



# ANNUAL REPORT 2019



## **VISION**

Creating a better environment for our communities by providing total engineering and facilities solutions

## **MISSION**

We aim to provide valuable and sustainable solutions to all that we serve by:

- ❖ Developing and nurturing our people
- ❖ Adopting the most appropriate systems and technologies
- ❖ Delivering excellence in all that we do



## **CORE VALUES**

We aim to demonstrate these Core Values in everything we do:

- ❖ **Practise Professionalism**  
– duty of care.
- ❖ **Take pride** – do our best.
- ❖ **Demonstrate respect** –  
treating all with respect  
and dignity.
- ❖ **Pursue continuous  
improvement** – people  
and systems.
- ❖ **Embrace Teamwork**  
– collaborating and  
partnering.



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## FINANCIAL HIGHLIGHTS

FINANCIAL YEAR ENDED 30 JUNE	CONSOLIDATED / GROUP				
	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000
<b>Statement of Comprehensive Income Highlights:</b>					
Revenue	128,017	248,532	296,496	303,978	<b>332,644</b>
Profit From Operations	12,695	29,808	38,577	32,095	<b>37,241</b>
Profit Before Tax	12,769	30,075	38,655	33,951	<b>37,598</b>
Net Profit For The Financial Year	11,716	23,595	30,902	27,028	<b>29,067</b>
Net Profit Attributable to Owners of The Company	8,082	17,127	22,019	21,659	<b>21,375</b>
Earnings Per Share (sen)					
- Basic	3.6	6.9	8.3	8.1	<b>7.6</b>
- Fully Diluted	-	6.7	7.9	7.9	<b>7.5</b>
Gross Dividend Per Share (sen)	-	2.5	2.0	0.5	<b>1.0</b>
<b>Statement of Financial Position Highlights:</b>					
Share Capital	68,604	78,443	91,115	94,841	<b>110,847</b>
Shareholders' Equity	91,597	118,998	141,246	163,706	<b>198,339</b>
Total Assets	152,986	235,034	292,417	276,109	<b>379,228</b>
Debt/Equity Ratio	0.02	0.01	0.03	0.07	<b>0.20</b>
Current Ratio	4.1	2.3	2.0	3.51	<b>2.55</b>
Net Assets Per Share (sen)	40.6	45.5	53.0	60.8	<b>67.7</b>

## Financial Highlights

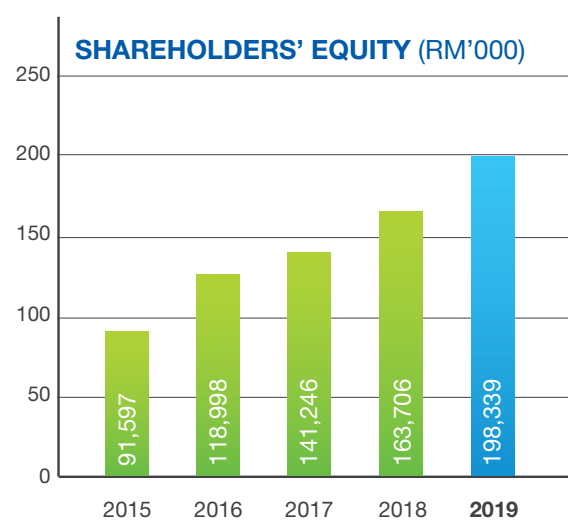
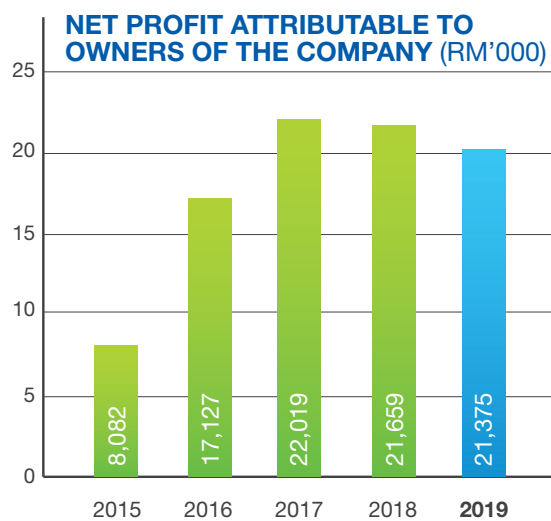
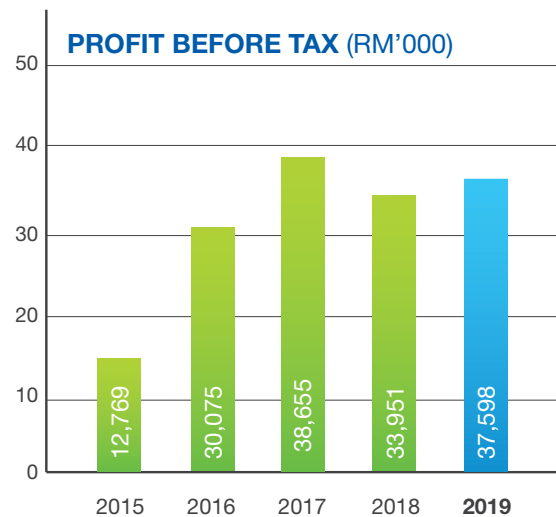
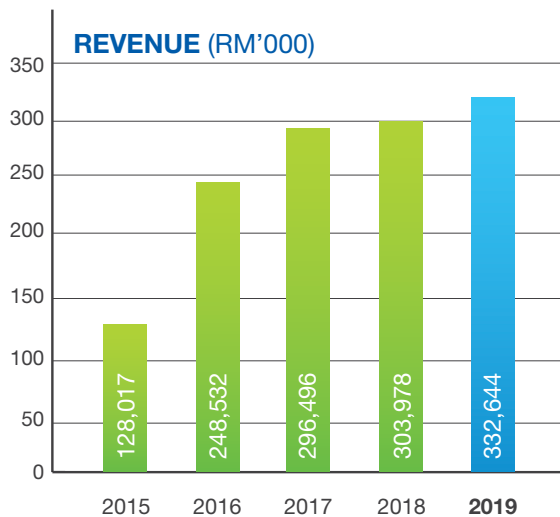
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**2019**  
**RM332,644**  
 Revenue (RM'000)

**RM37,598**  
 Profit Before Tax (RM'000)

**RM21,375**  
 Net Profit Attributable to Owners  
 of The Company (RM'000)

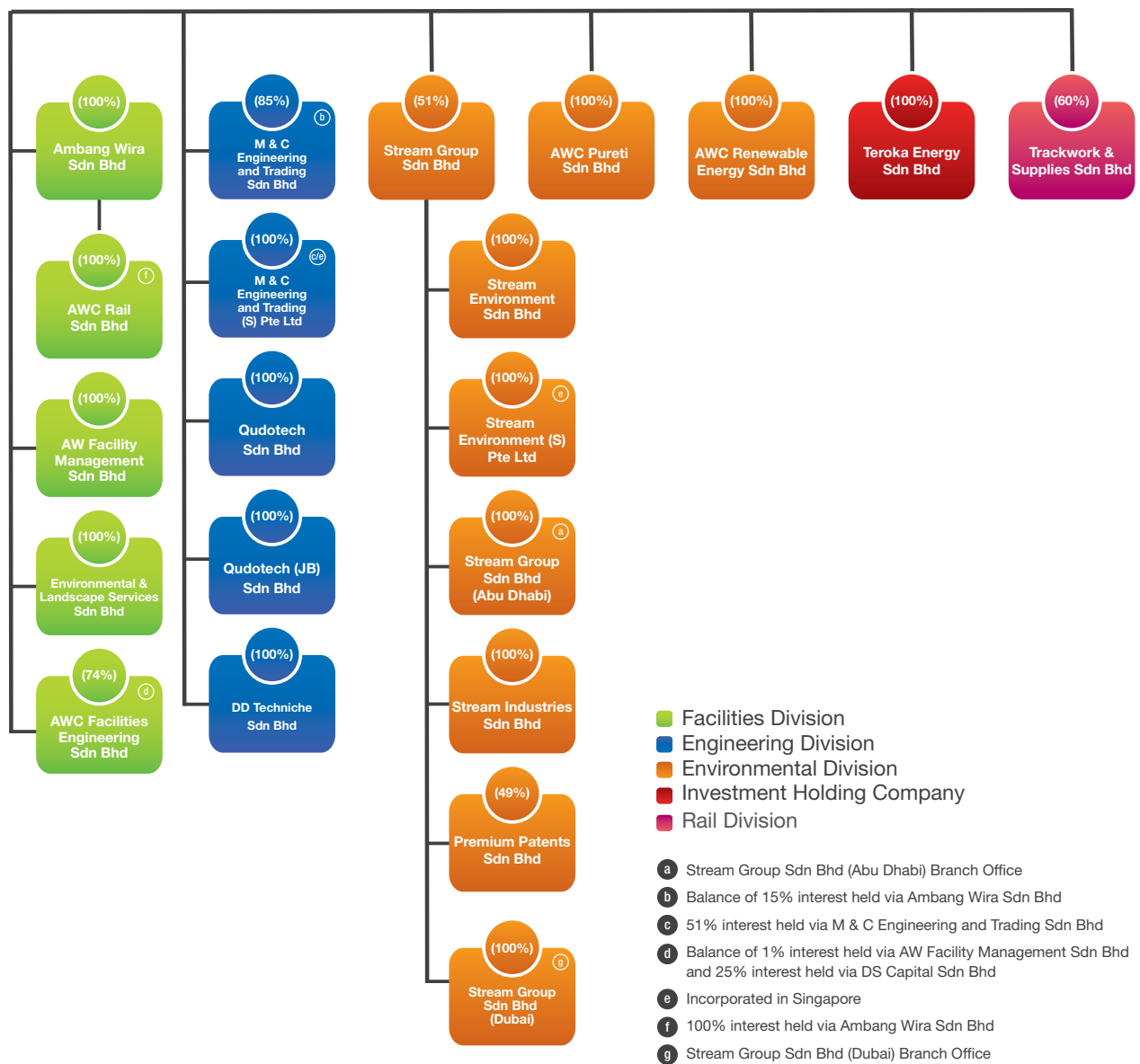
**RM198,339**  
 Shareholders' Equity (RM'000)





## GROUP STRUCTURE

As at 30 September 2019



## CORPORATE INFORMATION

### BOARD OF DIRECTORS

**Dato' Nik Mod Amin Bin Nik Abd Majid**  
Independent Non-Executive Chairman

**Dato' Ahmad Kabeer Bin Mohamed Nagoor**  
Group Chief Executive Officer/President

**Sureson A/L Krisnasamy**  
Independent Non-Executive Director

**Yang Mulia Tunku Puan Sri Dato' Hajjah Noor Hayati Binti Tunku Abdul Rahman Putra Al-Haj**  
Independent Non-Executive Director

**Dato' Ahri Bin Hashim**  
Independent Non-Executive Director

### AUDIT AND RISK MANAGEMENT COMMITTEE

Sureson A/L Krisnasamy (Chairman)  
Dato' Nik Mod Amin Bin Nik Abd Majid  
Dato' Ahri Bin Hashim

### NOMINATION COMMITTEE

Yang Mulia Tunku Puan Sri Dato' Hajjah Noor Hayati Binti Tunku Abdul Rahman Putra Al-Haj (Chairperson)  
Dato' Ahri Bin Hashim  
Sureson A/L Krisnasamy

### REMUNERATION COMMITTEE

Dato' Ahri Bin Hashim (Chairman)  
Dato' Nik Mod Amin Bin Nik Abd Majid  
Yang Mulia Tunku Puan Sri Dato' Hajjah Noor Hayati Binti Tunku Abdul Rahman Putra Al-Haj

### EMPLOYEES' SHARE OPTION SCHEME COMMITTEE

Dato' Ahmad Kabeer Bin Mohamed Nagoor (Chairman)  
Sureson A/L Krisnasamy  
Richard Voon Siew Moon

### COMPANY SECRETARY

Tea Sor Hua  
(MACS 01324)

### REGISTERED OFFICE

Third Floor, No. 77, 79 & 81  
Jalan SS21/60  
Damansara Utama  
47400 Petaling Jaya  
Selangor Darul Ehsan  
Tel: 03-7725 1777  
Fax: 03-7722 3668

### PRINCIPAL OFFICE

20-2, Subang Business Centre  
Jalan USJ 9/5T  
47620 UEP Subang Jaya  
Selangor Darul Ehsan  
Tel: 03-8024 4503/4/5  
Fax: 03-8025 9343  
Website: [www.awc.com.my](http://www.awc.com.my)

### SHARE REGISTRAR

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  
Tel: 03-2783 9299  
Fax: 03-2783 9222

### AUDITORS

Baker Tilly Monteiro Heng PLT  
Chartered Accountants  
LLP0019411-LCA & AF 0117

### PRINCIPAL BANKERS

AmBank (M) Berhad  
Hong Leong Bank Berhad  
HSBC Bank Malaysia Berhad  
Malayan Banking Berhad  
United Overseas Bank (Malaysia) Berhad

### STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad  
Stock Name: AWC  
Stock Code: 7579



## BOARD OF DIRECTORS

**From Left to Right**

**SURESON A/L KRISNASAMY**

Independent Non-Executive Director

**DATO' NIK MOD AMIN BIN NIK ABD MAJID**

Independent Non-Executive Chairman



## BOARD OF DIRECTORS

### From Left to Right

**YANG MULIA TUNKU PUAN SRI DATO' HAJJAH NOOR  
HAYATI BINTI TUNKU ABDUL RAHMAN PUTRA AL-HAJ**  
Independent Non-Executive Director

**DATO' AHMAD KABEER BIN MOHAMED NAGOOR**  
Group Chief Executive Officer/President

**DATO' AHRI BIN HASHIM**  
Independent Non-Executive Director



## BOARD OF DIRECTORS' PROFILE



**DATO' NIK MOD AMIN BIN NIK ABD MAJID**  
("DATO' NIK")

Independent Non-Executive Chairman

Nationality: Malaysian

Date of Appointment: 1 September 2009

Gender: Male

Age: 66

Membership of Board Committees: Audit and Risk Management Committee and Remuneration Committee

Board Attendance: 5/5

Academic/Professional Qualifications: Bachelor's Degree in Economics from Universiti Malaya, Malaysia (1976)

Dato' Nik is the Managing Director and Founder of Fask Capital Sdn. Bhd.. The Company's activities include the provision of services in the area of microcredit, micropayments, retail investments, debt management and financial consultancy. He is also the Chairman of FCA Capital Sdn. Bhd. (providing corporate advisory services) and the Chairman of Capital Investment Bank (Labuan) Ltd. (providing investment bank and corporate finance services in Labuan).

He has more than 26 years of banking experience with various financial institutions including Malayan Banking Berhad, Affin Bank Berhad and BSN Commercial Bank Berhad. His other experiences include Perbadanan Usahawan Nasional Berhad, Perwira Affin Bank Berhad and the Malaysian Franchise Association. He was previously a Board Member of Universiti Utara Malaysia, a position he stepped down from in the year 2015.



**DATO' AHMAD KABEER BIN MOHAMED NAGOOR**  
("DATO' KABEER")

Group Chief Executive Officer/President

Nationality: Malaysian

Date of Appointment: 2 February 2005

Gender: Male

Age: 62

Membership of Board Committees: Chairman of the Employees' Share Option Scheme

Board Attendance: 5/5

Academic/Professional Qualifications: Master's Degree in Finance from University of St. Louis, Missouri, USA (1986)

Dato' Kabeer was appointed to the Board as a Non-Independent Non-Executive Director on 2 February 2005. On 22 June 2007, he was re-designated as the Non-Independent Non-Executive Deputy Chairman of the Company and subsequently as the Executive Deputy Chairman on 1 March 2012. On 29 May 2013, Dato' Kabeer assumed the position of Managing Director/Group Chief Executive Officer of the Company. On 1 December 2017, he assumed the position of Group Chief Executive Office/President.

He started his career with the Bank of Nova Scotia in 1986 in the Foreign Exchange Division before becoming a lecturer at the School of Management, Universiti Sains Malaysia from 1988 to 1994.



## Board of Directors' Profile

(cont'd)



### SURESON A/L KRISNASAMY ("MR. SURESON")

Independent Non-Executive Director

Nationality: Malaysian

Date of Appointment: 12 April 2017

Gender: Male

Age: 44

Membership of Board Committees: Chairman of the Audit and Risk Management Committee, a member of the Nomination Committee and Employees' Share Option Scheme Committee

Board Attendance: 5/5

Academic/Professional Qualifications: Bachelor of Accountancy (Hons) from Universiti Putra Malaysia (1999), Chartered Accountant with the Malaysian Institute of Accountants since 2002

Mr. Sureson started his career with Telekom Malaysia Bhd. as an accountant where he was involved with finance, sales, corporate finance and investor relations. His other notable experiences with huge corporations include CLSA Securities, Bursa Malaysia Securities Berhad, CIMB Investment Bank where he was responsible for initiating and spear heading cross-border South East Asia, India and Sri Lanka business opportunities and RHB Investment Bank.

He was the Independent Director of Perbadanan Tabungan Pendidikan Tinggi Nasional from 2018 to July 2019 and was also a Director of Universiti Putra Malaysia since October 2018 to September 2019.

He is currently a Director of UPM Holdings Sdn. Bhd. since January 2019.



### YANG MULIA TUNKU PUAN SRI DATO' HAJJAH NOOR HAYATI BINTI TUNKU ABDUL RAHMAN PUTRA AL-HAJ ("YM TUNKU")

Independent Non-Executive Director

Nationality: Malaysian

Date of Appointment: 12 April 2017

Gender: Female

Age: 52

Membership of Board Committees: Chairperson of the Nomination Committee and a member of the Remuneration Committee

Board Attendance: 3/5

Academic/Professional Qualifications: Bachelor of Law (Hons) from Queen Mary and Westfield College, University of London, United Kingdom (1991) and Master's in Philosophy from Universiti Malaya (2013), Diploma in Psychology Counselling from Universiti Kebangsaan Malaysia (2006)

As of 2018, YM Tunku holds the position as Executive Chairman of Selenggara Timur Sdn. Bhd., a road maintenance company.

Actively involved in social welfare activities, YM Tunku is one of the four Deputy President of Pertubuhan Kebajikan Islam Malaysia (PERKIM) Kebangsaan, having been appointed in 2013. She was also elected as the Head of Women Division, PERKIM Kebangsaan, a position she has held since 2010.

In 2014, YM Tunku founded a Non-Governmental Organisation (NGO), Yayasan Noor Al Syakur (YANAS) which is involved in various social welfare activities including the provision of aid to those in need and the revival of arts and culture in Kelantan.

YM Tunku was also instrumental in developing Behaviour Intervention Modules in Development and Training, between Universiti Malaya, School of Medicine, Centre of Excellence in Research of Infectious Disease and Addiction (CERIA), with the collaboration of University of Yale and University of Connecticut, United States of America (2010 until 2012).

YM Tunku started her career with legal advisory work before joining Berjaya Corporation Berhad (construction) and Dunham Bush (Malaysia Manufacturing) as an Executive Director from 2007 until 2008.

YM Tunku also held directorship in LLC Berhad.

## Board of Directors' Profile

(cont'd)



### DATO' AHRI BIN HASHIM ("DATO' AHRI")

Independent Non-Executive Director

Nationality: Malaysian

Date of Appointment: 12 April 2017

Gender: Male

Age: 52

Membership of Board Committees: Chairman of Remuneration Committee, member of the Audit and Risk Management Committee and member of the Nomination Committee

Board Attendance: 5/5

Academic/Professional Qualifications: Bachelor of Science in Marketing and Computer Science from Tri-State University, Angola, Indiana, USA (1997) and Master's in Business Administration from Columbia University, New York, USA (2001)

Dato' Ahri started his career in 1989, as an Equity Analyst with Baring Securities Pte. Ltd.. Later on, he joined K&N Kenanga as an Institutional Securities Dealer and followed by Dresdner Kleinwort Benson, New York as an Institutional Dealer in charge of Far East Equity Sales.

His other ventures include the co-founding of AWZ Computer LLC, Angola, Indiana, Globex LLC, New York and The Datestone Group LLC, Palm Beach Florida which is a Shariah compliant private equity investment

and financial advisory firm with global exposure including Liberia, Africa as well as Chile, South America.

He was appointed as a Board Member of Ministry of Finance Incorporated's Syarikat Perumahan Negara Berhad (SPNB) in 2013. In May 2015, he was appointed as Chairman of SPNB Aspirasi Sdn. Bhd. as well as Director of SPNB Edar Sdn. Bhd. and SPNB Dana Sdn. Bhd., positions which he holds to till September 2018.

### Notes:-

- None of the Directors have family relationship with any Directors and/or major shareholders of AWC Berhad except for Dato' Ahmad Kabeer bin Mohamed Nagoor who is a Director and shareholder of K-Capital Sdn Bhd, a major shareholder of the Company.
- None of the Directors have any conflict of interests with the Company.
- None of the Directors have been convicted of any offences in the past five (5) years or been imposed on any public sanction or penalty by relevant regulatory bodies during the financial year ended 30 June 2019, other than for traffic offences.
- Save as disclosed above, none of the Directors have any other directorship in public companies and listed issuers.

## KEY SENIOR MANAGEMENT PROFILE

The executive function in the Group is spearheaded by the Group Chief Executive Officer/President, Dato' Ahmad Kabeer Bin Mohamad Nagoor ("Dato' Ahmad Kabeer"), whose profile is included under the section on Board of Directors' Profile of this Annual Report.

Dato' Ahmad Kabeer chairs the Executive Committee ("EXCO") of the Company, which assists him with the day to day running of the various components of the Group. The profiles of the Key Senior Management members, who are members of the EXCO, are set out below:-

### NIK ADNAN BIN NIK MOHD SALLEH ("NIK ADNAN")

Chief Executive Officer, Ambang Wira Sdn Bhd ("AWSB"),  
Facilities Division

Nationality: Malaysian

Gender: Male

Age: 62

Academic/Professional Qualifications: Bachelor of Science in Chemistry from Indiana State University, Terre Haute, Indiana, USA (1979) and Master of Arts in Biochemistry from Indiana State University, Terre Haute, Indiana, USA (1981)

He started his career in 1981 with Esso Malaysia Berhad where he held various positions in Marketing Technical Services, Sales, and Strategic Planning for the Industrial and Consumer Division. His other working experiences as senior management includes Alam Flora and PROPEL-Johnson Controls. He has over 40 years of experience in the oil & gas operations management, real estate operations management and Hospital Support Services.

Prior to joining AWC Berhad, Nik Adnan served as the Technical/Project Advisor for Saudi ASMA Environmental Solution in Jeddah, Kingdom of Saudi Arabia focusing on the Holy City of Makkah's waste collection and public cleansing management.

He joined AWC on the 1 November 2012 and is responsible for the day to day running of all three segments in the Division, i.e. Concession, Commercial and Healthcare.

### IR. CHEA THEAN TEIK ("IR. CHEA")

Group Chief Executive Officer/Director, Environment Division,  
Stream Group Sdn Bhd ("Stream Group")

Nationality: Malaysian

Gender: Male

Age: 47

Academic/Professional Qualifications: Degree in Mechanical Engineering from Universiti Teknologi Malaysia, Malaysia (1997), corporate member of the Institute of Engineers Malaysia (IEM) and Professional Engineer (Mechanical) from the Malaysian Board of Professional Engineers (Since 2005).

IR. Chea brings to the Group more than 22 years of experience specialising in the areas of Building M&E Services, Mechanical Handling Engineering, Project Management & Contract Administration, Central Vacuum Systems and Automated Waste Collection Systems.

He started his career in 1997 as an M&E engineer in an engineering consultancy firm Perunding Cekap and TWT Consultants Sdn Bhd in Johor Bahru.

IR. Chea currently serves as the Group Chief Executive Officer of Stream Group. His key responsibilities include sales & marketing, project implementation, contract administration, finance and business development. He joined STREAM Group on the 16 September 2005 and was appointed as a Director on 16 April 2018.



## Key Senior Management Profile

(cont'd)

### IR. CHEE KAR MING ("IR. CHEE")

Managing Director, Engineering Division, Qudotech Sdn Bhd ("Qudotech")

Nationality: Malaysian

Gender: Male

Age: 47

Academic/Professional Qualifications: Degree in Mechanical Engineering from Universiti Teknologi Malaysia, Malaysia (1996), Master of Business Administration from Charles Stuart University Australia (2000), Professional Engineer with the Board of Engineers Malaysia and member of the Institution of Engineers Malaysia (Since 2001).

IR. Chee started his career as an Engineer in Artwright Technology Sdn Bhd in May 1996. Following that, he joined Qudotech in July 1996 as a Project Engineer specialising in Mechanical & Electrical Services.

He has extensive experience in management and construction of hospitals, hotels, iconic high-rise buildings and high-end condominiums. Among the mega projects he was/currently involved in are the likes of Binjai on the Park, KLIA2, The Exchange 106 and Merdeka PNB 118.

### IR. CHANG LEONG HAO ("IR. CHANG")

Director and General Manager, DD Techniche Sdn Bhd ("DDT")

Nationality: Malaysian

Gender: Male

Age: 60

Academic/Professional Qualifications: Bachelor's Degree in Mechanical Engineering from University Malaya, Malaysia (1983), Professional Engineer with the Board of Engineers Malaysia, Member of the Institution of Engineers Malaysia and a qualified Green Building Index (GBI) Facilitator (Since 2010).

He started his career in Hong Leong Industries Bhd company as a maintenance engineer back in 1983. Subsequently he was seconded to Hicom-Yamaha Manufacturing Sdn Bhd as an engineering manager. He has extensive experience in management and construction of factories and design of mass production equipment and assembly lines.

In 2007, he joined Qudotech to manage projects at Q-cells factory, Hospital Kuala Lipis and KLIA2 airport terminal.

In 2009, he joined DDT, a wholly owned subsidiary of AWC Berhad as a partner specialising on Rainwater Harvesting and Greywater Recycling Systems. He then developed locally made storage tanks and filter systems that suited the market. By 2012 DDT has grown to becoming one of the leading Rainwater Water Harvesting Systems (RWHS) company in Malaysia and has distribution rights in Malaysia for BWT water treatment products (largest water treatment company in Europe) 3P Technik, Evo Aqua and JOBE Valves.

### KONG KEAT VOON ("KONG")

Chief Executive Officer, Trackwork and Supplies Sdn Bhd

Nationality: Malaysian

Gender: Male

Age: 49

Academic/Professional Qualifications: Bachelor of Engineering (Civil) from Universiti Malaya, Malaysia (1994)

He started his career with Jurutera Perunding Tegap Sdn Bhd as design engineer in 1994 where he was involved in structural and design works. Subsequently, he joined Greenwell Engineering Sdn Bhd, which specialises in oleochemical turnkey project as an Assistant Project Manager in 1995 where he was involved in planning, designing, controlling the cost of the project and project management for the construction of chemical plants.

He then joined Loh & Loh Constructions Sdn Bhd as a Project Engineer in 1997, where he managed heavy engineering constructions projects and was involved in project implementation, tendering for projects and business development. He was then tasked to lead, manage and develop the Railway Division and Turnkey Department in 2002.

Subsequently, he joined Trackwork as its Chief Executive Officer in 2012, where he oversees administrative functions and is responsible for leading the development, planning, implementation and integration of the strategic direction of Trackwork.

## Key Senior Management Profile

(cont'd)

### RICHARD VOON SIEW MOON ("RICHARD")

Chief Financial Officer ("CFO"), AWC Berhad  
 Nationality: Malaysian  
 Gender: Male  
 Age: 50  
 Academic/Professional Qualifications:  
 Chartered Accountant (ACCA)

Richard joined the Group in January 2018 and currently holds the position of Chief Financial Officer ("CFO"). He is also a member of Employee's Share Option Scheme Committee of the Company.

Richard is a Chartered Accountant (ACCA) with more than 20 years' experience in various industries, holding senior financial positions in listed companies including FCW Holdings Berhad, Cuscapi Berhad, KNM Group Berhad and more recently, prior to joining AWC Berhad, as Chief Financial Officer of Omesti Berhad, a position he held from March 2013 to September 2017.

### TAN AI LEE ("AI LEE")

Group Legal Counsel, AWC Berhad  
 Nationality: Malaysian  
 Gender: Female  
 Age: 49  
 Academic/Professional Qualifications: Degree in LLB (Hons)  
 from University of Malaya, Malaysia

Ai Lee joined AWC Berhad on 15 August 2017 as Group Legal Counsel / General Manager. She graduated from Universiti of Malaya with LLB (Hons) Malaya and thereafter was in legal practice.

She has over 20 years legal experience. She was heading the legal department of Mahkota Technologies Sdn Bhd group of companies before joining AWC Berhad to pioneer its legal department from 2009 to 2013. She then ventured into legal partnership.

#### Notes:-

1. None of the key senior management personnel have any family relationship with any Directors and/or major shareholders of AWC Berhad.
2. None of the key senior management personnel have any conflict of interests with the Company.
3. None of the key senior management personnel have been convicted of any offences in the past five (5) years or been imposed on any public sanction or penalty by relevant regulatory bodies during the financial year ended 30 June 2019, other than traffic offence.
4. Save as disclosed above, none of the Key Senior Management have any other directorship in public Companies and listed issuers.

## CHAIRMAN'S STATEMENT



“

### Dear Shareholders,

On behalf of the Board of Directors (“the Board”) of AWC Berhad (“AWC” or “the Company”), I am pleased to present to you the Annual Report and Audited Financial Statements of the Company and its subsidiaries (“the Group”) for the financial year ended 30 June 2019 (“FYE 2019”). For the financial year under review, key operating Divisions continued to register commendable operating results against the backdrop of a fragile global economy which remains challenging as the pace of growth of advanced economies continued to be hampered by uncertainties across fiscal, financial and structural concerns.

”

## Chairman's Statement

(cont'd)

### PERFORMANCE REVIEW

For FYE 2019, the Group registered revenue of RM332.6 million as compared to RM303.9 million in the previous financial year. The improved revenue was primarily due to increase of revenue from the Environment Division and the inclusion of Trackwork and Supplies Sdn Bhd ("Trackwork") following the completion of Trackwork acquisition on the 9 October 2018, which marks the entrance of the Group into the Rail sector. Lower revenue from the Facilities and Engineering Divisions partially offset the record-breaking revenue recorded by the Group.

The Group recorded lower Earnings for FYE 2019 at RM21.4 million against the last financial year ("FYE 2018") of RM21.7 million mainly due to a number of factors: (i) Lower revenue recorded across the segments due to slower progress billings and the completion of several non-concession contracts and lower Critical Asset Refurbishment Programme ("CARP") recognition under the Facilities Division, (ii) Non recurring unbudgeted costs across all segments namely Cost overruns in the Engineering Division amounting to RM1.3 million, deferred revenue recognition of RM0.5 million and patent registration and maintenance costs for the STREAM Shuttle under Environment Division amounting to RM0.9 million and amortization of intangible assets relating to the acquisition of Trackwork (RM3.0 million).

The Facilities and Environment Division continues to be the main stay of the Group, contributing a post-tax profit of approximately RM11.7 million and RM11.9 million respectively, followed by the Rail Division of RM6.9 million and Engineering Division of RM2.8 million.

On a per share basis, Earnings Per Share ("EPS") was down from 8.1 sen per share in FYE 2018 to 7.6 sen per share in FYE 2019. Net Asset per share has increased from 60.8 sen in FYE 2018 to 67.7 sen in FYE 2019. Our shareholders Equity as at 30 June 2019 recorded at the RM198.3 million, at RM34.3 million up from RM163.7 million as at 30 June 2018.

In-depth Analysis of the Group's Performance across the Divisions can be found in our Management Discussion and Analysis ("MDNA") Section on pages 41 to 48 of this Annual Report.

### OPERATIONAL HIGHLIGHTS

#### Facilities Division

The Facilities Division recorded a stable and decent set of performance, albeit lower than previous year record breaking numbers. The lower Revenues and Profits were mainly attributable to the completion of several Non-concession contracts such as Menara Felda and Johor State Government Clinics, to name a few, as well as lower CARP Revenue from Concession with the Federal Government. During the FYE 2019, the Division managed to secure multiple renewals within the Non-Concession segment amongst others Bintulu Port Authority Building, Wisma Mahmud in Kuching, Celcom Non-Network Buildings Nationwide, MITI HQ and Galeria PJH. New contracts included Housekeeping services contract at Bangunan JB Sentral, Hospital Support Services ("HSS") contract for Institut Kanser Negara and Menara PJH in Putrajaya.



Menara PJH, Putrajaya



Bangunan JB Sentral, Johor Bahru



## Chairman's Statement

(cont'd)



Woodlands Health Campus, Singapore



Coral Bay, Kota Kinabalu



Mah Sing's M Centura



M Vertica, Kuala Lumpur

### Environment Division

The Division contributed decently to the Group with growth recorded in both Revenue and Profits. Despite the double-digit growth in Revenue, profits grew at a slower rate due to deferred revenue recognition in compliance with accounting standards and patent registration and maintenance costs incurred in relation to the STREAM Shuttle System. Order book replenishments continue to be positive with multiple projects secured during the year. Notable project secured was Mah Sing's M Centura and M Vertica Development in Kuala Lumpur, Coral Bay in Kota Kinabalu and Woodlands Health Campus in Singapore.

## Chairman's Statement

(cont'd)

### Engineering Division

The Division posted weaker results overall mainly owing to slower progress of major projects namely Merdeka PNB 118, PNB 1194 and 8 Conlay. Cost overruns in the air-conditioning segment of the Division further weighed on the performance. Merdeka PNB 118 Project is now scheduled to be completed by June 2021 while PNB 1194 and 8 Conlay are expected to be progressively delivered from mid to late 2021. The Division continues to secure new projects with notable projects being Lendlease Lifestyle Mall and several Mechanical and Electrical jobs in Singapore. Some of the projects close to completion and expected to be handed over in the coming year includes the Exchange 106 Project in TRX and Parcel F Project in Putrajaya. Projects that were handed over during the year included The Astaka Project and Puteri Cove Residences in Johor.



Lendlease Lifestyle Mall, Kuala Lumpur



The Astaka, Johor Bahru



Puteri Cove Residences & Quayside



## Chairman's Statement

(cont'd)

### Rail Division

Rail division was a new entrant to the Group following the completion of Trackwork acquisition. The Group consolidated 9-months of Trackwork results in the FYE 2019. It is worth to highlight that Trackwork had exceeded its Profit Guarantee ("PG") given for its FYE September 2018, overachieving its PG by almost RM 1 million. Post completion of the acquisition, Trackwork had secured new jobs in excess of RM40 million, amongst them are the East Coast Rehabilitation Project and KVMRT2 Project.



Package A: East Coast Rehabilitation Project



Package B: East Coast Rehabilitation Project

## Chairman's Statement

(cont'd)

### ECONOMIC REVIEW

Following a strong growth in 2017, the global economy grew at a much slower pace in Calendar Year ("CY") 2018 moderating at 3.0%. The World Bank expects global growth in 2019 to weaken further to 2.6%, reflecting weaker-than-expected trade and investment at the start of the year and rising risk of trade tensions escalating further between major economies.

Back home, our economy recorded a 4.7% growth in 2018, notably lower than the 5.9% growth in 2017. The slower growth in 2018 continued in 1H CY2019 with growth of 4.5% and 4.7% reported for the First and Second Quarter respectively. Bank Negara Malaysia has forecasted Malaysia's economy to grow within 4.3%-4.8% in 2019, with downside risks such as weaker global growth, escalation of trade tensions and lower commodity production to prevail.

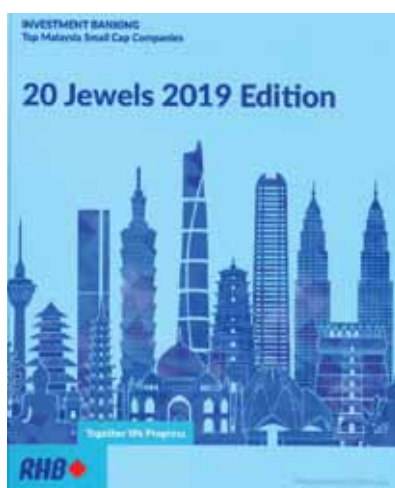
### AWARDS AND ACCOLADES

During the year under review, the Group through its subsidiaries achieved multiple awards for various categories. Our Facilities Division secured 1st place for Anugerah Kontraktor Cemerlang under the category of Pengurusan Fasiliti Bangunan for the Palace of Justice Complex in Putrajaya. Menara Persekutuan Melaka won the 1st Place for Anugerah Pengurusan Penyenggaraan Bangunan Gunasama Persekutuan while a few Wisma Persekutuan buildings under our Concession with the Federal Government won notable awards under the same category.

Our Engineering Division unit Qudotech Sdn Bhd was yet again conferred Best Safety Award, this time for the 8 Conlay Project in Kuala Lumpur. This follows multiple awards secured in the past amongst them achievement of 5 million man-hours without lost time injury for Lendlease project in 2016, Merdeka PNB 118 project in 2017 and Anugerah Cemerlang Keselamatan dan Kesihatan Pekerjaan Kebangsaan awarded by the Human Resources Ministry.

Our rainwater harvesting unit under the Engineering Division via DD Techniche Sdn Bhd ("DDT") was awarded the MyHijau mark for Compliance Category and Certification Scheme for its rainwater harvesting system filter. By obtaining this certification, DDT customers can obtain tax deductions when they procure certified products from DDT.

In May 2019, AWC Berhad was identified as one of the Top 20 Jewels in Bursa Malaysia Securities Berhad by RHB Investment Bank at an event held at The Intermark, Kuala Lumpur to showcase the Top 20 Small Cap companies listed on Bursa Malaysia.



RHB 20 Jewels 2019



MyHijau Mark



Anugerah Kontraktor Cemerlang 2019  
for Palace of Justice Putrajaya

## Chairman's Statement

(cont'd)

### OUTLOOK

With continued pressure and uncertainties in the domestic and global economy, the Group remains cautiously optimistic to deliver improved performance in the coming years. Various initiatives and efforts put in place are expected to propel the Group to greater heights. The Group's healthcare segment expansion is gaining traction with the success in securing yet another HSS contract under the Facilities Division via Institut Kanser Negara, adding on to the Environment Division success in securing various pneumatic collection system contracts via Singapore National Cancer Centre in 2018 and Woodlands Healthcare Campus contract in 2019. As the Group hopes to leverage on the Government of Malaysia aspirations and efforts in widening quality and able providers in the HSS segment, all this are expected to contribute positively towards the growth of the Group in the foreseeable future.



Institut Kanser Negara, Putrajaya

### DIVIDEND

The Board has recommended, subject to shareholders' approval at the forthcoming Annual General Meeting, the payment of a final single-tier dividend of 1.0 sen per ordinary share. If approved by shareholders, the total payout for the year will be 1.5 sen per ordinary share representing a total payout of approximately RM4.3 million, translating to a dividend payout ratio of approximately 19.7%.

The payment of dividends represents the Company's consistent stand in balancing the Group's funding requirements for capital expenditure and working capital considering prospective businesses, earmarked expansions and new projects in the pipeline with the requisite to reward reasonable dividend yield to its shareholders.



## Chairman's Statement

(cont'd)

### ACKNOWLEDGMENTS

On behalf of the Board I wish to place on record my heartfelt appreciation to our customers, financial institutions, business partners and associates for their continuous support and cordial relationships with the Group. I also wish to express our gratitude to the Government of Malaysia and other authorities for their assistance and steadfast confidence in us.

I wish to take this opportunity to thank my fellow Board members for sharing their invaluable advice, thoughts and experience in steering the Group through another challenging year. My credits also go out to the management and staff of the Group for their unrelenting effort and commitment in delivering a commendable operating result.

On similar note, I wish to extend my sincere appreciation to our shareholders for the trust and faith placed upon the Board to lead the Group to the next phase of strategic growth.

**DATO' NIK MOD AMIN BIN NIK ABD MAJID**  
Independent Non-Executive Chairman



# SUSTAINABILITY STATEMENT

## OUR SUSTAINABILITY STATEMENT

As the leading engineering services group in Malaysia, the primary aim of AWC Berhad (hereafter referred to as “AWC” or “the Group”) is long-term development and value creation to our stakeholders. Our focus is to deliver exceptional and sustainable solutions to our clients, while pursuing new opportunities that fit our capabilities. In doing so, we contribute by sustainably solving the challenges of our clients and communities.

We continue our robust financial growth by capitalising on innovative technologies whilst embedding sustainability in our operations. It is our belief that our financial and non-financial performance must be balanced to realise the global aspirations of sustainable development. This approach is in line with our corporate vision statement - “Creating a better environment for our communities by providing total engineering and facilities solutions”

This year, we are proud to present our second sustainability statement which details the management of our business impacts on the Economic, Environmental and Social (EES) aspects. This statement outlines our commitment to sustainability as our culture and to disclose our sustainable practices and initiatives that ensure business stability and competitiveness.

## Scope and Boundary

The scope of this statement extends to all our four divisions including Facilities, Environment, Engineering, and Rail Divisions, and the boundary of the reporting is limited to our operations in Malaysia although we have regional presence in Asia and the Middle East. Unless otherwise specified, the disclosures presented in this statement represent the activities carried out during the period between 1 July 2018 and 30 June 2019.

## Reporting Format

This statement has been prepared based on a recognised international framework, the Global Reporting Initiatives (GRI) Standards–Core Option and, the Bursa Malaysia Sustainability Reporting Guide (2nd Edition, 2018). In an effort to improve our sustainability reporting, this year we have added GRI indicator numbers in parenthesis next to the main titles throughout the statement which will refer to the relevant disclosure in the standards.

## Feedback

We encourage our stakeholders to provide their feedback and raise their concerns on our approach to sustainability. All inquiries and comments can be directed to:

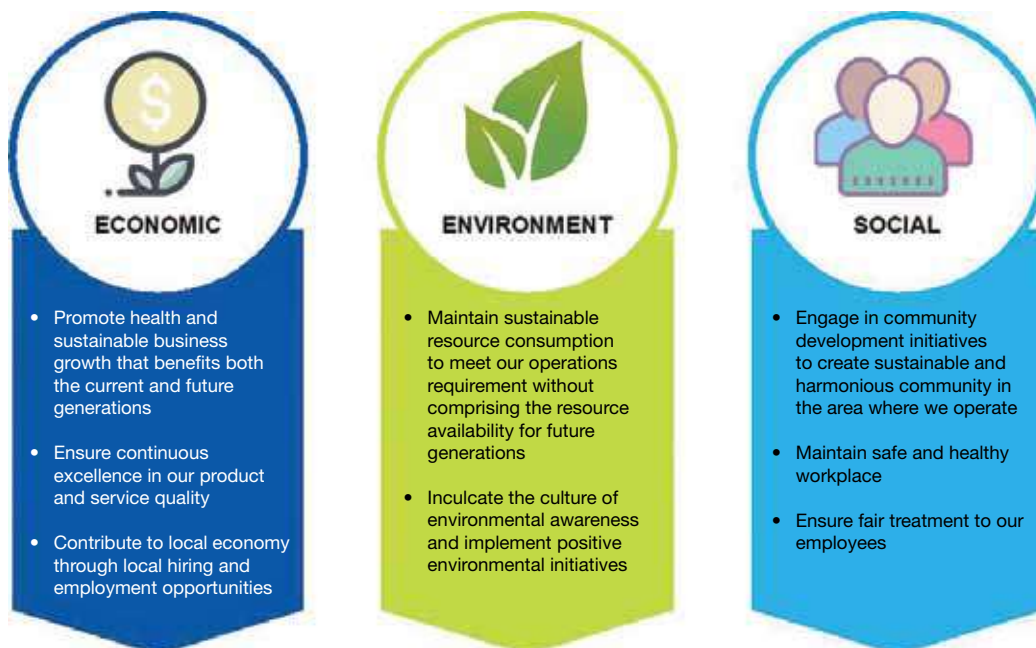
Name: James Chan  
Designation: Senior Manager  
Email: james.chan@awc.com.my

## Sustainability Statement (cont'd)

### COMMITMENT TO SUSTAINABILITY

As an engineering services provider offering total building solutions, we are committed towards contributing to domestic economic growth, conserving and protecting the environment, ensuring fair practices for our employees, and creating and maintaining a harmonious community in the areas where we operate.

While ensuring sustainability is imbibed and continuously improved from time to time, we have established our sustainability commitment which spans across the three sustainability pillars of Economic, Environmental and Social (EES) aspects. We are committed to implement sustainable practices in our daily business operations with guidance from our sustainability commitment.



### United Nations Sustainable Development Goals

In 2015, countries globally adopted the 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals (SDGs) and 169 associated targets directed at sustainable development. The goals address various key global issues such as climate change, resource scarcity, poverty, and inequality, among others. In order to achieve the SDGs, contributions from governments, businesses and people around the world is crucial.

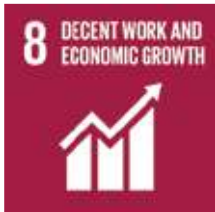




## Sustainability Statement

(cont'd)

As part of our sustainability strategy, we pledged our commitment last year in our inaugural report in financial year 2018 ("FY2018") to contribute to the advancement of three of the 17 SDGs, namely, SDG 8, SDG 9 and SDG 10. This year, we have included SDG 12 and have provided a description on how these goals are relevant to our business operations.



### Contributing to Economic Growth

AWC provides outstanding products and services that meet the expectation of customers and ensure long-term economic success for the group. We focus on the employability of Malaysians for professional positions and adhere to minimum wage practices as stated in the Minimum Wage Order 2016. Besides, we refer to the Acts and Regulations as a strict guideline to ensuring the group continues to meet the standards set by Malaysia. Health and Safety is also one of the core interests of AWC that the group enforces strict health and safety governance including a set of internal safety management measures of our own. Additionally, we focus on supporting festive events in the hope of creating societal harmony by engaging communities of various backgrounds.



### Desirable Innovation and Product Quality

Our achievement in the ISO 9001:2015 Quality Management System in 2018 including the extended certification validity evidenced the quality of our service deliverables. We continuously monitor our product and service performance through regular customer satisfaction survey to ensure customer satisfaction, high service productivity and exemplary operational standards. To ensure smooth implementation, we have developed and implemented internal guidelines to ensure compliance with the requirements of the ISO 9001:2015 certification.



### Business Practices and Employee Development

As a Group, we have put in place a strict procurement management system in ensuring smooth services to our customers. We practice robust vetting in our vendor approvals and maintain a fixed monthly service with pre-approved suppliers to minimize the cost and time. We also undertake the necessary due diligence during the tender process. To reduce inequalities in the workplace, we prioritise employees' skill enhancement to produce a high-quality workforce. We encourage our employees to take part in training courses that are relevant to their job scope. These courses are specific for employees across the different positions with the Group to develop both their soft and hard (technical) skills.



### Responsible Consumption of Energy and Water and Reduce Waste to Landfills

As our business mainly involves building management, engineering works and supplies, we operate mostly at our clients' buildings and locations. We conduct energy savings initiatives to ensure efficient use of energy such as ensuring our air-conditioning units operate at optimum temperature and install motion sensor lights, among others. To minimise waste and encourage recycling, we practice printing on both sides of paper and send used papers for recycling to reduce the waste sent to landfills. Lastly, we manage our water consumption by conducting frequent monitoring to ensure no wastage or leakages at our offices.

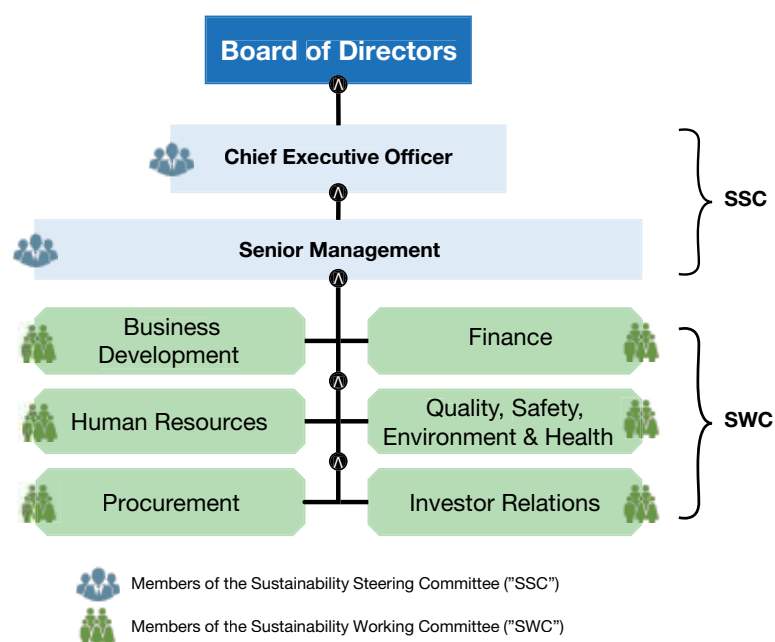
## Sustainability Statement

(cont'd)

### SUSTAINABILITY GOVERNANCE

In steering our sustainability journey, we, at AWC, have established a three-tiered sustainability governance structure that would provide direction and ensure sustainable practices are integrated in our business operations.

The governance structure comprises of the Board of Directors (“BOD”) at the apex of the structure. The BOD holds ultimate responsibility on the Group’s sustainability performance. The Sustainability Steering Committee (SSC) which is headed by the Group Chief Executive Officer (CEO) and supported by senior management, oversees the formulation, implementation and effective management of the Group sustainability strategies. The SSC is assisted by the Sustainability Working Committee (SWC) which is responsible for the on-the-ground implementation of the sustainability initiatives.



Committee	Roles and Responsibilities
BOD	<ul style="list-style-type: none"> <li>Oversees the progress of the Company’s sustainability initiatives</li> <li>Gives final approval for all policies, strategies, initiatives presented by the SSC with regards to sustainability matters</li> </ul>
SSC	<ul style="list-style-type: none"> <li>Finalises material issues identified by the SWC</li> <li>Monitors and implements sustainability initiatives agreed by the Board</li> <li>Oversees the SWC’s efforts and measures in implementing sustainability initiatives</li> </ul>
SWC	<ul style="list-style-type: none"> <li>Identifies and presents material issues relevant to the Company’s business operations</li> <li>Formulates appropriate sustainability initiatives that are in line with the Company’s business values and aspirations</li> </ul>

### STAKEHOLDER DIALOGUE

At AWC, we seek to engage in and create dialogues with our stakeholders who are directly or indirectly influenced by our business operations, or can significantly influence our business operations. This will deepen our insights into their needs and expectations, and help us as a Group to develop sustainable solutions which serve them better in the short, medium and long term. By allowing forums for transparent engagement we are able to create long-term value for these stakeholders.

The engagement platforms described below ensure we effectively receive their feedback, address potential problems, and communicate changes pertinent to our business operations. This will in turn help us prioritise and address the sustainability opportunities and risks in our operations.

## Sustainability Statement

(cont'd)

Stakeholder Groups	Areas of Interest	Engagement Platforms	Frequency of Engagement
<b>Investors</b>	<ul style="list-style-type: none"> <li>Return on investment (RoI)</li> <li>Transparent reporting with reliable data</li> <li>Innovative supply chain solutions</li> </ul>	Investor earnings conference	Ad-hoc
		Investors/analyst briefings	Biannually
		Annual report	Annually
		Corporate website	As per the announcement from Bursa Malaysia
		One-on-one meetings with investors	Upon request
<b>Customers</b>	<ul style="list-style-type: none"> <li>Reliable service and on-time delivery</li> <li>Customer convenience</li> <li>Competitive pricing</li> <li>Operational efficiency</li> </ul>	Customer feedback and surveys	Biannually
		Market research	Bimonthly
		Operational meetings	Monthly
		Client social events (Golf tournaments, Sports Day, festival gatherings etc.)	Annually
<b>Employees</b>	<ul style="list-style-type: none"> <li>Competitive pay and benefits</li> <li>Clear communication</li> <li>Work-life balance</li> <li>Career growth and opportunities</li> </ul>	Training programmes and workshops	Monthly
		Employee engagement survey	As and when required
		Town hall	Quarterly
		Internal audit on operations	Annually
		Employee performance evaluation	Annually
<b>Regulatory Authorities and Statutory Bodies</b>	<ul style="list-style-type: none"> <li>Regulatory compliance</li> <li>Corporate governance</li> <li>Standards and certifications</li> <li>Risk management</li> </ul>	DOSH inspection on elevators and escalators	Annually
		Fire safety and building inspection by Fire Department	Annually
		Facility visits by a competent electrical engineer	Twice a month
		External Audit – Quality Management System, Finance, Operations and Procurement	Annually
		CIDB assessment	Upon renewal of CIDB certificates, green cards, etc.
		Safety incident reporting	As and when required
<b>Suppliers and Sub-contractors</b>	<ul style="list-style-type: none"> <li>Timely pay-outs</li> <li>Procurement practices</li> <li>Supplier Code of Conduct</li> <li>Quality of products/</li> </ul>	Suppliers and subcontractors' assessment	Prior to appointment
		Suppliers and subcontractors' registration	As and when required

## Sustainability Statement

(cont'd)

Stakeholder Groups	Areas of Interest	Engagement Platforms	Frequency of Engagement
	materials	Suppliers and subcontractors' performance review	Annually
	○ Supplier support and performance	Quotation evaluation	As and when required
	○ Transparent tender processes and accurate pricing	Face to face meetings and evaluation checklist	Annually
<b>Local Community</b>	○ Impact of operations on environment	Donation	Annually
	○ Economic opportunities	Employment opportunities	Annually
<b>Contractors</b>	○ Reputation of Main Contractor	Credit Tip-off Service	As and when required
	○ Timely pay-outs and workmanship	Market feedback sessions	As and when required
	○ Type of projects involved		
<b>Media</b>	○ Group Development	Company's websites	Annually
	○ Development in R&D and latest technology	Presentation in conferences and participate as an exhibitor in local and international exhibition and trade shows/exhibitions/conferences	Quarterly

### OUR SUSTAINABILITY PRIORITY AREAS

The Group's sustainability priority areas refer to the material sustainability matters which are defined as economic, environmental and social ("EES") risks and opportunities arising from our business operations' impacts. In our previous report, we had identified 12 material sustainability matters in terms of EES that impact our business operations as well as are of concern to our stakeholder.

