract liabilities | (6,477,984) | (18,109,779) |

The contract assets represent the unbilled amount for work completed as at the reporting date. This amount will be transferred to trade receivables when the right to bill becomes unconditional.

The contract liabilities consist of advance billings in excess of revenue recognised overtime during the construction period.

During the financial year, the following costs are capitalised to costs:

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| | RM | RM |
| Hire of plant and machineries | 643,731 | 840,116 |
| Rental expenses | 50,553 | 77,871 |

As of the reporting date, revenue expected to be recognised in the future relating to performance obligations that are unsatisfied (or partially unsatisfied) is RM295,256,032. The Group expects to recognise this revenue as the construction contracts are completed, which is expected to occur over the next 12-24 months.

# NOTES TO THE FINANCIAL STATEMENTS

## 15. Trade Receivables

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| | RM | RM (Restated) |
| Trade receivables | 268,714,820 | 344,670,381 |
| Less: Accumulated impairment losses | (4,637,910) | (4,041,262) |
| | 264,076,910 | 340,629,119 |

The Group's normal trade credit terms range from 30 to 90 days (2017: 30 to 90 days). Other credit terms are assessed and approved on a case by case basis.

Movements in allowance for impairment loss are as follows:

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| | RM | RM (Restated) |
| At 1 January | 4,041,262 | 2,892,042 |
| Effect of adopting MFRS 9 | 1,271,536 | - |
| Impairment loss recognised | 1,328,069 | 1,449,131 |
| Impairment loss reversed | (18,868) | - |
| Amount written off | (1,984,089) | (299,911) |
| At 31 December | 4,637,910 | 4,041,262 |

The loss allowance account in respect of trade receivables is used to record loss allowance. Unless the Group and the Company are satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off

## 15. Trade Receivables (Cont'd)

The aged analysis of trade receivables as at the end of the reporting period:
against the receivable directly.

| Group | Gross amount RM | Loss allowance RM | Net amount RM |
|---|---|---|---|
| **2018** | | | |
| Neither past due nor impaired | 54,129,905 | (126,739) | 54,003,166 |
| Past due not impaired: | | | |
| Less than 30 days | 2,220,648 | (364,782) | 1,855,866 |
| 31 to 60 days | 48,464,186 | (563,212) | 47,900,974 |
| | 104,814,739 | (1,054,733) | 103,760,006 |
| **Credit impaired:** | | | |
| More than 60 days past due | 161,861,776 | (1,544,872) | 160,316,904 |
| Individual impaired | 2,038,305 | (2,038,305) | - |
| | 268,714,820 | (4,637,910) | 264,076,910 |
| **2017** | | | |
| Neither past due nor impaired | 154,818,840 | - | 154,818,840 |
| Past due not impaired: | | | |
| Less than 30 days | 91,276,314 | - | 91,276,314 |
| 31 to 60 days | 53,375,362 | - | 53,375,362 |
| | 299,470,516 | - | 299,470,516 |
| **Credit impaired:** | | | |
| More than 60 days past due | 41,158,603 | - | 41,158,603 |
| Individual impaired | 4,041,262 | (4,041,262) | - |
| | 344,670,381 | (4,041,262) | 340,629,119 |

Trade receivables that are neither past due nor impaired are creditworthy receivables with good payment records with the Group.

As at 31 December 2018, trade receivables of RM209,947,005 (2017: RM185,810,279) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default.

The trade receivables of the Group that are individually assessed to be impaired amounting to RM2,038,305 (2017: RM4,041,262), related to customers that are in financial difficulties and have defaulted on payments. These balances are expected to be recovered through the debt recovery process.

# NOTES TO THE FINANCIAL STATEMENTS

## 16. Amount Due from Subsidiaries

| | Company | |
|---|---|---|
| | 2018 | 2017 |
| | RM | RM |
| Amount due from subsidiaries | 299,453,045 | 316,192,595 |
| Less: Accumulated impairment losses | (15,471,589) | (15,471,589) |
| | 283,981,456 | 300,721,006 |

These amounts represent unsecured, interest free advances and are repayable on demand except for an amount of RM27,857,878 (2017:RM44,292,469) which bears interest at 6.3% (2017: 6.3%) per annum.

## 17. Amount Due from Joint Ventures

This amount represents unsecured, interest free advances and is repayable on demand.

## 18. Fixed Deposits with Licensed Banks

The fixed deposits of the Group at amount of RM29,633,068 (2017: RM40,859,107) have been pledged to licensed banks as security for bankers' guarantees issued and banking facilities granted to subsidiaries as disclosed in Note 25.

The interest rates of deposits during the financial year range from 2.30% to 3.450% (2017: 2.30% to 3.60%) per annum and the maturities of deposits are 5 to 365 days (2017: 5 to 365 days) respectively.

## 19. Cash and Bank Balances

Included in cash and bank balances of the Group is an amount of RM50 (2017: RM50) has been pledged to licensed banks as security for banking facilities granted to subsidiaries as disclosed in Note 25.

## 20. Share Capital

| | Group and Company | | | |
|---|---|---|---|---|
| | Number of shares | | Amount | |
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| Ordinary share with no par value | | | | |
| **Issued and fully paid:** | | | | |
| At 1 January | 1,155,230,199 | 1,155,230,199 | 382,806,871 | 115,523,020 |
| Transition to no-par value regime on 31 January 2017 -share premium | - | - | - | 267,283,851 |
| At 31 December | 1,155,230,199 | 1,155,230,199 | 382,806,871 | 382,806,871 |

The new Companies Act, 2016 which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account become part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. There is no impact on the numbers of ordinary shares in issues to 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 and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

## 21. Share Premium

| | Group and Company | |
|---|---|---|
| | 2018 RM | 2017 RM |
| At 1 January | - | 267,283,851 |
| Transition to no-par value regime on 31 January 2017 | - | (267,283,851) |
| At 31 December | - | - |

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares.

Prior to 31 January 2017, the application of the share premium account was governed by Section 60 of the Companies Act, 1965. In accordance with the transitional provisions set out in Section 618(2) of the new Companies Act, 2016 (the "Act"), on 31 January 2017, the amounts standing to the credit of the share premium account become part of the Company's share capital (Note 20). 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 account of RM267,283,851 for purposes as set out in Section 618(3) of the Act.

## 22. Foreign Currency Translation Reserve

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

# NOTES TO THE FINANCIAL STATEMENTS

## 23. Employees Share Option Scheme ("ESOS")

At an extraordinary general meeting held on 10 February 2014, the Company's shareholders approved the establishment of an ESOS for eligible Directors and a employees of the Group. The ESOS is administered by committee ("ESOS Committee").

The ESOS became effective for a period of five (5) years from 17 April 2014 to 16 April 2019.

All ESOS have been fully exercised and no share option was granted during the financial year.

The salient features of the ESOS scheme are, inter alia, as follows:

(i) Eligible employees include Directors of the Company and confirmed full time employees of the Company and its eligible subsidiaries or under a fixed term employment contract, the contract should be for a duration of at least one (1) year, shall have attained the age of eighteen (18) years old and have served for at least one year of full continuous service in the Group.

(ii) The aggregate number of shares to be issued under the ESOS shall not exceed 15% of the total issued and paid-up ordinary share capital of the Company at the point in time during the tenure of the ESOS.

(iii) The new Company's shares of RM0.10 each ("new Shares") to be allotted and issued upon the exercise of the ESOS option shall, upon allotment and issue, rank *pari passu* in all respects with the existing Company's ordinary shares of RM0.10 each save and except that the new Shares will not be entitled to any distributions made or paid prior to the date of allotment of the new Shares. The ESOS option shall not carry any right to vote at a general meeting of the Company.

(iv) The Scheme shall be in force for a period of five (5) year commencing from the effective date. The Scheme may be extended by the Board of Director at its absolute discretion, without having to obtain approval from the Company's shareholders, for a further period of up to five (5) years immediately from the expiry of the first five (5) years but will not in aggregate exceed ten (10) years.

(v) The ESOS option is personal to the grantee and is non-assignable and non-transferable.

(vi) The Shares to be issued and allotted to a grantee pursuant to the exercise of an ESOS option under the Scheme will not be subject to any retention period or restriction on transfer except that a Non-Executive Director shall not sell, transfer or assign the Shares obtained through the exercise of the ESOS option within one (1) year from the grant date.

(vii) An option price shall not be at a discount of more than 10% (or such discount as the relevant authorities shall permit) from the 5-day weighted average market price of the shares of the Company preceding the date on which the ESOS option is granted and shall in no event be less than the par value of the shares of the Company of RM0.10.

(viii) An option holder may, in a particular year, exercise up to such maximum number of shares in the option certificate or as determined by the Board of Director.

(ix) The option granted to eligible executives will lapse when they are no longer in employment of the Group.

## 24. Finance Lease Liabilities

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| **Minimum finance lease payments:** | | | | |
| Within one year | 1,007,457 | 870,965 | - | 11,034 |
| Between one to five years | 1,539,165 | 1,615,821 | - | - |
| More than five years | 123,152 | 218,485 | - | - |
| | 2,669,774 | 2,705,271 | - | 11,034 |
| Less : Future finance charges | (222,258) | (240,421) | - | (334) |
| Present value of finance lease liabilities | 2,447,516 | 2,464,850 | - | 10,700 |
| **Present value of finance lease liabilities:** | | | | |
| Within one year | 920,463 | 767,010 | - | 10,700 |
| Between one to five years | 1,409,900 | 1,546,600 | - | - |
| More than five years | 117,153 | 151,240 | - | - |
| | 2,447,516 | 2,464,850 | - | 10,700 |
| **Analysed as:** | | | | |
| Repayable within twelve months | 920,463 | 767,010 | - | 10,700 |
| Repayable after twelve months | 1,527,053 | 1,697,840 | - | - |
| | 2,447,516 | 2,464,850 | - | 10,700 |

The finance lease liabilities interests are charged at rates ranging from 2.58% to 4.80% (2017: 2.28% to 4.70%) per annum.

The Group leases plant and machineries under finance lease (Note 4). At the end of the lease term, the Group has the option to acquire the assets at a nominal price deemed to be a bargain purchase option. There are no restrictive covenants imposed by the lease agreement and no arrangements have been entered into for contingent rental payments.

