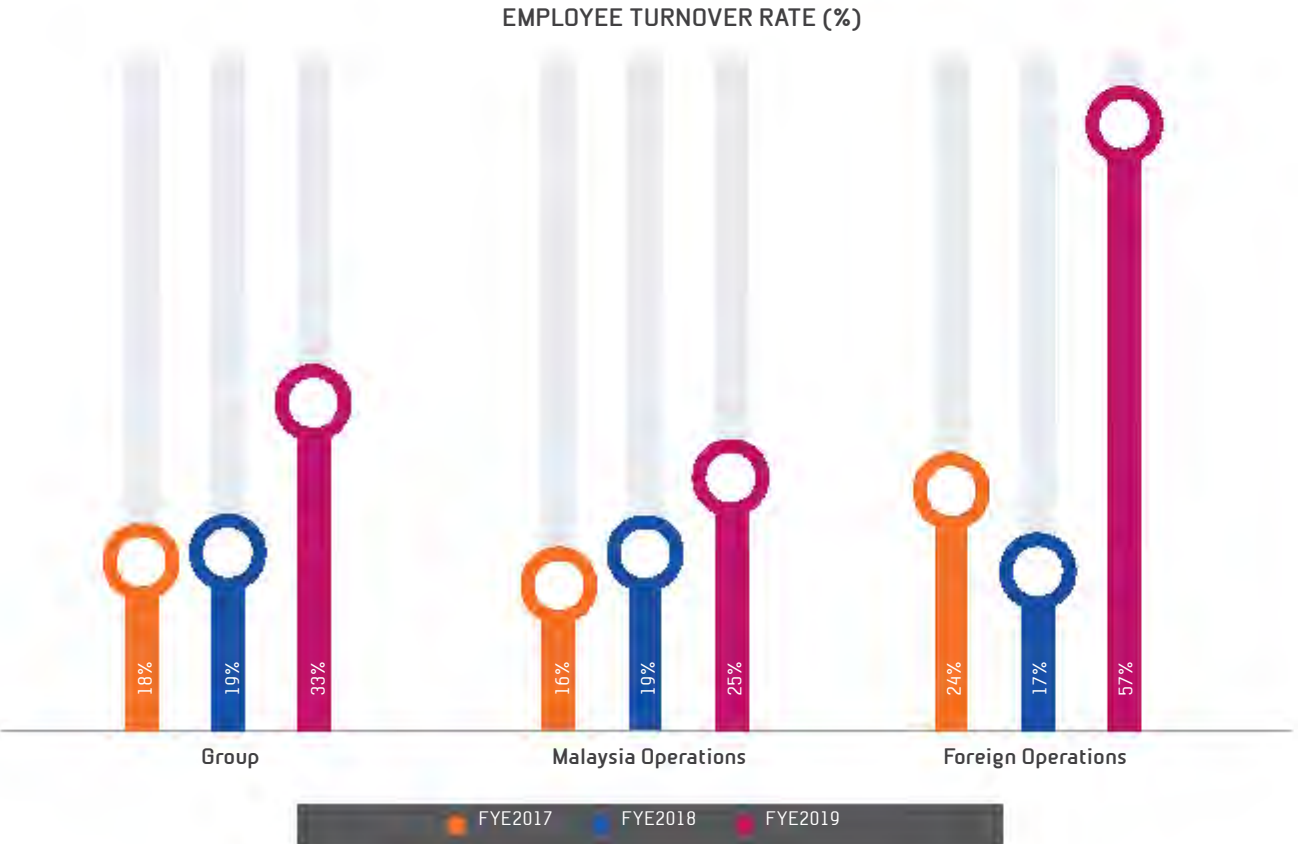
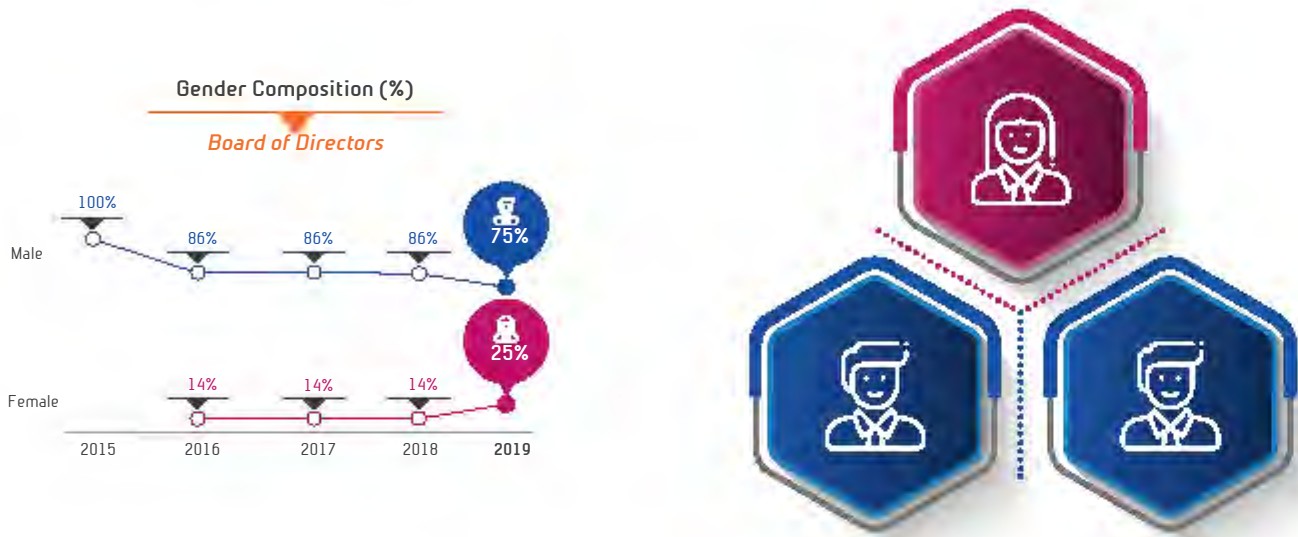


SOCIAL



*Note: Includes contract employees whose contract has ended.

SOCIAL

EMPLOYEES' WELL-BEING

WORK-LIFE BALANCE

We recognise the importance of work-life balance and believe that healthy and happy employees are the key success factor of a productive, effective and efficient company. Therefore, we encourage our employees to participate in sports and social activities as a way to develop kinships and inspire teamwork among staff. Family members are also invited to participate in some of these activities, thus making them family activities that foster closer relationships.

Sporting and Outdoor Activities



27 APR 2019 **BINTULU**
Sarawak

BEE's Fiesta Run 2019

28 APRIL 2019 **SHAH ALAM**
Selangor

International Occupational Safety (IOS) Half Marathon at UiTM Shah Alam

Collaborated with the Shah Alam City Council (MBSA), Ultrun and other agencies to organise this sport event through the sponsorship of RM10,000 for the event. IOS Half Marathon is an event to promote occupational safety and health.

35 of our employees participated in the event.



22 JAN 2019 **PAKA**
Terengganu

Bowling Tournament

21 JULY 2019 **BINTULU**
Sarawak

The Bintulu 21km Run





SOCIAL

Sporting and Outdoor Activities



27 JULY 2019



KAJANG
Selangor

Lekas Highway Ride 2019





12 AUG 2019



SHAH ALAM
Selangor

Fruit Festival





17 AUGUST 2019



BINTULU
Sarawak

PPUM Fun Run





21 SEPT 2019



PAKA
Terengganu

Pertanian Charity Run 4.0





10 DEC 2019



PAKA
Terengganu

Futsal Tournament





29 DEC 2019



SUNWAY CITY
Selangor

SUIT Bowling tournament at Sunway Mega Lanes,
Sunway Pyramid Shopping Mall



SOCIAL

Employee Community and Social Activities





4&5 MAY 2019



BAYU BALAU
BEACH RESORT
Bandar Penawar, Johor

Pasir Gudang Workshop Family Day
and Annual Dinner







20 JUNE 2019



IDCC
Shah Alam, Selangor

Serba Dinamik Hari Raya Open House







9 NOV 2019



BINTULU
Sarawak

Maulidur Rasul Parade





SOCIAL

Personal Health Activities



DEC 2019 - FEB 2020



BINTULU
Sarawak

3-Month Weight Loss Challenge

40 of our staff in the Bintulu Service Centre participated in the “Massive 3-month Weight Loss Challenge” which started on 2 December 2019 till 21 February 2020. The challenge was aimed at improving and achieving normal Body Mass Index (BMI) among our staff and to improve their lifestyles. All participants were measured on a weekly basis by Columbia Asia Bintulu to track their weight, height, BMI, glucose and cholesterol levels.



9 NOV 2019



BINTULU
Sarawak

Monthly Blood Pressure Check and BMI Index

Our Bintulu Service Centre conducts monthly blood pressure and BMI Index check on all staff. This activity is designed to ensure everyone maintains a good health and keep practising a healthy lifestyle.



3 DEC 2019



LABUAN

Blood Donation Campaign



SOCIAL

BENEFITS AND REMUNERATIONS

We recognise that we have to offer competitive benefits and remunerations to attract and retain talented staff, and reward contributions from our people. In this respect, all our employees are offered competitive base salaries, short and medium-term incentive plans, and retirement scheme. Our compensation framework is designed to motivate and retain employees.

Some of our employee benefits:



Pilgrimage leave – all permanent employees are eligible for paid pilgrimage leave to perform the Hajj once after five (5)



Study and examination leave;



Medical insurance benefits;



Dental and optical coverage;



Free parking during working hours;



Serba Dinamik Education Fund*;



Subsidised payment for nursery care for employees’ children*.

**only applicable for our Malaysian employees*



^ Serba Dinamik’s first Day Care Centre located next to our Tanjung Batu office in Bintulu, Sarawak. Our day care centre in Bintulu accepts children from one year old and above at a reasonable and affordable rate. This is part our commitment to minimize the burden of our employees.

RM119
million



Total compensations and benefits to our workforce of 1,725 employees for FYE 2019.

SERBA DINAMIK EDUCATION FUND (TABUNG PENDIDIKAN KUMPULAN SERBA DINAMIK, TPKSD)

Our employees make our communities stronger and at Serba Dinamik, we believe in fostering the youth responsible for the next generation. At end of 2018, we introduced the Serba Dinamik Education Fund to provide scholarships to our employees’ dependents. Founded through a donation by Datuk Abdul Kadier Sahib, a member of our board of directors, the scholarship aims to provide financial assistance to the children of eligible Serba Dinamik employees to pursue either a Professional Certificate, Diploma, Undergraduate or Postgraduate programme locally. The scholarship covers tuition fees for the entire course of study, as well as books, stationeries and monthly allowances. For the inaugural batch in 2019, three (3) students were selected and for the year 2020, ten (10) students were selected in FYE 2019, we disbursed approximately RM115,000 of funds for the selected students.



^ Poster of TPKSD - Applicant 2020/2021

SOCIAL

NURTURING OUR WORKFORCE

At Serba Group, we aim to create a workplace where our employees will thrive and perform to the best of their abilities to deliver sustained high performance. Our employees play an important role in achieving our operational, strategic and financial objectives. As such, we encourage our employees to develop their competencies and qualifications to help improve their job performance.

During the year, 443 employees in Malaysia, or 26% of our workforce in the country, attended various in-house and external training relating to occupational health and safety, technical and other non-technical subjects. They included engineers, technical and service personnel, as well as quality control and HSE personnel.



EMPLOYEES IN MALAYSIA

443

Underwent training courses in 2019

The total expenses for training these employees was approximately RM125,000, equivalent to an average of RM282 per participant. This is part of our continuous effort to develop our most valued resources – OUR PEOPLE.



MALAYSIA'S TOTAL TRAINING EXPENSES

RM125,000

Average of RM282 per participant

	2017	2018	2019
Occupational health and safety training			
Number of participants	162	145	178
Expenditure ¹	29%	35%	19%
Technical training			
Number of participants	144	158	65
Expenditure ¹	32%	39%	24%
Other non-technical training			
Number of participants	101	99	200
Expenditure ¹	39%	26%	57%
TOTAL			
Number of participants	407	402	443
Training Expenditure in Malaysia (RM'000)	180	184	125

¹ Percentage is calculated based on expenditure of the respective training programmes over total training expenditure in Malaysia.



SOCIAL

OCCUPATIONAL SAFETY AND HEALTH ("OSH")

OUR OSH POLICY

Occupational safety and health are an important aspect for every industrial sector, most particularly the oil and gas industry, where the risk for a major accident is ever present. The combination of heavily powered equipment, flammable chemicals and processes that are operated under high pressure may lead to hazardous, and even deadly accidents. As such, we continuously strive to maintain the highest OSH standards for all our frontline operation employees, contractors and personnel. Each worker at the worksite has

OUR OSH POLICY



We are committed to deliver quality integrated engineering and maintenance solutions through:

- 1 Providing a safe and healthy working environment by avoiding risks to the safety and health of our employees, customers and interested parties;
- 2 Establishing an effective framework of occupational safety and health system for continual improvements;
- 3 Prioritising compliance to regulations and other requirements at all times;
- 4 Providing the necessary consultation and platform for all to participate in eliminating hazard and reduce risk within operations.

DRUGS & ALCOHOL POLICY



We conduct random test on employees or any personnel related to operation to ensure they are drug and alcohol free whilst they are at the workplace.

a duty to work in a safe manner and must make safety a part of their every task.

For the implementation of sound occupational health and safety practices, our subsidiaries, Serba Dinamik and Serba Dinamik International, are OHSAS 18001 certified. With the introduction of the new International Standard for Occupational Health and Safety, namely ISO 45001:2018, we are committed to implement the said standard within our organisation by the end of 2020. We are currently in the process of getting ourselves upgraded to the new standard.

OUR OSH OBJECTIVES



We are committed to provide a safe working environment to all personnel and eliminate the exposure to risk by setting targets as follows:

- 1 Zero loss time injury at all operations;
- 2 100% monthly achievement of implementing occupational safety and health plan;
- 3 100% compliance to regulations and interested parties' requirement;
- 4 Reducing hazard and risk at work site by promoting the submission of "Unsafe Act and Unsafe Condition" report by 1:500 manhours.



STOP WORK POLICY

We give privileges and rights to all employees and interested parties to stop work if and when there is an imminent threat to health and safety.



SMOKING POLICY

Smoking is strictly prohibited in work premises and only allowed at designated smoking areas.

SOCIAL

KAIZEN SYSTEM

We have adopted the KAIZEN Japanese culture which is a lean manufacturing concept that refers to the ongoing process of "continuous improvement" which would improve the quality, productivity, safety and workplace culture. KAIZEN focuses on applying small, daily changes that would result in major improvements over time. 5S is the foundation of KAIZEN which aims to achieve a visual organisation, cleanliness and standardisation

The 5S methodology is built on 5 pillars: Sort, Straight, Standardise, Shine and Sustain.

How we adopt the 5S management method at our service centres



^ Proper segregation of items according to types and usage at our Labuan Service Centre

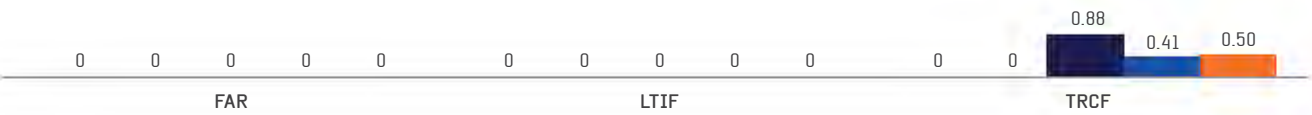


SOCIAL

SAFETY PERFORMANCE

Attaining and maintaining the highest level of occupational safety and health is embedded in our corporate culture and operations. Over the past five year, we have zero fatalities and zero lost time injury recorded in our Malaysia and foreign operations.

Malaysia Operations



Foreign Operations



FAR – Fatal Accident Rate

Number of fatalities per 100 million hours worked

LTIF - Lost Time Injury Frequency

Number of work-related injuries that resulted in loss of productive work time per million hours worked.

TRCF – Total Recordable Case Frequency

Number of fatalities, lost time injuries, substitute work, and other injuries requiring treatment by a medical professional per million hours worked.



WE ACHIEVED

18.4million (Malaysian Operations)

26.7million (Foreign Operations)

Cumulative total man-hours without Loss Time Injury since the commencement of our business operations

Health and safety

Total man-hours completed without Loss Time Injury

	2015	2016	2017	2018	2019
- Malaysia operations ¹	1,170,137	1,467,702	1,137,197	2,441,369	4,033,535
- Foreign operations ¹	2,003,915	2,790,991	2,734,522	4,922,113	5,414,324

¹ Refer to the total man-hours completed for the respective year of operations.

SOCIAL

HSE AWARDS AND RECOGNITION

Health, Safety and Environment (HSE) Awards from PETRONAS group of companies 2019

MLNG Sdn Bhd	HSE Excellent Award in recognition of Best HSE Score Card for Year 2018
PETRONAS Carigali Sdn Bhd (Sarawak Gas)	Outstanding dedication and unconditional commitment in sustaining excellence in HSE Performance in achieving Sarawak Gas Aim ZeRO 1000 days as at 27 April 2019

Other HSE Awards 2019

Malaysian Society for Occupational Safety and Health ("MSOSH") 2018	Gold Class 2 Award for Serba Dinamik Sdn Bhd (2018-2019)
Shell Malaysia Safety Award 2018	6 th SMSA Bronze Award to Serba Dinamik Sdn Bhd

WORKPLACE SAFETY – TOOLBOX TALK

At Serba Dinamik, Toolbox Talk is conducted at all our workshops or job site on a daily basis prior to the commencement of work for the day. The talk is typically short and informal with the purpose of improving safety and health by directly involving workers in issues that are important to them. Personnel protective equipment including safety overalls, footwear, hardhats, goggles, and where necessary, ear plugs for each worker are inspected before entering into workshops or job sites every morning. Random alcohol tests are also performed during this safety meeting. During the year, we conducted 4,612 Toolbox Talk at our service centres in Malaysia.



EMERGENCY PREPAREDNESS

To ensure emergency preparedness of our employees, we conducted emergency and fire drill exercises at our service centres and head office in Malaysia. For our service centres, we encourage our contractors and service providers to participate in the fire drill in order for them to be equipped with proper knowledge in dealing with unfortunate fire incidents. Meanwhile, for our corporate office, the fire drill exercise also involved other companies occupying Menara Serba Dinamik to test the operational readiness of occupants' fire safety personnel and familiarisation with fire safety evacuation procedures. We also organised fire extinguisher safety training for our employees at our corporate office.





SOCIAL

BUSINESS ETHICS AND GOVERNANCE

ETHICAL BUSINESS CONDUCT



We are proud of our reputation for fair business dealings. We seek to preserve this hard-won reputation through our code of business ethics. Our code of business ethics is integral to our operations, especially when we deal with external parties. We are vigilant in ensuring that all employees comply with our code of business ethics. Compliance to these principles is also expected from our business partners, suppliers, contractors, consultants, representatives and other intermediaries.

CODE OF BUSINESS CONDUCT



In this respect, we have incorporated our business ethics, policies, core values and principles into our Code of Business Conduct. This sets the standard on business practices, behaviour and conduct that we expect from our employees in their daily work activities, and dealings with internal and external parties. All new employees are issued with our Code of Business Conduct as part of their orientation programme.

SOCIAL

RESPONSIBLE LABOUR PRACTICES



We are committed to identifying and addressing labour and human rights issues and effects that are directly linked to our business activities, including the rights of our workers as well as communities in the areas we operate.

As a global engineering company, we face issues relating to working conditions at our foreign operations. Part of our business operations includes utilising contractors and their workers in building and construction related works in developing countries. We recognise that safeguarding human rights extend to our suppliers, and part of our corporate social responsibility is to conduct an annual review of our supply chain including contractors and suppliers to assess their safety procedures and working conditions.

GOVERNANCE OF THE CODE



In order to promote an ethical work environment, we have a Compliance Officer in our head office in Malaysia to monitor work environment and business practices. The Compliance Officer reports to the Ethics Advisory Committee comprising General Managers from various departments including Human Resources, Finance, Corporate Services, Corporate Governance and Legal Affairs. The responsibility of the Committee is to provide advice, guidance and resolve any disputes relating to the Code of Business Conduct. Any serious issues arising would be reported to the Audit Committee.



MANAGING GRIEVANCES



We continually promote a culture of communication and transparency in our work place. This is designed to provide a platform for our staff to raise any issues, grievances or concerns regarding the way we operate, as well as how staff interacts internally. We encourage our people to take their concerns directly with the appropriate line managers, supervisors and human resource managers. If issues are not resolved satisfactory and expediently, they are encouraged to bring forward those issues or concerns to senior management.

We had institute a system for handling internal and external complains and grievances. This will apply to internal staff as well as external stakeholders including business partners, customers, consultants, suppliers and contractors. All complains and grievances will be formally acknowledged, investigated and documented with recommended remedial actions. All these will be conducted on a confidential basis. To maintain confidentiality, we will provide an online facility to receive as well as create an audit trail of follow-up actions and final resolution or decision.





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CORPORATE GOVERNANCE



CORPORATE GOVERNANCE OVERVIEW STATEMENT

INTRODUCTION

The Board presents this Corporate Governance Overview Statement (“CG Statement”) to provide stakeholders with an overview of the Corporate Governance (“CG”) practices of the Group under the leadership of the Board during the financial year 2019.

In this CG Statement, the Board reports on the manner the Group has adopted and applied the principle and best practices as set out in the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Malaysia”) and the Malaysian Code on Corporate Governance 2017 (“MCCG 2017”).

The CG statement is to be read together with the CG Report which is available on the Group’s website.

The CG Report provides the details on how the Group has applied each Practice as defined in the MCCG during the financial year 2019.

In financial year 2019, the Group has complied with 34 of 36 recommended practices inclusive of three (3) Step-up practices as defined in MCCG.

CORPORATE GOVERNANCE FRAMEWORK

The Board is committed to high standards of corporate governance and strives to ensure that it is practiced throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders’ value and raise the performance of the Group



The Group’s corporate governance framework is directed towards achieving its business objectives in a manner which is responsible and in accordance with high standards of honesty, transparency and accountability.

In driving high standards of corporate governance, the Board continuously reviews its corporate governance framework to ensure its relevance, effectiveness and sustainability in conducting the business and in addressing the challenges of the business.

The Group also has in place the Delegation of Authority & Limit, which supports good corporate governance and prudent control of risks and investment management, which the Board has specifically reserved matters such as establishment of new businesses, annual strategic plan, approval of major capital expenditure, major acquisition and disposal of businesses or equity, borrowings and any corporate restructuring, for its decision.

Among others, the Board has put in place the following to affirm its commitment of the best practices of the corporate governance:



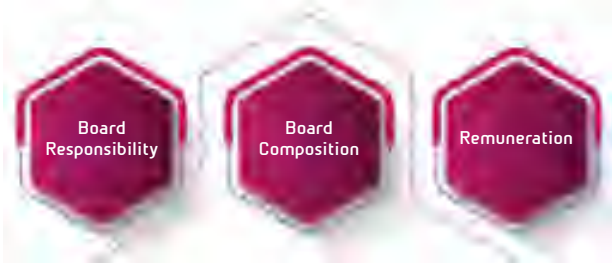
CORPORATE GOVERNANCE OVERVIEW STATEMENT

This overview takes guidance from the key principles as defined in the MCCG as follows:

- 1. Principle A: Board Leadership & Effectiveness
- 2. Principle B: Effective Audit & Risk Management
- 3. Principle C: Integrity in Corporate Reporting & Meaningful Relationship with Stakeholders

PRINCIPLE A: BOARD LEADERSHIP & EFFECTIVENESS

The key principal of Board Leadership and Effectiveness are as follows:



1. BOARD RESPONSIBILITIES

The Board is responsible for the overall governance of the Group, the responsibility to exercise reasonable & proper care of the Group’s resources for the best interests of its shareholders as well as to safeguard the Group’s assets.

The Board not only sets the strategic direction but also oversees and ensures that the conduct of the businesses of the Group is following relevant applicable laws, policies, standards and guidelines.

The Chairman leads the Board by setting the tone at the top, and managing the Board effectiveness by focusing on strategy, governance & compliance.

The Board Charter shall be periodically reviewed and updated from time to time to reflect relevant changes to policies, procedures and processes as well as amendments to rules and regulations.

The Board Committees are guided by the Terms of Reference, which clearly define the matters that are specifically reserved for the Board Committees.

Additionally, the Group has in place the Code of Conduct as well the Whistleblower Policy and Procedures for its directors and employees which are implemented to enable the exposure of any violations or improper conduct or wrongdoing within the Group.

The Board has approved the Anti-Corruption & Anti-Bribery Policy and No Gift Policy for the Group with the objective to manage risk in relation to fraud, bribery & corruption.

The aforesaid Board Charter, Code of Conduct and the respective policies and procedures are accessible at the Group’s website.

In addition, the Board is responsible for overseeing the implementation inclusive of its adequacy & effectiveness of Adequate Procedures as per the guideline issued by Prime Minister’s Department pursuant to Subsection (5) of Section 17A Under the Malaysian Anti-Corruption Commission Act 2009 (Amendment) 2018.

The Roles of the Chairman and the Group Managing Director /Chief Executive Officer

The position of the Chairman and the GMD/CEO are held by different individuals with clear and distinct roles which are formally documented in the Board Charter of the Group, a document which outlined the principles and guidelines that are to be applied by the Board and the Board Committees.

The Board delegates to the GMD/CEO the authority and responsibility for managing the operations and development of the Group in accordance with the objectives and strategies established by the Board.



CORPORATE GOVERNANCE OVERVIEW STATEMENT

The GMD/CEO is also responsible for stewardship of all the Group’s assets and jointly with the Chairman, representing of the Group externally.

The Roles of the Company Secretary

The Board members have full access to the Company Secretary, which have legal qualification and are qualified to act under the Companies Act 2016, that provide advisory services to the Board, particularly on governance & Board processes.

In addition, the Company Secretary is responsible for ensuring that the Board is aware and kept updated on the relevant laws, regulations, listing and policy requirements governing the Company and its business.

This is important to ensure that the said laws, regulations, listing requirements and policies are complied with.

The Company Secretary also ensures that the Board members have adequate resources to fulfil their fiduciary duties and plays a key role in managing Directors’ access to information, knowledge and training.

As and when required, the Company Secretary provides advice to the Board on its roles and responsibilities, corporate disclosures and compliance with corporate governance requirements. The Company Secretary is also the focal point for shareholders’ communication and engagement on corporate governance issues.

The Company Secretary, being an advocate of adoption of corporate governance best practices, monitors corporate governance developments and assists the Board in applying governance practices to meet the Board’s needs and stakeholders’ expectations.

2. BOARD COMPOSITION

As at 31 December 2019, the Board comprises of 8 members are as follows:



The current size and composition of the Board is considered well-balanced in addressing any business challenges, and driving the business of the Group to greater heights, which comprises individual of diverse backgrounds with expertise and skills in the oil & gas industry, engineering & technical, finance and legal.

The Board agrees on the selection criteria for the proposed new directors on the Board, taking into consideration the appropriate mix of skills, experience and strength in qualities which would be relevant for the Board to ensure it is equipped to meet the shifting competitive landscape faced by the Group, and with reference to the Group’s objectives and strategic goals.

The profiles of the Directors are set out on Page 28 to Page 43 of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Independent Directors

Currently 63% of the Board members are Independent Directors, complying with Paragraph 15.02 of the Listing Requirements of Bursa Malaysia and the MCCG

The Group measures the independence of its Directors based on the criteria stipulated in the Listing Requirements of Bursa Malaysia in which a Director should be independent and free from any business or other relationship that could interfere with the exercise of independent judgment or the ability to act in the best interest of the Group.

The Board has appointed Hasman Yusri Yusoff as the Senior Independent Non-Executive Director of the Group, to whom concerns of the other Directors, shareholders and other interested parties may be conveyed to.