This year, we have taken a step forward to conduct a materiality assessment where we prioritised these materiality matters (using a weighted ranking method) based on their importance to our business operations and our stakeholders. The method employed complies with the approach recommended by Bursa Malaysia.



## Sustainability Statement (cont'd)

The outcome of the assessment is visually presented in the form of a materiality matrix.

















	Economic Performance
	Market Presence
	Regulatory Compliance
	Product Quality
	Training and Education
	Occupational Health and Safety
	Community Engagement
	Procurement and Supply Chain Management
	Energy
	Effluents and Waste
	Water Consumption

## Sustainability Statement

(cont'd)

### Mapping Our Material Sustainability Matters

To showcase the relevance of our 11 material sustainability matters, we have summarised the interlinkages in terms of our contribution towards achievement of SDG, the relevance to stakeholders and the corresponding GRI indicators.

Material Sustainability Matters	Relevant Stakeholders	Corresponding GRI Indicators	SDG
<b>Economic Performance</b>	Investors, Customers, Media	Economic Performance	
<b>Market Presence</b>	Investors, Customers, Suppliers, Contractors, Sub-contractors, Media	Market Presence	
<b>Regulatory Compliance</b>	Regulatory Authorities and Statutory Bodies	Environmental Compliance, Socioeconomic Compliance	
<b>Product Quality</b>	Customers	General Disclosure	 
<b>Training and Education</b>	Employees	Training and Education	 
<b>Occupational Health and Safety</b>	Employees, Suppliers, Contractors, Sub-contractors, Regulatory Authorities and Statutory Bodies	Occupational Health and Safety	
<b>Community Engagement</b>	Local Community	Local Communities	
<b>Procurement and Supply Chain</b>	Suppliers, Contractors, Sub-contractors	Supply Chain, Procurement Practices	 
<b>Energy</b>	Customers	Energy	
<b>Effluents and Waste</b>	Regulatory Authorities and Statutory Bodies, Customers, Local Community	Effluents and Waste	
<b>Water</b>	Customers	Water and Effluents	



## Sustainability Statement

(cont'd)

### Upholding Ethical Business Conduct

The Group strongly upholds ethical business practices throughout our business chain as we believe that ethical business conduct will guide the values, behaviour and decisions in our businesses. In ensuring ethics and integrity are embedded in our work culture, we are governed by the Code of Conduct (“Code”) of the Group. The Code requires our employees to strive towards a high degree of professionalism, exhibit undivided loyalty to the Group, serve with honesty, integrity and courtesy, display a high sense of responsibility to the Group and team spirit at work, and be innovative and creative in carrying out their duties.

Employees are prohibited from creating a situation of conflict between personal interest and work requirements, misusing position held in the Group for personal gain, conducting in a manner which is likely to diminish the Group’s reputation and behaving in an irresponsible manner. The Code has detailed out the expected behaviours and actions from the employees in the areas of entertainment, gifts, public statement, sexual harassment, and confidentiality of information, among others. The Code is communicated to all our employees via our established employee handbook.

The employee handbook also highlights on whistle blowing channel to raise complaints about improper conduct, unethical behaviour, malpractices and illegal acts. Whistle blowing provides a platform for employees or stakeholders to report or disclose concerns of improper conduct such as criminal offence, alteration of documents, misuse of the Group’s funds, supplies or other assets, abuse of power and position for personal gain, and act that poses danger to health and safety.

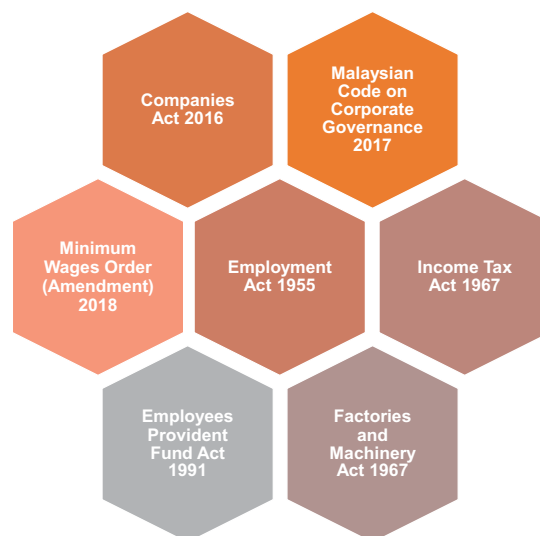
For other types of improper misconduct, employees can channel their complaints to the Grievance Committee by following a procedure as highlighted below.



### MAINTAINING BUSINESS COMPLIANCE

#### Regulatory Compliance

AWC is committed to ensure that our business operations are conducted in a responsible and transparent manner. Maintaining regulatory compliance is crucial not only to ensure the validity of our operating licence and avoidance of fines. But to sustain a positive image and build trust amongst our stakeholders. During the reporting period, we are pleased to report that as a Group we did not incur any significant fines or non-monetary issues due to non-compliance.



## Sustainability Statement

(cont'd)

### DEVELOPING THE LOCAL ECONOMY

#### Economic Performance

While doing business, ensuring good returns to our shareholders and investors is of utmost importance to AWC. Delivering positive economic growth within the Group ensures business growth and job stability for our employees. Therefore, we are committed to secure outstanding economic performance in the various business segments of AWC.

With our presence in various industries, we are positively contributing to these sectors. For example, our Engineering Division is working towards improving the performance of building management, as we enhance building management system for our clients. On the other hand, our Rail Division is directly contributing to public transportation and infrastructure development for the country. Efficient and integrated public transportation is imperative to minimising the expenses of congestion and accelerate economic productivity.

Internally, AWC extends its economic value distribution by contributing 11% of employees' salary into their retirement plan (Employer's Provident Fund), which will benefit our employees during their retirement period.

#### Market Presence

AWC is one of the leading companies in engineering services group in Malaysia with a regional presence in Asia and the Middle East. We have established our presence in these markets by delivering efficient and high quality services to ensure sustainable business activities.

In a highly competitive industry, market presence is important to ensure established market awareness, maintain brand reputation, allow market penetration, and maintain market shares. We ensure market presence by participating in various conferences, exhibitions and mega projects, organising seminars, and constantly engaging with our customers.

Facilities Division	Environment Division	Engineering Division	Rail Division
<ul style="list-style-type: none"> <li>• Participate in National Asset and Facility Management Convention (NAFAM)</li> <li>• Engage regularly with its customers</li> </ul>	<ul style="list-style-type: none"> <li>• Participate in conferences and exhibitions</li> <li>• Organise site visit and seminars for industry players, engineering bodies and statutory bodies</li> </ul>	<ul style="list-style-type: none"> <li>• Develop collaborations with industry experts and suppliers</li> <li>• Participate in high profile projects such as PNB 118, Exchange 106, 8 Conlay, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Participate in Rail Solutions Asia Conference</li> <li>• Engage regularly with its customers</li> </ul>

In addition, we have demonstrated a positive market presence by hiring local community members in the Group's senior management. We believe that by including local community in our management team, we are able to enhance human capital, increase economic benefit to the local community and understand local demands. One hundred percent of our senior management are Malaysians.

**100%** local  
senior management

## Sustainability Statement

(cont'd)

### Delivering Quality Products

At AWC, the quality of our products and services are at the heart of our business operations. We strive to ensure we produce products and deliver services of the highest quality to our customers. Quality products and services are crucial in securing trust from our business partners, ensuring our clients' satisfaction, reducing unnecessary costs due to defects, and ultimately improving financial performance and ensuring business continuation.

An evidence of our high-quality products and services, our Facilities, Engineering and Environment Divisions are certified with the ISO 9001:2015 Quality Management System (QMS). We implement the requirements of the QMS for our installation works. As for our Rail Division, we ensure compliance with international standards and relevant certifications for the track materials, equipment and machinery that we supply as well for our services in undertaking specialized works such as the manufacturing of glued insulated rail joints, thermit welding works and the pre-assembly of turnouts.

In addition, we conduct preventive and corrective measures to minimise defects in the products marketed and distributed under the Environment and Rail business division. These measures are implemented based on the findings of the regular quality audits that are carried out to ensure our equipment and system are functioning optimally and meet our customer's expectations.

We measure our customers' satisfaction to obtain our actual performance metrics. For our Facilities Division, our performance is assessed annually by the one of the key clients, the Public Works Department of Malaysia. Based on the latest assessment in financial year 2019 ("FY2019"), our performance score has been rated as very good.

For our Environment Division, our customer satisfaction feedback is obtained from annual site visits where our customers/clients inspect the quality of our maintenance services on the automated waste collection system. For the Engineering Division, we measure our customer satisfaction at the end of each project and obtain their feedback on areas of improvement.

### Procurement and Supply Chain Management

Procurement and supply chain management is important for any business as it determines cost of the operations. We continuously strive towards controlling cost but do not compromise on product or service quality provided by our business partners. We ensure efficient cost control for each project in order for us to meet the project budget.

In managing the cost for each of our project, we established preferred vendor mechanism in our Facilities Division where our operations can only procure goods from our approved vendors. This initiative secures long-term business relationship and potentially leads to lower cost dealings. For the rest of our business division, we ensure we obtain at least three quotations prior to finalising the appointment of suppliers or sub-contractors.

It is our preference to hire local suppliers, however in the event of unavailability of goods and services from local vendors, we look for non-local suppliers. By procuring locally, we provide job opportunities for local businesses, encourage growth of the local economy, and reduce carbon emissions from long distance transportation.

We are delighted to share that we procure all goods and services from local suppliers, except for our Rail Division and Environment Division. The Rail Division employed 3% local suppliers out of its total suppliers as most of the products distributed by the Rail Division are imported from international manufacturers to meet clients and industry demands. Our Environment Division successfully procured 90% of its supplies domestically.



## Sustainability Statement

(cont'd)

The management of our supply chain varies across the Group according to the type of the business. At our Engineering Division, specifically our M & C Engineering and Trading Sdn Bhd ("M&C"), we keep a minimum stock in the inventory to provide quick product delivery to our customers, where the consignment is based on historical order for each year. The type of product supplied from the M&C is mainly HVAC (Heating, Ventilating and Air Conditioning) products. Whereas in the case of our Rail Division's business, the supply is based upon our customers' request and order. In this division, more than 90% of the total purchases made comes from a total of 9 types of track materials and machinery suppliers.

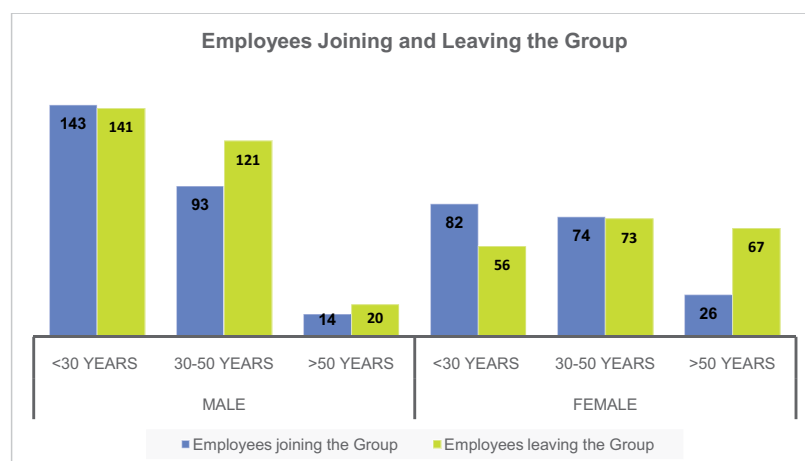
### PROVIDING CONDUCTIVE WORKING ENVIRONMENT

#### Employee Retention

AWC believes that our employees are our greatest asset driving success and sustainability of our businesses. In order for us to retain good talents within the Group, we offer competitive remuneration packages, equal access to career development, and performance rewards. We provide wide-range of benefits which includes medical benefits, hospitalization and surgical, life insurance, maternity benefit, optical benefit, and long service benefit, among others.

We conduct annual performance appraisals to evaluate the achievements and quality of deliverables of all our employees. This session enables communication between superiors and staff and encourage sharing of constructive feedback for better performance in the future. We ensure our employees are rewarded fairly according to their performances and contributions to the Group.

The turnover rate for FY2019 for the Group was recorded at 34.6%. Although we recorded a total of 432 new hires with 468 employees leaving the Group, we maintained smooth operations without minimal disruption to our business. The chart below compares the numbers of new hires against the numbers of those who left the Group.



#### Employee Diversity

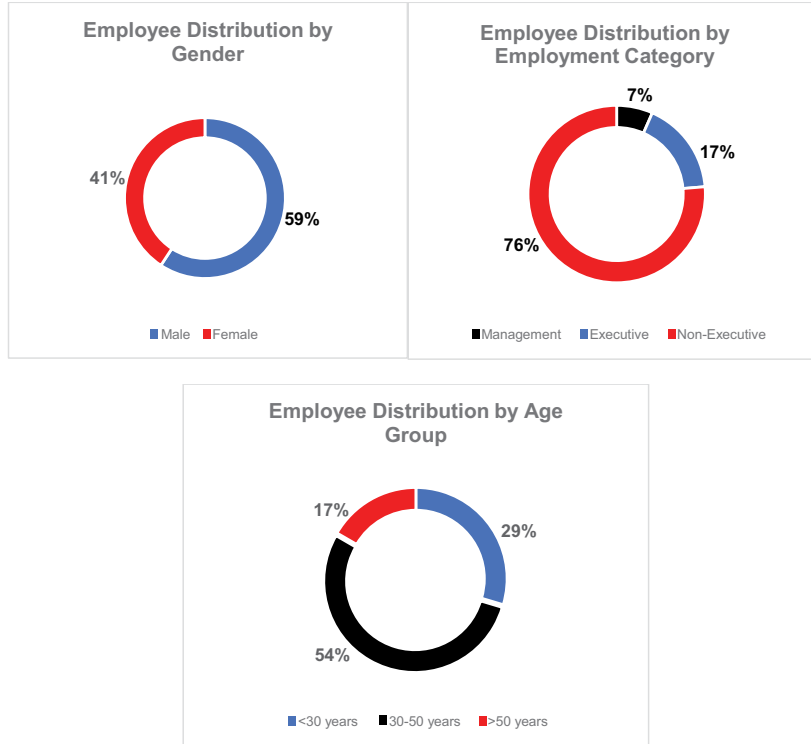
AWC acknowledges diversity and embraces differences among our employees as we believe that diversity contributes to different ways of thinking, knowledge and experiences. Our workforce is made up of different age groups and gender, as AWC hires its workforce based on capability, work experience and education level. We aim to provide a diverse and inclusive workplace for all our employees and this has led to enhanced business performance of the Group. The distribution of men in our workforce is higher than women with 59% and 41%, respectively. Non-executive employees are our largest group followed by executive groups and lastly management team. This pattern is due to the nature of our business which requires skilled workers (non-executive level) at our manufacturing facilities.

Our employee distribution is dominated by the employees in the age group of 30 to 50 years. We hire people from this age group based on established skills and working experience. However, we also employ people from the age group of less than 30 years which means we give opportunities to fresh graduates or people with few years of experience, to grow their career with us. Our employees in the age group of more than 50 years are the smallest group within our business operations.



## Sustainability Statement

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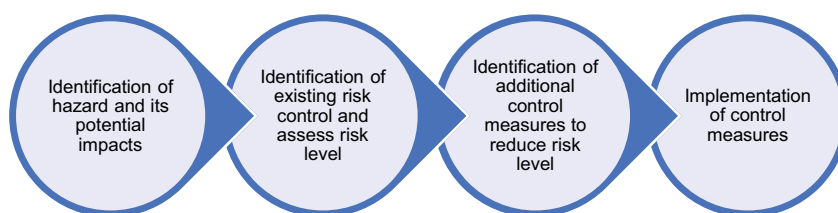


### Occupational Health and Safety

The health, safety and wellbeing of our employees and our stakeholders is central to all that we do within the Group. We are committed to ensure that the working conditions at our project sites and buildings are safe where accidents and near-misses can be prevented from occurring. To this end, we have installed adequate fire and safety equipment in our offices, whereas at our projects sites for all divisions, we ensure personal protective equipment (PPE) is properly used by our employees while carrying out tasks. In our Engineering Division, we conduct job hazard analysis to continuously assess hazards arising from our operations, and determine the necessary safety precautions to implement.

Prior to commencement of work, we perform risk assessment, hazard identification and risk control measures. These assessments are crucial to eliminate or reduce health and safety risks to our employees and partners while carrying out a specific task.

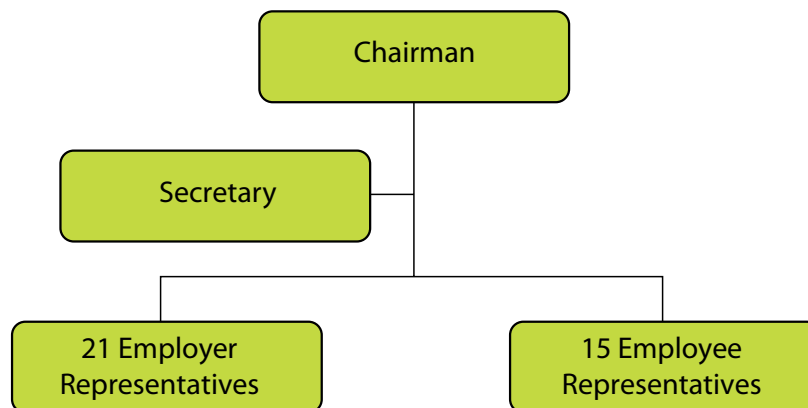
Our Facilities Division carried out Hazard Identification, Risk Assessment and Risk Control (HIRARC) assessments for all areas under our scope of work such as cleaning, electrical and mechanical aspects of a building. The key steps involved in HIRARC are shown in the figure below.



## Sustainability Statement

(cont'd)

To manage safety issues at our Facilities Division, we have established a Health and Safety Committee. This committee is responsible for developing safety and health procedures, reviewing the effectiveness of safety and health programmes, carrying out investigation on accidents, near misses, dangerous occurrences, and occupational diseases, reporting on unsafe or unhealthy working conditions, recommending corrective actions, and reviewing safety policies. Our employees represent 41% of the health and safety committee members. This committee meets on a quarterly basis.



At our Engineering Division, our health and safety team is placed under the main contractor's safety and health committee. Monthly safety and health committee meetings are held to discuss safety-related issues and to improve the overall safety performance at our sites.

We acknowledge that understanding the importance of safety and health in workplace will help in reducing accidents, risks, and maintaining a safe working environment. Therefore, we provide the necessary training for our employees covering topics such as unsafe act, indoor air quality, first aid, noise pollution, working at height, road safety, and chemical handling, to enhance our employees' knowledge and skills in handling safety and health matters.

For FY2019, we are pleased to announce that we recorded zero injuries and zero lost man-hours. In the event there are any incidents and accidents recorded, we have put in place a mandatory incident reporting system internally to our senior management as well as externally to the Department of Occupational Safety and Health.

## Sustainability Statement

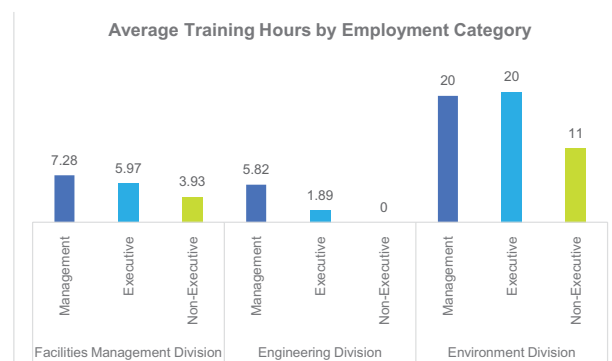
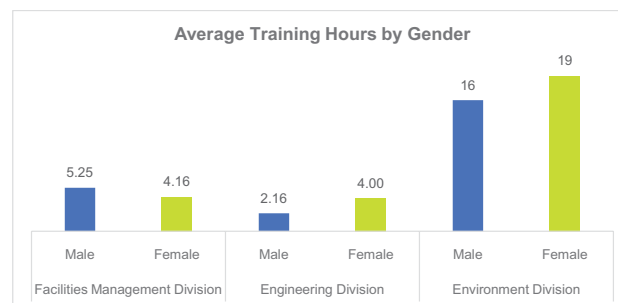
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### Training and Education

As our business continues to grow, we have to ensure our capabilities are associated with the current market demands. We provide in-house training and send our employees to external trainings to equip our employees with knowledge and skills required to carry out their work. Trainings provided to our employees range from technical courses, soft skills enhancement, health and safety, financial and working ethics. Among trainings that we attended in FY2019 is as listed below:-

Efficient Management of Electrical Equipment in the Workplace
Safety Awareness Training on Hydrocarbon Refrigerant (Cold 22)
Financial Analysis Technique
First Aid Training
Civil Defence Emergency Response Team
ISO 9001:2015
National Asset & Facility Management Convention (NAFAM2018)
Working at Height
Fraud Risk Management
Eating to Heart Attack
Building Facilities Management
Law on Strata Management
Strategic Creative and Innovative Thinking
Microsoft Excel 2016
Road Safety Training
Healthy Food
SmartStructure Solution: Workstation and System Design

We keep track on trainings attended by our employees including training hours. Average training hours by gender for our divisions are tabulated as below. Rail Division identified no trainings required to be attended for the year under reporting. Female employees have recorded more training hours compared to male employees for both Engineering and Environment Divisions, whereas for Facilities Management Division, male employees recorded higher training hours compared to female employees. This situation may due to training requirements for these two divisions for the year under review are more towards executive and management level which are hold mostly by female employees. This fact is supported by the average training hours by employment category which shows that both management and executive level recorded higher training hours compared to non-executive level.



## Sustainability Statement

(cont'd)

### Contributing to Local Community

AWC contributes to local community especially the underserved and under-privileged to enhance their quality of life and social wellbeing. We recognise that as our business grow, we are also responsible to give helping hands to the local communities in the areas where we operate. This year we conducted multiple community engagement programmes as listed below:-

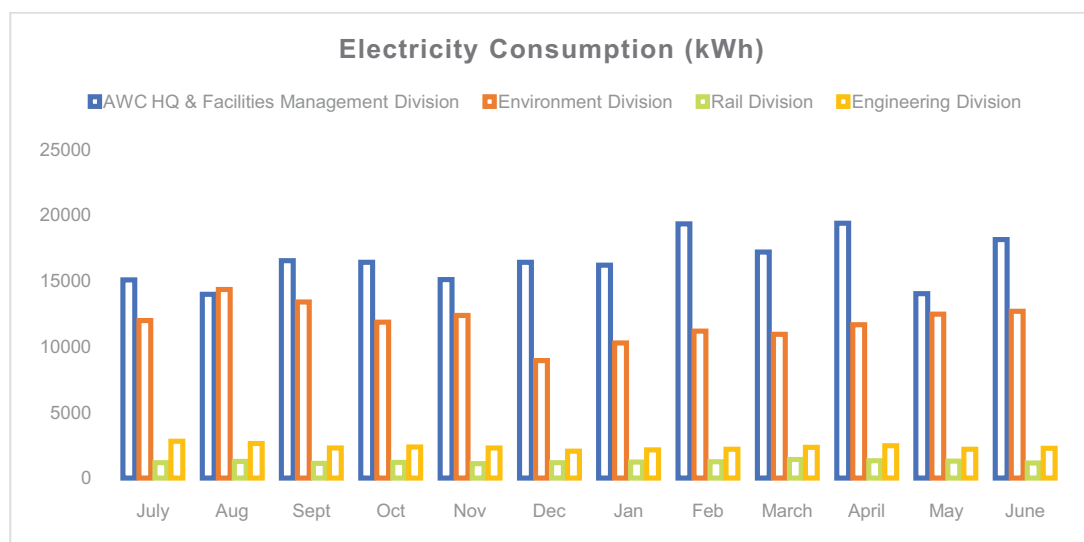
Donation to Masjid Al-Falah for Majlis Berbuka Puasa
Donation for Majlis Makan Malam 'Ladies Nite' for Puspanita Cawangan Kementerian Komunikasi Multimedia Malaysia (PCKKMM)
Donation for Solar Lights Installation for Kawasan Masjid Besar Sundar
Donation for Penganjuran Temasya Semarak Sukan JKR Putrajaya organised by Kelab Sukan, Sosial dan Kebajikan JKR Wilayah Persekutuan Putrajaya

### MANAGING OUR ENVIRONMENTAL FOOTPRINT

#### Energy Management

AWC recognises efficient energy management as one of the initiatives that can contribute to cost savings. In all our divisions, we have put in place energy conservation measures which include maintaining the operation of air-conditioning units at an optimum temperature between 23°C and 25°C, switching off of electrical components when not in use, installing motion sensor lights, and monitoring electricity consumption trends on a monthly basis.

Based on our electricity consumption for the year under review, it shows that AWC Headquarters and Facilities Management Division recorded the highest electricity consumption. This is due to higher number of employees in the offices of these divisions.





## Sustainability Statement

(cont'd)

Specifically, for our Facilities Division, we conduct multiple energy savings initiatives to manage electricity consumption.

<ul style="list-style-type: none"> <li>Establish energy saving policy</li> </ul>	<ul style="list-style-type: none"> <li>Appoint energy advisor and energy committee at headquarters and sites with detailed roles and responsibility</li> </ul>	<ul style="list-style-type: none"> <li>Install security guards to ensure all lights at toilets and lift lobbies are switched off after office hours and at night</li> </ul>
<ul style="list-style-type: none"> <li>Establish energy saving programs</li> </ul>	<ul style="list-style-type: none"> <li>Establish energy consumption monitoring and reporting system</li> </ul>	<ul style="list-style-type: none"> <li>Minimise exterior lights at night which do not affect building security and safety</li> </ul>
<ul style="list-style-type: none"> <li>Set energy consumption capping at each site</li> </ul>	<ul style="list-style-type: none"> <li>Management Payback System in which 10% of energy reduction cost is given out as quarterly energy bonus to site Energy Team</li> </ul>	<ul style="list-style-type: none"> <li>Set personal computers monitor and copier on sleep mode when not in use</li> </ul>

### Waste Management

In our daily operations at the offices of our business divisions, we generate mainly municipal waste including office waste such as paper, plastics and general solid waste. We practice printing on both sides of papers, reuse boxes for storage and segregate used papers for recycling purposes. These wastes are collected and disposed via licensed contractors at approved disposal sites. Where possible, wastes that are recyclable are sold off to recycling contractors. Moving forward, we will endeavour to monitor the quantity of waste generated and the percentage of the waste that is sent for recycling.

Our Environment Division provides design, supply, installation, testing and commissioning of automated pneumatic waste collection systems under the brand of "STREAM". The Automated Waste Collection System ("AWCS") is a piped waste management system in which requires less storage space, produces less odour and reduces traffic for waste collection. The AWCS has shown successful implementation in various residential areas, commercial areas, manufacturing facilities and buildings. The business is directly helps in improving waste management in the areas where we operate.

### Water Management

AWC practices responsible water consumption by encouraging our staff and clients to use water responsibly. We conduct frequent monitoring of water consumption to ensure there is no wastage or leakage at our offices. We strive to maintain minimal water consumption and prevent wastage in our daily operations.

One of the buildings that we are managing is Menara PJH. It is equipped with a rainwater harvesting system in which the harvested water is filtered and used for irrigation and sanitary purposes. This premium green-rated integrated development of 12-storey office tower and retail podium, is also equipped with water-efficient fittings such as sensors for water taps and water closet to optimise water usage. In order to detect for unusual incidents such as water leaks, the water tank for this building is equipped with sensor to detect low levels of water supply.

### CONCLUSION

As we move forward to grow our business, we are aware of the impacts arising from our business on the economy, environment and society. In managing these impacts, we strive to strengthen our business strategies to embed the Economic, Environmental and Social considerations. We are looking forward to carrying out more sustainability initiatives to ensure our EES impacts are being managed appropriately.

## MANAGEMENT DISCUSSION & ANALYSIS

### OVERVIEW OF BUSINESS ACTIVITIES

AWC Berhad (“AWC” or “the Company”) is an investment holding company with four core activities undertaken by its subsidiaries (collectively, “the Group”), providing Solutions in the following divisions:-

NO.	DIVISION	CORE ACTIVITIES
1.	Facilities Division	<p>Provides integrated facilities management (“IFM”) services for the buildings and facilities maintained by the Division. This includes biomedical, facilities engineering maintenance services, security and cleaning services.</p> <p>This Division’s main source of income is derived from a Concession awarded by the Federal Government to provide IFM services to the Southern Zone (comprising states of Negeri Sembilan, Malacca and Johor) and Sarawak. In addition to the Concession, we have been contracted to undertake the Critical Asset Refurbishment Programme (“CARP”), whereby we undertake repairs, refurbishments and replacements of critical assets as predetermined by the Federal Government in the buildings and facilities under the Concession. The tenure for both the Concession and CARP is for a ten-year period from 1 January 2016 till 31 December 2025.</p> <p>The Division also carries out IFM work for Commercial and Healthcare facilities under the Non-Concession segment.</p> <p>The subsidiary companies operating under this Division are Ambang Wira Sdn Bhd, AW Facility Management Sdn Bhd, Environmental &amp; Landscape Services Sdn Bhd and AWC Facilities Engineering Sdn Bhd.</p>
2.	Environment Division	<p>This Division provides the design, supply, installation, testing and commissioning of automated pneumatic waste collection systems under the proprietary brand of ‘STREAM’ (“STREAM PWCS”) with projects located in Malaysia, Singapore, Taiwan, Hong Kong, India and the Middle East, which include operations and maintenance (“O&amp;M”) services of its STREAM PWCS for its clientele, where required.</p> <p>The subsidiary companies operating under this Division are Stream Group Sdn Bhd (formerly known as Nexaldes Sdn Bhd), Stream Environment Sdn Bhd, Stream Environment (S) Pte Ltd, Stream Group Sdn Bhd, Nexaldes Sdn Bhd (Abu Dhabi), Stream Industries Sdn Bhd, Premium Patents Sdn Bhd and Stream Automated Waste W.L.L.</p>
3.	Engineering Division	<p>This Division is a distributor of several international brands of building controls and engineering components for heating, ventilation &amp; air conditioning (or commonly known as “HVAC”) systems and provider of building management systems in Malaysia and Singapore.</p> <p>The Division undertakes larger projects in the HVAC field as a contractor for the implementation of full air conditioning systems and other Mechanical and Electrical Engineering (“M&amp;E”) works for buildings and facilities.</p> <p>These activities are carried out via M &amp; C Engineering and Trading Sdn Bhd and M &amp; C Engineering and Trading (S) Pte Ltd.</p> <p>It also undertakes all types of plumbing related works including cold/hot water and sanitary plumbing, via Qudotech Sdn Bhd (“Qudotech”). Qudotech has been active in the field since 1995. Qudotech undertook previously and are currently implementing several significant projects. Another wholly-owned subsidiary, DD Tehniche Sdn Bhd (“DDT”) holds two exclusive dealerships for the distribution of Rainwater Harvesting Components and Products (“RHCP”) in Malaysia. DDT undertakes the design, supply and installation of RHCP for all new and refurbished buildings.</p> <p>The plumbing and RHCP businesses are carried out via Qudotech and DDT.</p>

## Management Discussion & Analysis

(cont'd)

NO.	DIVISION	CORE ACTIVITIES
4.	Rail Division	<p>The Division provides railway construction and maintenance solutions by supplying and providing specialized services in the areas of the railway track, depot and rolling stock. This ranges from the manufacturing and trading of track materials, tools, equipment and machinery, supplying of depot equipment and tools, supplying rollingstock components and interior works, to providing track diagnostics and monitoring systems in Malaysia.</p> <p>It is also able to provide refurbishment works and maintenance activities for rolling stock, equipment and for machinery as well as specialized services such as design, engineering, technical support and supervision for track construction or maintenance activities.</p> <p>Additionally, this Division represents Principals from Europe, USA, Australia and China who manufacture and supply lifting equipment, precast polymer concrete crossing, track construction machinery, buffer stops, wheels, prestressed concrete sleepers, rail fastenings, turnouts, crossings and expansion joints.</p> <p>Subsidiary under this division is Trackwork &amp; Supplies Sdn Bhd. ("Trackwork")</p>

### OBJECTIVES AND STRATEGIES

The Group's long-term objective is to be a leading, Malaysian-grown, engineering services group in Asia providing Total Building Solutions. Our objective is balanced with a commitment towards environmental conservation and protection in everything we do.

In line with our overall objectives, we have set out shorter-term goals for the Group and for each Division. These are defined in our business plans while annual targets and priorities are underlined in our annual budget. Our business plans include amongst others:-

- a) Analysis of current business environment together with commercial updates and unique challenges experienced by each Division. We analyse the outlook, challenges and prospects for the immediate future (i.e. the next two financial years), and prospects beyond that, both from an operational and financial point of view. With our assessment of the future in hand, we then strategize our way forward to best face the challenges and also to take advantage of opportunities that may present themselves.
- b) Divisional objectives together with the corresponding strategic directions and action plans to be embarked upon to:-
  - i. achieve the prescribed targets and goals.
  - ii. address the specific circumstances and challenges affecting each Division in achieving those targets and goals.
- c) An assessment of various risks associated with each Division and the overall Group, and also of controls in place or planned to address or mitigate these risks.
- d) Assessment and justification of requirements envisaged to undertake the business plan and towards achieving set objectives.
- e) Action plans to be undertaken to head in the appropriate direction or to achieve set objectives.
- f) Clearly defined management accountabilities and operational responsibilities.
- g) Proposed timeline for the implementation and achievement where relevant of each strategic direction and action plan.

## Management Discussion & Analysis

(cont'd)

- h) A framework for the control and monitoring of the progress of every strategic direction and action plan implemented. This would enable us to vary and/or re-strategize our action plans to take into account the situation on the ground.

The annual budget exercise deals with the above matters but goes into more depth looking at contemporary business conditions and updates. We regularly review the Income Statement and Balance Sheet on a detailed basis for each Division and subsidiary. We cover revenue (current and projected), progress of projects, operational issues and costing related matters. In reviewing projected revenue, we constantly assess our order book and project pipeline (i.e. potential projects) and cross-selling opportunities within the Group. The Board is regularly updated at Board meetings regarding the financial performance of the Group and individual Divisions against the budget approved, as well as against the previous financial year.

Where necessary, our budget (and our business plan) would be revised to accommodate the latest social economic developments and business updates.

### REVIEW OF FINANCIAL RESULTS AND OPERATING ACTIVITIES

#### The Group

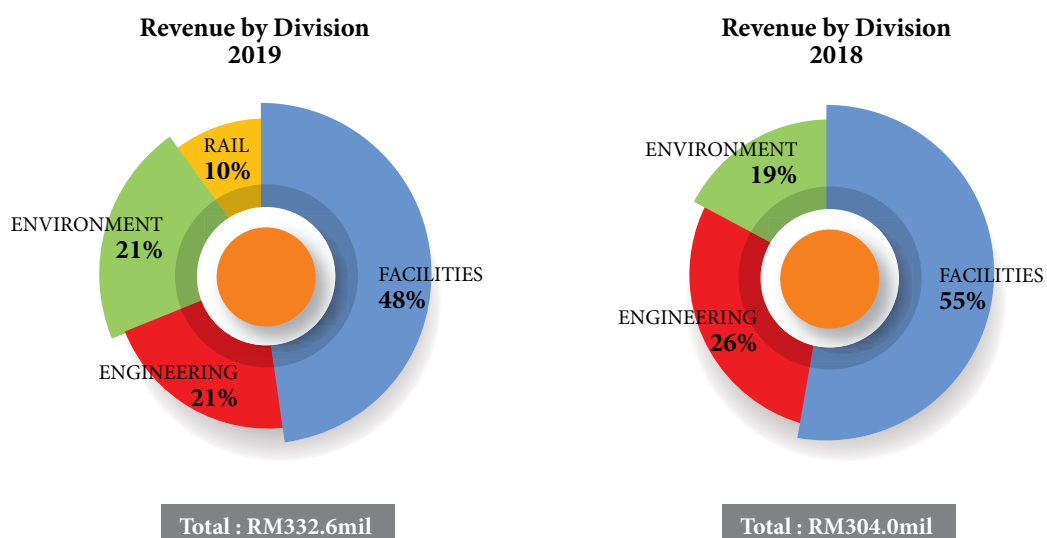
For the financial year under review, AWC reported another new record in revenue at RM332.6 million. Despite the increase in revenue, earnings declined as compared to FYE 2018 due largely to several factors as appended:-

1. unbudgeted non-recurring costs incurred by the Facilities Division (RM2.1 million);
2. deferred revenue recognition arising from adoption of accounting standard (RM0.5 million) and patent registration and maintenance costs (RM0.9 million) by the Environment Division;
3. cost overruns in a project undertaken by the aircond segment of the Engineering Division (RM1.3 million); and
4. a one-time amortisation charge against intangible assets computed pursuant to MFRS 3, arising from the acquisition of Trackwork & Supplies Sdn Bhd (RM3.0 million).

During FYE 2019, the Group's revenue is contributed by four (4) divisions: facilities, environment, engineering and rail serving as a newcomer to the Group. As the Group's main revenue driver, the Facilities division continued to be the largest contributor to Group revenue followed by the Engineering and Environment division.

#### Revenue by Division

The Group reported RM332.6 million in revenue, an increase of 9.4% as compared to FYE 2018 revenue of RM304.0 million. The improvement in the top line was mainly contributed by the revenue consolidated from Trackwork and better performance by the Environment division. The breakdown of each division as shown in the pie charts below:-



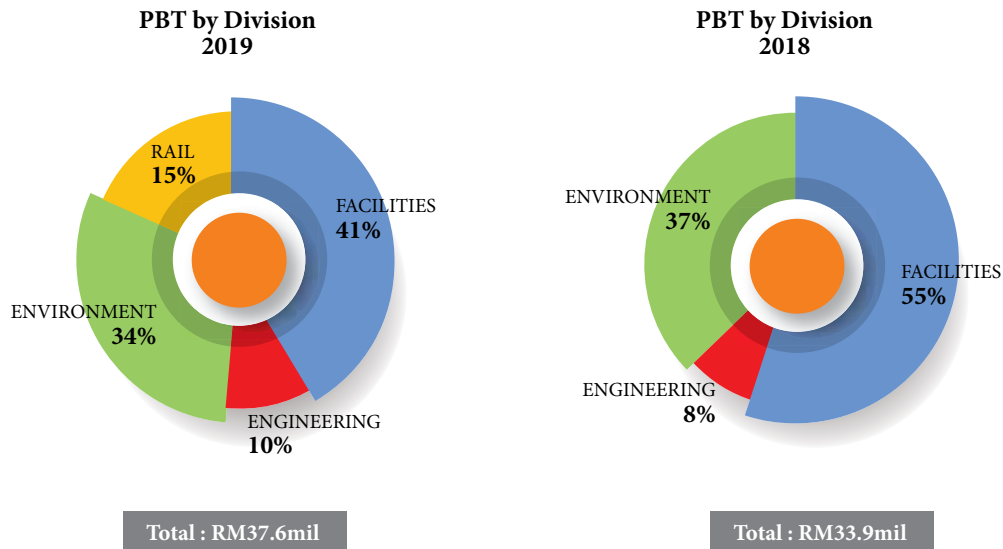


## Management Discussion & Analysis

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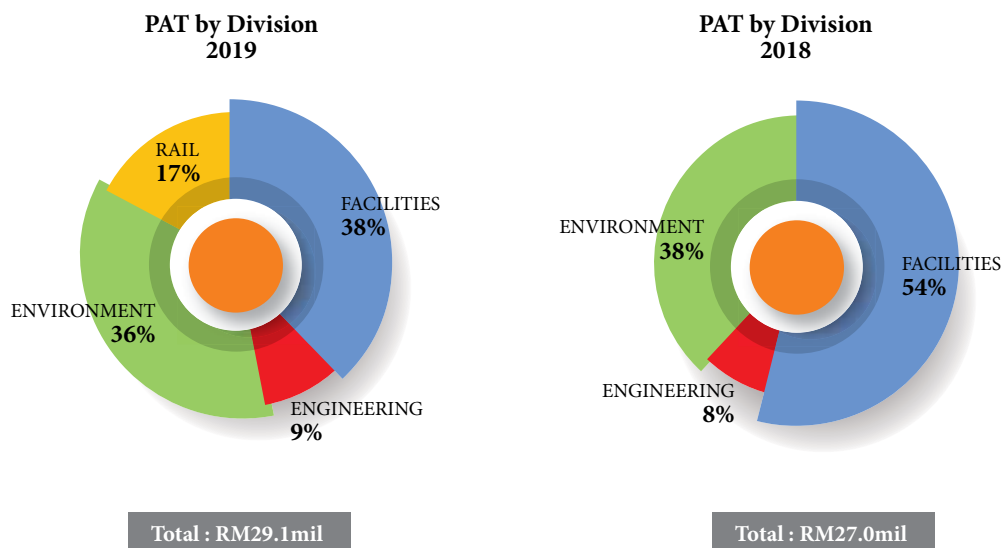
### Profit Before Tax by Division

The Group's Profit Before Tax and Zakat for FYE 2019 reported an increase of 10.9% from RM33.9 million in FYE 2018 to RM37.6 million. The breakdown across all four (4) divisions of PBT is as shown in the pie charts below:-



### PAT by Division

The Group's Profit After Tax amounted to RM29.1 million in FYE 2019, representing an increase of 7.8% as compared to its corresponding year of RM27.0 million. Pie charts below illustrates the breakdown across all four (4) divisions.

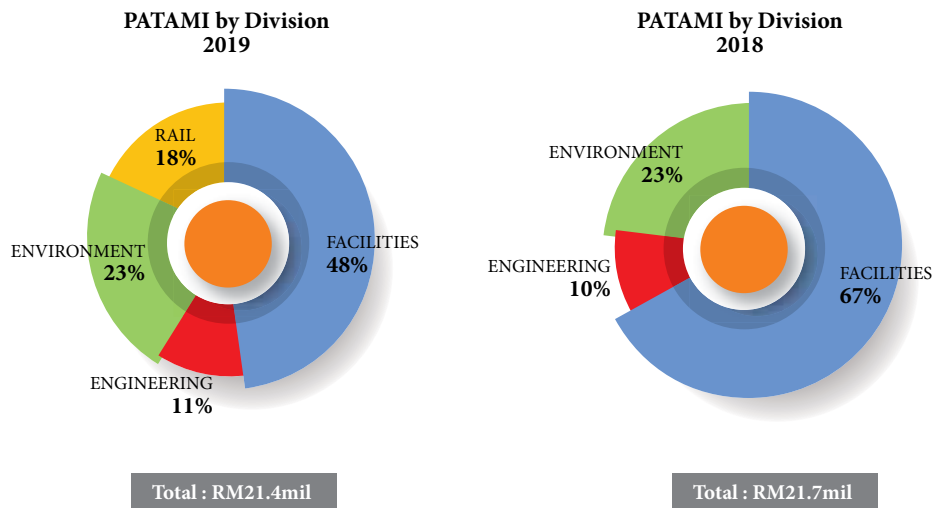


## Management Discussion & Analysis

(cont'd)

### PATAMI by Division

The Group's PATAMI reported at RM21.4 million and RM21.7 million in FYE 2019 and FYE 2018 respectively with a decline of 1.4%. Below shows the contribution across each divisions.

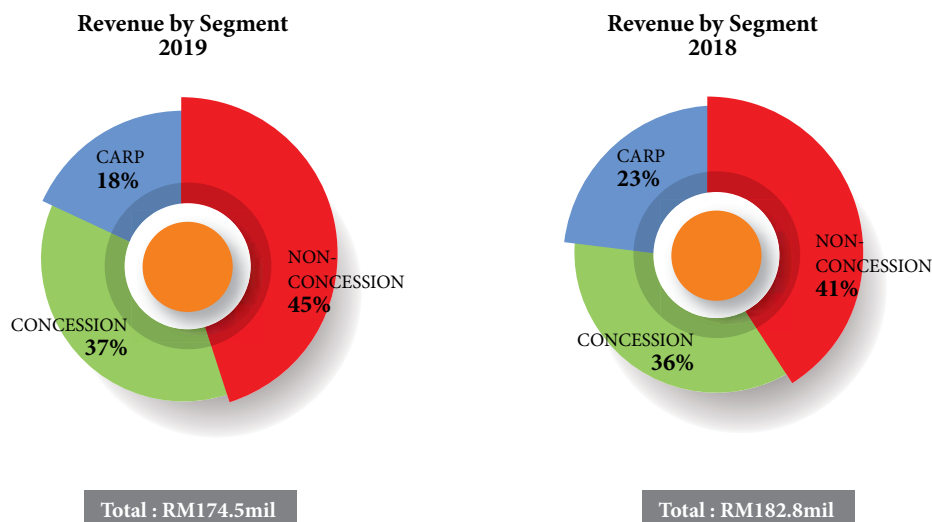


### Facilities Division

The Facilities Division reported a revenue of RM174.5 million for FYE 2019 which represents 52.5% of our total Group revenue, a decrease of 4.5% against RM182.8 million from FYE 2018 which was mainly due to:-

- Lower recognition of Critical Asset Refurbishment Programme ("CARP") revenue amounting to RM31.2 million as compared to RM45.7 million recognised in FYE 2018.
- Completion of a few non-concession contracts namely Menara Felda, Bank Negara Malaysia and Johor state clinics.

The businesses in the Facilities Division are broken into the Concession, CARP and Non-Concession segments. The Concession segment contributed approximately 37% to the total revenue of Facilities division in FYE 2019 whilst the CARP and the Non-Concession segment contributed 18% and 45% respectively. Renewals and award of new contracts namely Bangunan JB Sentral, MITI HQ, Galeria PJH and Bintulu Port Authority building contributed to the Division's financial performance.



## Management Discussion & Analysis

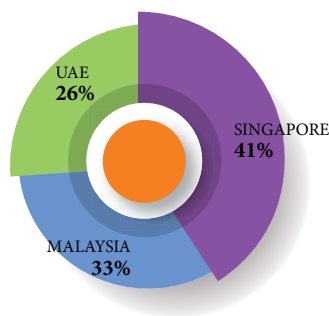
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### Environment Division

The Environment Division contributed approximately 20.4% to our total Group revenue with RM67.7 million in revenue for FYE 2019, translating to an improvement of 16.9% as compared to RM57.9 million for FYE 2018. The better revenue was achieved via the new contracts secured and better progress in on-going projects which resulted in faster recognition of billings. Projects that were completed and handed over during the year include Lakeville Residences Tower E & F in Taman Wahyu, Tampines Green Ridges HDB and Lake Grande in Singapore, and several projects in Abu Dhabi under Al-Raha Beach Development.

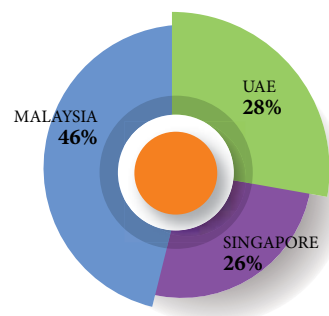
With improvement in revenue reported, the Division is cautiously optimistic in improving its performance further with the successful award of contracts during the year under review mainly the Woodlands Health Campus and Riverfront Residences in Singapore, M Centura and M Vertica Development in Kuala Lumpur and Coral Bay Project in Kota Kinabalu while multiple sub-plot developments in Abu Dhabi rounded up the projects secured during the year.

Revenue by Geographical Segment 2019



Total : RM67.7mil

Revenue by Geographical Segment 2018



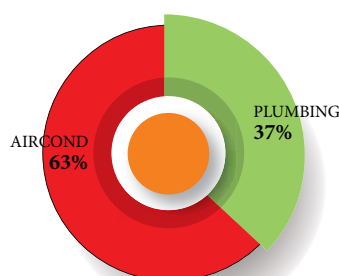
Total : RM57.9mil

### Engineering Division

For FYE 2019, the Engineering Division contributed 23.6% of the Group revenue of RM78.8 million vs RM101.1 million reported in FYE 2018, representing a 22.1% decrease.

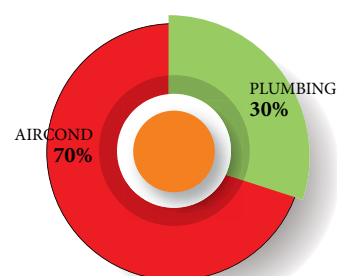
Overall the weaker performance was mainly due to slowdown in the progress of major projects, cost overruns from legacy projects, delinquent receivables and inventory write-downs. Nonetheless, the Division secured several new notable projects such as Lendlease Lifestyle Mall in TRX, a number of mechanical and electrical jobs in Singapore and several rainwater harvesting projects, which are expected to contribute positively towards the future earnings of the division.

Revenue by Segment 2019



Total : RM78.8mil

Revenue by Segment 2018



Total : RM101.1mil

## Management Discussion & Analysis

(cont'd)

### Rail Division

A new addition to the AWC Group family, The Rail Division contributed RM37.9 million or 11.4% in Revenue to the Group in FYE 2019. There were no comparable figures as the Division was consolidated during FYE 2019 starting from 9 October 2018.

Post completion of the acquisition, the Division secured several new projects during the year under review namely the East Coast Rehabilitation Project and KVMRT2 Project, which are expected to contribute positively to the future performance of AWC Group.

### FINANCIAL POSITION

As at 30 June 2019, the Group's balance sheet remains healthy, boasting a net cash position of RM38.4 million and a net cash per share of 13.1 sen.

Current assets and current liabilities stood at RM297.0 million and RM116.3 million respectively, translating to a current ratio of 2.55. Our Group's receivables stands at about RM130.4 million while payables are at RM74.6 million.

Total net assets amounted to RM198.3 million, or 67.7 sen per share, an increase from RM163.70 million, or 60.8 sen per share in FYE 2018.

Overall, our balance sheet remained on solid footing and has sufficient working capital to execute all the existing projects in our order book. The Group's businesses are capable in sustaining an asset light approach due to the nature of low capital expenditure ("CAPEX") requirement. As such, there are no plans to undertake any significant CAPEX in the foreseeable future.

We do not foresee that there will be any significant change to AWC's capital structure, except for the impact from new shares issued in line with the exercise of the ESOS by the Group's eligible employees, as well as the enlarged share base resulting from the acquisition of Trackwork.

### CORPORATE DEVELOPMENT

On 27 November 2018, the Group's proposed issuance of up to 61,628,620 free warrants in AWC was approved by shareholders in an Extraordinary General Meeting. Subsequently, the exercise price of the Warrants was fixed at RM0.88 on 6 December 2018 and the free warrant issue was completed following the admission of the Warrants to the Official List of Bursa Securities and the listing and quotation of 56,824,679 Warrants on the Main Market of Bursa Securities on 2 January 2019.

### KEY RISKS

The Group's risk exposure of reliance on contracts is mitigated by having a diversified portfolio to generate a steady stream of income. We also have a balanced portfolio of government and private contracts.

The Group is also exposed to foreign exchange risks due to its procurement and international operations, namely the Singapore Dollar, the United State Dollar and United Arab Emirates Dirham. The volatility of these foreign currency affects both our revenue and costs incurred, where contracts outside Malaysia are in the respective foreign currencies. Further information on currency exposure is set out in Note 31(b) to the financial statements.

Analysis of other key financial risks such as liquidity risk, credit risk as well as interest rate risk are discussed in Note 31(b) to the financial statements.



## Management Discussion & Analysis

(cont'd)

### OUTLOOK AND PROSPECTS

The Group continues to replenish its orderbook strongly and has managed to secure in excess of RM250 million worth of new contracts during the year under review with a substantial sum secured by the Facilities and Environment Divisions, followed by the Engineering and Rail Divisions. These contract wins contributed to the replenishments of our orderbook which as at 30 June 2019 stands at approximately RM978 million.

Of the RM600 million order book under the Facilities Division, RM161 million are Non-Concession contracts with balance of tenures ranging from 2 to 3 years. Remaining contracts totalling RM439 million are under the Concession segment recognizable over a period of 6 to 7 years.

The Environment and Engineering Divisions have outstanding order book values of approximately RM153 million and RM151 million respectively which are expected to keep these Divisions busy over the next 3 to 4 years. The Rail Division has an orderbook of approximately RM74 million which will be recognised over the next 2 to 3 years.

Backed by a strong orderbook which provides good earnings visibility, we expect to enhance and better our performance in the coming years. Our presence in Putrajaya was further expanded via the award of new contract under the Facilities Division in the form of Institut Kanser Negara Hospital Support Services contract and Menara PJH. Including this new wins, we are now at 8 sites in Putrajaya, maintaining the Buildings of Ministry of Foreign Affairs, Ministry of Rural Development, Ministry of Communications and Multimedia, Palace of Justice, Galeria PJH and the Heriot Watt University Campus.

We expect the progress of our projects that we are involved in to pick up further and to contribute positively towards our performance. The ability of the Group to secure new jobs would hinge largely on the pickup in economic activity domestically and globally. While the upcoming year is expected to be challenging, the Group is cautiously optimistic to continue to enhance shareholders value.

### Human Resource Considerations

We continuously work towards securing the appropriate talent pool that will enable us to solidify our management team, both for the immediate and long term future. This is done throughout all our three Divisions.