# NOTES TO THE FINANCIAL STATEMENTS

## 25. Bank Borrowings

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| **Secured** | | | | |
| Bank overdrafts | 933,180 | 930,690 | - | - |
| Trust receipts | 3,057,913 | 18,680,701 | - | - |
| Term loan I | 109,999 | - | - | - |
| Term loan II | 146,546 | 158,085 | - | - |
| Term loan III | 7,892,142 | 8,484,178 | 7,892,142 | 8,484,178 |
| Term loan IV | - | 2,579,617 | - | - |
| Term loan V | 2,520,652 | 2,913,484 | 2,520,652 | 2,913,484 |
| Term loan VI | 2,105,560 | 2,173,522 | - | - |
| Term loan VII | - | 807,421 | - | - |
| Term loan VIII | 5,322,924 | 7,080,988 | - | - |
| Term loan IX | 27,857,878 | 46,550,000 | 27,857,878 | 46,550,000 |
| Term loan X | 86,154,800 | 86,154,800 | - | - |
| **Total bank borrowings** | 136,101,594 | 176,513,486 | 38,270,672 | 57,947,662 |

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| **Analysed as:** | | | | |
| **Repayable within twelve months** | | | - | - |
| Bank overdrafts | 933,180 | 930,690 | - | - |
| Trust receipts | 3,057,913 | 18,680,701 | - | - |
| Term loan II | 11,541 | 10,906 | - | - |
| Term loan III | 588,683 | 586,826 | 588,683 | 586,826 |
| Term loan IV | - | 2,579,617 | - | - |
| Term loan V | 392,832 | 438,774 | 392,832 | 438,774 |
| Term loan VI | 2,105,560 | 2,173,522 | - | - |
| Term loan VII | - | 807,421 | - | - |
| Term loan VIII | 1,669,116 | 1,690,349 | - | - |
| Term loan IX | 3,111,333 | 3,000,000 | 3,111,333 | 3,000,000 |
| Term loan X | 8,620,000 | - | - | - |
| | 20,490,158 | 30,898,806 | 4,092,848 | 4,025,600 |
| **Repayable after twelve months** | | | | |
| Term loan I | 109,999 | - | - | - |
| Term loan II | 135,005 | 147,179 | - | - |
| Term loan III | 7,303,459 | 7,897,352 | 7,303,459 | 7,897,352 |
| Term loan V | 2,127,820 | 2,474,710 | 2,127,820 | 2,474,710 |
| Term loan VIII | 3,653,808 | 5,390,639 | - | - |
| Term loan IX | 24,746,545 | 43,550,000 | 24,746,545 | 43,550,000 |
| Term loan X | 77,534,800 | 86,154,800 | - | - |
| | 115,611,436 | 145,614,680 | 34,177,824 | 53,922,062 |
| | 136,101,594 | 176,513,486 | 38,270,672 | 57,947,662 |

## 25. Bank Borrowings (Cont'd)

Term loan I

The bank borrowing of AED99,750 (equivalent to RM112,224) obtained from a local bank bears interest at rate of 7.85% per annum.

Term loan II

The term loan of RM200,000 obtained from a local bank bears interest at rate of 10.60% per annum repayable by 180 monthly installments of RM1,552 each commencing September 2014.

The term loan is secured against facility agreement and 70% guarantee coverage by Syarikat Jaminan Pembiayaan Bhd ("SJPP"). It is also jointly and severally guaranteed by certain Directors of the Company.

Term loan III

The term loan is secured by way of a first legal charged on a freehold land and buildings of the Company at carrying amount of RM15,857,745. Interest charged on the facility at BLR plus 1.0% per annum. The term loan is repayable by monthly installments of RM97,934 over 10 years.

Term loan IV and VII

Term loan was denominated in RM, bore interest at 6.10% per annum. These term loans were fully settled during the financial year. It was secured by the followings:

(a) Deed of assignment of contract proceeds.
(b) Debenture incorporating fixed and floating assets.
(c) Corporate guarantee by the Company.

Term loan V

The term loan is secured by way of a first legal charge on a freehold land and buildings of the Company at carrying amount of RM4,814,476. Interest charged on the facility at BLR plus 1.75% per annum. The term loan is repayable by monthly installments of RM32,736 over 10 years.

Term loan VI

The term loans consist of:

(a) RMB1,500,000 (equivalent to RM968,550) with floating rate of 1.355% over benchmark interest rates of the loan prime rate ("LPR") and is reprised at interval of 1 month for period of 12 months. The effective interest rate at the end of the reporting period is 5.66% per annum.

(b) RMB2,000,000 (equivalent to RM1,291,400) with floating rate of 1.355% over benchmark interest rates of the loan prime rate ("LPR") and is repriced at interval of 1 month for period of 12 months. The effective interest rate at the end of the reporting period is 5.66% per annum.

The term loan is secured by the charge over the land use right and leasehold property of the subsidiary in PRC.

# NOTES TO THE FINANCIAL STATEMENTS

## 25. Bank Borrowings (Cont'd)

Term loan VIII

The term loan amounted to S$3,500,000 (equivalent to RM10,638,259) and bears interest at floating rate of 2.75% over prevailing rate per annum. The term loan is secured by ways of:

(a) Fixed deposit of S$100,000 and interest accrued (equivalent to RM2,551,660) of a subsidiary.
(b) Corporate guarantee by the Company.

The term loan is repayable by monthly installments of S$62,464 over 5 years.

Term loan IX

The term loan amounted to RM50,000,000 and bears interest at rate of 1.75% per annum above the bank's cost of funds. The term loan is repayable by 30 monthly instalments commencing from May 2017.

Term loan X

The bank borrowing-Import financing bears interest at rate of cost of fund plus 2.58% per annum and repayable by milestone payment from contract proceeds.

The bank borrowing is secured by ways of:

(a) Deed of assignment of contract proceeds and project account.
(b) Debenture incorporating fixed and floating assets.
(c) Personal guarantee by a Director and a former Director of the Company.
(d) Corporate guarantee by the Company.
(e) Charge over shares and any future shares of the subsidiary.

Bank overdraft

Bank overdraft is secured by the following:

(a) Fixed deposit pledged to licensed banks.
(b) jointly and severally guarantee by certain Directors.

Trust receipts

Trust receipts are secured by the following:

(a) Fixed deposit pledged to licensed banks.
(b) Jointly and severally guarantee by certain Directors.
(c) Corporate guarantee by the Company.

Range of interest rates during the financial year is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 % | 2017 % | 2018 % | 2017 % |
| Bank overdrafts | 5.10 - 8.25 | 4.90 - 7.96 | - | - |
| Trust receipts | 8.70 - 9.15 | 8.90 - 9.35 | - | - |
| Term loans | 6.90 - 12.9 | 6.80 - 12.9 | 6.95 | 6.95 |

## 25. Bank Borrowings (Cont'd)

Maturity of bank borrowing is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| Within one year | 20,490,158 | 30,898,806 | 4,092,848 | 4,025,600 |
| Between one to two years | 61,699,962 | 137,040,700 | 26,801,150 | 45,483,792 |
| Between two to five years | 53,911,474 | 8,476,349 | 7,376,674 | 8,438,270 |
| More than five years | - | 97,631 | - | - |
| | 136,101,594 | 176,513,486 | 38,270,672 | 57,947,662 |

## 26. Deferred Tax Liabilities

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| At 1 January | 4,044,795 | 5,328,524 | 52,552 | - |
| Recognised in profit or loss (Note 34) | 1,434,946 | (1,283,729) | (27,459) | 52,552 |
| At 31 December | 5,479,741 | 4,044,795 | 25,093 | 52,552 |

The net deferred tax liabilities and assets shown on the statements of financial position after appropriate offsetting are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| Deferred tax liabilities | 6,152,890 | 4,610,739 | 25,093 | 52,552 |
| Deferred tax assets | (673,149) | (565,944) | - | - |
| | 7,122,730 | 4,044,795 | 25,093 | 52,552 |

# NOTES TO THE FINANCIAL STATEMENTS

## 26. Deferred Tax Liabilities (Cont'd)

The components and movements of deferred tax liabilities and assets prior to offsetting are as follows:

| Group | Provisions RM | Intangible assets RM | Accelerated capital allowances RM | Total RM |
|---|---|---|---|---|
| **Deferred tax liabilities** | | | | |
| At 1 January 2018 | - | 983,133 | 3,627,606 | 4,610,739 |
| Recognised in profit or loss | - | (163,855) | 63,017 | (100,838) |
| At 31 December 2018 | - | 819,278 | 5,333,612 | 6,152,890 |
| At 1 January 2017 | 72,607 | 1,146,988 | 5,547,810 | 6,767,405 |
| Recognised in profit or loss | (72,607) | (163,855) | (1,920,204) | (2,156,666) |
| At 31 December 2017 | - | 983,133 | 3,627,606 | 4,610,739 |

| Group | Unutilised tax losses RM | Unabsorbed capital allowances RM | Deaccelerated capital allowances RM | Total RM |
|---|---|---|---|---|
| **Deferred tax assets** | | | | |
| At 1 January 2018 | (539,457) | (24,147) | (2,340) | (565,944) |
| Recognised in profit or loss | 100,984 | (210,529) | 2,340 | (107,205) |
| At 31 December 2018 | (438,473) | (234,676) | - | (673,149) |
| At 1 January 2017 | (30,130) | (1,354,847) | (53,904) | (1,438,881) |
| Recognised in profit or loss | (509,327) | 1,330,700 | 51,564 | 872,937 |
| At 31 December 2017 | (539,457) | (24,147) | (2,340) | (565,944) |

| Company | Accelerated capital allowances RM |
|---|---|
| **Deferred tax liabilities** | |
| At 1 January 2018 | 52,552 |
| Recognised in profit or loss | (27,459) |
| At 31 December 2018 | 25,093 |
| At 1 January 2017 | - |
| Recognised in profit or loss | 52,552 |
| At 31 December 2017 | 52,552 |

## 26. Deferred Tax Liabilities (Cont'd)

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| Unutilised tax losses | 29,424,000 | 28,466,000 | - | - |
| Unabsorbed capital allowances | 3,657,300 | 4,873,500 | - | - |
| | 33,081,300 | 33,339,500 | - | - |

Deferred tax assets have not been recognised in respect of these items as they may not have sufficient taxable profits to be used to offset or they have arisen in subsidiaries that have a recent history of losses.

## 27. Redeemable Preference Shares

| | Group | | | |
|---|---|---|---|---|
| | Number of shares | | Amount | |
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| Issued and fully paid: | | | | |
| At 1 January | 250,000 | 250,000 | 1,363,558 | 1,377,287 |
| Exchange difference | - | - | (16,655) | (13,729) |
| At 31 December | 250,000 | 250,000 | 1,346,903 | 1,363,558 |

The main features of the preference shares are as follows:

(i) The preference shares shall confer a right to a fixed non-cumulative preferential dividend at the fixed rate of GBP0.01 per annum. The preferential dividend shall rank for payment in priority to the payment of a dividend on any other shares of the subsidiary.

(ii) The preference shares shall not confer the right to any further or other participation in the profit of the subsidiary.

(iii) The preference shares will be redeemed at GBP1.00 each in a date to be determined later but not later than thirty-six (36) months from the date of issuance.

(iv) The preference shares shall rank in priority in any distribution of assets in the event of liquidation, dissolution or winding-up of the subsidiary.

## 28. Trade Payables

Credit terms of trade payables of the Group and Company ranged from 30 to 90 days (2017: 30 to 90 days) depending on the terms of the contracts.

# NOTES TO THE FINANCIAL STATEMENTS

## 29. Other Payables

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| Other payables | 9,185,389 | 8,555,771 | 325,159 | 450,788 |
| GST payable | 21,568,985 | 24,035,232 | - | 1,133,550 |
| Accruals | 7,228,339 | 6,586,716 | 146,419 | 122,419 |
| Deposits received | 2,455,533 | 4,343,235 | - | - |
| | 40,438,246 | 43,520,954 | 471,578 | 1,706,757 |

## 30. Amount Due to a Director

This amount represents unsecured, interest free advances and is repayable on demand.