The Senior Independent Director and Independent Directors play active roles in deliberation of policies and providing unbiased independent views, and sound judgement.

The Board has in place a 9-year policy for its Independent Directors, to enable the Board’s continuous refreshment, to maintain its effectiveness & independence, aligning with the MCCG 2017.

Continuous Development Program for Directors

All the Directors have attended the Mandatory Accreditation Program (“MAP”) as required under the Listing Requirements of Bursa Malaysia and other related trainings.

In line with Paragraph 15.08 of the Listing Requirements, the Directors recognize the importance and value of attending conferences, training programs and seminars in order to keep themselves abreast with the development and changes in the industries in which the Group operates, as well as to update themselves on new statutory and regulatory requirements.

The following training programmes were attended by the Directors during the financial year ended 31 December 2019:

NO	DIRECTOR	TRAINING ATTENDED
1	Dato’ Mohamed Nor bin Abu Bakar	• Beyond Paradigm Summit 2019 • Raising Defences: Section 17A, MACC • Adequate Procedures Pursuant to Subsection (5) of Section 17A under the Malaysian Anti-Corruption Commission Act 2009
2	Hasman Yusri bin Yusoff	• Beyond Paradigm Summit 2019 • Directors and Senior Management Training on Talent Management • Property Market Outlook 2019 • Adequate Procedures Pursuant to Subsection (5) of Section 17A under the Malaysian Anti-Corruption Commission Act 2009 • Corporate Liability and MRCB’s internal control • Leadership Talk by Erik Vermeulen • MIDF Green Conference 2019 • Beyond Paradigm Summit 2019 • Khazanah Megatrends Forum • KPMG Tax Summit • ACI Breakfast Roundtable • Tax and Business Summit • Value based intermediation for Islamic financial institution



CORPORATE GOVERNANCE OVERVIEW STATEMENT

NO	DIRECTOR	TRAINING ATTENDED	NO	DIRECTOR	TRAINING ATTENDED
3	Tengku Dato' Seri Hasmuddin bin Tengku Othman	<ul style="list-style-type: none"> Seminar on Preparation for Corporate Liability on Corruption Board Dynamics Beyond Paradigm Summit 2019 			Commission Act 2009
4	Sharifah Irina binti Syed Ahmad Radzi	<ul style="list-style-type: none"> Raising Defences: Section 17A, MACC Adequate Procedures Pursuant to Subsection (5) of Section 17A under the Malaysian Anti-Corruption Commission Act 2009 Beyond Paradigm Summit 2019 Understanding the Evolving Cyber Security Landscape 	8	Dato' Awang Daud bin Awang Putera	<ul style="list-style-type: none"> Beyond Paradigm Summit 2019 Adequate Procedures Pursuant to Subsection (5) of Section 17A under the Malaysian Anti-Corruption Commission Act 2009
5	Rozilawati binti Haji Basir	<ul style="list-style-type: none"> Raising Defences: Section 17A, MACC Beyond Paradigm Summit 2019 KONTEKS: Driving Malaysia Towards Digital Government Fintech Conference 2019 MACC ACT 	Re-Appointment and Re-Election Chapter 7, Part J, Para 7.26 of the Listing Requirements and Article 111 of the Group's Constitution require all Directors to retire at least once every three (3) years or at least one third (1/3) of the Directors shall retire by rotation each year and they are eligible for re-election. The re-election of Directors at regular intervals enhances Board effectiveness and also presents shareholders with the opportunity to measure the performance of the Directors.		
6	Dato' Dr Ir. Ts. Mohd Abdul Karim bin Abdullah	<ul style="list-style-type: none"> Raising Defences: Section 17A, MACC Beyond Paradigm Summit Asia Oil & Gas Conference (AOGC) 2019 Vendor Innovation Partnership Program 2019 KL Summit 2019 	The Meetings & Time Commitment All Directors of the Group have complied with the Listing Requirements of Bursa Malaysia of not holding more than five (5) directorships in listed issuers at any given time. This is to ensure the Directors do not have competing time commitments that may impair their ability to discharge their responsibilities effectively.		
7	Datuk Abdul Kadier Sahib	<ul style="list-style-type: none"> Raising Defences: Section 17A, MACC Adequate Procedures Pursuant to Subsection (5) of Section 17A under the Malaysian Anti-Corruption 	The Board meets quarterly to review the performance and strategies of the Group. Special Board meetings will be convened when warranted by situations such as to deliberate urgent corporate proposals or matters that require the expeditious direction of the Board.		

CORPORATE GOVERNANCE OVERVIEW STATEMENT

For exceptional matters requiring urgent Board decision, the Board's approvals are sought via circular resolutions, which are supported with sufficient and adequate information required to make an informed decision.

The Board is satisfied that each Director has committed sufficient time to the Group as evident from the Directors' record of attendance at Board meetings held in the Financial Year 2019, as reflected as follows:

NAME	BOD	ARC	NRC	IC
Independent Non-Executives Director				
Dato' Mohamed Nor bin Abu Bakar (Chairman)	8/8			
Tengku Dato' Seri Hasmuddin bin Tengku Othman	5/8		3/3	3/3
Sharifah Irina binti Syed Ahmad Radzi	8/8	6/6	3/3	
*Rozilawati binti Haji Basir	5/6	3/3		
Senior Independent Non-Executive Director				
Hasman Yusri bin Yusoff	8/8	6/6		
Non-Independent Non-Executive Director				
Datuk Abdul Kadier Sahib	8/8	6/6	3/3	
Dato' Awang Daud bin Awang Putera	6/8			3/3
Non-Independent Executive Director				
Dato' Dr Ir. Ts. Mohd Abdul Karim bin Abdullah	7/8			3/3
TOTAL OF MEETING	8	6	3	3

* Rozilawati binti Haji Basir was appointed 19 April 2019

The Assessment of the Board

The Board conducts an annual assessment of effectiveness of the Board, the Board Committees and the individual directors of the Group.

The Board engaged an independent external consultant to facilitate its Board Effectiveness Assessment exercise for the financial year ended 31 December 2019.

The Board Effectiveness Assessment was undertaken by way of peer-to-peer evaluations, performance reviews of its committees and self-review assessments as well as one-to-one interview sessions between the representatives of the external consultant and Directors.

The results of the Board Effective Assessment for the financial year ended 31 December 2019 were reported to the Nomination & Remuneration Committee and subsequently to the Board.

Based on the results of the assessment made, the Board was satisfied with the Board effectiveness, the performance of the Board Committees and individual Directors.

3. REMUNERATION

The Group's remuneration policy for its Directors is tailored to provide a remuneration package which serves to attract, retain and motivate directors of the calibre needed to manage the business of the Group. The Nomination & Remuneration Committee ("NRC") is responsible for reviewing and recommending to the Board, the remuneration package for the Executive Director of the Group.

The NRC composition comprises of non- executive directors which majority is independent.

For the Executive Director, corporate and individual performance are rewarded using an integrated pay benefits and bonus structure and reflects the competitive nature of the Group's operations in order to contribute to its strategy.

The NRC also considers performance on a range of other factors, including accomplishment of strategic goals as well as regional and global corporate performance.

The Executive Director who is full time employee, receive no compensation for services as Director. All Non-Executive Directors are paid fixed annual director fees as members of the Board and Board Committees.



CORPORATE GOVERNANCE OVERVIEW STATEMENT

In addition to the fixed annual Director fees, all Non-Executive Directors are being paid meeting attendance allowance for each Committee meeting attended.

The amount of remuneration for each Non-Executive Director varies with the level of responsibilities undertaken by the individual Non-Executive Director.

The fees payable to each Non-Executive Directors are determined by the Board as authorised by the shareholders.

Survey data on the remuneration practices of comparable companies are taken into consideration in determining the remuneration packages for the Executive and Non-Executive Directors.

The Board believes in a competitive and transparent remuneration framework that supports the Directors' and Senior Management's responsibilities and fiduciary duties in managing the Group to drive its long-term objectives and enhance stakeholder value.

Details of the Directors' remuneration of each Director during the Financial Year 2019 are as follows:

NAME	SALARY	FEES	OTHER EMOLUMENTS	TOTAL
EXECUTIVE DIRECTOR				
Dato' Dr. Ir. Ts. Mohd Abdul Karim bin Abdullah	RM1,284,000	-	RM763,000	RM2,047,000
NON-EXECUTIVE DIRECTOR				
Dato' Mohamed Nor bin Abu Bakar	-	RM212,250	RM48,000	RM260,250
Hasman Yusri bin Yusoff	-	RM174,560	RM59,400	RM233,960
Datuk Abdul Kadier Sahib	-	RM148,500	RM52,000	RM200,500
Tengku Dato' Seri Hasmuddin bin TengkuOthman	-	RM148,500	RM42,000	RM190,500
Sharifah Irina binti Syed Ahmad Radzi	-	RM148,500	RM57,000	RM205,500
*Dato' Awang Daud bin Awang Putera	RM722,654	RM39,000	RM419,500	RM1,181,154
Rozilawati binti Haji Basir		RM107,100	RM28,000	RM135,100
TOTAL	RM2,006,654	RM978,410	RM1,468,900	RM4,453,964

**Dato' Awang Daud bin Awang Putera was re-designated as Non-Independent Non-Executive Director on 4 October 2019.*

PRINCIPLE B: EFFECTIVE AUDIT & RISK MANAGEMENT



1. AUDIT & RISK COMMITTEE (“ARC”)

The terms of reference of the ARC are set out under the Audit Committee Report in this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

ARC comprises of three (3) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director.

ARC is chaired by a Senior Independent Non-Executive who is not the Chairman of the Board.

ARC took note of the Practice 8.2 of the MCCG and the Board has approved the adoption of the policy that requires a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the ARC.

This is to safeguard the independence of the ARC by avoiding the potential threats which may arise when a former key audit partner is able to exert significant influence over the audit and preparation of the Group's financial statement.

ARC evaluated the performance of the external auditors for the financial year ended 31 December 2019 covering areas such as calibre of external audit firm, independence and objectivity, performance of external audit firm, audit team, audit scope and planning and audit fees.

After due consideration by ARC on the suitability, objectivity, independence and performance of the external audit firm, KPMG PLT, ARC has recommended to the Board for approval, the re-appointment of KPMG PLT as external auditors for the financial year ending 31 December 2020.

ARC has also obtained written assurance from the external auditors, KPMG PLT that they are independent of the Group, and KPMG PLT has fulfilled other ethical responsibilities in accordance with the By-Laws of the Malaysian Institute of Accountants and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants.

The ARC meets at least four (4) times a year.

2. RISK MANAGEMENT & INTERNAL CONTROL

The Board acknowledges their responsibility for the Group's risk management and internal control processes, which is designed to identify and manage the risks of the businesses of the Group, in pursuing of its objectives.

The system of risk management and internal control spans over financial, operational and compliance aspects, particularly to safeguard the Group's assets and hence shareholders' investments.

In this case, the ARC is responsible to assist the Board in ensuring the adequacy and effectiveness of risk management & internal control.

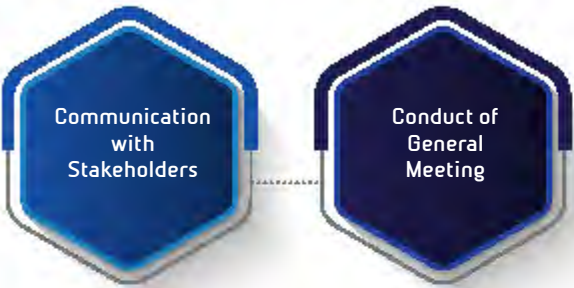
In executing this responsibility, the Board via the Audit Committee and the internal audit & risk management function, has adopted procedures to monitor the ongoing adequacy and integrity of the system of risk management and internal control.

The Board is of the view that the system of risk management & internal control in place during financial year 2019, is sound, sufficient and effective to safeguard the Group's assets, as well as shareholders' investments, and the interest of customers, regulators, employees and other stakeholders.

Information on the Group's risk management and internal control processes is presented in the Statement on Risk Management and Internal Control in this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS



1. COMMUNICATION WITH STAKEHOLDERS

The Group attaches great importance to effective communication with shareholders in order to strengthen the mutual relationship with its shareholders and investors.

In this regard, the Group continuously discloses and disseminates quality relevant and comprehensive information in a transparent and timely manner to its shareholders and the general investing public.

A range of communication channels are used to build a more constructive relationship between the Group and its stakeholders, including but not limited to announcement to Bursa Malaysia, disclosure on the Group’s website and engagement through the investors.

In addition, the Senior Management of the Group conduct regular dialogues with the institutional shareholders and analysts, and hold quarterly analysts’ briefings to further explain the Group’s quarterly financial results, in order to promote better understanding of the Group’s financial performance and operations.

2. CONDUCT OF GENERAL MEETINGS

The Group acknowledges that good corporate governance requires active participation of the shareholders in the decision-making process at the Group’s Annual General Meeting (“AGM”) and Extraordinary General Meeting (“EGM”).

The Group’s AGM & EGM is the principal forum for dialogue and communication between the shareholders and the Board.

In addition, the Group’s AGM serves as a forum for the shareholders to view the Group’s performance and highlights for the year, industry overview, business transformation updates and financial highlights.

As the Board values effective two-way communication with shareholders, the Directors and the Management Team personally engage with the shareholders and welcome their opinions and views.

At the AGM, the Chairman and the GMD/CEO would present a comprehensive and concise review of the Group’s financial performance and value created for shareholders, which is supported by visual and graphical presentation of key salient points and financial figures.

During the meeting, the shareholders participate in the deliberations of the resolutions being proposed on the Group’s operations in general.

The shareholders are encouraged to ask questions about the resolutions being proposed and the operations of the Group and communicate their expectations and concerns.

Questions posed, where possible, were answered in detail either at the AGM & EGM itself or thereafter where the shareholders will be contacted and provided with the answers.

At every AGM, a helpdesk will also be set up as a contact point for shareholders’ enquiries.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Additionally, the detailed feedback on questions raised by the Minority Shareholders Watch Group (“MSWG”), if any, prior to the AGM is shared with all shareholders during the meeting.

Immediately after the conclusion of the AGM, the Group will hold a press conference with the media. During the AGM & EGM of the Group which was held in financial year 2019, all members of the Board were present at the meetings which was in line with CG practice as per the MCCG.

The notice and agenda of the AGM & EGM together with the Proxy Form are given to shareholders at least 28 days before the AGM & EGM, which gives shareholders sufficient time to prepare themselves to attend the AGM & EGM or to appoint proxies to attend and vote on their behalf.

COMPLIANCE STATEMENT

The Board has deliberated, reviewed and approved the Corporate Governance Overview Statement in line with the principles of the MCCG 2017.

The Board is satisfied that the Group has maintained high standards of corporate governance and strived to achieve the highest level of integrity and ethical standard, in all its business dealings.

This Statement was approved by the Board on 6 May 2020.





STATEMENT OF RISK MANAGEMENT & INTERNAL CONTROL

INTRODUCTION

The Board of Directors (“Board”) is committed in maintaining a sound risk management and system of internal control, and is pleased to present the following Statement on Risk Management & Internal Control for the financial year ended 31 December 2019.

This Statement is made pursuant to Paragraph 15.26 (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and in accordance with the Principles as stipulated in the Malaysian Code on Corporate Governance 2017 and the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

This Statement outlines the nature and scope of risk management and internal control of the Group and covers all of the Group’s operations inclusive of associate companies.

1. BOARD’S RESPONSIBILITY

The Board has ultimate responsibility for the oversight of risk management and satisfying itself that the risk management framework is sufficiently robust and sound.

In addition, the Board has overall responsibility for the Group’s risk management and internal control system and for reviewing its adequacy and effectiveness.

To ensure adequacy, effectiveness and integrity of the Group’s risk management and internal control, the Board has maintained full control over governance, strategic, financial, organizational, operational, regulatory and compliance and has put in place formal lines of responsibility and delegation of authority.

The Board ensures that the risk management and internal control system manages relevant and material risks in pursuit of its strategies and business objectives.

The Group’s system of risk management and internal control is designed to manage rather than to eliminate the risk of failure in achieving corporate objectives.

The Board continually reviews the system to ensure that the risk management and internal control system provides a reasonable but not absolute assurance against material misstatements, financial losses or fraud.

Pursuant to the above, the Board has instituted and has delegated to Audit Committee & Risk Committee (“ARC”) to uphold risk management & internal control oversight within the Group.

The Board also tasks the Management to identify and assess the risks faced by the Group, and thereafter design, implement and monitor appropriate internal controls to control and mitigate those risks.

2. THE AUDIT & RISK COMMITTEE

The Terms of Reference (“TOR”) of the ARC are defined under the its Report in this Annual Report and further details are disclosed under Principle B: Effective Audit and Risk Management in this Statement of the Corporate Governance Overview Statement.

In specific, for Risk Management, the ARC provides oversight on risk management matters relating to activities of the Group, in respect to review, appraise and assess the efficacy of controls and progress of action plans taken to mitigate, monitor and manage overall risk exposure of the Group.

For Internal Control, the ARC reviews adequacy and effectiveness of internal controls in relation to the audits conducted by the Internal Audit function during the year.

In summary, internal control and risk-related matters which warranted attention of the Board were recommended by the ARC to the Board for its deliberation & approval, and matters or decisions made within the ARC’s purview were escalated to the Board for its notation.

STATEMENT OF RISK MANAGEMENT & INTERNAL CONTROL

3. KEY ELEMENTS OF RISK MANAGEMENT SYSTEM

The Group’s risk management system comprises the following elements:

1	Risk Management Function	<p>The Risk Management Function is responsible for the development and the implementation of the Risk Management which defined the key principles of risk governance, and the development of risk management practices and tools which enable the continuous identification, measurement, controlling and monitoring of all relevant and material risks of the Group including the identification of emerging risks.</p> <p>In addition, the Risk Management Function is responsible for overall coordination of risk management of the Group by cooperating closely with Risk Focal Person who undertakes monitoring and assessing risks controls in their respective Division, Department & Unit.</p> <p>The Risk Management Function reports directly to the ARC.</p>
2	Group Risk Register	<p>The Group Risk Register is a permanent agenda of ARC and the Board, for review, deliberation and approval, which consists of the following principal risks:</p> <ul style="list-style-type: none">• Strategic Risk• Compliance Risk• Operation Risk• Financial Risk
3	Insurance	<p>Sufficient insurance coverage and physical safeguards on major assets are in place to ensure the Group’s assets are adequately covered against any mishap that could result in material loss.</p>



STATEMENT OF RISK MANAGEMENT & INTERNAL CONTROL

4. KEY ELEMENTS OF INTERNAL CONTROL SYSTEM

The Group’s internal control system comprise the following elements:

NO.	ELEMENT	SEGMENT	DELIBERATION
1	Authority & Responsibility	TOR	<p>The Board has delegated certain responsibilities to Board Committees, as follows, through clearly defined and approved TOR which shall be reviewed when necessary:</p> <ol style="list-style-type: none">1. Audit & Risk Committee2. Nomination & Remuneration Committee3. Investment Committee <p>The above TOR is accessible in the website of the Group.</p> <p>In addition, the Management Executive Committee (“MANCO”) is established, in existence of TOR, to ensure that day-to-day business operations are consistent with the corporate objectives, strategies and business plans and budgets approved by the respective Boards including addressing issues emanating from both the external business environment and internal operating conditions.</p>
	Organisational Structure & Limit of Authority		<p>The Group has an organisational structure with formal lines of delegation of authority and accountability which defined clear segregation of functions, roles and responsibilities to guarantee effective control at various levels of the Group.</p> <p>The Management is responsible for the implementation of the Group’s strategies and day-to-day businesses based on the established structure.</p> <p>The organisational structure is reviewed from time to time to address changes in business environment as well as to keep abreast of current and future trending of new technologies, products and services.</p> <p>In addition, the Group also has in place the Limit of Authority, which supports good corporate governance and prudent control of risks and investment management, which the Board has specifically reserved matters such as establishment of new businesses, annual strategic plan, approval of major capital expenditure, major acquisition and disposal of businesses or equity, borrowings and any corporate restructuring, for its decision.</p>

STATEMENT OF RISK MANAGEMENT & INTERNAL CONTROL

NO.	ELEMENT	SEGMENT	DELIBERATION
		Level of Authority	The Group has instituted Level of Authority which was approved by the Board and is subject for review from time to time to reflect authority and authorization level of Management in all aspects of the Group’s major businesses, operations and functions.
		Compliance Environment	<p>Each divisions and business units within the Group have established adequate compliance environment by instituting specific & dedicated personnel to oversee compliance matters in respect to its business and operations.</p> <p>In addition, Internal audit reviews are conducted at regular intervals to monitor compliance with the laws, regulations, procedures and policies.</p> <p>Further to the above, the Group Legal & Compliance is advising the Board and Management on all legal matters.</p> <p>It also plays a pivotal role in ensuring that interests of the Group are legally preserved and safeguarded.</p> <p>The Board is regularly updated through reports as and when there are introductions of new legislations, new terms of business or changes in existing laws relevant to the Group.</p>
2	Planning, Monitoring & Reporting	Budget	The Group has performed comprehensive budgeting and forecasting exercises, which cover all divisions. These were deliberated on and approved by the Board before its implementation.
		Performance Review & Measurement	<p>The performance of the Group, inclusive of budget & forecast, were deliberated to the Board on a quarterly basis, and the Management analyses and highlights variances of the budget & the forecast in comparable to the actual performance, for notification to the Board and for further action by the Board on potential revision of the budget & the forecast.</p> <p>In addition, Key Performance Indicators which are based on the Corporate and Divisional Balanced Scorecards and Individual KPIs and Behavioural Competencies are used to track and measure employees’ performance.</p>



STATEMENT OF RISK MANAGEMENT & INTERNAL CONTROL

NO.	ELEMENT	SEGMENT	DELIBERATION
		Finance Function	The Finance Function, through Group Finance Division is required to provide assurance to ARC that appropriate accounting policies have been adopted and applied consistently, the going concern basis applied in the Annual Financial Statements and Condensed Consolidated Financial Statements of the Group is appropriate, and that prudent judgements and reasonable estimates have been made in accordance with the requirements set out in the established and adopted Financial Reporting Standards.
		Employees' Competency	<p>The Group's objectives and plans have been periodically communicated to provide effective and clear directions to all employees.</p> <p>Training and development programs are identified and scheduled for the employees to acquire necessary knowledge, skills and core competencies to enhance their professionalism.</p> <p>Segregation of duties is practised whereby conflicting tasks are assigned to different employees to reduce scope for error and fraud.</p>
3	Policies & Procedures	Standard Operation Policies & Procedures	<p>Policies and procedures are formulated in support of the Group's internal control framework to ensure compliance with internal controls and relevant laws and regulations.</p> <p>These policies and procedures are subject to periodic review and updated during the year in response to changes in the operational needs, business environment or regulatory requirements and are approved by the Boards, relevant board committees or management committee.</p> <p>In addition, the Group has obtained accreditation from local and international bodies for the relevant processes.</p>
		Employees' Code of Conduct	<p>The Employees' Code of Conduct is accessible to all employees, in which they are required to strictly adhere to, in order to ensure high level of discipline and positive attitude while executing their duties.</p> <p>It is the responsibility of all employees to maintain and practice the Code of Conduct as part of their accountability towards achieving the overall Group's objectives.</p>

STATEMENT OF RISK MANAGEMENT & INTERNAL CONTROL

NO.	ELEMENT	SEGMENT	DELIBERATION
		Whistle Blower Policy, Anti-Corruption & Anti-Bribery Policy And No-Gift Policy	<p>The Policies were approved by the Board to provide an avenue for employees or any external party to report any breach or suspected breach of any law or regulation, including business principles and the Group's policies and guidelines, in a safe and confidential manner.</p> <p>The policies are accessible in the Group's website.</p>
4	Audit	Internal Audit	<p>The responsibilities of the internal audit function is to identify any non-compliance elements of policies, procedures, regulations and standards.</p> <p>Any irregularity or significant finding by the internal audit function is reported to the ARC together with recommendations for corrective measures on timely basis.</p> <p>The Management is responsible to ensure that corrective actions are executed within determined time frame.</p>
		External Audit	<p>The External Auditors' plan which comprises planned audit services (inclusive of other assurance-related services), recurring non-audit services and non-recurring non-audit services is tabled to the ARC for deliberation and approval.</p> <p>Other than financial statutory audit, there was audit on operational & statutory compliances conducted by the government agencies, to ensure fulfilment of licenses conditions.</p>
		Certification Audit	The audit was conducted by the Certification Bodies, on a scheduled-basis, to ensure continuous certification is obtained from local and international bodies.

5. ASSURANCE FROM THE MANAGEMENT

The Board has received reasonable assurance from the Management that the Group's risk management and internal control systems are operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group.

6. REVIEW OF THIS STATEMENT

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report ("AAPG 3") issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual

STATEMENT OF RISK MANAGEMENT & INTERNAL CONTROL

report of the Group for the year ended 31 December 2019, and reported to the Board that nothing has come to their attention that causes them to believe that the statement intended to be included in the Annual Report of the Group, in all material aspects:

a. has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or
b. is factually inaccurate.

AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and Management thereon.

The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the Annual Report will, in fact, remedy the problems.

7. CONCLUSION

The Board is of the view that the system of internal control and risk management in place for the year under review, and up to the date of approval of this Statement, is sound and sufficient to safeguard the Group's assets, as well as the shareholders' investments, and the interests of customers, regulators, employees and other stakeholders.

This Statement is made by the Board of Directors on 6 May 2020.



AUDIT & RISK

COMMITTEE REPORT

INTRODUCTION

The Audit & Risk Committee ("ARC") is pleased to present its Report for the financial year ended 31 December 2019 in compliance with Paragraph 15.15 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia.

COMPOSITION

ARC comprises of four (4) members, which all of them are Non-Executive Directors and the Chairman of ARC is a Senior Independent Non-Executive Director.

The composition is in compliance with Paragraph 15.09 (1) (b) of the MMLR which majority of them being Independent Directors.

TERMS OF REFERENCE

The TOR of ARC which defines the authorities, duties and responsibilities of ARC, is continuously updated to reflect changes in laws, requirements and regulations.

The primary responsibilities of ARC are to assist the Board to fulfill its oversight responsibilities in areas such as financial reporting, internal control systems, risk management systems and the internal auditor and external audit functions.

The functions and authority of ARC extends to the Group and all its subsidiaries as well as joint venture and associate companies where management responsibility is vested on the Group.

The Terms of Reference of ARC are accessible to the public for reference, at the Group's website.

MEETINGS & ATTENDANCE

As per the TOR, ARC shall meet at least on quarterly basis with additional meetings convened as and when necessary.

During the Financial Year 2019, ARC held six (6) meetings and details of ARC members' attendance are defined in the Corporate Governance Overview Statement of this Annual Report.

The GMD/CEO, the Group Chief Financial Officer, the Group Financial Controller and the Head of Internal Audit are the permanent invitees to ARC meetings, to provide input, advice and furnish appropriate relevant information especially on audit issues and the Group's operations.

In addition, relevant Management members of the respective auditees were invited to brief ARC on specific issues arising from the audit reports or on any matters of interest.

The external auditors also attend ARC meeting to present its Audit Planning Memorandum ("APM") for the financial year as well as result of the statutory audit conducted on the Group.

The Chairman of ARC would provide input on highlighting significant points of decisions and recommendations made by ARC to the Board for consideration and approval at the Board meetings.

During the financial year, ARC had two (2) meetings with the external auditors twice without presence of the GMD/CEO and the Management.

Minutes of each ARC meeting were recorded and tabled for confirmation at the next ARC meeting and subsequently presented to the Board for notation.

The agenda and a set of meeting papers encompassing qualitative and quantitative information relevant to the business of the meeting are distributed to ARC members five (5) business days prior to the meeting dates.

AUDIT & RISK COMMITTEE REPORT

SUMMARY OF ACTIVITIES

ARC executed the following activities during the financial year ended 31 December 2019:

1. FINANCIAL REPORTING

ARC reviewed the unaudited quarterly financial results as well as the annual audited financial statement of the Group, and recommended the same to the Board for approval.