AWC launched its Employee Share Option Scheme ("ESOS"), with the first offer to employees on 6 November 2015 and subsequent offers in the periods following the initial launch. With the continued improvement in AWC's share price since then, and with the strong order book in hand, we believe the ESOS is a good tool in garnering employee loyalty and commitment.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## INTRODUCTION

The Board of Directors (“the Board”) of AWC Berhad (“AWC” or “the Company”) recognises the importance of maintaining high standards of corporate governance for transparency, accountability, integrity and a well-managed company. The Board is committed towards ensuring good corporate governance practices are implemented and maintained throughout the Company and its subsidiaries (“the Group”) as a fundamental part of discharging its duties and responsibilities to enhance shareholders’ value, consistent with the principles and best practices as set out in the Malaysian Code on Corporate Governance (“MCCG” or “the Code”) and Main Market Listing Requirement (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The Board is pleased to present this Corporate Governance (“CG”) Overview Statement to provide the shareholders and investors with an overview on the application of CG practices by the Group as set out in the MCCG for the financial year ended 30 June 2019 (“FYE 2019”).

This CG Overview Statement should be read together with the Company’s Corporate Governance Report for the FYE 2019 which is available on the Company’s website at [www.awc.com.my](http://www.awc.com.my) as well as via an announcement on the website of Bursa Securities.

## A. BOARD LEADERSHIP AND EFFECTIVENESS

### PART I - BOARD RESPONSIBILITIES

#### 1. Board’s Leadership on Objective and Goals

- 1.1 The Board is responsible for the leadership, oversight and long-term success of the Company and the delivery of sustainable value to its stakeholders. The Board leads the performance of the Company, including practicing a high level of good governance. All Board members are expected to show good stewardship and act in a professional manner as well as upholding the core values of the Company with due regard to their fiduciary duties and responsibilities.

In discharging its fiduciary duties and leadership functions, the Board is guided by the Board Charter, which outlines the duties and responsibilities of the Board, matters reserved for the Board as well as those which the Board may delegate to the Group Chief Executive Officer/President. For the effective function of the Board, the Board has established the following Board Committees to assist in the execution of its responsibilities:

- a. Audit and Risk Management Committee (“ARMC”);
- b. Nomination Committee (“NC”);
- c. Remuneration Committee (“RC”); and
- d. Employees’ Share Option Scheme Committee.

The Board committees operate in accordance with its respective Terms of Reference as reviewed and approved by the Board. The Board Committees’ Terms of Reference can be accessed via the Company’s website, [www.awc.com.my](http://www.awc.com.my).

The Board has reserved a formal schedule of matters for its decision making to ensure that it retains full and effective control of the Group’s strategic plans and direction. It has also exercised oversight on Management and set the appropriate tone at the top, while providing thought leadership and championing good governance and ethical practices throughout the Group.

## Corporate Governance Overview Statement

(cont'd)

### 1. Board's Leadership on Objective and Goals (Continued)

To enable the Board to discharge its responsibilities in meeting the goals and objectives of the Group, the Board has, amongst others:-

- promoted good corporate governance culture within the Group which reinforces ethical, prudent and professional conduct;
- reviewed, challenged and decided on Management's proposals for the Group, and monitor its implementation;
- ensured that the strategic plan of the Group supports long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability;
- assessed Management performance;
- ensured there is a sound framework for internal controls and risk management;
- recognised the principal risks of the Group's business and that business decisions involve the taking of appropriate risks;
- set the risk appetite within which the Board expects Management to operate and ensured that there is an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks;
- ensured that Senior Management has the necessary skills and experience, and measures are in place to provide for the orderly succession of Board and senior management;
- ensured that the Group has in place procedures to enable effective communication with shareholders and stakeholders; and
- ensured the integrity of the Group's financial and non-financial reporting.

- 1.2 The Chairman of the Board, Dato' Nik Mod Amin Bin Nik Abd Majid, holds an Independent Non-Executive position and is responsible for leading the Board to ensure its effectiveness and integrity and the entrenchment of good corporate governance practices within the Group.

The Chairman of the Board has:-

- provided leadership to the Board;
- overseen the effective discharge of the Board's supervisory role;
- facilitated the effective contribution of all Directors;
- conducted and chaired Board Meetings and General Meetings of the Company;
- managed Board communications and Board effectiveness and effective supervision over Management;
- ensured that quality information to facilitate decision-making is delivered to the Board on timely manner;
- ensured Board Meetings and General Meetings are in compliance with good conduct and best practices; and
- promoted constructive and respectful relations between Board members and between the Board and the management.

- 1.3 The position of the Chairman and Group Chief Executive Officer/President are held by two different individuals and each has a clear accepted division of responsibilities to ensure there is a balance of power and authority to promote accountability.

The Chairman is responsible for instilling good corporate governance practices and leadership, and for ensuring Board effectiveness, while the Group Chief Executive Officer/President has overall responsibilities over the day-to-day management of the Group's business and implementation of the Board's policies and decisions.

- 1.4 The Board is supported by a qualified and competent Company Secretary. The Company Secretary is a member of the Malaysian Association of Company Secretaries and is holding a professional certificate as qualified Company Secretary under the Malaysian Companies Act 2016. The Company Secretary possesses over 25 years of experience in corporate secretarial practices and is supported by a team of competent company secretarial personnel.

## Corporate Governance Overview Statement (cont'd)

### 1. Board's Leadership on Objective and Goals (Continued)

The Company Secretary has:-

- together with Management, managed all Board and Board Committee meeting logistics;
- attended and recorded minutes of all Board and Board Committee meetings and facilitated Board communications;
- advised the Board on its roles and responsibilities;
- advised the Board on corporate disclosures and compliance with Companies Act 2016, MMLR and the MCGG; and
- managed processes pertaining to the Annual General Meeting ("AGM") of the Company.

The Company Secretary attended the necessary training programmes, conferences or seminars to keep herself abreast with the current regulatory changes in the laws and regulatory requirements that are relevant to her profession and to provide the necessary advisory role to the Board.

Overall, the Board is satisfied with the performance and support rendered by the Company Secretary and her team to the Board in the discharge of her duties and functions.

- 1.5 To facilitate the Directors' time planning, meetings calendar was prepared in advance of each new year by the Company Secretary. The meetings calendar provides the Directors with scheduled dates for meetings of the Board and Board Committees as well as the AGM. The closed periods for dealings in securities by Directors and principal officers based on the scheduled dates of meetings for making announcements of the Company's quarterly results were also provided therein.

The Notice of meetings of the Board and Board Committees are sent to the Directors via email at least five (5) business days prior to the meetings. Meeting materials are also circulated to Directors at least five (5) business days in advance of the Board and Board Committee meetings to ensure they have been given sufficient time to prepare for the meetings. Management and other advisers are invited to attend the meetings to report and brief on their respective areas of responsibility, if required.

The deliberations and decision of matters discussed in the Board and Board Committees meetings are duly recorded in the minutes of meetings, including whether any Director abstains from voting or deliberating on a particular matter. The minutes of meetings are circulated to the respective Chairman of the Board and Board Committees in a timely manner for review before they are confirmed and adopted by members of the Board and Board Committee at their respective meetings. The Company Secretary also ensures that deliberations at Board and Board Committee meetings are well documented.

### 2. Demarcation of Responsibilities between the Board, Board Committees and the Management

The Board has formalised and adopted a Board Charter which clearly sets out the roles and responsibilities, composition and balance, operation and processes of the Board. It serves as a reference point for Board activities and is designed to provide guidance and clarity to Directors and Management with regards to the respective roles and responsibilities of the Board, Board Committees, Chairman and Group Chief Executive Officer/President, as well as issues and decisions reserved for the Board, the Board's governance structure and authority. This is to ensure that all Board members acting on behalf of the Company are aware of their duties and responsibilities, and the legislations and regulations affecting their conduct.

The Board Charter would be reviewed on a regular basis so as to be in line with the latest statutory and regulatory requirements. The Board Charter was last reviewed, updated and approved by the Board on 28 August 2018 and is published on the Company's website at [www.awc.com.my](http://www.awc.com.my).

## Corporate Governance Overview Statement

(cont'd)

### 3. Good Business Conduct and Healthy Corporate Culture

- 3.1 The Board is committed to promote and maintaining high standards of transparency, accountability and ethics in the conduct of its business and operations. The Board has formalised ethical standards by establishing a Code of Ethics and Conduct for all Directors and employees of the Group, and the core areas of conduct include observing high standard of corporate governance, handling of conflict of interest, management of Group information and corporate disclosure, protection of legitimate business interests, and declaration of any personal or business interests.

The Code of Ethics and Conduct is incorporated in the Board Charter of the Company and published on the Company's website at [www.awc.com.my](http://www.awc.com.my).

The Code of Ethics and Conduct is to be observed by all Directors and employees of the Group and will be reviewed by the Board regularly to ensure that it continues to remain relevant and appropriate.

- 3.2 The Group is committed to the highest standard of integrity, openness and accountability in the conduct of its businesses and operations. The Group has established the Whistle-Blowing Policy that provide a channel to enable employees and other stakeholders to report any suspected breaches of law or regulations or any illegal acts observed in the Group, including financial malpractice or fraud, non-compliance with regulatory requirements, danger to health, safety or the environment, criminal activity and corruption. It also helps to nurture a good organizational culture with the Group and develop a culture of openness, transparency, accountability and integrity, which ultimately formulates standards of corporate behavior creating an ethical corporate climate.

The Whistle-Blowing Policy aims to achieve the following:-

- To provide avenues for employees to raise genuine concerns or allegation through the appropriate channels upon discovery of possible misconduct;
- To encourage and develop a culture of openness, accountability and integrity;
- To enable Management to be informed at an early stage about acts of misconduct; and
- To ensure the protection to individual who reports the concern or allegation in good faith in accordance with the procedures.

The Whistle-Blowing Policy is published on the Company's website at [www.awc.com.my](http://www.awc.com.my).

## PART II - BOARD COMPOSITION

### 4. Board's Objectivity

- 4.1 Currently, the Board has five (5) members as set out in the table below, which comprises a majority of Independent Directors of the Board:-

	<b>Names</b>	<b>Designation</b>
1.	Dato' Nik Mod Amin Bin Nik Abd Majid	Independent Non-Executive Chairman
2.	Dato' Ahmad Kabeer Bin Mohamed Nagoor	Executive Director (Group Chief Executive Officer/President)
3.	Yang Mulia Tunku Puan Sri Dato' Hajjah Noor Hayati Binti Tunku Abdul Rahman Putra Al-Haj	Independent Non-Executive Director
4.	Dato' Ahri Bin Hashim	Independent Non-Executive Director
5.	Sureson A/L Krisnasamy	Independent Non-Executive Director



## Corporate Governance Overview Statement (cont'd)

### 4. Board's Objectivity (Continued)

- 4.2 Presently, Dato' Nik Mod Amin Bin Nik Abd Majid is the Independent Director of the Company who has served the Board for a cumulative term of more than nine (9) years.

The NC and the Board take cognizance that under the MCCG, if the Board wishes to retain Dato' Nik Mod Amin Bin Nik Abd Majid as an Independent Director of the Company, the Board should justify and seek shareholders' approval at the forthcoming Eighteenth AGM ("18th AGM") to be held on 28 November 2019.

The NC and the Board have assessed the independence of Dato' Nik Mod Amin Bin Nik Abd Majid, and have recommended that he be retained as an Independent Director of the Company as he continues to devote sufficient time and attention to bring independent and objective judgement to Board deliberations and continues to meet the criteria for independence in discharging his roles and functions as an Independent Director of the Company pursuant to the MMLR.

The Board believes that with Dato' Nik Mod Amin Bin Nik Abd Majid's continued contribution, especially his invaluable knowledge of the Group gained through the years, will provide stability and benefits to the Board and the Company as a whole.

- 4.3 The Company has not adopted a policy which limits the tenure of its Independent Directors to nine (9) years. Notwithstanding that, the assessment of independence of the Independent Directors was conducted annually via annual evaluation to ensure they are independent from any business or other relationship which could interfere the interest of the Company.

The shareholders' approval was obtained at the Seventeenth AGM ("17th AGM") for the retention of Dato' Nik Mod Amin Bin Nik Abd Majid as an Independent Non-Executive Director.

- 4.4 The Board acknowledges the importance of Board and Senior Management composition diversity as recommended by the MCCG. In pursuing diversity agenda, the Directors and Senior Management are sourced from a diverse pool and recruited based on objective criteria, merit and with due regard for diversity in skills, knowledge, experience, age, cultural background, gender and contribution.

The NC is responsible to consider and nominate new candidates for appointment and make the necessary recommendations to the Board for approval. In this respect, the role of the NC is detailed in its Terms of Reference, which is accessible on the Company's website, [www.awc.com.my](http://www.awc.com.my).

The Board also via the NC, reviews the correct mix of skills, business and professional experiences that should be added to the Board annually or as and when required.

The Company is an equal opportunity employer and does not practice discrimination of any form, whether based on age, gender, race and religion, throughout the organization.

- 4.5 In view of the gained attention of boardroom diversity as an important element of a well functioned organisation, the Board has established and adopted a Gender Diversity Policy on 28 August 2018 which provides a framework for the Company to improve its gender diversity at Board level.

The objectives/principles and measures as set out in the Gender Diversity policy are summarised and disclosed in the Corporate Governance Report for the FYE 2019.

The Board will review the Gender Diversity Policy from time to time to ensure that the policy remains relevant and viable to meet its objectives.

Currently, there is a female Director on the Board, namely, Yang Mulia Tunku Puan Sri Dato' Hajjah Noor Hayati Binti Tunku Abdul Rahman Putra Al-Haj, and a female Senior Management, namely, Ms. Tan Ai Lee, the Group Legal Counsel.

## Corporate Governance Overview Statement

(cont'd)

### 4. Board's Objectivity (Continued)

- 4.6 The members of the Board are to be appointed in a formal and transparent practice as endorsed by the MCCG. The NC will scrutinise the candidates and recommend the same for the Board's approval. In discharging this duty, the NC will undertake a thorough review of the candidate's criteria, amongst others, qualifications, skills, knowledge, expertise, experience, personal attributes and the capability to devote the necessary time and commitment to the role.

In searching for suitable candidates for appointment of Directors, the NC may receive suggestions from existing Board members, Management and major shareholders. The NC is also open to referrals from external sources available, such as industry and professional association, as well as independent search firms. The NC is allowed to use a variety of approaches and sources to ensure that it is able to identify the most suitable candidates.

- 4.7 The NC is chaired by Yang Mulia Tunku Puan Sri Dato' Hajjah Noor Hayati Binti Tunku Abdul Rahman Putra Al-Haj, an Independent Non-Executive Director of the Company. The NC Chairperson has led the annual review of Board effectiveness, ensuring that the performance of each individual Director is independently assessed and will lead the succession planning and appointment of future Board members.

The NC comprises the following members, all being Non-Executive as identified by the Board:-

Name of Directors	Designation
Yang Mulia Tunku Puan Sri Dato' Hajjah Noor Hayati Binti Tunku Abdul Rahman Putra Al-Haj (Chairperson)	Independent Non-Executive Director
Dato' Ahri Bin Hashim (Member)	Independent Non-Executive Director
Sureson A/L Krisnasamy (Member)	Independent Non-Executive Director

The activities undertaken by the NC during the FYE 2019 are as follows:-

- (i) Carried out the assessment and rating of the performance of each Non-Executive Directors against the criteria as set out in the annual assessment form, amongst others, attendance at Board or Committee meetings, adequate preparation for Board and/or Committee meetings, regular contribution to Board or Committee meetings, personal input to the role and other contributions to the Board or Committees as a whole.
- (ii) Carried out the assessment and rating of the performance of the Executive Directors against diverse key performance indicators, amongst others, financial, strategic, operations management and business plans, product development, conformance and compliance, shareholders'/investors' relations, employee training and development, succession planning and personal input to the role.
- (iii) Assessed and evaluated the independence of the Independent Directors.
- (iv) Assessed the performance of the Audit and Risk Management Committee.
- (v) Considered and recommended to the Board for consideration, the re-election of Dato' Nik Mod Amin Bin Nik Abd Majid and Yang Mulia Tunku Puan Sri Dato' Hajjah Noor Hayati Binti Tunku Abdul Rahman Putra Al-Haj, who were due for retirement at the 17th AGM held on 27 November 2018.
- (vi) Assessed and recommended to the Board the retention of Dato' Nik Mod Amin Bin Nik Abd Majid as an Independent Non-Executive Director.
- (vii) Reviewed the Terms of Reference of the NC and Gender Diversity policy of the Company.

## Corporate Governance Overview Statement (cont'd)

### 5.0 Overall Effectiveness of the Board and Individual Directors

5.1 The Board has, through the NC, conducted annual evaluation to determine the effectiveness of the Board, its Board Committees and each individual Director in the FYE 2019. The process was carried out by sending the following customised assessment forms to Directors:-

- i. Performance of Group Chief Executive Officer/President;
- ii. Performance of Non-Executive Directors;
- iii. Independence of the Independent Directors;
- iv. Performance of the ARMC; and
- v. Effectiveness of the Board and Board Committees as a whole.

The assessment criteria that based on the Key Performance Indicators covers the financial performance and business operations, strategic, operations management and business plans, product development, conformance and compliance, stakeholders' relation, succession planning, attendance, preparation and contribution to the committee meetings.

### 5.2 Attendance of Board and Board Committees' Meetings

The Board schedules at least four (4) meetings in a financial year with additional meetings to be convened where necessary. During the FYE 2019, the Board had conducted five (5) Board meetings where they deliberated and approved various reports and matters, including the quarterly financial results of the Group for the announcement to Bursa Securities as well as discussed on the business plans and strategies, major investments, strategic decisions as well as the Group's financial performance.

The number of meetings held and attended by each member of the Board and Board Committees during the FYE 2019 are as follows:

Name of Directors	Type of Meetings	Board of Directors	ARMC	NC	RC
	No. of Meetings Attended				
Dato' Nik Mod Amin Bin Nik Abd Majid		5/5	4/4	N/A	1/1
Dato' Ahmad Kabeer Bin Mohamed Nagoor		5/5	N/A	N/A	N/A
Yang Mulia Tunku Puan Sri Dato' Noor Hayati Binti Tunku Abdul Rahman Putra Al-Haj		3/5	N/A	0/1	0/1
Dato' Ahri Bin Hashim		5/5	4/4	1/1	1/1
Sureson A/L Krisnasamy		5/5	4/4	1/1	N/A

\*N/A - Not Applicable

## Corporate Governance Overview Statement

(cont'd)

### 5.0 Overall Effectiveness of the Board and Individual Directors (Continued)

#### 5.3 Directors' Trainings

During the FYE 2019, all Directors had attended the following training programmes in compliance with Paragraph 15.08 of the MMLR of Bursa Securities:-

Name of Directors	Programmes/Seminars attended
Dato' Nik Mod Amin Bin Nik Abd Majid	<ul style="list-style-type: none"> <li>Key amendments to the MMLR of Bursa Securities Berhad relating to continuing disclosure obligations and other amendments</li> </ul>
Dato' Ahmad Kabeer Bin Mohamed Nagoor	<ul style="list-style-type: none"> <li>Key amendments to the MMLR of Bursa Securities Berhad relating to continuing disclosure obligations and other amendments</li> </ul>
Yang Mulia Tunku Puan Sri Dato' Hajjah Noor Hayati Binti Tunku Abdul Rahman Putra Al-Haj	<ul style="list-style-type: none"> <li>Key amendments to the MMLR of Bursa Securities Berhad relating to continuing disclosure obligations and other amendments</li> </ul>
Dato' Ahri Bin Hashim	<ul style="list-style-type: none"> <li>Key amendments to the MMLR of Bursa Securities Berhad relating to continuing disclosure obligations and other amendments</li> </ul>
Sureson A/L Krisnasamy	<ul style="list-style-type: none"> <li>Key amendments to the MMLR of Bursa Securities Berhad relating to continuing disclosure obligations and other amendments</li> </ul>

The Directors will continue to undergo annually other relevant training programmes, courses, talks, conferences and seminars to keep abreast of relevant changes in laws and regulations, development in the industry in order to further enhance their skills and knowledge.

## PART III – REMUNERATION

### 6. Level and Composition of Remuneration

- 6.1 In view that fair remuneration is crucial to attract, retain and motivate Directors and Senior Management, the Remuneration Policy was established with the objective to guide the Group in attracting, retaining and motivating highly qualified individuals to serve on the Board and key senior management.

The Remuneration Policy is available for reference on the Company's website at [www.awc.com.my](http://www.awc.com.my).

## Corporate Governance Overview Statement (cont'd)

### 6. Level and Composition of Remuneration (Continued)

The tables below set out the main components and operation of the remuneration structure packages of Directors and Senior Management of the Company:-

#### (I) Remuneration structure for the Senior Management and/or Directors who hold an Executive role in the Company

Components of pay	Particulars
Base salary	A fixed salary will be paid for performing the scope of duties and responsibilities and will be reviewed based on the individual performance and achievements of the Company/the Group and comparable market rate within the industry.
Bonus	Annual bonus will be paid to reward, retain and motivate the individual and will be depend on the performance of the Company/the Group and the personal contribution of the individual to the achievement of those results.
Other benefits	Other benefits which include contribution of EPF, SOCSO, medical fees, medical or health insurance, company car, handphone, travelling and entertainment claims, amongst others, shall be provided based on the Group's human resource policy in the context of market practices from time to time.

#### (II) Remuneration structure for the Directors who hold a Non-Executive role in the Company

Components of pay	Particulars
Fees	<p>A fixed retainer sum shall be paid for their contribution to the Board and the Company. The fixed fee is determined based on the following factors:</p> <ul style="list-style-type: none"> <li>• On par with the rest of the market;</li> <li>• Reflect the qualifications and contribution required in view of the Group's complexity;</li> <li>• The extent of the duty and responsibilities; and</li> <li>• The number of Board meetings and Board Committees' meetings</li> </ul>
Meeting allowance and other benefits	<p>A reasonable fixed meeting allowance will be paid on per trip basis with the condition that attendance is a prerequisite for such remittance.</p> <p>Other benefits which include flight tickets, accommodation, travelling expenses, amongst others, incurred in the course of performing his duties or other things required of him as a Director of the Company.</p>

The remuneration policy will be reviewed by the Board from time to time and the Board may make any necessary amendments to the policy to ensure it remains consistent and relevant with the Board's objectives, current laws and practices.

- 6.2 The Board, assisted by the RC, implements the policy and procedures on the remuneration, which includes reviewing and recommending the proposed remuneration packages of the Directors of the Company. The RC seeks to ensure that the remuneration packages commensurate with the expected responsibility and contribution by the Directors and link to the strategic objectives of the Company.

The RC has a detailed Terms of Reference in writing which is accessible on the Company's website at [www.awc.com.my](http://www.awc.com.my).



## Corporate Governance Overview Statement

(cont'd)

## 7.0 Remuneration of Directors and Senior Management

- 7.1 The Directors' fees and benefits of the Company are subject to the approval of shareholders of the Company. The remuneration of the individual Director of the Company for the FYE 2019 is as follows:-

**The Company**

Name of Directors	Fees RM	Salaries RM	Benefits in Kind RM	Meeting Allowance RM	Bonus RM	Other Emoluments RM
<b>Executive Director</b>						
Dato' Ahmad Kabeer Bin Mohamed Nagoor	-	-	-	-	-	-
<b>Non-Executive Directors</b>						
Dato' Nik Mod Amin Bin Nik Abd Majid	-	-	-	-	-	-
Yang Mulia Tunku Puan Sri Dato' Hajjah Noor Hayati Binti Tunku Abdul Rahman Putra Al-Haj	48,000	-	-	1,500	-	-
Dato' Ahri Bin Hashim	48,000	-	-	3,000	-	-
Sureson A/L Krisnasamy	48,000	-	-	3,000	-	-
<b>Total</b>	<b>144,000</b>	<b>-</b>	<b>-</b>	<b>7,500</b>	<b>-</b>	<b>-</b>

**The Group**

Name of Directors	Fees RM	Salaries RM	Benefits in Kind RM	Meeting Allowance RM	Bonus RM	Other Emoluments RM
<b>Executive Director</b>						
Dato' Ahmad Kabeer Bin Mohamed Nagoor	-	1,800,000	112,267	-	1,200,000	480,000
<b>Non-Executive Directors</b>						
Dato' Nik Mod Amin Bin Nik Abd Majid	120,000	-	-	3,000	-	-
Yang Mulia Tunku Puan Sri Dato' Hajjah Noor Hayati Binti Tunku Abdul Rahman Putra Al-Haj	48,000	-	-	1,500	-	-
Dato' Ahri Bin Hashim	48,000	-	-	3,000	-	-
Sureson A/L Krisnasamy	48,000	-	-	3,000	-	-
<b>Total</b>	<b>264,000</b>	<b>1,800,000</b>	<b>112,267</b>	<b>10,500</b>	<b>1,200,000</b>	<b>480,000</b>

The Board determines the fees and benefits of all Directors, including the Non-Executive Directors. The Director's fees are endorsed by the Board for approval by the shareholders of the Company at the AGM. Directors do not participate in the decisions regarding their own fees, benefits and/or remuneration packages.

## Corporate Governance Overview Statement (cont'd)

### 7.0 Remuneration of Directors and Senior Management (Continued)

7.2 The remuneration of the Senior Management of the Company is as follows:-

Range of Remuneration	No. of Senior Management Officer
RM200,001 to RM250,000	1
RM250,001 to RM300,000	1
RM300,001 to RM350,000	–
RM350,001 to RM400,000	–
RM400,001 to RM450,000	–
RM450,001 to RM500,000	1
RM500,001 to RM550,000	1
RM550,001 to RM600,000	1
RM600,001 to RM650,000	1
RM650,001 to RM700,000	–
RM700,001 to RM750,000	1
RM750,001 to RM3,550,000	–
RM3,550,001 to RM3,600,000	1

Due to confidentiality and sensitivity of the remuneration packages of Senior Management as well as security concerns, the Board opts not to disclose the Senior Management's remuneration components on named basis in the bands of RM50,000.00.

The Board is of the view that the disclosure of the Senior Management's remuneration components will not be in the best interest of the Company given that the competitive human resources environment as such disclosure may give rise to recruitment and talent retention issues.

## B. EFFECTIVE AUDIT AND RISK MANAGEMENT

### PART I - ARMC

#### 8.0 Effective and Independent ARMC

The ARMC is relied upon by the Board to, amongst others, provide advice in the areas of financial reporting, external audit, internal control environment and internal audit process, review of related party transactions as well as conflict of interest situations. The ARMC also undertakes to provide oversight on the risk management framework of the Group.

The ARMC is chaired by the Independent Non-Executive Director, Mr. Sureson A/L Krisnasamy who is distinct from the Chairman of the Board. All members of the ARMC are financially literate and possess the necessary skills and knowledge to discharge their duties, whilst the Chairman of the ARMC is a member of the Malaysian Institute of Accountants. The term of office and performance of ARMC and its members are reviewed by the NC annually to determine whether such ARMC and members have carried out their duties in accordance with the terms of reference.

## Corporate Governance Overview Statement

(cont'd)

### 8.0 Effective and Independent ARMC (Continued)

Mr. Sureson A/L Krisnasamy is responsible to ensure the overall effectiveness and independence of the ARMC. Together with other members of the ARMC, Mr. Sureson has ensured amongst others that:-

- a. the ARMC is fully informed about significant matters related to the Group's audit and its financial statements and these matters are addressed;
- b. the ARMC appropriately communicates its insights, views and concerns about relevant transactions and events to Internal and External Auditors;
- c. the ARMC's concerns on matters that may have an effect on the financial or audit of the Group are communicated to the External Auditors; and
- d. there is co-ordination between Internal and External Auditors.

The ARMC will observe a cooling-off period of at least two (2) years in the event any potential candidate to be appointed as a member of the ARMC was former key audit partner. Currently, none of the members of the ARMC is a former key audit partner.

The ARMC is empowered by the Board to review any matters concerning the appointment and re-appointment, resignations or dismissals of External Auditors and review and evaluate factors relating to the independence of the External Auditors. The Board has established the Internal and External Auditors Assessment Policy together with Annual Performance Evaluation Form respectively. The said Policy aims to outline the guidelines and procedures for ARMC to review, assess and monitor the performance, suitability and independence of the Internal and External Auditors respectively.

The Board, having considered the ARMC's recommendation and feedback, was satisfied with the suitability and independence of the External Auditors and has recommended their re-appointment to the shareholders for approval at the 18th AGM.

## PART II - RISK MANAGEMENT AND INTERNAL CONTROL

### 9. Risk Management and Internal Control Framework

The Board acknowledges its overall responsibility of maintaining a sound system of risk management and internal control, and of reviewing its adequacy and effectiveness. The Company has adopted a Registry of Risk and the Risk Management Handbook to identify, evaluate, control and monitor the principal business risks faced by the Group on an on-going basis in order to safeguard shareholders' investment and the Group's assets. The risk management and internal control are embedded in various work processes and procedures of the respective operational functions and management team.

The Board has delegated the responsibility of reviewing the adequacy and effectiveness of the risk management and internal control systems to the ARMC.

Further details on the features of the risk management and internal control framework, and the adequacy and effectiveness of the framework, are disclosed in the Statement on Risk Management and Internal Control in the Annual Report 2019.

## Corporate Governance Overview Statement (cont'd)

### 10. Effective Governance, Risk Management and Internal Control Framework

The internal audit function is outsourced to an independent professional service firm that assists the ARMC in managing the risks and establishment of the internal control system and processes of the Group by providing an independent assessment on the adequacy, efficiency and effectiveness of the Group's risk management and internal control system and processes. The Internal Auditors reports directly to the ARMC.

To ensure that the responsibilities of Internal Auditors are fully discharged, the ARMC evaluates the performance of the Internal Auditors for the FYE 2019 based on the following evaluation criteria as set out in the Internal Auditors' Annual Assessment Form:-

- a. Adequacy of resources and experience of the internal audit firm;
- b. Quality processes of the internal audit firm;
- c. Competency of the engagement team;
- d. Governance and independence;
- e. Internal audit fee, scope and planning; and
- f. Internal audit reports and communications.

The ARMC concluded its assessment that the Internal Auditors have sufficient experience and resources to satisfy their terms of reference and adequately deliver the quality services to the Group.

The Internal Auditors have and will continue to keep abreast with developments in the profession, relevant industry and regulations.

The internal audit function is independent of the operations of the Group and provides reasonable assurance that the Group's system of internal control is satisfactory and operating effectively.

Further details of the internal audit function and activities are set out in the Statement on Risk Management and Internal Control and the Audit Committee Report in the Annual Report 2019.

## C. INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

### PART I – COMMUNICATION WITH STAKEHOLDERS

#### 11. Continuous Communication between Company and Stakeholders

The Board believes that a constructive and effective investor relationship is essential in enhancing shareholder value. The Board is committed to ensure that timely, accurate and complete information about the Company is provided equally to its shareholders, stakeholders and to the general investing public. Timely information is critical towards building and maintaining the Group's corporate credibility, market integrity and promotes investor confidence.

The Board is guided by Bursa Securities' Corporate Disclosure Guide as published by Bursa Securities in deciding on the necessary disclosures and announcements from time to time. The Company communicates regularly with the public by releasing its announcements, quarterly reports, annual reports and circular at Bursa Securities' website at [www.bursamalaysia.com](http://www.bursamalaysia.com) or the Company's website at [www.awc.com.my](http://www.awc.com.my).

The Company's corporate website at [www.awc.com.my](http://www.awc.com.my) serves as one of the most convenient ways for shareholders and members of the public to gain access to corporate information, news, events and announcements to Bursa Securities relating to the Company. Shareholders may also communicate with the Company on investor relation matters by contacting investor relation person-in-charge as stated on its website.

The Board has also put in place a Corporate Disclosure Policy to promote comprehensive, accurate and timely disclosure pertaining to the Group's matters to regulators, its shareholders and stakeholders.

## Corporate Governance Overview Statement

(cont'd)

### PART II – CONDUCT OF GENERAL MEETINGS

#### 12. Shareholders' Participation at General Meetings

The Company's AGM remains a principal forum used by the Company for dialogue with its shareholders. The AGM provides an opportunity for the shareholders to seek and clarify any issues on the resolutions being proposed and also matters relating to the performance, developments within and the future direction of the Group. The Board, Senior Management and the External Auditors will be present to answer and provide appropriate clarifications to the shareholders at the AGM.

The notice of the 17th AGM of the Company was given to the shareholders at least twenty-eight (28) days before the AGM which gives shareholders sufficient time to prepare themselves to attend the AGM or to appoint proxy to attend and vote on their behalf. For the coming 18th AGM of the Company which is scheduled to be held on 28 November 2019 will be sent to the shareholders at least twenty-eight (28) days before the date of AGM this year as well.

During the proceedings of the 17th AGM, the Chairman ensures that shareholders are given the opportunity to comment or raise issues and questions whether pertaining to issues on the agenda, the annual report, Group's strategy or developments in the Group. All questions raised by the shareholders were answered and addressed accordingly.

All the Directors of the Company will always endeavour to attend all general meetings and the Chairman of the Board committees will provide meaningful response to questions addressed to them.

All the Directors of the Company were present at the 17th AGM of the Company held on 27 November 2018.

### STATEMENT OF COMPLIANCE

The Company shall continue to strive for high standards of corporate governance throughout the Group, and the highest level of integrity and ethical standards in all of its business dealings.

The Company has in all material aspects satisfactory complied with the principles and practices set out in the Code, except for the departures set out in the Corporate Governance Report.



# AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

## A. OBJECTIVES

The Audit Committee was renamed as Audit and Risk Management Committee with effect from 22 February 2018. The Audit and Risk Management Committee ("ARMC" or "the Committee") was established with the primary objective of providing additional assurance to the Board of Directors ("the Board") in respect of all financial matters. This is done by giving an objective and independent review of financial, operational and administrative controls and procedures, including establishing and maintaining internal controls. This helps to reinforce the independence of the Company's External Auditors, thereby ensuring that they have free reign in the audit process.

## B. MEMBERS

The current members of the ARMC are as follows:

Members	Designation
Sureson A/L Krisnasamy (Chairman)	Independent Non-Executive Director
Dato' Nik Mod Amin Bin Abd Majid (Member)	Independent Non-Executive Chairman
Dato' Ahri Bin Hashim (Member)	Independent Non-Executive Director

The Company has complied with Paragraph 15.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), which requires all members of the Committee to be Non-Executive Directors with a majority of them being Independent Directors. As shown above, all members of the Committee are Independent Directors.

The Terms of Reference of the ARMC can be accessed from the corporate website of the Company at [www.awc.com.my](http://www.awc.com.my).

## C. SUMMARY OF WORKS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

During the financial year under review, the Committee held a total of four (4) meetings. Details of attendance of the Committee members are as follows:-

Committee Members	Attendance
Sureson A/L Krisnasamy, Chairman	4/4
Dato' Nik Mod Amin Bin Nik Abd Majid	4/4
Dato' Ahri Bin Hashim	4/4

The presence of the External Auditors and/or the Internal Auditors at the Committee meetings can be requested if required by the Committee. Other members of the Board and officers of the Company and the Group may attend the meeting (specific to the relevant meeting and to the matters being discussed) upon the invitation of the Committee.

## Audit and Risk Management Committee Report

(cont'd)

The summary of the works undertaken by the Committee for the financial year ended 30 June 2019, amongst others, included the following:-

- i. In overseeing the Company's financial reporting, reviewed the four (4) quarterly financial results and annual audited financial statements of the Group and the Company including the announcements pertaining thereto. Discussion focused particularly on any change in accounting policies and practices, significant adjustments arising from the audit and compliance with accounting standards and other legal requirements before recommending to the Board for approval and release of the announcements to Bursa Securities;
- ii. Reviewed with the External Auditors, the audit plan and scope of the statutory audit of the Company's financial statements for the financial year ended 30 June 2019 before the audit commenced to ensure that the scope of the external audit is comprehensive;
- iii. Reviewed the annual audited financial statements of the Company and the Group and issues arising from the audit of the financial statements highlighted by the External Auditors;
- iv. Considered and recommended the re-appointment of Messrs. Baker Tilly Monteiro Heng PLT as the External Auditors and their audit fee to the Board for consideration based on the competency, efficiency and transparency as demonstrated by the Auditors during their audit;
- v. Reviewed with the Internal Auditor, the internal audit plan to ensure the adequacy of the scope, functions and resources and that it has the necessary authority to carry out its work;
- vi. Reviewed the reports for the internal audit function and considered the findings of internal audit investigations and management responses thereon, and ensure that appropriate actions are taken on the recommendations raised by the Internal Auditors;
- vii. Reviewed if there were any related party transactions and/or recurrent related party transactions that transpired within the Group to ensure that the transactions entered into were at arm's length basis and on normal commercial terms;
- viii. Reviewed the Audit and Risk Management Committee Report, Corporate Governance Overview Statement, Statement on Risk Management and Internal Control as well as Additional Compliance Information to ensure adherence to legal and regulatory reporting requirements before recommending to the Board for approval for inclusion in the Company's Annual Report;
- ix. Self-appraised the performance of the Committee for the financial year ended 30 June 2019 and submit the evaluation to the NC for assessment;
- x. Evaluated the performance of the External and Internal Auditors for the financial year ended 30 June 2019;
- xi. Reviewed and recommended to the Board on the revised Terms of Reference of ARMC and RPT Policy and Procedures;
- xii. Reviewed and discussed on the updated Enterprise Risk Management Register/Registry of Risk Report for the Group; and
- xiii. Reviewed the verification of the options granted under the Employees' Share Option Scheme of the Company for the financial year ended 30 June 2019.

## Audit and Risk Management Committee Report (cont'd)

### D. INTERNAL CONTROL REVIEW AND INTERNAL AUDIT ("IA") FUNCTION

#### i. Appointment

The Group has appointed an outsourced IA service provider to carry out the IA function, namely Sterling Business Alignment Consulting Sdn Bhd ("Sterling"). The outsourced Internal Auditors report directly to the Committee, providing the Board with a reasonable assurance of adequacy of the scope, functions and resources of the Internal Audit function. The purpose of the IA function is to provide the Board, through the Committee, assurance of the effectiveness of the system of internal control of the designated entities of the Group.

#### ii. IA Activities

The IA reporting can broadly be segregated into three (3) main areas as follow:-

##### a. IA Plan for the Group

At the beginning of the financial year, the IA Plan for the Group is presented to the Committee by Sterling for discussion and approval. The Committee would then recommend the same to the Board of Directors for adoption.

##### b. Regular IA Reports

IA reports are reviewed and adopted by the Committee on a quarterly basis. During the financial year, Sterling has reviewed critical business processes, identified risks and internal control gaps, assessed the effectiveness and adequacy of the existing state of internal control of the major subsidiaries and recommended possible improvements to the internal control process. This is to provide reasonable assurance that such systems continue to operate satisfactorily and effectively within the Group.

##### c. Follow-up Reports

In addition, the Internal Auditors followed-up on the implementation of recommendations from prior IA visits and updated the Committee on the status of Management-agreed action plans.

#### iii. Total Costs Incurred for the Financial Year

The total costs incurred for the IA function of the Group for the financial year ended 30 June 2019 was RM53,920.26.

#### iv. Review of IA Function

For the financial year ended 30 June 2019, the Committee noted that the IA function is independent and Sterling has performed their audit assignments with impartiality, proficiency and due professional care.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## INTRODUCTION

The Board of Directors (“**the Board**”) of AWC Berhad (“**the Company**”) is pleased to present the Statement on Risk Management and Internal Control which outlines the nature and scope of risk management and the internal control systems of the Group for the financial year ended 30 June 2019 pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“MMLR”), Malaysian Code on Corporate Governance (“MCCG”) and “Statement on Internal Control and Risk Management: Guidance for Directors of Listed Issuer” .

## BOARD RESPONSIBILITY

The Board acknowledges its overall responsibility for maintaining a sound internal control system for the Group to safeguard shareholders’ investments and the Group’s assets, and to discharge their stewardship responsibilities in identifying risks and ensuring the implementation of appropriate systems to manage these risks in accordance with the best practices of the MCCG.

However, due to the limitations that are inherent in any system of internal control, the Group’s system of internal control is designed to manage, rather than eliminate the risk of failure to achieve corporate objectives. Accordingly, it only provides reasonable but not absolute assurance against material misstatement or loss.

## RISK MANAGEMENT FRAMEWORK

The Board resolves that the management of core risks is an integral and critical part of the day-to-day operations of the Group. The experience, knowledge and expertise to identify and manage such risks throughout the financial year under review enables the Group to make cautious, mindful and well-informed decisions through formulation and implementation of requisite action plans and monitoring regime which are imperative in ensuring the accomplishment of the Group’s objectives.

The Board confirms that there is an on-going process of identifying, assessing and responding to risks for achieving the objectives of the Group for the financial year under review. The process is in place for the financial year under review and up to the date of issuance of the Statement on Risk Management and Internal Control.

As part of the risk management process, a Registry of Risk and a Risk Management Handbook were adopted. The Registry of Risk is maintained to identify principal business risks and updated for on-going changes in the risk profile. The Risk Management Handbook summarises risk management methodology, approach and processes, roles and responsibilities, and various risk management concepts. The respective risk owners are accountable to identify risks and to ensure that adequate internal control systems are implemented to mitigate the risks faced by the Group. The process of identifying, evaluating, monitoring and managing risks is embedded in various work processes and procedures of the respective operational functions and management team.

## THE INTERNAL AUDIT FUNCTION

The internal audit function had been outsourced to Sterling Business Alignment Consulting Sdn. Bhd. (“the Internal Auditors”), a third party professional internal audit service firm which is independent of the operations and activities of the Group. The Internal Auditors are also independent of the Board and management, and reports directly to the Audit & Risk Management Committee (“ARMC”). In discharging its obligations and duties pursuant to its appointment, the Internal Auditors undertake rigorous, objective, independent and systematic reviews of the systems of internal control. Following the assessment, the Internal Auditors provide reasonable and continuous assurance on the satisfactory operations and effectiveness of the Group’s system of internal controls. The purpose of such comprehensive process is to identify existing shortcomings and potential pitfalls which would eventually be brought to the attention of the Board and rectification measures would be proposed and recommended.

## Statement on Risk Management and Internal Control

(cont'd)

The Internal Auditors submits its reports to the ARMC every quarter and the findings are tabled at the corresponding quarterly meetings. Issues arising thereto and shortfalls in internal controls are reviewed, deliberated at length and acted upon by the ARMC for remedial action. Where necessary, affirmative steps and measures will be introduced and initiated to address, mitigate, manage and arrest identified risks. Current internal controls measures will also be further strengthened with compensating controls and appropriate check and balance mechanism, if required. Internal audit schedule and timetable for subsequent periods are tabled in the ARMC, outlining the entities which will be subject to next internal audit exercise and the framework of the internal audit plan. Core internal audit scope and critical areas are also emphasised while internal audit issues highlighted in the preceding internal audit reports together with the progress and updates of the corresponding follow up work are also considered at length.

For the financial year ended 30 June 2019, four (4) internal audit reviews and four (4) follow-up reviews had been carried out by the Internal Auditors:-

Financial Reporting Quarter	Reporting Month	Name of Entities Audited	Audited Areas
1 <sup>st</sup> Quarter (July 2018 – September 2018)	November 2018	<ul style="list-style-type: none"> <li>• AWC Berhad</li> <li>• Ambang Wira Sdn Bhd</li> <li>• AW Facility Management Sdn Bhd</li> <li>• Environmental and Landscape Services Sdn Bhd</li> <li>• M &amp; C Engineering and Trading Sdn Bhd</li> </ul>	Internal Audit Review <ul style="list-style-type: none"> <li>• Human Resources</li> </ul> Follow-up actions on previously reported audit findings.
2 <sup>nd</sup> Quarter (October 2018 – December 2018)	February 2019	<u>Engineering Division</u> <ul style="list-style-type: none"> <li>• M &amp; C Engineering and Trading Sdn Bhd</li> </ul>	Internal Audit Review <ul style="list-style-type: none"> <li>• Accounts and Finance</li> <li>• Sales and Marketing</li> <li>• Project Management</li> </ul> Follow-up actions on previously reported audit findings.
3 <sup>rd</sup> Quarter (January 2019 – March 2019)	May 2019	<u>Railway Division</u> <ul style="list-style-type: none"> <li>• Trackwork &amp; Supplies Sdn Bhd</li> </ul>	Internal Audit Review <ul style="list-style-type: none"> <li>• Contract Management</li> </ul> Follow-up actions on previously reported audit findings.
4 <sup>th</sup> Quarter (April 2019 – June 2019)	August 2019	<u>Engineering Division</u> <ul style="list-style-type: none"> <li>• M &amp; C Engineering and Trading (S) Pte Ltd</li> </ul>	Internal Audit Review <ul style="list-style-type: none"> <li>• Sales and Marketing</li> <li>• Inventory Management</li> <li>• Procurement</li> <li>• Accounts and Finance</li> </ul> Follow-up actions on previously reported audit findings.



## Statement on Risk Management and Internal Control

(cont'd)

### OTHER KEY ELEMENTS OF THE GROUP'S INTERNAL CONTROLS

The following are the key elements of the Group's current internal controls:

- **Independence of the ARMC**

The ARMC comprises wholly of independent and non-executive directors from various backgrounds and qualifications who bring a vast amount of commercial experience, technical expertise, industry insight and business knowledge. The ARMC also enjoys full and unrestricted access to both the external and internal auditors. The ARMC assesses the adequacy and effectiveness of enacted internal control procedures during the financial year. The ARMC reviews the internal control issues identified and highlighted by the Internal Auditors, External Auditors and occasionally by the management team in their quarterly reports. The internal audit reviews conducted during the financial year under review revealed that none of the weaknesses or shortfall noted has resulted and/or give rise to any material losses, contingencies and/or uncertainties that would require a separate disclosure in this annual report. A detailed review of the activities of the ARMC over the course of the financial year is set out in the ARMC Report.

- **Clearly defined organisational structure**

The organisational structure of the Group is well-defined with appropriate terms of reference, job functions and description in place for the Group Chief Executive Officer/President, Executive Directors and other senior management staff of the Group. Organisational charts, job bands and reporting lines within the Group are clearly set out with regular feedback and formal communication between individual subsidiaries and senior management staff of the holding company.

In addition to the ARMC, the Board is also supported by several board level committees in discharging its duties.

- **Clearly defined policies and procedures and authority limits**

The terms of references, responsibilities and authority limits of the various committees, the Group Chief Executive Officer/President, Executive Directors and other senior management staff of the Group are clearly defined to achieve an effective check and balance, promote accountability, transparency, responsibility, operational efficiency and good corporate governance.

These terms of references, responsibilities and authority limits are formally documented in official documents such as the Group Authority Manual, Procurement Manual, AWC Employee Handbook and various Standard Operating Procedures and Guidelines.

- **Performance review**

The Board emphasises on reporting of financial results and operational performance at timely intervals to ensure subsistence of managerial controls and consistent exercise of performance review processes. Systems are also in placed within the Group to facilitate output of materially accurate and timely financial data. The systems also accommodate production of relevant reports for measurement of performance against prescribed targets and post-mortem reviews of key result areas as well as supporting benchmarking processes for upcoming years. Budgets and management reports of subsidiaries are reviewed by the senior management team and are thereafter tabled to the Board for consideration, comments, corrective inputs and adoption.

## Statement on Risk Management and Internal Control

(cont'd)

- **Review by external auditors**

As required by Paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control performed under a limited assurance engagement. Their limited assurance engagement was performed in accordance with Audit and Assurance Practice Guide ("AAPG") 3 issued by the Malaysian Institute of Accountants. AAPG 3 does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

Based on the procedures performed, nothing had come to their attention that caused them to believe that the Statement on Risk Management and Internal Control set out above was not prepared, in all material respects, 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, nor was it factually inaccurate.

### CONCLUSION

The Board is satisfied with the adequacy and effectiveness of the Group's risk management and internal control system. The systems of risk management and internal control of those associated companies of which the Group has no management control, were not dealt with in the reporting of this Statement. The Board has received assurance from the Group Chief Executive Officer/President and Chief Financial Officer that the Group's risk management and internal control system, in all material aspects, is operating adequately and effectively. For the financial year under review, there were no material control failures or adverse compliance events that have directly resulted in any material loss to the Group as a whole.

This Statement is made in accordance with the resolution of the Board of Directors dated 18 October 2019.

## STATEMENT OF DIRECTORS' RESPONSIBILITY

In connection with the preparation of the annual audited financial statements of the Company and the Group, the Board of Directors of the Company are required to ensure that the financial statements are drawn up in accordance with the provisions of the Companies Act 2016, Malaysia Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of the Company and of the Group as at 30 June 2019 and of the financial performances and cash flows for the financial year then ended.

In preparing the financial statements for the financial year ended 30 June 2019, the Board has taken the following measures: -

- The Group and the Company have applied relevant and appropriate accounting policies consistently and in accordance with applicable approved accounting standards in Malaysia;
- made judgments and estimates that are prudent and reasonable; and
- used the going concern basis for the preparation of the financial statements.

The Directors are responsible for ensuring adequacy of accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 2016. The Directors have general responsibilities for taking reasonable steps towards safeguarding the assets of the Group, and to prevent and detect fraud and other irregularities.

## ADDITIONAL COMPLIANCE INFORMATION

### 1. Utilisation of proceeds from corporate exercises

The Company did not raise funds through any corporate exercise during the financial year ended 30 June 2019 ("FYE 2019").

### 2. Audit and Non-audit fees

The amount of audit and non-audit fees paid/payable to the External Auditors by the Company and the Group for the FYE 2019 are as follows:-

	Company RM	Group RM
Audit fee	75,000	407,185
Non-audit fee	10,000	10,000

### 3. Material contracts involving directors and major shareholders' interest

There was no material contract entered into by the Company and/or its subsidiaries, involving directors and/or major shareholders' interest during the financial year.

### 4. Recurrent related party transactions

The list of recurrent related party transactions of a revenue or trading nature entered into by the Group is disclosed in Note 33 to the financial statements. For the FYE 2019, no shareholder mandate was required for the recurrent related party transactions of a revenue or trading nature entered into by the Group pursuant to Paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

### 5. Employee Share Option Scheme ("ESOS")

The ESOS of the Company for eligible Directors and employees of the Company and its subsidiaries (excluding dormant subsidiaries) ("Group") was approved by the shareholders of the Company at an Extraordinary General Meeting held on 1 October 2015. The ESOS is for a duration of five (5) years commencing from the date of implementation of the ESOS on 9 October 2015 and expiring on 8 October 2020.

The aggregate maximum allocation of ESOS to Directors and Senior Management of the Group shall not exceed 70% of the total number of new ordinary shares in AWC Berhad to be issued under ESOS.

There were 900,000 options granted under ESOS during the FYE 2019.

The actual allocation of ESOS to Directors and Senior Management during since the commencement of the ESOS is 38%.

## Additional Compliance Information

(cont'd)

Details of the ESOS of the Company as at 30 June 2019 are as follows:-

	Total granted to eligible employees and directors	Directors
Total number of options granted at exercise price of		
- 33.6 sen	23,442,100	4,700,000
- 42.3 sen	5,709,000	–
- 72.3 sen	5,367,000	–
- 72.8 sen	480,000	–
- 75.1 sen	900,000	900,000
Total number of options exercised at exercise price of		
- 33.6 sen	14,491,546	3,820,000
- 42.3 sen	2,642,112	–
- 72.3 sen	450,150	–
- 72.8 sen	–	–
- 75.1 sen	100,000	100,000
Total number of options lapsed	5,547,320	120,000
Total number of options outstanding	12,666,972	1,560,000

There were options under ESOS granted to the Non-Executive Director of the Company during the FYE 2019. The numbers of options exercised by Non-Executive Directors of the Company during the financial year ended 30 June 2019 are as follows: -

Non-Executive Directors	Amount of options granted as at 1 July 2018	Amount of options exercised during FYE 2019
Dato' Nik Mod Amin Bin Nik Abd Majid	500,000	(400,000)
Yang Mulia Tunku Puan Sri Dato' Hajjah Noor Hayati Binti Tunku Abdul Rahman Putra Al-Haj	300,000	(100,000)
Dato' Ahri Bin Hashim	300,000	–
Sureson A/L Krisnasamy	300,000	–



# FINANCIAL STATEMENTS

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## DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2019.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are disclosed in Note 8 to the financial statements.

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

### RESULTS

	Group RM	Company RM
Profit for the financial year, net of tax	29,067,551	3,011,434
Attributable to:		
Owners of the Company	21,357,234	3,011,434
Non-controlling interests	7,692,317	–
	29,067,551	3,011,434

### DIVIDENDS

The amounts of dividend declared and paid by the Company since the end of the previous financial year were as follows:

	RM
Single-tier final dividend of 0.5 sen per ordinary share for the financial year ended 30 June 2018, paid on 28 December 2018	1,420,639
Single-tier first interim dividend of 0.5 sen per ordinary share for the financial year ended 30 June 2019, paid on 16 May 2019	1,463,449
	2,884,088

At the forthcoming Annual General Meeting, a single-tier final dividend of 1.0 sen per ordinary share, amounting to RM2,929,773, in respect of the current financial year, based on the number of outstanding ordinary shares in issue (net of treasury shares) as at 30 June 2019, will be proposed for the shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 30 June 2020.

### RESERVES OR PROVISIONS

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

## Directors' Report

(cont'd)

### BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

### CURRENT ASSETS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

### VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances 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.

### CONTINGENT AND OTHER LIABILITIES

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

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

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

### CHANGE OF CIRCUMSTANCES

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

## Directors' Report

(cont'd)

### ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors,

- (i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than those as disclosed in the financial statements; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

### ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company issued 4,241,836 new ordinary shares for cash pursuant to the Company's Employees' Share Option Scheme ("ESOS") at exercise prices between RM0.336 to RM0.751 per ordinary share.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

During the financial year, no new issue of debentures was made by the Company.