## 31. Revenue

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 RM | 2017 RM (Restated) | 2018 RM | 2017 RM |
| **Revenue form contracts with customers:** | | | | |
| -Sales of goods | 23,413,572 | 76,099,673 | - | - |
| -Rendering of services | 188,069,170 | 95,327,014 | - | - |
| -Contract revenue | 206,564,820 | 511,925,273 | - | - |
| -Management fee | - | - | 11,313,050 | 24,457,547 |
| | 418,047,562 | 683,351,960 | 11,313,050 | 24,457,547 |

| Group 2018 | Maintenance repair, overhaul and training RM | Marine construction RM | Recycling of waste RM | Total RM |
|---|---|---|---|---|
| **Major goods and service** | | | | |
| Sale of goods | 23,413,572 | - | - | 23,413,572 |
| Rendering of services | 187,472,175 | 596,995 | - | 188,069,170 |
| Contract revenue | 36,483,820 | 170,081,000 | - | 206,564,820 |
| Total revenue from contracts with customers | 247,369,567 | 170,677,995 | - | 418,047,562 |
| **Geographical market:** | | | | |
| Malaysia | 173,921,717 | 170,677,995 | - | 344,599,712 |
| Singapore | 73,447,850 | - | - | 73,447,850 |
| Total revenue from contracts with customers | 247,369,567 | 170,677,995 | - | 418,047,562 |
| **Timing of revenue recognition:** | | | | |
| At a point in time | 210,885,747 | 596,995 | - | 211,482,742 |
| Over time | 36,483,820 | 170,081,000 | - | 206,564,820 |
| | 247,369,567 | 170,677,995 | - | 418,047,562 |

## 31. Revenue (Cont'd)

| Group<br>2017 | Maintenance repair, overhaul and training<br>RM | Marine construction<br>RM | Recycling of waste<br>RM | Total<br>RM |
|---|---|---|---|---|
| **Major goods and services** | | | | |
| Sale of goods | 75,372,245 | - | 727,428 | 76,099,673 |
| Rendering of services | 94,604,192 | 722,822 | - | 95,327,014 |
| Contract revenue | 193,640,000 | 318,285,273 | - | 511,925,273 |
| Total revenue from contracts with customers | 363,616,437 | 319,008,095 | 727,428 | 683,351,960 |
| **Geographical market:** | | | | |
| Malaysia | 324,765,925 | 319,008,095 | 727,428 | 644,501,448 |
| Singapore | 38,850,512 | - | - | 38,850,512 |
| Total revenue from contracts with customers | 363,616,437 | 319,008,095 | 727,428 | 683,351,960 |
| **Timing of revenue recognition:** | | | | |
| At a point in time | 169,976,437 | 722,822 | 727,428 | 171,426,687 |
| Over time | 193,640,000 | 318,285,273 | - | 511,925,273 |
| | 363,616,437 | 319,008,095 | 727,428 | 683,351,960 |

## 32. Finance Costs

| | Group | | Company | |
|---|---|---|---|---|
| | 2018<br>RM | 2017<br>RM | 2018<br>RM | 2017<br>RM |
| Interest expense on: | | | | |
| Bank overdrafts | 39,338 | 22,603 | - | - |
| Trust receipts | 1,059,845 | 179,932 | - | - |
| Finance lease liabilities | 105,923 | 128,884 | 334 | 1,379 |
| Term loans | 2,110,527 | 1,696,625 | 3,161,195 | 3,703,220 |
| Others | 14,975 | 279,503 | - | - |
| | 3,330,608 | 2,307,547 | 3,161,529 | 3,704,599 |

# NOTES TO THE FINANCIAL STATEMENTS

## 33. Profit/(Loss) Before Tax

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 RM | 2017 RM (Restated) | 2018 RM | 2017 RM |
| Amortisation of: | | | | |
| - Intangible assets | 2,149,534 | 1,480,299 | - | - |
| - Land use right | 38,683 | 40,359 | - | - |
| Auditors' remuneration | | | | |
| - Statutory audits | 909,918 | 826,335 | 90,000 | 90,000 |
| - Under provision in prior year | 26,099 | 1,000 | - | - |
| - Non-audit services | 5,000 | 5,000 | 5,000 | 5,000 |
| Bad debts written off | 109,478 | 665,747 | - | - |
| Depreciation of property, plant and equipment | 12,737,834 | 12,666,718 | 2,031,971 | 1,682,539 |
| Non-Executive Directors remuneration: | | | | |
| - Fee | 480,000 | 245,000 | 480,000 | 245,000 |
| - Other emoluments | 83,000 | 297,000 | 83,000 | 157,000 |
| Fair value adjustment on investment in securities | 657,260 | (103,999) | 657,260 | (103,999) |
| Gain on disposal of a subsidiary | - | (7,211,655) | - | (4,099,999) |
| Gain on disposal of property, plant and equipment | (165,536) | - | - | - |
| Loss/(Gain) on foreign exchange | | | | |
| - realised | 162,262 | 37,969 | (29,749) | (135,755) |
| - unrealised | (85,839) | 180,615 | - | - |
| Impairment loss on: | | | | |
| - Trade receivables | 1,328,069 | 1,449,131 | - | - |
| - Other receivables | 338,290 | 263,923 | - | - |
| - Investment in subsidiaries | - | - | - | 143,701 |
| - Intangible assets | - | 1,334,431 | - | - |
| Interest income from: | | | | |
| - Licensed banks | (1,588,944) | (548,817) | (739,266) | (21,384) |
| - Advance to a subsidiary | - | - | (2,406,727) | (2,939,096) |
| Property, plant and equipment written off | 30,760 | 54,245 | - | - |

## 33. Profit/(Loss) Before Tax (Cont'd)

Profit/(Loss) before tax is derived after charging/(crediting)(Cont'd):

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 RM | 2017 RM (Restated) | 2018 RM | 2017 RM |
| Reversal of impairment loss on trade receivables | (18,868) | - | - | - |
| Rental expense: | | | | |
| - Workshop | 140,900 | 133,200 | - | - |
| - Equipment | 193,112 | 188,607 | - | - |
| - Motor vehicles | 269,187 | 249,792 | - | 15,640 |
| - Premises | 3,296,945 | 3,335,813 | - | - |
| Waiver of debts by other payables | - | (5,627) | - | - |
| Rental income: | | | | |
| - Equipment | - | (3,522) | - | - |
| - Motor vehicles | (214,038) | (216,000) | - | - |
| - Premises | (260,895) | (212,811) | (152,321) | (150,113) |

## 34. Taxation

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| **Tax expenses recognised in profit or loss** | (18,868) | - | - | - |
| Current year provision: | | | | |
| - Malaysian income tax | 5,342,704 | 16,967,851 | 95,028 | 3,417,240 |
| - Foreign tax | 254,193 | 2,537 | - | - |
| - Under provision in prior years | 377,086 | 822,858 | 733,617 | 226,134 |
| | 5,973,983 | 17,793,246 | 828,645 | 3,643,374 |
| Deferred tax (Note 26): | | | | |
| Origination and reversal of temporary differences | (49,788) | (1,839,233) | 3,306 | 27,970 |
| Under/(Over) provision in prior years | 1,484,734 | 555,504 | (30,765) | 24,582 |
| | 1,434,946 | (1,283,729) | (27,459) | 52,552 |
| Tax expense for the the financial year | 7,408,929 | 16,509,517 | 801,186 | 3,695,926 |

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

# NOTES TO THE FINANCIAL STATEMENTS

## 34. Taxation (Cont'd)

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| Profit/(Loss) before tax | 9,734,495 | 43,943,321 | (5,037,546) | 14,654,982 |
| Taxation at statutory tax rate of 24% (2017: 24%) | 2,336,279 | 10,546,397 | (1,209,011) | 3,517,196 |
| Effects of tax rates in other countries | 101,395 | 562,048 | - | - |
| Income not subject to tax | (81,344) | (2,505,469) | - | (1,714,343) |
| Expenses not deductible for tax purposes | 3,252,751 | 4,024,397 | 1,307,345 | 1,642,357 |
| Utilisation of previously unrecognised deferred tax assets | (1,766,214) | (190,613) | - | - |
| Deferred tax assets not recognised | 1,704,242 | 2,741,264 | - | - |
| Under/(Over) provision of deferred tax in prior years | 1,484,734 | 555,504 | (30,765) | 24,582 |
| Under provision of income tax expense in prior years | 377,086 | 822,858 | 733,617 | 226,134 |
| Tax incentive | - | (46,869) | | - |
| Tax expense for the financial year | 7,408,929 | 16,509,517 | 801,186 | 3,695,926 |

The Group and the Company have the following unutilised tax losses and unabsorbed capital allowances available to carry forward to offset against future taxable profits. The said amounts are subjected to approval by the tax authorities.

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| Unutilised tax losses | 31,251,000 | 30,713,300 | - | - |
| Unabsorbed capital allowances | 4,635,100 | 4,984,300 | - | - |
| | 35,886,100 | 35,697,600 | - | - |

## 35. Earnings Per Share

Basic earnings per shares

The basic earnings per share are calculated based on the consolidated profit for the financial year attributable to the owners of the parent and the weighted average number of ordinary shares in issue during the financial year as follows:

| | Group | |
|---|---|---|
| | **2018 RM** | **2017 RM (Restated)** |
| Profit attributable to ordinary shareholders | 1,774,613 | 28,852,995 |
| Weighted average number of ordinary shares in issue | 1,155,230,199 | 1,155,230,199 |
| Basic earnings per ordinary shares (in sen) | 0.15 | 2.50 |

Diluted earnings per share

The Group and the Company have no dilution in their earnings per ordinary share as there are no dilutive potential ordinary shares. There have been no other transactions involving ordinary shares or potential ordinary shares since the end of the financial year and before the authorisation of these financial statements.

## 36. Prior Year Adjustment

Certain comparatives have been restated and reclassified in accordance with MFRS 8 Accounting Policies, Changes in Accounting Estimates and Errors as follows:

The prior year adjustment was arised from the book of a subsidiary, namely Vanguarde Pte. Ltd.. The details of the prior year adjustment are illustrated as follows:

(a) Error in accounting for accrued revenue and accrued costs

The Group had errors in accounting for revenue and cost of sales for the financial year 2017. Adjustments were made to restate the revenue and cost of sales by RM5,566,187 and RM4,644,981. These have also been corrected by restatement of trade receivables and trade payables. The impact of the restatement for the financial year ended December 31, 2017 is to decrease profit before tax and retained earnings by RM921,206.

(b) Under recognition of bad debts

The Group had under recognised bad debts for the financial year 2017. Adjustments were made to restate the other operating expenses and the related trade receivables. These have also been corrected by restatement of trade receivables. The impact for the financial year ended 31 December 2017 is to decrease profit before tax and retained earnings by RM235,054.

(c) Reclassifications

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current year's financial statements due to inappropriate reclassifications being made in prior year.

# NOTES TO THE FINANCIAL STATEMENTS

## 36. Prior Year Adjustment (Cont'd)

As a result of the above, certain comparative amounts for financial year ended 31 December 2017 have been adjusted and disclosed below:

| | As previously stated RM | Prior year adjustments RM | As restated RM |
|---|---|---|---|
| **Group** | | | |
| **Statements of financial position** | | | |
| Trade receivables | 349,497,512 | (8,868,393) | 340,629,119 |
| Other receivables | 89,862,628 | 3,067,151 | 92,929,779 |
| Trade payables | 71,513,562 | (4,644,982) | 66,868,580 |
| Retain earnings | 114,342,631 | (1,156,260) | 113,186,371 |
| **Statements of profit or loss and other comprehensive income** | | | |
| Revenue | 688,918,147 | (5,566,187) | 683,351,960 |
| Cost of sales | 567,897,550 | (4,644,981) | 563,252,569 |
| Administrative expenses | 82,608,106 | 235,054 | 82,843,160 |

## 37. Staff Costs

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| Salaries, wages and other emoluments | 43,898,786 | 38,720,866 | 3,913,657 | 3,834,008 |
| Social security contribution | 391,583 | 988,053 | 37,199 | 32,880 |
| Defined contribution plan | 4,660,817 | 2,278,376 | 466,621 | 460,654 |
| Other benefits | 4,894,241 | 3,565,304 | 474,577 | 355,847 |
| | 53,845,427 | 45,552,600 | 4,892,054 | 4,683,389 |