The reviews were focused particularly on significant changes to accounting policies and practices, adjustments arising from the audits, compliance with the relevant accounting standards and other legal requirements to ensure that the financial statements presented a true and fair view of the Group's financial performance.

2. EXTERNAL AUDIT

- Reviewed the external auditors' report which summarised key findings arising from the audit of the financial statements for the year ended 31 December 2019 and reviewed the Directors' Statement on Risk Management and Internal Control;
- Reviewed with the external auditors' APM for the financial year ended 31 December 2019 which outlines audit materiality, audit scope, methodology and timing of audit, key milestones, involvement of IT specialists, audit focus areas, adoption and transition of accounting standards and proposed fees for the audit services rendered by the external auditors for the financial year;
- Reviewed the written assurance provided by the external auditors in respect of their independence; and
- Met with the external auditors twice without the presence of the GMD/CEO and the Management during the year under review.

3. INTERNAL AUDIT

- Approved the internal audit ("IA") framework and the annual audit plan to ensure adequate scope, resources and comprehensive coverage over the activities of the Group and ensured that all high-risk areas are audited at least annually;
- Reviewed and monitored the IA's performance, progress of achievement of approved annual audit plan and adequacy of audit coverage on a quarterly basis.
- Reviewed and approved the action plans to address the competency gaps and audit methodology of the IA Function.
- Monitored the progress of the corrective actions taken by Management to ensure appropriate remedial actions were taken on a timely basis to address all key areas of risk and control issues.

4. RISK MANAGEMENT

ARC reviewed the Group Risk Register on a quarterly basis and also deliberated on the risk exposures and the proposed mitigation plans, and reported to the Board.

5. RELATED PARTY TRANSACTION & RECURRENT RELATED PARTY TRANSACTION ("RPT & RRPT")

- Reviewed and discussed reports on RPT & RRPT and possible conflict of interest transactions to ensure that all RPT and RRPT were undertaken on arm's length basis and on normal commercial terms, consistent with the Group's usual business practices and policies, which are not more favourable than those generally available to the public and other suppliers and are not detrimental to the minority shareholders.
- Monitored the threshold of the RPT and RRPT to ensure compliance with the MMLR.

AUDIT & RISK COMMITTEE REPORT

- Reviewed and recommended to the Board for approval, the Circular to Shareholders in relation to the proposed renewal of shareholders' mandate for the Group and its subsidiaries to enter into RRPT of the revenue or trading nature with related parties.

6. ANNUAL REPORTING

The ARC has reviewed and endorsed the Corporate Governance Overview Statement, ARC Report and Statement on Risk Management and Internal Control for the Board's approval and inclusion in the Annual Report 2019.

7. ANTI-CORRUPTION COMPLIANCE PROGRAM

ARC is responsible for overseeing the implementation and assess the effectiveness of procedures and policies in place are adequate as guided by the Guidelines on Adequate Procedures issued pursuant to Section 17A(5) of the Malaysian Anti-Corruption Commission Act (Amendment) 2018.

8. SOLVENCY ASSESSMENT

ARC reviewed the solvency test undertaken by the Management which indicated that the Group is able to satisfy its debts within 12 months from the date of disbursement of dividend to ensure that the Group is solvent pursuant to Section 132(3) of the Companies Act 2016.

INTERNAL AUDIT FUNCTION

ARC is supported by the Internal Audit Function in discharging its function and responsibilities.

In Financial Year 2019, the Group has engaged Salihin Consulting Group Sdn. Bhd., as Internal Auditor to undertake a Risk Based Internal Audit Consultancy.

Internal Audit Function has a role to check for compliance with statutory/regulatory requirements, internal policies and procedures and reviews the internal control and governance procedures for adequacy and effectiveness.

The general scope and responsibilities of the Internal Audit Function include but not limited to, conducting reviews, examination and evaluation of the adequacy, effectiveness & efficiency of the Group's risk management processes, internal control system and corporate governance practices. Total cost incurred by the Internal Audit Function in discharging its functions and responsibilities for financial year 2019 amounted to RM265,699.00.





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FINANCIAL

STATEMENT



FINANCIAL STATEMENT

DIRECTORS' RESPONSIBILITY STATEMENT FOR THE AUDITED FINANCIAL STATEMENTS

The Directors are required by the Companies Act 2016 ("CA") to prepare the financial statements for each financial year which have been made out in accordance with the applicable Malaysian Financial Reporting Standards ("MFRSs"), the International Financial Reporting Standards ("IFRSs") and the requirements of the CA in Malaysia.

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

In preparing the financial statements, the Directors have:

- adopted appropriate accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent; and
- prepared the financial statements on a going concern basis.

The Directors are responsible to ensure that the Group and the Company keep accounting records which disclose the financial position of the Group and of the Company with reasonable accuracy, enabling them to ensure that the financial statements comply with the CA.

The Directors are responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and of the Company, and to detect and prevent fraud and other irregularities.

FINANCIAL STATEMENT

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding and provision of management services. There has been no significant change in the nature of these activities during the year.

SUBSIDIARIES

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

RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Owners of the Company	496,640	140,224
Non-controlling interests	1,343	-
	497,983	140,224
	=====	=====

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the year under review, except for those disclosed in the financial statements.

DIVIDENDS

Since the end of the previous financial year, the amount of dividends paid by the Company as reported in the Directors' Report in respect of the financial year ended 31 December 2019:

- (i) A fourth interim of 2.30 sen per ordinary share totalling RM33,775,500 in respect of financial year ended 31 December 2018 paid on 28 March 2019;
- (ii) A first interim of 2.30 sen per ordinary share totalling RM33,775,500 declared on 29 May 2019 and paid on 28 June 2019;
- (iii) A second interim of 2.70 sen per ordinary share totalling RM39,649,500 declared on 22 August 2019 and paid on 30 September 2019;
- (iv) A third interim of 1.11 sen per ordinary share totalling RM34,230,735 declared on 25 November 2019 and paid on 30 December 2019.

On 26 February 2020, the Board of Directors declared a fourth interim dividend of 1.40 sen per ordinary share totalling RM43,047,646 in respect of the financial year ended 31 December 2019. The dividend will be recognised in subsequent financial year.

The Directors do not recommend any final dividend to be paid for the year under review.



FINANCIAL STATEMENT

DIRECTORS OF THE COMPANY

Directors who served during the financial year until the date of this report were:

Dato' Mohamed Nor Bin Abu Bakar
 Dato' Dr. Ir. Ts. Mohd Abdul Karim Bin Abdullah
 Datuk Abdul Kadier Sahib
 Dato' Awang Daud Bin Awang Putera
 Tengku Dato' Seri Hasmuddin Bin Tengku Othman
 Sharifah Irina Binti Syed Ahmad Radzi
 Hasman Yusri Bin Yusoff
 Rozilawati Binti Haji Basir (appointed on 19 April 2019)

The names of the Directors of subsidiaries are set out in the respective subsidiaries' financial statements and the information is deemed incorporated herein by such reference and made a part thereof.

DIRECTORS' INTERESTS IN SHARES

The interests of the Directors in the shares of the Company and of its related corporations (other than wholly-owned subsidiaries) as recorded in the Register of Directors' Shareholdings are as follows:

	At 1.1.2019	Share split & bonus issue	Number of ordinary shares Bought	Sold	At 31.12.2019
Direct interests in the Company:					
Dato' Dr. Ir. Ts. Mohd Abdul Karim Bin Abdullah	348,214,700	312,719,470	4,129,700	(3,058,000)	662,005,870
Dato' Awang Daud Bin Awang Putera	157,012,200	153,452,420	-	(17,510,000)	292,954,620
Datuk Abdul Kadier Sahib	278,214,900	309,886,390	3,500,000	-	591,601,290
Dato' Mohamed Nor bin Abu Bakar	-	-	200,000	-	200,000
Rozilawati Binti Haji Basir	1,100,000	1,210,000	-	-	2,310,000
Shareholdings in which Dato' Dr. Ir. Ts. Mohd Abdul Karim Bin Abdullah has deemed interests					
SD Controls Sdn. Bhd.	40,000	-	560,000	-	600,000
SD Advance Engineering Sdn. Bhd.	25,500	-	484,500	-	510,000
Serba Dinamik (B) Sdn. Bhd.	75,000	-	-	-	75,000
Materials Technology Education Sdn. Bhd.	-	-	175,000	-	175,000

FINANCIAL STATEMENT

DIRECTORS' INTERESTS IN SHARES (CONTINUED)

	At 1.1.2019	Share split & bonus issue	Number of ordinary shares Bought	Sold	At 31.12.2019
PT Serba Dinamik Indonesia	1,200,000	-	1,425,000	-	2,625,000
Serba Dinamik International Petroleum Services	792	-	-	-	792
PT Kubic Gasco	12,240	-	-	-	12,240
Get Development Sdn. Bhd.	-	-	6,500	-	6,500

	At 1.1.2019	Free warrants	Number of warrant Bought	Sold	At 31.12.2019
Direct interests in the Company:					
Dato' Dr. Ir. Ts. Mohd Abdul Karim Bin Abdullah	-	189,144,534	-	-	189,144,534
Dato' Awang Daud Bin Awang Putera	-	83,701,320	-	(7,000,000)	76,701,320
Datuk Abdul Kadier Sahib	-	169,028,940	-	-	169,028,940
Rozilawati Binti Haji Basir	-	660,000	-	-	660,000

Dato' Dr. Ir. Ts. Mohd Abdul Karim Bin Abdullah, by virtue of his interests in the ordinary shares of the Company, is also deemed interested in the shares of the subsidiaries during the financial year to the extent that the Company has an interest.

The other Directors holding office at 31 December 2019 do not have any interest in the shares of the Company and of its related corporations during and at the end of the financial year.

DIRECTORS' BENEFITS

Since the end of previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements or the fixed salary of a full time employee of the Company and of its related corporations) 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, other than certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 31 to the financial statements.

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



FINANCIAL STATEMENT

ISSUE OF SHARES AND DEBENTURES

The number of ordinary shares of the Company has increased from 1,468,500,000 to 3,083,849,878 following the listing of the subdivided shares and bonus shares, as detailed below on the Main Market of Bursa Securities on 4 December 2019:

- (i) number of subdivided shares of 734,249,957 pursuant to share split involving a subdivision of every two existing ordinary shares into three shares; and
- (ii) number of bonus shares of 881,099,921 pursuant to bonus issue on the basis of two bonus shares for every five subdivided shares;

On 23 April 2020, the Company announced that approval has been obtained from shareholders of the Company for the private placement exercise of up to 10% of the total number of issued shares of the Company pursuant to Sections 75 and 76 of the Companies Act 2016. On 5 May 2020, the Company has completed the private placement exercise, in which the Company has issued 306,507,000 new shares with an issue price of RM1.49 per placement share.

Save as above, there was no other change in the issued and paid-up capital of the Company, nor issuances of debentures by the Company, during the financial year.

ISSUE OF WARRANTS

The issuance of 881,099,921 free warrants on the basis of two warrants for every five subdivided shares has been completed on 13 December 2019 following the listing and quotation of the warrants on the Main Market of Bursa Securities. The warrants are constituted by the Deed Poll dated 19 November 2019.

The main features of the warrants are as follows:

- a) The warrants may exercise at any time until the end of the tenure of the warrants of five (5) years. Any warrants not exercised during the exercise period will thereafter lapse and cease to be valid for any purpose.
- b) Each warrant entitles the holder of the warrants at any time during the exercise period to subscribe for one (1) new ordinary share in the Company at the exercise price subject to the adjustments in accordance with the Deed Poll constituting the warrants.
- c) The warrants do not entitle the holder of the warrants to any voting rights or to participate in any distribution or offer of securities in the Company until and unless the holder of the warrants exercise their warrants into the Company's new shares.
- d) The Deed Poll and accordingly the warrants are governed by and shall be construed in accordance with the laws of Malaysia.

No warrants were exercised during the financial year. As at year end, 881,099,921 warrants remained unexercised.

OPTIONS GRANTED OVER UNISSUED SHARES

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

FINANCIAL STATEMENT

INDEMNITY AND INSURANCE COSTS FOR DIRECTORS, OFFICERS AND AUDITORS

a. DIRECTORS AND OFFICERS

The Directors and officers of the Group and of the Company are covered by Directors' and Officers' Liability Insurance ("DOL Insurance") for the purpose of Section 289 of the Companies Act 2016. The total insured limit for the DOL Insurance effected for the Directors and officers of the Group was RM160,000,000.

The insurance premium for the DOL Insurance paid during the financial year amounted to RM201,410.

b. AUDITORS

Any indemnity given to or insurance effected for the auditors of the Company is to be made to the extent as permitted under Section 289 of the Companies Act 2016. There is no amount of such indemnity given or insurance effected for its auditors during the year.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- (i) there are no bad debts to be written off and no provision need be made for doubtful debts, and
- (ii) all current assets have been stated at the lower of cost and net realisable value.

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

- (i) that would render it necessary to write off any bad debts or provide for any doubtful debts, or
- (ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- (iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

- (i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- (ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.



FINANCIAL STATEMENT

OTHER STATUTORY INFORMATION (CONTINUED)

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

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2019 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Event after the reporting period

Event after the reporting period is disclosed in Note 35 to the financial statements.

FINANCIAL STATEMENT

AUDITORS

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 22 to the financial statements.

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


Dato' Dr. Ir. Ts. Mohd Abdul Karim Bin Abdullah
Director


Dato' Awang Daud Bin Awang Putera
Director

Shah Alam,

Date: 6 May 2020

FINANCIAL STATEMENT

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

Note	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Assets				
Property, plant and equipment	3	1,688,617	1,273,090	-
Right-of-use assets	4	248,120	-	-
Investment in subsidiaries	5	-	531,800	531,800
Investment in associates	6	382,365	305,911	-
Other investments	7	14,516	503	-
Intangible assets	8	118,994	6,404	-
Deferred tax assets	9	255	501	-
Total non-currents assets		2,452,867	1,586,409	531,800
Inventories	10	919,561	848,250	-
Contract assets	11	321,558	61,177	-
Trade and other receivables	12	1,256,132	957,277	1,365,410
Deposits and prepayments	13	108,916	67,265	-
Current tax assets		1,214	3,634	-
Other investments	7	51,172	69,952	-
Cash and cash equivalents	14	1,306,590	760,791	302,528
		3,965,143	2,768,346	1,667,938
Asset classified as held for sale	15	-	16,000	-
Total current assets		3,965,143	2,784,346	1,667,938
Total assets		6,418,010	4,370,755	2,199,738

FINANCIAL STATEMENT

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019 (CONTINUED)

Note	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Equity				
Share capital	16.1	1,344,347	1,344,347	1,344,347
Merger reserve	16.2	(434,709)	(434,709)	-
Other reserves	16.3	57,769	68,428	-
Retained earnings		1,465,318	1,110,109	4,039
Total equity attributable to owners of the company		2,432,725	2,088,175	1,348,386
Non-controlling interests	5	7,160	4,090	-
Total equity		2,439,885	2,092,265	1,348,386
Liabilities				
Trade and other payables	20	57,748	55,183	-
Lease liabilities	17	24,421	-	-
Deferred tax liabilities	9	30,906	30,707	-
Loans and borrowings	18	2,938,624	1,107,505	788,990
Employment benefits	19	691	643	-
Total non-current liabilities		3,052,390	1,194,038	788,990
Trade and other payables	20	402,657	426,509	49,996
Lease liabilities	17	58,450	-	-
Contract liabilities	11	35,736	18,559	-
Loans and borrowings	18	400,903	603,951	10,000
Current tax payable		27,989	35,433	2,366
Total current liabilities		925,735	1,084,452	62,362
Total liabilities		3,978,125	2,278,490	851,352
Total equity and liabilities		6,418,010	4,370,755	2,199,738

The notes on pages 223 to 318 are an integral part of these financial statements.

FINANCIAL STATEMENT

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Group	Company		
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue	21	4,528,621	3,283,174	260,926	132,131
Cost of contracts with customers	21	(3,717,787)	(2,700,850)	-	-
Gross profit		810,834	582,324	260,926	132,131
Other operating income		8,382	7,866	-	-
Administrative expenses		(117,372)	(103,724)	(9,995)	(12,932)
Other operating expenses		(10,801)	(13,134)	(726)	(470)
Results from operating activities	22	691,043	473,332	250,205	118,729
Finance costs	23	(202,773)	(62,122)	(107,302)	(10,270)
Finance income	23	21,522	12,535	4,175	5,466
Net finance costs		(181,251)	(49,587)	(103,127)	(4,804)
Share of results of equity accounted associates	6	35,036	13,880	-	-
Profit before tax		544,828	437,625	147,078	113,925
Tax expense	24	(46,845)	(44,783)	(6,854)	(2,687)
Profit for the year		497,983	392,842	140,224	111,238
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		(8,660)	258	-	-
Share of other comprehensive income of equity accounted associates	6	(1,918)	3,447	-	-
Total comprehensive income for the year		487,405	396,547	140,224	111,238

FINANCIAL STATEMENT

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

Note	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit for the financial year attributable to:				
➤ Owners of the Company	496,640	391,477	140,224	111,238
➤ Non-controlling interests	1,343	1,365	-	-
Profit for the year	497,983	392,842	140,224	111,238
Total comprehensive income attributable to:				
➤ Owners of the Company	485,984	395,371	140,224	111,238
➤ Non-controlling interests	1,421	1,176	-	-
Total comprehensive income for the year	487,405	396,547	140,224	111,238
Basic and diluted earnings per ordinary shares (sen)	26	16.10	12.79	

The notes on pages 223 to 318 are an integral part of these financial statements.

FINANCIAL STATEMENT

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

----- Attributable to owners of the Company -----
----- Non-distributable ----- Distributable

	Note	Share capital RM'000	Merger reserve RM'000	Foreign currency translation reserve RM'000	Other reserves RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Group									
At 1 January 2018		928,194	(434,709)	19,265	45,269	825,833	1,383,852	3,877	1,387,729
Issue of ordinary shares	16.1	427,200	-	-	-	-	427,200	-	427,200
Share issue expenses		(11,047)	-	-	-	-	(11,047)	-	(11,047)
Foreign currency translations differences for foreign operations		-	-	447	-	-	447	(189)	258
Share of other comprehensive income of an associate		-	-	3,447	-	-	3,447	-	3,447
Profit for the year		-	-	-	-	391,477	391,477	1,365	392,842
Total comprehensive income for the year		-	-	3,894	-	391,477	395,371	1,176	396,547
Dividend paid to owners of the Company	27	-	-	-	-	(107,201)	(107,201)	-	(107,201)
Disposal of a subsidiary		-	-	-	-	-	-	(963)	(963)
At 31 December 2018/1 January 2019		1,344,347	(434,709)	23,159	45,269	1,110,109	2,088,175	4,090	2,092,265
Foreign currency translations differences for foreign operations		-	-	(8,738)	-	-	(8,738)	78	(8,660)
Share of other comprehensive income of an associate		-	-	(1,918)	-	-	(1,918)	-	(1,918)
Profit for the year		-	-	-	-	496,640	496,640	1,343	497,983
Total comprehensive income for the year		-	-	(10,656)	-	496,640	485,984	1,421	487,405
Dividend paid to owners of the Company		-	-	-	-	(141,431)	(141,431)	-	(141,431)
Non-controlling interest of a new subsidiary acquired	27	-	-	-	-	-	-	226	226
Issuance of share by subsidiaries		-	-	-	-	-	-	1,420	1,420
Transfer to other reserve		-	-	-	(3)	-	(3)	3	-
At 31 December 2019		1,344,347	(434,709)	12,503	45,266	1,465,318	2,432,725	7,160	2,439,885

FINANCIAL STATEMENT

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

Company	Note	Non-distributable Share capital RM'000	Distributable Retained earnings RM'000	Total RM'000
At 1 January 2018		928,194	2	928,196
Profit and total comprehensive income for the year		-	111,238	111,238
Dividend paid to owners of the Company	27	-	(107,201)	(107,201)
Issue of ordinary shares	16.1	427,200	-	427,200
Share issue expenses	16.1	(11,047)	-	(11,047)
		416,153	-	416,153
At 31 December 2018/1 January 2019		1,344,347	4,039	1,348,386
Profit and total comprehensive income for the year		-	140,224	140,224
Dividend paid to owners of the Company	27	-	(141,431)	(141,431)
At 31 December 2019		1,344,347	2,832	1,347,179
		(Note 16.1)		

The notes on pages 223 to 318 are an integral part of these financial statements.

FINANCIAL STATEMENT

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash flows from operating activities				
Profit before tax	544,828	437,625	147,078	113,925
Adjustments for:				
Depreciation of property, plant and equipment (Note 3)	137,658	89,781	-	-
Depreciation of right-of-use assets (Note 4)	5,605	-	-	-
Amortisation of intangible assets (Note 8)	1,142	2,009	-	-
Loss on disposal of property, plant and equipment	90	18	-	-
Finance income (Note 23)	(21,522)	(12,535)	(4,175)	(5,466)
Finance costs (Note 23)	202,773	62,122	107,302	10,270
Employment benefits (Note 19)	48	51	-	-
Net unrealised foreign exchange (gain)/loss	(606)	425	-	(6)
Share of profit in equity-accounted associates, net of tax	(35,036)	(13,880)	-	-
Share of other comprehensive income in equity-accounted associates, net of tax	1,918	(3,447)	-	-
Gain on disposal of subsidiaries	-	(817)	-	-
Loss on disposal of trade receivables	8,040	2,781	-	-
Operating profit before changes in working capital	844,938	564,133	250,205	118,723
Changes in working capital:				
Inventories	(75,875)	(262,952)	-	-
Trade and other receivables	(290,231)	(94,137)	-	-
Trade and other payables	39,594	(99,468)	(7,084)	2,771
Contract assets	(262,183)	(19,692)	-	-
Contract liabilities	17,176	18,559	-	-
Cash generated from operations	273,419	106,443	243,121	121,494
Interest or profit paid	(963)	(1,032)	(5,317)	-
Tax paid	(51,465)	(22,168)	(4,836)	(461)
Net cash from operating activities	220,991	83,243	232,968	121,033

FINANCIAL STATEMENT

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash flows from investing activities				
Acquisition of property, plant and equipment [Note (i)]	(790,263)	(551,917)	-	-
Acquisition of shares in associates	(45,340)	(267,306)	-	-
Acquisition of subsidiaries, net of cash and cash equivalent [Note 32(b)]	(52,454)	(3,961)	-	-
Proceeds from issuance of new shares to non-controlling interests	1,646	-	-	-
Interest or profit received	18,575	12,535	4,175	5,466
Decrease in fixed deposits pledged to banks	78,733	16,370	-	-
Decrease in other investments	(26,454)	(74,888)	-	-
Dividends received from a quoted associate	10,626	10,539	-	-
Advance to an associate	(25,591)	-	-	-
Advance to subsidiaries	-	-	(275,838)	(935,723)
Net cash used in investing activities	(830,522)	(858,628)	(271,663)	(930,257)
Cash flows from financing activities				
Interest or profit paid	(141,852)	(50,821)	(51,753)	-
Premium paid for Sukuk redemption	(52,320)	-	(52,320)	-
Net proceeds from issuance of ordinary shares	-	416,153	-	416,153
Proceeds from term loans	934,870	297,167	868,825	-
Repayment of term loans	(215,563)	(4,440)	-	-
Payment of finance lease liabilities	-	(8,818)	-	-
Payment of lease liabilities	(81,348)	-	-	-
Net repayment from loans and borrowings	(281,887)	(98,297)	-	-
Proceeds from Sukuk (Islamic)	2,031,589	798,990	-	798,990
Repayment of Sukuk (Islamic)	(798,990)	-	(798,990)	-
Dividends paid to owners of the Company (Note 27)	(141,431)	(107,201)	(141,431)	(107,201)
Net cash from/ (used in) financing activities	1,253,068	1,242,733	(175,669)	1,107,942

FINANCIAL STATEMENT

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Net increase/(decrease) in cash and cash equivalents	643,537	467,348	(214,364)	298,718
Cash and cash equivalents at beginning of year	631,515	158,469	302,528	3,810
Effect of exchange rate fluctuation on cash held	(10,365)	5,698	-	-
Cash and cash equivalents at end of year [Note (ii)]	1,264,687	631,515	88,164	302,528
	=====	=====	=====	=====

Notes:

(i) Acquisition of property, plant and equipment

During the year, the Group acquired property, plant and equipment as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Paid in cash	790,263	551,917	-	-
In the form of finance lease (Note 18.5)	-	3,405	-	-
In the form of payables (Note 20.5)	-	140,573	-	-
Total (see Note 3)	790,263	695,895	-	-
	=====	=====	=====	=====

FINANCIAL STATEMENT

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

Notes (continued):

(ii) Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following amounts in the statements of financial position:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Fixed deposits placed with licensed banks	222,514	232,632	68,864	100,341
Cash and bank balances	1,084,076	528,159	19,300	202,187
Total (see Note 14)	1,306,590	760,791	88,164	302,528
Less: Bank overdrafts (Note 18)	(5,997)	(14,638)	-	-
Less: Fixed deposits pledged (Note 14)	(35,906)	(114,638)	-	-
	1,264,687	631,515	88,164	302,528
	=====	=====	=====	=====

(iii) Cash outflow for leases as a lessee

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Included in net cash from operating activities:				
Payment relating to short-term leases	19,858	-	-	-
Payment relating to leases of low value assets	55	-	-	-
Interest or profit paid in relation to lease liabilities	1,047	-	-	-
Included in net cash from financing activities:				
Payment of lease liabilities	81,348	-	-	-
Total cash outflows for leases	102,308	-	-	-
	=====	=====	=====	=====

FINANCIAL STATEMENTS

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

Notes (continued):
(iv) Reconciliation of movement of liabilities to cash flows arising from financing activities

	At 31.12.2018 RM'000	Adjustment on initial application of MFRS 16			At 1.1.2019 RM'000	Net change from financing cash flows RM'000	Acquisition of new leases RM'000	Effect of movement in exchange rates RM'000	At 31.12.2019 RM'000
		Contractual payment for land use rights RM'000	Finance lease liabilities RM'000	Other lease liabilities RM'000					
Group									
Term loans (Islamic)	314,651	-	-	-	314,651	720,089	-	88	1,034,828
Term loans	1,523	-	-	-	1,523	(782)	-	-	741
Finance lease liabilities	11,288	-	(11,288)	-	-	-	-	-	-
Lease liabilities	-	140,572	11,288	4,262	156,122	(81,348)	8,097	-	82,871
Revolving credits (Islamic)	568,512	-	-	-	568,512	(292,978)	-	(985)	274,549
Revolving credits	1,585	-	-	-	1,585	11,077	-	-	12,662
Bankers' acceptances	269	-	-	-	269	14	-	-	283
Sukuk (Islamic)	798,990	-	-	-	798,990	1,232,599	-	(21,122)	2,010,467
Total liabilities from financing activities	1,696,818	140,572	-	4,262	1,841,652	1,588,671	8,097	(22,019)	3,416,401
	=====	=====	=====	=====	=====	=====	=====	=====	=====
Group									
Term loans (Islamic)	17,113	-	293,676	-	-	3,862	-	-	314,651
Term loans	2,441	(918)	(8,171)	-	-	-	-	-	1,523
Finance lease liabilities	16,600	-	-	3,405	-	-	-	-	11,288
Lease liabilities	-	-	-	-	-	-	-	-	-
Revolving credits (Islamic)	592,440	(34,035)	-	-	-	10,107	-	-	568,512
Revolving credits	65,847	(64,262)	-	-	-	-	-	-	1,585
Bankers' acceptances	300	(31)	-	-	-	-	-	-	269
Sukuk (Islamic)	-	798,990	-	-	-	-	-	-	798,990
Total liabilities from financing activities	694,741	984,703	-	3,405	-	13,969	-	-	1,696,818
	=====	=====	=====	=====	=====	=====	=====	=====	=====
Company									
Term loans (Islamic)	-	-	-	-	-	868,825	-	-	868,825
Sukuk	-	-	798,990	798,990	-	(798,990)	-	-	-
Total liabilities from financing activities	-	-	798,990	798,990	-	69,835	-	-	868,825
	=====	=====	=====	=====	=====	=====	=====	=====	=====

The notes on pages 223 to 318 are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENT

NOTES TO THE FINANCIAL STATEMENTS

Serba Dinamik Holdings Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The address of its registered office is Level 15, Menara Serba Dinamik, Presint 3.4, Persiaran Perbandaran, Seksyen 14, 40000 Shah Alam, Selangor, Malaysia.