### TREASURY SHARES

Treasury shares relate to ordinary shares of the Company that are repurchased and held by the Company in accordance with the requirements of Section 127 of the Companies Act 2016 in Malaysia.

There was no repurchase of the Company's issued ordinary shares, nor any resale, cancellation or distribution of treasury shares during the financial year.

As at 30 June 2019, the Company held 3,326,800 treasury shares. Such treasury shares are held at a carrying amount of RM855,221. Further details are disclosed in Note 19 to the financial statements.

### OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up the unissued shares of the Company during the financial year other than the issue of options pursuant to the Employees' Share Option Scheme ("ESOS") and warrants.

### ESOS

At an Extraordinary General Meeting held on 1 October 2015, the Company's shareholders approved the establishment of an ESOS for the granting of non-transferable options that are settled by physical delivery of the ordinary shares of the Company, to eligible directors and employees of the Group.

## Directors' Report

(cont'd)

### OPTIONS GRANTED OVER UNISSUED SHARES (CONTINUED)

#### ESOS (CONTINUED)

The salient features and other details of the ESOS are disclosed in Note 20(d) to the financial statements.

The movements in the number of share options pursuant to the ESOS during the financial year are as follows:

Grant date	Exercise price	At 1 July 2018	Number of options over ordinary shares			At 30 June 2019
			Granted	Exercised	Lapsed	
2 November 2015	33.6 sen	9,194,220	–	(3,155,186)	(499,400)	5,539,634
15 April 2016	42.3 sen	2,826,788	–	(536,500)	(225,800)	2,064,488
26 February 2018	72.3 sen	5,367,000	–	(450,150)	(1,134,000)	3,782,850
22 March 2018	72.8 sen	480,000	–	–	–	480,000
26 September 2018	75.1 sen	–	900,000	(100,000)	–	800,000
		17,868,008	900,000	(4,241,836)	(1,859,200)	12,666,972

#### WARRANTS

On 2 January 2019, a total of 56,824,679 free warrants were allotted and listed on the Main Market of Bursa Securities under a deed poll dated 6 December 2018.

The salient terms of Warrants are disclosed in Note 20(e) to the financial statements.

The movement in the Company's warrants during the financial year is as follows:

	Number of warrants			
	At 1 July 2018	Allotment	Exercised	At 30 June 2019
Warrants	–	56,824,679	–	56,824,679

## Directors' Report

(cont'd)

### DIRECTORS

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

Dato' Nik Mod Amin bin Nik Abd Majid \*  
 Dato' Ahmad Kabeer bin Mohamed Nagoor \*  
 Yang Mulia Tunku Puan Sri Dato' Hajjah Noor Hayati binti Tunku Abdul Rahman Putra Al-Haj \*  
 Dato' Ahri bin Hashim \*  
 Sureson A/L Krisnasamy

\* Directors of the Company and certain subsidiaries

Other than as stated above, the names of the directors of the subsidiaries of the Company in office during the financial year and during the period from the end of the financial year to the date of the report are:

Datuk Syed Hussian bin Syed Junid	
Datin Dr. Wahida binti Abdul Rahman	
Ahmad Nazim bin Ahmad Kabeer	
Azman bin Tambi Chik	
Chang Leong Hao	
Chee Kar Ming	
Divesh Navinchandra Sheth	
Goh Tse Woei	
Indralingam A/L Subramaniam	
Khathir Sulaiman bin Abdullah	(Alternate director to Noor Khan bin Ibrahim Khan)
Kong Keat Voon	
Mohan Kumar A/L Ravindranathan	
Muzamil Mirza bin Mahmood Mirza	
Nik Adnan bin Nik Mohd Salleh	
Zuraini binti Aman	
Chea Thean Teik	(Alternate director to Sri Skanda Rajah A/L S. Ratnam)
	(Appointed on 8 January 2019)
Gan Geok Soon	(Appointed on 8 January 2019)
Koh Kwee Fook	(Alternate director to Gan Geok Soon)
	(Appointed on 8 January 2019)
Nik Khairulnazar bin Nik Sin @ N.Hussein	(Appointed on 14 December 2018)
Noreen Khairani binti Ahmad Osmani	(Appointed on 3 December 2018)
Nurhidayah binti Jamaludin	(Appointed on 1 November 2018)
Sri Skanda Rajah A/L S. Ratnam	(Appointed on 8 January 2019)
Voon Siew Moon	(Alternate director to Dato' Ahri bin Hashim)
	(Appointed on 9 October 2018)
Chong Kim Loong	(Resigned on 9 October 2018)
Goh Poey Hong	(Resigned on 9 October 2018)
Noor Khan Bin Ibrahim Khan	(Resigned on 1 November 2018)
Tan Siew Kheng	(Resigned on 1 January 2019)

## Directors' Report

(cont'd)

### DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings required to be kept by the Company under Section 59 of the Companies Act 2016 in Malaysia, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

	At 1 July 2018	Number of ordinary shares Exercise of ESOS/ Bought	Sold	At 30 June 2019
<b>Interest in the Company</b>				
<b>Direct interests:</b>				
Dato' Nik Mod Amin bin Nik Abd Majid	–	400,000	–	400,000
Dato' Ahmad Kabeer bin Mohamed Nagoor	10,613,600	4,061,400	–	14,675,000
Yang Mulia Tunku Puan Sri Dato' Hajjah Noor Hayati binti Tunku Abdul Rahman Putra Al-Haj	10,000	100,000	(10,000)	100,000
<b>Indirect interests:</b>				
Dato' Ahmad Kabeer bin Mohamed Nagoor ^	82,750,000	–	–	82,750,000

^ Shares held through a company in which the director has substantial financial interests.

	At 1 July 2018	Number of options over ordinary shares under ESOS Granted	Exercised	At 30 June 2019
<b>Interest in the Company</b>				
<b>Direct interests:</b>				
Dato' Nik Mod Amin bin Nik Abd Majid	500,000	–	(400,000)	100,000
Dato' Ahmad Kabeer bin Mohamed Nagoor	1,200,000	–	(600,000)	600,000
Yang Mulia Tunku Puan Sri Dato' Hajjah Noor Hayati binti Tunku Abdul Rahman Putra Al-Haj	–	300,000	(100,000)	200,000
Dato' Ahri bin Hashim	–	300,000	–	300,000
Sureson A/L Krisnasamy	–	300,000	–	300,000



## Directors' Report

(cont'd)

### DIRECTORS' INTERESTS (CONTINUED)

According to the Register of Directors' Shareholdings required to be kept by the Company under Section 59 of the Companies Act 2016 in Malaysia, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows (Continued):

	Number of Warrants Issued Pursuant To the Deed Poll dated 6 December 2019 exercisable at any time from 26.12.2021 to 25.12.2023			
	At 1 July 2018	Alloted	Exercised	At 30 June 2019
<b>The Company</b>				
<b>Direct interest</b>				
Dato' Ahmad Kabeer bin Mohamed Nagoor	–	2,651,000	–	2,651,000
Dato' Nik Mod Amin bin Nik Abd Majid	–	80,000	–	80,000
Yang Mulia Tunku Puan Sri Dato' Hajjah Noor Hayati binti Tunku Abdul Rahman Putra Al-Haj	–	20,000	–	20,000
<b>Indirect interest</b>				
Dato' Ahmad Kabeer bin Mohamed Nagoor	–	16,549,999	–	16,549,999

By virtue of his interests in the ordinary shares of the Company and pursuant to Section 8 of the Companies Act 2016 in Malaysia, Dato' Ahmad Kabeer bin Mohamed Nagoor is deemed to have an interest in the ordinary shares of the subsidiaries to the extent that the Company has an interest.

Other than as stated above, none of the other directors in office at the end of the financial year had any interest in ordinary shares of the Company and its related corporations during the financial year.

### DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable, by the directors as disclosed in Note 26 and 27 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Neither during, nor at the end of the financial year, was the Company a party to any arrangements where the object is to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate, other than those arising from the share options granted under the ESOS.

### INDEMNITY TO DIRECTORS AND OFFICERS

During the financial year, there were no indemnity given to or insurance effected for any director or officer of the Company.

## Directors' Report (cont'd)

### SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 8 to the financial statements.

The auditors' reports on the audit of the financial statements of the Company's subsidiaries did not contain any qualification.

### SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Details of significant events during the financial year are disclosed in Note 35 to the financial statements.

### AUDITORS' REMUNERATION

The details of the auditors' remuneration are disclosed in Note 26 to the financial statements.

### INDEMNITY TO AUDITORS

The Company has agreed to indemnify the auditors of the Company as permitted under Section 289 of the Companies Act 2016 in Malaysia.

### AUDITORS

The auditors, Messrs Baker Tilly Monteiro Heng PLT (converted from a conventional partnership, Baker Tilly Monteiro Heng on 5 March 2019), have expressed their willingness to continue in office.

This report was approved and signed on behalf of the Board of Directors in accordance with a resolution of the directors:

**DATO' NIK MOD AMIN BIN NIK ABD MAJID**

Director

**DATO' AHMAD KABEER BIN MOHAMED NAGOOR**

Director

Date: 18 October 2019

# STATEMENTS OF FINANCIAL POSITION

## AS AT 30 JUNE 2019

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	5	17,022,387	15,476,858	27,560	49,035
Investment properties	6	4,590,206	4,510,206	–	–
Intangible assets	7	56,505,951	28,144,403	–	–
Investment in subsidiaries	8	–	–	144,833,063	109,143,609
Investment in an associate	9	181,505	–	–	–
Other investments	10	–	–	–	–
Deferred tax assets	11	3,916,822	3,354,634	–	–
<b>Total non-current assets</b>		<b>82,216,871</b>	<b>51,486,101</b>	<b>144,860,623</b>	<b>109,192,644</b>
<b>Current assets</b>					
Inventories	12	17,689,544	18,855,735	–	–
Current tax assets		2,958,263	2,256,086	–	205,000
Trade and other receivables	13	130,369,778	91,907,001	3,438,414	7,623,317
Contract assets	14	67,950,298	–	–	–
Amount due from customers on contract	14	–	54,556,142	–	–
Amount due from subsidiaries	15	–	–	2,900,440	3,540,234
Short-term investments	16	11,513,864	9,888,744	412,894	–
Cash and short-term deposits	17	66,529,072	47,159,196	1,521,389	265,452
<b>Total current assets</b>		<b>297,010,819</b>	<b>224,622,904</b>	<b>8,273,137</b>	<b>11,634,003</b>
<b>TOTAL ASSETS</b>		<b>379,227,690</b>	<b>276,109,005</b>	<b>153,133,760</b>	<b>120,826,647</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to owners of the Company</b>					
Share capital	18	110,847,394	94,841,433	110,847,394	94,841,433
Treasury shares	19	(855,221)	(855,221)	(855,221)	(855,221)
Other reserves	20	10,287,707	9,947,327	13,594,357	14,032,582
Retained earnings		78,059,101	59,772,196	6,116,520	5,637,421
		198,338,981	163,705,735	129,703,050	113,656,215
Non-controlling interests		47,050,499	36,032,937	–	–
<b>TOTAL EQUITY</b>		<b>245,389,480</b>	<b>199,738,672</b>	<b>129,703,050</b>	<b>113,656,215</b>

Statements of Financial Position  
As at 30 June 2019  
(cont'd)

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
<b>Non-current liabilities</b>					
Loans and borrowings	21	16,308,636	10,833,570	–	–
Trade and other payables	22	352,508	352,508	–	–
Deferred tax liabilities	11	849,575	621,682	–	–
<b>Total non-current liabilities</b>		<b>17,510,719</b>	<b>11,807,760</b>	<b>–</b>	<b>–</b>
<b>Current liabilities</b>					
Loans and borrowings	21	23,357,527	2,622,740	17,000,000	–
Current tax liabilities		1,577,627	239,608	91,728	–
Trade and other payables	22	74,562,904	60,355,073	5,406,496	575,491
Employee benefits	23	772,800	586,427	–	–
Contract liabilities	14	16,056,633	–	–	–
Amount due to customers on contract	14	–	758,725	–	–
Amount due to subsidiaries	15	–	–	932,486	6,594,941
<b>Total current liabilities</b>		<b>116,327,491</b>	<b>64,562,573</b>	<b>23,430,710</b>	<b>7,170,432</b>
<b>TOTAL LIABILITIES</b>		<b>133,838,210</b>	<b>76,370,333</b>	<b>23,430,710</b>	<b>7,170,432</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>379,227,690</b>	<b>276,109,005</b>	<b>153,133,760</b>	<b>120,826,647</b>

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

# STATEMENTS OF COMPREHENSIVE INCOME

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
Revenue	24	332,644,051	303,977,893	9,830,000	4,690,225
Cost of sales		(239,441,973)	(224,404,591)	–	–
<b>Gross profit</b>		93,202,078	79,573,302	9,830,000	4,690,225
Other income		1,672,676	2,668,145	48,394	19,561,056
Administrative expenses		(58,779,067)	(49,183,161)	(2,906,630)	(2,967,712)
Net reversal/(allowance) of impairment losses on receivables		1,145,707	(963,653)	(3,442,879)	–
<b>Operating profit</b>		37,241,394	32,094,633	3,528,885	21,283,569
Finance income/(loss), net	25	175,595	1,856,400	(308,761)	62,807
Share of results of associate, net of tax		181,505	–	–	–
<b>Profit before tax</b>	26	37,598,494	33,951,033	3,220,124	21,346,376
Income tax expense	28	(8,530,943)	(6,922,660)	(208,690)	(27,806)
<b>Profit for the financial year</b>		29,067,551	27,028,373	3,011,434	21,318,570
<b>Other comprehensive income, net of tax</b>					
<i>Item that will not be reclassified subsequently to profit or loss</i>					
Gain on revaluation of property, plant and equipment		–	1,095,454	–	–
<i>Item that may be reclassified subsequently to profit or loss</i>					
Exchange differences on translation of foreign operations		1,117,916	774,100	–	–
<b>Other comprehensive income for the financial year</b>		1,117,916	1,869,554	–	–
<b>Total comprehensive income for the financial year</b>		30,185,467	28,897,927	3,011,434	21,318,570
<b>Profit attributable to:</b>					
Owners of the Company		21,375,234	21,658,899	3,011,434	21,318,570
Non-controlling interests		7,692,317	5,369,474	–	–
		29,067,551	27,028,373	3,011,434	21,318,570
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		22,153,839	21,296,501	3,011,434	21,318,570
Non-controlling interests		8,031,628	7,601,426	–	–
		30,185,467	28,897,927	3,011,434	21,318,570
<b>Earnings per share (sen):</b>					
Basic	29	7.55	8.09		
Diluted	29	7.45	7.88		

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

# STATEMENTS OF CHANGES IN EQUITY

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Group	Note	Attributable to Owners of the Company					Non-controlling interests RM	Total equity RM
		Share capital RM	Treasury shares RM	Other reserves RM	Retained earnings RM	Sub-total RM		
<b>At 1 July 2017</b>		91,114,551	(855,221)	10,817,498	40,169,385	141,246,213	28,431,511	169,677,724
<b>Total comprehensive income for the financial year</b>								
Profit for the financial year		-	-	-	21,658,899	21,658,899	5,369,474	27,028,373
Other comprehensive income for the financial year		-	-	(362,398)	-	(362,398)	2,231,952	1,869,554
Total comprehensive income		-	-	(362,398)	21,658,899	21,296,501	7,601,426	28,897,927
<b>Transactions with owners</b>								
Dividends paid on shares to:								
- Owners of the Company	30	-	-	-	(2,674,641)	(2,674,641)	-	(2,674,641)
Issuance of ordinary shares pursuant to:								
- Exercise of ESOS		3,726,882	-	(1,629,058)	-	2,097,824	-	2,097,824
Share options granted		-	-	1,739,838	-	1,739,838	-	1,739,838
Share options lapsed		-	-	(618,553)	618,553	-	-	-
Total transactions with owners		3,726,882	-	(507,773)	(2,056,088)	1,163,021	-	1,163,021
<b>At 30 June 2018</b>		94,841,433	(855,221)	9,947,327	59,772,196	163,705,735	36,032,937	199,738,672



## Statements of Changes in Equity

### For the financial year ended 30 June 2019

(cont'd)

Group (Continued)	Note	Attributable to Owners of the Company					Non-controlling interests	Total equity
		Share capital	Treasury shares	Other reserves	Retained earnings	Sub-total		
		RM	RM	RM	RM	RM	RM	RM
<b>At 1 July 2018</b>								
- As previously reported	2.2	94,841,433	(855,221)	9,947,327	59,772,196	163,705,735	36,032,937	199,738,672
- Effect of transition to:								
- MFRS 15		-	-	-	(555,994)	(555,994)	(534,190)	(1,090,184)
Restated balance at 1 July 2018		94,841,433	(855,221)	9,947,327	59,216,202	163,149,741	35,498,747	198,648,488
<b>Total comprehensive income for the financial year</b>								
Profit for the financial year		-	-	-	21,375,234	21,375,234	7,692,317	29,067,551
Other comprehensive loss for the financial year		-	-	778,605	-	778,605	339,311	1,117,916
Total comprehensive income		-	-	778,605	21,375,234	22,153,839	8,031,628	30,185,467
<b>Transactions with owners</b>								
Dividends paid on shares to:								
- Owners of the Company	30	-	-	-	(2,884,088)	(2,884,088)	-	(2,884,088)
- Non-controlling interest		-	-	-	-	-	(3,920,000)	(3,920,000)
Non-controlling interest arising from acquisition of a new subsidiary		-	-	-	-	-	7,440,124	7,440,124
Issuance of ordinary shares pursuant to:								
- Exercise of ESOS		2,415,961	-	(728,321)	-	1,687,640	-	1,687,640
Share issued for acquisition of a subsidiary		13,590,000	-	-	-	13,590,000	-	13,590,000
Share options granted		-	-	641,849	-	641,849	-	641,849
Share options lapsed		-	-	(351,753)	351,753	-	-	-
Total transactions with owners		16,005,961	-	(438,225)	(2,532,335)	13,035,401	3,520,124	16,555,525
<b>At 30 June 2019</b>		110,847,394	(855,221)	10,287,707	78,059,101	198,338,981	47,050,499	245,389,480

Statements of Changes in Equity  
For the financial year ended 30 June 2019  
(cont'd)

Company	Note	Attributable to Owners of the Company				
		Share capital RM	Treasury shares RM	Other reserves RM	Accumulated losses/ Retained earnings RM	Total equity RM
<b>At 1 July 2017</b>		91,114,551	(855,221)	14,540,355	(13,625,061)	91,174,624
<b>Total comprehensive income for the financial year</b>		-	-	-	21,318,570	21,318,570
<b>Transactions with owners</b>						
Dividends paid on shares	30	-	-	-	(2,674,641)	(2,674,641)
Issuance of ordinary shares pursuant to:						
- Exercise of ESOS		3,726,882	-	(1,629,058)	-	2,097,824
Share options granted		-	-	1,739,838	-	1,739,838
Share options lapsed		-	-	(618,553)	(618,553)	-
Total transactions with owners		3,726,882	-	(507,773)	(2,056,088)	1,163,021
<b>At 30 June 2018</b>		94,841,433	(855,221)	14,032,582	5,637,421	113,656,215

Statements of Changes in Equity  
For the financial year ended 30 June 2019  
(cont'd)

Company (Continued)	Attributable to Owners of the Company				
	Share capital RM	Treasury shares RM	Other reserves RM	Retained earnings RM	Total equity RM
<b>At 1 July 2018</b>	94,841,433	(855,221)	14,032,582	5,637,421	113,656,215
<b>Total comprehensive income for the financial year</b>	-	-	-	3,011,434	3,011,434
<b>Transactions with owners</b>					
Dividends paid on shares	-	-	-	(2,884,088)	(2,884,088)
Issuance of ordinary shares pursuant to:					
- Exercise of ESOS	2,415,961	-	(728,321)	-	1,687,640
Share issued for acquisition of a subsidiary	13,590,000	-	-	-	13,590,000
Share options granted	-	-	641,849	-	641,849
Share options lapsed	-	-	(351,753)	351,753	-
<b>Total transactions with owners</b>	<b>16,005,961</b>	<b>-</b>	<b>(438,225)</b>	<b>(2,532,335)</b>	<b>13,035,401</b>
<b>At 30 June 2019</b>	<b>110,847,394</b>	<b>(855,221)</b>	<b>13,594,357</b>	<b>6,116,520</b>	<b>129,703,050</b>

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

## STATEMENTS OF CASH FLOWS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
<b>Cash flows from operating activities</b>					
Profit before tax		37,598,494	33,951,033	3,220,124	21,346,376
Adjustments for:					
Amortisation of intangible asset		3,226,196	–	–	–
Bad debt recovered		(48,394)	–	(48,394)	–
Bad debt written off		73,409	–	–	–
Depreciation of property, plant and equipment		2,889,743	2,635,963	21,475	19,705
Dividend income		–	–	(8,330,000)	(3,190,225)
Finance costs		1,528,679	409,176	436,998	1,584
Finance income		(1,704,274)	(2,265,576)	(128,237)	(64,391)
Fair value gain on investment properties		(80,000)	(1,732,006)	–	–
Gain on disposal of property, plant and equipment		(166,243)	(173,717)	–	–
Inventories written down to net realisable value		290,890	295,197	–	–
Property, plant and equipment written off		3,490	2,786	–	–
Employees' benefits		186,373	99,051	–	–
(Reversal)/Provision for short-term accumulating compensated absences		(9,959)	(11,613)	–	2,742
Net (reversal)/allowance of impairment losses on:					
- trade receivables		(1,145,707)	913,222	–	–
- other receivables		–	50,431	–	–
- amount due from subsidiaries		–	–	432,879	–
- investment in subsidiaries		–	–	3,247,111	(19,561,054)
Reversal of provision for retirement benefit obligation		–	(16,000)	–	–
Share of results of associate		(181,505)	–	–	–
Share options granted under ESOS		641,849	1,739,838	216,027	(41,924)
Unrealised (gain)/loss on foreign exchange		(242,529)	351	–	–
<b>Operating profit/(loss) before changes in working capital, carried forward</b>		<b>42,860,512</b>	<b>35,898,136</b>	<b>(932,017)</b>	<b>(1,487,187)</b>

Statements of Cash Flows  
For the financial year ended 30 June 2019  
(cont'd)

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
<b>Cash flows from operating activities (Continued)</b>					
<b>Operating profit/(loss) before changes in working capital, brought forward</b>		42,860,512	35,898,136	(932,017)	(1,487,187)
<u>Changes in working capital:</u>					
Inventories		875,301	(1,101,435)	–	–
Trade and other receivables/ Contract assets		(18,951,204)	11,295,022	4,233,297	(240,564)
Trade and other payables/ Contract liabilities		6,666,798	(51,641,099)	(56,900)	(4,128,430)
Cash generated from/(used in) operations		31,451,407	(5,549,376)	3,244,380	(5,856,181)
Income tax paid		(10,604,127)	(9,410,334)	(136,624)	(144,770)
Income tax refunded		581,062	–	191,824	–
Interest paid		(1,528,679)	(409,176)	(436,998)	(1,584)
<b>Net cash from/(used in) operating activities</b>		<b>19,899,663</b>	<b>(15,368,886)</b>	<b>2,862,582</b>	<b>(6,002,535)</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	(a)	(1,811,913)	(1,931,508)	–	(25,644)
Purchase of short-term investments		(1,625,120)	–	(412,894)	–
Acquisition of a subsidiary, net of cash acquired	8	(17,927,286)	–	(20,000,000)	–
Proceeds from disposal of property, plant and equipment		190,700	173,717	–	–
Repayment by/(Advances to) subsidiaries		–	–	206,915	(1,451,957)
Finance income		1,704,274	2,265,576	128,237	64,391
Dividend received		–	–	8,330,000	8,140,000
Deposits for the acquisition of a subsidiary		–	(2,000,000)	–	(2,000,000)
<b>Net cash (used in)/from investing activities</b>		<b>(19,469,345)</b>	<b>(1,492,215)</b>	<b>(11,747,742)</b>	<b>4,726,790</b>

Statements of Cash Flows  
For the financial year ended 30 June 2019  
(cont'd)

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
<b>Cash flows from financing activities</b>	(b)				
(Repayment to)/Advances from subsidiaries		–	–	(5,662,455)	286,178
Change in pledged deposits		488,230	(11,024,961)	–	–
Drawdown of term loans		10,000,000	9,642,859	–	–
Repayment of term loans		(8,702,039)	(17,034)	–	–
Drawdown of trade loan		433,528	835,975	–	–
Proceeds from exercise of ESOS		1,687,640	2,097,824	1,687,640	2,097,824
Repayment of revolving credits		–	(2,006,743)	–	–
Drawdown of revolving credits		17,475,000	–	17,000,000	–
Payment of finance lease liabilities		(814,051)	(71,438)	–	–
Dividend paid to:					
- Owners of the Company		(2,884,088)	(2,674,641)	(2,884,088)	(2,674,641)
- Non-controlling interests		(2,210,000)	–	–	–
<b>Net cash from/(used in) financing activities</b>		<b>15,474,220</b>	<b>(3,218,159)</b>	<b>10,141,097</b>	<b>(290,639)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>15,904,538</b>	<b>(20,079,260)</b>	<b>1,255,937</b>	<b>(1,566,384)</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>		<b>40,837,484</b>	<b>62,505,726</b>	<b>265,452</b>	<b>1,831,836</b>
Effects of exchange rate changes on cash and cash equivalents		991,210	(1,588,982)	–	–
<b>Cash and cash equivalents at the end of the financial year</b>	17	<b>57,733,232</b>	<b>40,837,484</b>	<b>1,521,389</b>	<b>265,452</b>



Statements of Cash Flows  
For the financial year ended 30 June 2019  
(cont'd)

(a) Purchase of property, plant and equipment:

		Group	Company	
Note	2019 RM	2018 RM	2019 RM	2018 RM
Purchase of property, plant and equipment	2,900,687	2,201,508	–	25,644
Financed by way of finance lease arrangements	(1,088,774)	(270,000)	–	–
Cash payments on purchase of property, plant and equipment	1,811,913	1,931,508	–	25,644

(b) Reconciliation of liabilities arising from financing activities:

	1 July 2018 RM	Cash flows RM	Non-cash Acquisition RM	30 June 2019 RM
<b>Group</b>				
Finance lease liabilities	2,886,610	(814,051)	1,088,774	3,161,333
Revolving credits	–	17,475,000	–	17,475,000
Term loans	9,733,725	1,297,961	6,728,641	17,760,327
Trade loan	835,975	433,528	–	1,269,503
	13,456,310	18,392,438	7,817,415	39,666,163

	1 July 2018 RM	Cash flows RM	Non-cash Acquisition RM	30 June 2018 RM
<b>Group</b>				
Finance lease liabilities	2,688,048	(71,438)	270,000	2,886,610
Revolving credits	2,006,743	(2,006,743)	–	–
Term loans	107,900	9,625,825	–	9,733,725
Trade loan	–	835,975	–	835,975
	4,802,691	8,383,619	270,000	13,456,310

**Company**

Changes in liabilities arising from financing activities are changes arising from cash flows.

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

# NOTES TO THE FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

AWC Berhad (“the Company”) is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Third Floor, No. 77, 79 & 81, Jalan SS 21/60, Damansara Utama, 47400 Petaling Jaya, Selangor Darul Ehsan. The principal place of business of the Company is located at No. 20-2, Subang Business Centre, Jalan USJ 9/5T, 47620 UEP Subang Jaya, Selangor Darul Ehsan.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are disclosed in Note 8.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 18 October 2019.

## 2. BASIS OF PREPARATION

### 2.1 Statement of Compliance

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

### 2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation (“IC Int”)

The Group and the Company have adopted the following new MFRSs, amendments/improvements to MFRSs and new IC Int that are mandatory for the current financial year:

#### New MFRSs

MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers

#### Amendments/Improvements to MFRSs

MFRS 1	First-time Adoption of MFRSs
MFRS 2	Share-based Payment
MFRS 4	Insurance Contracts
MFRS 128	Investments in Associates and Joint Ventures
MFRS 140	Investment Property

#### New IC Int

IC Int 22	Foreign Currency Transactions and Advance Consideration
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## Notes to the Financial Statements

(cont'd)

### 2. BASIS OF PREPARATION (CONTINUED)

#### 2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (Continued)

The adoption of the above new MFRSs, amendments/improvements to MFRSs and new IC Int did not have any significant effect on the financial statements of the Group and of the Company, and did not result in significant changes to the Group's and the Company's existing accounting policies, except for those as discussed below.

##### **MFRS 9 Financial Instruments**

MFRS 9 replaced the guidance of MFRS 139 *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and liabilities, on impairment of financial assets, and on hedge accounting.

Key requirements of MFRS 9:

- MFRS 9 introduces an approach for classification and measurement of financial assets which is driven by cash flow characteristics and the business model in which an asset is held.

In essence, if a financial asset is a simple debt instrument and the objective of the entity's business model within which it is held is to collect its contractual cash flows, the financial asset is measured at amortised cost. In contrast, if that asset is held in a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets, then the financial asset is measured at fair value in the statements of financial position, and amortised cost information is provided through profit or loss. If the business model is neither of these, then fair value information is increasingly important, so it is provided both in the profit or loss and in the statements of financial position.

- MFRS 9 introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses which replaced the "incurred loss" model in MFRS 139. Specifically, this Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. The model requires an entity to recognise expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of financial instruments. This model eliminates the threshold for the recognition of expected credit losses, so that it is no longer necessary for a trigger event to have occurred before credit losses are recognised. Trade receivables and contract assets that do not contain a significant financing component shall always measure the loss allowance at an amount equal lifetime expected credit losses.
- MFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements. In addition, as a result of these changes, users of the financial statements will be provided with better information about risk management and the effect of hedge accounting on the financial statements.

The retrospective application of MFRS 9 does not require restatement of 2018 comparative financial statements. As such, the Group and the Company have not restated the comparative information, which continues to be reported under MFRS 139. The Group and the Company recognised any difference between the carrying amount of financial instruments under MFRS 139 and the restated carrying amount under MFRS 9 in the opening balance of retained earnings of the annual reporting period including the date of initial application i.e. 1 July 2018.

## Notes to the Financial Statements

(cont'd)

### 2. BASIS OF PREPARATION (CONTINUED)

#### 2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (Continued)

##### *MFRS 9 Financial Instruments (Continued)*

##### *Impact of the adoption of MFRS 9*

The adoption of MFRS 9 resulted in changes in accounting policies. Other than the enhanced new disclosures relating to financial instruments, which the Group and the Company have complied with in the current financial year, the adoption of this standard does not have any significant effect on the financial statements of the Group and the Company, except for those as discussed below.

##### (i) Classification and measurement

The following are the changes in the classification of the Group's and the Company's financial assets:

- Trade and other receivables, and cash and short-term deposits previously classified as Loans and Receivables under MFRS 139 as at 30 June 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. Accordingly, these financial assets are classified and measured as debt instruments at amortised cost beginning 1 July 2018.
- Short-term investment previously classified as held for trading under MFRS 139 as at 30 June 2018 are now are classified and measured at fair value through profit or loss beginning 1 July 2018.

In summary, upon the adoption of MFRS 9, the Group and the Company had the following required reclassifications as at 1 July 2018:

MFRS 139 measurement category	RM	MFRS 9 measurement category	
		Amortised cost RM	Fair Value through profit or loss RM
Financial assets			
Group			
Loans and receivables			
Trade and other receivables*	88,488,488	88,488,488	–
Cash and short-term deposits	47,159,196	47,159,196	–
Held for trading			
Short-term investment	9,888,744	–	9,888,744
	145,536,428	135,647,684	9,888,744

## Notes to the Financial Statements

(cont'd)

### 2. BASIS OF PREPARATION (CONTINUED)

#### 2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (Continued)

##### *MFRS 9 Financial Instruments (Continued)*

##### *Impact of the adoption of MFRS 9 (Continued)*

##### (i) Classification and measurement (Continued)

In summary, upon the adoption of MFRS 9, the Group and the Company had the following required reclassifications as at 1 July 2018 (Continued):

MFRS 139 measurement category	RM	MFRS 9 measurement category	
		Amortised cost RM	Fair Value through profit or loss RM
Company			
Loans and receivables			
Trade and other receivables*	5,607,857	5,607,857	—
Amount due from subsidiaries	3,540,234	3,540,234	—
Cash and short-term deposits	265,452	265,452	—
	9,413,543	9,413,543	—

\* Excludes GST refundable, deposit for acquisition of Trackwork & Supplies Sdn. Bhd. and prepayments

##### (ii) Impairment

In previous financial years, trade and other receivables are impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the receivables (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the receivables ("incurred loss model"). Upon adoption of MFRS 9, the Group and the Company are recording expected credit losses on all its trade and other receivables, either on a 12-month or lifetime basis. Upon application of expected credit loss model, the Group and the Company assessed that no additional expected credit losses are required to be recognised on their trade and other receivables and other financial assets.

## Notes to the Financial Statements

(cont'd)

### 2. BASIS OF PREPARATION (CONTINUED)

#### 2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (Continued)

##### *MFRS 15 Revenue from Contracts with Customers*

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:

- (i) identify the contracts with a customer;
- (ii) identify the performance obligation in the contract;
- (iii) determine the transaction price;
- (iv) allocate the transaction price to the performance obligations in the contract;
- (v) recognise revenue when (or as) the entity satisfies a performance obligation.

MFRS 15 also includes new disclosures that would result in an entity providing users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The following MFRSs and IC Interpretations will be withdrawn on the application of MFRS 15:

MFRS 111	Construction Contracts
MFRS 118	Revenue
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 15	Agreements for the Construction of Real Estate
IC Interpretation 18	Transfers of Assets from Customers
IC Interpretation 131	Revenue – Barter Transactions Involving Advertising Services

The Group and the Company have applied MFRS 15 retrospectively with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings at the date of initial application of 1 July 2018. As such, the comparative information was not restated and continues to be reported under MFRS 111, MFRS 118 and related Interpretations. The Group and the Company have elected the practical expedient to apply the standard only to contracts that are not completed as at 1 July 2018. The Group and the Company also elected the practical expedient of not to retrospectively restate the contract for those modifications before the date of initial application, but instead, to reflect the aggregate effect of all past contract modifications when identifying the performance obligations, and determining and allocating the transaction price to the satisfied and unsatisfied performance obligations.



## Notes to the Financial Statements

(cont'd)

### 2. BASIS OF PREPARATION (CONTINUED)

#### 2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (Continued)

##### *MFRS 15 Revenue from Contracts with Customers (Continued)*

##### *Impact of the adoption of MFRS 15*

The adoption of MFRS 15 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. Other than the enhanced new disclosures relating to contracts with customers, which the Group and the Company have complied with in the current financial year, the adoption of this standard does not have any significant effect on the financial statements of the Group and the Company, except for those as discussed below.

##### **(i) Accounting for separate performance obligations arising from sale of goods**

The application of MFRS 15 resulted in the identification of various performance obligations which previously had been bundled as a single sale of goods. The goods or services promised in the contract with the customers are identified as separate performance obligations if the good or service is capable to be distinct and if the good or service is distinct within the context of the contract. Among the performance obligations identified separately are construction (environment engineering contract) and maintenance service. Revenue is allocated to the respective performance obligations based on their relative stand-alone selling prices and recognised when controls in relation to the performance obligations have been transferred. Before the adoption of MFRS 15, the Group recognised the entire revenue from both construction and maintenance service progressively over the construction period, even before completion of the maintenance service. Under MFRS 15, the allocated maintenance revenue would be deferred as a contract liability until completion of the maintenance service.

##### **(ii) Significant financing components**

In determining the transaction price, an entity shall adjust the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the entity with a significant benefit of financing the transfer of goods or services to the customer. Under MFRS 15, the contract contains a significant financing component. Accordingly, the Group had adjusted for the effect of time value of money and credit risk of the consideration receivable from customer as at 1 July 2018.

##### **(iii) Other adjustments**

In addition to the adjustments described above, other items of the financial statements such as deferred taxes, non-controlling interests, and retained earnings were also adjusted as necessary.

## Notes to the Financial Statements

(cont'd)

### 2. BASIS OF PREPARATION (CONTINUED)

#### 2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (Continued)

##### *MFRS 15 Revenue from Contracts with Customers (Continued)*

##### *Impact of the adoption of MFRS 15 (Continued)*

##### (iv) Presentation of contract assets and contract liabilities

The Group has changed the presentation of certain amounts in the statements of financial position to reflect the terminology of MFRS 15:

- (a) Contract liabilities/assets recognised in relation to construction contracts which were previously presented as part of amount due to/from customers on contract.
- (b) Contract liabilities recognised in relation to deferred income which were previously presented as part of other payable.

The effect of adoption of MFRS 15 as at 1 July 2018 is as follows:

	Reference	Increase/ (Decrease) RM
<b>Assets</b>		
<b>Current assets</b>		
Trade and other receivables		4,439,842
Contract assets	(ii), (iv)	49,138,779
Amount due from customers on contract	(iv)	(54,556,142)
<b>Total current assets</b>		(977,520)
<b>Total assets</b>		(977,520)
<b>Equity</b>		
Retained earnings	(i), (ii), (iii)	(555,994)
Non-controlling interest		(534,190)
<b>Total equity</b>		(1,090,184)
<b>Non-current liabilities</b>		
Deferred tax liabilities	(iii)	83,884
<b>Total non-current liabilities</b>		83,884
<b>Current liabilities</b>		
Contract liabilities	(ii), (iv)	787,505
Amount due to customers on contract	(iv)	(758,725)
<b>Total current liabilities</b>		28,780
<b>Total liabilities</b>		112,664
<b>Total equity and liabilities</b>		(977,520)

## Notes to the Financial Statements

(cont'd)

### 2. BASIS OF PREPARATION (CONTINUED)

#### 2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (Continued)

##### *MFRS 15 Revenue from Contracts with Customers (Continued)*

##### *Impact of the adoption of MFRS 15 (Continued)*

The amounts by which each financial statement line item is affected as at and for the financial year ended 30 June 2019 as a result of the adoption of MFRS 15, including the reasons for the significant changes, are as follows:

##### *Statement of financial position*

Reference	Reported under		Increase/ (decrease)
	MFRS 15 RM	MFRS 118/ MFRS 111 RM	RM
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	17,022,387	17,022,387	–
Investment properties	4,590,206	4,590,206	–
Intangible assets	56,505,951	56,505,951	–
Investment in an associate	181,505	181,505	–
Deferred tax assets	3,916,822	3,916,822	–
<b>Total non-current assets</b>	<b>82,216,871</b>	<b>82,216,871</b>	<b>–</b>
<b>Current assets</b>			
Inventories	17,689,544	17,689,544	–
Current tax assets	2,958,263	2,958,263	–
Trade and other receivables	130,369,778	124,616,757	5,753,021
Contract assets (i)	67,950,298	–	67,950,298
Amount due from customers on contract	–	73,250,192	(73,250,192)
Short-term investments	11,513,864	11,513,864	–
Cash and short-term deposits	66,529,072	66,529,072	–
<b>Total current assets</b>	<b>297,010,819</b>	<b>296,557,692</b>	<b>453,127</b>
<b>TOTAL ASSETS</b>	<b>379,227,690</b>	<b>378,774,563</b>	<b>453,127</b>

## Notes to the Financial Statements

(cont'd)

### 2. BASIS OF PREPARATION (CONTINUED)

#### 2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (Continued)

##### *MFRS 15 Revenue from Contracts with Customers (Continued)*

##### *Impact of the adoption of MFRS 15 (Continued)*

##### *Statement of financial position (Continued)*

	Reference	MFRS 15 RM	Reported under MFRS 118/ MFRS 111 RM	Increase/ (decrease) RM
<b>EQUITY AND LIABILITIES</b>				
Equity attributable to owners of the Company				
Share capital		110,847,394	110,847,394	–
Treasury shares		(855,221)	(855,221)	–
Other reserves		10,287,707	10,287,707	–
Retained earnings	(iii)	78,059,101	77,883,469	175,632
		198,338,981	198,163,349	175,632
<b>Non-controlling interests</b>	(iii)	47,050,499	46,881,754	168,745
<b>TOTAL EQUITY</b>		245,389,480	245,045,103	344,377
<b>Non-current liabilities</b>				
Loans and borrowings		16,308,636	16,308,636	–
Trade and other payables		352,508	352,508	–
Deferred tax liabilities		849,575	849,575	–
<b>Total non-current liabilities</b>		17,510,719	17,510,719	–
<b>Current liabilities</b>				
Loans and borrowings		23,357,527	23,357,527	–
Current tax liabilities	(iii)	1,577,627	1,468,877	108,750
Trade and other payables		74,562,904	74,562,904	–
Employee benefits		772,800	772,800	–
Contract liabilities		16,056,633	–	16,056,633
Amount due to customers on contract		–	16,056,633	(16,056,633)
<b>Total current liabilities</b>		116,327,491	116,218,741	108,750
<b>TOTAL LIABILITIES</b>		133,838,210	133,729,460	108,750
<b>TOTAL EQUITY AND LIABILITIES</b>		379,227,690	378,774,563	453,127

## Notes to the Financial Statements

(cont'd)

### 2. BASIS OF PREPARATION (CONTINUED)

#### 2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (Continued)

##### *MFRS 15 Revenue from Contracts with Customers (Continued)*

##### *Impact of the adoption of MFRS 15 (Continued)*

##### *Statement of comprehensive income*

	Reference	MFRS 15 RM	Reported under MFRS 118/ MFRS 111 RM	Increase/ (decrease) RM
Revenue	(i)	332,644,051	332,190,924	453,127
Cost of sales		(239,441,973)	(239,441,973)	–
<b>Gross profit</b>		93,202,078	92,748,951	453,127
Other income		1,672,676	1,672,676	–
Administrative expenses		(58,779,067)	(58,779,067)	–
Net reversal/(allowance) of impairment losses on receivables		1,145,707	1,145,707	–
<b>Operating profit</b>		37,241,394	36,788,267	453,127
Finance income/(costs), net		175,595	(107,808)	283,403
Share of results of associate, net of tax		181,505	181,505	–
<b>Profit before tax</b>		37,598,494	36,861,964	736,530
Income tax expense	(iii)	(8,530,943)	(8,422,193)	(108,750)
<b>Profit for the financial year</b>		29,067,551	28,439,771	627,780
<b>Profit attributable to:</b>				
Owners of the Company		21,375,234	21,055,066	320,168
Non-controlling interests		7,692,317	7,384,705	307,612
		29,067,551	28,439,771	627,780
<b>Earnings per share (sen):</b>				
Basic		7.55	7.44	0.11
Diluted		7.45	7.34	0.11

The adoption of MFRS 9 and MFRS 15 did not have a material impact on the Group's and the Company's other comprehensive income or the Group's and the Company's operating, investing and financing cash flows.

## Notes to the Financial Statements

(cont'd)

### 2. BASIS OF PREPARATION (CONTINUED)

#### 2.3 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int that have been issued, but yet to be effective

The Group and the Company have not adopted the following new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int that have been issued, but yet to be effective:

		Effective for financial periods beginning on or after
<u>New MFRSs</u>		
MFRS 16	Leases	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
<u>Amendments/Improvements to MFRSs</u>		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2021#
MFRS 2	Share-based Payment	1 January 2020*
MFRS 3	Business Combinations	1 January 2019/ 1 January 2020* 1 January 2021#
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2021#
MFRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2020*
MFRS 7	Financial Instruments: Disclosures	1 January 2021#
MFRS 9	Financial Instruments	1 January 2019/ 1 January 2021#
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 11	Joint Arrangements	1 January 2019
MFRS 14	Regulatory Deferral Accounts	1 January 2020*
MFRS 15	Revenue from Contracts with Customers	1 January 2021#
MFRS 101	Presentation of Financial Statements	1 January 2020*/ 1 January 2021#
MFRS 107	Statement of Cash Flows	1 January 2021#
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Error	1 January 2020*
MFRS 112	Income Taxes	1 January 2019
MFRS 116	Property, Plant and Equipment	1 January 2021#
MFRS 119	Employee Benefits	1 January 2019/ 1 January 2021#
MFRS 123	Borrowing Costs	1 January 2019
MFRS 128	Investments in Associates and Joint Ventures	1 January 2019/ Deferred/ 1 January 2021#
MFRS 132	Financial Instruments: Presentation	1 January 2021#
MFRS 134	Interim Financial Reporting	1 January 2020*
MFRS 136	Impairment of Assets	1 January 2021#
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2020*/ 1 January 2021#
MFRS 138	Intangible Assets	1 January 2020*/ 1 January 2021#
MFRS 140	Investment Property	1 January 2021#

## Notes to the Financial Statements

(cont'd)

**2. BASIS OF PREPARATION (CONTINUED)****2.3 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int that have been issued, but yet to be effective(Continued)**

The Group and the Company have not adopted the following new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int that have been issued, but yet to be effective:(Continued)

		Effective for financial periods beginning on or after
<u>New IC Int</u>		
IC Int 23	Uncertainty over Income Tax Treatments	1 January 2019
<u>Amendments to IC Int</u>		
IC Int 12	Service Concession Arrangements	1 January 2020*
IC Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 January 2020*
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2020*
IC Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2020*
IC Int 132	Intangible Assets – Web Site Costs	1 January 2020*

\* *Amendments to References to the Conceptual Framework in MFRS Standards*

# *Amendments as to the consequence of effective of MFRS 17 Insurance Contracts*

- (a) The Group and the Company plan to adopt the above applicable new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int when they become effective. A brief discussion on the above significant new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int are summarised below.

**MFRS 16 Leases**

Currently under MFRS 117 Leases, leases are classified either as finance leases or operating leases. A lessee recognises on its statement of financial position assets and liabilities arising from the finance leases.

MFRS 16 eliminates the distinction between finance and operating leases for lessees. All leases will be brought onto its statement of financial position except for short-term and low value asset leases.

On initial adoption of MFRS 16, there may be impact on the accounting treatment for leases, which the Group as a lessee currently accounts for as operating leases. On adoption of this standard, the Group will be required to capitalise its rented premises, equipment and on the statements of financial position by recognising them as "rights-of-use" assets and their corresponding lease liabilities for the present value of future lease payments.

The Group and the Company plan to adopt this standard when it becomes effective in the financial year beginning 1 July 2019 by applying the transitional provisions and include the required additional disclosures in their financial statements of that year. The Group is likely electing the practical expedient not to reassess whether a contract contains a lease at the date of initial application. Accordingly, existing lease contracts that are still effective on 1 July 2019 will be accounted for as lease contracts under MFRS 16.



## Notes to the Financial Statements

(cont'd)

### 2. BASIS OF PREPARATION (CONTINUED)

#### 2.3 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int that have been issued, but yet to be effective(Continued)

##### ***Amendments to MFRS 9 Financial Instruments***

Amendments to MFRS 9 allow companies to measure prepayable financial assets with negative compensation at amortised cost or at fair value through other comprehensive income if certain conditions are met.

The amendments also clarify that when a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss should be recognised in profit or loss.

##### ***Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures***

These amendments address an acknowledged inconsistency between the requirements in MFRS 10 and those in MFRS 128, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business, as defined in MFRS 3. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business.

##### ***Amendments to MFRS 112 Income Taxes***

Amendments to MFRS 112 clarify that an entity recognises the income tax consequences of dividends in profit or loss because income tax consequences of dividends are linked more directly to past transactions than to distributions to owners, except if the tax arises from a transaction which is a business combination or is recognised in other comprehensive income or directly in equity.

##### ***Amendments to MFRS 119 Employee Benefits***

Amendments to MFRS 119 require an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity remeasures its net defined benefit liability (asset).

##### ***Amendments to MFRS 123 Borrowing Costs***

Amendments to MFRS 123 clarify 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.

## Notes to the Financial Statements

(cont'd)

### 2. BASIS OF PREPARATION (CONTINUED)

#### 2.3 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int that have been issued, but yet to be effective(Continued)

##### *Amendments to MFRS 128 Investments in Associates and Joint Ventures*

Amendments to MFRS 128 clarify that companies shall apply MFRS 9, including its impairment requirements, to account for long-term interests in an associate or joint venture that, in substance, form part of the net investment in the associate or joint to which the equity method is not applied.

##### *IC Int 23 Uncertainty over Income Tax Treatments*

IC Int 23 clarifies that where there is uncertainty over income tax treatments, an entity shall:

- (i) assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations.
- (ii) reflect the effect of uncertainty in determining the related tax position (using either the most likely amount or the expected value method) if it concludes it is not probable that the taxation authority will accept an uncertain tax treatment.

##### *Amendments to References to the Conceptual Framework in MFRS Standards*

The Malaysian Accounting Standards Board has issued a revised Conceptual Framework for Financial Reporting and amendments to fourteen Standards under the Malaysian Financial Reporting Standards Framework on 30 April 2018.

The revised Conceptual Framework comprises a comprehensive set of concepts of financial reporting. It is built on the previous version of the Conceptual Framework issued in 2011. The changes to the chapters on the objective of financial reporting and qualitative characteristics of useful financial information are limited, but with improved wordings to give more prominence to the importance of providing information needs to assess management's stewardship of the entity's economic resources.

Other improvements of the revised Conceptual Framework include a new chapter on measurement, guidance on reporting financial performance, improved definitions and guidance – in particular the definition of a liability – and clarifications in important areas, such as the role of prudence and measurement uncertainty in financial reporting.

The amendments to the fourteen Standards are to update the references and quotations in these Standards which include MFRS 2, MFRS 3, MFRS 6, MFRS 14, MFRS 101, MFRS 108, MFRS 134, MFRS 137, MFRS 138, IC Int 12, IC Int 19, IC Int 20, IC Int 22 and IC Int 132.

- (b) The Group is currently performing an analysis to determine the election of the practical expedients and to quantify the financial effects arising from the adoption of the new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int.

## Notes to the Financial Statements

(cont'd)

### 2. BASIS OF PREPARATION (CONTINUED)

#### 2.4 Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which they operate ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency, unless otherwise stated.

#### 2.5 Basis of measurement

The financial statements of the Group and of the Company have been prepared on the historical cost basis, except as otherwise disclosed in Note 3.

#### 2.6 Use of estimates and judgement

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reporting period. It also requires directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates that are significant to the Group's and the Company's financial statements are disclosed in Note 4.

## Notes to the Financial Statements

(cont'd)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently to all the financial years presented in the financial statements of the Group and of the Company.

#### 3.1 Basis of consolidation

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

##### (a) Subsidiaries and business combination

Subsidiaries are entities (including structured entities) over which the Group is exposed, or has rights, to variable returns from its involvement with the acquirees and has the ability to affect those returns through its power over the acquirees.

The financial statements of subsidiaries are included in the consolidated financial statements from the date the Group obtains control of the acquirees until the date the Group loses control of the acquirees.

The Group applies the acquisition method to account for business combinations from the acquisition date.

For a new acquisition, goodwill is initially measured at cost, being the excess of the following:

- the fair value of the consideration transferred, calculated as the sum of the acquisition-date fair value of assets transferred (including contingent consideration), the liabilities incurred to former owners of the acquiree and the equity instruments issued by the Group. Any amounts that relate to pre-existing relationships or other arrangements before or during the negotiations for the business combination, that are not part of the exchange for the acquiree, will be excluded from the business combination accounting and be accounted for separately; plus
- the recognised amount of any 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 (the choice of measurement basis is made on an acquisition-by-acquisition basis); plus
- if the business combination is achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree; less
- the net fair value of the identifiable assets acquired and the liabilities (including contingent liabilities) assumed at the acquisition date.

The accounting policy for goodwill is set out in Note 3.8.

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

## Notes to the Financial Statements

(cont'd)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.1 Basis of consolidation (Continued)

##### (a) Subsidiaries and business combination (Continued)

If the business combination is achieved in stages, the Group remeasures the previously held equity interest in the acquiree to its acquisition-date fair value, and recognises the resulting gain or loss, if any, in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss or transferred directly to retained earnings on the same basis as would be required if the acquirer had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Group uses provisional fair value amounts for the items for which the accounting is incomplete. The provisional amounts are adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date, including additional assets or liabilities identified in the measurement period. The measurement period for completion of the initial accounting ends as soon as the Group receives the information it was seeking about facts and circumstances or learns that more information is not obtainable, subject to the measurement period not exceeding one year from the acquisition date.

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 gain or loss 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 associate, a joint venture, an available-for-sale financial asset or a held for trading financial asset depending on the level of influence retained.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the Group's share of net assets before and after the change, and the fair value of the consideration received or paid, is recognised directly in equity.

##### (b) Non-controlling interests

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company and are presented separately in the consolidated statement of financial position within equity.

Losses attributable to the non-controlling interests are allocated to the non-controlling interests even if the losses exceed the non-controlling interests.

##### (c) Associates

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

Investment in associates are accounted for in the consolidated financial statements using the equity method.

## Notes to the Financial Statements

(cont'd)

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.1 Basis of consolidation (Continued)****(c) Associates (Continued)**

Under the equity method, the investment in associates are initially recognised at cost. The cost of investment includes transaction costs. Subsequently, the carrying amount is adjusted to recognise changes in the Group's share of net assets of the associate.

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 an available-for-sale financial asset or a held for trading financial asset. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in 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 the 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.

**(d) 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 investee. 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

(cont'd)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.2 Separate financial statements

In the Company's statement of financial position, investment in subsidiaries is measured at cost less any accumulated impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs. The policy for the recognition and measurement of impairment losses shall be applied on the same basis as would be required for impairment of non-financial assets as disclosed in Note 3.12(b).