## 37. Staff Costs (Cont'd)

Included in staff costs is aggregate amount of remuneration received and receivable by the Executive Directors of the Group and of the Company during the financial year as below:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| **Executive Directors** | | | | |
| *Company's Directors* | | | | |
| Salaries and other emoluments | 1,795,200 | 1,785,620 | 1,795,200 | 1,785,620 |
| Defined contribution plan | 206,400 | 211,577 | 206,400 | 211,577 |
| | 2,001,600 | 1,997,197 | 2,001,600 | 1,997,197 |
| **Executive Directors** | | | | |
| *Subsidiaries' Directors* | | | | |
| Salaries and other emoluments | 757,400 | 804,129 | - | - |
| Defined contribution plan | 72,684 | 94,560 | - | - |
| | 830,084 | 898,689 | - | - |
| **Executive Directors** | | | | |
| *Company's Directors* | 2,001,600 | 1,997,197 | 2,001,600 | 1,997,197 |
| Subsidiaries' Directors | 830,084 | 898,689 | - | - |
| | 2,831,684 | 2,895,886 | 2,001,600 | 1,997,197 |

## 38. Reconciliation of Liabilities Arising from Financing Activities

The table below details changes in the liabilities of the Group and of the Company arising from financing activities, including both cash and non-cash changes:

| | | | Non-cash changes | | | | |
|---|---|---|---|---|---|---|---|
| | At 1 January | Financing cash flows | Acquisition of subsidiaries | Disposal of a subsidiary | Foreign exchange adjustments | New finance lease | At 31 December |
| Group | RM | RM | RM | RM | RM | RM | RM |
| **2018** | | | | | | | |
| Amount due to a Director | 1,500,000 | (1,500,000) | - | - | - | - | - |
| Term loans | 156,902,095 | (24,786,434) | - | - | (5,160) | - | 132,110,501 |
| Trust receipts | 18,680,701 | (15,622,788) | - | - | - | - | 3,057,913 |
| Finance lease liabilities | 2,464,850 | (759,661) | - | - | - | 742,327 | 2,447,516 |
| | 179,547,646 | (42,668,883) | - | - | (5,160) | 742,327 | 137,615,930 |
| **2017** | | | | | | | |
| Amount due to a Director | - | 1,500,000 | - | - | - | - | 1,500,000 |
| Term loans | 80,641,941 | 76,522,992 | - | - | (262,838) | - | 156,902,095 |
| Trust receipts | 1,401,170 | 17,351,480 | - | - | (71,949) | - | 18,680,701 |
| Finance lease liabilities | 2,674,484 | (727,028) | 201,630 | (94,736) | - | 410,500 | 2,464,850 |
| | 84,717,595 | 94,647,444 | 201,630 | (94,736) | (334,787) | 410,500 | 179,547,646 |

## 38. Reconciliation of Liabilities Arising from Financing Activities (Cont'd)

The table below details changes in the liabilities of the Group and of the Company arising from financing activities, including both cash and non-cash changes: (Cont'd)

| Company | At 1 January RM | Financing cash flows RM | At 31 December RM |
|---|---|---|---|
| **2018** | | | |
| Term loans | 57,947,662 | (19,676,990) | 38,270,672 |
| Finance lease liabilities | 10,700 | (10,700) | - |
| Amount due to subsidiaries | - | 13,089,971 | 13,089,971 |
| | 57,958,362 | (19,687,690) | 38,270,672 |
| **2017** | | | |
| Term loans | 62,339,169 | (4,391,507) | 57,947,662 |
| Finance lease liabilities | 24,033 | (13,333) | 10,700 |
| | 62,363,202 | (4,404,840) | 57,958,362 |

## 39. Related Party Disclosures

(a) Identifying related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group and certain members of senior management and chief executive officers of major subsidiaries of the Group.

(b) Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms. In addition to the related party balances disclosed elsewhere in the financial statements, the significant related party transactions of the Group and of the Company are as follows:

| | Company | |
|---|---|---|
| | 2018 RM | 2017 RM |
| **Transactions with subsidiaries** | | |
| Management fee received/receivables | 11,308,373 | 24,457,547 |
| Interest income | 2,406,727 | 2,939,096 |

# NOTES TO THE FINANCIAL STATEMENTS

## 39. Related Party Disclosures (Cont'd)

(c) Compensation of key management personnel

Remuneration of Directors and other members of key management personnel are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| **Short-term employees benefits** | | | | |
| - Salaries and other emoluments | 2,635,600 | 2,886,749 | 1,878,200 | 1,942,620 |
| - Fees | 480,000 | 245,000 | 480,000 | 245,000 |
| - Defined contribution plan | 279,084 | 306,137 | 206,400 | 211,577 |
| | 3,394,684 | 3,437,886 | 2,564,600 | 2,399,197 |

## 40. Segment Information

The Group has three reportable segments, as described below, which are the Group's strategic business units. For each of the strategic business units, the Group's Chief Executive Officer reviews internal management reports at least on a quarterly basis. The following summary describes the main business segments and respective business activity of each segment of the Group's reportable segments:

| | |
|---|---|
| Maintenance, repair, overhaul and training | Maintenance, repair and overhaul of aviation, automobile and safety and tabular handling equipment and providing training for the use of safety equipment |
| Marine construction | Shipbuilding, and restoration and maintenance of vessels |
| Recycling of waste | Extraction and recycling of waste tires for the production of carbon black, diesel fuel and scrap metal |

Performance is measured based on segment profit before taxation, interest, depreciation and amortisation, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer, who is the Group's chief operating decision maker. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets

The total of segment asset is measured based on all assets of a segment, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer. Segment total asset is used to measure the return of assets of each segment.

## 40. Segment Information (Cont'd)

| 2018 | Maintenance repair, overhaul and training RM | Marine construction RM | Recycling of Waste RM | Total segment RM | Adjustments and eliminations RM | Consolidated RM |
|---|---|---|---|---|---|---|
| **Revenue** | | | | | | |
| External customers | 247,369,567 | 170,677,995 | - | 418,047,562 | - | 418,047,562 |
| Inter-segment sales | 13,967,351 | 142,960,208 | - | 156,927,559 | (156,927,559) | - |
| Total revenue | 261,336,918 | 313,638,203 | - | 574,975,121 | (156,927,559) | 418,047,562 |
| **Results** | | | | | | |
| Interest income | 11,308,528 | 23,944 | - | 11,332,472 | (9,743,528) | 1,588,944 |
| Finance costs | (13,068,037) | (5,985) | - | (13,074,022) | 9,743,528 | (3,330,608) |
| Depreciation of property, plant and equipment | (9,547,516) | (3,190,318) | - | (12,737,834) | - | (12,737,834) |
| Amortisation of intangible assets | (2,149,534) | - | - | (2,149,534) | - | (2,149,534) |
| Amortisation of land use right | (38,683) | - | - | (38,683) | - | (38,683) |
| Fair value adjustment on investment in securities | (657,260) | - | - | (657,260) | - | (657,260) |
| Other non-cash items | (1,191,129) | (356,929) | - | (1,548,058) | - | (1,548,058) |
| Share of results of joint venture | - | - | - | - | (612,030) | (612,030) |
| Segment profit/(loss) | 11,389,693 | 16,696,090 | - | 28,085,783 | (1,683,687) | 26,402,210 |
| **Segment assets** | 1,133,913,995 | 157,482,036 | - | 1,291,396,031 | (497,844,408) | 793,551,623 |
| Included in the measurement of segment assets are: | | | | | | |
| **Capital expenditure** | 9,956,960 | 3,431,086 | - | 13,388,046 | - | 13,388,046 |
| **Segment liabilities** | 690,875,871 | 93,949,256 | - | 784,825,127 | (497,844,408) | 286,980,719 |

## 40. Segment Information (Cont'd)

| 2018 | Maintenance repair, overhaul and training RM | Marine construction RM | Recycling of Waste RM | Total segment RM | Adjustments and eliminations RM | Consolidated RM |
|---|---|---|---|---|---|---|
| **Other non-cash expenses/(income)** | | | | | | |
| Gain on disposal of property, plant and equipment | (165,536) | - | - | (165,536) | - | (165,536) |
| Impairment loss on: | | | | | | |
| - Trade receivables | 963,976 | 364,093 | - | 1,328,069 | - | 1,328,069 |
| - Other receivables | 338,290 | - | - | 338,290 | - | 338,290 |
| Bad debts written off | 109,478 | - | - | 109,478 | - | 109,478 |
| Property, plant and equipment written off | 30,760 | - | - | 30,760 | - | 30,760 |
| Reversal of impairment loss on trade receivables | - | (18,868) | - | (18,868) | - | (18,868) |
| Unrealised gain on foreign exchange | (85,839) | - | - | (85,839) | - | (85,839) |

## 40. Segment Information (Cont'd)

| 2017 | Maintenance repair, overhaul and training RM | Marine construction RM | Recycling of Waste RM | Total segment RM | Adjustments and eliminations RM | Consolidated RM |
|---|---|---|---|---|---|---|
| **Revenue** | | | | | | |
| External customers | 121,580,937 | 561,043,595 | 727,428 | 683,351,960 | - | 683,351,960 |
| Inter-segment sales | 246,895,948 | 245,213,000 | - | 492,108,948 | (492,108,948) | - |
| Total revenue | 368,476,885 | 806,256,595 | 727,428 | 1,175,460,908 | (492,108,948) | 683,351,960 |
| **Results** | | | | | | |
| Interest income | 5,135,834 | 113,296 | - | 5,249,130 | (4,700,313) | 548,817 |
| Finance costs | (6,827,407) | (172,925) | (7,528) | (7,007,860) | 4,700,313 | (2,307,547) |
| Depreciation of property, plant and equipment | (8,967,199) | (2,257,604) | (1,441,915) | (12,666,718) | - | (12,666,718) |
| Amortisation of intangible assets | (1,480,299) | - | - | (1,480,299) | - | (1,480,299) |
| Amortisation of land use right | (40,359) | - | - | (40,359) | - | (40,359) |
| Fair value adjustment on investment in securities | 103,999 | - | - | 103,999 | - | 103,999 |
| Other non-cash items | (110,850) | 59,114 | (90,820) | (142,556) | 3,411,746 | 3,269,190 |
| Share of results of joint venture | - | - | - | - | (1) | (1) |
| Segment profit/(loss) | 26,428,904 | 32,596,465 | (1,385,209) | 57,640,160 | 2,249,267 | 59,889,427 |
| **Segment assets** | 1,122,574,401 | 258,630,210 | 6,537,385 | 1,387,741,996 | (545,378,956) | 842,363,040 |
| Included in the measurement of segment assets are: | | | | | | |
| **Capital expenditure** | 7,755,169 | 10,258,572 | 148,513 | 18,162,254 | 11,827,431 | 29,989,685 |
| **Segment liabilities** | 663,867,595 | 205,451,202 | 12,534,801 | 881,853,598 | (544,788,848) | 337,064,750 |

# NOTES TO THE FINANCIAL STATEMENTS

## 40. Segment Information (Cont'd)

| 2017 | Maintenance repair, overhaul and training RM | Marine construction RM | Recycling of Waste RM | Total segment RM | Adjustments and eliminations RM | Consolidated RM |
|---|---|---|---|---|---|---|
| **Other non-cash expenses/(income)** | | | | | | |
| Waiver of debts by other payables | (5,627) | - | - | (5,627) | - | (5,627) |
| Impairment loss on: | | | | | | |
| - Trade receivables | 1,449,131 | - | 90,820 | 1,539,951 | (90,820) | 1,449,131 |
| - Other receivables | 263,923 | - | - | 263,923 | - | 263,923 |
| - Investment in a subsidiary | 1,543,701 | - | - | 1,543,701 | (1,543,701) | - |
| - Goodwill | - | - | - | - | 1,334,431 | 1,334,431 |
| Bad debts written off | 665,747 | - | - | 665,747 | - | 665,747 |
| Property, plant and equipment written off | 26,739 | 27,506 | - | 54,245 | - | 54,245 |
| Gain on disposal of subsidiary | (4,099,999) | - | - | (4,099,999) | (3,111,656) | (7,211,655) |
| Unrealised loss/(gain) on foreign exchange | 267,235 | (86,620) | - | 180,615 | - | 180,615 |

## 40. Segment Information (Cont'd)

(a) Adjustments and eliminations

Capital expenditure consists of additions of property, plant and equipment, intangible assets and including assets from the acquisition of subsidiaries.