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2019 comprise the financial statements of the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interest in associates. The financial statements of the Company as at and for the year ended 31 December 2019 do not include other entities.

The Company is principally engaged in investment holding and provision of management services while the principal activities of the subsidiaries are stated in Note 5 to the financial statements.

The financial statements were authorised for issue by the Board of Directors on 6 May 2020.

1. 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 ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

The following are accounting standards, interpretations and amendments of MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

MFRS / Amendment / Interpretation	Effective date
Amendments to MFRS 3, <i>Business Combinations</i>	
➤ <i>Definition of a Business</i>	1 January 2020
Amendments to MFRS 101, <i>Presentation of Financial Statements</i> and MFRS 108, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	
➤ <i>Definition of Material</i>	1 January 2020
Amendments to MFRS 139 <i>Financial Instruments: Recognition and Measurement</i> and MFRS 7 <i>Financial Instruments: Disclosure - Interest Rate Benchmark Reform</i>	1 January 2020
MFRS 17, <i>Insurance Contracts</i>	1 January 2021
Amendments to MFRS 101, <i>Presentation of Financial Statements - Classification of Liabilities as Current or Non-current</i>	1 January 2022
Amendments to MFRS 10, <i>Consolidated Financial Statements</i> and MFRS 128, <i>Investments in Associates and Joint Ventures</i>	
➤ <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Yet to be determined



NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

The Group and the Company plan to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 January 2020 for these amendments that are effective for annual periods beginning on or after 1 January 2020.
- from the annual period beginning on 1 January 2022 for the amendment that is effective for annual periods beginning on 1 January 2022.

The Group and the Company do not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on 1 January 2021 as it is not applicable to the Group and the Company.

The initial application of the accounting standards, interpretations or amendments are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and of the Company.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis, other than as disclosed in Note 2.

(c) Functional and presentation currency

The individual financial statements of each entity in the Group are presented in the functional currency of the primary economic environment in which the entity operates, which is the functional currency. These financial statements are presented in Ringgit Malaysia (“RM”), which is the Company’s functional currency and presentation currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

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

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

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by the Group entities, unless otherwise stated.

Arising from the adoption of MFRS 16, *Leases*, there are changes to the accounting policies applied to lease contracts entered into by the Group entities as compared to those applied in previous financial statements. The impact arising from the changes are disclosed in Note 36.

Effective 1 January 2019, the Group has also applied the amendments in relation to Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015 – 2017 Cycle)*, which clarifies that when a qualifying asset is ready for its intended use or sale, an entity treats any outstanding borrowing made specifically to obtain that qualifying asset as part of general borrowings.

Changes in the accounting policies and the impact arising from the changes are disclosed in Note 36.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee’s return.

Investments in subsidiaries are measured in the Company’s statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.



NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(ii) Business combinations (continued)

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree’s identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group’s share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder’s consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any resulting gain or loss is recognised directly in equity.

(v) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as a financial asset depending on the level of influence retained.

(vi) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The cost of the investment includes transaction costs. The consolidated financial statements include the Group’s share of the profit or loss and other comprehensive income of the associates, after adjustments, if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(vi) Associates (continued)

When the Group’s share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the Group’s interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investments in associates are measured in the Company’s statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of the investment includes transaction costs.

(vii) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(viii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates are eliminated against the investment to the extent of the Group’s interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.



NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency

(i) Foreign currency transactions

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

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

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

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

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

(ii) Operations denominated in functional currencies other than Ringgit Malaysia ("RM")

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

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments

(i) Recognition and initial measurement

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

A financial asset (unless it is a trade receivables without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

Financial assets

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

(a) Amortised cost

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

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see note 2(l)(i)) where the effective interest rate is applied to the amortised cost.



NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- (c) Financial instruments (continued)
- (ii) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

(b) Fair value through other comprehensive income

(i) Debt instruments

Fair value through other comprehensive income category comprises debt investment where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the debt investment, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The debt investment is not designated as at fair value through profit or loss. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets [see Note 2(l)(i)] where the effective interest rate is applied to the amortised cost.

(ii) Equity investments

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

(c) Fair value through profit or loss

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- (c) Financial instruments (continued)
- (ii) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

(c) Fair value through profit or loss (continued)

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through other comprehensive income, are subject to impairment assessment [see note 2(l)(i)].

Financial liabilities

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

(a) Fair value through profit or loss

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

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

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

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



NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial liabilities (continued)

(a) Fair value through profit or loss (continued)

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

(b) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

(iii) Regular way purchase or sale of financial assets

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

Trade date accounting refers to:

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

Settlement date accounting refers to:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(iv) Financial guarantee contracts

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

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



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

Liabilities arising from financial guarantees are presented together with other provisions.

(v) Derecognition

A financial asset or a part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based modified term is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(vi) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

(d) Property, plant and equipment

(i) Recognition and measurement

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



NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

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

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

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

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within “other operating income” and “administrative expenses” respectively in profit or loss.

(ii) Subsequent costs

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

(iii) Depreciation

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

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Freehold land is not depreciated. Assets under construction are not depreciated until the assets are ready for their intended use.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (continued)

(iii) Depreciation (continued)

The estimated useful lives for the current and comparative are as follows:

Buildings	50 years
Plant and machinery	10 - 14 years
Motor vehicles	5 - 10 years
Furniture, fittings and office equipment	3 - 10 years
Tools and equipment	5 - 10 years
Office renovation	10 years

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

(e) Leases

The Group has applied MFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised as an adjustment to retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated - i.e. it is presented, as previously reported under MFRS 117, *Leases* and related interpretations.

Current financial year

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- > the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- > the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- > the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.



NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leases (continued)

Current financial year (continued)

(ii) Recognition and initial measurement

(a) As a lessee

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities’ incremental borrowing rate. Generally, the Group entities use their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(b) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leases (continued)

Current financial year (continued)

(ii) Recognition and initial measurement

(b) As a lessor (continued)

If an arrangement contains lease and non-lease components, the Group applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

(iii) Subsequent measurement

(a) As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. Right-of-use assets are depreciated on a straight- line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Rented buildings	3 - 5 years
Tools and equipment	5-10 years
Motor vehicles	5-10 years
Plant and machinery	10-14 years
Land use rights	99 years

Leasehold land of the Group is amortised over the period of the respective leases which range from 55 to 60 years.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group’s estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) As a lessor

The Group recognises lease payments received under operating leases as income on a straightline basis over the lease term as part of “other operating income”.



NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leases (continued)

Previous financial year

As a lessee

(i) Finance lease

Leases in terms of which the Group or the Company assumed substantially all the risks and rewards of ownership were classified as finance leases. Upon initial recognition, the leased asset was 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 was accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases were apportioned between the finance expense and the reduction of the outstanding liability. The finance expense was allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments were accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment was confirmed.

Leasehold land which in substance was a finance lease was classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

(ii) Operating lease

Leases, where the Group or the Company did not assume substantially all the risks and rewards of ownership were classified as operating leases and, except for property interest held under operating lease, the leased assets were not recognised on the statement of financial position. Property interest held under an operating lease, which was held to earn rental income or for capital appreciation or both, was classified as investment property and measured using fair value model.

Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals were charged to profit or loss in the reporting period in which they were incurred.

Leasehold land which in substance was an operating lease was classified as prepaid lease payments.

(f) Intangible assets

(i) Goodwill

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses. In respect of equity-accounted associates, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted associates.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Intangible assets (continued)

(ii) Other intangible assets

Intangible assets, other than goodwill, that are acquired by the Group, which have finite useful lives, are measured at cost less any accumulated amortisation and any accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iv) Amortisation

Goodwill and intangible assets with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

Other intangible assets are amortised from the date that they are available for use. Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a usage basis over the estimated production of gas quota.

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is determined on the first-in first-out cost basis. The cost of inventories include expenditure in acquiring the inventories and bringing them to their existing location and condition.

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

(h) Non-current asset held for sale

Non-current assets, or disposal group comprising assets and liabilities that are expected to be recovered primarily through sale or distribution to owners rather than through continuing use, are classified as held for sale or distribution.

Immediately before classification as held for sale or distribution, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs of disposal.

Property, plant and equipment once classified as held for sale are not amortised or depreciated.



NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Contract asset/Contract liability

A contract asset is recognised when the Group’s or the Company’s right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment in accordance to MFRS 9, *Financial Instruments* [see note 2(l)(i)].

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

(j) Contract cost

(i) Incremental cost of obtaining a contract

The Group or the Company recognises incremental costs of obtaining contracts when the Group or the Company expects to recover these costs.

(ii) Cost to fulfill a contract

The Group or the Company recognises a contract cost that relate directly to a contract or to an anticipated contract as an asset when the cost generates or enhances resources of the Group or the Company, will be used in satisfying performance obligations in the future and it is expected to be recovered.

These contract costs are initially measured at cost and amortised on a systematic basis that is consistent with the pattern of revenue recognition to which the asset relates. An impairment loss is recognised in the profit and loss when the carrying amount of the contract cost exceeds the expected revenue less expected cost that will be incurred. Where the impairment condition no longer exists or has improved, the impairment loss is reversed to the extent that the carrying amount of the contract cost does not exceed the amount that would have been recognised had there been no impairment loss recognised previously.

(k) Cash and cash equivalents

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

(l) Impairment

(i) Financial assets

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost and contract assets (if any). Expected credit losses are a probability-weighted estimate of credit losses.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment (continued)

(i) Financial assets (continued)

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables, contract assets and lease receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s and the Company’s historical experience and informed credit assessment and including forward-looking information, where available.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of debt investments measured at fair value through other comprehensive income is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised is credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’s or the Company’s procedures for recovery amounts due.



NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment (continued)

(ii) Other assets

The carrying amounts of other assets (except for inventories [refer Note 2(g)] and deferred tax assets [refer Note 2(r)]) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purpose. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amounts of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amount of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial period in which the reversals are recognised.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(iii) Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or is redeemable but only at the Group's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity.

Preference share capital is classified as financial liability if it is redeemable on a specific date or at the option of the equity holders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

(n) Employee benefits

(i) Short-term employee benefits

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

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

(ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(iii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior period, discounting that amount and deducting the fair value of any plan assets.



NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Employee benefits (continued)

(iii) Defined benefit plans (continued)

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense or income on the net defined liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments.

Net interest expense and other expenses relating to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(o) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(i) Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(ii) Site restoration

In accordance with the Group’s published environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land, and the related expense, is recognised when the land is contaminated.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Provisions (continued)

(iii) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

(p) Revenue and other income

(i) Revenue from contract with customers

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group or the Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group or the Company transfers control of a good or service at a point in time unless one of the following overtime criteria is met:

- (a) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;
- (b) the Group’s or the Company’s performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- (c) the Group’s or the Company’s performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

(ii) Rental income

Rental income is recognised in profit or loss as it accrues, based on rates agreed with tenants.

(iii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group’s or the Company’s right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.



NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Revenue and other income (continued)

(v) Management fees

Management fees are recognised in profit or loss as it accrues at contracted rates.

(q) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

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

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

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.

(r) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Income tax (continued)

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against which the unutilised tax incentive can be utilised.

(s) Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares (“EPS”).

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group or the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(t) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group’s other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(u) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(v) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Fair value measurements (continued)

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

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT - GROUP

	Long-term leasehold land	Short-term leasehold land	Buildings	Plant and machinery	Motor vehicles	Furniture, fittings and office equipment	Tools and equipment	Office renovation	Land use rights	Other assets	Assets under construction	Total
	Freehold land	(Unexpired lease term > 50 years)	(Unexpired lease term < 50 years)									
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost												
At 1 January 2018	4,029	3,100	21,090	72,706	204,147	24,601	7,079	456,153	2,862	-	57,468	853,235
Additions	-	-	-	2	188,973	406	1,548	242,298	2,110	196,544	64,014	695,895
Acquisitions through business combination	2,004	-	-	-	1,275	83	14	79	63	-	-	3,518
Total effect of movement in exchange rates	(137)	-	-	(547)	4,476	(1,862)	(6)	6,280	(1)	-	(1,193)	7,010
Disposal	-	-	-	-	(5)	(118)	(2)	-	-	-	-	(125)

At 1 January 2019, as restated	5,896	-	-	72,161	392,553	5,675	8,633	701,359	5,034	-	120,289		1,311,600
Additions	109	-	-	8,528	257,185	2,378	1,901	327,644	3,091	-	189,427		790,263
Acquisitions through business combination [Note 32(b)]	-	-	-	-	-	-	14	-	52	-	-		66
Total effect of movement in exchange rates	(8)	-	-	382	(2,407)	36	4	(4,056)	-	-	92		(5,957)
Disposal	-	-	-	-	-	(492)	-	-	-	-	-		(492)
Transfer	-	-	-	3,902	-	-	-	(3,683)	-	-	(219)		-
At 31 December 2019	5,997	-	-	84,973	647,331	7,597	10,552	1,021,264	8,177	-	309,589		2,095,480

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT - GROUP (CONTINUED)

	Freehold land RM'000	Long-term leasehold land (Unexpired lease term > 50 years) RM'000	Short-term leasehold land (Unexpired lease term < 50 years) RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Furniture, fittings and office equipment RM'000	Tools and equipment RM'000	Office renovation RM'000	Land use rights RM'000	Assets under construction----- Land RM'000	Other assets RM'000	Total RM'000
Depreciation													
At 1 January 2018	-	90	396	3,842	52,827	12,598	3,995	119,864	1,497	-	-	-	195,109
Depreciation for the year (Note 22)	-	26	-	1,934	29,573	3,313	545	54,088	302	-	-	-	89,781
Total effect of movement in exchange rates	-	-	(137)	(1,255)	1,140	(31)	13	1,931	(1)	-	-	-	1,660
Disposal	-	-	-	-	-	(107)	-	-	-	-	-	-	(107)
At 31 December 2018 as previously reported	-	116	259	4,521	83,540	15,773	4,553	175,883	1,798	-	-	-	286,443
Adjustment on initial application of MFRS 16	-	(116)	(259)	-	(1,532)	(11,390)	-	(1,270)	-	-	-	-	(14,567)
At 1 January 2019, as restated	-	-	-	4,521	82,008	4,383	4,553	174,613	1,798	-	-	-	271,876
Depreciation for the year (Note 22)	-	-	-	2,042	49,551	719	879	83,924	543	-	-	-	137,658
Total effect of movement in exchange rates	-	-	-	44	(571)	(345)	9	(1,406)	-	-	-	-	(2,269)
Disposal	-	-	-	-	-	(402)	-	-	-	-	-	-	(402)
At 31 December 2019	-	-	-	6,607	130,988	4,355	5,441	257,131	2,341	-	-	-	406,863
Carrying amounts													
At 31 December 2018	5,896	2,984	20,831	67,640	315,326	7,337	4,080	528,927	3,236	196,544	120,289	309,589	1,273,090
At 31 December 2019	5,997	-	-	78,366	516,343	3,242	5,111	764,133	5,896	-	-	-	1,688,617

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT - GROUP (CONTINUED)

3.1 Leased property, plant and equipment

At 31 December 2018, the net carrying amount of leased plant and machinery and motor vehicles were RM6,501,000 and RM6,197,000 respectively.

3.2 Security

As at 31 December 2019, buildings with a carrying amount of RM51,118,277 (2018: RM52,217,549) are charged as security for certain borrowings of the Group (see Note 18).

As at 31 December 2019, land with a carrying amount of RM1,868,000 (2018: RM1,868,000) are charged as security for certain borrowings of the Group (see Note 18).

4. RIGHT-OF-USE ASSETS

	Land RM'000	Buildings RM'000	Tools and equipment RM'000	Motor vehicles RM'000	Plant and machinery RM'000	Land use rights RM'000	Total RM'000
Group							
At 1 January 2019, recognition of right-of-use assets upon adoption of MFRS 16	23,815	4,262	2,181	6,045	4,781	196,544	237,628
Acquisitions through business combination [Note 32(b)]	8,000	-	-	-	-	-	8,000
Additions	-	-	-	3,241	4,856	-	8,097
Depreciation (Note 22)	(412)	(1,628)	(345)	(2,484)	(736)	-	(5,605)
At 31 December 2019	31,403	2,634	1,836	6,802	8,901	196,544	248,120

The Group leases a number of warehouses and residential premises that run between one year and three years with an option to renew the lease after that date.

4.1 Security

At 31 December 2019, the land of the Group with carrying amount of RM20,798,307 (2018: RM20,814,596) are charged as security for certain borrowings of the Group (see Note 18).

NOTES TO THE FINANCIAL STATEMENTS

4. RIGHT-OF-USE ASSETS (CONTINUED)

4.2 Extension option

The lease of buildings contain extension options exercisable by the Group up to 3 years before the end of the non-cancellable contract period. Where applicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencements whether its is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control. The discounted lease liabilities recognised is RM961,806.

5. INVESTMENT IN SUBSIDIARIES - COMPANY

			2019 RM'000	2018 RM'000
Unquoted shares, at cost			531,800 =====	531,800 =====
Details of subsidiaries, are as follows:				
Subsidiary	Country of incorporation	Principal activities	Effective ownership interest and voting interest	
			2019 %	2018 %
Serba Dinamik Group Berhad ("SDGB")	Malaysia	Investment holding and provision of management services	100	100
Subsidiaries of SDGB				
Serba Dinamik International Limited ("SDIL")	Malaysia	Operation and maintenance of plants and facilities, engineering, procurement, construction and commissioning and related products and services	100	100
Serba Dinamik Sdn. Bhd. ("SDSB")	Malaysia	Operation and maintenance of plants and facilities, engineering, procurement, construction and commissioning, technical training and related products and services	100	100
Serba Dinamik IT Solutions Sdn. Bhd. ("SDIT")	Malaysia	Information and communications technology software and solutions	100	100
SD Controls Sdn. Bhd.	Malaysia	Testing and calibration of process control and instrumentation	80	80

5. INVESTMENT IN SUBSIDIARIES - COMPANY (CONTINUED)

Subsidiary	Country of incorporation	Principal activities	Effective ownership interest and voting interest	
			2019 %	2018 %
SD Advance Engineering Sdn. Bhd.	Malaysia	Maintenance of micro turbines and related products and services	51	51
Serba Dinamik (B) Sdn. Bhd. ^^	Brunei	Dormant	75	75
AR Global Engineering Sdn. Bhd.	Malaysia	Process control, instrumentation and related products and services	100	100
Serba Dinamik RMC FZE ^^	United Arab Emirates	Maintenance, repair and overhaul, fabrication and logistic services	100	100
KB Engineering Coatings Sdn. Bhd.	Malaysia	Services and repairing of machinery and sale of spare part	100	100
Serba Dinamik Power Sdn. Bhd.	Malaysia	Dormant	100	100
Serba Dinamik Development Sdn. Bhd.	Malaysia	Dormant	100	100
Bintulu Oil & Gas City Sdn. Bhd.	Malaysia	Dormant	100	-
Get Development Sdn. Bhd.**	Malaysia	Dormant	65	-
Subsidiaries of SDIL				
PT Serba Dinamik Indonesia **	Indonesia	Operation and maintenance of plants and facilities, engineering, procurement, construction and commissioning and related products and services	75	75

NOTES TO THE FINANCIAL STATEMENTS

5. INVESTMENT IN SUBSIDIARIES - COMPANY (CONTINUED)

Subsidiary	Country of incorporation	Principal activities	Effective ownership interest and voting interest	
			2019 %	2018 %
Serba Dinamik International Petroleum Services W.L.L. **	Kingdom of Bahrain	Operation and maintenance of plants and facilities, engineering, procurement, construction and commissioning and related products and services	99	99
Serba Dinamik International Limited ^^	United Kingdom	Inspection, repair and maintenance of static equipment and structures, and related products and services	100	100
PT Kubic Gasco ("PTKG") **	Indonesia	Processing and supply of compressed natural gas	51	51
SD International Sukuk Limited	Malaysia	Dormant	100	100
EMCO Holdings SA ("EH") **	Switzerland	Acquire, sell, hold, manage and oversee participant in other companies	100	100
Psicon AVV **	Netherlands	Dormant	100	-
SD International Sukuk II Limited **	Malaysia	Dormant	100	-
Subsidiaries of SDSB				
Quantum Offshore Limited ^^	United Kingdom	Design, engineering and installation of auxiliary power generators and firefighting systems and equipment	100	100
Serba Dinamik Construction Sdn. Bhd.	Malaysia	Dormant	100	100
Supreme Vista Industries Sdn. Bhd.	Malaysia	Dormant	100	100

5. INVESTMENT IN SUBSIDIARIES - COMPANY (CONTINUED)

Subsidiary	Country of incorporation	Principal activities	Effective ownership interest and voting interest	
			2019 %	2018 %
Sungai Rek Sdn. Bhd. **	Malaysia	Dormant	100	-
Subsidiaries of SDIT				
Telegistics Asia Sdn. Bhd. ("TASB")	Malaysia	Internet and mobile applications solutions	100	100
SDIT International Limited ("SDITIL")	Malaysia	Trading, providing information and communications technology software and solution	100	-
Subsidiary of TASB				
Materials Technology Education Sdn. Bhd.	Malaysia	Provide training and educational business	70	-
Subsidiary of SDITIL				
SDITAI Inc. **	United State of America	Research and development	100	-

** Not audited by member firms of KPMG International

^^ The subsidiary is exempted from statutory audit as permitted by the authority in the relevant country

On 15 March 2019, the Group via SDSB, a wholly owned indirect subsidiary of the Company has subscribed 1,000,000 ordinary shares representing 100% shareholding in Sungai Rek Sdn. Bhd. ("SDR") for a total cash consideration of approximately RM8,000,000.

On 5 April 2019, the Group via SDIT, a wholly owned indirect subsidiary of the Company has subscribed 250,000 ordinary shares representing 100% shareholdings in SDIT International Limited ("SDITIL") for a cash consideration of USD250,000.

On 8 July 2019, the Group via SDGB, a wholly owned subsidiary of the Company, has subscribed one ordinary share representing 100% shareholdings in Bintulu Oil Gas City Sdn. Bhd. for a cash consideration of RM1.

On 29 September 2019, the Group via SDIL, a wholly owned indirect subsidiary of the Company has subscribed 1,000 ordinary shares representing 100% shareholdings in SD International Sukuk II Limited for a cash consideration of RM4,188.

On 16 October 2019, the Group via SDGB, a wholly owned subsidiary of the Company entered into a Share Sale Agreement to acquire 6,500 ordinary shares representing 65% equity interest in Get Development Sdn. Bhd. for a consideration of RM50 million and is recognised as a subsidiary.

The following acquisitions have been completed during the year:

- (i) On 7 September 2018, the Group via SDIL, a wholly owned indirect subsidiary of the Company entered into a Share Purchase Agreement to acquire 6,000 ordinary shares representing 100% equity interest in Psicon AVV for a total cash consideration of approximately RM4.5 million. The consideration has been paid as deposit in prior year. On 25 August 2019 the acquisition has been completed and is recognised as a subsidiary.
- (ii) On 23 November 2018, TASB, a wholly owned indirect subsidiary of the Company entered into a Share Sale Agreement to subscribe 175,000 ordinary shares representing approximately 70% equity interest in Materials Technology Education Sdn. Bhd. for a consideration of RM480,000. The consideration has been paid as deposit in prior year. On 23 January 2019 the acquisition has been completed and is recognised as a subsidiary.

Non-controlling interests in subsidiaries

The Group's subsidiaries that have material non-controlling interest ("NCI") are as follows:

2019	PT Serba Dinamik Indonesia RM'000	PT Kubic Gasco RM'000	SD Advance Engineering Sdn. Bhd. RM'000	Other individually immaterial subsidiaries RM'000	Total RM'000
NCI percentage of ownership interest and voting interest	25%	49%	49%		
Carrying amount of NCI	1,643	2,845	2,031	641	7,160
Profit allocated to NCI	81	582	302	378	1,343
	=====	=====	=====	=====	=====
<i>Summarised financial information before intra-group elimination</i>					
As at 31 December					
Non-current assets	9,933	18,177	7,168		
Current assets	53,531	25,752	18,461		
Non-current liabilities	(1,029)	(657)	405		
Current liabilities	(55,864)	(37,466)	(21,889)		
Net assets	6,571	5,806	4,145		
	=====	=====	=====		
Year ended 31 December					
Revenue	32,694	15,323	6,022		
Profit for the year	322	1,187	617		
Total comprehensive income	3,642	1,300	617		
	=====	=====	=====		

5. INVESTMENT IN SUBSIDIARIES - COMPANY (CONTINUED)

Non-controlling interests in subsidiaries (continued)

2019 (continued)

Year ended 31 December (continued)

Summarised financial information before intra-group elimination (continued)

Cash flows (used in)/from operating activities
Cash flows from/(used in) investing activities
Cash flows from financing activities
Net change in cash and cash equivalents

PT Serba Dinamik Indonesia RM'000	PT Kubic Gasco RM'000	SD Advance Engineering Sdn. Bhd. RM'000
25%	49%	49%
(11,808)	(15,196)	3,034
(10,514)	1,891	(3,409)
22,309	9,348	505
(13)	(3,957)	130
=====	=====	=====



NOTES TO THE FINANCIAL STATEMENTS

5. INVESTMENT IN SUBSIDIARIES - COMPANY (CONTINUED)

Non-controlling interests in subsidiaries (continued)

The Group's subsidiaries that have material non-controlling interest ("NCI") are as follows:

2018	PT Serba Dinamik Indonesia RM'000	PT Kubic Gasco RM'000	SD Advance Engineering Sdn. Bhd. RM'000	Other individually immaterial subsidiaries RM'000	Total RM'000
NCI percentage of ownership interest and voting interest	25%	49%	49%		
Carrying amount of NCI	739	2,369	1,299	(317)	4,090
Profit allocated to NCI	19	1,119	143	84	1,365
	=====	=====	=====	=====	=====
Summarised financial information before intra-group elimination					
As at 31 December					
Non-current assets	3,686	19,812	3,374		
Current assets	31,689	21,581	16,597		
Non-current liabilities	(634)	(5,345)	(96)		
Current liabilities	(31,783)	(31,213)	(17,224)		
	=====	=====	=====	=====	=====
Net assets	2,958	4,835	2,651		
	=====	=====	=====	=====	=====
Year ended 31 December					
Revenue	20,904	16,943	5,833		
Profit for the year	77	2,284	292		
Total comprehensive income/(loss)	(45)	1,963	292		
	=====	=====	=====	=====	=====

5. INVESTMENT IN SUBSIDIARIES - COMPANY (CONTINUED)

Non-controlling interests in subsidiaries (continued)

	PT Serba Dinamik Indonesia RM'000	PT Kubic Gasco RM'000	SD Advance Engineering Sdn. Bhd. RM'000
2018 (continued)			
Year ended 31 December (continued)			
Summarised financial information before intra-group elimination (continued)			
Cash flows (used in)/from operating activities	(6,555)	(3,899)	3,698
Cash flows from/(used in)investing activities	19	(1,153)	(3,639)
Cash flows from financing activities	7,306	5,326	23
	=====	=====	=====
Net change in cash and cash equivalents	770	274	82
	=====	=====	=====

NOTES TO THE FINANCIAL STATEMENTS

6. INVESTMENT IN ASSOCIATES - GROUP

	2019 RM'000	2018 RM'000
Group		
Unquoted shares, at cost	149,523	97,538
Quoted shares, at cost	200,858	203,853
	<u>350,381</u>	<u>301,391</u>
Share of post-acquisition reserve	32,160	4,696
Impairment loss	(176)	(176)
	<u>382,365</u>	<u>305,911</u>
	=====	=====
Market value		
Quoted shares	238,475	182,427
	=====	=====

On 20 May 2019, the Group via SDIL, a wholly owned indirect subsidiary of the Company has subscribed 23,400 ordinary shares representing 30% shareholding in OMT S.r.l. ("OMT") for a total cash consideration of EUR1,235,520.