Contributions to subsidiaries are amounts for which settlement is neither planned nor likely to occur in the foreseeable future is, in substance, considered as part of the Company's investment in the subsidiaries.

#### 3.3 Foreign currency transactions and operations

##### (a) Translation of foreign currency transactions

Foreign currency transactions are translated to the respective functional currencies of the Group entities using the exchange rates prevailing at the transaction dates.

At the end of each reporting date, monetary items denominated in foreign currencies are retranslated at the exchange rates prevailing at the reporting date.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the dates the fair values were determined. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated at the historical rates as at the dates of the initial transactions.

Foreign exchange differences arising on settlement or retranslation of monetary items are recognised in profit or loss except for monetary items that are designated as hedging instruments in either a cash flow hedge or a hedge of the Group's net investment of a foreign operation. 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, exchange differences are recognised in profit or loss in the separate financial statements of the parent company or the individual financial statements of the foreign operation. In the consolidated financial statements, the exchange differences are considered to form part of a net investment in a foreign operation and are recognised initially in other comprehensive income until its disposal, at which time, the cumulative amount is reclassified to profit or loss.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).



## Notes to the Financial Statements

(cont'd)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.3 Foreign currency transactions and operations (Continued)

##### (b) Translation of foreign operations

The assets and liabilities of foreign operations denominated in the functional currency different from the presentation currency, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated at exchange rates at the dates of the transactions.

Exchange differences arising on the translation are recognised in other comprehensive income. However, if the foreign 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 or significant influence is lost, the cumulative amount in foreign exchange translation reserves related to that foreign operation is reclassified to profit or loss. For a partial disposal not involving loss of control of a subsidiary that includes a foreign operation, the proportionate share of cumulative amount in foreign exchange translation reserve is reattributed to non-controlling interests. For partial disposals of associates that do not result in the Group losing significant influence or joint control, the proportionate share of the cumulative amount in foreign exchange translation reserve is reclassified to profit or loss.

#### 3.4 Financial instruments

Financial instruments are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contract provisions of the financial instruments.

##### Accounting policies applied from 1 July 2018

Except for the trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the financial instruments are recognised initially at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset and financial liability. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price determined under MFRS 15.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract; it is a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

## Notes to the Financial Statements

(cont'd)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.4 Financial instruments (Continued)

##### Accounting policies applied from 1 July 2018 (Continued)

#### (a) Subsequent measurement

The Group and the Company categorise the financial instruments as follows:

##### (i) Financial assets

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

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses upon derecognition
- Financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through profit or loss

The classification depends on the entity's business model for managing the financial assets and the contractual cash flows characteristics of the financial assets.

The Group and the Company reclassify financial assets when and only when their business models for managing those assets change.

##### Debt instruments

Subsequent measurement of debt instruments depends on the Group's and the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group and the Company classify their debt instruments:

##### • **Amortised cost**

Financial assets that are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. The policy for the recognition and measurement of impairment is in accordance with Note 3.12(a). Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

##### • **Fair value through other comprehensive income (FVOCI)**

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, and the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. The policy for the recognition and measurement of impairment is in accordance with Note 3.12(a). Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

## Notes to the Financial Statements

(cont'd)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.4 Financial instruments (Continued)

Accounting policies applied from 1 July 2018 (Continued)

##### (a) Subsequent measurement (Continued)

The Group and the Company categorise the financial instruments as follows (Continued):

##### (i) Financial assets (Continued)

Debt instruments (Continued)

- **Fair value through profit or loss (FVPL)**

Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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

Equity instruments

The Group and the Company subsequently measure all equity investments at fair value. Upon initial recognition, the Group and the Company can make an irrevocable election to classify its equity investments that is not held for trading as equity instruments designated at FVOCI. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are not recycled to profit or loss. Dividends are recognised as other income in the profit or loss when the right of payment has been established, except when the Group and the Company benefit from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at FVOCI are not subject to impairment assessment.

## Notes to the Financial Statements

(cont'd)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.4 Financial instruments (Continued)

##### Accounting policies applied from 1 July 2018 (Continued)

##### **(a) Subsequent measurement (Continued)**

The Group and the Company categorise the financial instruments as follows (Continued):

##### **(ii) Financial liabilities**

The Group and the Company classify their financial liabilities in the following measurement categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost

##### Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities designated into this category upon initial recognition.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value with the gain or loss recognised in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. The Group and the Company have not designated any financial liability as at fair value through profit or loss.

##### Financial liabilities at amortised cost

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using effective interest method. Gains and losses are recognised in profit or loss when the financial liabilities are derecognised and through the amortisation process.

##### **(b) 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 guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the amount of the loss allowance determined in accordance with Section 5.5 of MFRS 9 and the amount initially recognised, when appropriate, the cumulative amount of income recognised in accordance with the principles of MFRS 15.

## Notes to the Financial Statements

(cont'd)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.4 Financial instruments (Continued)

##### Accounting policies applied from 1 July 2018 (Continued)

##### **(c) Regular way purchase or sale of financial assets**

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting (i.e. the date the Group and the Company commit themselves to purchase or sell an asset).

Trade date accounting refers to:

- (i) the recognition of an asset to be received and the liability to pay for it on the trade date; and
- (ii) 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.

Generally, interest does not start to accrue on the asset and corresponding liability until the settlement date when title passes.

##### **(d) Derecognition**

A financial asset or a part of it is derecognised when, and only when:

- (i) the contractual rights to receive cash flows from the financial asset expire, or
- (ii) the Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party; and either (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

The Group and the Company evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of their continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

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

On derecognition of a financial asset, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

## Notes to the Financial Statements

(cont'd)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.4 Financial instruments (Continued)

##### Accounting policies applied from 1 July 2018 (Continued)

##### **(d) Derecognition (Continued)**

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

##### **(e) Offsetting of financial instruments**

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

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity shall not offset the transferred asset and the associated liability.

##### Accounting policies applied until 30 June 2018

Financial instruments are recognised initially at fair value, except for financial instruments not measured at fair value through profit or loss, they are measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instruments.

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

##### **(a) Subsequent measurement**

The Group and the Company categorise the financial instruments as follows:

##### **(i) Financial assets**

##### Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss when the financial assets are either held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or are designated into this category upon initial recognition.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value with the gain or loss recognised in profit or loss.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

## Notes to the Financial Statements

(cont'd)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.4 Financial instruments (Continued)

##### Accounting policies applied until 30 June 2018 (Continued)

##### (a) Subsequent measurement (Continued)

##### (i) Financial assets (Continued)

##### Loans and receivables

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

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.12(a). Gains and losses are recognised in profit or loss through the amortisation process.

##### Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.12(a). Gains and losses are recognised in profit or loss through the amortisation process.

##### Available-for-sale financial assets

Available-for-sale financial assets comprise investment in equity and debt securities that are designated as available for sale or are not classified in any of the three preceding categories.

Subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair values hedges which are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's and the Company's right to receive payment is established.

##### Unquoted equity instruments carried at cost

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.12(a).



## Notes to the Financial Statements

(cont'd)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.4 Financial instruments (Continued)

##### Accounting policies applied until 30 June 2018 (Continued)

##### **(a) Subsequent measurement (Continued)**

##### **(ii) Financial liabilities**

Same accounting policies applied until 30 June 2018 and from 1 July 2018.

##### **(b) 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 guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

##### **(c) Regular way purchase or sale of financial assets**

Same accounting policies applied until 30 June 2018 and from 1 July 2018.

##### **(d) Derecognition**

A financial asset or a part of it is derecognised when, and only when, the contractual rights to receive the cash flows from the financial asset expire 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 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 other comprehensive income is recognised in 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 expired. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

##### **(e) Offsetting of financial instruments**

Same accounting policies applied until 30 June 2018 and from 1 July 2018.

## Notes to the Financial Statements

(cont'd)

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.5 Property, plant and equipment****(a) Recognition and measurement**

Property, plant and equipment (other than freehold buildings) are measured at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.12(b).

Freehold buildings are measured at fair value, based on valuations by external independent valuers, less accumulated depreciation and any accumulated impairment losses recognised after the date of revaluation. Valuations are performed with sufficient regularity to ensure that the fair value of the freehold buildings does not differ materially from the carrying amount. Any accumulated depreciation as at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

A revaluation surplus is recognised in other comprehensive income and credited to the revaluation reserve. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in profit or loss. However, the decrease shall be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of that asset.

The revaluation reserve is transferred to retained earnings when the assets are derecognised.

Cost of assets includes expenditures that are directly attributable to the acquisition of the asset and any other costs that are 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 cost of materials, direct labour and any other direct attributable costs but excludes internal profits. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs in Note 3.17.

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 of property, plant and equipment.

**(b) Subsequent costs**

The cost of replacing a part of an item of property, plant and equipment is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to the Group or the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss as incurred.

## Notes to the Financial Statements

(cont'd)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.5 Property, plant and equipment (Continued)

##### (c) Depreciation

All property, plant and equipment are depreciated on a straight-line basis by allocating their depreciable amounts over their remaining useful lives at the following annual rates:

Freehold buildings	2%
Computer equipment and software	10% to 50%
Machinery, equipment and motor vehicles	10% to 50%
Furniture, fittings and office equipment	8% to 20%
Electrical installations and renovation	10% to 33 1/3%

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

##### (d) Derecognition

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

#### 3.6 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases that do not meet this criterion are classified as operating leases.

##### (a) Lessee accounting

If an entity in the Group is a lessee in a finance lease, it capitalises the leased asset and recognises the related liability. The amount recognised at the inception date is the fair value of the underlying leased asset or, if lower, the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that assets.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is 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 are charged as expenses in the periods in which they are incurred.

The capitalised leased asset is classified by nature as property, plant and equipment or investment property.

For operating leases, the Group does not capitalise the leased asset or recognise the related liability. Instead lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

Any upfront lease payments are classified as land use rights within intangible assets.

## Notes to the Financial Statements

(cont'd)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.6 Leases (Continued)

##### (b) Lessor accounting

If an entity in the Group is a lessor in a finance lease, it derecognises the underlying asset and recognises a lease receivable at an amount equal to the net investment in the lease. Finance income is recognised in profit or loss based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

If an entity in the Group is a lessor in an operating lease, the underlying asset is not derecognised but is presented in the statement of financial position according to the nature of the asset. Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

#### 3.7 Investment properties

Investment properties are properties held to earn rental income or for capital appreciation or both.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair values of investment properties are recognised in profit or loss for the period in which they arise.

Cost includes purchase price and any directly attributable costs incurred to bring the property to its present location and condition intended for use as an investment property. The cost of a self-constructed investment property includes the cost of material, direct labour and any other direct attributable costs. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs in Note 3.17.

An investment property is derecognised on its disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gains and losses arising from derecognition of the asset is recognised in the profit or loss.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property carried at fair value to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, any difference arising on the date of change in use between the carrying amount of the item immediately prior to the transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment.

#### 3.8 Intangible assets

##### (a) Goodwill on consolidation

Goodwill arising from business combinations is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.12(b).

In respect of equity-accounted associates and joint venture, goodwill is included in the carrying amount of the investment and is not tested for impairment individually. Instead, the entire carrying amount of the investment is tested for impairment as a single asset when there is objective evidence of impairment.

## Notes to the Financial Statements

(cont'd)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.8 Intangible assets (Continued)

##### (b) Other intangible asset

Intangible asset, other than goodwill, that are acquired by the Group, which have finite useful life, is measured at cost less accumulated amortisation and any accumulated impairment loss. Amortisation is recognised in profit or loss over the period of the customer contracts. Amortisation methods and useful life are reviewed at the end of each reporting period and adjusted, if appropriate.

#### 3.9 Inventories

Inventories consist of consumables, trading and installation goods.

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

Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Consumables are determined using the first-in first-out basis.
- Trading and installation goods are assigned on a weighted average cost basis.

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

#### 3.10 Contract assets/(liabilities)

Contract asset is the right to consideration for goods or services transferred to the customers when that right is conditioned on something other than the passage of time (for example, the Company's future performance).

The policy for the recognition and measurement of impairment losses is in accordance with Note 3.12(a).

Contract liability is the obligation to transfer goods or services to customer for which the Group has received the consideration or has billed the customer.

#### 3.11 Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash in hand, bank balances and deposits and other short-term, highly liquid investments with a maturity of three months or less, that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

## Notes to the Financial Statements

(cont'd)

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.12 Impairment of assets****(a) Impairment of financial assets and contract assets**Accounting policies applied from 1 July 2018

Financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income (FVOCI), lease receivables, contract assets or a loan commitment and financial guarantee contracts will be subject to the impairment requirement in MFRS 9 which is related to the accounting for expected credit losses on the financial assets. Expected credit loss is the weighted average of credit losses with the respective risks of a default occurring as the weights.

The Group and the Company measure loss allowance at an amount equal to lifetime expected credit loss, except for the following, which are measured as 12-month expected credit loss:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

For trade receivables, contract assets and lease receivables, the Group and the Company apply the simplified approach permitted by MFRS 9 to measure the loss allowance 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 losses, 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.

The Group and the Company assume that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group and the Company consider a financial asset to be in default when:

- the borrower is unable to pay its credit obligations to the Group and the Company in full, without taking into account any credit enhancements held by the Group and the Company; or
- the contractual payment of the financial asset is more than 90 days past due unless the Group and the Company have reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

## Notes to the Financial Statements

(cont'd)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.12 Impairment of assets (Continued)

##### (a) Impairment of financial assets and contract assets (Continued)

###### Accounting policies applied from 1 July 2018 (Continued)

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

Expected credit losses are discounted at the effective interest rate of the financial assets.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at FVOCI are 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 that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default of past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The amount of impairment losses (or reversal) shall be recognised in profit or loss, as an impairment gain or loss. For financial assets measured at FVOCI, the loss allowance shall be recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statement of financial position.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have assets or source 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 and the Company's procedure for recovery of amounts due.



## Notes to the Financial Statements

(cont'd)

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.12 Impairment of assets (Continued)****(a) Impairment of financial assets and contract assets (Continued)**Accounting policies applied until 30 June 2018

At each reporting date, all financial assets (except for financial assets categorised as fair value through profit or loss, investment in subsidiaries and associates) are assessed whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognised.

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

**Loans and receivables and held-to-maturity investments**

The Group and the Company first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If no objective evidence for impairment exists for an individually assessed financial asset, whether significant or not, the Group and the Company may include the financial asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Financial assets that are individually assessed for impairment for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

The amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced through the use of an allowance account and the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases due to an event occurring after the impairment that was recognised, the previously recognised impairment loss is then reversed by adjusting an allowance account to the extent that the carrying amount of the financial asset does not exceed what the amortised cost would have been had the impairment not been recognised.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group and the Company. If a write-off is later recovered, the recovery is credited to the profit or loss.

## Notes to the Financial Statements

(cont'd)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.12 Impairment of assets (Continued)

##### (a) Impairment of financial assets and contract assets (Continued)

Accounting policies applied until 30 June 2018 (Continued)

##### **Available-for-sale financial assets**

In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment. The Group and the Company use their judgement to determine what is considered as significant or prolonged decline, evaluating past volatility experiences and current market conditions.

Where there is objective evidence that the asset is impaired, the decline in the fair value of an available-for-sale financial asset together with the cumulative loss recognised in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognised. The amount of cumulative loss that is reclassified from equity to profit or loss shall be the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss.

Impairment losses on available-for-sale equity investments are not reversed through profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss, is recognised in other comprehensive income.

For available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to a loss event occurring after the recognition of the impairment loss in profit or loss.

##### **Unquoted equity instruments carried at cost**

In the case of unquoted equity instruments carried at cost, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

## Notes to the Financial Statements

(cont'd)

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.12 Impairment of assets (Continued)****(b) Impairment of non-financial assets**

The carrying amounts of non-financial assets (except for inventories, contract assets, deferred tax assets and investment properties measured at fair value) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the Group and the Company make an estimate of the asset's recoverable amount. For goodwill and intangible assets that have indefinite useful life and are not yet available for use, the recoverable amount is estimated at each reporting date.

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 non-financial assets or cash-generating units ("CGUs"). Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a CGU or a group of CGUs that are expected to benefit from the synergies of business combination.

The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and its value-in-use. 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 CGU. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Where the carrying amount of an asset exceeds its recoverable amount, the carrying amount of asset is reduced to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss, except for assets that were previously revalued with the revaluation surplus recognised in other comprehensive income. In the latter case, the impairment is recognised in other comprehensive income up to the amount of any previous revaluation.

Impairment losses in respect of goodwill are not reversed. For other assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. Reversal of impairment loss is restricted by the asset's carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

## Notes to the Financial Statements

(cont'd)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.13 Share capital

##### (a) Ordinary shares

Ordinary shares are equity instruments. An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

##### (b) Treasury shares

When share capital recognised as equity is repurchased, the amount of consideration paid is recognised directly in equity. Repurchased shares that have not been cancelled including any attributable transaction costs are classified as treasury shares and presented as a deduction from total equity.

When treasury shares are sold or reissued subsequently, the difference between the sales consideration and the carrying amount is presented as a movement in equity.

#### 3.14 Employee benefits

##### (a) Short-term employee benefits

Short-term employee benefit obligations in respect of wages, salaries, social security contributions, annual bonuses, paid annual leave, sick leave and non-monetary benefits are recognised as an expense in the financial year where the employees have rendered their services to the Group.

##### (b) Defined contribution plans

As required by law, the Group and the Company contribute to the Employees Provident Fund ("EPF"), the national defined contribution plan. Such contributions are recognised as an expense in the profit or loss in the period in which the employees render their services.

##### (c) Defined benefit plans

The Group operates defined benefit pension plans (funded) and provides a post-employment healthcare benefit (unfunded) plan to employees as provided in the employment agreements between the companies in the Group and their employees.

## Notes to the Financial Statements

(cont'd)

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.14 Employee benefits (Continued)****(d) Employees' Share Option Scheme ("ESOS")**

Employees of the Group and of the Company receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted. This cost is recognised in profit or loss, with a corresponding increase in the employees' share option reserve over the vesting period. The cumulative expense recognised at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's and the Company's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised at the beginning and end of that period.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. The employees' share option reserve is transferred to retained earnings upon expiry of the share options. When the options are exercised, the employees' share option reserve is transferred to share capital if new shares are issued, or to treasury shares if the options are satisfied by reissuance of treasury shares.

**3.15 Provisions**

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

If the effect of the time value of money is material, provisions that are determined based on the expected future cash flows to settle the obligation are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provisions due to passage of time is recognised as finance costs.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

## Notes to the Financial Statements

(cont'd)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.16 Revenue and other income

##### Accounting policies applied from 1 July 2018

The Group recognises revenue that depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group and the Company expect to be entitled in exchange for those goods or services.

Revenue recognition of the Group is applied for each contract with a customer or a combination of contracts with the same customer (or related parties of the customer).

The Group measures revenue from sale of good or service at its transaction price, being the amount of consideration to which the Group expects to be entitled in exchange for transferring promised good or service to a customer, excluding amounts collected on behalf of third parties such as goods and service tax, adjusted for the effects of any variable consideration, constraining estimates of variable consideration, significant financing components, non-cash consideration and consideration payable to customer.

For contract with separate performance obligations, the transaction price is allocated to the separate performance obligations on the relative stand-alone selling price basis. If the standalone selling price is not directly observable, the Group estimates it by using the costs plus margin approach.

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer, i.e. when or as a performance obligation in the contract with customer is satisfied. A performance obligation is satisfied when or as the customer obtains control of the good or service underlying the particular performance obligation, which the performance obligation may be satisfied at a point in time or over time.

A contract modification is a change in the scope or price (or both) of a contract that is approved by the parties to the contract. A modification exists when the change either creates new or changes existing enforceable rights and obligations of the parties to the contract. The Group has assessed the type of modification and accounted for as either creates a separate new contract, terminates the existing contract and creation of a new contract; or forms a part of the existing contracts. Any cumulative catch-up adjustments to revenue that affect the corresponding contract asset or contract liability is disclosed in the financial statements.

## Notes to the Financial Statements

(cont'd)

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.16 Revenue and other income (Continued)**Financing components

The Group has applied the practical expedient for not to adjust the promised amount of consideration for the effects of a significant financing components if the Group expects that the period between the transfer of the promised goods or services to the customer and payment by the customer will be one year or less.

**(a) Construction contracts**

The Group and the Company construct facilities and engineering works under contracts with customers. Construction service contracts comprise multiple deliverables that require significant integration service and therefore accounted as a single performance obligation.

Under the terms of the contracts, control of the facilities and engineering works is transferred over time as the Group and the Company create or enhance an asset that the customer controls as the asset is created or enhanced. Revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. The progress towards complete satisfaction of a performance obligation is determined by the proportion of construction costs incurred for work performed to date bear to the estimated total construction costs (an input method).

Sales are made with a credit term of 30 to 180 days, which is consistent with market practice, therefore, no element of financing is deemed present. The Group and the Company become entitled to invoice customers for construction of facilities and engineering works based on achieving a series of performance-related milestones.

The Group and the Company recognised a contract asset for any excess of revenue recognised to date over the billings-to-date. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point when invoice is issued or timing for billing is due to passage of time. If the milestone billing exceeds the revenue recognised to date and any deposit or advances received from customers then the Group and the Company recognise a contract liability for the difference.

**(b) Sale of goods**

Revenue from sale of goods is recognised at a point in time when control of the goods is passed to the customer, which is the point in time when control of the products has been transferred, being when the customer accepts the delivery of the goods.

Sales are made with a credit term of 30 to 180 days.

**(c) Rendering of services**

Revenue from a contract to provide services is recognised over time as the services are rendered because the customer receives and uses the benefits simultaneously. This is determined based on the time elapsed (output method), labour hours expended (input method) or costs incurred (input method).

Sales are made with a credit term of 30 to 180 days.

**(d) Commission income**

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



## Notes to the Financial Statements

(cont'd)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.16 Revenue and other income (Continued)

##### Financing components (Continued)

##### **(e) Rental income**

Rental income from investment properties is recognised on a straight-line basis over the term of the lease.

##### **(f) Dividend income**

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

##### **(g) Interest income**

Interest income is recognised using the effective interest method.

##### Accounting policies applied until 30 June 2018

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of discounts, rebates, returns and taxes.

The following specific recognition criteria must also be met before revenue is recognised:

##### **(a) Construction contracts**

Revenue from construction contracts is accounted for by using the stage of completion method. The stage of completion method is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Any expected loss on construction project is recognised as an expense immediately.

##### **(b) Sale of goods**

Revenue from sale of goods is measured at the fair value of the consideration receivable and is recognised when the significant risks and rewards of ownership have been transferred to the buyers.

##### **(c) Rendering of services**

Revenue from rendering of services is recognised by reference to the stage of completion at the reporting date. Stage of completion is determined by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where the contract outcome cannot be measured reliably, revenue is recognised to the extent of the expenses recognised that are recoverable.

Advances received from customers for services yet to be performed is initially recognised in the statements of financial position at the fair value of the consideration received. Deferred income is subsequently recognised in profit or loss upon rendering of services.

##### **(d) Rental income**

Rental income from investment properties is recognised on a straight-line basis over the term of the lease.

## Notes to the Financial Statements

(cont'd)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.16 Revenue and other income (Continued)

Accounting policies applied until 30 June 2018 (Continued)

##### (e) Dividend income

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

##### (f) Interest income

Interest income is recognised using the effective interest method.

#### 3.17 Borrowing costs

Borrowing costs are interests and other costs that the Group and the Company incur in connection with borrowing of funds.

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 that are 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, until such time as the assets are substantially ready for their intended use or sale.

The Group and the Company begin capitalising borrowing costs when the Group and the Company have incurred the expenditures for the asset, incurred related borrowing costs and undertaken activities that are necessary to prepare the asset for its intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

#### 3.18 Income tax

Income tax expense in profit or loss comprises current and deferred tax. Current 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.

##### (a) Current tax

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

##### (b) Deferred tax

Deferred tax is recognised using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the statements of financial position. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unutilised tax losses and unused tax credits, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

## Notes to the Financial Statements

(cont'd)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.18 Income tax (Continued)

##### (b) Deferred tax (Continued)

Deferred tax is not recognised if the temporary differences arise from the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, branches, associates and interests in joint ventures, except where the Group is able to control the reversal timing of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

Where investment properties are carried at fair value in accordance with the accounting policy as disclosed in Note 3.7, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within the business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

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

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

## Notes to the Financial Statements

(cont'd)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.19 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by 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 share options granted to employees.

#### 3.20 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Managing Director and Group Chief Executive Officer of the Group, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief operating decision maker that makes strategic decisions.

#### 3.21 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.

For a 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 and the Company use observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group and the Company 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 and the Company recognise 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

(cont'd)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.22 Contingencies

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

Contingent liability is also referred as a present obligation that arises from past events but is not recognised because:

- (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- (ii) the amount of the obligation cannot be measured with sufficient reliability.

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

#### 3.23 Contract costs

##### (a) Recognition and measurement

Contract costs include costs of obtaining and fulfilling a contract.

The incremental costs of obtaining a contract are those costs that the Group and the Company incur to obtain a contract with a customer which they would not have incurred if the contract had not been obtained. The incremental costs of obtaining a contract with a customer are recognised as part of contract costs when the Group and the Company expect those costs are recoverable.

The costs incurred in fulfilling a contract with a customer which are not within the scope of another MFRSs, such as MFRS 102 *Inventories*, MFRS 116 *Property, Plant and Equipment* or MFRS 138 *Intangible Assets*, are recognised as part of contract costs when all of the following criteria are met:

- (a) the costs relate directly to a contract or to an anticipated contract that can be specifically identified;
- (b) the costs generate or enhance resources of the Group and the Company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- (c) the costs are expected to be recovered.

##### (b) Amortisation

The costs of obtaining and fulfilling a contract are amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates, i.e. in accordance with the pattern of transfer of goods or services to which the asset relates. The amortisation shall be updated subsequently to reflect any significant change to the expected timing of transfer to the customer of the goods or services to which the asset relates in accordance with MFRS 108 *Accounting Policies, Changes in Accounting Estimate and Errors*.

## Notes to the Financial Statements

(cont'd)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.23 Contract costs (Continued)

##### (c) Impairment

Impairment loss are recognised in profit or loss to the extent that the carrying amount of the contract cost exceeds:

- (a) the remaining amount of consideration that the entity expects to receive in exchange for the goods or services to which the asset relates; less
- (b) the costs that relate directly to providing those goods or services and that have not been recognised as expenses.

Before an impairment loss is recognised for contract costs, the Group and the Company shall recognise any impairment loss for assets related to the contract that are recognised in accordance with another MFRSs, such as MFRS 102, MFRS 116 and MFRS 138. The Group and the Company shall include the resulting carrying amount of the contract costs in the carrying amount of the cash-generating unit to which it belongs for the purpose of applying MFRS 136 *Impairment of Assets* to that cash-generating unit.

An impairment loss is reversed when the impairment conditions no longer exist or have improved. Such reversal is recognised in profit or loss.

The Group and the Company have applied the practical expedient to recognise the incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset that the entity would have recognised is one year or less.

### 4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect in determining the amounts recognised in the financial statements include the following:

#### 4.1 Business combination

The Company determines the accounting treatment for acquisition of subsidiary in accordance to MFRS 3 Business Combinations. In accounting for the acquisition of the subsidiary under MFRS 3, the directors have applied judgement on the accounting treatment and the purchase price allocation in relation to the valuation of the assets acquired and liabilities assumed and the purchase consideration.

The information about the purchase price allocation are disclosed in Note 8.

#### 4.2 Impairment of goodwill on business combination

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires an estimation of the value-in-use of the cash generating units to which goodwill is allocated. When value-in-use calculations are undertaken, the Group uses its judgement to decide the discount rates to be applied in the recoverable amount calculation and assumptions supporting the underlying cash flow projections, including forecast growth rates, inflation rates and gross profit margin. Cash flows that are projected based on those inputs or assumptions may have a significant effect on the Group's financial position and results if the actual cash flows are less than the expected.

The carrying amount of the Group's goodwill and key assumptions used to determine the recoverable amount for different cash-generating units, including sensitivity analysis, are disclosed in Note 7.

## Notes to the Financial Statements

(cont'd)

### 4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

#### 4.3 Impairment of financial assets and contract assets

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

The assessment of the correlation between historical observed default rates, forward-looking estimates and expected credit losses is a significant estimate. The amount of expected credit losses is sensitive to changes in circumstances and of forecast economic conditions over the expected lives of the financial assets and contract assets. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The information about the impairment losses on the Group's and the Company's financial assets and contract assets are disclosed in Note 31.

#### 4.4 Construction revenue

The Group recognised construction revenue in profit or loss by using the progress towards complete satisfaction of performance obligation. The progress towards complete satisfaction of performance obligation is determined by the proportion that construction costs incurred for work performed to date bear to the estimated total construction costs.

Significant judgement is required in determining the progress towards complete satisfaction of performance obligation, the extent of the construction costs incurred, the estimated total construction revenue and expenses, as well as the recoverability of the construction projects. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists.

The carrying amounts of contract assets and contract liabilities are disclosed in Note 14.



## Notes to the Financial Statements

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### 5. PROPERTY, PLANT AND EQUIPMENT

Group	At valuation	At cost				Total RM
	Freehold buildings RM	Computer equipment and software RM	Machinery, equipment and motor vehicles RM	Furniture, fittings and office equipment RM	Electrical installation and renovation RM	
<b>2019</b>						
<b>Valuation/Cost</b>						
At 1 July 2018	7,801,107	9,704,673	12,266,316	5,311,748	1,908,129	36,991,973
Additions	–	314,310	2,289,854	223,588	72,935	2,900,687
Acquisition of subsidiary	575,790	24,039	696,332	113,765	29,989	1,439,915
Disposals	–	(103,568)	(541,564)	(59,960)	–	(705,092)
Written off	–	–	–	(6,947)	–	(6,947)
Exchange differences	–	34,410	104,837	46	4,781	144,074
At 30 June 2019	8,376,897	9,973,864	14,815,775	5,582,240	2,015,834	40,764,610
<b>Accumulated depreciation</b>						
At 1 July 2018	129,659	8,317,214	7,651,347	4,236,389	1,180,506	21,515,115
Depreciation charge for the financial year	128,603	398,067	1,838,780	275,229	249,064	2,889,743
Disposals	–	(99,662)	(530,364)	(50,610)	–	(680,636)
Written off	–	–	–	(3,457)	–	(3,457)
Exchange differences	–	18,402	14,053	(15,680)	4,683	21,458
At 30 June 2019	258,262	8,634,021	8,973,816	4,441,871	1,434,253	23,742,223
<b>Net carrying amount</b>						
At 30 June 2019	8,118,635	1,339,843	5,841,959	1,140,369	581,581	17,022,387

## Notes to the Financial Statements

(cont'd)

### 5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group (Continued)	At valuation	At cost				Total RM
	Freehold buildings RM	Computer equipment and software RM	Machinery, equipment and motor vehicles RM	Furniture, fittings and office equipment RM	Electrical installation and renovation RM	
<b>2018</b>						
<b>Valuation/Cost</b>						
At 1 July 2017	7,481,107	9,396,334	12,573,255	5,317,051	1,642,774	36,410,521
Additions	–	439,484	1,316,699	158,770	286,555	2,201,508
Revaluation Surplus	1,441,388	–	–	–	–	1,441,388
Elimination of accumulated depreciation on revaluation	(1,121,388)	–	–	–	–	(1,121,388)
Disposals	–	–	(1,493,723)	(24,760)	–	(1,518,483)
Written off	–	(86,313)	–	(97,764)	–	(184,077)
Exchange differences	–	(44,832)	(129,915)	(41,549)	(21,200)	(237,496)
At 30 June 2018	7,801,107	9,704,673	12,266,316	5,311,748	1,908,129	36,991,973
<b>Accumulated depreciation</b>						
At 1 July 2017	1,136,276	7,887,006	7,631,336	4,134,154	1,030,082	21,818,854
Depreciation charge for the financial year	114,771	564,813	1,550,131	244,149	162,099	2,635,963
Elimination of accumulated depreciation on revaluation	(1,121,388)	–	–	–	–	(1,121,388)
Disposals	–	–	(1,493,723)	(24,760)	–	(1,518,483)
Written off	–	(86,313)	–	(94,978)	–	(181,291)
Exchange differences	–	(48,292)	(36,397)	(22,176)	(11,675)	(118,540)
At 30 June 2018	129,659	8,317,214	7,651,347	4,236,389	1,180,506	21,515,115
<b>Net carrying amount</b>						
At 30 June 2018	7,671,448	1,387,459	4,614,969	1,075,359	727,623	15,476,858

## Notes to the Financial Statements

(cont'd)

### 5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Computer equipment and software RM	Furniture, fittings and office equipment RM	Renovation RM	Total RM
<b>2019</b>				
<b>Cost</b>				
At 1 July 2018/30 June 2019	472,080	63,853	67,745	603,678
<b>Accumulated depreciation</b>				
At 1 July 2018	428,132	58,766	67,745	554,643
Depreciation charge for the financial year	19,674	1,801	–	21,475
At 30 June 2019	447,806	60,567	67,745	576,118
<b>Net carrying amount</b>				
At 30 June 2019	24,274	3,286	–	27,560
<b>2018</b>				
<b>Cost</b>				
At 1 July 2017	447,436	62,853	67,745	578,034
Additions	24,644	1,000	–	25,644
At 30 June 2018	472,080	63,853	67,745	603,678
<b>Accumulated depreciation</b>				
At 1 July 2017	411,177	56,016	67,745	534,938
Depreciation charge for the financial year	16,955	2,750	–	19,705
At 30 June 2018	428,132	58,766	67,745	554,643
<b>Net carrying amount</b>				
At 30 June 2018	43,948	5,087	–	49,035

## Notes to the Financial Statements

(cont'd)

### 5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

#### (a) Revaluation of freehold buildings

The properties were revalued by the directors based on the valuation carried out in June 2018 by an independent firm of professional valuer. The fair value of the freehold buildings of the Group is categorised as Level 2. The fair value was determined by using the market comparable approach that reflects recent transaction prices, adjusted for differences in the nature, location or condition of the buildings. In estimating the fair value of the properties, the highest and best use of the properties is their current use. The most significant input into this valuation approach is price per square foot of comparable properties.

Should the buildings been carried under the cost method, the net carrying amount of the revalued assets at cost less accumulated depreciation would have been RM3,184,211 (2018: RM3,278,611) as at the end of the financial year.

#### (b) Assets under finance leases

The net carrying amount of assets under finance lease arrangements are as follows:

	2019 RM	Group 2018 RM
Motor vehicles	3,395,198	3,736,371
Plant and machinery	244,405	–
	<hr/> 3,639,603	<hr/> 3,736,371

#### (c) Assets pledged as security

Freehold buildings of the Group with a net carrying amount of RM5,742,526 (2018: RM5,746,383) have been pledged as security to secure term loans of the Group as disclosed in Note 21(a).

Leased assets are pledged as security for the related finance lease liabilities as disclosed in Note 21(b).

### 6. INVESTMENT PROPERTIES

	2019 RM	Group 2018 RM
<b>At fair value:</b>		
At 1 July	4,510,206	2,778,200
Fair value gain (Note 26)	80,000	1,732,006
	<hr/> 4,590,206	<hr/> 4,510,206
At 30 June		

The freehold buildings of the Group have been pledged as security to secure term loans of the Group as disclosed in Note 21(a) and (c).

## Notes to the Financial Statements

(cont'd)

### 6. INVESTMENT PROPERTIES (CONTINUED)

The following are recognised in profit or loss in respect of investment properties:

	2019 RM	Group 2018 RM
Rental income	258,480	267,180
Direct operating expenses on income generating investment properties	(34,285)	(23,531)

Fair value of investment properties are categorised as follows:

	Level 2 RM
<b>Group</b>	
<b>2019</b>	
Investment properties	4,590,206
<b>2018</b>	
Investment properties	4,510,206

There are no Level 1 or Level 3 investment properties or transfers between Level 1 and Level 2 during the financial year ended 30 June 2019 or 30 June 2018.

#### Level 2 fair value

The fair value of freehold buildings were determined by an independent firm of professional valuers based on the market comparable approach that reflects recent transaction prices for similar properties, adjusting for differences in the nature, location or condition of the buildings. In estimating the fair value of the freehold buildings, the highest and best use of the freehold buildings is their current use. The most significant input into this valuation approach is price per square foot of comparable buildings.

### 7. INTANGIBLE ASSETS

	2019 RM	Group 2018 RM
Goodwill (Note 7.1)	55,462,123	28,144,403
Other intangible asset (Note 7.2)	1,043,828	–
	56,505,951	28,144,403

## Notes to the Financial Statements

(cont'd)

### 7. INTANGIBLE ASSETS (CONTINUED)

#### 7.1 Goodwill

	2019 RM	Group 2018 RM
At 1 July 2018	28,144,403	28,144,403
Acquisition of subsidiary (Note 8(a))	27,317,720	–
At 30 June 2019	55,462,123	28,144,403

#### Allocation of goodwill to cash-generating units ("CGUs")

The Group's goodwill has been allocated to the respective CGUs, which operate in the Environment, Engineering and Rail segments, as follows:

	2019 RM	Group 2018 RM
Environment - SGSB and its subsidiaries	5,912,091	5,912,091
Engineering - QSB and its subsidiary	13,802,238	13,802,238
Engineering - DDT	8,430,074	8,430,074
Rail - TWS	27,317,720	–
	55,462,123	28,144,403

#### Key assumptions used in value-in-use computations

The recoverable amount for all CGUs has been determined based on value-in-use calculations using pre-tax cash flows projections based on financial budgets estimated by management covering a 3-year period and cash flows beyond the period are extrapolated.

The following describes each key assumptions for which management has based its cash flows projections to undertake the impairment testing of goodwill:

	Gross margin	Growth rate	Discount rate
<b>2019</b>			
Environment - SGSB and its subsidiaries	43%	9%	10%
Engineering - QSB and its subsidiary	14%	19%	11%
Engineering - DDT	32%	13%	11%
Rail - TWS	30%	9%	14%
<b>2018</b>			
Environment - SGSB and its subsidiaries	48%	14%	12%
Engineering - QSB and its subsidiary	14%	22%	11%
Engineering - DDT	31%	18%	11%

## Notes to the Financial Statements

(cont'd)

### 7. INTANGIBLE ASSETS (CONTINUED)

#### 7.1 Goodwill (Continued)

##### Key assumptions used in value-in-use computations (Continued)

##### (a) Gross margin

The basis used to determine the value assigned to the budgeted gross margins is based on historical achieved margins and assumes no significant changes in cost structure or input prices.

##### (b) Revenue growth

Revenue growth over the 3-year period is projected based on management's estimation taking into consideration secured orders, anticipated identified future projects/contracts and historical growth rates.

##### (c) Discount rates

The discount rates used are pre-tax and take into consideration the industry risks associated with the relevant segments.

##### (d) Sensitivity to changes in assumptions

With regard to the assessment of value-in-use of the respective CGU, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying values of the units to materially exceed their recoverable amounts.

#### 7.2 Other intangible asset

	2019 RM	Group 2018 RM
<b>Cost</b>		
At 1 July	–	–
Acquisition of a subsidiary	4,270,024	–
At 30 June	4,270,024	–
<b>Accumulated amortisation</b>		
At 1 July	–	–
Amortisation for the year (Note 26)	3,226,196	–
At 30 June	3,226,196	–
<b>Net carrying amount</b>		
At 30 June	1,043,828	–

Other intangible asset represents customer contracts arising from acquisition of Trackwork & Supplies Sdn. Bhd.



## Notes to the Financial Statements

(cont'd)

### 8. INVESTMENT IN SUBSIDIARIES

	Company	
	2019 RM	2018 RM
<b>Unquoted shares, at cost</b>		
At 1 July	127,110,005	127,110,005
Additions	38,477,905	–
	165,587,910	127,110,005
ESOS granted to employees of subsidiaries	2,198,498	1,739,838
Less: Allowance for impairment loss	(22,953,345)	(19,706,234)
At 30 June	144,833,063	109,143,609

The movement in the impairment of investment in subsidiaries is as follows:

	Company	
	2019 RM	2018 RM
At 1 July	(19,706,234)	(39,267,288)
(Allowance)/Reversal of impairment loss (Note 26)	(3,247,111)	19,561,054
At 30 June	(22,953,345)	(19,706,234)

The impairment of investment in subsidiaries has been recognised during the financial year to write down the carrying amount to the recoverable amount of the subsidiaries in view of their financial performance.

## Notes to the Financial Statements

(cont'd)

### 8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows:

Name of company	Principal place of business/ Country of incorporation	Effective ownership and voting interest		Principal activities
		2019 %	2018 %	
Ambang Wira Sdn. Bhd. ("AWSB")	Malaysia	100	100	Comprehensive facility management services
AW Facility Management Sdn. Bhd. ("AWFM")	Malaysia	100	100	Comprehensive facility management services
AWC Renewable Energy Sdn. Bhd. ("AWCRE")	Malaysia	100	100	Building integrated photovoltaic projects
AWC Facilities Engineering Sdn. Bhd. ("AFESB")	Malaysia	75	75	Facility management
M & C Engineering and Trading Sdn. Bhd. ("M&C(M)")	Malaysia	100	100	Air-conditioning and building automation
Environmental & Landscape Services Sdn. Bhd. ("ELS")	Malaysia	100	100	Landscaping
Teroka Energy Sdn. Bhd. ("TESB")	Malaysia	100	100	Investment holding, property dealing and general trading
AWC Pureti Sdn. Bhd. ("AWCP")	Malaysia	100	100	Trading of Pureti and Vital Oxide products
** Stream Group Sdn. Bhd. ("SGSB")	Malaysia	51	51	General trading and installation of cleaning equipment and vacuum systems, automated vacuum waste collection system, pipe networks and specialised connections
Qudotech Sdn. Bhd. ("QSB")	Malaysia	100	100	Mechanical and electrical engineering works
DD Techniche Sdn. Bhd. ("DDT")	Malaysia	100	100	Contracting for mechanical engineering works and tradings of specialised water tanks and rainwater harvesting products

## Notes to the Financial Statements

(cont'd)

### 8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows (Continued):

Name of company	Principal place of business/ Country of incorporation	Effective ownership and voting interest		Principal activities
		2019 %	2018 %	
Trackwork & Supplies Sdn. Bhd. ("TWS")	Malaysia	60	–	Construction activities, acting as contractors and carrying on the business of general trading
<b>Subsidiaries of SGSB:</b>				
Stream Industries Sdn. Bhd. ("SISB")	Malaysia	51	51	Environmental engineering and general trading
* Stream Environment (S) Pte. Ltd. ("SEPL")	Singapore	51	51	Importers, dealers and contractors of industrial and domestic cleaning equipment and appliances
Stream Environment Sdn. Bhd. ("SESB")	Malaysia	51	51	Environmental engineering and general trading
Stream Automated Waste W.L.L ("SAW") @, ^	Qatar	–	24.99	Pipeline networks, trading of pipes and tubes trading of equipment and decoration of accessories
Stream Environment (HK) Ltd #	Hong Kong	–	100	Ceased operations
<b>Subsidiary of QSB:</b>				
Qudotech (JB) Sdn. Bhd. ("QJB")	Malaysia	100	100	Mechanical and electrical engineering works
<b>Subsidiary of M&amp;C(M):</b>				
* M & C Engineering and Trading (S) Pte. Ltd. ("M&C(S)")	Singapore	100	100	Air-conditioning and building automation
<b>Subsidiary of AWSB:</b>				
AWC Rail Sdn. Bhd. ("AWCR")	Malaysia	100	100	Manufacture of railway locomotives and rolling stock

## Notes to the Financial Statements

(cont'd)

### 8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows (Continued):

- \* Audited by auditors other than Baker Tilly Monteiro Heng PLT.
- \*\* Branches in Abu Dhabi and Dubai audited by auditors other than Baker Tilly Monteiro Heng PLT.
- @ SAW, which is 49%-owned by SGSB, is included in the consolidation of the Group as SGSB has control and power to govern the financial and operating policies of SAW.
- ^ SAW was liquidated on 15 October 2018.
- # This subsidiary was disposed during the financial year.

#### (a) Acquisition of Trackwork & Supplies Sdn. Bhd.

On 9 October 2018, the Company has completed the acquisition of a 60% controlling interest in the equity shares of Trackwork & Supplies Sdn. Bhd. ("TWS"). TWS operates in various areas of the railway infrastructure specialising in trading and rail welding works, ranging from the supplies of materials to the actual completion of rail works. Its businesses are conducted mainly in Malaysia. In conjunction with the acquisition, the Company undertakes a diversification of the principal activities of the Group to include rail related works.

- (i) Fair value of consideration transferred:

Purchase consideration

	RM
(a) Cash consideration	20,000,000
(b) Issuance of 19,287,151 new ordinary shares in the Company	13,590,000
(c) Contingent consideration payable	4,887,905
	38,477,905

As at the acquisition date, the fair value of the consideration was estimated to be RM38,477,905. As part of the purchase agreement, remaining shares consideration amounting to RM6,000,000 will be issued to the vendors of TWS if TWS achieves 2-year cumulative guaranteed profit after tax of RM12,000,000 for the period ending 30 September 2019. If the actual profit is above or below the guaranteed level, the amount payable increases or decreases by the excess or shortfall in profit. The fair value contingent consideration payable was estimated at RM4,887,905. The fair value is measured based on discounted cash flows method. The discount rate applied was 9.55%.

## Notes to the Financial Statements

(cont'd)

### 8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows (Continued):

#### (a) Acquisition of Trackwork & Supplies Sdn. Bhd. (Continued)

(ii) Fair value of the identifiable assets acquired and liabilities recognised:

	RM
<b>Assets</b>	
Property, plant and equipment	1,439,915
Intangible assets	4,270,024
Amount due from contract customers	4,488,184
Trade receivables	27,616,145
Other receivables	528,363
Fixed deposits	2,962,358
Cash and bank balances	2,072,714
<b>Total assets</b>	<b>43,377,703</b>
<b>Liabilities</b>	
Loans and borrowings	6,728,641
Deferred tax liabilities	1,155,551
Trade payables	12,836,581
Other payables	1,462,086
Amount due to director	1,952,328
Tax liabilities	642,207
<b>Total liabilities</b>	<b>24,777,394</b>
<b>Total identifiable net assets acquired</b>	<b>18,600,309</b>
Goodwill arising on acquisition (Note 7)	27,317,720
Non-controlling interest at fair value	(7,440,124)
<b>Fair value of consideration transferred</b>	<b>38,477,905</b>

## Notes to the Financial Statements

(cont'd)

### 8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows (Continued):

#### (a) Acquisition of Trackwork & Supplies Sdn. Bhd. (Continued)

- (ii) Fair value of the identifiable assets acquired and liabilities recognised (Continued):

##### Goodwill

Goodwill comprises the value of expected synergies arising from the acquisition and non-identifiable intangible assets which are not separately recognised.

Non-identifiable intangible assets comprise customer list and substantial non-contractual customer relationships. Whilst substantial non-contractual customer relationships was not identifiable at the acquisition date because it was neither separable from the business as a whole nor could it be controlled through legal or other contractual rights. Therefore, these assets did not meet the recognition criteria as an intangible asset under MFRS 138 Intangible Assets. Hence, these intangible assets were subsumed in the amount determined for goodwill. None of the goodwill recognised is expected to be deductible for income tax purposes.

##### Acquisition-related costs

Acquisition-related costs of the business combination amounted to RM169,100, which was recognised in profit or loss as administrative expense.

- (iii) Effects of acquisition on cash flows:

	<b>RM</b>
Fair value of consideration transferred	38,477,905
Less: Non-cash consideration	(18,477,905)
Consideration paid in cash	20,000,000
Less: Cash and cash equivalents of a subsidiary acquired	(2,072,714)
Net cash outflows on acquisition	17,927,286

## Notes to the Financial Statements

(cont'd)

### 8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows (Continued):

#### (a) Acquisition of Trackwork & Supplies Sdn. Bhd. (Continued)

- (iv) Effects of acquisition in statements of comprehensive income:

From the date of acquisition, the subsidiary's contributed revenue and profit net of tax are as follows:

	RM
Revenue	50,370,956
Profit for the financial year	8,999,234

If the acquisition had occurred on 1 July 2018, the consolidated results for the financial year ended 30 June 2019 would have been as follows:

	RM
Revenue	341,357,497
Profit for the financial year	30,674,729

#### (b) Non-controlling interest in subsidiaries

Non-controlling interest effective ownership interest and voting interest are as follows:

Name of company	Principal place of business/ Country of incorporation	Ownership interest	
		2019 %	2018 %
AWC Facilities Engineering Sdn. Bhd. ("AFESB")	Malaysia	25	25
Stream Group Sdn. Bhd. and its subsidiaries ("SGSB Group")	Malaysia	49	49
Trackwork & Supplies Sdn. Bhd. ("TWS")	Malaysia	40	—

## Notes to the Financial Statements

(cont'd)

### 8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

#### (b) Non-controlling interest in subsidiaries (Continued)

The financial information of the Group's subsidiaries that have material non-controlling interests are as follows:

Carrying amount of material non-controlling interests:

Name of company	2019 RM	2018 RM
Stream Group Sdn. Bhd. and its subsidiaries ("SGSB Group")	38,436,318	36,634,852
Trackwork & Supplies Sdn. Bhd. ("TWS")	9,218,578	–

Profit or loss allocated to material non-controlling interests:

Name of company	2019 RM	2018 RM
Stream Group Sdn. Bhd. and its subsidiaries ("SGSB Group")	5,916,344	5,371,800
Trackwork & Supplies Sdn. Bhd. ("TWS")	1,778,454	–



## Notes to the Financial Statements

(cont'd)

### 8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

#### (c) Summarised financial information of material non-controlling interest

The summarised financial information (before intra-group elimination) of the Group's subsidiaries that have material non-controlling interests are as follows:

#### Summarised financial information before intra-group elimination:

	Stream Group Sdn. Bhd. and its subsidiaries ("SGSB Group") RM	Trackwork and Supplies Sdn. Bhd. ("TWS") RM
<b>Summarised statement of financial position as at 30 June 2019</b>		
Non-current assets	7,335,741	1,784,829
Current assets	91,856,011	34,588,112
Current liabilities	(17,787,432)	(13,885,937)
Non-current liabilities	(1,939,477)	(247,201)
Net assets	79,464,843	22,239,803
<b>Summarised statement of comprehensive income for the financial year ended 30 June 2019</b>		
Revenue	67,733,727	37,909,691
Profit for the financial year	11,907,936	6,898,045
Total comprehensive income	12,600,410	6,898,045
<b>Summarised of cash flows information for the financial year ended 30 June 2019</b>		
Cash flows from operating activities	6,675,101	10,626,419
Cash flows from/(used in) investing activities	678,918	(2,788,327)
Cash flows used in financing activities	(4,491,934)	(2,303,933)
Net increase in cash and cash equivalents	2,862,085	5,534,159
Dividends paid/payable to non-controlling interests	3,920,000	–

## Notes to the Financial Statements

(cont'd)

**8. INVESTMENT IN SUBSIDIARIES (CONTINUED)****(c) Summarised financial information of material non-controlling interest (Continued)**

The summarised financial information (before intra-group elimination) of the Group's subsidiaries that have material non-controlling interests are as follows (Continued):

	<b>Stream Group Sdn. Bhd. and its subsidiaries ("SGSB Group") RM</b>
<b>Summarised statement of financial position as at 30 June 2018</b>	
Non-current assets	6,432,124
Current assets	80,938,552
Current liabilities	(9,998,759)
Non-current liabilities	(1,688,897)
Net assets	75,683,020
<b>Summarised statement of comprehensive income for the financial year ended 30 June 2018</b>	
Revenue	57,861,927
Profit for the financial year	10,786,273
Total comprehensive income	9,341,278
<b>Summarised of cash flows information for the financial year ended 30 June 2018</b>	
Cash flows from operating activities	8,728,420
Cash flows from investing activities	1,140,292
Cash flows used in financing activities	(14,348,708)
Net decrease in cash and cash equivalents	(4,479,996)

- (d) The shareholders' agreement for TWS restricts TWS to declare dividends to its shareholders for the financial year ended/ending 30 September 2018 and 30 September 2019 unless their prior written consent are obtained. The assets to which such restriction applied are the cash and cash equivalents of TWS included in the consolidated financial statements amounting to RM7,708,097.

## Notes to the Financial Statements

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### 9. INVESTMENT IN AN ASSOCIATE

	2019 RM	Group 2018 RM
<b>Unquoted shares, at cost</b>		
At 1 July	1,661	1,661
Share of post acquisition results	181,505	–
Less: Allowance for impairment loss	(1,661)	(1,661)
At 30 June	181,505	–

Details of the associate which is incorporated in Malaysia, is as follows:

Name of company	Principal place of business/ Country of incorporation	Effective ownership and voting interest		Principal activities
		2019 %	2018 %	
Held by SGSB:				
Premium Patents Sdn. Bhd. ("PPSB")	Malaysia	24.99	24.99	Dormant

The Group does not have any material associate.