Inter-segment revenues and transactions are eliminated on consolidation.

(b) Geographical segments

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

| | Revenue | | Non-current assets | |
|---|---|---|---|---|
| | 2018 RM | 2017 RM (Restated) | 2018 RM | 2017 RM |
| **Group** | | | | |
| Malaysia | 344,599,712 | 644,501,448 | 279,362,595 | 259,396,733 |
| Singapore | 73,447,850 | 38,850,512 | 48,497,221 | 67,699,379 |
| | 418,047,562 | 683,351,960 | 327,859,816 | 327,096,112 |

Non-current assets information presented above consist of the following items as presented in the statements of financial position:

| | 2018 RM | 2017 RM |
|---|---|---|
| **Group** | | |
| Property, plant and equipment | 108,087,938 | 106,939,615 |
| Investment in joint venture | 184,740 | - |
| Intangible assets | 204,722,466 | 205,831,178 |
| Land use right | 1,634,283 | 1,684,218 |
| Other receivables | 12,910,389 | 12,321,101 |
| Other investment | 320,000 | 320,000 |
| | 327,859,816 | 327,096,112 |

# NOTES TO THE FINANCIAL STATEMENTS

## 40. Segment Information (Cont'd)

(c) Major customer

The following is the major customer with revenue 10% equal or more than ten percent of Group revenue:

| | Revenue | | |
|---|---|---|---|
| | 2018 RM | 2017 RM | Segment |
| Customer A | 170,081,000 | 318,285,273 | Marine construction |
| Customer B | - | 225,330,000 | Maintenance, repair, overhaul and training |
| | 170,081,000 | 543,615,273 | |

## 41. Contingent Liabilities

| | Group | |
|---|---|---|
| | 2018 RM | 2017 RM |
| **Unsecured** | | |
| Corporate guarantee | | |
| Corporate guarantee given to licensed banks for banking facilities granted to subsidiaries | 140,452,550 | 140,452,550 |

## 42. Financial Instruments

(a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 3 describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised.

## 42. Financial Instruments (Cont'd)

(a) Classification of financial instruments (Cont'd)

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

| Company | At FVTPL RM | At Amortised Cost RM | Total RM |
|---|---|---|---|
| **2018** | | | |
| **Financial Assets** | | | |
| Investment in securities | 1,136,660 | - | 1,136,660 |
| Trade receivables | - | 264,076,910 | 264,076,910 |
| Other receivables | - | 59,871,673 | 59,871,673 |
| Amount due from joint venture | - | 693,952 | 693,952 |
| Fixed deposits with licensed banks | - | 32,130,418 | 32,130,418 |
| Cash and bank balances | - | 28,018,043 | 28,018,043 |
| | 1,136,660 | 384,790,996 | 385,927,656 |
| **Financial Liabilities** | | | |
| Trade payables | - | 70,315,266 | 70,315,266 |
| Other payables | - | 18,869,261 | 18,869,261 |
| Finance lease liabilities | - | 2,447,516 | 2,447,516 |
| Bank borrowings | - | 136,101,594 | 136,101,594 |
| Redeemable preference shares | - | 1,346,903 | 1,346,903 |
| | - | 229,080,540 | 229,080,540 |
| **Company** | | | |
| **2018** | | | |
| **Financial Assets** | | | |
| Investment in securities | 1,136,660 | - | 1,136,660 |
| Other receivables | - | 17,518,064 | 17,518,064 |
| Amount due from subsidiaries | - | 283,981,456 | 283,981,456 |
| Cash and bank balances | - | 2,105,872 | 2,105,872 |
| | 1,136,660 | 303,605,392 | 304,742,052 |
| **Financial Liabilities** | | | |
| Other payables | - | 471,578 | 471,578 |
| Amount due to subsidiaries | - | 13,089,971 | 13,089,971 |
| Bank borrowings | - | 38,270,672 | 38,270,672 |
| | - | 51,832,221 | 51,832,221 |

# NOTES TO THE FINANCIAL STATEMENTS

## 42. Financial Instruments (Cont'd)

(a) Classification of financial instruments (Cont'd)

| | Fair value Through profit or loss - held for trading RM | Loans and receivables RM | Other financial liabilities at amortised costs RM | Total RM |
|---|---|---|---|---|
| **Group** | | | | |
| **2017** | | | | |
| **Financial Assets** | | | | |
| Investment in securities | 1,923,981 | - | - | 1,923,981 |
| Trade receivables | - | 340,629,119 | - | 340,629,119 |
| Other receivables | - | 84,334,703 | - | 84,334,703 |
| Amount due from joint venture | - | 693,952 | - | 693,952 |
| Fixed deposits with licensed banks | - | 41,223,384 | - | 41,223,384 |
| Cash and bank balances | - | 11,468,292 | - | 11,468,292 |
| | 1,923,981 | 478,349,450 | - | 480,273,431 |
| **Financial Liabilities** | | | | |
| Trade payables | - | - | 66,868,580 | 66,868,580 |
| Other payables | - | - | 19,485,722 | 19,485,722 |
| Amount due to a Director | - | - | 1,500,000 | 1,500,000 |
| Finance lease liabilities | - | - | 2,464,850 | 2,464,850 |
| Bank borrowings | - | - | 176,513,486 | 176,513,486 |
| Redeemable preference shares | - | - | 1,363,558 | 1,363,558 |
| | - | - | 268,196,196 | 268,196,196 |

## 42. Financial Instruments (Cont'd)

(a) Classification of financial instruments (Cont'd)

| | Fair value Through profit or loss - held for trading RM | Loans and receivables RM | Other financial liabilities at amortised costs RM | Total RM |
|---|---|---|---|---|
| **Company** | | | | |
| **2017** | | | | |
| **Financial Assets** | | | | |
| Investment in securities | 1,923,981 | - | - | 1,923,981 |
| Other receivables | - | 16,529,199 | - | 16,529,199 |
| Amount due from subsidiaries | - | 300,721,006 | - | 300,721,006 |
| Cash and bank balances | - | 337,653 | - | 337,653 |
| | 1,923,981 | 317,587,858 | - | 317,587,858 |
| **Financial Liabilities** | | | | |
| Other payables | - | - | 573,207 | 573,207 |
| Finance lease liabilities | - | - | 10,700 | 10,700 |
| Bank borrowings | - | - | 57,947,662 | 57,947,662 |
| | - | - | 58,531,569 | 58,531,569 |

(b) Net gain and losses arising from financial instruments

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| Financial assets at FVTPL | 657,260 | (103,999) | 657,260 | (103,999) |
| Net loss on impairment of financial instruments | | | | |
| - Financial assets at amortised cost | 1,666,359 | 1,713,054 | - | - |

(c) Financial risk management objectives and policies

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

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

(i) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and deposits with banks and financial institutions. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries. There are no significant changes as compared to prior periods.

# NOTES TO THE FINANCIAL STATEMENTS

## 42. Financial Instruments (Cont'd)

(c) Financial risk management objectives and policies (Cont'd)

(i) Credit risk (Cont'd)

The Group has adopted a policy of only dealing with creditworthy counterparties. Management has a credit policy in place to control credit risk by dealing with creditworthy counterparties and deposit with banks and financial institutions with good credit rating. The exposure to credit risk is monitored on an ongoing basis and action will be taken for long outstanding debts.

At each reporting date, the Group and the Company assess whether any if the receivables and contract assets are credit impaired.

The gross carrying amounts of credit impaired trade receivables and contract assets are written off (either partial or full) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables and contract assets that are written off could still be subject to enforcement activities

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the financial year represent the Group's and the Company's maximum exposure to credit risk except for financial guarantees provided to banks for banking facilities granted to certain subsidiaries. The Company's maximum exposure in this respect is RM111,916,489 (2017: RM107,040,905), representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period. There was no indication that any subsidiary would default on repayment as at the end of the reporting period.

Financial guarantee

The Group provides secured bankers' guarantee in favour of the local authorities for purpose of securing development projects. The maximum exposure of credit risk amounted to RM40,988,359 (2017: RM59,548,762). There was no indication that the guarantee will be called upon.

Intercompany loan advances

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

As at the end of the reporting period, there was no indication that the loans and advances to the subsidiaries are not recoverable. The Company does not specifically monitor the ageing of current advances to the subsidiaries.

(ii) Liquidity risk

Liquidity risk refers to the risk that the Group or the Company will encounter difficulty in meeting its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group's and the Company's funding requirements and liquidity risk is managed with the objective of meeting business obligations on a timely basis. The Group finances its liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available.

## 42. Financial Instruments (Cont'd)

(c) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

The following table analyses the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

| | On demand within 1 year RM | 1 - 2 years RM | 2 - 5 years RM | > 5 years RM | Total contractual cash flows RM | Total carrying amount RM |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| **2018** | | | | | | |
| **Non-derivative financial liabilities** | | | | | | |
| Trade payables | 70,315,266 | - | - | - | 70,315,266 | 70,315,266 |
| Other payables | 18,869,261 | - | - | - | 18,869,261 | 18,869,261 |
| Finance lease liabilities | 1,007,457 | 994,267 | 544,898 | 123,152 | 2,669,774 | 2,447,516 |
| Bank borrowings | 20,490,158 | 66,408,247 | 58,578,185 | - | 145,476,590 | 136,101,594 |
| Redeemable preference shares | - | - | 1,364,863 | - | 1,364,863 | 1,346,903 |
| | 110,682,142 | 67,402,514 | 60,487,946 | 123,152 | 238,695,754 | 229,080,540 |

## 42. Financial Instruments (Cont'd)

(c) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

| | On demand within 1 year RM | 1 - 2 years RM | 2 - 5 years RM | > 5 years RM | Total contractual cash flows RM | Total carrying amount RM |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| **2017** | | | | | | |
| **Non-derivative financial liabilities** | | | | | | |
| Trade payables | 66,868,580 | - | - | - | 66,868,580 | 66,868,580 |
| Other payables | 19,485,722 | - | - | - | 19,485,722 | 19,485,722 |
| Amount due to a Director | 1,500,000 | - | - | - | 1,500,000 | 1,500,000 |
| Finance lease liabilities | 870,965 | 878,492 | 737,329 | 218,485 | 2,705,271 | 2,464,850 |
| Bank borrowings | 30,898,806 | 146,864,145 | 9,876,103 | 94,882 | 187,733,936 | 176,513,486 |
| Redeemable preference shares | - | - | 1,363,558 | - | 1,363,558 | 1,363,558 |
| | 119,624,073 | 147,742,637 | 11,976,990 | 313,367 | 279,657,067 | 268,196,196 |

## 42. Financial Instruments (Cont'd)

(c) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

| | On demand within 1 year RM | 1 - 2 years RM | 2 - 5 years RM | > 5 years RM | Total contractual cash flows RM | Total carrying amount RM |
|---|---|---|---|---|---|---|
| **Company** | | | | | | |
| **2018** | | | | | | |
| **Non-derivative financial liabilities** | | | | | | |
| Other payables | 471,578 | - | - | - | 471,578 | 471,578 |
| Amount due to subsidiaries | 13,089,971 | - | - | - | 13,089,971 | 13,089,971 |
| Bank borrowings | 4,092,848 | 28,945,242 | 8,604,153 | - | 41,642,243 | 38,270,672 |
| | 17,654,397 | 28,945,242 | 8,604,153 | - | 55,203,792 | 51,832,221 |
| **2017** | | | | | | |
| **Non-derivative financial liabilities** | | | | | | |
| Other payables | 573,207 | - | - | - | 573,207 | 573,207 |
| Finance lease liabilities | 11,034 | - | - | - | 11,034 | 10,700 |
| Bank borrowings | 4,025,600 | 49,122,495 | 9,842,398 | - | 62,990,493 | 57,947,662 |
| | 4,609,841 | 49,122,495 | 9,842,398 | - | 63,574,734 | 58,531,569 |

# NOTES TO THE FINANCIAL STATEMENTS

## 42. Financial Instruments (Cont'd)

(c) Financial risk management objectives and policies (Cont'd)

(iii) Market risks

(a) Foreign currency risk

The Group is exposed to foreign currency risk on transactions that are denominated in currencies other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily United States Dollar ("USD"), Euro ("EUR"), Singapore Dollar ("SGD") and Renminbi ("RMB").