On 9 July 2019, the Group via SDIL, a wholly owned indirect subsidiary of the Company, has subscribed 13,111 ordinary shares representing 22.5% shareholding in Geppert GmbH ("Geppert") for a total cash consideration of EUR5,000,000.

The following subscription of ordinary shares of the associates have been completed during the year:

- (i) On 7 September 2018, the Group via SDIL, a wholly owned indirect subsidiary of the Company entered into a Share Purchase Agreement to acquire 450 ordinary shares representing 25% equity interest in Psicon BV for a total cash consideration of approximately RM1,929,400. The consideration has been paid as deposit in prior year. The subscription of ordinary shares was completed on 3 May 2019.
- (ii) On 16 October 2018, the Group via SDIL, a wholly owned indirect subsidiary of the Company entered into a Share Purchase Agreement to acquire 49% equity interest in OHP Ventures Incorporated for a total cash consideration of approximately RM3,325,200. An amount of RM3,308,800 has been paid as deposit in prior year. The subscription of ordinary shares was completed on 9 May 2019.
- (iii) On 31 October 2018, the Group via SDSB, a wholly owned indirect subsidiary of the Company entered into a Subscription Agreement to subscribe 366,013 ordinary shares of RM43.71 each representing approximately 42.26% equity interest in E&E Gas Sdn. Bhd for a total purchase consideration of RM16,000,000 which is to be settled via transfer of this piece of land held under SDSB totalling approximately 10 acres. The subscription of ordinary shares and the transfer of land was completed on 9 July 2019 (see Note 15).

NOTES TO THE FINANCIAL STATEMENTS

6. INVESTMENT IN ASSOCIATES - GROUP (CONTINUED)

The particulars of the associates are as follows:

Associate	Country of incorporation	Principal activities	Effective ownership interest and voting interest	
			2019 %	2018 %
Serba Dinamik International Qatar *	Qatar	Dormant	49	49
Adat Sanjung Sdn. Bhd.*	Malaysia	Investment holdings	30	30
Konsortium KAJV Sdn. Bhd. *	Malaysia	Developer of water treatment plant	40	40
Al Murisi Development Sdn. Bhd. *	Malaysia	Dormant	30	30
eNoah iSolution India Private Limited *	India	Technology ("IT") solutions, business process management services and support services	30	30
La Rapida SA *	Switzerland	Specialized in the manufacturing of turbine blades, gas & steam turbine components, geothermal and compressor components	20	20
Sreem Serba Turbines Private Limited *	India	Design and Manufacturing of custom designed steam turbines	40	40
Sufini Holding Ltd. *	Abu Dhabi	Special purposed vehicles for the construction of chlor-alkali plant	25	25
Al-Sagar Engineering * Group LLC and Al Sagar National Establishment ("Al Sagar")	United Arab Emirates	Oil & Gas sector Water & Utilities sector	49	49
CSE Global Limited *	Singapore	Oil and Gas, petrochemical, utilities, public infrastructure, environmental and healthcare	25.23	24.84

NOTES TO THE FINANCIAL STATEMENTS

6. INVESTMENT IN ASSOCIATES - GROUP (CONTINUED)

Associate	Country of incorporation	Principal activities	Effective ownership interest and voting interest	
			2019 %	2018 %
Green & Smart Holdings PLC *	Malaysia	Investment holding company	25	25
SD Enertech Sdn Bhd *	Malaysia	Dormant	25	25
Psicon BV *	Netherlands	Process improvement, rotating equipment performance upgrading, advisory and trading	25	-
OHP Ventures Incorporated*	Malaysia	Investment holding company	49	-
E&E Gas Sdn. Bhd.*	Malaysia	Dormant	42.26	-
OMT S.r.l. *	Italy	Supply of turbines blade	30	-
Geppert GmBH*	Austria	Turbine and equipment construction, electrotechnical solution, service and revitalisation and real estate	22.5	-

* Audited by another firm of Chartered Accountants.

6. INVESTMENT IN ASSOCIATES - GROUP (CONTINUED)

Group	CSE Global Limited RM'000	Green & Smart Holdings PLC RM'000	Adat Sanjung RM'000	Konsortium KAJV Sdn. Bhd. RM'000	Al Murisi Development Sdn. Bhd. RM'000	eNoah iSolution India Private Limited RM'000	2019	2018
Non-current assets	410,203	45,757	269	633	4,899	3,318		
Current assets	788,422	65,579	279,527	596,405	26	30,571		
Non-current liabilities	(143,563)	(4,108)	(170,431)	(350,155)	-	(822)		
Current liabilities	(519,188)	(60,786)	(118,706)	(188,813)	(317)	(9,984)		
	535,874	46,442	(9,341)	58,070	4,608	23,083		
Year ended 31 December Profit/(Loss) from continuing operations	70,583	(4,968)	(7,612)	55,476	935	3,151		
Total comprehensive income/(loss)	57,912	(5,167)	(7,612)	55,476	935	3,795		
Included in the total comprehensive income is Revenue	1,371,963	13,840	-	369,387	-	73,273		

Summarised financial information

As at 31 December

2019

NOTES TO THE FINANCIAL STATEMENTS

6. INVESTMENT IN ASSOCIATES - GROUP (CONTINUED)

Group	CSE Global Limited RM'000	Green & Smart Holdings PLC RM'000	Adat Sanjung RM'000	Konsortium KAJV Sdn. Bhd. RM'000	AI Murisi Development Sdn. Bhd. RM'000	eNoah iSolution India Private Limited RM'000	Other individually immaterial associates RM'000	Total RM'000
2019 (continued)								
Reconciliation of net assets to carrying amount as at 31 December								
Group's share of net assets	133,239	11,601	(2,802)	23,228	1,383	6,925	29,891	203,465
Goodwill	48,376	16,551	13,551	33,948	16,893	9,444	40,137	178,900
Carrying amount in statement of financial position	181,615	28,152	10,749	57,176	18,276	16,369	70,028	382,365
Group's share of results for the year ended 31 December								
Group's share of profit or loss from continuing operations	17,763	(1,252)	(2,283)	22,190	280	945	(2,607)	35,036
Group's share of other comprehensive income	(3,158)	(50)	-	-	-	193	1,097	(1,918)
Group's share of total comprehensive income	14,605	(1,302)	(2,283)	22,190	280	1,138	(1,510)	33,118
Other information								
Dividend received by the Group	(10,626)	-	-	-	-	-	-	(10,626)

6. INVESTMENT IN ASSOCIATES - GROUP (CONTINUED)

Group	CSE Global Limited RM'000	Green & Smart Holdings PLC RM'000	Adat Sanjung Sdn. Bhd. RM'000	Konsortium KAJV Sdn. Bhd. RM'000	AI Murisi Development Sdn. Bhd. RM'000
2018					
Summarised financial information As at 31 December					
Non-current assets	177,947	42,467	5,023	539	19,658
Current assets	638,851	57,578	236,775	297,736	4,827,848
Non-current liabilities	(2,507)	(8,401)	(137,519)	(170,817)	(1,173,539)
Current liabilities	(291,180)	(39,930)	(101,308)	(124,863)	-
	523,111	51,714	2,971	2,595	3,673,967
Year ended 31 December					
Profit/(Loss) from continuing operations	58,148	(13,165)	1,913	(409)	(1,015)
Total comprehensive income/(loss)	59,889	(12,677)	1,913	(409)	(1,015)
Included in the total comprehensive income is					
Revenue	1,126,970	1,924	4,279	21,039	-



NOTES TO THE FINANCIAL STATEMENTS

6. INVESTMENT IN ASSOCIATES - GROUP (CONTINUED)

Group	CSE Global Limited RM'000	Green & Smart Holdings PLC RM'000	Adat Sanjung Sdn. Bhd. RM'000	Konsortium KAJV Sdn. Bhd. RM'000	AI Murisi Development Sdn. Bhd. RM'000	Other individually immaterial associates RM'000	Total RM'000
2018 (continued)							
<i>Reconciliation of net assets to carrying amount as at 31 December</i>							
Group's share of net assets	129,090	12,929	(519)	1,038	1,102	14,616	158,256
Goodwill	48,378	16,290	13,551	33,948	16,893	18,595	147,655
Carrying amount in statement of financial position	177,468	29,219	13,032	34,986	17,995	33,211	305,911
	=====	=====	=====	=====	=====	=====	=====
<i>Group's share of results for the year ended 31 December</i>							
Group's share of profit or loss from continuing operations	10,701	(801)	2,675	(1,215)	(304)	2,824	13,880
Group's share of other comprehensive income	3,447	-	-	-	-	-	3,447
	=====	=====	=====	=====	=====	=====	=====
Group's share of total comprehensive income	14,148	(801)	2,675	(1,215)	(304)	2,824	17,327
	=====	=====	=====	=====	=====	=====	=====
Other information							
Dividend received by the Group	(10,539)	-	-	-	-	-	(10,539)
	=====	=====	=====	=====	=====	=====	=====

NOTES TO THE FINANCIAL STATEMENTS

7. OTHER INVESTMENTS - GROUP

	RM'000
2019	
<i>Non-current</i>	
- fair value of unit trust (Note 29)	816
- preference shares (Note 29)	13,700

	14,516
	=====
<i>Current</i>	
Fixed deposits placed with licensed banks with original maturity more than three months (Note 29)	51,172
	=====
2018	
<i>Non-current</i>	
- market value of quoted shares (Note 29)	106
- fair value of unit trust (Note 29)	397

	503
	=====
<i>Current</i>	
Fixed deposits placed with licensed banks with original maturity more than three months (Note 29)	69,952
	=====
Fixed deposits are pledged for banking facilities granted to the subsidiaries (see Note 18).	

NOTES TO THE FINANCIAL STATEMENTS

8. INTANGIBLE ASSETS - GROUP

Note	Goodwill RM'000	License and rights RM'000	Development land rights RM'000	Total RM'000
Cost				
At 1 January 2018	3,832	3,155	-	6,987
Acquisition through business combination	1,426	-	-	1,426
Amortisation	-	(2,009)	-	(2,009)
At 31 December 2018/ 1 January 2019	5,258	1,146	-	6,404
Acquisition through business combination	5,975	-	-	5,975
Additions	-	-	107,757	107,757
Amortisation	-	(1,142)	-	(1,142)
At 31 December 2019	11,233	4	107,757	118,994
	=====	=====	=====	=====

Development land rights

Development land rights is exclusive rights granted by a third party to one of the subsidiaries of the Group, Get Development Sdn. Bhd. ("GDSB"), to jointly develop a land located at Sri Hartamas and to construct and erect thereon the buildings structure in accordance with the approved plans in the manner stipulated in the Joint Development Agreement between the third party to GDSB.

Development land rights is not amortised until the commencement of the development of the land.

Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating activities which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

8. INTANGIBLE ASSETS - GROUP (CONTINUED)

Impairment testing for cash-generating units containing goodwill (continued)

Goodwill arising from business combination has been allocated to three individual cash-generating units ("CGUs") for impairment testing as follows:

Segment	Group 2019 RM'000	2018 RM'000
O&M	6,655	2,160
EPCC	2,882	2,882
Others	1,696	216
	-----	-----
	11,233	5,258
	=====	=====

The recoverable amount of a CGU is determined based on value in use calculations using cash flow projections based on financial budgets approved by management covering a five years period.

The calculations of value in use for the CGUs are most sensitive to the following assumptions:

(i) Gross margin

The basis used to determine the value assigned to the gross margin is based on past experience, actual operating results and the 5-year business plan.

(ii) Revenue growth

The basis used to determine the revenue growth is based on past experience, actual operating results and the five year business plan. The anticipated annual revenue growth included in the cash flow projections is within the growth levels experienced by the CGU in the past.

(iii) Long term growth rate

The cash flows beyond the 5-year period are extrapolated using the long-term growth rates of 1%.

(iv) Discount rate

The discount rates used as follows are pre-tax and reflect specific risks relating to the relevant segments.

Segment	Group 2019	2018
O&M	9%	9%
EPCC	9%	9%
Others	9%	9%

NOTES TO THE FINANCIAL STATEMENTS

9. DEFERRED TAX ASSETS/(LIABILITIES) - GROUP

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Property, plant and equipment	115	-	(58,298)	(30,352)	(58,183)	(30,352)
Capital allowance carried forward	-	-	25,220	-	25,220	-
Post employment benefits	140	135	-	-	140	135
Others	-	11	2,172	-	2,172	11
Deferred tax assets/(liabilities)	255	146	(30,906)	(30,352)	(30,651)	(30,206)
Set off of tax	-	355	-	(355)	-	-
Net deferred tax assets/(liabilities)	255	501	(30,906)	(30,707)	(30,651)	(30,206)

Movements in deferred tax during the year are as follows:

	At 01.01.2018 RM'000	Recognised in profit or loss RM'000	At 31.12.2018/ 01.01.2019 RM'000	Recognised in profit or loss RM'000	At 31.12.2019 RM'000
Property, plant and equipment	(15,529)	(16,995)	(32,524)	(25,659)	(58,183)
Capital allowance carried forward	-	-	-	25,220	25,220
Post employment benefits	259	(124)	135	5	140
Others	2,444	(261)	2,183	(11)	2,172
	(12,826)	(17,380)	(30,206)	(445)	(30,651)

10. INVENTORIES - GROUP

	2019 RM'000	2018 RM'000
At cost		
Material on site	908,124	842,981
Spare parts and consumables	11,437	5,269
	919,561	848,250
Recognised in profit or loss		
► inventories recognised as cost of contracts with customers	1,621,400	1,319,821

NOTES TO THE FINANCIAL STATEMENTS

11. CONTRACT BALANCES - GROUP

	2019 RM'000	2018 RM'000
Group		
Contract assets	321,558	61,177
Contract liabilities	(35,736)	(18,559)

11.1 Contract assets/(liabilities)

The contract assets primarily relate to the Group's rights to consideration for work completed but not yet billed at the reporting date. Typically, the amount will be billed within 30 days and payment is expected within 90 to 120 days.

The contract liabilities primarily relate to the advance consideration received from customers for construction contract, which revenue is recognised overtime during the construction period.

Significant changes to contract assets and contract liabilities balances during the period are as follows:

	2019 RM'000	2018 RM'000
Group		
Contract assets at the beginning of the period not transferred to trade receivables due to change in time frame	(53,786)	(40,540)

11.2 Impairment assessment on contract assets

Credit risk on contract assets arose from O&M and EPCC projects undertaken by the Group. As at end of the reporting period, the maximum exposure to credit risk arising from contract assets is represented by the carrying amount in the statement of financial position. Management has taken reasonable steps to ensure the contract assets are not credit impaired.

NOTES TO THE FINANCIAL STATEMENTS

12. TRADE AND OTHER RECEIVABLES

Note	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Trade				
Trade receivables	1,204,311	923,617	-	-
Non-trade				
Amount due from subsidiaries	12.1	-	1,797,507	1,365,410
Amount due from associates	12.2	40,216	-	-
Other receivables		11,605	-	-
	51,821	33,660	1,797,507	1,365,410
Total	1,256,132	957,277	1,797,507	1,365,410

12.1 Amount due from subsidiaries are unsecured, subject to interest at range of 4.95% to 5.30% per annum (2018: Nil) and repayable on demand.

12.2 Amount due from associates are unsecured, subject to interest at range of 4.95% to 5.30% per annum (2018: Nil) and repayable on demand.

12.3 The Group entered into a non-recourse Receivables Purchase Framework Agreement with a licensed bank, of which the Group may request the bank to purchase certain trade receivables. An amount of RM106,403,767 (2018: RM104,544,732) have been derecognised from the statement of financial statement as at reporting date, because the Group has transferred substantially all the risk and reward - primary credit risk to the licensed bank.

12.4 Trade receivables denominated in foreign currencies comprise the following amounts.

	Group	
	2019 RM'000	2018 RM'000
United States Dollar ("USD")	878,283	698,992

13. DEPOSITS AND PREPAYMENTS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deposits for:				
➤ land	20,243	-	-	-
➤ investments	772	38,283	-	-
➤ others	37,850	5,848	-	-
	58,865	44,131	-	-
Prepayments	50,051	23,134	-	-
	108,916	67,265	-	-

Included in deposits is the payment made by SDGB, a wholly owned subsidiary of the Company with initial sum of RM16,000,000 to a vendor as deposit in relation to the acquisition of a land in Johor.

14. CASH AND CASH EQUIVALENTS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Fixed deposits placed with licensed banks	222,514	232,632	68,864	100,341
Cash and bank balances	1,084,076	528,159	19,300	202,187
	1,306,590	760,791	88,164	302,528

14.1 Fixed deposits amounting to RM35,906,959 (2018: RM114,638,987) are pledged for banking facilities granted to the Group respectively (see Note 18).

14.2 Cash and bank balances include the following balances denominated in foreign currency:

	2019 RM'000	2018 RM'000
USD	893,498	104,068

NOTES TO THE FINANCIAL STATEMENTS

15. ASSET CLASSIFIED AS HELD FOR SALE

In prior year, the Group via a wholly owned indirect subsidiary, SDSB, entered into a Subscription Agreement to subscribe 366,013 ordinary shares of RM43.71 each representing approximately 42.26% equity interest in E&E Gas Sdn. Bhd. The purchase consideration of RM16,000,000 is settled via transfer of this piece of land held under SDSB totalling approximately 10 acres. The subscription agreement and the transfer of land was completed on 9 July 2019. (see note 6(iii)).

	Group	
	2019 RM'000	2018 RM'000
Land	- =====	16,000 =====

16. CAPITAL AND RESERVES

16.1 Share capital

	Group and Company			
	Amount RM'000 2019	Number of shares 2019	Amount RM'000 2018	Number of shares 2018
Ordinary shares				
Issued and fully paid with no par value				
Opening balance	1,344,347	1,468,500,000	928,194	1,335,000,000
Issued during the financial year				
> Cash	-	-	427,200	133,500,000
> Share split	-	734,249,957	-	-
> Bonus issue	-	881,099,921	-	-
Share issue expenses	-	-	(11,047)	-
	-	1,615,349,878	416,153	133,500,000
Closing balance	1,344,347 =====	3,083,849,878 =====	1,344,347 =====	1,468,500,000 =====

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

The number of ordinary shares of the Company has increased from 1,468,500,000 to 3,083,849,878 following the listing of the subdivided shares and bonus shares, as detailed below on the Main Market of Bursa Securities on 4 December 2019:

- (i) number of subdivided shares of 734,249,957 pursuant to share split involving a subdivision of every two existing ordinary shares into three shares; and

NOTES TO THE FINANCIAL STATEMENTS

16. CAPITAL AND RESERVES (CONTINUED)

16.1 Share capital (continued)

- (ii) number of bonus shares of 881,099,921 pursuant to bonus issue on the basis of two bonus shares for every five subdivided shares;

The issuance of 881,099,921 free warrants on the basis of two warrants for every five subdivided shares has been completed on 13 December 2019 following the listing and quotation of the warrants on the Main Market of Bursa Securities.

On 30 January 2018, the Company has completed a private placement exercise, in which the Company issued 133.5 million new shares with an issue price of RM3.20 per share.

16.2 Merger reserve

Pursuant to the restructuring in relation to the initial public offering, the Company has acquired the shares in SDGB for a purchase consideration of RM531,799,999. The difference, net of tax, between the carrying value and purchase consideration was treated as merger reserve.

16.3 Other reserves

		Group	
	Note	2019 RM'000	2018 RM'000
Foreign currency translation reserve	16.3.1	12,503	23,159
Statutory reserve	16.3.2	272	275
Capital redemption reserve	16.3.3	36,000	36,000
Capital gain on equity conversion	16.3.4	8,994	8,994
		57,769 =====	68,428 =====

16.3.1 Foreign currency translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

16.3.2 Statutory reserve

In accordance with the provisions of the Bahrain Commercial Companies Law, Decree Number 21 of 2012 in an indirect subsidiary's Memorandum and Articles of Association, an amount equivalent to 10% of the indirect subsidiary's net profit before appropriation is required to be transferred to a non-distributable reserve account until such time as a minimum of 50% of the share capital is set aside.

NOTES TO THE FINANCIAL STATEMENTS

16. CAPITAL AND RESERVES (CONTINUED)

16.3 Other reserves (continued)

16.3.3 Capital redemption reserve

Capital redemption reserve was in relation to redeemable preference shares redeemed by subsidiaries, for which amount equivalents to the nominal value of such shares were transferred from retained earnings.

16.3.4 Capital gain on equity conversion

Capital gain on equity conversion was in relation to share swap right exercised by one of its subsidiary.

17. LEASE LIABILITIES - GROUP

	Note	2019 RM'000	2018 RM'000
Current			
Contractual payment for land use rights	17.2	53,275	-
Finance lease liabilities	17.3	3,824	-
Other lease liabilities	17.4	1,351	-
		-----	-----
		58,450	-
		=====	=====
Non-current			
Contractual payment for land use rights	17.2	15,063	-
Finance lease liabilities	17.3	8,075	-
Other lease liabilities	17.4	1,283	-
		-----	-----
		24,421	-
		=====	=====
Total lease liabilities		82,871	-
		=====	=====

17. LEASE LIABILITIES - GROUP (CONTINUED)

17.1 Maturity of lease liabilities

The lease liabilities are payable as follows:

	Future minimum lease payments RM'000	Interest or profit RM'000	Present value of minimum lease payments RM'000
2019			
Contractual payment for land use rights			
Less than one year	55,180	1,905	53,275
Between one and two years	15,063	-	15,063
Between two and five years	-	-	-
More than five years	-	-	-
	-----	-----	-----
	70,243	1,905	68,338
	=====	=====	=====
Finance lease liabilities			
Less than one year	4,466	641	3,825
Between one and two years	4,189	507	3,682
Between two and five years	4,556	298	4,258
More than five years	145	11	134
	-----	-----	-----
	13,356	1,457	11,899
	=====	=====	=====
Other lease liabilities			
Less than one year	1,490	140	1,350
Between one and two years	720	76	644
Between two and five years	713	73	640
More than five years	-	-	-
	-----	-----	-----
	2,923	289	2,634
	=====	=====	=====

NOTES TO THE FINANCIAL STATEMENTS

17. LEASE LIABILITIES – GROUP (CONTINUED)

17.2 Contractual payment for land use rights

- (a) The Group through its subsidiary, SDSB had entered into a Joint Venture Agreement (“JVA A”) with a third party (“the Land Owner A”) on 16 August 2018 to develop a land (the project is hereinafter referred to as “the Proposed Development” and the land, as “the Project Land A”).

Through the JVA A, Land Owner A shall contribute the Project Land A for the Proposed Development and SDSB shall undertake the Proposed Development pursuant to and in accordance with the provision of the JVA A. SDSB shall be solely responsible for the entire costs and expenses of the Proposed Development and obtaining all funds and necessary financing in respect thereof.

Pursuant to the JVA A, SDSB is obliged to pay to Land Owner A an amount of RM46 million and the last payment due in November 2020.

- (b) SDSB had also entered into another Joint Venture Agreement (“JVA B”) with a third party (“the Land Owner B”) on 28 November 2018 to develop a land (the Proposed Development in (a) and the land, as “the Project Land B”).

Through the JVA B, Land Owner B shall contribute the Project Land B for the Proposed Development and SDSB shall undertake the Proposed Development pursuant to and in accordance with the provision of the JVA B. SDSB shall be solely responsible for the entire costs and expenses of the Proposed Development and obtaining all funds and necessary financing in respect thereof.

Pursuant to the JVA B, SDSB is obliged to pay to Land Owner B an amount of RM150 million and the last payment due in January 2021.

17.3 Finance lease liabilities

Finance lease liabilities are relating to leases of motor vehicles, tools and equipment and plant and machinery recognised in accordance with MFRS 16, *Leases*.

17.4 Other lease liabilities

Other lease liabilities are relating to leases of buildings recognised in accordance with MFRS 16, *Leases*.

18. LOANS AND BORROWINGS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-current				
Term loans (Islamic) - secured	148,993	309,835	-	-
Term loans (Islamic) - unsecured	778,825	-	778,825	-
Term loans - secured	339	1,336	-	-
Finance lease liabilities - secured	-	7,344	-	-
Sukuk (Islamic) - unsecured	2,010,467	788,990	-	788,990
	<u>2,938,624</u>	<u>1,107,505</u>	<u>778,825</u>	<u>788,990</u>
	-----	-----	-----	-----
Current				
Bank overdrafts (Islamic) - secured	2,554	3,281	-	-
Bank overdrafts - secured	3,443	11,357	-	-
Bankers' acceptances - secured	283	269	-	-
Term loans (Islamic) - secured	17,010	4,816	-	-
Term loans (Islamic) - unsecured	90,000	-	90,000	-
Term loans - secured	402	187	-	-
Revolving credits (Islamic) - secured	274,549	568,512	-	-
Revolving credits - secured	12,662	1,585	-	-
Finance lease liabilities - secured	-	3,944	-	-
Sukuk (Islamic) - unsecured	-	10,000	-	10,000
	<u>400,903</u>	<u>603,951</u>	<u>90,000</u>	<u>10,000</u>
	-----	-----	-----	-----
Total	<u>3,339,527</u>	<u>1,711,456</u>	<u>868,825</u>	<u>798,990</u>
	=====	=====	=====	=====

18.1 Sukuk (Islamic) – unsecured

In previous year, the Group and the Company has issued and finalised a Sukuk Wakalah programme, and raised approximately RM810 million for the purpose of general working capital and refinancing of existing debts with tenure of 5 and 10 years, payable semi-annually, and with maturity on year 2023 and 2028 respectively. The Company has made an early settlement of this RM810 million sukuk loan during the year.

During the year, the Group via SD International Sukuk Limited, a wholly owned indirect subsidiary of the Company, has issued and finalised a Sukuk Wakalah programme, and raised approximately USD300 million for the purpose of general working capital and refinancing of existing debts with tenure of 3 years, payable semi-annually at annual profit rate of 6.30%, and with maturity on year 2022.



NOTES TO THE FINANCIAL STATEMENTS

18. LOANS AND BORROWINGS (CONTINUED)**18.1 Sukuk (Islamic) – unsecured (continued)**

Also, during the year, the Group via SD International Sukuk II Limited, a wholly owned indirect subsidiary of the Company, has issued and finalised a Sukuk Wakalah programme, and raised approximately USD200 million for the purpose of general working capital with tenure of 5 years and 3 months, payable semi-annually at annual profit rate of 6.99%, and with maturity on year 2025.

18.2 Islamic facilities

The Group's Islamic term loans, bank overdrafts and revolving credits facilities of RM1,034,827,512 (2018: RM314,651,000), RM2,553,913 (2018: RM3,281,000) and RM274,548,812 (2018: RM568,512,000) respectively are for Islamic facilities under Bai' Inah and Murabahah contract.

18.3 Security

The bank overdrafts, bankers' acceptances and revolving credits facilities of the Group are secured by the following:

- (a) legal charges over on leasehold land and certain buildings of the Group (see Note 3.2 and 4.1).
- (b) secured by the facility agreement and pledged fixed deposits (see Note 7 and Note 14).

The term loans of the Group are secured by the following:

- (a) general and supplemental facility agreement.
- (b) first and second legal charges over leasehold land and certain buildings of the Group (see Note 3.2 and 4.1).
- (c) corporate guarantee from the Company and the subsidiaries.