### 10. OTHER INVESTMENTS

	2019 RM	Group 2018 RM
<b>Financial asset designated at fair value through profit or loss ("FVPL")</b>		
<b>At fair value:</b>		
Unquoted shares	–	–
<b>Available-for-sale ("AFS") financial asset</b>		
<b>At cost:</b>		
Unquoted shares	–	1,327,023
Less: Allowance for impairment loss	–	(1,327,023)
At 30 June	–	–

## Notes to the Financial Statements

(cont'd)

### 11. DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax assets/(liabilities) relate to the following:

Group	At 1 July 2017 RM	Recognised in equity RM	Recognised in profit or loss RM	Exchange differences RM	At 30 June 2018 RM	Recognised in equity RM	Recognised in profit or loss RM	Acquisition of subsidiary RM	Exchange differences RM	At 30 June 2019 RM
<b>Deferred tax assets</b>										
Impairment loss on receivables	485	-	-	-	485	-	310,607	-	-	311,092
Payables/Contract liabilities	1,303,027	-	2,312,834	-	3,615,861	-	335,465	-	-	3,951,326
Others	(261,608)	-	-	(104)	(261,712)	(83,884)	-	-	-	(345,596)
	1,041,904	-	2,312,834	(104)	3,354,634	(83,884)	646,072	-	-	3,916,822
<b>Deferred tax liabilities</b>										
Property, plant and equipment	(310,862)	(345,934)	-	-	(656,796)	-	54,682	-	4,089	(598,025)
Investment properties	-	-	-	-	-	-	94,600	-	-	94,600
Intangible asset	-	-	-	-	-	-	774,287	(1,155,551)	-	(381,264)
Others	35,114	-	-	-	35,114	-	-	-	-	35,114
	(275,748)	(345,934)	-	-	(621,682)	-	923,569	(1,155,551)	4,089	(849,575)
	766,156	(345,934)	2,312,834	(104)	2,732,952	(83,884)	1,569,641	(1,155,551)	4,089	3,067,247

	Group	
	2019 RM	2018 RM
<b>Presented after appropriate offsetting as follows:</b>		
Deferred tax assets	3,916,822	3,354,634
Deferred tax liabilities	(849,575)	(621,682)
	3,067,247	2,732,952

#### Unrecognised deferred tax assets

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

	Group	
	2019 RM	2018 RM
Unutilised tax losses	406,764	883,412
Others	9,058	-
	415,822	883,412

The availability of unutilised tax losses for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to requirements under the Income Tax Act, 1967 and guidelines issued by the tax authority.

## Notes to the Financial Statements

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### 12. INVENTORIES

	2019 RM	Group 2018 RM
<b>At cost:</b>		
Consumables	1,691,735	1,302,331
Raw materials	1,280,950	2,066,266
Finished goods	4,928,130	3,705,817
Trading and installation goods	9,788,729	11,781,321
	17,689,544	18,855,735

- (a) The cost of inventories of the Group recognised as an expense in cost of sales during the financial year amounted to RM38,726,704 (2018: RM34,218,087).
- (b) The cost of inventories of the Group recognised as an expense in cost of sales during the financial year in respect of write-down of inventories to net realisable value amounted to RM290,890 (2018: RM295,197).

### 13. TRADE AND OTHER RECEIVABLES

	Note	2019 RM	Group 2018 RM	2019 RM	Company 2018 RM
<b>Current:</b>					
<b>Trade</b>					
Trade receivables	(a)				
- billed		96,740,748	74,823,799	-	-
- unbilled		12,871,717	6,787,977	-	-
Retention sum on contracts		16,931,499	5,421,238	-	-
		126,543,964	87,033,014	-	-
Less: Impairment losses for trade receivables		(3,618,499)	(4,827,904)	-	-
		122,925,465	82,205,110	-	-
<b>Non-trade</b>					
Other receivables		2,283,030	4,672,735	130,123	357,632
Dividend receivable		-	-	3,290,000	5,250,225
Staff loans		338,644	254,279	-	-
GST refundable		679,880	153,169	9,853	9,733
Deposits	(b)	1,716,328	3,449,079	-	2,000,000
Prepayments		2,519,146	1,265,344	8,438	5,727
		7,537,028	9,794,606	3,438,414	7,623,317
Less: Impairment losses for other receivables		(92,715)	(92,715)	-	-
		7,444,313	9,701,891	3,438,414	7,623,317
Total trade and other receivables		130,369,778	91,907,001	3,438,414	7,623,317

## Notes to the Financial Statements

(cont'd)

**13. TRADE AND OTHER RECEIVABLES (CONTINUED)****(a) Trade receivables**

Trade receivables are non-interest bearing and normal credit terms offered by the Group ranging from 30 to 180 days. (2018: 30 to 90 days) from the date of invoices. Other credit terms are assessed and approved on a case-by-case basis.

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the reconciliation of movement in the impairment of trade receivables are as follows:

	2019 RM	Group 2018 RM
At 1 July	4,827,904	3,914,682
Acquisition of a subsidiary	9,711	–
Charge for the financial year (Note 26)		
- Individually assessed	60,502	1,552,777
Reversal of impairment loss (Note 26)	(1,206,209)	(639,555)
Written off	(73,409)	–
At 30 June	3,618,499	4,827,904

\* Loss allowance disclosed in comparative period is based on incurred loss model in accordance with MFRS 139 Financial Instruments: Recognition and Measurement. Trade receivables that are individually determined to be credit impaired at the 30 June 2018 relate to receivables that are in significant financial difficulties and have defaulted on payments.

The information about the credit exposures are disclosed in Note 31(b)(i).

**(b) Deposits**

In the previous financial year, included in deposits of the Group and the Company is an amount of RM2,000,000 arising from part payment for the acquisition of shares in Trackwork & Supplies Sdn. Bhd..

**14. CONTRACT ASSETS/(LIABILITIES)/ AMOUNT DUE FROM/(TO) CUSTOMERS ON CONTRACT**

	Group 2019 RM
Contract assets relating to construction contracts	67,950,298
Contract liabilities relating to construction contracts	(4,934,549)
Contract liabilities relating to maintenance contracts	(11,122,084)
Total contract liabilities	(16,056,633)

# Notes to the Financial Statements

(cont'd)

## 14. CONTRACT ASSETS/(LIABILITIES)/ AMOUNT DUE FROM/(TO) CUSTOMERS ON CONTRACT (CONTINUED)

### (a) Significant changes in contract balances

Group	Contract assets Increase/ (Decrease) RM	2019 Contract liabilities Increase/ (Decrease) RM
Revenue recognised that was included in contract liability at the beginning of the financial year	–	(758,725)
Increases due to progress billings, or cash received excluding amounts recognised as revenue during the period	–	7,040,789
Increases due to revenue recognised during the period, but no right to consideration	67,950,298	–
Transfers from contract assets recognised at the beginning of the period to receivables	(54,556,142)	–
		<b>Group 2018 RM</b>
Aggregate construction costs incurred to date		348,944,172
Attributable profits		151,204,463
Less: Progress billings		500,148,635 (446,351,218)
		53,797,417
Represented by gross amounts:		
- due from customers on contract		54,556,142
- due to customers on contract		(758,725)
		53,797,417
Contract revenue and costs recognised in the previous financial year were as follows:		
		<b>Group 2018 RM</b>
Contract revenue		149,541,089
Contract costs		117,907,565

## Notes to the Financial Statements

(cont'd)

### 15. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

	2019 RM	Company 2018 RM
Amount due from subsidiaries	3,454,747	3,661,662
Less: Allowance for impairment loss	(554,307)	(121,428)
	2,900,440	3,540,234
Amount due to subsidiaries	(932,486)	(6,594,941)

- (a) The amounts due from/(to) subsidiaries are non-trade in nature, unsecured, interest-free, repayable on demand and is expected to be settled in cash.
- (b) The Company's amounts due from subsidiaries that are impaired at the reporting date and the reconciliation of movement in the impairment of amounts due from subsidiaries is as follows:

	2019 RM	Company 2018 RM
At 1 July	121,428	121,428
Charge for the financial year (Note 26)	432,879	–
At 30 June	554,307	121,428

### 16. SHORT-TERM INVESTMENT

The short-term investment is in respect of investment in unit trust funds placed with fund management companies and is redeemable with one day notice.

### 17. CASH AND SHORT-TERM DEPOSITS

	2019 RM	Group 2018 RM	2019 RM	Company 2018 RM
Cash and bank balances	45,056,970	23,154,910	1,521,389	265,452
Short-term deposits	21,472,102	24,004,286	–	–
	66,529,072	47,159,196	1,521,389	265,452



## Notes to the Financial Statements

(cont'd)

### 17. CASH AND SHORT-TERM DEPOSITS (CONTINUED)

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Short-term deposits	21,472,102	24,004,286	–	–
Less:				
- Pledged deposits	(8,795,840)	(6,321,712)	–	–
	12,676,262	17,682,574	–	–
Cash and bank balances	45,056,970	23,154,910	1,521,389	265,452
	57,733,232	40,837,484	1,521,389	265,452

The interest rate and maturity period of deposits are as follows:

	Group	
	2019	2018
Interest rate per annum (%)	0.35% to 3.55%	0.54% to 3.50%
Maturity period (days)	1 day to 12 months	1 day to 12 months

Included in deposits placed with licensed banks of the Group is an amount of RM8,795,840 (2018: RM6,321,712) which have been pledged to banks for credit facilities granted to certain subsidiaries as disclosed in Note 21(a).

### 18. SHARE CAPITAL

	Group and Company			
	Number of ordinary shares		Amount	
	2019 Unit	2018 Unit	2019 RM	2018 RM
<b>Issued and fully paid up:</b>				
At 1 July	272,775,094	266,657,422	94,841,433	91,114,551
Issuance of shares pursuant to:				
- share options exercised	4,241,836	6,117,672	2,415,961	3,726,882
- acquisition of a subsidiary	19,287,151	–	13,590,000	–
At 30 June	296,304,081	272,775,094	110,847,394	94,841,433

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as declared from time to time and are entitled to one voter per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

## Notes to the Financial Statements

(cont'd)

**18. SHARE CAPITAL (CONTINUED)**

During the financial year, the Company issued:

- (a) 4,241,436 new ordinary shares for cash pursuant to the exercise of the Company's Employees' Share Option Scheme ("ESOS") at exercise prices between RM0.336 to RM0.751 per ordinary share; and
- (b) 19,287,151 new ordinary shares as part of the purchase consideration for acquisition of 60% controlling interest in the equity shares of Trackwork & Supplies Sdn. Bhd.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

**19. TREASURY SHARES**

Treasury shares relate to ordinary shares of the Company that are repurchased and held by the Company. The share repurchases made to date were financed by internally generated funds and are being held as treasury shares in accordance with the requirement of Section 127 of the Companies Act 2016 in Malaysia.

As at 30 June 2019, the Company held 3,326,800 (2018: 3,326,800) ordinary shares as treasury shares at a carrying amount of RM855,221 (2018: RM855,221).

There was no repurchase of the Company's issued ordinary shares, nor any resale, cancellation or distribution of treasury shares during the financial year.

**20. OTHER RESERVES**

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
Merger relief	(a)	–	–	12,522,542	12,522,542
Translation reserve	(b)	5,192,305	4,413,700	–	–
Revaluation reserve	(c)	4,023,587	4,023,587	–	–
Share option reserve	(d)	1,071,815	1,510,040	1,071,815	1,510,040
		10,287,707	9,947,327	13,594,357	14,032,582

**(a) Merger relief**

Merger relief relates to the excess of fair value of shares issued by the Company for the acquisition of the subsidiaries over the par value of these shares.

**(b) Translation reserve**

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

## Notes to the Financial Statements

(cont'd)

### 20. OTHER RESERVES (CONTINUED)

#### (c) Revaluation reserve

The revaluation reserve is used to record revaluation surplus from freehold buildings in property, plant and equipment, net of deferred tax. In the event of sale of any of the assets, the balance in the reserve in relation to that asset is transferred to retained earnings.

#### (d) Share option reserve

The share option reserve comprises the cumulative value of eligible directors and employee services received for the issue of share options. The reserve is recorded over the vesting period commencing from the grant date and is reduced by the expiry or exercise of the share options. When the option is exercised, the amount from the share option reserve is transferred to share capital. When the share options expire, the amount from the share option reserve is transferred to retained earnings.

On 1 October 2015 the shareholders approved the implementation of an ESOS, the main features of which are as follows:

- (i) The ESOS shall be in force for a period of five years from the date of implementation and may be extended or renewed (as the case may be) for a further period of five years at the sole and absolute discretion of the directors upon recommendation of the ESOS Committee provided that the initial period of five years and such extension made shall not in aggregate exceed a duration of ten years from the date of implementation.
- (ii) Natural persons who are eligible under the ESOS include executive and non- executive Directors and employees of the Group who are at least eighteen years of age whose employment with the Group has been confirmed in writing. For the case of non Malaysian citizens, participation in the ESOS shall be determined at the sole and absolute discretion of the ESOS Committee.
- (iii) The aggregate number of shares to be offered under the ESOS shall not exceed 15% of the issued and paid-up ordinary share capital of the Company (excluding treasury shares) at the date of offer or such other percentage of the issued and paid-up ordinary share capital of the Company (excluding treasury shares) as may be permitted by the relevant authorities from time to time during the duration of the ESOS.
- (iv) The subscription price for each share under the ESOS shall, subject always to the by-laws, be the higher of the volume weighted average market price of the shares for the five market days immediately preceding the date of offer, with a discount of not more than 10%, or any such other percentage of discounts as may be permitted by the authorities from time to time during the duration of the ESOS or the par value of the share at the date of offer.
- (v) The number of shares under option and the option price may be adjusted as a result of any alteration in the capital structure of the Company by way of a rights issue, bonus issue or other capitalisation issue, consolidation or subdivision of shares or reduction of capital or otherwise howsoever, if any, made by the Company while an option remains unexercised.
- (vi) Options granted under the ESOS can be exercised by the grantee by notice in writing to the Company during the option period in the prescribed form in multiples of one hundred shares or in any other denomination as prescribed by the authorities as a board lot.
- (vii) No person who is participating in the ESOS will be entitled to participate in more than one employee share options scheme currently implemented by any company within the Group.

## Notes to the Financial Statements

(cont'd)

### 20. OTHER RESERVES (CONTINUED)

#### (d) Share option reserve (Continued)

##### Movement of share options during the financial year

The following table illustrates the number and weighted average exercise prices ("WAEP") of, and movement in, share options:

	Number 2019 RM	WAEP 2019 RM	Number 2018 RM	WAEP 2018 RM
<b>Group and Company</b>				
At 1 July	17,868,008	0.477	19,976,600	0.355
Granted	900,000	0.751	5,847,000	0.723
Exercised	(4,241,836)	0.396	(5,953,672)	0.352
Lapsed	(1,859,200)	0.583	(2,001,920)	0.366
At 30 June	12,666,972	0.526	17,868,008	0.477
Exercisable at the end of the financial year	12,666,972	0.526	5,944,320	0.477

The options outstanding at 30 June 2019 have exercise price ranges from RM0.336 to RM0.751 (2018: RM0.336 to RM0.728) and the weighted average remaining contractual life for the share options outstanding at 2019 was approximately 1.5 years (2018: 2.5 years).

The weighted average share price at the date of exercise of the options during the financial year was RM0.738 (2018: RM1.026).

The fair value of the share options granted during the financial year was determined using a binomial option pricing model, and the inputs were:

	2019 Fifth grant
Share price (RM)	0.85
Exercise price (RM)	0.75
Expected volatility (%)	34.97
Risk-free interest rate (%)	3.41
Expected dividend yield (%)	2.56
Expected option life (years)	2.04

## Notes to the Financial Statements

(cont'd)

### 20. OTHER RESERVES (CONTINUED)

#### (d) Share option reserve (Continued)

	2018	
	Third grant	Fourth grant
Share price (RM)	0.81	0.78
Exercise price (RM)	0.72	0.73
Expected volatility (%)	31.43	31.38
Risk-free interest rate (%)	3.39	3.41
Expected dividend yield (%)	2.47	2.56
Expected option life (years)	2.62	2.55

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumptions that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

#### (e) Warrants reserve

The Company allotted and issued 56,824,679 free warrants in connection with the Bonus Issue of free warrants constituted under the deed poll dated 6 December 2018.

The salient features of the warrants are as follows:

- (i) entitles its registered holders to subscribe for one (1) new ordinary share at the exercise price during the exercise period;
- (ii) the exercise price is RM0.88 per share subject to adjustments in accordance with the provisions of the deed poll executed; and
- (iii) the warrants may be exercised at any time for a period of 2 years commencing on and including 26 December 2021 ("exercise period"). Warrants that are not exercised during the exercise period will thereafter lapse and cease to be valid for any purpose.

The movement of the warrants during the financial year is as follows:

	Number of warrants			
	At 1 July 2018	Allotment	Exercised	At 30 June 2019
Warrants	—	56,824,679	—	56,824,679

## Notes to the Financial Statements

(cont'd)

### 21. LOANS AND BORROWINGS

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
<b>Non-current:</b>					
Term loans	(a)	14,217,410	8,749,506	–	–
Finance lease liabilities	(b)	2,091,226	2,084,064	–	–
		16,308,636	10,833,570	–	–
<b>Current:</b>					
Term loans	(a)	3,542,917	984,219	–	–
Finance lease liabilities	(b)	1,070,107	802,546	–	–
Revolving credits	(c)	17,475,000	–	17,000,000	–
Trade loan	(d)	1,269,503	835,975	–	–
		23,357,527	2,622,740	17,000,000	–
<b>Total loans and borrowings:</b>					
Term loans	(a)	17,760,327	9,733,725	–	–
Finance lease liabilities	(b)	3,161,333	2,886,610	–	–
Revolving credits	(c)	17,475,000	–	17,000,000	–
Trade loan	(d)	1,269,503	835,975	–	–
		39,666,163	13,456,310	17,000,000	–

#### (a) Term loans

The term loans bear interest at rates ranging from 4.79% to 8.31% (2018: 5.02% to 8.35%) per annum and is secured and supported as follows:

- (i) Legal Deed of Assignment of contract proceeds from certain projects awarded to a subsidiary by the Federal Government (represented by the Ministry of Works);
- (ii) Legal charges over the freehold buildings of the Group as disclosed in Note 5 and Note 6 respectively;
- (iii) Lien on the deposits with licensed banks and the accumulation of interest thereon as disclosed in Note 17;
- (iv) Corporate guarantee by the Company; and
- (v) Credit Guarantee Corporation (M) Bhd's ("CGC") guarantee under the Portfolio Guarantee Scheme.

The repayment period of term loans is as follow:

	Group	
	2019 RM	2018 RM
Not later than one year	3,542,917	984,219
Later than one year but not later than two years	3,134,597	1,447,686
Later than two years but not later than five years	10,011,338	4,339,747
Later than five years	1,071,475	2,962,073
	17,760,327	9,733,725

## Notes to the Financial Statements

(cont'd)

### 21. LOANS AND BORROWINGS (CONTINUED)

#### (b) Finance lease liabilities

Finance lease liabilities bear interest at rates ranging from 2.34% to 4.20% (2018: 2.34% to 4.20%) per annum.

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

	2019 RM	Group 2018 RM
Minimum lease payments:		
Not later than one year	1,207,220	923,306
Later than one year but not later than five years	2,238,275	2,247,212
	3,445,495	3,170,518
Less: Future finance charges	(284,158)	(283,908)
Present value of minimum lease payments	3,161,337	2,886,610
Present value of minimum lease payments payable:		
Not later than one year	1,070,107	802,546
Later than one year but not later than five years	2,091,226	2,084,064
	3,161,333	2,886,610
Less: Amount due within 12 months	(1,070,107)	(802,546)
Amount due after 12 months	2,091,226	2,084,064

#### (c) Revolving credits

Revolving credits bear interest at rates ranging from 5.14% to 5.56% (2018: Nil) per annum and are secured and supported as follows:

- (i) Corporate guarantee by the Company and certain subsidiaries;
- (ii) Letter of negative pledge by the Company;
- (iii) Blanket Counter Indemnity from the Company and certain subsidiaries; and
- (iv) Legal charge over the investment properties of a subsidiary as disclosed in Note 6.

#### (d) Trade loan

Trade loan bears interest at rates ranging from 3.00% to 7.25% (2018: 3.00% to 7.25%) per annum and is secured by a corporate guarantee by the Company.

## Notes to the Financial Statements

(cont'd)

### 22. TRADE AND OTHER PAYABLES

		2019 RM	Group 2018 RM	2019 RM	Company 2018 RM
<b>Non-current:</b>					
<b>Non-trade</b>					
Provision for retirement benefit obligation	(a)	352,508	352,508	–	–
		352,508	352,508	–	–
<b>Current:</b>					
<b>Trade</b>					
Trade payables	(b)	34,294,727	34,745,284	–	–
Retention sum on contracts		1,955,150	–	–	–
Project accruals		16,461,537	5,242,987	–	–
		52,711,414	39,988,271	–	–
<b>Non-trade</b>					
Other payables		2,422,222	5,981,710	–	35,075
Dividend payable to non-controlling interests		1,710,000	–	–	–
GST payable		81,575	303,555	–	–
Deferred income		–	9,015,844	–	–
Contingent consideration payable		4,887,905	–	4,887,905	–
Accruals		12,749,788	5,065,693	518,591	540,416
		21,851,490	20,366,802	5,406,496	575,491
		74,562,904	60,355,073	5,406,496	575,491
Total trade and other payables (non-current and current)		74,915,412	60,707,581	5,406,496	575,491

(a) The Group operates an unfunded, non-contributory defined benefit retirement scheme (“the Scheme”) for its eligible employees. Under the Scheme, eligible employees are entitled to retirement contribution at agreed basis for each completed year of service attainment of the retirement age of 60, without cessation of employment prior to age 65.

(b) Trade payables are non-interest bearing and are normally with credit period ranging from 30 to 90 days (2018: 30 to 90 days).



## Notes to the Financial Statements

(cont'd)

### 23. EMPLOYEE BENEFITS

	2019 RM	Group 2018 RM
At 1 July	586,427	487,376
Recognised in profit or loss (Note 26)	186,373	99,051
At 30 June	772,800	586,427

Employee benefits represent the amounts required to cover end of service benefits at the reporting date. The amounts are computed pursuant to the applicable Labour Law in United Arab Emirates based on the employees' accumulated period of service and current basic remuneration at the end of reporting period.

### 24. REVENUE

	2019 RM	Group 2018 RM	Company 2019 RM	2018 RM
<b>Revenue from contract customers:</b>				
Construction contracts	138,197,928	149,541,089	—	—
Sale of goods	46,015,729	19,373,659	—	—
Rendering of services	147,137,440	135,063,145	—	—
Commission income	1,292,954	—	—	—
Management fees	—	—	1,500,000	1,500,000
	332,644,051	303,977,893	1,500,000	1,500,000
<b>Revenue from other source:</b>				
Dividend income	—	—	8,330,000	3,190,225
	332,644,051	303,977,893	9,830,000	4,690,225

#### (a) Disaggregation of revenue

The Group reports the following major segments: facilities, engineering, environment, rail and others in accordance with MFRS 8 Operating Segments. For the purpose of disclosure for disaggregation of revenue, it disaggregates revenue into products or services, primary geographical markets and timing of revenue recognition (i.e. goods transferred at a point in time or services transferred over time).

## Notes to the Financial Statements

(cont'd)

### 24. REVENUE (CONTINUED)

#### (a) Disaggregation of revenue (Continued)

	Facilities RM	Engineering RM	Environment RM	Rail RM	Total RM
<b>Group</b>					
<b>2019</b>					
<b>Primary geographical markets:</b>					
Malaysia	158,146,558	51,338,441	29,049,036	37,909,690	276,443,725
Singapore	–	17,515,634	22,050,285	–	39,565,919
United Arab Emirates, Abu Dhabi	–	–	16,634,407	–	16,634,407
	158,146,558	68,854,075	67,733,728	37,909,690	332,644,051
<b>Products or services</b>					
Refurbishment services	35,918,799	–	–	–	35,918,799
Air-conditioning and building automation	–	22,966,643	–	–	22,966,643
Automated pneumatic waste collection system	–	–	53,794,466	–	53,794,466
Mechanical and electrical engineering works	–	25,518,020	–	–	25,518,020
Sale of goods	–	14,144,953	226,200	31,644,576	46,015,729
Maintenance services	122,227,759	6,224,459	13,713,062	4,972,160	147,137,440
Commission income	–	–	–	1,292,954	1,292,954
	158,146,558	68,854,075	67,733,728	37,909,690	332,644,051
<b>Timing of revenue recognition:</b>					
At a point in time	–	14,144,953	226,200	37,909,690	52,280,843
Over time	158,146,558	54,709,122	67,507,528	–	280,363,208
	158,146,558	68,854,075	67,733,728	37,909,690	332,644,051

## Notes to the Financial Statements

(cont'd)

### 24. REVENUE (CONTINUED)

#### (b) Transaction price allocated to the remaining performance obligations

As of 30 June 2019, the aggregate amount of the transaction price allocated to the remaining performance obligation is RM968.68 million and the Group will recognise this revenue as the constructions or services are completed, which is expected to occur over the next 5 years.

The Group has applied the practical expedient in paragraph C5(d) of MFRS 15 and, for all reporting periods presented before the beginning of the first MFRS reporting period, do not disclose the amount of the transaction price allocated to the remaining performance obligations.

The Group and the Company apply the practical expedient in paragraph 121(a) of MFRS 15 and do not disclose information about remaining performance obligations that have original expected durations of one year or less.

### 25. FINANCE INCOME, NET

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Interest expense on:				
- Term loans	760,296	238,743	—	—
- Finance lease liabilities	163,195	150,206	—	—
- Revolving credits and trade loan	566,908	20,227	436,998	1,584
- Factoring charges	38,280	—	—	—
	1,528,679	409,176	436,998	1,584
Interest income	(1,704,274)	(2,265,576)	(128,237)	(64,391)
Finance (income)/expense, net	(175,595)	(1,856,400)	308,761	(62,807)

## Notes to the Financial Statements

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**26. PROFIT BEFORE TAX**

Other than disclosed elsewhere in the financial statements, the following items have been charged/(credited) in arriving at profit before tax:

	<b>Group</b>		<b>Company</b>	
	<b>2019 RM</b>	<b>2018 RM</b>	<b>2019 RM</b>	<b>2018 RM</b>
Amortisation of intangible asset	3,226,196	–	–	–
Auditors' remuneration:				
- statutory audit:				
- current year	407,185	408,549	75,000	73,000
- prior year	(4,493)	235	–	–
- other services	10,000	10,000	10,000	10,000
Bad debt recovered	(48,394)	–	(48,394)	–
Bad debt written off	73,409	–	–	–
Depreciation of property, plant and equipment	2,889,743	2,635,963	21,475	19,705
Directors' fees	151,500	391,500	151,500	149,500
Employee benefits expense (Note 27)	75,881,038	65,710,294	1,366,952	1,728,727
Foreign exchange loss/(gain)				
- realised	151,392	(211,501)	–	–
- unrealised	(242,529)	351	–	–
Fair value gain on investment properties	(80,000)	(1,732,006)	–	–
Gain on disposal of property, plant and equipment	(166,243)	(173,717)	–	–
Reversal of impairment losses:				
- trade receivables	(1,206,209)	(639,555)	–	–
- investment in subsidiaries	–	–	–	(19,561,054)
Impairment losses on:				
- trade receivables	60,502	1,552,777	–	–
- other receivables	–	50,431	–	–
- amount due from subsidiaries	–	–	432,879	–
- investment in subsidiaries	–	–	3,247,111	–
Inventories written down to net realisable value	290,890	295,197	–	–
Property, plant and equipment written off	3,490	2,786	–	–
Provision for end of service benefit	186,373	99,051	–	–
Reversal of provision for retirement benefit obligation	–	(16,000)	–	–
(Reversal of)/Provision for short-term accumulating compensated absences	(9,959)	(11,613)	–	2,742
Rental expenses for:				
- premises	1,474,335	1,365,882	42,000	42,000
- motor vehicles	19,044	74,022	–	–
Rental income from plant and machinery	(29,700)	–	–	–
Rental income from investment properties	(283,049)	(267,180)	–	–

## Notes to the Financial Statements

(cont'd)

### 27. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Salaries, wages, bonus and allowances	66,500,032	55,128,233	900,167	1,510,592
Defined contribution plan	6,084,800	5,973,081	91,561	86,220
Social security costs	659,241	624,619	2,770	2,705
Employees' Share Option Scheme	641,849	1,739,838	216,027	(41,924)
Other staff related expenses	1,995,116	2,244,523	156,427	171,134
	75,881,038	65,710,294	1,366,952	1,728,727
Included in employee benefits expenses are:				
Director's other emoluments	8,991,409	9,016,143	151,500	149,500

Remuneration in the form of benefits-in-kind for the Executive Director of the Group for the financial year amounted to RM169,792 (2018: RM82,944).

### 28. INCOME TAX EXPENSE

The major components of income tax expense for the financial years ended 30 June 2019 and 30 June 2018 are as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
<b>Current tax:</b>				
Current financial year	9,542,077	7,506,173	195,514	27,806
Under provision in prior financial years	558,507	1,729,321	13,176	–
	10,100,584	9,235,494	208,690	27,806
<b>Deferred tax:</b>				
(Origination)/Reversal of temporary differences	(703,559)	90,078	–	–
Derecognition of deferred tax assets	302,550	–	–	–
Over provision in prior financial years	(1,168,632)	(2,402,912)	–	–
	(1,569,641)	(2,312,834)	–	–
	8,530,943	6,922,660	208,690	27,806

## Notes to the Financial Statements

(cont'd)

**28. INCOME TAX EXPENSE (CONTINUED)**

Domestic income tax is calculated at Malaysian statutory income tax rate of 24% (2018: 24%) of the estimated assessable profit for the financial year.

The reconciliations from the tax amount at the statutory income tax rate to the Group's and the Company's tax expense is as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2019 RM</b>	<b>2018 RM</b>	<b>2019 RM</b>	<b>2018 RM</b>
Profit before tax	37,598,494	33,951,033	3,220,124	21,346,376
Tax at Malaysian statutory income tax rate of 24% (2018: 24%)	9,023,639	8,148,248	772,830	5,123,130
Different tax rates in other countries	(676,124)	(194,151)	–	–
Tax effects arising from:				
- non-taxable income	(2,083,379)	(2,078,383)	(2,010,838)	(5,694,652)
- non-deductible expenses	2,117,210	2,571,675	1,433,522	599,328
Income tax rebate	–	(49,894)	–	–
Tax effect of partial tax exemption	(52,624)	(151,067)	–	–
Tax effect of lower tax rate	(52,394)	(384,311)	–	–
Deferred tax assets not recognised	467,590	(265,866)	–	–
Reversal of previously recognised deferred tax assets	302,550	–	–	–
Change in Real Property Gain Tax rate on fair value surplus of investment properties	94,600	–	–	–
Under/(Over) provision in prior years				
- current tax	558,507	1,729,321	13,176	–
- deferred tax	(1,168,632)	(2,402,912)	–	–
Income tax expense	8,530,943	6,922,660	208,690	27,806

## Notes to the Financial Statements

(cont'd)

### 29. EARNINGS PER SHARE

#### Basic earnings per ordinary share

Basic earnings per share are based on the profit for the financial year attributable to owners of the Company and the weighted average number of ordinary shares outstanding (net of treasury shares) during the financial year, calculated as follows:

	2019 RM	2018 RM
Profit for the financial year attributable to owners of the Company	21,375,234	21,658,899
Weighted average number of ordinary shares for basic earnings per share	283,036,788	267,564,282
Basic earnings per ordinary share	7.55	8.09

#### Diluted earnings per ordinary share

Diluted earnings per share are based on the profit for the financial year attributable to owners of the Company and the weighted average number of ordinary share outstanding (net of treasury shares) during the financial year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares, calculated as follows:

	2019 RM	2018 RM
Profit for the financial year attributable to owners of the Company	21,375,234	21,658,899
Weighted average number of ordinary shares for basic earnings per share	283,036,788	267,564,282
Effect of dilution from:		
- Share options	3,932,501	7,168,245
Weighted average number of ordinary shares for diluted earnings per share	286,969,289	274,732,527
Diluted earnings per ordinary share	7.45	7.88

There is no dilutive effect on the earnings per share of the Group arising from the allotment of free warrants during the financial year.

## Notes to the Financial Statements

(cont'd)

**29. EARNINGS PER SHARE (CONTINUED)**

There have been no transactions involving ordinary shares or potential ordinary shares since the reporting date and before the authorisation of these financial statements other than:

- (a) the issuance of 19,287,151 ordinary shares pursuant to the acquisition of Trackwork & Supplies Sdn. Bhd. as disclosed in Note 18; and
- (b) the issuance of 244,800 ordinary shares pursuant to the exercise of ESOS.

**30. DIVIDENDS**

	<b>Group/Company</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
<b>Dividend in respect of the financial year ended 30 June 2017</b>		
Final single tier dividend of 1.0 sen on 267,464,100 ordinary shares	–	2,674,641
<b>Dividend in respect of the financial year ended 30 June 2018</b>		
Final single-tier dividend of 0.5 sen per share on 284,127,800 ordinary shares	1,420,639	–
<b>Dividend in respect of the financial year ended 30 June 2019</b>		
Interim single-tier dividend of 0.5 sen per share on 292,689,800 ordinary shares	1,463,449	–
	<b>2,884,088</b>	<b>2,674,641</b>

At the forthcoming Annual General Meeting, a single tier final dividend of 1.0 sen per ordinary share, amounting to RM2,929,773, based on the number of outstanding ordinary shares in issue (net of treasury shares) as at 30 June 2019, in respect of the current financial year, will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 30 June 2020.

**31. FINANCIAL INSTRUMENTS****(a) Categories of financial instruments**

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned:

From 1 July 2018

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



## Notes to the Financial Statements

(cont'd)

### 31. FINANCIAL INSTRUMENTS (CONTINUED)

#### (a) Categories of financial instruments (Continued)

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned (Continued):

On or before 30 June 2018

- (i) Loan and receivables
- (ii) Fair value through profit or loss
  - Held for trading
- (iii) Other financial liabilities

	Carrying amount RM	Amortised cost RM	Fair value through profit or loss RM
<b>2019</b>			
<b>Financial assets</b>			
<b>Group</b>			
Trade and other receivables *	127,170,752	127,170,752	–
Short-term investments	11,513,864	–	11,513,864
Cash and short-term deposits	66,529,072	66,529,072	–
	205,213,688	193,699,824	11,513,864
<b>Company</b>			
Trade and other receivables *	3,420,123	3,420,123	–
Amount due from subsidiaries	2,900,440	2,900,440	–
Short-term investments	412,894	–	412,894
Cash and short-term deposits	1,521,389	1,521,389	–
	8,254,846	7,841,952	412,894
<b>2019</b>			
<b>Financial liabilities</b>			
<b>Group</b>			
Loans and borrowings	39,666,163	39,666,163	–
Trade and other payables #	74,481,329	74,481,329	–
	114,147,492	114,147,492	–
<b>Company</b>			
Loans and borrowings	17,000,000	17,000,000	–
Trade and other payables #	5,406,496	5,406,496	–
Amount due to subsidiaries	932,486	932,486	–
	23,338,982	23,338,982	–

## Notes to the Financial Statements

(cont'd)

### 31. FINANCIAL INSTRUMENTS (CONTINUED)

#### (a) Categories of financial instruments (Continued)

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned (Continued):

	Carrying amount RM	Loans and receivables RM	Fair value through profit or loss - Held for trading RM	Other financial liabilities RM
<b>2018</b>				
<b>Financial assets</b>				
<b>Group</b>				
Trade and other receivables *	88,488,488	88,488,488	–	–
Short-term investments	9,888,744	–	9,888,744	–
Cash and short-term deposits	47,159,196	47,159,196	–	–
	145,536,428	135,647,684	9,888,744	–
<b>Company</b>				
Trade and other receivables *	5,607,857	5,607,857	–	–
Amount due from subsidiaries	3,540,234	3,540,234	–	–
Cash and short-term deposits	265,452	265,452	–	–
	9,413,543	9,413,543	–	–
<b>2018</b>				
<b>Financial liabilities</b>				
<b>Group</b>				
Loans and borrowings	13,456,310	–	–	13,456,310
Trade and other payables #	51,035,674	–	–	51,035,674
	64,491,984	–	–	64,491,984
<b>Company</b>				
Trade and other payables #	575,491	–	–	575,491
Amount due to subsidiaries	6,594,941	–	–	6,594,941
	7,170,432	–	–	7,170,432

\* Exclude GST refundable, deposit for acquisition of Trackwork & Supplies Sdn. Bhd. and prepayments

# Exclude GST payable and provision

## Notes to the Financial Statements

(cont'd)

### 31. FINANCIAL INSTRUMENTS (CONTINUED)

#### (b) Financial risk management

The Group's and the Company's activities are exposed to a variety of financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, foreign currency risk and interest rate risk. The Group's and the Company's overall financial risk management objective is to optimise value for their shareholders. The Group and the Company may use derivative financial instruments, such as, forward foreign exchange contracts to hedge certain exposures. The Group and the Company do not trade in financial instruments.

The Board of Directors reviews and agrees to policies and procedures for the management of these risks, which are executed by the Group's senior management. The audit committee provides independent oversight to the effectiveness of the risk management process.

#### (i) Credit risk

Credit risk is the risk of financial loss to the Group and the Company that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group and the Company are exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group and the Company have a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures.

#### Trade receivables and contract assets

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

The carrying amount of trade receivables and contract assets are not secured by any collateral or supported by any other credit enhancements. In determining the recoverability of these receivables, the Group considers any change in the credit quality of the receivables from the date the credit was initially granted up to the reporting date. The Group has adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

## Notes to the Financial Statements

(cont'd)

### 31. FINANCIAL INSTRUMENTS (CONTINUED)

#### (b) Financial risk management (Continued)

##### (i) Credit risk (Continued)

##### Trade receivables and contract assets (Continued)

##### Credit risk concentration profile

The Group determines the credit risk concentration of its trade receivables and contract assets by major segments on an ongoing basis. The credit risk concentration profile of the Group's trade receivables and contract assets at the reporting date are as follows:

##### Trade receivables:

	2019		2018	
	RM	%	RM	%
<b>Group</b>				
Facilities	40,349,410	33%	39,093,517	48%
Engineering	38,393,206	31%	29,075,095	35%
Environment	28,912,311	24%	14,036,498	17%
Rail	15,270,538	12%	–	0%
	122,925,465	100%	82,205,110	83%

##### Contract assets:

	2019		2018	
	RM	%	RM	%
<b>Group</b>				
Facilities	32,427,873	48%	7,096,730	13%
Engineering	13,609,312	20%	21,917,467	40%
Environment	16,857,591	25%	25,541,945	47%
Rail	5,055,522	7%	–	0%
	67,950,298	100%	54,556,142	100%

The Group applies the simplified approach to providing for impairment losses prescribed by MFRS 9, which permits the use of the lifetime expected credit loss ("ECL") provision for all trade receivables and contract assets. To measure the impairment losses, trade receivables have been grouped based on days past due. The determination of ECL also incorporates economic conditions during the period of historical data, current conditions and forward-looking information on the economic conditions over the expected settlement period of the receivables. The Group believes that changes in economic conditions over these periods would not materially impact the impairment calculation of the receivables.

For services and construction contracts, as there are only a few customers, the Group assessed the risk of each customer individually based on their financial capability, past trend of payments and other external information relating to the customers that are publicly available.

## Notes to the Financial Statements

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### 31. FINANCIAL INSTRUMENTS (CONTINUED)

#### (b) Financial risk management (Continued)

##### (i) Credit risk (Continued)

##### Trade receivables and contract assets (Continued)

##### Credit risk concentration profile (Continued)

The information about the credit risk exposure on the Group's trade receivables and contract assets using provision matrix are as follows:

	Gross carrying amount RM	ECL allowance RM	Net balance RM
<b>Group</b>			
<b>At 30 June 2019</b>			
<b>Trade receivables</b>			
Current (not past due)	71,467,264	–	71,467,264
1 to 90 days past due	25,170,426	–	25,170,426
91 to 180 days past due	3,861,743	–	3,861,743
181 to 365 days past due	22,426,032	–	22,426,032
Credit impaired:			
- Individually assessed	3,618,499	(3,618,499)	–
<b>Contract assets</b>			
Current (not past due)	67,950,298	–	67,950,298
	194,494,262	(3,618,499)	190,875,763

The significant changes in the gross carrying amounts of trade receivables and contract assets do not contribute to changes in the impairment loss allowance during the financial year.

##### **Comparative information under MFRS 139 *Financial Instruments: Recognition and Measurement***

##### Ageing analysis of trade receivables

As at 30 June 2018, the ageing analysis of the Group's trade receivables were as follows:

	Group 2018 RM
Neither past due nor impaired	50,176,280
1 to 90 days past due but not impaired	21,255,517
91 to 180 days past due but not impaired	4,692,300
181 to 365 days past due but not impaired	6,081,013
Impaired	32,028,830
	4,827,904
	87,033,014

## Notes to the Financial Statements

(cont'd)

**31. FINANCIAL INSTRUMENTS (CONTINUED)****(b) Financial risk management (Continued)****(i) Credit risk (Continued)****Trade receivables and contract assets (Continued)**Ageing analysis of trade receivables (Continued)Trade receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

**Other receivables and other financial assets**

For other receivables and other financial assets (including short-term investment, cash and short-term deposits), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties. At the reporting date, the Group's and the Company's maximum exposure to credit risk arising from other receivables and other financial assets is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group and the Company compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

The Company provides advances to subsidiaries. The Company monitors the results of the subsidiaries in determining the recoverability of intercompany balances. The advances to subsidiaries are repayable on demand. For such advances, expected credit losses are assessed based on the assumption that repayment of the advances is demanded at the reporting date. If the subsidiary companies do not have sufficient liquid reserves when the loan is demanded, the Company will consider the expected manner of recovery and recovery period of the advances.

Other than credit-impaired other receivables, the Group and the Company consider these financial assets to have low credit risk. As at the reporting date, the Group and the Company did not recognise any loss allowance for impairment for other receivables and other financial assets other than those as disclosed in Note 13.

Refer to Note 3.12(a) for the Group's and the Company's other accounting policies for impairment of financial assets.

## Notes to the Financial Statements

(cont'd)

### 31. FINANCIAL INSTRUMENTS (CONTINUED)

#### (b) Financial risk management (Continued)

##### (i) Credit risk (Continued)

###### Financial guarantee contracts

The Company is exposed to credit risk in relation to financial guarantees given to banks in respect of loans granted to certain subsidiaries. The Company monitors the results of the subsidiaries and their repayment on an on-going basis. The maximum exposure to credit risks amounts to RM36,504,830 (2018: RM10,596,700) representing the maximum amount the Company could pay if the guarantee is called on. As at the reporting date, there was no indication that the subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material as the financial guarantee did not contribute towards credit enhancement of the subsidiaries' borrowings in view of the security pledged by the subsidiaries and it is unlikely the subsidiaries will default within the guarantee period.

##### (ii) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations when they fall due. The Group's and the Company's exposure to liquidity risk arise primarily from mismatches of the maturities between financial assets and liabilities. The Group's and the Company's exposure to liquidity risk arise principally from trade and other payables, loans and borrowings.

The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by facilities. The Group and the Company maintain sufficient liquidity and available funds to meet daily cash needs, while maintaining controls and security over cash movements. The Group and the Company use a series of processes to obtain maximum benefits from its flow of funds, such that they are efficiently managed to maximise income from investment and minimise cost on borrowed funds. The Group and the Company also ensure that there are sufficient unutilised stand-by facilities, funding and liquid assets available to meet both short-term and long-term funding requirements.

## Notes to the Financial Statements

(cont'd)

### 31. FINANCIAL INSTRUMENTS (CONTINUED)

#### (b) Financial risk management (Continued)

##### (ii) Liquidity risk (Continued)

##### Maturity analysis

The maturity analysis of the Group's and the Company's financial liabilities by their relevant maturity at the reporting date are based on contractual undiscounted repayment obligations are as follows:

Group	Carrying amount RM	Contractual cash flows			Total RM
		On demand or within 1 year RM	Between 1 and 5 years RM	More than 5 years RM	
2019					
Trade and other payables	74,481,329	74,481,329	–	–	74,481,329
Term loans	17,760,327	4,323,562	9,060,009	6,796,677	20,180,248
Revolving credits	17,475,000	17,475,000	–	–	17,475,000
Finance lease liabilities	3,161,333	1,207,220	2,238,275	–	3,445,495
Trade loan	1,269,503	1,269,503	–	–	1,269,503
	114,147,492	98,756,614	11,298,284	6,796,677	116,851,575
2018					
Trade and other payables	51,035,674	51,035,674	–	–	51,035,674
Term loans	9,733,725	1,402,381	5,380,969	4,287,524	11,070,874
Finance lease liabilities	2,886,610	923,306	2,247,226	–	3,170,532
Trade loan	835,975	835,975	–	–	835,975
	64,491,984	54,197,336	7,628,195	4,287,524	66,113,055



## Notes to the Financial Statements

(cont'd)

### 31. FINANCIAL INSTRUMENTS (CONTINUED)

#### (b) Financial risk management (Continued)

##### (ii) Liquidity risk (Continued)

##### Maturity analysis (Continued)

The maturity analysis of the Group's and the Company's financial liabilities by their relevant maturity at the reporting date are based on contractual undiscounted repayment obligations are as follows (Continued):

Company	Carrying amount RM	Contractual cash flows		Total RM
		On demand or within 1 year RM	Between 1 and 5 years RM	
2019				
Trade and other payables	5,406,496	5,406,496	–	5,406,496
Amount due to subsidiaries	932,486	932,486	–	932,486
Revolving credits	17,000,000	17,000,000	–	17,000,000
Financial guarantee contracts	–	36,504,830	–	36,504,830
	23,338,982	59,843,812	–	59,843,812
2018				
Trade and other payables	575,491	575,491	–	575,491
Amount due to subsidiaries	6,594,941	6,594,941	–	6,594,941
Financial guarantee contracts	–	10,569,700	–	10,569,700
	7,170,432	17,740,132	–	17,740,132

##### (iii) Foreign currency risk

Foreign currency risk is the risk of fluctuation in fair value or future cash flows of a financial instrument as a result of changes in foreign exchange rates. The Group's and the Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's and the Company's operating activities (when sales and purchases that are denominated in a foreign currency) and the Group's net investments in foreign subsidiaries.

Management has set up a policy that requires all companies within the Group and the Company to manage their treasury activities and exposures. In addition, the Group and the Company also takes advantage of any natural effects of its foreign currencies revenues and expenses by maintaining current accounts in foreign currencies.

## Notes to the Financial Statements

(cont'd)

## 31. FINANCIAL INSTRUMENTS (CONTINUED)

## (b) Financial risk management (Continued)

## (iii) Foreign currency risk (Continued)

The Group's unhedged financial assets and liabilities of the Group that are not denominated in their functional currencies are as follows:

Group 2019	SGD RM	USD RM	AED RM	CNY RM	AUD RM	EURO RM	SEK RM	MYR RM	Total RM
<b>Financial assets</b>									
Trade and other receivables	14,250,407	5,689	12,421,315	-	18,344	2,060,497	-	98,414,500	127,170,752
Cash and short-term deposits	14,475,908	12,490	3,250,075	-	-	-	-	48,790,599	65,529,072
Short-term investment	-	-	-	-	-	-	-	11,513,864	11,513,864
	28,726,315	18,179	15,671,390	-	18,344	2,060,497	-	158,718,963	205,213,688
<b>Financial liabilities</b>									
Trade and other payables	4,060,824	28,888	1,117,937	2,971,151	18,344	2,056,734	1,745,773	62,481,678	74,481,329
Term loans	-	-	-	-	-	-	-	17,760,327	17,760,327
Finance lease liabilities	494,689	-	-	-	-	-	-	2,666,644	3,161,333
Revolving credits	-	-	-	-	-	-	-	17,475,000	17,475,000
Trade loan	-	-	-	-	-	307,732	961,771	-	1,269,503
	4,555,513	28,888	1,117,937	2,971,151	18,344	2,364,466	2,707,544	100,383,649	114,147,492
<b>Net financial assets/ (liabilities)</b>	24,170,802	(10,709)	14,553,453	(2,971,151)	-	(303,969)	(2,707,544)	58,335,314	91,066,196
Less: Net financial assets denominated in the entity's functional currency	(24,170,802)	-	(14,553,453)	-	-	-	-	(58,335,314)	(97,059,569)
Currency exposure	-	(10,709)	-	(2,971,151)	-	(303,969)	(2,707,544)	-	(5,993,373)

# Notes to the Financial Statements

(cont'd)

## 31. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management (Continued)

#### (iii) Foreign currency risk (Continued)

The Group's unhedged financial assets and liabilities of the Group that are not denominated in their functional currencies are as follows (Continued):

Group 2018	SGD RM	USD RM	AED RM	QAR RM	EURO RM	SEK RM	MYR RM	Total RM
<b>Financial assets</b>								
Trade and other receivables	16,834,984	-	5,853,345	-	-	-	65,800,159	88,488,488
Cash and short-term deposits	8,327,059	10,816	2,428,208	227,034	-	-	36,166,079	47,159,196
Short-term investment	-	-	-	-	-	-	9,888,744	9,888,744
	25,162,043	10,816	8,281,553	227,034	-	-	111,854,982	145,536,428
<b>Financial liabilities</b>								
Trade and other payables	4,271,873	317,371	25,991	94,659	2,137,602	2,562,148	41,626,030	51,035,674
Term loans	-	-	-	-	-	-	9,733,725	9,733,725
Finance lease liabilities	937,377	-	-	-	-	-	1,949,233	2,886,610
Trade loan	835,975	-	-	-	-	-	-	835,975
	6,045,225	317,371	25,991	94,659	2,137,602	2,562,148	53,308,988	64,491,984
Net financial assets/ (liabilities)	19,116,818	(306,555)	8,255,562	132,375	(2,137,602)	(2,562,148)	58,545,994	81,044,444
Less: Net financial assets denominated in the entity's functional currency	(19,116,818)	-	(8,255,562)	(132,375)	-	-	(58,545,994)	(86,050,749)
Currency exposure	-	(306,555)	-	-	(2,137,602)	(2,562,148)	-	(5,006,305)

## Notes to the Financial Statements

(cont'd)

### 31. FINANCIAL INSTRUMENTS (CONTINUED)

#### (b) Financial risk management (Continued)

##### (iii) Foreign currency risk (Continued)

###### Sensitivity analysis for foreign currency risk

The Group's principal foreign currency exposure relates mainly to CNY, USD, EURO and SEK.

The following table demonstrates the sensitivity to a reasonably possible change in the CNY, USD, EURO and SEK, with all other variables held constant on the Group's total equity and profit for the financial year.

	Change in rate %	Effect on profit for the financial year RM	Effect on equity RM
<b>2019</b>			
- CNY	+5%	(112,904)	(112,904)
	-5%	112,904	112,904
- USD	+5%	(407)	(407)
	-5%	407	407
- EURO	+5%	(11,551)	(11,551)
	-5%	11,551	11,551
- SEK	+5%	(102,887)	(102,887)
	-5%	102,887	102,887
<b>2018</b>			
- USD	+5%	(11,649)	(11,649)
	-5%	11,649	11,649
- EURO	+5%	(81,229)	(81,229)
	-5%	81,229	81,229
- SEK	+5%	(97,362)	(97,362)
	-5%	97,362	97,362

## Notes to the Financial Statements

(cont'd)

### 31. FINANCIAL INSTRUMENTS (CONTINUED)

#### (b) Financial risk management (Continued)

##### (iv) Interest rate risk

Interest rate risk is the risk of fluctuation in fair value or future cash flows of the Group's and the Company's financial instruments as a result of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings with floating interest rates amounting to RM36,504,830 (2018: RM10,596,700).

##### Sensitivity analysis for interest rate risk

If the interest rate had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year and equity would decrease/increase by RM138,718 (2018: RM40,165) as a result of exposure to floating rate borrowings.

#### (c) Fair value measurement

The carrying amounts of cash and short-term deposits, short-term receivables and payables and short-term borrowings are reasonable approximation of their fair values due to the relatively short-term nature of these financial instruments.

The fair value of short-term investments is determined by reference to the redemption price at the reporting date.

The carrying amount of long term floating rate loans are reasonable approximation of fair value as the loans will be re-priced to market interest rate on or near reporting date.

The fair value of finance lease liabilities is estimated using discounted cash flows analysis, based on current lending rate for similar types of borrowings.

The carrying amounts of financial assets and liabilities recognised in the financial statements are reasonable approximation of their fair value except for finance lease liabilities.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the fair value is observable:

- (i) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- (ii) Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- (iii) Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There have been no transfers between Level 1 and Level 2 during the financial year (2018: no transfer in either directions).

# Notes to the Financial Statements

(cont'd)

## 31. FINANCIAL INSTRUMENTS (CONTINUED)

### (c) Fair value measurement (Continued)

The following table provides the fair value measurement hierarchy of the Group's financial instruments:

Group	Carrying amount RM	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value		
		Level 1 RM	Level 2 RM	Level 3 RM	Level 1 RM	Level 2 RM	Level 3 RM
<b>2019</b>							
<b>Financial assets</b>							
Short-term investments	11,513,864	11,513,864	-	-	-	-	11,513,864
<b>Financial liabilities</b>							
Finance lease liabilities	3,161,333	-	-	-	-	-	3,161,333
<b>2018</b>							
<b>Financial assets</b>							
Short-term investments	9,888,744	9,888,744	-	-	-	-	9,888,744
<b>Financial liabilities</b>							
Finance lease liabilities	2,886,610	-	-	-	-	-	2,886,610

## Notes to the Financial Statements

(cont'd)

### 32. OPERATING LEASE COMMITMENTS - AS LESSEE

Future minimum rental payable under the non-cancellable operating lease at the reporting date is as follows:

	2019 RM	Group 2018 RM
Not later than one year	1,366,567	1,333,279
More than one year and not later than five years	821,329	1,575,938
More than five years	131,163	669,521
	2,319,059	3,578,738

This is in respect of the non-cancellable operating lease arrangements entered into by the Group for the rental of premises for periods of 1 year to 5 years and are renewable upon expiry. The leases do not include any contingent rentals.