The carrying amounts of the Group's foreign currency denominated financial assets and financial liabilities at the end of the reporting period are as follows:

| | Denominated in | | | |
|---|---|---|---|---|
| | USD RM | EUR RM | RMB RM | SGD RM |
| **Group** | | | | |
| **2018** | | | | |
| Trade receivables | 8,346,782 | - | - | - |
| Other receivables | 210,987 | - | - | - |
| Cash and bank balances | 987,230 | 2,036 | - | - |
| Trade payables | (14,876,549) | (2,098,432) | - | (467,329) |
| Other payables | (4,783,291) | (493,201) | - | - |
| Bank borrowings | - | - | (2,105,560) | (5,322,924) |
| | (10,114,841) | (2,589,597) | (2,105,560) | (5,790,253) |
| **2017** | | | | |
| Trade receivables | 9,658,014 | - | - | - |
| Other receivables | 239,426 | - | - | - |
| Fixed deposits with licensed banks | - | 2,118,825 | - | - |
| Cash and bank balances | 1,211,444 | 1,075 | - | - |
| Trade payables | (15,875,812) | (1,607,576) | - | (360,291) |
| Other payables | (3,555,868) | (210,079) | - | - |
| Bank borrowings | - | (10,418,079) | (2,173,523) | (9,426,757) |
| | (8,322,796) | (10,115,834) | (2,173,523) | (9,787,048) |

Foreign currency sensitivity analysis

Foreign currency risk arises from Group entities which have a RM functional currency. The exposure to currency risk of Group entities which do not have a RM functional currency is not material and hence, sensitivity analysis is not presented.

The following demonstrates the sensitivity of the Group's profit after tax to a reasonably possible change in the USD, EUR, SGD and RMB exchange rates against RM, with all other variables held constant.

## 42. Financial Instruments (Cont'd)

(c) Financial risk management objectives and policies (Cont'd)

(iii) Market risks (Cont'd)

(a) Foreign currency risk (Cont'd)

Foreign currency sensitivity analysis (Cont'd)

A 5% (2017: 5%) weakening of RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

(b) Interest rate risk

The Group's and the Company's fixed rate deposits placed with licensed banks and borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's and the Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

The Group manages the interest rate risk of its deposits with licensed financial institutions by placing them at the most competitive interest rates obtainable, which yield better returns than cash at bank and maintaining a prudent mix of short and long term deposits.

The Group manages its interest rate risk exposure from interest bearing borrowings by obtaining financing with the most favourable interest rates in the market. The Group constantly monitors its interest rate risk by reviewing its debts portfolio to ensure favourable rates are obtained. The Group does not utilise interest swap contracts or other derivative instruments for trading or speculative purposes.

The carrying amounts of the Group's and of the Company's financial instruments that are exposed to interest rate risk are as follows:

| | 2018<br>RM | 2017<br>RM |
|---|---|---|
| **Group** | | |
| **Fixed rate instruments** | | |
| Financial liabilities | 2,447,516 | 2,464,850 |
| **Floating rate instruments** | | |
| Financial liabilities | 136,101,594 | 176,513,486 |
| **Company** | | |
| **Fixed rate instruments** | | |
| Financial liabilities | - | 10,700 |
| **Floating rate instruments** | | |
| Financial liabilities | 38,270,672 | 57,947,662 |

# NOTES TO THE FINANCIAL STATEMENTS

## 42. Financial Instruments (Cont'd)

(c) Financial risk management objectives and policies (Cont'd)

(iii) Market risks (Cont'd)

(b) Interest rate risk (Cont'd)

**Interest rate risk sensitivity analysis**

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for floating rate instruments

A change in 0.25% interest rate at the end of the reporting period would have increased the Group' and the Company's profit before tax by RM340,254 (2017: RM441,284) and RM95,677 (2017: RM144,869) respectively, arising mainly as a result of higher interest expense on floating rate loans and borrowings. This analysis assumes that all other variables remain constant. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(c) Market price risk

Market 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 market prices (other than interest or foreign exchange rates).

The Group is exposed to equity price risk arising from its investment in quoted instrument. This investment is listed on Bursa Malaysia and is classified as fair value through profit or loss.

Management of the Group monitors the value of the equity investments by considering the movements in the quoted price. The buy and sell decisions are approved by the Risk Management Committee of the Group.

Market price risk sensitivity analysis

At the reporting date, if the stock indices had been 10% higher / lower, with all other variables held constant, the Group's profit before tax would have been RM113,666 (2017: RM192,398) higher / lower, arising as a result of higher / lower fair value gain on held for trading investment in equity instrument.

(d) Fair values of financial instruments

The carrying amounts of short term receivables and payables, cash and cash equivalents and short term borrowings approximate their fair value due to the relatively short term nature of these financial instruments and/or insignificant impact of discounting.

## 42. Financial Instruments (Cont'd)

(d) Fair values of financial instruments (Cont'd)

| | Fair value of financial instruments carried at fair value | | | | Fair value of financial instruments not carried at fair value | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Level 1 RM | Level 2 RM | Level 3 RM | Total RM | Level 1 RM | Level 2 RM | Level 3 RM | Total RM | Total fair value RM | Carrying Amount RM |
| **Group** | | | | | | | | | | |
| **2018** | | | | | | | | | | |
| **Financial Asset** | | | | | | | | | | |
| Investment in securities | 1,136,660 | - | - | 1,136,660 | - | - | - | - | 1,136,660 | 1,136,660 |
| **Financial Liability** | | | | | | | | | | |
| Finance lease liabilities | - | - | - | - | - | 2,330,968 | - | 2,330,968 | 2,330,968 | 2,447,516 |
| **2017** | | | | | | | | | | |
| **Financial Asset** | | | | | | | | | | |
| Investment in securities | 1,923,981 | - | - | 1,923,981 | - | - | - | - | 1,923,981 | 1,923,981 |
| **Financial Liability** | | | | | | | | | | |
| Finance lease liabilities | - | - | - | - | - | 2,345,112 | - | 2,345,112 | 2,345,112 | 2,464,850 |

# NOTES TO THE FINANCIAL STATEMENTS

## 42. Financial Instruments (Cont'd)

(d) Fair values of financial instruments (Cont'd)

| | Fair value of financial instruments carried at fair value | | | | Fair value of financial instruments not carried at fair value | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Level 1 RM | Level 2 RM | Level 3 RM | Total RM | Level 1 RM | Level 2 RM | Level 3 RM | Total RM | Total fair value RM | Carrying Amount RM |
| **Company** | | | | | | | | | | |
| **2018** | | | | | | | | | | |
| **Financial Asset** | | | | | | | | | | |
| Investment in securities | 1,136,660 | - | - | 1,136,660 | - | - | - | - | 1,136,660 | 1,136,660 |
| **2017** | | | | | | | | | | |
| **Financial Asset** | | | | | | | | | | |
| Investment in securities | 1,923,981 | - | - | 1,923,981 | - | - | - | - | 1,923,981 | 1,923,981 |
| **Financial Liability** | | | | | | | | | | |
| Finance lease liabilities | - | - | - | - | - | 10,184 | - | 10,184 | 10,184 | 10,700 |

## 42. Financial Instruments (Cont'd)

(d) Fair values of financial instruments (Cont'd)

(i) Policy on transfer between levels

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

There were no transfers between levels during current and previous financial years.

(ii) Level 1 fair value

Level 1 fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

(iii) Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Non-derivative financial instruments

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

(iv) Level 3 fair value

Level 3 fair values for the financial assets and liabilities are estimated using unobservable inputs.

## 43. Subsequent Event

On 19 April 2019, Destini Rail Sdn. Bhd., a wholly-owned subsidiary of the Company, incorporated a new wholly-owned subsidiary with the name DLP Rail Sdn. Bhd. with the registered capital of RM100,000.

## 44. Capital Management

The Group's management manage its capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern and maintains an optimal capital structure, so as to maximise shareholders value. The management reviews the capital structure by considering the cost of capital and the risks associated with the capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

# NOTES TO THE FINANCIAL STATEMENTS

## 44. Capital Management (Cont'd)

The Group monitors capital using a gearing ratio. The Group's policy is to maintain a prudent level of gearing ratio that complies with debt covenants and regulatory requirements. The gearing ratios at end of the reporting period are as follows

| | 2018 RM | 2017 RM |
|---|---|---|
| Total loans and borrowings | 138,549,110 | 178,978,336 |
| Less: Deposits, bank and cash balances | (60,148,461) | (52,691,676) |
| Net debt | 78,400,649 | 126,286,660 |
| Total equity | 507,023,997 | 508,149,484 |
| Gearing ratio | 15% | 25% |

There were no changes in the Group's approach to capital management during the financial year.

The Group is not subject to any externally imposed capital requirements.

## 45. Date of Authorisation for Issue

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 22 April 2019.

# LIST OF PROPERTIES OWNED

## AS AT 29 MARCH 2019

| Location | Description (sqm) | Current Use | Tenure | Age of Building | Audited Net Book Value as at 31.12.2018 | Date of acquisition |
|---|---|---|---|---|---|---|
| Pt 10495 (Plot T9), L/K Kawasan Perusahaan Kampung Acheh, 32000 Sitiawan, Perak | 4,049 | - | Leasehold for a period of 99 years expiring on 9th May 2105 (unexpired term of about 91 years) | - | RM766,280 | 10.07.2006 |
| Lot 61768 (No. 10), Jalan Jurunilai U1/20, Hicom Glenmarie Industrial Park, Section U1, Shah Alam | 4,180 | Office and Workshop | Grant-in-perpetuity (commonly referred to as freehold) | 16 years | RM15,315,002 | 04.06.2013 |
| San Yu Town, Nantong Tongzhou City Industry Park, Jiangsu Province, China | 11,608 | Office and Factory | Leasehold expiring on 1 March 2059 (unexpired term of about 42 years) | 7 years | RM2,251,415 | 01.01.2011 |
| No 10, Jln Cempedak 3, Taman Kota Masai, 81750 Masai, Johor | 1189 | Office and Workshop | Freehold | 7 years | RM617,333 | 20.03.2013 |
| PN 9102, Lot 60195, Mukim Teluk Kalung, Kemaman, Terengganu | Land area: 1797<br><br>Built up: 311 | Office and Workshop | Leasehold for a period of 60 years expiring on 22 Jan 2062 | - | RM838,535 | 09.10.2014 |
| Open Yard-Phase II, OYP2/03/02 24007 Kemaman Supply Base (Built a yard on rented land) | 14,520 | Office and Yard | Rent and renew yearly | 3years | RM1,779,452 | 01.05.2013 |
| No. 4, Jalan Kerawang U8/108, Kawasan Perindustrian Tekno Jelutong, 40150 Shah Alam, Selangor Darul Ehsan | Land area: 1,091<br><br>Built up: 663 | Office and Workshop | Freehold | 1 year | RM4,597,819 | 10.09.2014 |
| Lot 15747, NKS Industrial Area, Jalan Pelabuhan Utara, 42000 Pelabuhan Klang, Selangor Darul Ehsan. | Land area: 23,160<br><br>Built up: 6,361 | Office and Factory | Leasehold for a period of 99 years expiring on 27 June 2073 | 20 years | RM14,309,849 | 01.12.2016 |