The revolving credits (Islamic) of the Group are secured by the following:

- (a) secured by pledged term deposits (see Note 7 and 14);
- (b) corporate guarantee from the Company.

18.4 Significant covenants on loans and borrowings

The Group is required to maintain a gearing ratio not exceeding 2.00 times in respect of the banking facilities granted by five licensed banks to the Group. The total outstanding borrowings of the Group with the said banks as at 31 December 2019 are RM250,505,595 (2018: RM283,698,523). The Group has not breached the covenant.

NOTES TO THE FINANCIAL STATEMENTS

18. LOANS AND BORROWINGS (CONTINUED)**18.5 Finance lease liabilities**

Finance lease liabilities were payable as follows:

	Future minimum lease payments RM'000	Interest or profit RM'000	Present value of minimum lease payments RM'000
Group			
2018			
Less than one year	4,573	629	3,944
Between one and two years	3,413	410	3,003
Between two and five years	4,557	267	4,290
More than five years	52	1	51
	<u>12,595</u>	<u>1,307</u>	<u>11,288</u>
	=====	=====	=====

19. EMPLOYMENT BENEFITS - GROUP

In accordance with Indonesian Labor Law No.13/2003, the Group provides post employment benefits to the eligible employees of an indirect subsidiary upon terminating their employment or upon attaining retirement age. The benefits payable are determined based on employees length of services and compensation at termination or retirement.

The Group operates the post employment benefits plan for eligible employees of an indirect subsidiary who are Indonesians with age above 20 years and continuous service of at least a year from date of hire. The benefits payable on retirement are based on length of service, input factor and base pay. The retirement age is 55 for employees of the subsidiary. The post employment benefit plan exposes the Group to actuarial risks such as longevity risk, financial risks such as change in discount rates and demographic risk such as turnover rate not being borne out.

The following table shows a reconciliation from the opening balance to the closing balance for defined benefit liability and its components.

	RM'000
Balance at 1 January 2018	592
Included in profit or loss	
Current service cost	51
Balance at 31 December 2018/1 January 2019	643
Included in profit or loss	
Current service cost	48
Balance at 31 December 2019	691

NOTES TO THE FINANCIAL STATEMENTS

19. EMPLOYMENT BENEFITS - GROUP (CONTINUED)

Actuarial assumptions

Principal actuarial assumptions at the end of the reporting date :

	2019	2018
Average years of service of employees	5.78 years	5.78 years
Annual discount rate	8.20% p.a	8.80% p.a.
Salary increment rate	5.0% p.a	10% p.a
Normal pension rate	56 years	56 years
Mortality rate	Table Mortality Indonesia (TMI)	Table Mortality Indonesia (TMI)
	=====	=====

Sensitivity analysis

There is no sensitivity analysis performed as any change will be insignificant to the Group.

20. TRADE AND OTHER PAYABLES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-current				
Other payables (Note 20.4)	57,748	-	-	-
Contractual payment for land use rights (Note 20.5)	-	55,183	-	-
	<u>57,748</u>	<u>55,183</u>	<u>-</u>	<u>-</u>
	=====	=====	=====	=====
Current				
Trade payables and accruals	178,063	200,638	192	-
Other payables and accruals (Note 20.6)	223,561	140,482	2,969	14,594
Contractual payment for land use rights (Note 20.5)	-	85,389	-	-
Amount due to subsidiaries (Note 20.1)	-	-	193,922	35,402
Amount due to associates (Note 20.2)	1,033	-	-	-
	<u>402,657</u>	<u>426,509</u>	<u>197,083</u>	<u>49,996</u>
	=====	=====	=====	=====
Total	460,405	481,692	197,083	49,996
	=====	=====	=====	=====

NOTES TO THE FINANCIAL STATEMENTS

20. TRADE AND OTHER PAYABLES (CONTINUED)

20.1 Amount due to subsidiaries are interest free, unsecured and repayable on demand.

20.2 Amount due to associates are interest free, unsecured and repayable on demand.

20.3 Trade and other payables denominated in foreign currencies include the following amounts:

	Group	
	2019 RM'000	2018 RM'000
USD	134,840	162,210
	=====	=====

20.4 During the year, the Group through its subsidiary, SDGB had entered into Share Sale Agreement (“SSA”) with a third party vendor on 16 October 2019 to subscribe 6,500 ordinary shares of Get Development Sdn. Bhd. (“GDSB”) representing 65% equity interest for a consideration of RM50 million. Resulting from this transaction, GDSB had become a subsidiary of the Group on 16 October 2019.

In addition, both SDGB and the third party vendor have a call and put option respectively that allows the third party vendor to sell his remaining 35% equity interest in GDSB to SDGB at a future date at an exercisable option price of RM200 million. As at 31 December 2019, the Group has recognised the option liability of RM57.8 million.

20.5 In prior year, the Group via its subsidiary, SDSB, had entered into two Joint Venture Agreements (“JVAs”) with two third party vendors to develop two land respectively (the project is hereinafter referred to as “the Proposed Development”, and the land as “the Project Land”). Pursuant to these JVAs, the third party vendors are entitled to receive payments of RM99 million and RM97 million respectively. As at 31 December 2019, the balance owing to the third party vendors amounted to RM68,336,990 (2018: RM140,572,545) has been classified as lease liabilities upon adoption of MFRS 16 on 1 January 2019 (see Note 17).

20.6 Included in other payables is an amount of RM61,316,620 (2018: RM7,245,728) arose from non-recourse Receivables Purchase Framework Agreement with a licensed bank.

NOTES TO THE FINANCIAL STATEMENTS

21. REVENUE AND COST OF CONTRACTS WITH CUSTOMERS

Revenue

Group	2019 RM'000	2018 RM'000
Operation and maintenance ("O&M")	3,895,228	2,928,551
Engineering, procurement, construction and commissioning ("EPCC")		
➤ Contract revenue	139,231	84,539
➤ Others	369,800	262,272
Other revenue	124,362	7,812
Total revenue from contracts with customers	4,528,621	3,283,174

Company

Dividends	141,431	118,811
Management fee	25,669	13,320
Profit income	93,826	-
Total other revenue	260,926	132,131

Cost of contracts with customers

Group	2019 RM'000	2018 RM'000
Cost of sales/services	3,594,678	2,624,052
Construction cost	123,109	76,798
	3,717,787	2,700,850

Company

Cost of services	-	-
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NOTES TO THE FINANCIAL STATEMENTS

21. REVENUE AND COST OF CONTRACT WITH CUSTOMERS (CONTINUED)

21.1 Disaggregation of revenue

Group	O&M		EPCC		Others		Consolidated	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Primary geographical markets								
Malaysia	1,061,738	741,053	236,885	171,385	6,936	7,812	1,305,559	920,250
Qatar	1,157,714	681,244	-	-	85,549	-	1,243,263	681,244
Saudi Arabia	188,287	274,998	-	-	-	-	188,287	274,998
Indonesia	128,973	53,444	11,147	16,955	15,323	-	155,443	70,399
United Arab Emirates	749,355	551,035	140,591	123,884	-	-	889,946	674,919
Bahrain	382,011	327,204	-	-	-	-	382,011	327,204
Other countries	227,150	299,573	120,408	34,587	16,554	-	364,112	334,160
	3,895,228	2,928,551	509,031	346,811	124,362	7,812	4,528,621	3,283,174
Timing and recognition								
Overtime	1,958,093	1,503,860	400,526	253,708	124,362	7,812	2,482,981	1,765,380
Point in time	1,937,135	1,424,691	108,505	93,103	-	-	2,045,640	1,517,794

NOTES TO THE FINANCIAL STATEMENTS

21. REVENUE AND COST OF CONTRACT WITH CUSTOMERS (CONTINUED)

21.2 Nature of goods and services

Nature of goods or services	Timing of recognition or method used to recognise revenue	Significant payment terms	Variable element in consideration	Warranty
O&M	Revenue from O&M services is derived from provision of manpower services and supply of materials. For manpower services, the revenue is recognised over the period in which the services are rendered. Revenue from supply of materials is recognised at point in time when the customer accepts the delivery of the goods.	Credit period of 90 days from invoice date.	Not applicable.	Generally, the warranty on the maintenance service covers a period of 3 to 12 months after the services have been satisfactorily performed.
EPCC - contract revenue	Revenue is recognised overtime using the cost incurred method.	Based on agreed milestones.	There would be liquidated and ascertained damages for late delivery.	Defect liability period of 12 to 24 months is given to the customers.
EPCC - others	Revenue from other EPCC services is derived from provision of manpower services and supply of materials. For manpower services, the revenue is recognised over the period in which the services are rendered. Revenue from supply of materials is recognised at point in time when the customer accepts the delivery of the goods.	Credit period of 90 days from invoice date.	Not applicable.	Not applicable.
Others	Revenue is recognised over-time when customer receives benefits as entity performs.	Credit period of 90 days from invoice date.	Not applicable.	Not applicable.

21.3 Transaction price allocated to the remaining performance obligations

The following table shows revenue from performance obligations that are unfulfilled (or partially unfulfilled) at the reporting date. The disclosure is only providing information for contracts that have a duration of more than one year.

Group	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000	Total RM'000
EPCC	1,288,243 =====	763,418 =====	112,258 =====	8,513 =====	2,172,432 =====

21. REVENUE AND COST OF CONTRACT WITH CUSTOMERS (CONTINUED)

21.4 Significant judgements and assumptions arising from revenue recognition

The Group applied the following judgements and assumptions that significantly affect the determination of the amount and timing of revenue recognised. For construction contracts, the Group measured the performance of construction work done by comparing the actual costs incurred with the estimated total costs required to complete the construction. Significant judgements are required to estimate the total contract costs to complete. In making these estimates, management relied on professionals' estimates and also on past experience of completed projects. A change in the estimates will directly affect the revenue to be recognised.

22. RESULTS FROM OPERATING ACTIVITIES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Results from operating activities are arrived at after charging:				
Auditors' remuneration				
> Audit fees				
> KPMG PLT Malaysia	489	371	80	75
> Other auditors	73	76	-	-
> Non-audit fees				
> KPMG PLT Malaysia	560	682	560	682
> Affiliate of KPMG Malaysia	92	91	-	4
> Other auditors	7	26	-	-
	=====	=====	=====	=====
Material expenses/(income)				
Depreciation of property, plant and equipment (Note 3)	137,658	89,781	-	-
Depreciation of right-of-use assets (Note 4)	5,605	-	-	-
Foreign exchange loss/ (gain)				
> realised	2,636	3,507	-	-
> unrealised	(606)	425	-	-
Personnel expenses (including key management personnel):				
> wages, salaries and others	113,040	87,250	6,173	5,440
> contributions to state plans	1,895	1,114	118	110
Loss on disposal of trade receivables	8,040	2,781	-	-

NOTES TO THE FINANCIAL STATEMENTS

22. RESULTS FROM OPERATING ACTIVITIES (CONTINUED)

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Gain on disposal of subsidiaries	-	817	-	-
Expenses/(income) arising from leases				
Expenses relating to short-term leases (Note 22.1)	19,858	-	-	-
Expenses relating to leases of low-value assets (Note 22.1)	55	-	-	-
	=====	=====	=====	=====

22.1 The Group leases tools and equipment and residential premises with contract terms of one to two years. These leases are short-term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

23. FINANCE INCOME AND COSTS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit and interest costs				
Profit and interest costs of financial liabilities that are not at fair value through profit or loss:				
➤ finance leases	-	1,566	-	-
➤ term loans, revolving credits and bankers' acceptances	57,445	46,607	-	-
➤ bank overdrafts	7,481	3,493	2,618	1
➤ overdue, late payment and trade finance cost	3,409	187	2	-
➤ Sukuk coupon/profit	81,071	10,269	52,362	10,269
➤ premium for Sukuk redemption	52,320	-	52,320	-
➤ interest or profit expense on lease liabilities	1,047	-	-	-
Recognised in profit or loss	202,773	62,122	107,302	10,270
	=====	=====	=====	=====

23. FINANCE INCOME AND COSTS (CONTINUED)

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit and interest income				
Profit and interest income of financial assets that are not at fair value through profit or loss:				
➤ fixed deposits	21,522	12,535	4,175	5,466
Recognised in profit or loss	21,522	12,535	4,175	5,466
	=====	=====	=====	=====

24. TAX EXPENSE

Recognised in profit or loss

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current tax expense				
Malaysia ➤ current year	32,249	18,880	4,047	768
➤ prior year	13,493	7,961	2,807	1,919
Overseas ➤ current year	658	562	-	-
	46,400	27,403	6,854	2,687
	-----	-----	-----	-----
Deferred tax expense (Note 9)				
➤ current year	10,121	17,326	-	-
➤ prior year	(9,676)	54	-	-
	445	17,380	-	-
	46,845	44,783	6,854	2,687
	=====	=====	=====	=====

NOTES TO THE FINANCIAL STATEMENTS

24. TAX EXPENSE (CONTINUED)

Reconciliation of tax expense

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit after tax	497,983	392,842	140,224	111,238
Total tax expense	46,845	44,783	6,854	2,687
Profit excluding tax	544,828	437,625	147,078	113,925
	=====	=====	=====	=====
Income tax calculated using Malaysian tax rate of 24%	130,342	105,030	35,299	27,342
Tax exempt income	-	-	(33,943)	(25,728)
Effect of lower tax under Labuan Business Activity Tax *	-	(82,663)	-	-
Effect of tax rate in foreign jurisdictions	(96)	(180)	-	-
Non-deductible expenses	50,289	18,620	2,691	(846)
Profit of foreign source not subject to Malaysian tax	(137,507)	(4,039)	-	-
	43,028	36,768	4,047	768
	-----	-----	-----	-----
Under provision in prior year	3,817	8,015	2,807	1,919
Total tax expense	46,845	44,783	6,854	2,687
	=====	=====	=====	=====

* The Group has a few Labuan companies which are governed under Labuan Business Activity Act 1990 ("LBATA"). Based on Labuan Business Activity Tax (Amendment) Bill 2019 and clarification from Certified Tax Institute of Malaysia ("CTIM") through its memorandum on issues arising from Labuan Business Activity Tax (Amendment) Bill 2019 dated 18 December 2019, Labuan business activity which is not listed in the amended regulations will be taxed under the Income Tax Act 1967. As a result of this, some of the group's Labuan companies that are not listed in the amended regulations will be taxed under the Income Tax Act 1967.

In prior year, Lembaga Hasil Dalam Negeri ("LHDN") has conducted tax investigation on two subsidiaries of the Group in relation to Year of Assessment 2010 to 2015. The tax investigation has been settled subsequent to year end, with total tax settlement of RM45 million, of which constitute additional tax payable of RM29 million and tax penalty of RM16 million. As at 31 December 2019, the tax payment for the additional tax payable and tax penalty has been fully settled.

NOTES TO THE FINANCIAL STATEMENTS

25. COMPENSATIONS TO KEY MANAGEMENT PERSONNEL

Compensations paid/payable to key management personnel are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Directors of the Group or the Company				
➤ fees	978	693	978	693
➤ remuneration	2,007	2,150	2,007	2,150
➤ other short-term employee benefits	1,469	437	1,469	437
	4,454	3,280	4,454	3,280
	-----	-----	-----	-----
Other key management personnel				
➤ remuneration	1,284	1,164	1,284	1,164
➤ other short-term employee benefits	638	203	638	203
	1,922	1,367	1,922	1,367
	6,376	4,647	6,376	4,647
	-----	-----	-----	-----

Other key management personnel comprise persons other than the Directors of group entities, having authority and responsibility for planning, directing and controlling the activities of the group entities either directly or indirectly.

26. EARNINGS PER ORDINARY SHARE - GROUP

Basic and diluted earnings per ordinary share

Pursuant to the requirements of MFRS 133 *Earnings per Share*, the weighted average number of ordinary shares used in the calculation of basic and diluted EPS for the current and previous financial year ended 31 December 2019 and 31 December 2018 have been retrospectively adjusted to reflect the share split and bonus issue.

The calculation of basic and diluted earnings per ordinary share at 31 December 2019 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

NOTES TO THE FINANCIAL STATEMENTS

26. EARNINGS PER ORDINARY SHARE - GROUP (CONTINUED)

	2019 RM'000	2018 RM'000
Profit attributable to ordinary shareholders	496,640	391,478
	=====	=====
	2019	2018
Weighted average number of ordinary shares at the end of year *	3,083,849,878	3,061,575,495
	=====	=====
Basic and diluted earnings per ordinary share (sen)	16.10	12.79
	=====	=====

* Comparative figure of the weighted average number of ordinary shares in issue for the basic earnings per ordinary share computations have been restated to reflect the adjustments arising from the share split and bonus issue, which were completed on 4 December 2019.

No warrants were exercised during the financial year. The warrants are anti-dilutive and hence, the diluted earnings per share is equal to the basic earnings per share.

27. DIVIDENDS

Dividends recognised by the Company:

	Sen per share	Total amount RM'000	Date of payment
2019			
Fourth interim 2018	2.30	33,775	28 March 2019
First interim	2.30	33,775	28 June 2019
Second interim	2.70	39,650	30 September 2019
Third interim	1.11	34,231	30 December 2019
		141,431	
		=====	
2018			
Fourth interim 2017	1.60	23,496	30 March 2018
First interim	1.90	27,902	29 June 2018
Second interim	2.15	31,573	28 September 2018
Third interim	1.65	24,230	27 December 2018
		107,201	
		=====	

NOTES TO THE FINANCIAL STATEMENTS

27. DIVIDENDS (CONTINUED)

On 26 February 2020, the Board of Directors declared a fourth interim dividend of 1.40 sen per ordinary share totalling RM43,047,646 in respect of the financial year ended 31 December 2019. The dividend will be recognised in subsequent financial year.

The Directors do not recommend any final dividend to be paid for the year under review.

28. OPERATING SEGMENTS

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 Chief Executive Officer (being the Chief Operating Decision Maker), reviews internal management reports quarterly. The following describes the operations in each of the Group's reportable segments.

- O&M - Operations and maintenance which includes maintenance, repair and overhaul of rotating equipment, inspection, repair and maintenance of static equipment and structure, maintenance of process control and instrumentation, and other related services.
- EPCC - Engineering, procurement, construction and commissioning which includes, among others, piping system, process control and instrumentation, equipment installation, power generation plant, gas compression plant, auxiliary power generation and fire-fighting system, and other related services.
- Others - Technical training, information, communication, and technology ("ICT") solutions, and supply of products and parts.

There are varying levels of integration between the reportable segments. Inter-segment pricing is determined on negotiated terms.

Performance is measured based on segment profit before tax as included in the internal management reports. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of the segments relative to other entities that operate within these industries.

NOTES TO THE FINANCIAL STATEMENTS

28. OPERATING SEGMENTS (CONTINUED)

Segment assets and liabilities

For decision making and resources allocation, the Group Chief Executive Officer reviews the statement of financial position of respective subsidiaries. As such, information on segment assets and segment liabilities is not presented.

	O&M		EPCC		Others		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from external customers	3,895,228	2,928,551	509,031	346,811	124,362	7,812	4,528,621	3,283,174
Segment profit	710,923	524,320	77,791	55,901	22,120	2,103	810,834	582,324
Unallocated costs								
Finance income							(119,791)	(108,992)
Finance costs							21,522	12,535
Share of results of equity accounted associates							(202,773)	(62,122)
Profit before tax							35,036	13,880
Income tax expense							544,828	437,625
Profit for the year							(46,845)	(44,783)
Included in the segment profit or loss							497,983	392,842
Depreciation of property plant and equipment	116,099	74,302	15,172	8,799	3,706	198	134,977	83,299
Unallocated depreciation of property, plant and equipment							2,681	6,482
Unallocated depreciation of right-of-use assets							5,605	-
Unrealised foreign exchange loss/(gain)		425					(606)	425

28. OPERATING SEGMENTS (CONTINUED)

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers. Segment assets are based on the geographical location of the assets. The presentation of non-current assets as below is at gross before elimination of inter-company balances.

Revenue	2019 RM'000	2018 RM'000
Malaysia	1,305,559	920,250
Qatar	1,243,263	681,244
Saudi Arabia	188,287	274,998
Indonesia	155,443	70,399
United Arab Emirates	889,946	674,919
Bahrain	382,010	327,204
Other countries	364,113	334,160
Consolidated	4,528,621	3,283,174
Non-current assets	2019 RM'000	2018 RM'000
Malaysia	3,178,777	1,107,759
Indonesia	28,110	29,794
Other countries	10,631	1,871
Total	3,217,518	1,139,424

Major customers

The following are the major customers individually accounting for 10% or more of group revenue:

	Revenue 2019 RM'000	Revenue 2018 RM'000	Segment
Customer A	707,712	502,830	O&M
Customer B	504,924	353,128	O&M
Customer C	387,538	329,929	O&M

NOTES TO THE FINANCIAL STATEMENTS

29. FINANCIAL INSTRUMENTS

29.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- (i) Fair value through profit or loss ("FVTPL")
(ii) Amortised cost ("AC")

<i>Financial assets/(liabilities)</i>	Carrying amount RM'000	AC RM'000	FVTPL RM'000
2019			
Group			
Other investments	65,688	51,172	14,516
Trade and other receivables	1,256,132	1,256,132	-
Cash and cash equivalents	1,306,590	1,306,590	-
Trade and other payables	460,405	460,405	-
Loans and borrowings	3,339,527	3,339,527	-
	=====	=====	=====
Company			
Trade and other receivables	1,797,507	1,797,507	-
Cash and cash equivalents	88,164	88,164	-
Trade and other payables	197,083	197,083	-
Loans and borrowings	868,825	868,825	-
	=====	=====	=====
2018			
Group			
Other investments	70,455	69,952	503
Trade and other receivables	957,277	957,277	-
Cash and cash equivalents	760,791	760,791	-
Trade and other payables	481,692	481,692	-
Loans and borrowings	1,711,456	1,711,456	-
	=====	=====	=====

NOTES TO THE FINANCIAL STATEMENTS

29. FINANCIAL INSTRUMENTS (CONTINUED)

29.1 Categories of financial instruments (continued)

<i>Financial assets/(liabilities)</i>	Carrying amount RM'000	AC RM'000	FVTPL RM'000
2018			
Company			
Trade and other receivables	1,365,410	1,365,410	-
Cash and cash equivalents	302,528	302,528	-
Trade and other payables	49,996	49,996	-
Loans and borrowings	798,990	798,990	-
	=====	=====	=====

29.2 Net gains and losses arising from financial instruments

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Net gains/(losses) on:				
Financial asset at fair value through profit or loss	13,482	9,754	4,175	5,466
Financial liabilities measured at amortised cost	(202,332)	(62,542)	(107,302)	(10,270)
	-----	-----	-----	-----
	(188,850)	(52,788)	(103,127)	4,804
	=====	=====	=====	=====

29.3 Financial risk management

The Group and the Company are exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk; and
- Market risk

(a) 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 trade customers. The Group's or 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 year.

NOTES TO THE FINANCIAL STATEMENTS

29. FINANCIAL INSTRUMENTS (CONTINUED)

29.3 Financial risk management (continued)

(a) Credit risk (continued)

(i) Trade receivables

Risk management objectives, policies and processes for managing the risk

The customers of the Group are principally involved in the oil and gas industry. The Group uses ageing analysis to monitor the credit quality of the receivables.

At each reporting date, the Group assesses whether any of the trade receivables are credit impaired.

The gross carrying amounts of credit impaired trade receivables and contract assets are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 120 days, which are deemed to have higher credit risk, are monitored individually.

Concentration of credit risk

As at the end of the reporting period, there are no significant concentration of credit risk other than the amounts due from three (2018: four) counterparties of RM442,268,295 (2018: RM458,152,887).



NOTES TO THE FINANCIAL STATEMENTS

29. FINANCIAL INSTRUMENTS (CONTINUED)

29.3 Financial risk management (continued)

(a) Credit risk (continued)

(i) Trade receivables (continued)

Concentration of credit risk (continued)

The exposure of credit risk for trade receivables as at the end of the reporting period by geographic region is:

Group	2019 RM'000	2018 RM'000
Malaysia	301,511	213,899
Asia	130,158	133,604
Middle East	772,628	576,063
Europe	14	51
	1,204,311	923,617
	=====	=====

Recognition and measurement of impairment loss

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, trade receivables will pay within 90 - 150 days. Above 90 days past due after credit term, the Group will start to initiate a structured debt recovery process which is monitored by the account receivables team.

The gross carrying amounts of credit impaired trade receivables are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, receivables that are written off could still be subject to enforcement activities.

The Group assessed the risk of loss of each customer individually based on their financial information, past trend of payments and external credit ratings, where applicable. All of these customers have low risk of default.



NOTES TO THE FINANCIAL STATEMENTS

29. FINANCIAL INSTRUMENTS (CONTINUED)

29.3 Financial risk management (continued)

(a) Credit risk (continued)

(ii) Other investments

Risk management objectives, policies and processes for managing the risk

Investments are allowed in liquid securities in licensed financial institutions and equity investments in non-listed entities.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the Group has invested in domestic securities, domestic and international equities accordingly. The maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Other investments of the Group (see Note 7) are categorised as fair value through profit or loss. The Group does not have overdue investments that have not been impaired.

The investments are unsecured.

(iii) Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

These banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

(iv) Intercompany balances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and advances to subsidiaries and monitors the results of the subsidiaries regularly. The subsidiaries have been reporting strong financial performance and are able to repay the loans and advances in due course.

NOTES TO THE FINANCIAL STATEMENTS

29. FINANCIAL INSTRUMENTS (CONTINUED)

29.3 Financial risk management (continued)

(a) Credit risk (continued)

(iv) Intercompany balances (continued)

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position and the Company do not recognise any allowance for impairment loss.

(v) Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Group or the Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM3,339,527,000 (2018: RM1,711,457,000) representing the outstanding banking facilities of the subsidiaries as at end of the reporting period.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

(b) Liquidity risk

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

Risk management objectives, policies and processes for managing the risk

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

NOTES TO THE FINANCIAL STATEMENTS

29. FINANCIAL INSTRUMENTS (CONTINUED)

29.3 Financial risk management (continued)

(b) Liquidity risk (continued)

(i) Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments.