### 33. RELATED PARTIES

#### (a) Identity of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operational decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

Related parties of the Group include:

- (i) Subsidiaries;
- (ii) Associate; and
- (iii) Key management personnel of the Group, comprise persons (including directors) having the authority and responsibility for planning, directing and controlling the activities directly or indirectly.

## Notes to the Financial Statements

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### 33. RELATED PARTIES (CONTINUED)

#### (b) Significant related party transactions

Significant related party transactions other than disclosed elsewhere in the financial statements are as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
<b>Dividend income</b>				
Subsidiaries	–	–	8,330,000	3,190,225
<b>Management fee income</b>				
Subsidiaries	–	–	1,500,000	1,500,000
<b>Rental expenses</b>				
Subsidiaries	–	–	42,000	42,000
Director of a subsidiary	60,000	60,000	–	–
	60,000	60,000	42,000	42,000

#### (c) Compensation of key management personnel

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Directors' fees	384,000	391,500	151,500	149,500
Short-term employee benefits	7,559,613	7,755,589	–	–
Post-employment employee benefits	878,004	786,110	–	–
Benefits-in-kind	169,792	82,944	–	–
	8,991,409	9,016,143	151,500	149,500

#### Directors' interest in Employees' Share Option Scheme

During the financial year, 1,100,000 (2018: 1,800,000) number of share options were exercised by a director of the Company.

At the reporting date, the total number of outstanding share options granted by the Company to certain directors under the ESOS plan amounted to 1,500,000 (2018: 1,700,000).



## Notes to the Financial Statements

(cont'd)

### 34. CAPITAL MANAGEMENT

The primary objective of the Group's and the Company's capital management is to ensure that they maintain healthy capital ratio in order to support their business and maximise shareholder value. The Group and the Company manage their capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust their capital structure, the Group and the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during the financial years ended 30 June 2019 and 30 June 2018.

The Group and the Company monitor capital using a gearing ratio. The gearing ratio is calculated as total loans and borrowings divided by total equity.

The gearing ratio for the Group and for the Company as at 30 June 2019 and 30 June 2018 are as follows:

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
Loans and borrowings	21	39,666,163	13,456,310	17,000,000	–
<b>Total loans and borrowings</b>		39,666,163	13,456,310	17,000,000	–
<b>Total equity</b>		245,389,480	199,738,672	129,703,050	113,656,215
<b>Gearing ratio</b>		16%	7%	13%	N/M

*N/M – Not meaningful*

The Group is required to comply with certain covenants in relation to the borrowings of its subsidiaries. The salient covenants include, amongst others:

- (a) The subsidiaries concerned are required to maintain a gearing ratio of not more than 2 times of its tangible net worth during the tenure of the borrowings; and
- (b) The Group is required to maintain a tangible net worth of not less than RM45,000,000 during the tenure of the borrowings.

As at 30 June 2019, the Group has complied with the requirements of the above covenants.

## Notes to the Financial Statements

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**35. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR**

The Company had on 28 February 2018 entered into the following agreements:

- (i) a conditional share sale agreement ("SSA") with Goh Poey Hong, Chong Kim Loong, Goh Tse Woei, Kong Keat Voon, Chong Chong Hong, Lim Huey Yih and Shaun Chan Thiam Eng (collectively referred to as the "Sellers") for the proposed acquisition by AWC of 3,000,000 ordinary shares in Trackwork & Supplies Sdn Bhd ("Trackwork") ("Trackwork Shares" or "Sale Shares"), representing 60% equity interest therein from the Sellers, for a total purchase consideration of RM43.50 million ("Purchase Consideration") which will be satisfied through a combination of cash amounting to RM20.00 million ("Cash Consideration") and the balance RM23.50 million through the issuance of new ordinary shares in AWC ("AWC Shares") ("Consideration Shares"); and
- (ii) a shareholders' agreement with Trakniaga Sdn Bhd (being a shareholder of Trackwork holding 40% equity interest therein) ("Trakniaga") and Trackwork ("Shareholders' Agreement") for the following:-
  - (a) to govern the management and operation of Trackwork between the shareholders of Trackwork upon completion of the Proposed Acquisition;
  - (b) the granting by Trakniaga of a call option for AWC to require Trakniaga to dispose all the remaining Trackwork Shares held by it ("Option Share(s)") ("Call Option"); and
  - (c) the granting by AWC of a put option for Trakniaga to require AWC to acquire the Option Shares ("Put Option"). (The Call Option and Put Option are collectively referred to as the "Call/Put Options").

Both AWC and Trakniaga have mutually agreed to revoke the Put Option and Trakniaga has issued a letter dated 28 June 2019 ("the said Letter") to AWC on their agreement and authorisation to revoke the Put Option ("Revocation"). It was noted that save for the Revocation of the Put Option, all other terms of the Shareholders' Agreement shall continue to be valid and effective between Parties.

The SSA was unconditional on 25 September 2018 and completed on 9 October 2018. Consequently, Trackwork became a subsidiary of the Company.

## Notes to the Financial Statements

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### 36. SEGMENT INFORMATION

The Group prepared the following segment information in accordance with MFRS 8 Operating Segments based on the internal reports of the Group's strategic business units which are regularly reviewed by the Group's Chief Executive Officer/President for the purpose of making decisions about resource allocation and performance assessment.

The five reportable operating segments are as follows:

Segments	Products and services
Investment holding	Provide group-level corporate services.
Facilities	Provision of an integrated range of maintenance services for office, commercial, industrial, residential and administrative buildings. These services include electrical, mechanical, civil, structural, energy and utility management and maintenance, vertical transport management, security and safety management and central monitoring systems, landscaping and ground care.
Engineering	Provision of various mechanical and electrical engineering services for the building industry. These include computerised Building Automation Systems (BAS), trading and installation of Heating, Ventilation and Air-Conditioning Systems (HVAC), integrated installation of electrical systems, energy saving and lift systems, trading of specialised water tanks and rainwater harvesting products, and installation of plumbing systems into building and facilities.
Environment	Provision of environmentally-friendly solutions to waste collection system management. These include general trading, design, development, installation and commissioning of cleaning equipment, central vacuum systems and STREAM Automated Pneumatic Waste Collection System.
Rail	Provision of railway infrastructure works. These include trading and rail welding works, ranging from the supplies of materials to the actual completion of rail works.





## Notes to the Financial Statements

(cont'd)

## 36. SEGMENT INFORMATION (CONTINUED)

2019	Investment holding RM	Facilities RM	Engineering RM	Environment RM	Rail RM	Others RM	Note	Adjustment and eliminations RM	Total RM
<b>Assets</b>									
Segment assets	153,346,026	142,861,500	77,221,168	97,436,641	36,372,941	16,040	(c)	(134,901,711)	372,352,605
Current tax assets	-	1,762,082	299,757	896,424	-	-		-	2,958,263
Deferred tax assets	-	2,665,672	485	1,250,665	-	-		-	3,916,822
<b>Total assets</b>	<b>153,346,026</b>	<b>147,289,254</b>	<b>77,521,410</b>	<b>99,583,730</b>	<b>36,372,941</b>	<b>16,040</b>		<b>(134,901,711)</b>	<b>379,227,690</b>
<b>Liabilities</b>									
Segment liabilities	23,710,493	85,273,009	32,404,052	18,503,112	13,915,366	2,896,031	(d)	(45,291,055)	131,411,008
Current tax liabilities	91,728	39,027	150,480	1,223,796	72,596	-		-	1,577,627
Deferred tax liabilities	-	7,407	54,496	391,977	145,176	-		250,519	849,575
<b>Total liabilities</b>	<b>23,802,221</b>	<b>85,319,443</b>	<b>32,609,028</b>	<b>20,118,885</b>	<b>14,133,138</b>	<b>2,896,031</b>		<b>(45,040,536)</b>	<b>133,838,210</b>
<b>Other segment items</b>									
Additions to non-current assets other than financial instruments									
- property, plant and equipment	-	519,692	171,242	1,592,704	617,049	-		-	2,900,687

Notes to the Financial Statements  
(cont'd)

36. SEGMENT INFORMATION (CONTINUED)

2018	Investment holding RM	Facilities RM	Engineering RM	Environment RM	Others RM	Note	Adjustments and eliminations RM	Total RM
<b>Assets</b>								
Segment assets	120,841,901	113,789,368	74,997,415	86,581,948	93,097	(c)	(125,805,444)	270,498,285
Current tax assets	205,000	1,251,584	563,900	235,602	-		-	2,256,086
Deferred tax assets	-	2,465,744	303,035	585,855	-		-	3,354,634
Total assets	121,046,901	117,506,696	75,864,350	87,403,405	93,097		(125,805,444)	276,109,005
<b>Liabilities</b>								
Segment liabilities	7,170,434	66,900,276	33,504,649	11,687,655	3,187,935	(d)	(46,941,906)	75,509,043
Current tax liabilities	-	65,250	174,358	-	-		-	239,608
Deferred tax liabilities	-	540,094	48,859	32,729	-		-	621,682
Total liabilities	7,170,434	67,505,620	33,727,866	11,720,384	3,187,935		(46,941,906)	76,370,333
<b>Other segment items</b>								
Additions to non-current assets other than financial instruments - property, plant and equipment	25,645	150,045	354,738	1,671,080	-		-	2,201,508

## Notes to the Financial Statements

(cont'd)

**36. SEGMENT INFORMATION (CONTINUED)**

Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements:

- (a) Inter-segment revenue are eliminated on consolidation;
- (b) Inter-segment transactions are eliminated on consolidation;
- (c) Inter-segment assets are eliminated on consolidation; and
- (d) Inter-segment liabilities are eliminated on consolidation.
- (e) Other non-cash items other than depreciation and amortisation and net (reversal)/allowance of impairment losses of trade and other receivables consist of the following:

	<b>2019 RM</b>	<b>Group 2018 RM</b>
Fair value gain on investment properties	(80,000)	(1,732,006)
Gain on disposal of property, plant and equipment	(163,573)	(173,717)
Inventories written down to net realisable value	290,890	295,197
Property, plant and equipment written off	3,490	2,786
Provision for end service benefit	–	148,392
Unrealised (gain)/loss on foreign exchange	(242,529)	351
	(191,722)	(1,458,997)

Geographical information

Revenue and non-current assets (other than financial instruments and deferred tax assets) information based on the geographical location of customers are as follows:

	<b>Revenue RM</b>	<b>Non-current assets RM</b>
<b>2019</b>		
Malaysia	289,902,140	76,524,338
Singapore	26,107,504	450,743
United Arab Emirates, Abu Dhabi	16,634,407	1,324,968
	332,644,051	78,300,049
<b>2018</b>		
Malaysia	247,493,029	46,305,932
Singapore	40,366,511	1,799,949
United Arab Emirates, Abu Dhabi	16,118,353	25,586
	303,977,893	48,131,467



## Notes to the Financial Statements

(cont'd)

### 36. SEGMENT INFORMATION (CONTINUED)

#### Information about major customers

The major customer with revenue equal to or more than 10% of the Group revenue is as follows:

		2019 RM	Group 2018 RM
Customer A	Facilities	64,431,593	92,625,165

## STATEMENT BY DIRECTORS

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

We, **DATO' NIK MOD AMIN BIN NIK ABD MAJID** and **DATO' AHMAD KABEER BIN MOHAMED NAGOOR**, being two of the directors of **AWC BERHAD** do hereby state that in the opinion of the directors, the accompanying financial statements set out on pages 82 to 203 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 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' NIK MOD AMIN BIN NIK ABD MAJID**  
Director

**DATO' AHMAD KABEER BIN MOHAMED NAGOOR**  
Director

Subang Jaya

Date: 18 October 2019

## STATUTORY DECLARATION

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

I, **VOON SIEW MOON**, being the officer primarily responsible for the financial management of **AWC BERHAD**, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements set out on pages 82 to 203 are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

**VOON SIEW MOON**  
Officer

Subscribed and solemnly declared by the abovenamed at Subang Jaya in Selangor Darul Ehsan on 18 October 2019.

Before me,

**Siti Haidah Binti Ariffin**  
(No. B 501)  
Commissioner for Oaths

# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF AWC BERHAD

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of AWC Berhad, which comprise the statements of financial position as at 30 June 2019 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 82 to 203.

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

#### Basis for Opinion

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

#### Key Audit Matters

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

#### Group

##### Business combination (Notes 4.1 and 8 to the financial statements)

During the financial year ended 30 June 2019, the Group acquired issued and paid up share capital of Trackwork & Supplies Sdn. Bhd. ("TWS"). We focused on this area due to the following factors:

- judgement is involved in determining the accounting treatment of the acquisition in accordance to MFRS 3 Business Combinations; and
- in accounting for the acquisition of TWS under MFRS 3, the directors have to apply judgement on purchase price allocation in relation to the valuation of the assets acquired, liabilities assumed and the purchase consideration.

#### Our response:

Our audit procedures included, among others:

- reading the share sale agreement and evaluating the assessment performed by the Company in accounting for the acquisition of TWS in accordance of MFRS 3;
- assessing the appropriateness of the acquisition fair value of purchase consideration, identifiable assets acquired and the liabilities assumed at the acquisition date as performed by the Company;
- testing the mathematical computation in the allocation of the purchase consideration to the different assets and liabilities; and
- assessing the appropriateness of the related disclosures.

## Independent Auditors' Report To the Members of AWC Berhad (cont'd)

### Key Audit Matters (Continued)

#### Group (Continued)

##### Goodwill on business combination (Notes 4.2 and 7.1 to the financial statements)

The Group has significant goodwill on business combination amounted to RM55,462,123 arising from the acquisition of four subsidiaries. The goodwill is tested for impairment annually. In performing the impairment assessment, the Group has identified environment, engineering and rail segments as the cash generating units to which the goodwill is allocated.

We focused on this area because the impairment assessment requires the exercise of significant judgement by the Group on the discount rates applied in the recoverable amount calculation and assumptions supporting the underlying cash flow projections which include future sales, gross profit margin and operating expenses.

#### Our response:

Our audit procedures included, among others:

- assessing the appropriateness of the valuation methodology adopted by the Group in accordance with the requirements of MFRS 136 *Impairment of Assets*;
- comparing the actual results with previous budget to assess the performance of the business ;
- comparing the Group's assumptions to our assessments in relation to key assumptions to assess their reasonableness of the projections;
- testing the mathematical accuracy of the impairment assessment; and
- performing a sensitivity analysis around the key assumptions that are expected to be more sensitive to the recoverable amount.

##### Trade receivables (Notes 4.3 and 13 to the financial statements)

As at 30 June 2019, trade receivables of the Group amounted to RM122,925,465. We focused on this area because the directors made significant judgements over assumptions about risk of default and expected loss rate. In making the assumptions, the directors selected inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of the reporting period.

#### Our response:

Our audit procedures included, among others:

- understanding the design and implementation of controls associated with monitoring of outstanding receivables and impairment calculation;
- developing understanding of significant credit exposures which were significantly overdue or deemed to be in default through analysis of ageing reports and testing the reliability of the reports;
- obtaining confirmation of balances from selected samples of receivables;
- checking subsequent receipts, customer correspondence and considering level of activity with the customer, consider customer's financial capability and past trend of payments and management explanation on recoverability with significantly past due balances; and
- reviewing the work papers of component auditors in assessing the recoverability of any significantly past due balances of subsidiaries not audited by us.

## Independent Auditors' Report To the Members of AWC Berhad (cont'd)

### Key Audit Matters (Continued)

#### Group (Continued)

##### Revenue recognition for construction activities (Notes 4.4 and 24 to the financial statements)

The amount of revenue of the Group's construction activities is recognised over the period of contract by reference to the progress towards complete satisfaction of that performance obligation. The progress towards complete satisfaction of performance obligation is determined by reference to proportion of construction costs incurred for works performed to date bear to the estimated total costs for each project (input method). We focused on this area because significant directors' judgement is required, in particular with regards to determining the progress towards satisfaction of a performance obligation, the extent of the construction costs incurred, the estimated total construction contracts revenue and costs, as well as the recoverability of the construction contracts projects. The estimated total revenue are affected by a variety of uncertainties that depend of the outcome of future events.

#### Our response:

Our audit procedures on a sample of projects included, among others:

- reading the terms and conditions of agreements with customers;
- understanding the Group's process in preparing or updating project budget and the calculation of the progress towards anticipated satisfaction of a performance obligation;
- comparing the Group's major assumptions to contractual terms, our understanding gathered from the analysis of changes in the assumptions from previous financial year and discussing with project managers;
- checking the mathematical computation of recognised revenue; and
- reviewing the work papers of component auditors in their assessment of the project total estimated revenue and costs as well as the revenue recognised during the financial year for subsidiaries not audited by us.

#### Company

We have determined that there were no key audit matters to be communicated in our report which arose from the audit of the separate financial statements of the Company.

### Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

## Independent Auditors' Report To the Members of AWC Berhad (cont'd)

### Responsibilities of the Directors for the Financial Statements

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

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

The directors of the Company are responsible for overseeing the Group's financial reporting process.

### Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

**Independent Auditors' Report  
To the Members of AWC Berhad**  
(cont'd)

**Auditors' Responsibilities for the Audit of the Financial Statements (Continued)**

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

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

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

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 8 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 contents of this report.

**Baker Tilly Monteiro Heng PLT**  
LLP0019411-LCA & AF 0117  
Chartered Accountants

**Lee Kong Weng**  
No: 02967/07/2021 J  
Chartered Accountant

Kuala Lumpur

Date: 18 October 2019

# SUMMARY OF GROUP PROPERTIES

## AS AT 30 JUNE 2019

No.	Owner	Location	Description	Existing use	Land area (Sq. ft.)	Built-up area (Sq. ft.)	Tenure	Approximate age of building	Audited net book value as at 30 June 2019 (RM)	Date of acquisition/ Last revaluation
1.	Ambang Wira Sdn Bhd ("AWSB")	An intermediate shop lot and six intermediate office lots known as parcel Nos. S23A-1, Level 1, S23A-2, Level 2, S23A-3, Level 3, S23A-3A, Level 3A, S23A-5, Level 5, S23A-6, Level 6 and S23A-7, Level 7, respectively all in Block S23A in Subang Business Centre erected on part of the land held under Grant 54290, Lot 50530, Pekan Subang Jaya, District of Petaling, Selangor Darul Ehsan	Shop lot and office lots	Office	-	11,737	Freehold	21 years	4,992,800	22 June 2000/ 9 August 2019
2.	AWSB	An intermediate shop lot and six intermediate office lots known as parcel Nos. S25-1, Level 1, S25-2, Level 2, S25-3, Level 3, S25-3A, Level 3A, S25-5, Level 5, S25-6, Level 6 and S25-7, Level 7, respectively all in Block S25 in Subang Business Centre erected on part of the land held under Grant 54290, Lot 50530, Pekan Subang Jaya, District of Petaling, Selangor Darul Ehsan	Shop lot and office lots	Office	-	11,737	Freehold	21 years	4,992,800	29 November 2002/ 9 August 2019
3.	Qudotech Sdn Bhd ("Qudotech")	Unit No 2.016, Floor No. 2, Rhythm Avenue, USJ 19, HS (D) 108337, PT No. 3462, Mukim of Damansara, District of Petaling, State of Selangor	Shop Lot	Vacant	-	207	Freehold	17 years	129,737.16	31 October 2000/ 30 June 2019
4.	Qudotech	Unit No 2.017, Floor No. 2, Rhythm Avenue, USJ 19, HS (D) 108337, PT No. 3462, Mukim of Damansara, District of Petaling, State of Selangor	Shop Lot	Vacant	-	196	Freehold	17 years	122,993.28	31 October 2000/ 30 June 2019
5.	Stream Environment Sdn Bhd ("SESB")	No. 11 Jalan Sungai Besi Indah 5/2, Taman Sungai Besi Indah, 43300 Seri Kembangan, Selangor HS (D) 258758, PT No. 404, Pekan Baru Sungai Besi, District of Petaling, State of Selangor	Shop Lot	Office	1,905	7,464	99-year leasehold expiring on 21 July 2108	17 years	1,903,698.53	13 February 2017/ 15 July 2016
6.	Trackwork & Supplies Sdn Bhd	No. 31-5, Level 5, Dataran Prima Block F2, Jalan PJU 1/42A, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia	Office Lot	Office	-	1,926	Freehold	15 years	553,485.09	1 June 2016/ 13 August 2019
		<b>TOTAL</b>							<b>12,695,514.06</b>	



## ANALYSIS OF SHAREHOLDINGS

### AS AT 30 SEPTEMBER 2019

Total number of Issued Shares	:	296,526,881 Ordinary Shares
Treasury Shares	:	3,326,800 treasury shares held by the Company
Class of Equity Securities	:	Ordinary Shares ("shares")
Voting Right	:	One vote for every share held

#### DISTRIBUTION SCHEDULE OF SHAREHOLDERS

Size of Shareholdings	No. of Holders	%	No of Shares #	%
Less than 100	1,759	23.59	123,366	0.04
100 – 1,000	1,520	20.39	817,628	0.28
1,001 – 10,000	2,641	35.42	14,379,413	4.90
10,001 – 100,000	1,328	17.81	43,831,143	14.95
100,001 – less than 5 % of the issued shares	207	2.78	151,051,473	51.52
5% and above of the issued shares	1	0.01	82,997,058	28.31
<b>Total</b>	<b>7,456</b>	<b>100.00</b>	<b>293,200,081</b>	<b>100.00</b>

# Excluding a total of 3,326,800 shares bought back and retained as treasury shares.

#### SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS AS AT 30 SEPTEMBER 2019

(As per the Register of Substantial Shareholders)

Name of Substantial Shareholders	Direct Interest	No. of Ordinary Shares		
		%*	Indirect Interest	%*
K-Capital Sdn Bhd	83,000,000	28.31	—	—
Dato' Ahmad Kabeer Bin Mohamed Nagoor	16,775,000	5.72	83,000,000 <sup>(a)</sup>	28.31

Note:-

(a) Deemed interested by virtue of Section 8(4) of the Companies Act 2016 held through in K-Capital Sdn Bhd.

Analysis of Shareholdings  
As at 30 September 2019  
(cont'd)

**DIRECTOR'S INTEREST AS AT 30 SEPTEMBER 2019**

(As per the Register of Directors' Shareholdings)

Name of Director	Direct Interest	No. of Ordinary Shares		%
		%*	Indirect Interest	
Dato' Ahmad Kabeer Bin Mohamed Nagoor	16,775,000	5.72	83,000,000 <sup>(a)</sup>	28.31
Yang Mulia Tunku Puan Sri Dato' Hajjah Noor Hayati Binti Tunku Abdul Rahman Putra Al-Haj	100,000	0.03		
Dato' Nik Mod Amin Bin Nik Abd Majid	400,000	0.14		

Notes:-

(a) Deemed interested by virtue of Section 8(4) of the Companies Act 2016 held through in K-Capital Sdn Bhd.

Name of Directors	No. of Options granted under Employee's Share Option Scheme (ESOS)	
Dato' Ahmad Kabeer Bin Mohamed Nagoor		3,000,000
Dato' Nik Mod Amin Bin Nik Abd Majid		500,000
Yang Mulia Tunku Puan Sri Dato' Hajjah Noor Hayati Binti Tunku Abdul Rahman Putra Al-Haj		300,000
Dato' Ahri Bin Hashim		300,000
Sureson A/L Krisnasamy		300,000

## Analysis of Shareholdings As at 30 September 2019 (cont'd)

### 30 LARGEST SECURITIES ACCOUNT HOLDERS AS AT 30 SEPTEMBER 2019

(without aggregating securities from different securities accounts belonging to the same person)

No.	Name	No. of Shares Held	%*
1.	K-Capital Sdn Bhd	82,997,058	28.31
2.	Citigroup Nominees (Tempatan) Sdn Bhd		
	- Employees Provident Fund Board	10,983,200	3.75
3.	Ahmad Kabeer Bin Mohamed Nagoor	10,575,000	3.61
4.	Ignatius Luke JR Tan Keng Hee	9,223,700	3.15
5.	Zainab Binti Abdul Rahman	5,412,500	1.85
6.	Kong Keat Voon	5,327,883	1.82
7.	UOBM Nominees (Tempatan) Sdn Bhd		
	- Pledged Securities Account for Ahmad Kabeer Bin Mohamed Nagoor	5,200,000	1.77
8.	Goh Tse Woei	4,542,283	1.55
9.	Maybank Nominees (Tempatan) Sdn Bhd		
	- Pledged Securities Account for Law Teck Peng	4,020,000	1.37
10.	Maybank Nominees (Tempatan) Sdn Bhd		
	- Syarikat Takaful Malaysia Keluarga Berhad (ORDPA)	3,524,200	1.20
11.	Raymond Sia Say Guan	3,370,000	1.15
12.	Goh Poey Hong	3,205,847	1.09
13.	Maybank Nominees (Tempatan) Sdn Bhd		
	- Syarikat Takaful Malaysia Keluarga Berhad (ORDPSA)	3,192,400	1.09
14.	Tan Siew Kheng	3,186,000	1.09
15.	Chan Ai Sim	3,037,500	1.04
16.	Ho Shu Keong	2,694,200	0.92
17.	Citigroup Nominees (Tempatan) Sdn Bhd		
	- Employees Provident Fund Board (RHBISLAMIC)	2,479,800	0.85
18.	Chong Kim Loong	2,413,395	0.82
19.	Frontvest Holdings Sdn Bhd	2,000,000	0.68
20.	Vibrant Model Sdn Bhd	2,000,000	0.68
21.	Shaul Hamid Bin Madar	1,878,100	0.64
22.	Malacca Equity Nominees (Tempatan) Sdn Bhd		
	- Exempt An for Phillip Capital Management Sdn Bhd (EPF)	1,775,500	0.61
23.	Tengen Supplies Sdn Bhd	1,500,000	0.51
24.	Tan Siew Kheng	1,310,112	0.45
25.	Ho Peng Chong	1,188,000	0.41
26.	Citigroup Nominees (Tempatan) Sdn Bhd		
	- Employees Provident Fund Board (PHEIM)	1,186,500	0.40
27.	CIMB Islamic Nominees (Tempatan) Sdn Bhd		
	- CIMB Islamic Trustee Berhad-Amanah Saham Kedah	1,119,000	0.38
28.	Ahmad Kabeer Bin Mohamed Nagoor	1,000,000	0.34
29.	CIMB Group Nominees (Tempatan) Sdn Bhd		
	- CIMB Commerce Trustee Berhad for TA Growth Fund	1,000,000	0.34
30.	Maybank Nominees (Tempatan) Sdn Bhd		
	- Pledged Securities Account for Lau How Siong	943,900	0.32

\* All percentage shareholding computations are based on the total number of issued shares less treasury shares account (3,326,800 shares) arising from the share buy-back exercise.

## ANALYSIS OF WARRANT HOLDINGS

### AS AT 30 SEPTEMBER 2019

Type of Securities	:	Warrants A ("Warrants")
No. of Warrants Issued	:	56,824,679
Exercise Price	:	RM0.88
Exercise Period I	:	26 December 2021 to 25 December 2023

### DISTRIBUTION OF WARRANTS HOLDINGS

Size of Holdings	No. of Warrant Holders	No. of Warrants	%
Less than 100	2,589	61,140	0.11
100 - 1,000	1,933	953,635	1.68
1,001 - 10,000	1,351	4,724,580	8.31
10,001 - 100,000	287	9,064,698	15.95
100,001 – 2,841,233 ( * )	72	25,471,215	44.82
2,841,233 and above ( ** )	1	16,549,411	29.12
<b>Total</b>	<b>6,233</b>	<b>56,824,679</b>	<b>100.00</b>

Note:

\* Less than 5% of Issued Warrants

\*\* 5% and above of Issued Warrants

### DIRECTORS' WARRANT HOLDINGS

(As per the Register of Directors' Warrant Holdings)

Size of Holdings	Direct Interest		Indirect Interest	
	No. of Warrant	%	No. of Warrants	%
Dato' Ahmad Kabeer Bin Mohamed Nagoor	2,651,000	4.665	–	–
Yang Mulia Tunku Puan Sri Dato' Hajjah Noor				
Hayati Binti Tunku Abdul Rahman Putra Al-Haj	20,000	0.035	–	–
Dato' Nik Mod Amin Bin Nik Abd Majid	80,000	0.140	–	–

Analysis of Warrant Holdings  
As at 30 September 2019  
(cont'd)

**THIRTY LARGEST WARRANT HOLDERS AS AT 30 SEPTEMBER 2019**

(without aggregating the securities from different securities accounts belonging to the same registered holder)

No.	Name	No. of Warrants Held	%*
1.	K-Capital Sdn Bhd	16,549,411	29.12
2.	Citigroup Nominees (Asing) Sdn Bhd		
	- CBLDN for Polunin Emerging Markets Small Cap Fund, LLC	1,790,200	3.15
3.	Maybank Nominees (Tempatan) Sdn Bhd		
	- Pledged Securities Account for Law Teck Peng	1,452,100	2.56
4.	Ahmad Kabeer Bin Mohamed Nagoor	1,411,000	2.48
5.	Ignatius Luke JR Tan Keng Hee	1,352,660	2.38
6.	Ng Siaw Hui	1,212,900	2.13
7.	Zainab Binti Abdul Rahman	1,071,000	1.88
8.	UOBM Nominees (Tempatan) Sdn Bhd		
	- Pledged Securities Account for Ahmad Kabeer Bin Mohamed Nagoor	1,040,000	1.83
9.	Alliancegroup Nominees (Tempatan) Sdn Bhd		
	- Pledged Securities Account for Allan Gan Chin Yong	633,340	1.11
10.	Kong Keat Voon	601,610	1.06
11.	Lim Too Hock	600,000	1.06
12.	HSBC Nominees (Tempatan) Sdn Bhd		
	- HSBC (M) Trustee Bhd for RHB Small Cap Opportunity Unit Trust	595,000	1.05
13.	Citigroup Nominees (Tempatan) Sdn Bhd		
	- Employees Provident Fund Board	573,800	1.01
14.	Ho Shu Keong	538,840	0.95
15.	RHB Nominees (Tempatan) Sdn Bhd		
	- Pledged Securities Account for Fong Jong Han	500,000	0.88
16.	Chee Kar Ming	436,465	0.77
17.	Frontvest Holdings Sdn Bhd	400,000	0.70
18.	Vibrant Model Sdn Bhd	400,000	0.70
19.	Teo Yu Tee	385,500	0.68
20.	Shaul Hamid Bin Madar	375,620	0.66
21.	Chong Kim Loong	353,650	0.62
22.	CGS-CIMB Nominees (Tempatan) Sdn Bhd		
	- Pledged Securities Account for Joseph Ling Yeo Kong (KKINABALU)	350,000	0.62
23.	Universal Trustee (Malaysia) Berhad		
	- KAF Dana Alif	330,000	0.58
24.	Chai Tien Teck	326,200	0.57
25.	Tengen Supplies Sdn Bhd	300,000	0.53
26.	Universal Trustee (Malaysia) Berhad		
	- KAF Tactical Fund	288,720	0.51
27.	Lee Meng Kui	280,000	0.49
28.	Universal Trustee (Malaysia) Berhad		
	- KAF Dana Adib	269,400	0.47
29.	Tan Cheit Chai	269,000	0.47
30.	Citigroup Nominees (Asing) Sdn Bhd		
	- CEP for Polunin Funds	268,600	0.47

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Eighteenth Annual General Meeting ("Meeting" or "AGM") of AWC BERHAD ("AWC" or "the Company") will be held at Ballroom 1, Tropicana Golf and Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Thursday, 28 November 2019 at 10:00 a.m. to transact the following businesses:-

## A G E N D A

### As Ordinary Business:-

- |    |  |   |
|----|--|---|
| 1. | To receive the Audited Financial Statements for the financial year ended 30 June 2019 together with the Reports of the Directors and Auditors thereon.   | <b>PLEASE REFER TO<br/>EXPLANATORY NOTE 1</b> |
| 2. | To approve the distribution of a Final Single-Tier dividend of 1.0 sen per ordinary share for the financial year ended 30 June 2019.   | <b>ORDINARY RESOLUTION 1</b>                  |
| 3. | To approve the payment of Directors' fees and benefits of up to RM300,000 for the financial year ending 30 June 2020.  | <b>ORDINARY RESOLUTION 2</b>                  |
| 4. | To re-elect the following Directors who retire by rotation in accordance with Clause 85 of the Company's Constitution:   |   |
|    | i. Dato' Ahmad Kabeer Bin Mohamed Nagoor   | <b>ORDINARY RESOLUTION 3</b>                  |
|    | ii. Mr. Sureson A/L Krisnasamy   | <b>ORDINARY RESOLUTION 4</b>                  |
| 5. | To re-appoint Messrs. Baker Tilly Monteiro Heng PLT as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. | <b>ORDINARY RESOLUTION 5</b>                  |

### As Special Business:-

To consider and if thought fit, pass with or without any modifications, the following resolutions:-

- |    |   |                              |
|----|---|------------------------------|
| 6. | <b>CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR</b>   | <b>ORDINARY RESOLUTION 6</b> |
|    | "THAT approval be and is hereby given to Dato' Nik Mod Amin Bin Nik Abd Majid who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, be and is hereby retained as an Independent Non-Executive Director of the Company."   |                              |
| 7. | <b>GENERAL AUTHORITY FOR THE DIRECTORS TO ALLOT AND ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016</b>   | <b>ORDINARY RESOLUTION 7</b> |
|    | "THAT pursuant to Sections 75 and 76 of the Companies Act 2016, and subject to the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered to allot and issue shares in the Company from time to time at such price, upon such terms and conditions, for such purposes and to such person or persons whomsoever as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company for the time being AND THAT the Directors be and are also empowered to obtain approval from the Bursa Malaysia Securities Berhad ("Bursa Securities") for the listing of and quotation for the additional shares so issued AND THAT such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company." |                              |

## NOTICE OF ANNUAL GENERAL MEETING

(cont'd)

8. **PROPOSED SHARE BUY-BACK OF UP TO 10% OF THE TOTAL NUMBER OF ISSUED SHARES OF THE COMPANY ("PROPOSED SHARE BUY-BACK")****ORDINARY RESOLUTION 8**

"THAT, subject to the provisions of the Companies Act 2016 ("Act"), the provisions of the Constitution of the Company, the Main Market Listing Requirements of Bursa Securities and all prevailing laws, rules, regulations, orders, guidelines and requirements for the time being in force, approval and authority be and are hereby given to the Directors of the Company ("Directors"), to the extent permitted by law, to purchase such number of AWC Shares as may be determined by the Directors from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit, necessary and expedient in the best interest of the Company, provided that:-

- (i) the maximum aggregate number of AWC Shares, which may be purchased by the Company, shall not exceed 10% of the total number of issued shares in the Company at any point in time subject to compliance with the provision of the Act, the Main Market Listing Requirements of Bursa Securities and/or any other relevant authorities;
- (ii) the maximum amount of funds to be allocated for the Proposed Share Buy-Back shall not exceed the retained profits of the Company; and
- (iii) the authority conferred by this resolution shall be effective immediately after the passing of this resolution and shall continue to be in force until:-
  - (a) the conclusion of the next AGM of AWC following the general meeting at which the ordinary resolution for the Proposed Share Buy-Back is passed, at which time shall lapse, unless the authority is renewed by a resolution passed at the next AGM; or
  - (b) the expiration of the period within the next AGM is required by law to be held; or
  - (c) revoked or varied by ordinary resolution passed by the shareholder of the Company at a general meeting,

whichever occurs first;

THAT the Directors be and are hereby authorised to deal with the AWC Share(s) purchased under the Proposed Share Buy-Back ("Purchased Shares"), at their discretion, in the following manner:-

- (i) cancel the Purchased Shares; or
- (ii) retain the Purchased Shares as treasury shares; or
- (iii) retain part of the Purchased Shares as treasury shares and cancel the remainder;

## NOTICE OF ANNUAL GENERAL MEETING

(cont'd)

THAT where such Purchased Shares are held as treasury shares, the Directors be and are hereby authorised to deal with the treasury shares in their absolute discretion, in the following manner:-

- (i) distribute the Purchased Shares as dividends to shareholders, such dividends to be known as “shares dividends”; or
- (ii) resell the Purchased Shares or any of the Purchased Shares in accordance with the relevant rules of Bursa Securities; or
- (iii) transfer the Purchased Shares or any of the Purchased Shares for the purpose of or under an employees’ share scheme; or
- (iv) transfer the Purchased Shares or any of the Purchased Shares as purchase consideration; or
- (v) cancel the Purchased Shares or any of the Purchased Shares; or
- (vi) sell, transfer or otherwise use the Purchase Shares for such other purposes as the Minister may by order prescribe; and/or
- (vii) in any other manner as may be prescribed by the Act, rules, regulations and order made pursuant to the Act and the requirements of Bursa Securities, and/or any other relevant authority for the time being in force;

AND THAT the Directors be and are hereby authorised and empowered to do all acts and things and to take all such steps as necessary or expedient (including opening and maintaining a Central Depository System account) and to enter into and execute, on behalf of the Company, any instrument, agreement and/or arrangement with any person, and with full power to assent to any condition, modification, variation and/or amendment as may be imposed by Bursa Securities or any relevant regulatory authority, and/or as may be required in the best interest of the Company and to take all such steps as the Directors may deem fit, necessary and expedient in the best interest of the Company in order to implement, finalise and give full effect to the purchase by the Company of its Shares.”

9. To transact any other business of which due notice shall have been given.



## NOTICE OF ANNUAL GENERAL MEETING

(cont'd)

### NOTICE OF DIVIDEND ENTITLEMENT

**NOTICE IS ALSO HEREBY GIVEN** that a Final Single-Tier dividend of 1.0 sen per ordinary share in respect of the financial year ended 30 June 2019, if approved by the shareholders at the Eighteenth Annual General Meeting of the Company to be held on Thursday, 28 November 2019, will be paid on 31 December 2019 to the shareholders whose names appear in the Record of Depositors of the Company at the close of business on 16 December 2019.

A depositor shall qualify for entitlement to the dividend only in respect of:-

- i. Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 16 December 2019 in respect of ordinary transfers; and
- ii. Shares bought on the Bursa Malaysia Securities Berhad on a cum-entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

By order of the Board

**TEA SOR HUA (MACS 01324)**  
*Company Secretary*

Petaling Jaya, Selangor Darul Ehsan  
29 October 2019

## NOTICE OF ANNUAL GENERAL MEETING

(cont'd)

### Notes:-

- i. A member who is entitled to attend and vote at the Meeting shall be entitled to appoint more than one (1) proxy to attend and vote at the Meeting. Where a member appoints more than one (1) proxy, the member shall specify the proportion of his shareholdings to be represented by each proxy.
- ii. A proxy may, but need not, be a member of the Company. A member may appoint any person to be his proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak and vote at the Meeting.
- iii. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the seal or under the hand of an officer or attorney duly authorised.
- iv. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it 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.
- v. Where a member of the Company is an exempt authorised nominee 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. The appointment of multiple proxies shall not be valid unless the proportion of its shareholdings represented by each proxy is specified.
- vi. To be valid, the instrument appointing a proxy must be deposited at the Share Registrar of the Company situated at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, not less than forty-eight (48) hours before the time for holding the Meeting or adjourned meeting.
- vii. For the purpose of determining a member who shall be entitled to attend the Meeting, the Company will be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Clause 63(b) of the Company's Constitution to issue a General Meeting Record of Depositors as at 20 November 2019. Only members whose name appears in the Record of Depositors as at 20 November 2019 shall be entitled to attend the Meeting and to speak and vote thereat.
- viii. All the resolutions set out in this Notice will be put to vote by poll.

## NOTICE OF ANNUAL GENERAL MEETING

(cont'd)

### EXPLANATORY NOTES TO ORDINARY/SPECIAL BUSINESS

#### 1. Item 1 of the Agenda

This Agenda is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 does not require a formal approval of members for the Audited Financial Statements. Hence, Agenda No. 1 will not put forward for voting.

#### 2. Item 3 of the Agenda

The estimated Directors' fees and benefits proposed for the financial year ending 30 June 2020 were calculated based on the current Board size and number of scheduled Board and Committee meetings to be held. This resolution is to facilitate payment of Directors' fees and benefit on a current financial year basis. In the event the proposed amount is insufficient due to more meetings or enlarged Board size, approval will be sought at the next AGM for the shortfall.

#### 3. Item 6 of the Agenda

The Nomination Committee of the Company has assessed the independence of Dato' Nik Mod Amin Bin Nik Abd Majid, who has served as Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, and recommended him to continue acting as Independent Non-Executive Director of the Company pursuant to the Malaysian Code on Corporate Governance. The justifications are stated in the Statement on Corporate Governance of the Annual Report for the financial year ended 30 June 2019.

#### 4. Item 7 of the Agenda

The Ordinary Resolution 7 proposed under item 7 of the Agenda is a renewal of the general mandate for issuance of shares by the Company under Sections 75 and 76 of the Companies Act 2016. This Ordinary Resolution, if passed, will empower the Directors to issue shares in the Company up to an amount not exceeding in total ten per centum (10%) of the total number of issued shares of the Company for such purposes as the Directors consider would be in the interest of the Company. This would avoid any delay and cost involved in convening at a general meeting to approve such an issue of shares. This authority will, unless revoked or varied by the Company at a general meeting, expire at the conclusion of the next annual general meeting or the expiration of the period within which the next AGM is required by law to be held, whichever is the earlier.

This general mandate will provide flexibility to the Company for allotment of shares for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding future investment project(s), working capital and/or acquisition(s).

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the Seventeenth AGM held on 27 November 2018 which will lapse at the conclusion of the Seventeenth AGM.

#### 5. Item 8 of the Agenda

The Ordinary Resolution 8 proposed under item 8 of the Agenda is to seek the mandate on the authority to purchase its own shares of up to 10% of the total number of issued shares of the Company. This Ordinary Resolution, if passed, will empower the Directors of the Company to purchase its own ordinary shares of up to 10% of the total number of issued shares of the Company through Bursa Malaysia Securities Berhad at any time within the time stipulated.

Please refer to the Share Buy-Back Statement dated 29 October 2019 for further details of the Proposed Share Buy-Back.

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# PROXY FORM

**AWC BERHAD**  
200101014341 (550098-A)  
(Incorporated in Malaysia)

I/We \_\_\_\_\_ NRIC/Company No. \_\_\_\_\_  
(full name in capital letters)

of \_\_\_\_\_  
(full address)

being (a) member(s) of AWC BERHAD hereby appoint \_\_\_\_\_

\_\_\_\_\_ NRIC No. \_\_\_\_\_  
(full name in capital letters)

of \_\_\_\_\_  
(full address)

and/or\* \_\_\_\_\_ NRIC No. \_\_\_\_\_  
(full name in capital letters)

of \_\_\_\_\_  
(full address)

or failing him/her\*, the Chairman of the Meeting as my/our\* proxy to vote for me/us\* on my/our\* behalf at the Eighteenth Annual General Meeting of the Company to be held at Ballroom 1, Tropicana Golf and Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Thursday, 28 November 2019 at 10:00 a.m. and at any adjournment thereof.

Please indicate with an "X" in the appropriate spaces how you wish your votes to be cast. If no specific direction as to vote is given, the Proxy will vote or abstain from voting at his/her\* discretion.

Resolutions	Particulars	For	Against
Ordinary Resolution 1	To approve the distribution of a Final Single-Tier Dividend of 1.0 sen per ordinary share for the financial year ended 30 June 2019.		
Ordinary Resolution 2	To approve the payment of Directors' fees and benefits of up to RM300,000 for the financial year ending 30 June 2020.		
Ordinary Resolution 3	To re-elect Dato' Ahmad Kabeer Bin Mohamed Nagoor as Director.		
Ordinary Resolution 4	To re-elect Sureson A/L Krisnasamy as Director.		
Ordinary Resolution 5	To re-appoint Messrs. Baker Tilly Monterio Heng PLT as Auditors of the Company.		
Ordinary Resolution 6	To retain Dato' Nik Mod Amin Bin Nik Abd Majid as Independent Non-Executive Director.		
Ordinary Resolution 7	To approve the authority for Directors to issue and allot shares pursuant to Sections 75 and 76 of the Companies Act 2016.		
Ordinary Resolution 8	To approve the Proposed Share Buy-Back of up to 10% of the total number of issued shares of the Company.		

\* delete whichever not applicable

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2019.

Signature/Common Seal of Member(s)

CDS Account No.	
Number of Shares Held	

Percentage of shareholdings to be represented by the proxies:		
	No. of shares	%
Proxy 1		
Proxy 2		
TOTAL		100

## NOTES:

- A member who is entitled to attend and vote at the Meeting shall be entitled to appoint more than one (1) proxy to attend and vote at the Meeting. Where a member appoints more than one (1) proxy, the member shall specify the proportion of his shareholdings to be represented by each proxy.
- A proxy may, but need not, be a member of the Company. A member may appoint any person to be his proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak and vote at the Meeting.
- The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the seal or under the hand of an officer or attorney duly authorised.
- Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it 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 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. The appointment of multiple proxies shall not be valid unless the proportion of its shareholdings represented by each proxy is specified.
- To be valid, the instrument appointing a proxy must be deposited at the Share Registrar of the Company situated at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, not less than forty-eight (48) hours before the time for holding the Meeting or adjourned meeting.
- For the purpose of determining a member who shall be entitled to attend the Meeting, the Company will be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Clause 63(b) of the Company's Constitution to issue a General Meeting Record of Depositors as at 20 November 2019. Only members whose name appears in the Record of Depositors as at 20 November 2019 shall be entitled to attend the Meeting and to speak and vote thereat.
- All the resolutions set out in this Notice will be put to vote by poll.



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AFFIX  
STAMP

The Share Registrar of  
**AWC BERHAD**  
**200101014341 (550098-A)**  
Tricor Investor & Issuing House Services Sdn Bhd  
Unit 32-01, Level 32, Tower A,  
Vertical Business Suite,  
Avenue 3, No.8, Jalan Kerinchi,  
Bangsar South,  
59200 Kuala Lumpur

1<sup>st</sup> fold here

## AWC BERHAD

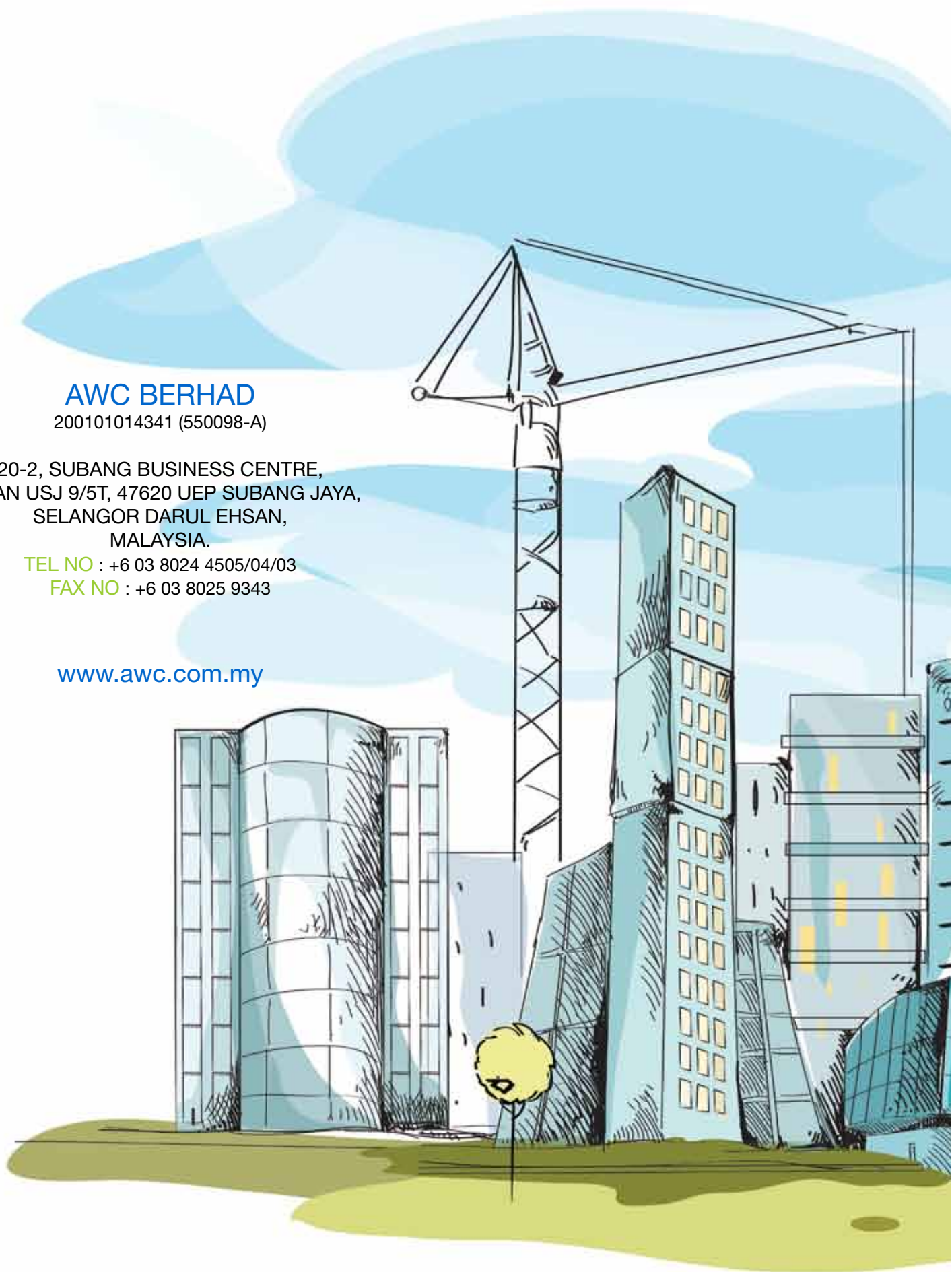
200101014341 (550098-A)

20-2, SUBANG BUSINESS CENTRE,  
JALAN USJ 9/5T, 47620 UEP SUBANG JAYA,  
SELANGOR DARUL EHSAN,  
MALAYSIA.

TEL NO : +6 03 8024 4505/04/03

FAX NO : +6 03 8025 9343

[www.awc.com.my](http://www.awc.com.my)







## **CORPORATE GOVERNANCE REPORT**

**STOCK CODE** : AWC 7579  
**COMPANY NAME** : AWC BERHAD (“AWC” or “Company”)  
**FINANCIAL YEAR** : June 30, 2019

### **OUTLINE:**

#### **SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE**

*Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.*

#### **SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

*Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.*

## SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

*Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.*

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.1

The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is responsible for the leadership, oversight and long-term success of the Group and the delivery of sustainable value to its stakeholders. The Board leads the performance of the Group, including practicing a high level of good governance. All Board members are expected to show good stewardship and act in a professional manner as well as upholding the core values of the Group with due regard to their fiduciary duties and responsibilities.</p> <p>In discharging its fiduciary duties and leadership functions, the Board is guided by the Board Charter, which outlines the duties and responsibilities of the Board, matters reserved for the Board as well as those which the Board may delegate to the Group Chief Executive Officer/President. For the effective function of the, the Board established the following Board Committees to assist in the execution of its responsibilities:</p> <ul style="list-style-type: none"><li>a. Audit and Risk Management Committee ("ARMC");</li><li>b. Nomination Committee;</li><li>c. Remuneration Committee; and</li><li>d. Employees' Share Option Scheme Committee.</li></ul> <p>The Board has reserved a formal schedule of matters for its decision making to ensure that it retains full and effective control of the Group's strategic plans and direction. It has also exercised oversight on Management and set the appropriate tone at the top, while providing thought leadership and championing good governance and ethical practices throughout the Group.</p> <p>To enable the Board to discharge its responsibilities in meeting the goals and objectives of the Group, the Board discusses, reviews and adopts various business plans and strategies through active discussions with the Group Chief Executive Officer/President. It ensures that the strategic plans of the Group support long-term value creation and</p>

	<p>includes strategies on economic, environmental and social considerations underpinning sustainability. The Board has consistently enquired on the operations of the Group and assessed the Management performance to determine whether the Group's business is being properly managed.</p> <p>The Board reviews and examines the new ventures and investments of the Group to ensure all critical issues are considered before any decision is made. The Board will also be briefed by the Senior Management on the implementation of the business plans of the Group during the Board meeting subject to the materiality of the matter.</p> <p>The Group has in place a sound framework for internal controls and risk management. The Board vide the ARMC, reviews the Internal Audit Report quarterly and discusses the relevant improvements required to address the internal audit issues and ensures the implementation of appropriate systems to manage the principal risks of the Group.</p> <p>The Board also oversees the development and implementation of the shareholders communication policy for the Group.</p>	
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

**Practice 1.2**

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Chairman of the Board, Dato' Nik Mod Amin Bin Nik Abd Majid, holds an Independent Non-Executive position and is responsible for leading the Board to ensure its effectiveness and integrity and the entrenchment of good corporate governance practices within the Group.</p> <p>The responsibilities of the Chairman, amongst others, including the following:-</p> <ul style="list-style-type: none"> <li>• To provide leadership to the Board.</li> <li>• To oversee the effective discharge of the Board's supervisory role.</li> <li>• To facilitate the effective contribution of all Directors.</li> <li>• To conduct and chair Board Meetings and General Meetings of the Company.</li> <li>• To manage Board communications and Board effectiveness and effective supervision over Management.</li> <li>• To ensure that quality information to facilitate decision-making is delivered to the Board on timely manner.</li> <li>• To ensure Board Meetings and General Meetings are in compliance with good conduct and best practices.</li> <li>• To promote constructive and respectful relations between Board members and between the Board and the Management.</li> </ul>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

**Practice 1.3**

The positions of Chairman and CEO are held by different individuals.