# STATISTIC OF SHAREHOLDINGS

## AS AT 29 MARCH 2019

### A. Share Capital

| | | |
|---|---|---|
| **Total Number of Shares** | : | 1,155,230,299 |
| **Issued Share Capital** | : | RM115,523,029.90 |
| **Class of Shares** | : | Ordinary Shares |
| **Voting Rights** | : | One vote for each ordinary share held |

### B. Distribution of Shareholdings

| Size of Holding | No. of Shareholders | % | No. of Shares Held | % |
|---|---|---|---|---|
| Less than 100 | 33 | 0.53 | 1,104 | 0.00 |
| 100 – 1,000 | 664 | 10.59 | 324,633 | 0.03 |
| 1,001 – 10,000 | 2,490 | 39.70 | 16,039,852 | 1.39 |
| 10,001 – 100,000 | 2,601 | 41.47 | 93,463,369 | 8.09 |
| 100,001 and below 5% of issued shares | 479 | 7.64 | 553,763,881 | 47.94 |
| 5% and above of issued shares | 5 | 0.08 | 491,637,460 | 42.56 |
| **Total** | **6,272** | **100** | **1,155,230,299** | **100** |

### C. Directors' Shareholdings as at 29 March 2019

| No. | Name of Director | Direct Interest | | Indirect Interest | |
|---|---|---|---|---|---|
| | | No. of Shares | % | No. of Shares | % |
| 1. | Tan Sri Dato' Sri Rodzali Daud | - | - | - | - |
| 2. | Dato' Rozabil @ Rozamujib Abdul Rahman | 83,126,500 | 7.20 | 229,215,412 (1) | 19.84 |
| 3. | Dato' Megat Fairouz Junaidi Tan Sri Megat Junid | - | - | - | - |
| 4. | Mohd Shihabuddin Mukhtar | - | - | - | - |
| 5. | Dato' Che Sulaiman Shapie | - | - | - | - |
| 6. | Professor Datin Dr Suzana Sulaiman @ Mohd Suleiman | - | - | - | - |
| 7. | Abdul Rahman Mohamed Rejab | 100,000 | 0.01 | - | - |
| 8. | Ismail Mustaffa | 640,000 | 0.06 | - | - |

*Notes:*

*(1) Deemed interested under Section 8 of the Companies Act 2016 by virtue of his shareholdings in BPH Capital Sdn. Bhd., R Capital Sdn. Bhd. and Mazer Sdn. Bhd.*

# STATISTIC OF SHAREHOLDINGS

**D. Substantial Shareholders as at 29 March 2019**

| No. | Name of Shareholders | Direct Interest | | Indirect Interest | |
|---|---|---|---|---|---|
| | | No. of Shares | % | No. of Shares | % |
| 1. | BPH Capital Sdn. Bhd. | 193,586,912 | 16.76 | - | - |
| 2. | Dato' Rozabil @ Rozamujib Abdul Rahman | 83,126,500 | 7.20 | 229,215,412(1) | 19.84 |
| 3. | Aroma Teraju Sdn. Bhd. | 200,000,000 | 17.31 | - | - |
| 4. | Utarasama Marine Sdn. Bhd. | 96,000,333 | 8.31 | - | - |
| 5. | Destination Marine Services Sdn. Bhd. | 107,142,857 | 9.27 | - | - |
| 6. | MTD Capital Sdn. Bhd. | 64,000,000 | 5.54 | - | - |
| 7. | Lim Nyuk Sang @ Freddy Lim | 65,136,866 | 5.64 | 2,500,000(2) | 0.22 |

*Notes:*

*(1) Deemed interested under Section 8 of the Companies Act 2016 by virtue of his shareholdings in BPH Capital Sdn. Bhd., R Capital Sdn. Bhd and Mazer Sdn. Bhd.*

*(2) Deemed interested under Section 8 of the Companies Act 2016 by virtue of his shareholdings in Santraprise Sdn. Bhd.*

# STATISTIC OF SHAREHOLDINGS

**E. List of 30 Largest Securities Account Holders as at 29 March 2019**

| No. | Name of Shareholders | Shares held | % |
|---|---|---|---|
| 1 | AROMA TERAJU SDN. BHD. | 200,000,000 | 17.31 |
| 2 | KENANGA NOMINEES (TEMPATAN) SDN. BHD.<br>BENEFICIARY: PLEDGED SECURITIES ACCOUNT FOR UTARASAMA MARINE SDN. BHD. | 96,000,333 | 8.31 |
| 3 | MAYBANK NOMINEES (TEMPATAN) SDN. BHD.<br>BENEFICIARY: PLEDGED SECURITIES ACCOUNT FOR DATO' ROZABIL @ ROZAMUJIB BIN ABDUL RAHMAN | 69,368,500 | 6.00 |
| 4 | MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN. BHD.<br>BENEFICIARY: PLEDGED SECURITIES ACCOUNT FOR BPH CAPITAL SDN BHD (MARGIN) | 68,507,112 | 5.93 |
| 5 | CIMSEC NOMINEES (TEMPATAN) SDN BHD<br>BENEFICIARY: CIMB BANK FOR MTD CAPITAL BHD (PBCL-0G0412) | 57,761,515 | 5.00 |
| 6 | URUSHARTA JAMAAH SDN BHD | 53,354,000 | 4.62 |
| 7 | KENANGA NOMINEES (TEMPATAN) SDN BHD<br>BENEFICIARY: PLEDGED SECURITIES ACCOUNT FOR DAYATAHAN SDN BHD | 31,500,000 | 2.73 |
| 8 | MAYBANK NOMINEES (TEMPATAN) SDN. BHD.<br>BENEFICIARY: LIM NYUK SANG @ FREDDY LIM | 26,895,966 | 2.33 |
| 9 | ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD.<br>BENEFICIARY: PLEDGED SECURITIES ACCOUNT FOR LIM FEI NEE (7000197) | 26,765,800 | 2.32 |
| 10 | KAMARUDIN BIN MERANUN | 24,500,000 | 2.12 |
| 11 | MAYBANK NOMINEES (TEMPATAN) SDN. BHD.<br>BENEFICIARY: PLEDGED SECURITIES ACCOUNT FOR MAZER SDN BHD | 20,000,000 | 1.73 |
| 12 | YAYASAN POK DAN KASIM | 18,760,000 | 1.62 |
| 13 | CIMSEC NOMINEES (TEMPATAN) SDN. BHD.<br>BENEFICIARY: CIMB BANK FOR LIM NYUK SANG @ FREDDY LIM (MQ0423) | 16,200,000 | 1.40 |
| 14 | CITIGROUP NOMINEES (TEMPATAN) SDN. BHD.<br>BENEFICIARY: EMPLOYEES PROVIDENT FUND BOARD (CIMB PRIN) | 14,485,200 | 1.25 |
| 15 | MAYBANK NOMINEES (TEMPATAN) SDN. BHD.<br>BENEFICIARY: PLEDGED SECURITIES ACCOUNT FOR BPH CAPITAL SDN BHD | 13,800,000 | 1.19 |
| 16 | MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD<br>BENEFICIARY: PLEDGED SECURITIES ACCOUNT FOR DATO' ROZABIL @ ROZAMUJIB BIN ABDUL RAHMAN (MARGIN) | 13,330,000 | 1.15 |

| No. | Name of Shareholders | Shares held | % |
|---|---|---|---|
| 17 | CITIGROUP NOMINEES (TEMPATAN) SDN. BHD.<br>BENEFICIARY: EMPLOYEES PROVIDENT FUND BOARD | 12,450,500 | 1.08 |
| 18 | LIM FEI NEE | 11,627,100 | 1.01 |
| 19 | MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN. BHD.<br>BENEFICIARY: PLEDGED SECURITIES ACCOUNT FOR MAZER SDN BHD | 11,097,600 | 0.96 |
| 20 | MIDF AMANAH INVESTMENT NOMINEES (TEMPATAN) SDN BHD<br>BENEFICIARY: PLEDGED SECURITIES ACCOUNT FOR BPH CAPITAL SDN BHD (MGN-BHP0001M) | 7,916,700 | 0.69 |
| 21 | ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD<br>BENEFICIARY: PLEDGED SECURITIES ACCOUNT FOR<br>BATU BARA RESOURCES CORPORATION SDN BHD | 7,870,000 | 0.68 |
| 22 | KENANGA NOMINEES (TEMPATAN) SDN. BHD.<br>BENEFICIARY: PLEDGED SECURITIES ACCOUNT FOR LIM NYUK SANG @ FREDDY LIM | 7,808,300 | 0.68 |
| 23 | ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD.<br>BENEFICIARY: PLEDGED SECURITIES ACCOUNT FOR LIM NYUK SANG @ FREDDY LIM (8071811) | 6,896,600 | 0.60 |
| 24 | ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD<br>BENEFICIARY: PLEDGED SECURITIES ACCOUNT FOR NG AUN HOOI (7003989) | 6,287,400 | 0.54 |
| 25 | CIMSEC NOMINEES (TEMPATAN) SDN. BHD.<br>BENEFICIARY: CIMB BANK FOR MTD CAPITAL BHD (PB) | 6,238,485 | 0.54 |
| 26 | UOB KAY HIAN NOMINEES (TEMPATAN) SDN BHD<br>BENEFICIARY: PLEDGED SECURITIES ACCOUNT FOR LIM FEI NEE | 4,725,300 | 0.41 |
| 27 | ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD.<br>BENEFICIARY: PLEDGED SECURITIES ACCOUNT FOR LEE CHI KEN @ PHILIP LEE (8111593) | 4,707,200 | 0.41 |
| 28 | ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD.<br>BENEFICIARY: PLEDGED SECURITIES ACCOUNT FOR BPH CAPITAL SDN. BHD. (8093424) | 4,603,100 | 0.40 |
| 29 | MAYBANK NOMINEES (TEMPATAN) SDN. BHD.<br>BENEFICIARY: PLEDGED SECURITIES ACCOUNT FOR ABD AZIZ BIN SHEIKH FADZIR | 4,050,000 | 0.35 |
| 30 | MAYBANK NOMINEES (TEMPATAN) SDN. BHD.<br>BENEFICIARY: PLEDGED SECURITIES ACCOUNT FOR R CAPITAL SDN BHD | 3,966,000 | 0.34 |

# NOTICE OF FIFTEENTH ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Fifteenth (15th) Annual General Meeting ("AGM") of Destini Berhad ("Destini" or "the Company") will be held at Meranti II, Level 3, Acappella Suite Hotel, 8 Persiaran Sukan, Seksyen 13, 40100 Shah Alam, Selangor Darul Ehsan on Tuesday, 28 May 2019, at 10.00 a.m for the purpose of transacting the following businesses:

**AGENDA**

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 1)

2. To re-elect Mohd Shihabuddin Mukhtar who shall retire pursuant to Article 93 of the Company's Articles of Association. (Ordinary Resolution 1)

3. To re-elect the following directors who shall retire pursuant to Article 86 of the Company's Articles of Association :
   i. Dato' Rozabil @ Rozamujib Abdul Rahman (Ordinary Resolution 2)
   ii. Dato' Che Sulaiman Shapie (Ordinary Resolution 3)

4. To approve the payment of Directors' fees of up to RM645,000.00 for the financial year ending 31 December 2019 to be divided amongst the Directors in such manner as the Directors may determine and other benefits payable of up to RM155,000.00 for the period commencing from 28 May 2019 until the conclusion of the next AGM of the Company. (Ordinary Resolution 4)

5. To re-appoint Messrs UHY as Auditors of the Company until the conclusion of the next AGM and to authorise the Directors to fix their remuneration. (Ordinary Resolution 5)

   **As Special Business:**

   To consider and, if thought fit, to pass the following resolutions:

6. **Authority to Allot Shares Pursuant to Sections 75 and 76 of the Companies Act 2016** (Ordinary Resolution 6)

   THAT pursuant to Sections 75 and 76 of the Companies Act 2016 and subject to the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue shares in the capital of the Company from time to time and upon such terms and conditions and for such purposes as the Directors, may in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company for the time being and that the Directors be and are hereby also empowered to obtain approval from the Bursa Malaysia Securities Berhad ("Bursa Securities") for the listing and quotation of the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next AGM of the Company.