Group	Carrying amount RM'000	Contractual interest or profit rate/coupon %	Contractual cash flows RM'000	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000
2019							
Lease liabilities	82,871	1.05 - 9.55	86,522	61,136	19,972	5,269	145
Bank overdrafts (Islamic) - secured	2,554	8.00 - 9.00	2,554	2,554	-	-	-
Bank overdrafts - secured	3,443	8.00 - 9.00	3,443	3,443	-	-	-
Revolving credits - secured	12,662	7.85 - 9.10	12,662	12,662	-	-	-
Term loans (Islamic) - secured	166,003	1.40 - 15.50	188,388	19,559	46,607	50,584	71,638
Term loans (Islamic) - unsecured	868,825	5.40 - 6.00	971,461	123,491	165,787	682,183	-
Term loans - secured	741	4.25 - 4.77	753	413	234	106	-
Bankers' acceptance - secured	283	3.50	283	283	-	-	-
Revolving credits (Islamic) - secured	274,549	3.00 - 9.10	274,549	274,549	-	-	-
Sukuk (Islamic) - unsecured	2,010,467	4.95 - 6.99	2,488,728	134,631	134,631	1,403,134	816,332
Trade and other payables	460,405	-	460,405	402,657	-	-	57,748
	<u>3,882,803</u>		<u>4,489,748</u>	<u>1,035,378</u>	<u>367,231</u>	<u>2,141,276</u>	<u>945,863</u>
	=====		=====	=====	=====	=====	=====

29. FINANCIAL INSTRUMENTS (CONTINUED)

29.3 Financial risk management (continued)

(b) Liquidity risk (continued)

(i) Maturity analysis (continued)

Group	Carrying amount RM'000	Contractual interest or profit rate/coupon %	Contractual cash flows RM'000	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000
2018							
Finance lease liabilities - secured	11,288	1.05 - 9.55	12,596	4,573	3,413	4,557	53
Bank overdrafts (Islamic) - secured	3,281	8.00 - 9.00	3,281	3,281	-	-	-
Bank overdrafts - secured	11,357	8.00 - 9.00	11,357	11,357	-	-	-
Revolving credits - secured	1,585	7.85 - 9.10	1,585	1,585	-	-	-
Term loans (Islamic) - secured	314,651	1.40 - 15.50	339,179	7,698	255,887	42,731	32,863
Term loans - secured	1,523	4.25 - 4.77	1,747	266	551	519	411
Bankers' acceptance - secured	269	3.50	269	269	-	-	-
Revolving credits (Islamic) - secured	568,512	3.00 - 9.10	568,512	568,512	-	-	-
Sukuk (Islamic) - unsecured	798,990	4.95 - 5.30	1,139,456	51,493	41,463	120,388	926,112
Trade and other payables	481,692	-	481,692	426,509	55,183	-	-
	<u>2,193,148</u>		<u>2,559,674</u>	<u>1,075,543</u>	<u>356,497</u>	<u>168,195</u>	<u>959,439</u>
	=====		=====	=====	=====	=====	=====



NOTES TO THE FINANCIAL STATEMENTS

29. FINANCIAL INSTRUMENTS (CONTINUED)

29.3 Financial risk management (continued)

(b) Liquidity risk (continued)

(i) Maturity analysis (continued)

Company	Carrying amount RM'000	Contractual interest or profit rate/coupon %	Contractual cash flows RM'000	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000
2019							
Term loans (Islamic) - unsecured	868,825	5.40 - 6.00	971,461	123,491	165,787	682,183	-
Trade and other payables	197,083	-	197,083	197,083	-	-	-
Financial guarantees *	-	-	427,813	427,813	-	-	-
	=====		=====	=====	=====	=====	=====
2018							
Sukuk (Islamic)							
- unsecured	798,990	4.95 - 5.30	1,139,456	51,493	41,463	120,388	926,112
Trade and other payables	49,996	-	49,996	49,996	-	-	-
Financial guarantees *	-	-	590,776	590,776	-	-	-
	=====		=====	=====	=====	=====	=====

* Being corporate guarantees granted for banking facilities of certain subsidiaries and associate [see Note 18], which will only be encashed in the event of the default by the subsidiaries and associate. These financial guarantees do not have an impact on the Group contractual cash flows.

NOTES TO THE FINANCIAL STATEMENTS

29. FINANCIAL INSTRUMENTS (CONTINUED)

29.3 Financial risk management (continued)

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's financial position or cash flows.

(i) Currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk is primarily US Dollar ("USD").

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period are as follows:

Balance denominated in USD

	2019 RM'000	2018 RM'000
Group		
Trade receivables	17,511	2,571
Cash and cash equivalents	1,721	5,977
Trade payables	(9,242)	(2,702)
Net exposure in the statement of financial position	9,990	5,846
	=====	=====

Currency risk sensitivity analysis

A 10% strengthening of the Ringgit Malaysia ("RM") against USD at the end of the reporting period would have decreased equity and post-tax profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remained constant.

	2019 RM'000	2018 RM'000
Profit or loss		
USD		
In Group	(759)	(444)
	=====	=====



NOTES TO THE FINANCIAL STATEMENTS

29. FINANCIAL INSTRUMENTS (CONTINUED)

29.3 Financial risk management (continued)

(c) Market risk (continued)

(i) Currency risk (continued)

Currency risk sensitivity analysis (continued)

A 10% weakening of Ringgit Malaysia (“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.

(ii) Interest and profit rates risk

The Group’s fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest or profit rates. For the Islamic and conventional facilities respectively, the Group’s variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest or profit rates. The Group is also exposed to interest or profit rate risk on the term deposits placed with licensed banks. Investments in equity securities and short term receivables and payables are not significantly exposed to interest or profit rate risk.

Risk management objectives, policies and processes for managing the risk

The Group monitors its exposure to changes in interest or profit rates on a regular basis. Borrowings are negotiated with a view to securing the best possible terms including rates of interest and profit rate, to the Group.

Exposure to interest and profit rates risk

The interest and profit rates profile of the Group’s and the Company’s significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period are as follows:

	2019 RM’000	2018 RM’000
Group		
Fixed rate instruments		
Financial assets	107,408	101,037
Financial liabilities	(2,099,335)	(824,916)
	(1,991,927)	(723,879)
	=====	=====
Floating rate instruments		
Financial liabilities	(1,323,063)	(886,540)
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS

29. FINANCIAL INSTRUMENTS (CONTINUED)

29.3 Financial risk management (continued)

(c) Market risk (continued)

(ii) Interest and profit rates risk (continued)

Exposure to interest and profit rates risk (continued)

	2019 RM’000	2018 RM’000
Company		
Fixed rate instruments		
Financial assets	(868,825)	(798,990)
	=====	=====

Interest and profit rates 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, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest and profit rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points (“bp”) in interest and profit rates at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

NOTES TO THE FINANCIAL STATEMENTS

29. FINANCIAL INSTRUMENTS (CONTINUED)

29.3 Financial risk management (continued)

(c) Market risk (continued)

(ii) Interest and profit rates risk (continued)

Cash flow sensitivity analysis for variable rate instruments (continued)

Group	Profit or loss	
	100bp increase RM'000	100bp decrease RM'000
Floating rate instruments		
➤ 2019	(10,055)	10,055
➤ 2018	(6,738)	6,738
	=====	=====

Other price risk

Equity price risk arises from the Group or the Company's investments in equity securities.

Risk management objectives, policies and processes for managing the risk

Management monitors the equity investments on a portfolio basis. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by management.

There is no sensitivity analysis performed as any change will be insignificant to the Group.

29.4 Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

The fair value of other investments is disclosed in Note 7, which is based on their quoted closing market prices and the net asset value of the unit trust at their reporting date.

The table below analyses non-current financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

29. FINANCIAL INSTRUMENTS (CONTINUED)

29.4 Fair value information (continued)

	2019		2018	
	Group		Group	
	Fair value of financial instruments carried at fair value		Fair value of financial instruments not carried at fair value	
	Fair value of financial instruments carried at fair value Level 1 RM'000	Fair value of financial instruments not carried at fair value Level 2 RM'000	Fair value of financial instruments not carried at fair value Level 3 RM'000	Carrying amount RM'000
Financial assets				
Other investments	816	13,700	-	14,516
Financial liabilities				
Term loans (Islamic)	-	-	927,818	927,818
Term loans	-	-	339	339
Sukuk	-	-	2,010,467	2,010,467
	-	-	2,938,624	2,938,624
	=====	=====	=====	=====
2018	503	-	-	503
	=====	=====	=====	=====
Financial assets				
Other investments	503	-	-	503
Financial liabilities				
Term loans (Islamic)	-	-	309,835	309,835
Term loans	-	-	1,336	1,336
Finance lease liabilities	-	-	7,344	7,344
Sukuk	-	-	788,990	788,990
Trade and other payables	-	-	55,183	55,183
	-	-	1,162,688	1,162,688
	=====	=====	=====	=====



NOTES TO THE FINANCIAL STATEMENTS

29. FINANCIAL INSTRUMENTS (CONTINUED)

29.4 Fair value information (continued)

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.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

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 financial assets or liabilities, either directly or indirectly.

Non-derivative financial liabilities

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.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the financial year.

Level 3 fair value

Level 3 fair value is estimated using observable inputs for the financial assets and liabilities.

The table in ensuing page shows the valuation techniques used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models.

Financial instruments not carried at fair value

Type	Description of valuation technique and input used
Term loans and finance lease liabilities	Discounted cash flow using a rate based on the current market rate of borrowing of the respective Group entities at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

30. CAPITAL MANAGEMENT

The Group’s objectives when managing capital are to maintain a strong capital base and safeguard the Group’s ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

The Group’s strategy is to maintain the debt-to-equity ratio not exceeding 2.00 times. The debt-to-equity ratios at 31 December 2019 and as at 31 December 2018, were as follows:

	2019 RM'000	Group 2018 RM'000
Total loans and borrowings (Note 18)	3,339,527	1,711,456
Finance Lease liabilities (Note 17.1)	11,899	-
Less: Cash and cash equivalents (Note 14)	(1,306,590)	(760,791)
Less: Other investments (Note 7)	(51,172)	(69,952)
Net debt	1,993,664	880,713
	=====	=====
Total equity	2,439,885	2,092,265
	=====	=====
Net debt-to-equity ratios	0.82	0.42
	=====	=====

There was no change in the Group’s approach to capital management during the financial year.

The Group is also required to maintain a maximum debt-to-equity ratio of 2.00 to comply with bank covenants, failing which, the banks may call an event of default. The Group has not breached this covenant (see Note 18).

31. RELATED PARTIES

Identity of related parties

For the purposes of the financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control or jointly control the parties or exercise significant influence over the parties in making financial and operating decisions, or vice versa, or where the Group or the Company and the parties are subject to common control. Related party 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 or the Company either directly or indirectly and entity that provides key management personnel services to the Group. Key management personnel include all the Directors of the Group or the Company, and certain members of senior management of the Group or the Company.

The Group has related party relationships with its significant investors, subsidiaries, associate and key management personnel.



NOTES TO THE FINANCIAL STATEMENTS

31. RELATED PARTIES (CONTINUED)

Significant related party transactions

Significant related party transactions, other than compensations paid to key management personnel (see Note 25) and those disclosed elsewhere in the financial statements, are as follows:

Transactions with companies/corporations in which certain Directors have or are deemed to have substantial interests

Nature of transactions	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Contractor charges	750	12,827	-	-
Professional service charges	5,264	4,377	-	-
Revenue from operation and maintenance	(16)	(6,610)	-	-
	=====	=====	=====	=====

Transactions with associates

Nature of transactions	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue from engineering, procurement, construction and commissioning project	(6,192)	(67)	-	-
Contract revenue	(139,231)	(84,472)	-	-
	=====	=====	=====	=====

The balances with associate and subsidiaries are disclosed in Notes 12 and 20 to the financial statements.

The above transactions are based on negotiated terms. All the outstanding balances are unsecured and expected to be settled in cash.

NOTES TO THE FINANCIAL STATEMENTS

32. ACQUISITION OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS

(a) Acquisition of subsidiaries

On 15 March 2019, the Group via SDSB, a wholly owned indirect subsidiary of the Company has subscribed 1,000,000 ordinary shares representing 100% shareholding in Sungai Rek Sdn. Bhd. (“SGR”) for a total cash consideration of approximately RM8,000,000.

On 16 October 2019, the Group via SDGB, a wholly owned subsidiary of the Company entered into a Share Sale Agreement to acquire 6,500 ordinary shares representing 65% equity interest in Get Development Sdn. Bhd. for a consideration of RM50 million and is recognised as a subsidiary.

The following acquisitions had been completed and transferred from deposits:

- (i) On 7 September 2018, the Group via SDIL, a wholly owned indirect subsidiary of the Company entered into a Share Purchase Agreement to acquire 6,000 ordinary shares representing 100% equity interest in Psicon AVV for a total cash consideration of approximately RM4.5 million. The consideration has been paid as deposit in prior year. On 25 August 2019 the acquisition has been completed and recognised as subsidiary.
- (ii) On 23 November 2018, TASB, a wholly owned indirect subsidiary of the Company entered into a Share Sale Agreement to subscribe 175,000 ordinary shares representing approximately 70% equity interest in Materials Technology Education Sdn. Bhd. for a consideration of RM480,000. The consideration has been paid as deposit in prior year. On 23 January 2019 the acquisition has been completed and recognised as subsidiary.



NOTES TO THE FINANCIAL STATEMENTS

32. ACQUISITION OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS (CONTINUED)

(a) Acquisition of subsidiaries (continued)

Recognised fair value at date of acquisition

	Note	Sungai Rek Sdn. Bhd. RM'000	Psicon AVV RM'000	Materials Technology Education Sdn. Bhd. RM'000	Get Development Sdn. Bhd. RM'000	Total RM'000
Property, plant and equipment	3	-	-	66	-	66
Right-of-use assets	4	8,000	-	-	-	8,000
Trade and other receivables		-	-	332	-	332
Deposits and prepayments		-	-	23	-	23
Cash and cash equivalents		-	24	520	1	545
Current tax payables		-	-	(43)	-	(43)
Trade and other payables		(1,480)	-	(143)	(10)	(1,633)
Net identifiable assets and liabilities		6,520	24	755	(9)	7,290
Goodwill	8	1,480	4,495	-	-	5,975
Bargain purchase		-	-	(275)	-	(275)
Development land rights		-	-	-	107,757	107,757
Other payables		-	-	-	(57,748)	(57,748)
Purchase consideration		8,000	4,519	480	50,000	62,999
Less:						
Cash and cash equivalents acquired		-	(24)	(520)	(1)	(545)
Outstanding settlement		-	-	-	(10,000)	(10,000)
Net cash outflow on acquisition of subsidiaries		8,000	4,495	(40)	39,999	52,454
		=====	=====	=====	=====	=====

(b) Incorporation of subsidiaries

On 5 April 2019, the Group via SDIT, a wholly owned indirect subsidiary of the Company has subscribed 250,000 ordinary shares representing 100% shareholdings in SDIT International Limited ("SDITIL") for a cash consideration of USD250,000.

On 8 July 2019, the Group via SDGB, a wholly owned subsidiary of the Company, has subscribed one ordinary share representing 100% shareholdings in Bintulu Oil and Gas City Sdn. Bhd. for a cash consideration of RM1.

On 29 September 2019, the Group via SDIL, a wholly owned indirect subsidiary of the Company has subscribed 1,000 ordinary shares representing 100% shareholdings in SD International Sukuk II Limited for a cash consideration of RM4,188.

The incorporation of the above subsidiaries, at their respective dates of incorporation, has no material impact on the results of the Group for the current financial year.

NOTES TO THE FINANCIAL STATEMENTS

33. SIGNIFICANT EVENTS

- (a) On 9 May 2019, the Group via SD International Sukuk Limited, a wholly owned indirect subsidiary of the Company, has issued and finalised a Sukuk Wakalah programme, and raised approximately USD300 million for the purpose of general working capital and refinancing of existing debts with tenure of 3 years, payable semi-annually at an annual profit rate of 6.30%, and with maturity on year 2022.
- (b) On 12 December 2019, the Group via SD International Sukuk II Limited, a wholly owned indirect subsidiary of the Company, has issued and finalised a Sukuk Wakalah programme, and raised approximately USD200 million for the purpose of general working capital with tenure of 5 years and 3 months, payable semi-annually at an annual profit rate of 6.99%, and with maturity on year 2025.
- (c) The number of ordinary shares of the Company has increased from 1,468,500,000 to 3,083,849,878 following the listing of the subdivided shares and bonus shares, as detailed below on the Main Market of Bursa Securities on 4 December 2019:
- (i) number of subdivided shares of 734,249,957 pursuant to share split involving a subdivision of every two existing ordinary shares into three shares; and
- (ii) number of bonus shares of 881,099,921 pursuant to bonus issue on the basis of two bonus shares for every five subdivided shares;
- (d) The issuance of 881,099,921 free warrants on the basis of two warrants for every five subdivided shares has been completed on 13 December 2019 following the listing and quotation of the warrants on the Main Market of Bursa Securities.

34. CAPITAL COMMITMENT - GROUP

	2019 RM'000	2018 RM'000
Land and buildings		
Contracted but not provided for	436,440	607,572
	=====	=====



NOTES TO THE FINANCIAL STATEMENTS

35. EVENT AFTER REPORTING PERIOD

- a) The coronavirus (Covid-19) pandemic was announced by the World Health Organisation in early 2020 and has since spread to countries across the world including Malaysia. The government of Malaysia announced a Movement Control Order (“MCO”) on 16 March 2020. The MCO began on 18 March 2020. The Covid-19 pandemic has resulted in disruptions to businesses and various macro-economic impacts. The rapid spread of the virus has weakened the global economic outlook and oil demand in the short-term, resulting in oversupply. The unprecedented lockdowns in many countries have translated to the shrinking demand, resulting in the low crude oil prices.
- The Group considers this outbreak to be a non-adjusting event as it was not a condition that existed as at year end. Accordingly, the current conditions arising from this outbreak do not have an impact on the balances reported for the financial year ended 31 December 2019.
- As at the date of this financial statement are authorised for issuance, the current situation is still very unpredictable. As a result, it is not practicable for the Group to estimate the financial effect of this outbreak at this juncture. However, the Group is still continuously assessing the financial impact of the Covid-19 pandemic to the Group’s performance.
- b) The shareholders of the Company, by a special resolution passed in Annual General Meeting held on 20 June 2019 approved the Company’s plan to purchase its own shares.
- In March 2020, the Company made multiple repurchase transactions of shares totaling to 18,779,000 shares from its issued share capital in the open market at a range of average price of RM1.27 to RM1.97 per share. The total consideration paid was RM31,865,817. The repurchase transactions were financed by internally generated funds. The shares repurchased are retained as treasury shares.
- c) On 23 April 2020, the Company announced that approval has been obtained from shareholders of the Company for the private placement exercise of up to 10% of the total number of issued shares of the Company pursuant to Sections 75 and 76 of the Companies Act 2016. On 5 May 2020, the Company has completed the private placement exercise, in which the Company has issued 306,507,000 new shares with an issue price of RM1.49 per placement share.

36. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

During the year the Group and the Company adopted MFRS 16, *Leases* and Amendments to MFRS 123, *Borrowing Cost (Annual Improvements to MFRS Standards 2015-2017 Cycle)*.

The principal changes in accounting policies and their effects are set out below:

(i) MFRS 16, *Leases*

Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for a consideration. On transition to MFRS 16, the Company has reclassified all contracts to determine whether the contracts are, or contain a lease at the date of initial application.

NOTES TO THE FINANCIAL STATEMENTS

36. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(i) MFRS 16, *Leases (Continued)*

As a lessee

Where the Group and the Company are a lessee, the Group and the Company applied the requirement of MFRS 16 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings at 1 January 2019.

At 1 January 2019, for leases that were classified as operating lease under MFRS 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group entities’ incremental borrowing rate as at 1 January 2019. The weighted-average rate applied is 7%. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying MFRS 16 to leases previously classified as operating lease under MFRS 117:



- applied a single discount rate to a portfolio of leases with similar characteristics;
- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term as at 1 January 2019;
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and used hindsight when determining the lease term if the contract contains options to extend to terminate the lease.

For leases that were classified as finance lease under MFRS 117, the carrying amounts of the right-of-use asset and the lease liability at 1 January 2019 are determined to be the same as the carrying amount of the leased asset and lease liability under MFRS 117 immediately before that date.

(ii) Amendments to MFRS 123, *Borrowing Cost (Annual Improvements to MFRS Standards 2015-2017 Cycle)*

In previous years, borrowing costs relating to a specific qualifying assets were capitalised into the cost of the qualifying assets. The capitalisation of borrowing costs ceased when substantially all activities necessary to prepare the qualifying asset for its intended use was completed. Any borrowing costs incurred subsequently were expensed off to profit or loss.

Following the amendments to MFRS 123, when qualifying asset is ready for its intended use, any outstanding borrowing made specifically to obtain that qualifying asset is treated as part of general borrowing costs applicable to all borrowings of the Group during the year.

The change in this accounting policy is applied prospectively.



NOTES TO THE FINANCIAL STATEMENTS

36. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONTINUED)

36.1 Impacts on financial statements

(i) MFRS 16, Leases

During the year, the Group and the Company adopted MFRS 16 using the modified retrospective approach. Accordingly, the comparative information presented for year 2018 has not been restated – i.e. it is presented, as previously reported under MFRS 117, *Leases* and related interpretations.

The following table explains the difference between operating lease commitments disclosed applying MFRS 117 at 31 December 2018, and lease liabilities recognised in the statement of financial position at 1 January 2019.

	RM'000
Operating lease commitments at 31 December 2018	4,873
Discounted using the incremental borrowing rate at 1 January 2019	4,262
Finance lease liabilities recognised at 31 December 2018	11,288
Contractual payment for land use rights	140,572
Lease liabilities recognised at 1 January 2019	156,122

(ii) Amendments to MFRS 123, *Borrowing Cost (Annual Improvements to MFRS Standards 2015-2017 Cycle)*

The Group has capitalised additional finance cost of RM20,197,598 into the cost of the qualifying assets during the financial year.

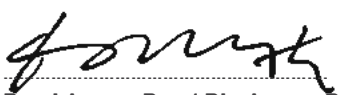
STATEMENT BY DIRECTORS

STATEMENT BY DIRECTORS PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

In the opinion of the Directors, the financial statements set out on pages 212 to 318 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 2019 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:


Dato' Dr. Ir. Ts. Mohd Abdul Karim Bin Abdullah
Director


Dato' Awang Daud Bin Awang Putera
Director

Shah Alam,

Date: 6 May 2020



STATUTORY DECLARATION

STATUTORY DECLARATION PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

I, **Syed Nazim bin Syed Faisal**, the Officer primarily responsible for the financial management of Serba Dinamik Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 212 to 318 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed **Syed Nazim bin Syed Faisal**, NRIC: **801112-08-5943**, MIA CA **27418**, at Kuala Lumpur in Wilayah Persekutuan on 6 May 2020.

Syed Nazim bin Syed Faisal

Before me:



Tetapan Rahman Rohaiddo
R-07-09, Menara Sincap 2,
KL Gateway, No. 3 Jalan Retrosalil
Gerbang Kertochi Lestari,
50200 Kuala Lumpur,
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INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SERBA DINAMIK HOLDINGS BERHAD

Registration No. 201501042584 (1167905-P)
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Serba Dinamik Holdings Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statement of changes in equity and the statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 212 to 318.

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 2019 and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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



INDEPENDENT AUDITOR'S REPORT

Key Audit Matters

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

1.
- Existence, accuracy and completeness of revenue recognition
Refer to Note 2(p) (accounting policy) and Note 21 (financial disclosures)

Key audit matter	How the matter was addressed in our audit
<p>The Group generates its revenue from provision of operation and maintenance services (“O&M”) as well as its participations in engineering, procurement, construction and commissioning projects (“EPCC”).</p> <p>Revenue generated from O&M segment is approximately RM3,895 million, representing 86% of total revenue. EPCC segment contributes to 11% of the total revenue. Contracts for both O&M services and EPCC project varies, each with different terms. This leads to complexity around the calculation and recognition of revenue in accordance with MFRS 15 Revenue from Contracts with Customers.</p> <p>The revenue from O&M and certain EPCC contracts are derived from provision of manpower services and supply of materials. Provision of manpower services is recognised over the period in which the services are rendered. Whereas the revenue from supply of materials are recognised when the customer accepts the delivery of the goods.</p> <p>EPCC – contract revenue is to be accounted for using cost incurred method. This involves professional judgment made by the Group to measure the accuracy of revenue recognised overtime in accordance with MFRS 15.</p> <p>Hence, revenue recognition has been considered as the key audit matter.</p>	<p>Our audit procedures included, amongst others:</p> <div><div>i)</div><div>We evaluated the controls designed and applied by the Group in the process of determining the revenue recognised in the financial statements.</div></div> <div><div>ii)</div><div>We inspected material new contracts with customers to determine whether, based on the contract terms and billing schedule as well as overall performance of services, the Group has appropriately accounted the contracts in accordance with MFRS 15.</div></div> <div><div>iii)</div><div>We inspected job completion certificates and other relevant documents (i.e. timesheets, delivery order, etc.) whether the associated revenue was recognised in the appropriate accounting period.</div></div> <div><div>iv)</div><div>We tested on sampling basis on the revenue transactions to the job completion certificates, delivery orders and invoices to test on the accuracy and occurrence of the revenue transactions.</div></div> <div><div>v)</div><div>We verified journal entries for revenue and revenue related accounts based on specific high risk criteria set to ascertain whether there are any unusual, unauthorised or unsupported entries made against revenue.</div></div> <div><div>vi)</div><div>We confirmed trade receivables balances and performed alternative test on non-replies by sighting to the underlying delivery orders, job completion certificates and other underlying source documents.</div></div> <div><div>vii)</div><div>We assessed the completeness, accuracy and appropriateness of disclosures as required by MFRS 15.</div></div>

INDEPENDENT AUDITOR'S REPORT

2.
- Completeness and existence of material on site
Refer to Note 2(g) (accounting policy) and Note 10 (financial disclosures).

Key audit matter	How the matter was addressed in our audit
<p>The Group has material on site balance in particular in various locations in Middle East and Malaysia. Material on site is a significant portion of the Group’s current assets amounting to RM908 million, which is approximately 23% of total current assets. This reflects the needs for the material on site to be available on the sites given the logistical complexity in delivering the material on site to various locations on time to the customer.</p> <p>We focused on this area as a key audit matter due to its susceptibility to error especially in determining the completeness and the existence of the material on site.</p>	<p>Our audit procedures included, amongst others:</p> <div><div>i)</div><div>We evaluated the design and implementation of controls related to inventories.</div></div> <div><div>ii)</div><div>We attended inventory count at various locations in Middle East and Malaysia to ascertain the existence and accuracy of the material on site.</div></div> <div><div>iii)</div><div>We verified purchases of material on site to the suppliers’ invoices and goods entry forms as well as verified to goods exit forms for the material on site consumed to ascertain the completeness of the material on site.</div></div>

3.
- Valuation of trade receivables and contract assets
Refer to Note 2(p)(i) (accounting policy) and Note 11 and 12 (financial disclosures).

Key audit matter	How the matter was addressed in our audit
<p>As at 31 December 2019, the trade receivables and contract assets of the Group stood at RM1,204 million and RM322 million respectively, which in aggregate of RM1,526 million representing 38% and 24% of current assets and total assets respectively.</p> <p>The recoverability of the trade receivables and contract assets and the level of allowance for impairment losses of doubtful receivables are considered to be key audit matter due to the pervasive nature of these balances to the financial statements. The level of allowance of impairment losses involved management judgement based upon the individual debtor’s credit risk evaluation, historical payment trends, subsequent to year end collections and the existence of collaterals. There is a risk that the management assessment of the level of these allowances is insufficient or inaccurate.</p>	<p>Our audit procedures included, amongst others:</p> <div><div>i)</div><div>We tested the processes for trade receivables and contract assets and credit control, including the allowance for impairment losses and cash receipts.</div></div> <div><div>ii)</div><div>We checked the accuracy of trade receivables ageing and verified the past payment patterns and credit history, existence of collaterals and disputes with customers.</div></div> <div><div>iii)</div><div>We checked the adequacy of impairment loss of trade receivables and contract assets by assessing the assumptions made by the Group with reference to the profile of aged debts at the reporting date and payment trends.</div></div> <div><div>iv)</div><div>We evaluated the Directors’ conclusion on the level of impairment loss of trade receivables, specifically significant outstanding balances which are past due but assessed as not impaired, by assessing the cash receipts during the year and subsequent to year end collections and considered the actions taken by management to recover the debts.</div></div> <div><div>v)</div><div>We assessed the completeness, accuracy and relevance of the disclosures required by MFRS 9.</div></div>

We have determined that there are no key audit matter in the audit of the separate financial statements of the Company to communicate in our auditors’ report.

INDEPENDENT AUDITOR'S REPORT

Information Other than the Financial Statements and Auditors' Report Thereon

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

Our opinion on the financial statements of the Group and of the Company does not cover the annual report 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 annual report and, in doing so, consider whether the annual report 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 the annual report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional 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 internal control of the Group and of the Company.



INDEPENDENT AUDITOR'S REPORT

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

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

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

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

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' 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 Matter

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.


KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Kuching,

Date: 6 May 2020


Lee Hean Kok
Approval Number: 02700/12/2021 J
Chartered Accountant

ADDITIONAL

INFORMATION



OTHER COMPLIANCE INFORMATION

1. Imposition of Sanctions and/or penalties

Aside from penalties imposed by the Inland Revenue Board detailed in Note 24 of the financial statements on page 290 and publicly announced on 26 February 2019, there were no other material sanctions/or penalties imposed on the Company and its subsidiaries, its Directors, or Management.

2. Variation in results from estimates, forecasts or unaudited results announced

The Company did not release any profit estimates, forecasts or projections for the FYE2019 and there was no material variation between the audited results for the FYE2019 and the unaudited results previously announced.

3. Audit and Non-audit Fees

The amount of audit and non-audit fees paid to the external auditors by the Group and the Company for the FYE2019 are as follows:

TYPE OF FEE	SERVICES	RM
Audit fees	Statutory Audit	562,000
Non-Audit Fees	Review of the interim financial information, issuance of International Capital Markets Association ("ICMA") Comfort Letter in relation to issuance of USD Denominated International Sukuk	550,000
	Tax Audit	92,000
	Others	17,000

The non-audit fees paid/payable to the external auditors during the FYE2019 amounted to RM659,000, in which the services rendered by the external auditors are not prohibited by regulatory and other professional requirements and are based on globally practiced guidelines on auditors' independence.

KPMG was engaged due to its expertise and experience, as well as its existing knowledge of the Group's businesses.

4. Material Contracts

To the best of the Board's knowledge, there are no material contracts involving the Group with any of the major shareholders or directors in office during the FYE2019.

5. Utilisation of proceed from Corporate Proposal Undertaken in FYE2019. Kindly refer to segment of Management Discussion & Analysis on page 70.

6. RRPT

Kindly refer to Note 31 of the financial statements from page 311 to 312.

ANALYSIS OF SHAREHOLDINGS

ANALYSIS BY SIZE OF HOLDINGS AS AT 30/04/2020

SIZE OF HOLDINGS	NO. OF HOLDERS	%	NO. OF SHARES	%
1 - 99	291	2.337	10,814	0.000
100 - 1,000	2,195	17.631	1,487,015	0.048
1,001 - 10,000	6,897	55.402	31,866,047	1.033
10,001 - 100,000	2,553	20.507	75,862,105	2.459
100,001 - 154,192,492 (*)	508	4.081	1,000,802,397	32.453
154,192,492 AND ABOVE (**)	5	0.040	1,973,821,500	64.471
TOTAL	12,449	100.000	3,083,849,878	100.000

Remark : * - Less Than 5% Of Issued Shares ** - 5% And Above Of Issued Shares

INFORMATION ON SUBSTANTIAL SHAREHOLDERS AS AT 30/04/2020

NO.	NAME	DIRECT HOLDINGS	%	INDIRECT HOLDINGS	%
1	MOHD ABDUL KARIM BIN ABDULLAH	665,505,870*	21.713	0	0
2	ABDUL KADIER SAHIB	591,901,290*	19.311	0	0
3	AWANG DAUD BIN AWANG PUTERA	294,635,020*	9.613	0	0
4	EMPLOYEES PROVIDENT FUND BOARD*	238,552,720	7.782	0	0
5	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	166,752,790	5.440	16,473,810	0.537

INFORMATION ON DIRECTORS HOLDINGS AS AT 30/04/2020

NO.	NAME	DIRECT HOLDINGS	%	INDIRECT HOLDINGS	%
1	MOHD ABDUL KARIM BIN ABDULLAH	665,505,870*	21.713	0	0
2	ABDUL KADIER SAHIB	591,901,290*	19.311	0	0
3	AWANG DAUD BIN AWANG PUTERA	294,635,020*	9.613	0	0
4	ROZILAWATI BINTI HAJI BASIR	210,000	0.007	2,100,000	0.069
5	MOHAMED NOR BIN ABU BAKAR	350,000	0.011	0	0
6	HASMAN YUSRI BIN YUSOFF	0	0.000	0	0
7	TENGGU DATO' SERI HASMUDDIN TENGKU OTHMAN	0	0.000	0	0
8	SHARIFAH IRINA BINTI SYED AHMAD RADZI	0	0.000	0	0
TOTAL		1,552,602,180	50.655	2,100,000	0.069

* Held under director's name and nominee accounts
* Citigroup Nominees (Tempatan) Sdn Bhd.



ANALYSIS OF SHAREHOLDINGS

LIST OF TOP 30 HOLDERS AS AT 30/04/2020

No.	Name	HOLDINGS	%
1	ABDUL KADIER SAHIB	590,194,290	19.255
2	MOHD ABDUL KARIM BIN ABDULLAH	423,034,200	13.802
3	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	199,064,650	6.495
4	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	166,344,790	5.427
5	STATE FINANCIAL SECRETARY SARAWAK	126,000,000	4.111
6	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA	95,777,400	3.125
7	HSBC NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR CREDIT SUISSE (SG BR-TST-TEMP)*	67,200,000	2.192
8	PERMODALAN NASIONAL BERHAD	65,968,580	2.152
9	LEMBAGA TABUNG HAJI	51,945,500	1.695
10	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR AWANG DAUD BIN AWANG PUTERA (MY3303)	47,000,000	1.533
11	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR AWANG DAUD BIN AWANG PUTERA (7006982)	42,000,000	1.370
12	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR AWANG DAUD BIN AWANG PUTERA	42,000,000	1.370
13	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR AWANG DAUD BIN AWANG PUTERA (PBCL-0G0691)	39,900,000	1.302
14	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR MOHD ABDUL KARIM BIN ABDULLAH (PBCL-0G0634)	39,700,000	1.295

ANALYSIS OF SHAREHOLDINGS

LIST OF TOP 30 HOLDERS AS AT 30/04/2020

No.	Name	HOLDINGS	%
15	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC SELECT ENTERPRISES FUND	36,450,290	1.189
16	UOB KAY HIAN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MOHD ABDUL KARIM BIN ABDULLAH	33,600,000	1.096
17	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MOHD ABDUL KARIM BIN ABDULLAH	31,500,000	1.028
18	AWANG DAUD BIN AWANG PUTERA	31,054,620	1.013
19	MAYBANK NOMINEES (TEMPATAN) SDN BHD MTRUSTEE BERHAD FOR PRINCIPAL DALI EQUITY GROWTH FUND (UT-CIMB-DALI) (419455)	31,040,400	1.013
20	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR MOHD ABDUL KARIM BIN ABDULLAH (PBCL-0G0715)	29,700,000	0.969
21	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR AIA BHD.	26,960,190	0.880
22	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR AWANG DAUD BIN AWANG PUTERA (7006114)	22,680,400	0.740
23	PERBADANAN NASIONAL BERHAD	21,735,000	0.709
24	LEMBAGA KEMAJUAN BINTULU	21,000,000	0.685
25	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	20,566,796	0.671
26	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (CIMB PRIN)	20,047,120	0.654
27	SERBA DINAMIK HOLDINGS BERHAD SHARE BUY BACK ACCOUNT	18,779,000	0.613



ANALYSIS OF SHAREHOLDINGS

LIST OF TOP 30 HOLDERS AS AT 30/04/2020

No.	Name	HOLDINGS	%
28	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR AWANG DAUD BIN AWANG PUTERA (PB)	18,500,000	0.604
29	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR AWANG DAUD BIN AWANG PUTERA	17,900,000	0.584
30	CITIGROUP NOMINEES (TEMPATAN) SDN BHD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1)	17,486,700	0.571
TOTAL		2,395,129,926	78.143

*Shares in this account are pledged shares owned by our director Dato' Dr. Ir. Ts. Mohd Abdul Karim bin Abdullah.

Total number of Issued Share Capital : 3,083,849,878
Number of Treasury Shares : 18,779,000
Class of Shares : Ordinary Shares
Voting results of Shareholders : One vote per ordinary shares.

ANALYSIS OF WARRANT HOLDINGS

ANALYSIS BY SIZE OF HOLDINGS AS AT 30/04/2020

SIZE OF HOLDINGS	NO. OF HOLDERS	%	NO. OF WARRANTS	%
1 - 99	292	3.773	14,244	0.001
100 - 1,000	981	12.676	511,717	0.058
1,001 - 10,000	2,900	37.472	15,761,152	1.788
10,001 - 100,000	3,042	39.307	113,829,608	12.919
100,001 - 44,054,995 (*)	521	6.732	437,893,046	49.698
44,054,995 AND ABOVE (**)	3	0.038	313,090,154	35.534
TOTAL	7,739	100.000	881,099,921	100.000

Remark : * - Less Than 5% Of Issued Shares ** - 5% And Above Of Issued Shares

INFORMATION ON DIRECTORS HOLDINGS AS AT 30/04/2020

NO.	NAME	DIRECT HOLDINGS	%	INDIRECT HOLDINGS	%
1	ABDUL KADIER SAHIB	169,028,940	19.184	0	0.000
2	MOHD ABDUL KARIM BIN ABDULLAH	168,344,534*	19.106	0	0.000
3	AWANG DAUD BIN AWANG PUTERA	42,000,020*	4.767	0	0.000
4	HASMAN YUSRI BIN YUSOFF	0	0.000	0	0.000
5	MOHAMED NOR BIN ABU BAKAR	0	0.000	0	0.000
6	ROZILAWATI BINTI HAJI BASIR	60,000	0.007	600,000	0.068
7	TENGGU DATO' SERI HASMUDDIN TENGGU OTHMAN	0	0.000	0	0.000
8	SHARIFAH IRINA BINTI SYED AHMAD RADZI	0	0.000	0	0.000
TOTAL		379,433,494	43.064	600,000	0.069

* Held under director's name and nominee accounts
* Citigroup Nominees (Tempatan) Sdn Bhd.



ANALYSIS OF WARRANT HOLDINGS

LIST OF TOP 30 HOLDERS AS AT 30/04/2020

NO.	NAME	HOLDINGS	%
1	ABDUL KADIER SAHIB	168,626,940	19.138
2	MOHD ABDUL KARIM BIN ABDULLAH	99,066,914	11.243
3	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	44,941,500	5.100
4	STATE FINANCIAL SECRETARY SARAWAK	36,000,000	4.085
5	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	25,533,600	2.897
6	HSBC NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR CREDIT SUISSE (SG BR-TST-TEMP)*	19,200,000	2.179
7	PERMODALAN NASIONAL BERHAD	18,354,060	2.083
8	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR AWANG DAUD BIN AWANG PUTERA (MY3303)	12,000,000	1.361
9	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR AWANG DAUD BIN AWANG PUTERA (PBCL-0G0691)	11,400,000	1.293
10	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR MOHD ABDUL KARIM BIN ABDULLAH (PBCL-0G0634)	10,200,000	1.157
11	UOB KAY HIAN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MOHD ABDUL KARIM BIN ABDULLAH	9,600,000	1.089
12	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MOHD ABDUL KARIM BIN ABDULLAH	9,000,000	1.021
13	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR MOHD ABDUL KARIM BIN ABDULLAH (PBCL-0G0715)	7,800,000	0.885
14	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR QUEK SEE KUI	6,737,000	0.764
15	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR OOI KENG THYE	6,666,000	0.756
16	PERBADANAN NASIONAL BERHAD	6,210,000	0.704
17	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR AWANG DAUD BIN AWANG PUTERA (7006114)	6,000,000	0.680

ANALYSIS OF WARRANT HOLDINGS

LIST OF TOP 30 HOLDERS AS AT 30/04/2020

NO.	NAME	HOLDINGS	%
18	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR AWANG DAUD BIN AWANG PUTERA (PB)	6,000,000	0.680
19	LEMBAGA KEMAJUAN BINTULU		
20	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR MOHD ABDUL KARIM BIN ABDULLAH (PB)	6,000,000	0.680
21	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	5,596,020	0.635
22	CITIGROUP NOMINEES (TEMPATAN) SDN BHD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1)	5,144,856	0.583
23	ALLIANCEGROUP PLEDGED SECURITIES ACCOUNT FOR MOHD ABDUL KARIM BIN ABDULLAH (7008152)	4,996,200	0.567
24	CHIA HIANG NOOI	4,800,000	0.544
25	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND	4,500,000	0.510
26	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN SOON LAI (MY0871)	4,443,960	0.504
27	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC SELECT ENTERPRISES FUND	4,200,000	0.476
28	JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KHOO YIK CHOU (MARGIN)	3,917,340	0.444
29	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHUA TECK KIM	3,800,000	0.431
30	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR AWANG DAUD BIN AWANG PUTERA	3,800,000	0.431
		3,600,000	0.408
TOTAL		558,134,390	63.345

* Warrants in this account are from the pledged shares owned by our director Dato' Dr. Ir. Ts. Mohd Abdul Karim bin Abdullah.

Type of Securities: Five (5) years warrants 2019/2024

Total Warrants Issued and Not Exercised: 881,099,921

Exercise Price of Warrants: RM2.62

Issue Date of Warrants: 6 December 2019

Expiry Date of Warrants: 5 December 2024



NOTICE OF THE FOURTH ANNUAL GENERAL MEETING

NOTICE OF THE FOURTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fourth Annual General Meeting of the Company will be held entirely through live streaming from the broadcast venue at 4th Floor, Menara Serba Dinamik, Presint 3.4, Persiaran Perbandaran Seksyen 14, 40000 Shah Alam, Selangor Darul Ehsan on Thursday, 2 July 2020 at 10.00 a.m., to transact the following businesses:

AGENDA

As Ordinary Business:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2019 together with the Reports of the Directors and Auditors thereon.

(Please refer to Explanatory Note 4 below)

2. To re-elect the following Directors who are retiring by rotation pursuant to Article 111 of the Constitution of the Company and who being eligible offer themselves for re-election:

- (i) Hasman Yusri Bin Yusoff
- (ii) Datuk Abdul Kadier Sahib
- (iii) Tengku Dato' Seri Hasmuiddin Tengku Othman

Resolution 1

Resolution 2

Resolution 3

3. To approve payment of Directors Fees and Benefits from 3 July 2020 until the conclusion of the next Annual General Meeting of the Company to be held in Year 2021, of up to a total amount not exceeding RM2,400,000.

Resolution 4

4. To re-appoint KPMG PLT as auditors of the Company and to authorise the Directors to fix their remuneration.

Resolution 5

As Special Business:

To consider and if thought fit, to pass the following as Ordinary Resolutions:

5. **Proposed Renewal of Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**

Resolution 6

“THAT, approval be and is hereby given for the Proposed Renewal of Shareholders' Mandate and Proposed New Shareholders' Mandate for the Company and/or its subsidiaries to enter into the categories of recurrent related party transactions of a revenue or trading nature falling within the nature of transactions set out in Section 2.2.2 under Part A of the Circular to Shareholders dated 29 May 2020 (“the Circular”), with the related parties falling within the classes of persons set out in Section 2.2.2 under Part A of the Circular, such transactions are necessary for the Company and/or its subsidiaries' day-to-day operations and which are carried out in the ordinary course of business, on terms which are not more favourable to the related parties than those generally available to the public and are not detriment of the minority shareholders.

THAT the authority conferred by such mandate shall commence upon the passing of this resolution and continue to be in force until:

- (i) the conclusion of the next Annual General Meeting of the Company, at which time it will lapse, unless by a resolution passed at the next AGM, the authority is renewed;

- (ii) the expiration of the period within which the next Annual General Meeting is required to be held pursuant to Section 340(2) of the Companies Act 2016 (“Act”) (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

- (iii) revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is the earlier.

AND THAT the Directors of the Company be hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to this ordinary resolution.”

(Please refer to Explanatory Note 5 below)

6. **Proposed Renewal of Shareholders' Mandate for Share Buy-Back by the Company**

Resolution 7

“THAT subject to the Companies Act 2016, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the approval of all relevant governmental and/or regulatory authorities, the Company be and is hereby authorised to purchase such number of ordinary shares in the Company as may be determined by the Board from time to time on Bursa Malaysia Securities Berhad upon such terms and conditions as the Board may deem fit and expedient in the interest of the Company provided that the aggregate number of shares purchased pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company as quoted on Bursa Malaysia Securities Berhad as at the time of purchase(s) and an amount not exceeding the retained profits of the Company based on the latest audited accounts of the Company as at 31 December 2019, at the time of purchase(s).

THAT such authority shall commence upon the passing of this resolution and shall remain in force until the conclusion of the next Annual General Meeting of the Company unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in general meeting.

THAT authority be and is hereby given to the Directors of the Company to decide in their discretion to retain the ordinary shares in the Company so purchased by the Company as treasury shares and/or cancel them and/or resell the treasury shares or distribute them as share dividend and/or subsequently cancel them.

AND THAT authority be and is hereby given to the Directors of the Company to take all such steps as are necessary (including executing all such documents as may be required) and to enter into any agreements and arrangements with any party or parties to implement, finalise and give full effect to the aforesaid with full powers to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed by the relevant authorities and to do all such acts and things as the Directors may deem fit and expedient in the interest of the Company.”

(Please refer to Explanatory Note 6 below)



NOTICE OF THE FOURTH ANNUAL GENERAL MEETING

7. **Proposed Renewal of Authority to Issue & Allot Shares pursuant to Sections 75 & 76 of the Companies Act 2016**

“THAT, subject to the Companies Act 2016 (“the Act”), the Constitution of the Company and the approvals of the relevant governmental / regulatory authorities, where such approval is necessary, the Directors be and are hereby empowered pursuant to Sections 75 and 76 of the Act, to issue shares in the Company, from time to time and upon such terms and conditions and for such purposes the Directors may deem fit and expedient in the interest of the Company, provided that the aggregate of number of shares issued pursuant to this resolution does not exceed 10% of the issued and paid-up capital of the Company for the time being and that the Directors be and also empowered to obtain approval for the listing of and quotation for the additional shares so issued from Bursa Malaysia Securities Berhad and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company.”

(Please refer to Explanatory Note 7 below)

8. To transact any other business of the Company of which due notice shall have been given in accordance with the Companies Act 2016 and the Constitution of the Company.

By Order of the Board

MUHAMMAD HAFIZ BIN OTHMAN (SSM PC No. 202008003349)(MIA 37218)
NADIAH ILI BINTI ADNAN (SSM PC No. 202008001698)(MAICSA 7062952)
 Company Secretaries

Kuala Lumpur
 Dated: 29 May 2020

NOTES:

- In view of the COVID-19 outbreak and as part of the safety measures, the Fourth Annual General Meeting (“AGM”) will be conducted on a virtual basis through live streaming and online remote voting using the Remote Participation and Voting (“RPV”) facilities via Tricor Investor & Issuing House Services Sdn. Bhd.’s (“Tricor”) **TIIH Online** website at <https://tiih.online>. Shareholders may exercise their rights to participate (including to post questions to the Board) and vote at the Fourth AGM by using the RPV facilities. Please follow the procedures provided in the Administrative Notes for the Fourth AGM in order to register, participate and vote remotely via the RPV facilities.
- The broadcast venue of the Fourth AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the Meeting to be at the main venue. **NO SHAREHOLDERS/PROXY(IES) WILL BE ALLOWED TO BE PHYSICALLY PRESENT AT THE BROADCAST VENUE.**
- Appointment of Proxy**
 - A member of the Company entitled to attend, participate, speak and vote is entitled to appoint not more than two proxies to attend, participate, speak and vote instead of him. Where a member appoints two proxies, he shall specify the proportion of his shareholdings to be represented by each proxy. A proxy need not be a member of the Company.

NOTICE OF THE FOURTH ANNUAL GENERAL MEETING

- A Member of the Company who is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991 (“SICDA”) may appoint one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- Where a Member of the Company is an Exempt Authorised Nominee as defined under SICDA which holds ordinary shares in the Company for multiple beneficial owners in one (1) 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.
- Where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
- A proxy may but need not be a Member of the Company. A proxy appointed to attend and vote shall have the same rights as the Member to speak at the meeting.
- The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or if the appointer is a corporation, either under its common seal or the hand of its officer or its duly authorised attorney.
- The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote:
 - In hard copy form

In the case of an appointment made in hard copy form, the proxy form must be deposited with the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.
 - By electronic form

The proxy form can be electronically lodged with the Share Registrar of the Company via TIIH Online at <https://tiih.online> (applicable to individual shareholders only). Kindly refer to the Information For Shareholders on the procedures for electronic lodgement of proxy form via TIIH Online.
- For the purpose of determining a Member who shall be entitled to participate and vote at the meeting via RPV, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company a Record of Depositors as at 25 June 2020 and only a member whose name appears on the Record of Depositors shall be entitled to participate in the meeting via RPV or appoint proxies to participate and vote in his stead.

4. **Agenda Item No. 1**

This item of the Agenda is meant for discussion only. The provisions of Section 340(1)(a) of the Companies Act 2016 require that the Audited Financial Statements and the Reports of the Directors and Auditors thereon be laid before the Company at its AGM. As such this Agenda item is not a business which requires a resolution to be put to vote by shareholders.

EXPLANATORY NOTES ON SPECIAL BUSINESS:-5. **Proposed Renewal of Shareholders’ Mandate and Proposed New Shareholders’ Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**

NOTICE OF THE FOURTH ANNUAL GENERAL MEETING

The proposed Resolution 6 is to seek for Shareholders’ Mandate to allow the Company and/or its subsidiaries to enter into Recurrent Related Party Transactions of a Revenue or Trading Nature and to enable the Company to comply with Paragraph 10.09, Part E of the Listing Requirement for the Main Market of Bursa Malaysia Securities Berhad. The mandate will take effect from the date of the passing of the ordinary resolution until the next AGM of the Company. For further information, please refer to the Circular to Shareholders dated 29 May 2020 accompanying the Company’s Annual Report for the financial year ended 31 December 2019.

6. Proposed Renewal of Shareholders’ Mandate for Share Buy-Back by the Company

The proposed Resolution 7, if passed, will empower the Directors of the Company to purchase up to 10% of the total number of issued shares of the Company by utilising the funds allocated which shall not exceed the retained profits of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

For further information, please refer to the Share Buy-Back Statement dated 29 May 2020 accompanying the Company’s Annual Report for the financial year ended 31 December 2019.

7. Proposed Renewal of Authority to Issue & Allot Shares pursuant to Sections 75 & 76 of the Companies Act 2016

The Resolution 8 is proposed pursuant to Sections 75 and 76 of the Companies Act 2016, and if passed, will give the Directors of the Company, from the date of the above AGM, authority to allot shares in the Company up to and not exceeding in total ten per cent (10%) of the total number of issued shares of the Company for such purposes as the Directors deem fit and in the best interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company or at the expiry of the period within which the next AGM is required to be held after the approval was given, whichever is earlier.

This general mandate is a renewal of the last general mandate granted to the Directors at the Third AGM held on 20 June 2019 and which will lapse at the conclusion of the Fourth AGM.

The renewal of this general mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment, working capital and/ or acquisitions.

The Company had on 4 May 2020 issued and allotted a total of 306,507,000 new ordinary shares at RM1.49 per share under a private placement (“Placement”) pursuant to the general mandate which was approved by the shareholders at the Company’s Third AGM held on 20 June 2019. The total proceeds raised from the Placement exercise as at 13 May 2020 is RM456,695,430 and the utilisation of the said proceeds are as follows:

Utilisation purposes	Proposed utilisation (RM’mil)	Actual utilisation (RM’mil)	Balance (RM’mil)	Expected utilisation timeframe
Partial repayment of bank borrowings	200.00	0.00	200.00	24 months
Working capital	245.55	0.00	245.55	12 months
Estimated expenses in relation to the Proposed Private Placement	11.14	7.22	3.92	Immediate
Total estimated proceeds	456.69	7.22	449.47	

The utilisation of the proceeds as disclosed above should be read in conjunction with the announcement made by the Company on 23 April 2020.



FORM OF PROXY

I/We, NRIC/Passport/Company No. of being a member(s) of SERBA DINAMIK HOLDINGS BERHAD, do hereby appoint NRIC/Passport No. and NRIC/Passport No. or failing him/her the Chairman of the Meeting as my /our proxy to vote for me/us and on my/our behalf at the **Fourth Annual General Meeting** of the Company to be held entirely through live streaming from the broadcast venue at at **4th Floor, Menara Serba Dinamik, Presint 3.4, Persiaran Perbandaran Seksyen 14, 40000 Shah Alam, Selangor Darul Ehsan on Thursday, 2 July 2020 at 10.00 a.m.** and at any adjournment thereof.

My/our proxy is to vote as indicated below:

No.	Ordinary Resolutions	FOR	AGAINST
1.	To re-elect Hasman Yusri Bin Yusoff as Director of the Company.		
2.	To re-elect Datuk Abdul Kadir Sahib as Director of the Company.		
3.	To re-elect Tengku Dato’ Seri Hasmuddin Tengku Othman as Director of the Company.		
4.	To approve payment of Directors Fees and Benefits from 3 July 2020 until the conclusion of the next Annual General Meeting of the Company to be held in Year 2021, of up to a total amount not exceeding RM2,400,000.		
5.	To re-appoint KPMG PLT as auditors of the Company and to authorise the Directors to fix their remuneration.		
6.	Proposed Renewal of Shareholders’ Mandate and Proposed New Shareholders’ Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		
7.	Proposed Renewal of Shareholders’ Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		
8.	Proposed Renewal of Shareholders’ Mandate for Share Buy-Back by the Company		
9.	Proposed Renewal of Authority to Issue & Allot Shares pursuant to Sections 75 & 76 of the Companies Act 2016		

Please indicate with an “X” in the spaces provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific directions, your proxy will vote or abstain as he thinks fit.

Dated this day of2020

No. of shares held	CDS Account No.	Signature of Shareholder

For appointment of two proxies, percentage of shareholdings to be represented by the proxies		
No. of Shares		Percentage
Proxy 1		%
Proxy 2		%
	100	%

NOTES:

- In view of the COVID-19 outbreak and as part of the safety measures, the Fourth Annual General Meeting (“AGM”) will be conducted on a virtual basis through live streaming and online remote voting using the Remote Participation and Voting (“RPV”) facilities via Tricor Investor & Issuing House Services Sdn. Bhd.’s (“Tricor”) TIIH Online website at <https://tiih.online>. Shareholders may exercise their rights to participate (including to post questions to the Board) and vote at the Fourth AGM by using the RPV facilities. Please follow the procedures provided in the Administrative Notes for the Fourth AGM in order to register, participate and vote remotely via the RPV facilities.*
- The broadcast venue of the Fourth AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the Meeting to be at the main venue. **NO SHAREHOLDERS/PROXY(IES) WILL BE ALLOWED TO BE PHYSICALLY PRESENT AT THE BROADCAST VENUE.***
- Appointment of Proxy**
 - A member of the Company entitled to attend, participate, speak and vote is entitled to appoint not more than two proxies to attend, participate, speak and vote instead of him. Where a member appoints two proxies, he shall specify the proportion of his shareholdings to be represented by each proxy. A proxy need not be a member of the Company.*
 - A Member of the Company who is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991 (“SICDA”) may appoint one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
 - Where a Member of the Company is an Exempt Authorised Nominee as defined under SICDA which holds ordinary shares in the Company for multiple beneficial owners in one (1) 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.*
 - Where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.*
 - A proxy may but need not be a Member of the Company. A proxy appointed to attend and vote shall have the same rights as the Member to speak at the meeting.*

- (f) The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or if the appointer is a corporation, either under its common seal or the hand of its officer or its duly authorised attorney.
- (g) The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote:
- (i) In hard copy form
- In the case of an appointment made in hard copy form, the proxy form must be deposited with the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.
- (ii) By electronic form
- The proxy form can be electronically lodged with the Share Registrar of the Company via TIIH Online at <https://tiih.online> (applicable to individual shareholders only). Kindly refer to the Information For Shareholders on the procedures for electronic lodgement of proxy form via TIIH Online.
- (h) For the purpose of determining a Member who shall be entitled to participate and vote at the meeting via RPV, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company a Record of Depositors as at 25 June 2020 and only a member whose name appears on the Record of Depositors shall be entitled to participate in the meeting via RPV or appoint proxies to participate and vote in his stead.



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SERBA DINAMIK HOLDINGS BERHAD

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