7. **Proposed Renewal of Share Buy-Back Authority for the Purchase of Its Own Ordinary Shares ("Proposed Share Buy-Back")** (Ordinary Resolution 7)

"THAT, subject to the Companies Act 2016, the Bursa Securities Main Market Listing Requirements ("Listing Requirements"), the Company's Articles of Association and the approvals of other relevant authorities, the Company be and is hereby authorised to purchase and hold such number of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through the Bursa Securities as the Directors may deem fit in the interest of the Company provided that the aggregate number of shares purchased and/or held pursuant to this resolution does not exceed ten percent (10%) of the issued share capital of the Company.

THAT the maximum amount of funds to be allocated by the Company for the purpose of purchasing its own shares shall not exceed the total retained profits of the Company, as set out in the Circular to Shareholders dated 30 April 2019.

THAT such authority shall commence immediately upon passing of this ordinary resolution until the conclusion of the next AGM of Destini unless earlier revoked or varied by ordinary resolution passed by the shareholders of Destini in a general meeting or upon the expiration of the period within which the next AGM is required by law to be held, whichever occurs first.

THAT the Directors be and are hereby authorised to take all steps necessary to implement, finalise and to give full effect to the Proposed Share Buy-Back AND FURTHER THAT authority be and is hereby given to the Directors to deal with the shares so purchased in their absolute discretion in any of the following manner:-

(i) cancel the shares so purchased; or

(ii) retain the shares so purchased as treasury shares and held by the Company; or

(iii) retain part of the shares so purchased as treasury shares and cancel the remainder; or

(iv) distribute the treasury shares as dividends to shareholders and/or resell on Bursa Securities and/or cancel all or part of them; or

(v) transfer all or part of the treasury shares for purposes of an employees' share scheme, and/or as purchase consideration; or

in any other manner as prescribed by the Companies Act 2016, rules, regulations and guidelines pursuant to the Companies Act 2016, the Listing Requirements and other relevant guidelines issued by Bursa Securities and any other relevant authority for the time being in force."

# **NOTICE OF FIFTEENTH** ANNUAL GENERAL MEETING

8. **Proposed Alteration of Existing Memorandum and Articles of Association in Its Entirety and Substituting with a New Constitution of the Company ("Proposed Alteration")** (Special Resolution 1)

   "THAT subject to the approval of any other parties, if required, the existing Memorandum and Articles of Association of the Company be altered, modified, added and/or deleted, as the case may be, in the form and manner as set out in Appendix II of the Circular to Shareholders dated 30 April 2019.

   AND THAT the Board be and is hereby authorised to do all such acts, deeds and things as are necessary and/or expedient in order to give full effect to the Proposed Alteration with full powers to assent to any conditions, modifications and/or amendments as may be required by any relevant authorities or third parties to give effect to the Proposed Alteration.

9. **To transact any other business of the Company for which due notice shall have been given.**

BY ORDER OF THE BOARD

Tan Tong Lang (MAICSA 7045482)
Thien Lee Mee (LS0009760)
Company Secretaries
Kuala Lumpur
Date: 30 April 2019

Notes:

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his/ her stead. A proxy may but need not be a member of the Company.

2. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/ she specifies the proportions of his/ her shareholdings to be represented by each proxy.

3. Where a member of the Company is an exempt authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provision of subsection 25A(1) of the Central Depositories Act 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.

4. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/ her attorney duly authorised in writing, or if the appointor is a corporation, either under the corporation's common seal or under the hand of an officer or attorney duly authorised.

5. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be deposited at the Company's Registrar's office at 149, Jalan Aminuddin Baki, Taman Tun Dr. Ismail, 60000 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjourned meeting, as the case may be.

6. For the purpose of determining a member who shall be entitled to attend the Fifteenth (15th) AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to issue a General Meeting Record of Depositors as at 21 May 2019. Only members whose name appears on the Record of Depositors as at 21 May 2019 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

EXPLANATORY NOTES

1. **Audited Financial Statements for the Financial Year Ended 31 December 2018**

   The Agenda No. 1 is meant for discussion only as Section 340(1) (a) of the Companies Act, 2016 provide that the audited financial statements are to be laid in the general meeting and do not require a formal approval of the shareholders. Hence, this Agenda item is not put forward for voting.

2. **Ordinary Resolution 4 : To Approve the Payment of Directors' Fees and Other Benefits Payable**

   The Directors' benefits payable comprises of meeting attendance allowances and other claimable benefits. In determining the estimated total amount of Directors' benefits, the Board has considered various factors, among others, the estimated claimable benefits and estimated number of meetings for the Board and Board Committees held for the period commencing from 30 May 2018 until the conclusion of the next AGM of the Company.

3. **Ordinary Resolution 6: Authority to Allot Shares Pursuant to Sections 75 and 76 of the Companies Act 2016**

   The Ordinary Resolution 6, if passed, is a renewal of general mandate to empower the Directors to issue and allot shares up to an amount not exceeding 10% of the issued share capital 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 AGM.

   The general mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding future investment project(s) workings capital and/or acquisitions at any time without convening a general meeting as it would be both costs and time consuming to organise a general meeting.

   As at the date of this Notice, no new shares in the Company were issued pursuant to the general mandate granted to the Directors at the Fourteenth (14th) AGM held on 30 May 2018 and which will lapse at the conclusion of the Fifteenth (15h) AGM.

4. **Ordinary Resolution 7: Proposed Renewal of Share Buy-Back Authority for the Purchase of Its Own Ordinary Shares ("Proposed Share Buy-Back")**

   For Resolution 7, further information on the Proposed Share Buy-Back is set out in the Circular dated 30 April 2019 which is sent out together with the Company's 2018 Annual Report.

5. **Special Resolution 1: Proposed Alteration of Existing Memorandum and Articles of Association in its Entirety and Substituting with a New Constitution of the Company ("Proposed Alteration")**

   The proposed alteration of the existing Memorandum and Articles of Association of the Company in its entirety and to substitute the same with a new Constitution of the Company are made mainly for the purpose to streamline and be aligned with the Companies Act, 2016 which came into force on 31 January 2017. It is also to provide clarity to certain provisions of the new Constitution, ensure consistency in cross references as well as use of defined terms and to correct typographical error, if any.

   Further information on the Proposed Alteration is set out in the Circular dated 30 April 2019 which is sent out together with the Company's 2018 Annual Report.

# STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

The Directors who are standing for re-election at the Fifteenth(15th) AGM of the Company are:

i) Mohd Shihabuddin Mukhtar;
ii) Dato' Rozabil @ Rozamujib Abdul Rahman; and
iii) Dato' Che Sulaiman Shapie

The profile of the Directors standing for re-election under the Company's Articles of Association are set out on pages 19 to 22 of the Annual Report 2018. The shareholdings of the abovenamed Directors in the Company is disclosed on page 206 of the aforesaid Annual Report.

The details of the Directors' attendance for Board Meetings are disclosed in the Statement of Corporate Governance on page 66 of the Annual Report 2018.

The Fifteenth (15th) AGM of the Company will be held at Meranti II, Level 3, Acappella Suite Hotel, 8 Persiaran Sukan, Seksyen 13, 40100 Shah Alam, Selangor Darul Ehsan on Tuesday, 28 May 2019, at 10.00 a.m

# DESTINI PROXY FORM

| No.of ordinary shares | CDS accountno.of authorised Nominee |
|---|---|
| | |

I / We (Full Name in Block Letters) _____

NRIC No. / Passport No. / Company No. _____

of _____

being a member / members of DESTINI BERHAD, hereby appoint _____

NRIC No. / Passport No. _____

of _____

and/or _____

NRIC No. / Passport No. _____

of _____

or failing him/ her, the Chairman of the meeting as my / our proxy to vote and act on my / our behalf at the Fifteenth (15th) Annual General Meeting of Destini Berhad ("Destini" or "the Company") to be held at Meranti II, Level 3, Acappella Suite Hotel, 8 Persiaran Sukan, Seksyen 13, 40100 Shah Alam, Selangor Darul Ehsan on Tuesday, 28 May 2019, at 10.00 a.m. and at any adjournment thereof.

| NO. | RESOLUTIONS | FOR | AGAINST |
|---|---|---|---|
| 1. | To re-elect Mohd Shihabuddin Mukhtar as Director. | | |
| 2. | To re-elect Dato' Rozabil @ Rozamujib Abdul Rahman as Director. | | |
| 3. | To re-elect Dato' Che Sulaiman Shapie as Director. | | |
| 4. | To approve the payment of Directors' fees and other benefits payable to the directors. | | |
| 5. | To re-appoint Messrs UHY as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. | | |
| 6. | **As Special Business :**<br>To approve the authority to allot shares pursuant to Sections 75 & 76 of the Companies Act, 2016. | | |
| 7. | Proposed Renewal of Share Buy-Back Authority for the Purchase of Its Own Ordinary Shares. | | |
| 8. | Proposed Alteration of Existing Memorandum and Articles of Association in its Entirety and Substituting with a New Constitution of the Company. | | |

**(Please indicate with 'X' how you wish to cast your vote. In the absence of specific directions, the proxy may vote or abstain from voting on the resolutions as he/she may think fit.)**

**Dated this _____ day of _____, 2019.**

Signature : _____

(If shareholder is a corporation, this form should be executed under seal)

The proportions of my/our holdings to be represented by my/our proxies are as follows:-

**First Proxy**

No. of Shares: ……

Percentage : …….%

**Second Proxy**

No. of Shares: ……

Percentage : …….%

*NOTES:*

1. *A member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his/ her stead. A proxy may but need not be a member of the Company.*
2. *Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/ she specifies the proportions of his/ her shareholdings to be represented by each proxy.*
3. *Where a member of the Company is an exempt authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provision of subsection 25A(1) of the Central Depositories Act 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.*
4. *The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/ her attorney duly authorised in writing, or if the appointor is a corporation, either under the corporation's common seal or under the hand of an officer or attorney duly authorised.*
5. *The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be deposited at the Company's Registrar's office at 149, Jalan Aminuddin Baki, Taman Tun Dr. Ismail, 60000 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjourned meeting, as the case may be.*
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Fold this flap for sealing

AFFIX
STAMP

**THE REGISTAR OF**
**DESTINI BERHAD** (Company No. 633265-K)
Insurban Corporate Services Sdn Bhd (76260-W)
149, Jalan Aminuddin Baki
Taman Tun Dr Ismail
60000 Kuala Lumpur

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**DESTINI BERHAD** **(633265-K)**
No. 10 Jalan Jurunilai U1/20,
Hicom Glenmarie Industrial Park,
40150 Shah Alam,
Selangor Darul Ehsan

Tel : 03-5567 0333
Fax : 03-5569 1233
Email : info@destinigroup.com

**www.destinigroup.com**