Application	:	Applied	
Explanation on application of the practice	:	Dato' Nik Mod Amin Bin Nik Abd Majid is the Independent Non-Executive Chairman while Dato' Ahmad Kabeer Bin Mohamed Nagoor is the Group Chief Executive Officer/President of the Company.	
		The position of the Chairman and Group Chief Executive Officer/President has a clear accepted division of responsibilities to ensure there is a balance of power and authority to promote accountability and their respective roles and responsibilities are governed in the Company's Board Charter.	
		The Chairman is responsible for instilling good corporate governance practices and leadership, and for ensuring Board effectiveness, while the Group Chief Executive Officer/President has overall responsibilities over the day-to-day management of the Group's business and implementation of the Board's policies and decisions.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

**Intended Outcome**

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

**Practice 1.4**

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is supported by a qualified and competent Company Secretary. The Company Secretary is a member of the Malaysian Association of Companies Secretaries and is holding a professional certificate as qualified Company Secretary under the Malaysian Companies Act 2016. She possesses over 25 years of experience in corporate secretarial practices.</p> <p>The Board acknowledges that the Company Secretary plays an important role and will ensure that the Company Secretary fulfils the functions for which she has been appointed. The responsibilities of the Company Secretary are as set out in the Board Charter.</p> <p>The Board was briefed by the Company Secretary on "Key amendments to the Main Market Listing Requirements of Bursa Securities Berhad relating to continuing disclosure obligations and other amendments" and the latest development on the governance matters involving the Company.</p> <p>During the financial year under review, all Board and Committees meetings were properly convened, and accurate and proper records of the proceedings and resolutions passed were taken and maintained in the statutory records of the Company.</p> <p>Overall, the Board is satisfied with the service and support rendered by our Company Secretary to the Board in the discharge of her functions</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

**Practice 1.5**

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>To facilitate the Directors' time planning, meetings calendar was prepared in advance of each new year by the Company Secretary. The meetings calendar provides the Directors with scheduled dates for meetings of the Board and Board Committees as well as the Annual General Meeting. The closed periods for dealings in securities by Directors and principal officers based on the scheduled dates of meetings for making announcements of the Company's quarterly results were also provided therein.</p> <p>The Notice of meetings of the Board and Board Committees are sent to the Directors via email at least five (5) business days prior to the meetings. Meeting materials are also circulated to Directors at least five (5) business days in advance of the Board and Board Committee meetings to ensure they have been given sufficient time to prepare for the meetings. Management and other advisers are invited to attend the meetings to report and brief on their respective areas of responsibility, if required.</p> <p>The deliberations and decision of matters discussed in the Board and Board Committees meetings are duly recorded in the minutes of meetings, including whether any Director abstains from voting or deliberating on a particular matter. The minutes of meetings are circulated to the respective Chairman of the Board and Board Committees in a timely manner for review before they are confirmed and adopted by members of the Board and Board Committee at their respective meetings. The Company Secretary ensures that deliberations at Board and Board Committee meetings are well documented.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	

<b>Timeframe</b> :		
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**Intended Outcome**

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

**Practice 2.1**

The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies–

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has formalised and adopted a Board Charter which clearly sets out the roles and responsibilities, composition and balance, operation and processes of the Board. It serves as a reference point for Board activities and is designed to provide guidance and clarity to Directors and Management with regards to the respective roles and responsibilities of the Board, Board Committees, Chairman and Group Chief Executive Officer/President, as well as issues and decisions reserved for the Board, the Board's governance structure and authority. This is to ensure that all Board members acting on behalf of the Company are aware of their duties and responsibilities, and the legislations and regulations affecting their conduct.</p> <p>The Board Charter would be reviewed as and when necessary to ensure that it remains consistent with the Board's objectives and responsibilities, and reflect the latest compliance requirements as a result of changes in the regulatory framework. The Board Charter was last reviewed, updated and approved by the Board on 28 August 2018 and is published on the Company's website at <a href="http://www.awc.com.my">www.awc.com.my</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

### Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is committed to promoting and maintaining high standards of transparency, accountability and ethics in the conduct of its business and operations. The Board has formalised ethical standards by establishing a Code of Ethics and Conduct for all Directors and employees of the Group, and the core areas of conduct include observing high standard of corporate governance, handling of conflict of interest, management of Group information and corporate disclosure, protection of legitimate business interests, and declaration of any personal or business interests.</p> <p>The Code of Ethics and Conduct is incorporated in the Board Charter of the Company and published on the Company's website at <a href="http://www.awc.com.my">www.awc.com.my</a>.</p> <p>The Code of Ethics and Conduct is to be observed by all Directors and employees of the Group and will be reviewed by the Board regularly to ensure that it continues to remain relevant and appropriate.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

**Practice 3.2**

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Group is committed to the highest standard of integrity, openness and accountability in the conduct of its businesses and operations. The Group has established the Whistle-blowing Policy that provide a channel to enable employees and other stakeholders to report any suspected breaches of law or regulations or any illegal acts observed in the Group, including financial malpractice or fraud, non-compliance with regulatory requirements, danger to health, safety or the environment, criminal activity and corruption. It also helps to nurture a good organizational culture with the Group and develop a culture of openness, transparency, accountability and integrity, which ultimately formulates standards of corporate behavior creating an ethical corporate climate.</p> <p>The Whistle Blowing Policy aims to achieve the following:</p> <ul style="list-style-type: none"> <li>• To provide avenues for employees to raise genuine concerns or allegation through the appropriate channels upon discovery of possible misconduct;</li> <li>• To encourage and develop a culture of openness, accountability and integrity;</li> <li>• To enable Management to be informed at an early stage about acts of misconduct; and</li> <li>• To ensure the protection to individual who reports the concern or allegation in good faith in accordance with the procedures.</li> </ul> <p>The Whistle Blowing Policy is published on the Company's website at <a href="http://www.awc.com.my">www.awc.com.my</a>.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		

<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.1**

At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board currently has five (5) members, comprising one (1) Group Chief Executive Officer/President and four (4) Independent Non-Executive Directors. The Board Members are as follows:-</p> <ul style="list-style-type: none"> <li>• Dato' Ahmad Kabeer Bin Mohamed Nagoor</li> <li>• Dato' Nik Mod Amin Bin Nik Abd Majid</li> <li>• Yang Mulia Tunku Puan Sri Dato' Hajjah Noor Hayati Binti Tunku Abdul Rahman Putra Al-Haj</li> <li>• Dato' Ahri Bin Hashim</li> <li>• Sureson A/L Krisnasamy</li> </ul>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.2**

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

<b>Application</b>	:	Applied - Annual shareholders' approval for independent directors serving beyond 9 years
<b>Explanation on application of the practice</b>	:	<p>Presently, Dato' Nik Mod Amin Bin Nik Abd Majid is the Independent Director of the Company who has served the Board for a cumulative term of more than nine (9) years.</p> <p>The Nomination Committee ("NC") and the Board take cognizance that under the MCGG, if the Board wishes to retain Dato' Nik Mod Amin Bin Nik Abd Majid as an Independent Director of the Company, the Board should justify and seek shareholders' approval at the forthcoming Eighteenth Annual General Meeting ("18<sup>th</sup> AGM") to be held on 28 November 2019.</p> <p>The NC and the Board have assessed the independence of Dato' Nik Mod Amin Bin Nik Abd Majid, and have recommended that he be retained as an Independent Director of the Company as he continues to devote sufficient time and attention to bring independent and objective judgement to Board deliberations and continues to meet the following criteria for independence in discharging his roles and functions as an Independent Director of the Company:-</p> <ul style="list-style-type: none"><li>• He has fulfilled the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and therefore would be able to function as a check and balance and bring an element of objectivity to the Board.</li><li>• He has vast experience in banking and financial industries which could provide the Board with a diverse set of experience, expertise and independent judgment.</li><li>• He has devoted sufficient time and attention to his responsibilities as Independent Non-Executive Chairman of the Company.</li><li>• He understands the main drivers of the Group's business in a detailed manner.</li></ul>

	<ul style="list-style-type: none"> <li>• He has provided leadership to the Board members and facilitates the Board to perform its responsibilities effectively through his independent and objective chairmanship and managed the conduct and governance of the Board effectively.</li> <li>• He has provided independent view and objective judgement in various issues raised at the Board and Board Committees meetings.</li> <li>• He has exercised due care during his tenure as Independent Non-Executive Chairman of the Company and has carried out his duties in the best interests of the Company and of the shareholders of the Company.</li> </ul> <p>Please refer to the Notice of the 18<sup>th</sup> AGM of the Company for further details on the agenda and resolution to be tabled.</p>	
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.3 - Step Up**

The board has a policy which limits the tenure of its independent directors to nine years.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	



**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.4**

Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board acknowledges the importance of Board and Senior Management composition diversity as recommended by the Malaysian Code on Corporate Governance. In pursuing diversity agenda, the Directors and Senior Management are sourced from a diverse pool and recruited based on objective criteria, merit and with due regard for diversity in skills, knowledge, experience, age, cultural background, gender and contribution.</p> <p>The NC is responsible to consider and nominate new candidates for appointment and make the necessary recommendations to the Board for approval. In this respect, the role of the NC is detailed in its Terms of Reference, which is accessible on the Company's website, <a href="http://www.awc.com.my">www.awc.com.my</a>.</p> <p>The Board also via the NC, reviews the correct mix of skills, business and professional experiences that should be added to the Board annually or as and when required.</p> <p>The Company is an equal opportunity employer and does not practice discrimination of any form, whether based on age, gender, race and religion, throughout the organisation.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.5**

The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>In view of the gained attention of boardroom diversity as an important element of a well functioned organisation, the Board has established and adopted a Gender Diversity Policy on 28 August 2018 which provides a framework for the Company to improve its gender diversity at Board level.</p> <p>The objectives/principles and measures as set out in the Gender Diversity Policy are summarised as below:-</p> <p><u>Objectives/Principles</u></p> <ol style="list-style-type: none"> <li>The Company acknowledges the importance to promote gender diversity at Board level and will actively work towards having more female Directors on the Board. To avoid any mismatch and ineffective appointment of the female Directors, the Company does not set any specific target for female Directors in this policy.</li> <li>In assessing the Board composition and Board effectiveness, the Board shall accord due consideration to gender diversity, required mix of skills, experience, independence and other qualities, including core competencies, commitment, integrity and/or other commitments to the Board.</li> </ol> <p><u>Measures</u></p> <p>To pursue the objectives of gender diversity, the Board will take into consideration the following measures:</p> <ol style="list-style-type: none"> <li>The NC and the Board shall nominate or appoint a gender diverse Board with a broad spectrum of perspectives, including but not limited to education background, age, ethnicity, skills, knowledge, expertise, experience, competencies, integrity and/or other commitments that the candidate will bring to complement the Board.</li> <li>The NC is responsible in ensuring that gender diversity objective is adopted in the Board recruitment and succession planning processes.</li> </ol>

	<p>c. The Company shall adopt a more accommodating boardroom culture and environment that is free from discriminations to attract and retain women participation at the Board level.</p> <p>d. The Company will undertake the following strategies to promote its gender diversity at Board level:</p> <ul style="list-style-type: none"> <li>➤ recruiting from a diverse pool of candidates for female Directors;</li> <li>➤ reviewing succession plans to ensure an appropriate focus on gender diversity;</li> <li>➤ identifying specific factors to take into account the recruitment and selection processes to encourage gender diversity; and</li> <li>➤ any other strategies the Board may develop from time to time.</li> </ul> <p>The Board encourages the participation of women not only in the composition of Board. Currently, there is a female Director on the Board, namely, Yang Mulia Tunku Puan Sri Dato' Hajjah Noor Hayati Binti Tunku Abdul Rahman Putra Al-Haj.</p>	
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.6**

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The members of the Board are to be appointed in a formal and transparent practice as endorsed by the Malaysian Code on Corporate Governance. The NC will scrutinise the candidates and recommend the same for the Board's approval. In discharging this duty, the NC will undertake a thorough review of the candidate's criteria, amongst others, qualifications, skills, knowledge, expertise, experience, personal attributes and the capability to devote the necessary time and commitment to the role.</p> <p>In searching for suitable candidates for appointment of Directors, the NC may receive suggestions from existing Board members, Management and major shareholders. The NC is also open to referrals from external sources available, such as industry and professional association, as well as independent search firms. The NC is allowed to use a variety of approaches and sources to ensure that it is able to identify the most suitable candidates.</p> <p>During the financial year, the Company did not appoint any new Director.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.7**

The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The NC is chaired by Yang Mulia Tunku Puan Sri Dato’ Hajjah Noor Hayati Binti Tunku Abdul Rahman Putra Al-Haj, an Independent Non-Executive Director of the Company.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

**Practice 5.1**

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has, through the NC, conducted annual evaluation to determine the effectiveness of the Board, its Board Committees and each individual Director in the financial year ended 31 June 2018. The process was carried out by sending the following customised assessment forms to Directors:-</p> <ul style="list-style-type: none"> <li>i. Performance of Group Chief Executive Officer/President</li> <li>ii. Performance of Non-Executive Directors;</li> <li>iii. Independence of the Independent Directors;</li> <li>iv. Performance of the ARMC; and</li> <li>v. Effectiveness of the Board and Board Committees as a whole.</li> </ul> <p>The assessment criteria that based on the Key Performance Indicators covers the financial performance and business operations, strategic, operations management and business plans, product development, conformance and compliance, stakeholders' relation, succession planning, attendance, preparation and contribution to the committee meetings.</p> <p>The completed assessment forms for the financial year ended 30 June 2019 were collated by the Company Secretary and tabled to the NC and/or ARMC for review before tabling the same for the Boards' deliberation/notation.</p> <p>Based on the evaluations conducted in the financial year ended 30 June 2019, the NC and the Board were satisfied with the performance of the individual Directors, Board as a whole, Board Committees as well as the independence and objective judgements that the Independent Directors have brought to the Board.</p>
<b>Explanation for departure</b>	:	

*Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.*

<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

### Practice 6.1

The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>In view that fair remuneration is crucial to attract, retain and motivate Directors and Senior Management, the Remuneration Policy was established with the objective to guide the Group in attracting, retaining and motivating highly qualified individuals to serve on the Board and key senior management.</p> <p>The Remuneration Policy is available for reference on the Company's website at <a href="http://www.awc.com.my">www.awc.com.my</a>.</p> <p>The remuneration of Executive Directors and Senior Management is made up of basic salaries, bonuses/incentives and other benefits-in-kind, while the remuneration of Non-Executive Directors consists of Directors' fees and other benefits in the form of meeting allowances.</p> <p>The Remuneration Policy is guided by the following key principles in remunerating the Directors of the Company:</p> <ul style="list-style-type: none"><li>a. fees payable to Directors who hold non-executive office in the Company shall be paid by a fixed sum and not by a commission on or percentage of profits or turnover;</li><li>b. fees and/or benefits (including meeting allowance) payable to Directors are subject to annual shareholders' approval at a general meeting, where notice of the proposed fees and/or benefits has been given in the notice convening the meeting;</li><li>c. fees payable to an alternate Director (if any) shall be agreed upon between himself and the Director nominating him and shall be paid out of the remuneration of the latter; and</li><li>d. salaries and other emoluments payable to Directors who hold an executive office in the Company pursuant to a contract of service need not be determined by the Company in general meeting but</li></ul>



	<p>such salaries and emoluments may not include a commission on or percentage of turnover.</p> <p>The policy will be reviewed by the Board from time to time and the Board may make any necessary amendments to the policy to ensure it remains consistent and relevant with the Board's objectives, current laws and practices.</p>			
<b>Explanation for departure</b>	:			
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>				
<b>Measure</b>	:			
<b>Timeframe</b>	:	<table border="1"> <tr> <td></td><td></td></tr> </table>		

## Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

### Practice 6.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board, assisted by the RC, implements the policy and procedures on the remuneration, which includes reviewing and recommending the proposed remuneration packages of the Directors of the Company. The RC seeks to ensure that the remuneration packages commensurate with the expected responsibility and contribution by the Directors and link to the strategic objectives of the Company.</p> <p>The RC has a detailed Terms of Reference in writing which is accessible on the Company's website at <a href="http://www.awc.com.my">www.awc.com.my</a>.</p> <p>The RC consists of the following members, all being Independent Non-Executive Directors:-</p> <ul style="list-style-type: none"><li>• Dato' Ahri Bin Hashim (Chairman)</li><li>• Dato' Nik Mod Amin Bin Nik Abd Majid</li><li>• Yang Mulia Tunku Puan Sri Dato' Hajjah Noor Hayati Binti Tunku Abdul Rahman Putra Al-Haj</li></ul> <p>The Directors who are shareholders of the Company would abstain from the deliberation and voting on matters pertaining to their own remuneration at the Annual General Meeting.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

**Practice 7.1**

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

<b>Application</b> :	Applied																																																															
<b>Explanation on application of the practice</b>	<p>The detailed disclosure on named basis for the remuneration of individual Directors for the financial year ended 30 June 2019 are as follow: -</p> <p><b><u>The Company</u></b></p> <table><tr><th>Name of Directors</th><th>Fees RM</th><th>Salaries RM</th><th>Benefits in Kind RM</th><th>Meeting Allowance RM</th><th>Bonus RM</th><th>Other Emoluments RM</th></tr><tr><td colspan="7"><b>Executive Director</b></td></tr><tr><td>Dato' Ahmad Kabeer Bin Mohamed Nagoor</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td></tr><tr><td colspan="7"><b>Non-Executive Directors</b></td></tr><tr><td>Dato' Nik Mod Amin Bin Nik Abd Majid</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td></tr><tr><td>Yang Mulia Tunku Puan Sri Dato' Hajjah Noor Hayati Binti Tunku Abdul Rahman Putra Al-Haj</td><td>48,000</td><td>-</td><td>-</td><td>1,500</td><td>-</td><td>-</td></tr><tr><td>Dato' Ahri Bin Hashim</td><td>48,000</td><td>-</td><td>-</td><td>3,000</td><td>-</td><td>-</td></tr><tr><td>Sureson A/L Krisnasamy</td><td>48,000</td><td>-</td><td>-</td><td>3,000</td><td>-</td><td>-</td></tr><tr><td><b>Total</b></td><td><b>144,000</b></td><td>-</td><td>-</td><td><b>7,500</b></td><td>-</td><td>-</td></tr></table>	Name of Directors	Fees RM	Salaries RM	Benefits in Kind RM	Meeting Allowance RM	Bonus RM	Other Emoluments RM	<b>Executive Director</b>							Dato' Ahmad Kabeer Bin Mohamed Nagoor	-	-	-	-	-	-	<b>Non-Executive Directors</b>							Dato' Nik Mod Amin Bin Nik Abd Majid	-	-	-	-	-	-	Yang Mulia Tunku Puan Sri Dato' Hajjah Noor Hayati Binti Tunku Abdul Rahman Putra Al-Haj	48,000	-	-	1,500	-	-	Dato' Ahri Bin Hashim	48,000	-	-	3,000	-	-	Sureson A/L Krisnasamy	48,000	-	-	3,000	-	-	<b>Total</b>	<b>144,000</b>	-	-	<b>7,500</b>	-	-
Name of Directors	Fees RM	Salaries RM	Benefits in Kind RM	Meeting Allowance RM	Bonus RM	Other Emoluments RM																																																										
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	<b><u>The Group</u></b>						
	<b>Name of Directors</b>	<b>Fees RM</b>	<b>Salaries RM</b>	<b>Benefits in Kind RM</b>	<b>Meeting Allowance RM</b>	<b>Bonus RM</b>	<b>Other Emoluments RM</b>
	<b>Executive Director</b>						
	Dato' Ahmad Kabeer Bin Mohamed Nagoor	-	1,800,000	112,267	-	1,200,000	480,000
	<b>Non-Executive Directors</b>						
	Dato' Nik Mod Amin Bin Nik Abd Majid	120,000	-	-	3,000	-	-
	Yang Mulia Tunku Puan Sri Dato' Hajjah Noor Hayati Binti Tunku Abdul Rahman Putra Al-Haj	48,000	-	-	1,500	-	-
	Dato' Ahri Bin Hashim	48,000	-	-	3,000	-	-
	Sureson A/L Krisnasamy	48,000	-	-	3,000	-	-
	<b>Total</b>	<b>264,000</b>	<b>1,800,000</b>	<b>112,267</b>	<b>10,500</b>	<b>1,200,000</b>	<b>480,000</b>
	<b>Explanation :</b> <b>for departure</b>						
	<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>						
	<b>Measure :</b>						
<b>Timeframe :</b>							

**Intended Outcome**

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

**Practice 7.2**

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	<p>Due to confidentiality and sensitivity of the remuneration packages of Senior Management as well as security concerns, the Board opts not to disclose the Senior Management’s remuneration components on named basis in the bands of RM50,000.00.</p> <p>The Board is of the view that the disclosure of the Senior Management’s remuneration components will not be in the best interest of the Company given that the competitive human resources environment as such disclosure may give rise to recruitment and talent retention issues.</p> <p>As an alternative, the Board is of the view that the disclosure of Senior Management’s aggregated remuneration on unnamed basis in the bands of RM50,000.00 in the Company’s Annual Report 2019 is adequate.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

**Practice 7.3 - Step Up**

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.  
The company's financial statement is a reliable source of information.

**Practice 8.1**

The Chairman of the Audit Committee is not the Chairman of the board.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The positions of Chairman of the Board and Chairman of the ARMC are being held by two different persons. The Chairman of the Board is Dato' Nik Mod Amin Bin Nik Abd Majid, an Independent Non-Executive Director, while the Chairman of the ARMC is Mr. Sureson A/L Krisnasamy, also an Independent Non-Executive Director. This separation is to ensure that the Board's review of the ARMC's findings and recommendations are not impaired.</p> <p>Mr. Sureson A/L Krisnasamy is responsible to ensure the overall effectiveness and independence of the ARMC. Together with other members of the ARMC, Mr. Sureson has ensured amongst others that:-</p> <ol style="list-style-type: none"> <li>the ARMC is fully informed about significant matters related to the Group's audit and its financial statements and these matters are addressed;</li> <li>the ARMC appropriately communicates its insights, views and concerns about relevant transactions and events to Internal and External Auditors;</li> <li>the ARMC's concerns on matters that may have an effect on the financial or audit of the Group are communicated to the External Auditors; and</li> <li>there is co-ordination between Internal and External Auditors.</li> </ol>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.  
The company's financial statement is a reliable source of information.

**Practice 8.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>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 Audit and Risk Management Committee has been incorporated into the terms of reference of the Audit and Risk Management Committee.</p> <p>Currently, no former key audit partners of the present auditors have been appointed to the Board.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.  
The company's financial statement is a reliable source of information.

**Practice 8.3**

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board had on 22 February 2018 established an Internal and External Auditors Assessment Policy which sets out the guidelines and procedures for the Audit and Risk Management Committee ("ARMC") to review, assess and monitor the suitability, objectivity and independence of the External Auditors that consider amongst others:-</p> <ol style="list-style-type: none"> <li>Adequacy of resources and experience of the audit firm;</li> <li>Quality processes of the audit firm;</li> <li>Competency of audit engagement team;</li> <li>Audit governance and independence;</li> <li>Audit fee, scope and planning; and</li> <li>Audit communications.</li> </ol> <p>The procedures for selection and appointment of External Auditors as stated in the policy are as follows:-</p> <ol style="list-style-type: none"> <li>To identify the audit firms which meet the criteria for appointment and to request for their proposals of engagement for consideration;</li> <li>To assess the proposals received and shortlist the suitable audit firms;</li> <li>To meet and/or interview the shortlisted audit firms;</li> <li>To recommend the suitable audit firm to the Board for appointment as External Auditors of the Company.</li> </ol> <p>The assessment to consider the suitability, objectivity and independence of the audit firm is conducted annually. The ARMC is of the view that the External Auditors have conducted itself objectively and independently in carrying out the audit of the Company, and is therefore suitable to be re-appointed for the ensuing year and has recommended the same to the Board based on the following additional observations:-</p> <ul style="list-style-type: none"> <li>External Auditors' active communication with the ARMC</li> <li>Presentation of a comprehensive audit plan and audit findings report</li> <li>External Auditors have provided the necessary quality of services required</li> </ul>

	<ul style="list-style-type: none"><li>External Auditors have sufficient resources to carry out the audit</li></ul> <p>In the External Auditors’ reports on its audit plan and audit findings, the External Auditors provided their assurance to ARMC that they are, and have been, independent through the conduct of the audit engagement in accordance with By-Laws of the Malaysian Institute of Accountants.</p> <p>The Board, having considered the ARMC’s recommendation and feedback, was satisfied with the suitability and independence of the External Auditors and has recommended their re-appointment to the shareholders for approval at the Eighteenth Annual General Meeting.</p>	
Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.  
The company's financial statement is a reliable source of information.

**Practice 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	<p>The Audit and Risk Management Committee comprises solely of the following Independent Non-Executive Directors:-</p> <ul style="list-style-type: none"><li>a. Sureson A/L Krishnasamy;</li><li>b. Dato' Nik Mod Amin Bin Nik Abd Majid; and</li><li>d. Dato' Ahri Bin Hashim.</li></ul>

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.  
The company's financial statement is a reliable source of information.

**Practice 8.5**

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The members of the ARMC are financially literate and possess the necessary skills and knowledge to discharge their duties in accordance with the Terms of Reference of the ARMC. They are able to understand the Group's business and matters under the purview of the ARMC including the financial reporting process. With the necessary skills and knowledge, they are able to effectively review the Group's financial reporting process and transaction and detect any financial anomalies or irregularities in the financial statements as well as challenge Management's assertions on the Group's financials.</p> <p>All members of the ARMC have also undertaken and will continue to undertake continuous professional development to keep themselves abreast of the relevant developments in accounting and auditing standards, practices and rules.</p> <p>During the meetings of the ARMC, the members have also been briefed by the External Auditors, Messrs. Baker Tilly Monteiro Heng PLT on the development or changes in the applicable Malaysian Financial Reporting Standards, International Financial Reporting Standards and the relevant accounting requirements under the Companies Act 2016.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

### Practice 9.1

The board should establish an effective risk management and internal control framework.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Board acknowledges its overall responsibility of maintaining a sound system of risk management and internal control, and of reviewing its adequacy and effectiveness. The Company has adopted a Registry of Risk and the Risk Management Handbook to identify, evaluate, control and monitor the principal business risks faced by the Group on an on-going basis in order to safeguard shareholders’ investment and the Group’s assets. The risk management and internal control are embedded in various work processes and procedures of the respective operational functions and management team.</p> <p>The Board has delegated the responsibility of reviewing the adequacy and effectiveness of the risk management and internal control systems to the Audit and Risk Management Committee.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

**Practice 9.2**

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board via the ARMC oversees the risk management of the Group. The ARMC reviews the effectiveness of the risk management function and deliberate on the risk management and internal control frameworks, functions, processes and reports on a regular basis.</p> <p>For the financial year under review, the ARMC is assisted by the management as well as the outsourced Internal Auditors to identify and assess the significant risks faced by the Group and to ensure that appropriate risk treatments were in place to mitigate the risks that affecting the achievement of the Group's business objectives. The Internal Auditors reports directly to the ARMC and the internal audit plans are tabled to the ARMC every quarter for review to ensure adequate coverage.</p> <p>The risk management and internal control are ongoing processes, which are undertaken at each department. The existing system of risk management and internal control will be continuously enhanced by taking into consideration the changing business environment and be further strengthened with compensating controls and appropriate check and balance mechanism.</p> <p>Further details on the features of the risk management and internal control framework, and the adequacy and effectiveness of the framework, are disclosed in the Statement on Risk Management and Internal Control in the Annual Report 2019.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

**Practice 9.3 - Step Up**

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

<b>Application</b> :	Not Adopted
<b>Explanation on adoption of the practice</b> :	



**Intended Outcome**

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

**Practice 10.1**

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The internal audit function is outsourced to an independent professional service firm that assists the ARMC in managing the risks and establishment of the internal control system and processes of the Group by providing an independent assessment on the adequacy, efficiency and effectiveness of the Group's risk management and internal control system and processes. The Internal Auditors reports directly to the ARMC.</p> <p>The ARMC has the responsibilities to review and assess the adequacy of the scope, functions, competency and resources of the internal audit functions. In developing the scope of the internal audit function, the ARMC is satisfied that –</p> <ol style="list-style-type: none"> <li>the person responsible for the internal audit has relevant experience, sufficient standing and authority to enable him to discharge his functions effectively;</li> <li>the firm appointed to carry out the Group's internal audit function has sufficient resources and is able to access information to enable it to carry out its role effectively; and</li> <li>the personnel assigned to undertake internal audit have the necessary competency, experience and resources to carry out the function effectively.</li> </ol> <p>To ensure that the responsibilities of Internal Auditors are fully discharged, the ARMC evaluates the performance of the Internal Auditors for the financial year ended 30 June 2019 based on the following evaluation criteria as set out in the Internal Auditors' Annual Assessment Form:-</p> <ol style="list-style-type: none"> <li>Adequacy of resources and experience of the internal audit firm;</li> <li>Quality processes of the internal audit firm;</li> <li>Competency of the engagement team;</li> <li>Governance and independence;</li> <li>Internal audit fee, scope and planning; and</li> <li>Internal audit reports and communications.</li> </ol>

	<p>The ARMC concluded its assessment that the Internal Auditors have sufficient experience and resources to satisfy their terms of reference and adequately deliver the quality services to the Group.</p> <p>The Internal Auditors have and will continue to keep abreast with developments in the profession, relevant industry and regulations.</p> <p>The internal audit function is independent of the operations of the Group and provides reasonable assurance that the Group's system of internal control is satisfactory and operating effectively.</p> <p>Areas for improvements are highlighted to the ARMC and the implementation of recommendations has consistently been monitored. The Internal Auditors has provided assurance to the ARMC that none of the internal control weaknesses have resulted in any material losses, contingencies or uncertainties that would require disclosure in the Annual Report 2019.</p> <p>Further details of the internal audit function and activities are set out in the Statement on Risk Management and Internal Control and the Audit Committee Report in the Annual Report 2019.</p>			
<b>Explanation for departure</b>	:			
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>				
<b>Measure</b>	:			
<b>Timeframe</b>	:	<table border="1"> <tr> <td></td><td></td></tr> </table>		

**Intended Outcome**

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

**Practice 10.2**

The board should disclose–

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Internal Audit function is outsourced to Sterling Business Alignment Consulting Sdn. Bhd. ("Sterling"), a third party professional internal audit service firm which is independent of the operations and activities of the Group.</p> <p>The engagement team from Sterling are free from any relationship or conflict of interest, which could impair their objectivity and independence.</p> <p>Sterling has the number of audit staff deployed for each internal audit review ranges from 3 to 4 Internal Auditors per visit. Sterling is a corporate member of the Institute of Internal Auditors Malaysia (IIAM). Different lead Internal Auditors is assigned to conduct each internal audit review, depending on the scope of the review.</p> <p>The Internal Auditors use the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Internal Control – Integrated Framework as a basis for evaluating the effectiveness of the internal control system.</p> <p>The internal audit function is carried out in accordance to the International Professional Practices Framework set by the Institute of Internal Auditors to ensure that internal audit staff are professionally guided and trained to develop the appropriate competencies to perform their duties during the internal audit review.</p> <p>The Audit and Risk Management Committee was satisfied with the competency, experience and resources of the internal audit function for discharging their roles and responsibilities.</p>
<b>Explanation for departure</b>	:	

<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

### Practice 11.1

The board ensures there is effective, transparent and regular communication with its stakeholders.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board believes that a constructive and effective investor relationship is essential in enhancing shareholder value. The Board believes that a constructive and effective investor relationship is essential in enhancing shareholder value. The Board is committed to ensure that timely, accurate and complete information about the Company is provided equally to its shareholders, stakeholders and to the general investing public. Timely information is critical towards building and maintaining the Group's corporate credibility, market integrity and promotes investor confidence.</p> <p>The Board is also guided by Bursa Securities' Corporate Disclosure Guide as published by Bursa Securities in deciding on the necessary disclosures and announcements from time to time. The Company communicates regularly with the public by releasing its announcements, quarterly reports, annual reports and circular at Bursa Securities' website at <a href="http://www.bursamalaysia.com">www.bursamalaysia.com</a> or the Company's website at <a href="http://www.awc.com.my">www.awc.com.my</a>.</p> <p>The Company's corporate website at <a href="http://www.awc.com.my">www.awc.com.my</a> serves as one of the most convenient ways for shareholders and members of the public to gain access to corporate information, news, events and announcements to Bursa Securities relating to the Company. Shareholders may also communicate with the Company on investor relation matters by contacting investor relation person-in-charge as stated on its website.</p> <p>Another key avenue of communication with its shareholders is the Company's Annual Report to shareholders. The Annual Report, which is prepared in accordance with the requirements of the Main Market Listing Requirement, communicates comprehensive information of the financial results and activities undertaken by the Company. All information to shareholders is available electronically as soon as it is announced or published.</p> <p>Besides, the Company's Annual General Meeting ("AGM") remains a principal forum used by the Company for dialogue with its shareholders.</p>

	<p>The AGM provides an opportunity for the shareholders to seek and clarify any issues on the resolutions being proposed and also matters relating to the performance, developments within and the future direction of the Group. Shareholders are encouraged to actively participate in the question and answer session. The Board, Senior Management and the External Auditors will be present to answer and provide appropriate clarifications to the shareholders at the AGM.</p> <p>The Board has also put in place a Corporate Disclosure Policy to promote comprehensive, accurate and timely disclosure pertaining to the Group's matters to regulators, its shareholders and stakeholders.</p>	
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

**Practice 11.2**

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Company is not a Large Company as defined under the Malaysian Code on Corporate Governance and hence, has not adopted integrated reporting based on a globally recognised framework.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

**Practice 12.1**

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The notice of the Seventeenth AGM of the Company was given to the shareholders at least twenty-eight (28) days before the AGM which gives shareholders sufficient time to prepare themselves to attend the AGM or to appoint proxy to attend and vote on their behalf. For the coming Eighteenth AGM of the Company which is scheduled to be held on 28 November 2019 will be sent to the shareholders at least twenty-eight (28) days before the date of AGM this year as well.</p> <p>The notice of general meeting provides detailed explanation for the resolutions proposed along with any background information and reports or recommendation that are relevant, where required and necessary, to enable shareholders to have sufficient time to consider the resolutions that will be discussed and to make informed decisions in exercising their voting rights.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



**Intended Outcome**

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

**Practice 12.2**

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

Application	:	Applied	
Explanation on application of the practice	:	<p>All the Directors of the Company were present at the Seventeenth Annual General Meeting ("17<sup>th</sup> AGM") of the Company held on 27 November 2018.</p> <p>During the proceedings of the 17th AGM, the Chairman ensures that shareholders are given the opportunity to comment or raise issues and questions whether pertaining to issues on the agenda, the annual report, Group’s strategy or developments in the Group. All questions raised by the shareholders were answered and addressed accordingly.</p> <p>All the Directors of the Company will always endeavour to attend all general meetings and the Chairman of the Board committees will provide meaningful response to questions addressed to them.</p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

**Intended Outcome**

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

**Practice 12.3**

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate—

- including voting in absentia; and
- remote shareholders' participation at General Meetings.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Company has yet to implement voting in absentia and remote participation by shareholders at general meetings as encouraged by the Malaysian Code on Corporate Governance. Prior to implementing the same, the Board noted several factors and conditions that need to be fulfilled prior to making such considerations:-</p> <ul style="list-style-type: none"><li>• Relevant amendments to the Articles of Association of the Company to outline the procedures for enabling such voting and participation;</li><li>• Availability of technology and infrastructure;</li><li>• Affordability of the technology and infrastructure;</li><li>• Sufficient number of shareholders residing or locating at particular remote locations; and</li><li>• Age profile of the shareholders.</li></ul> <p>On the other hand, the general meetings of the Company are always held in the Klang Valley in an accessible location to facilitate the participation of shareholders. While all practical efforts are taken to ensure that shareholders are able to participate at general meetings, considering the costs involved and the current electronic voting technology available, the Board is of the view that it is not economically justifiable to enable voting in absentia or remote shareholders' participation at the forthcoming Seventeenth Annual General Meeting of the Company.</p> <p>Notwithstanding the above, the Company will carefully consider all factors including all applicable requirements, necessary framework and processes, as well as communication to shareholders, for implementation at the appropriate time.</p> <p>Alternatively, shareholders are allowed to any person(s) as their proxies to attend, participate, speak and vote at the meetings on their behalf and represent them.</p>

*Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.*

<b>Measure</b>	:		
<b>Timeframe</b>	:		

**SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT  
CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

*Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.*

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**THIS STATEMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

Bursa Malaysia Securities Berhad ("Bursa Securities") has not perused this Statement prior to its issuance as it is exempt document pursuant to Practice Note 18 of Bursa Securities Main Market Listing Requirements.

Bursa Securities takes no responsibility for the contents of this Statement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Statement.



**AWC BERHAD**

[Registration No. 200101014341(550098-A)]  
(Incorporated in Malaysia)

**SHARE BUY-BACK STATEMENT IN RELATION TO THE**

**PROPOSED SHARE BUY-BACK OF UP TO 10% OF THE TOTAL NUMBER OF ISSUED  
SHARES OF THE COMPANY ("PROPOSED SHARE BUY-BACK")**

The Proposed Share Buy-Back will be tabled as ordinary resolution under Special Business at the Eighteenth Annual General Meeting ("18<sup>th</sup> AGM") of AWC Berhad ("AWC" or "Company") to be held at Ballroom 1, Tropicana Golf And Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Thursday, 28 November 2019 at 10:00 a.m. The Notice of the 18<sup>th</sup> AGM together with the Proxy Form are enclosed in the Annual Report of the Company for the financial year ended 30 June 2019 which is despatched together with this Statement.

A member entitled to attend and vote at the 18<sup>th</sup> AGM is entitled to appoint more than one (1) proxy to attend and to vote on his/her behalf. In such event, the Proxy Form should be deposited at the Company's Share Registrar at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the 18<sup>th</sup> AGM or adjourned meeting. The lodgement of the Proxy Form will not preclude you from attending and voting in person at the 18<sup>th</sup> AGM should you subsequently wish to do so.

The last date and time for lodging the Proxy Form	:	Tuesday, 26 November 2019 at 10:00 a.m.
Day, date and time of the 18 <sup>th</sup> AGM	:	Thursday, 28 November 2019 at 10:00 a.m.

This Statement is dated 29 October 2019

## DEFINITIONS

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Except where the context otherwise requires, the following definitions shall apply throughout this Statement:

“Act”	: The Companies Act 2016 as amended from time to time and any re-enactment thereof
“AGM” or “18 <sup>th</sup> AGM”	: Annual General Meeting or Eighteenth Annual General Meeting
“Annual Report 2019”	: Annual Report of AWC for the financial year ended 30 June 2019
“AWC” or the “Company”	: AWC Berhad [Registration No. 200101014341 (550098-A)]
“AWC Group” or the “Group”	: Collectively, AWC and its subsidiary companies
“AWC Share(s)” or “Share(s)”	: Ordinary share(s) in AWC
“Board”	: The Board of Directors of AWC
“Bursa Securities”	: Bursa Malaysia Securities Berhad [Registration No. 200301033577 (635998-W)]
“Code”	: Malaysian Code on Take-Overs and Mergers 2016 read together with the Rules on Take-Overs, Mergers and Compulsory Acquisition, including any amendment that may be made from time to time
“Director(s)”	: Director(s) of AWC or its subsidiaries (as the case may be)
“EPS”	: Earnings per Share
“FYE”	: Financial year ended
“Listing Requirements”	: Main Market Listing Requirements of Bursa Securities, including any amendments that may be made from time to time
“LPD”	: 30 September 2019, being the latest practicable date prior to the printing of this Statement
“Major Shareholder”	: A person who has an interest or interests in one or more of the voting shares in a corporation and the number or aggregate number of those shares, is:  (a) 10% or more of the total number of voting shares in the corporation; or  (b) 5% or more of the total number of voting shares in the corporation where such person is the largest shareholder of the corporation.  For the purpose of this definition, “interest in shares” shall have the meaning given in Section 8 of the Act.
“Minister”	: Minister charged with the responsibilities for companies, currently the Minister of Domestic Trade, Co-operatives and Consumerism, Malaysia
“NA”	: Net assets

## DEFINITIONS (cont'd)

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“Person(s) Connected”	: Person(s) connected as defined in Paragraph 1.01 of the Listing Requirements
“Proposed Share Buy-Back”	: Proposed share buy-back of up to 10% of the total number of issued Shares of AWC
“Purchased Share(s)”	: AWC Share(s) purchased pursuant to the Proposed Share Buy-Back
“Record of Depositors”	: A record consisting of names of depositors provided by Bursa Depository under the Rules of Bursa Depository
“RM” and “sen”	: Ringgit Malaysia and sen, respectively
“Statement”	: The share buy-back statement dated 29 October 2019 in relation to the Proposed Share Buy-Back
“Treasury shares”	: Has the meaning given in Section 127 of the Act

References to “we”, “us”, “our” and “ourselves” mean our Company, or where the context otherwise requires, our Group.

All references to “you” in this Statement mean the shareholders of our Company.

Words denoting the singular shall, where applicable, include the plural and vice versa. Words denoting the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include corporations, unless otherwise specified.

Any reference in this Statement to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of a day in this Statement shall be a reference to Malaysian time, unless otherwise specified.

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## **AWC BERHAD**

[Registration No. 200101014341(550098-A)]  
(Incorporated in Malaysia)

**Registered Office:**

Third Floor, No. 77, 79 & 81  
Jalan SS 21/60  
Damansara Utama  
47400 Petaling Jaya  
Selangor Darul Ehsan

29 October 2019

**Board of Directors:**

Dato' Nik Mod Amin Bin Nik Abd Majid (*Independent Non-Executive Chairman*)

Dato' Ahmad Kabeer Bin Mohamed Nagoor (*Group Chief Executive Officer/President*)

Yang Mulia Tunku Puan Sri Dato' Hajjah Noor Hayati Binti Tunku Abdul Rahman Putra Al-Haj (*Independent Non-Executive Director*)

Dato' Ahri Bin Hashim (*Independent Non-Executive Director*)

Sureson A/L Krisnasamy (*Independent Non-Executive Director*)

**To: The Shareholders of AWC**

Dear Sir/Madam,

**PROPOSED SHARE BUY-BACK OF UP TO 10% OF THE TOTAL NUMBER OF ISSUED SHARES OF AWC**

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**1. INTRODUCTION**

On 16 October 2019, the Board announced the Company's intention to seek the approval of the shareholders of AWC for the Proposed Share Buy-Back at the forthcoming 18<sup>th</sup> AGM to be convened on 28 November 2019.

**THE PURPOSE OF THIS STATEMENT IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSED SHARE BUY-BACK, TOGETHER WITH THE RECOMMENDATION OF THE BOARD TO SEEK YOUR APPROVAL FOR THE RESOLUTION PERTAINING TO THE PROPOSED SHARE BUY-BACK TO BE TABLED AT THE FORTHCOMING 18<sup>TH</sup> AGM. THE NOTICE OF THE FORTHCOMING 18<sup>TH</sup> AGM AND THE PROXY FORM ARE ENCLOSED IN THE ANNUAL REPORT 2019, WHICH IS DESPATCHED TOGETHER WITH THIS STATEMENT.**

**SHAREHOLDERS OF AWC ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS STATEMENT TOGETHER WITH THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED SHARE BUY-BACK TO BE TABLED AT THE FORTHCOMING 18<sup>TH</sup> AGM.**

## **2. DETAILS OF THE PROPOSED SHARE BUY-BACK**

The Board proposes to seek the approval from the shareholders for the authority to purchase the Company's own shares of up to 10% of the total number of issued shares of the Company.

The Proposed Share Buy-Back is subject to compliance with the Act, the Listing Requirements, any prevailing laws and/or any other relevant authorities at the time of purchase.

Pursuant to Paragraph 12.07(3) of the Listing Requirements, the approval from the shareholders for the Proposed Share Buy-Back would be effective immediately upon the passing of the ordinary resolution for the Proposed Share Buy-Back at the forthcoming AGM to be convened and shall be valid until: -

- i. the conclusion of the next AGM of the Company following the general meeting at which this resolution was passed, at which time will lapse, unless by an ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or
- ii. the expiration of the period within the next AGM of the Company after the date it is required by law to be held; or
- iii. revoked or varied by ordinary resolution passed by the shareholders at a general meeting of the Company,

whichever occurs first.

### **2.1 Maximum number or percentage of AWC Shares to be acquired**

The Board proposes to seek a mandate from the shareholders to purchase and/or hold in aggregate up to 10% of the total issued shares of AWC through Bursa Securities.

The maximum aggregate number of AWC Shares, which may be purchased by the Company, shall not exceed 10% of the total number of issued shares in our Company at any point in time subject to compliance with the provision of the Act, the Listing Requirements and/or any other relevant authorities.

Based on the issued shares of AWC of 296,526,881 AWC Shares as at the LPD, AWC may buy-back up to 29,652,688 AWC Shares (inclusive of the Purchased Shares that have been bought back to date), representing up to 10% of its issued shares as at the LPD.

The actual number of AWC Shares to be purchased and the timing of such purchase will depend on, amongst others, market conditions and sentiments, as well as the retained earnings and financial resources of the Company at the time of the purchase(s).

### **2.2 Funding**

The Proposed Share Buy-Back may be funded through internally-generated funds and/or external borrowings as long as the purchase is backed by an equivalent amount of retained profits of our Company. As at the LPD, we have not determined the source of funding for the Proposed Share Buy-Back.

The actual amount of funds to be utilised for the Proposed Share Buy-Back will only be determined later depending on the actual number of AWC Shares to be purchased, the availability of funds at the time of purchase(s) and other relevant cost factors.

The maximum amount of funds to be allocated for the Proposed Share Buy-Back shall not exceed the retained profits of our Company. Based on our Company's latest audited consolidated financial statements for the FYE 30 June 2018 and the latest unaudited consolidated financial statements for the FYE 30 June 2019, the retained profits of the Company are approximately RM5,637,421 and RM6,116,520.

The Proposed Share Buy-Back, if funded through internally-generated funds, is not expected to have a material impact on the cash flow position of our Company. In the event the Proposed Share Buy-Back is to be financed by bank borrowings, our Company will ensure our capabilities of repaying such borrowings and that such repayment will not have a material effect on our cash flow position. In addition, the Board will ensure that our Company satisfies the solvency test as stated in Section 112(2) of the Act before execution of the Proposed Share Buy-Back.

## **2.3 Pricing**

Pursuant to Paragraph 12.1 of the Listing Requirements, our Company may only purchase AWC shares on Bursa Securities at a price which is not more than 15% above the weighted average market price ("**WAMP**") of AWC Shares for the five (5) market days immediately before the date of purchase(s).

In addition, pursuant to Paragraph 12.18 of the Listing Requirements, in the case of a resale or transfer of treasury shares, our Company may only resell treasury shares on Bursa Securities or transfer treasury shares pursuant to Section 127(7) of the Act, at: -

- a) a price which is not less than the WAMP of AWC Shares for the five (5) Market Days immediately before the resale; or
- b) a discounted price of not more than five per cent (5%) to the WAMP of AWC Shares for the five (5) Market Days immediately before the resale or transfer provided that:
  - i) the resale or transfer takes place not earlier than thirty (30) days from the date of purchase; and
  - ii) the resale or transfer price is not less than the cost of purchase of AWC Shares being resold or transferred.

## **2.4 Treatment of Purchased Shares**

In accordance with Section 127(4) of the Act, our Directors may deal with the Purchased Shares, at their discretion, in the following manner: -

- a) cancel the Purchased Shares; or
- b) retain the Purchased Shares as treasury shares; or
- c) retain part of the Purchased Shares as treasury shares and cancel the remainder.

Accordingly, based on Section 127(7) of the Act, where such Purchased Shares are held as treasury shares, our Directors may, at their discretion: -

- a) distribute the Purchased Shares as dividends to shareholders, such dividends to be known as "shares dividends"; or
- b) resell the Purchased Shares or any of the Purchased Shares in accordance with the relevant rules of Bursa Securities; or
- c) transfer the Purchased Shares or any of the Purchased Shares for the purpose of or under an employees' share scheme; or
- d) transfer the Purchased Shares or any of the Purchased Shares as purchase consideration; or
- e) cancel the Purchased Shares or any of the Purchased Shares; or
- f) sell, transfer or otherwise use the Purchase Shares for such other purposes as the Minister may by order prescribe; and/or

- g) in any other manner as may be prescribed by the Act, rules, regulations and order made pursuant to the Act and the requirements of Bursa Securities, and/or any other relevant authority for the time being in force.

In the event the Purchased Shares are held as treasury shares, the rights attaching to them as to voting, dividends and participation in other distributions or otherwise, will be suspended and the treasury shares will not be taken into account in calculating the number of percentage of Shares, or of a class of shares in our Company for any purpose including substantial shareholdings, take-overs, notices, requisitioning of meetings, quorum for a meeting and result of a vote on resolution(s) at a meeting.

An immediate announcement will be made to Bursa Securities in respect of the intention of our Directors to either resell the Purchased Shares or cancel them.

### **3. RATIONALE FOR THE PROPOSED SHARE BUY-BACK**

The Proposed Share Buy-Back, if implemented, will enable AWC to utilise any of its surplus financial resources, which is not immediately required for other uses, to purchase its own Shares from the open market. The Company will be able to purchase its own Shares when the Shares are being traded at values that are below what the Board believes to be their intrinsic value. This will enable the prices of AWC Shares traded on the Main Market of the Bursa Securities to be stabilised and therefore better reflect its fundamentals.

If the AWC Shares purchased are subsequently cancelled, the Proposed Share Buy-Back may strengthen the EPS of AWC. Consequently, long-term and genuine investors are expected to enjoy a corresponding increase in the value of their investments in the Company.

The Purchased Shares can also be held as treasury shares and resold on Bursa Securities at a higher price with the intention of realising a potential gain without affecting the total number of issued shares of the Company. Should any treasury shares be distributed as share dividends, this would serve to reward the shareholders of the Company.

The Proposed Share Buy-Back is not expected to have any potential material disadvantage to the Company and its shareholders, and it will be exercised only after due consideration of the financial resources of AWC Group, and of the resultant impact on the shareholders of the Company. The Board in exercising any decision to buy-back any AWC Shares will be mindful of the interests of AWC and its shareholders.

### **4. POTENTIAL ADVANTAGES AND DISADVANTAGES OF THE PROPOSED SHARE BUY-BACK**

The potential advantages of the Proposed Share Buy-Back to the Company and its shareholders are as follows: -

- a. allows the Company to take preventive measures against speculation particularly when its shares are undervalued, which would in turn, stabilise its market price and hence, enhance investors' confidence;
- b. allows the Company the flexibility in achieving the desired capital structure, in terms of debt and equity composition and size of equity;
- c. the Company may distribute any shares held as treasury shares as share dividends to reward the shareholders of the Company; and
- d. the Company may realise potential gains from the resale of the treasury shares, if the Purchased Shares which are retained as treasury shares are resold at a higher price.

The potential disadvantages of the Proposed Share Buy-Back to the Company and its shareholders are as follows: -

- i. the Proposed Share Buy-Back will reduce the financial resources of AWC and may result in the Group foregoing other investment opportunities that may emerge in the future; and
- ii. as the Proposed Share Buy-Back can only be made out of retained earnings of the Company, it may result in the reduction of financial resources available for distribution to shareholders in the immediate future.

However, these disadvantages are mitigated by the prospect that the financial capacity of our Group may increase, if the Purchased Shares held as treasury shares are resold at higher price than their purchase price.

The Board, in exercising any decision on the purchase of AWC Shares pursuant to the Proposed Share Buy-Back and any subsequent resale of treasury shares on the Bursa Securities, will be mindful of the interest of the Company and its shareholders.

## 5 FINANCIAL EFFECTS OF THE PROPOSED SHARE BUY-BACK

### 5.1 Issued Share Capital

The effect of the Proposed Share Buy-Back on the issued share capital of the Company will depend on whether the Purchased Shares are cancelled or retained as treasury shares.

The Proposed Share Buy-Back will however, result in the reduction of the issued share capital of the Company if the Purchased Shares are cancelled. Based on the issued share capital of the Company as at LPD, and assuming that the maximum number of AWC Shares (of up to ten per centum (10%) of the total number of issued shares) authorised under the Proposed Share Buy-Back are purchased and cancelled, the effect of the Proposed Share Buy-Back is set out as follows:

	<b>No. of Shares</b>
Issued share capital as at LPD	296,526,881
Maximum number of purchased shares cancelled	(29,652,688)
<b>Resultant total number of issued shares</b>	<b>266,874,193</b>

On the other hand, if AWC Shares purchased are retained as treasury shares, resold or distributed to its shareholders, the Proposed Share Buy-Back will have no effect on the total number of issued shares of AWC.

### 5.2 EPS

Where the Shares so purchased are cancelled, the EPS of the Group will increase. However, the increase in EPS will be affected to the extent of the reduction of the interest income arising from the funds utilised for the Purchased Shares or any increase in the interest expense arising from borrowings to fund the purchase. In the event that the Purchased Shares are treated as treasury shares and subsequently sold, the EPS of the Group will increase where the treasury shares are sold at prices above the purchase price and also due to any resultant increase in interest income of the Group.

### 5.3 NA and Working Capital

The effects of the Proposed Share Buy-Back on the NA of the Group will depend on the number of Shares purchase, the purchase price for such AWC Shares and whether the Purchased Shares are cancelled or retained as treasury shares.

If the Purchased Shares are kept as treasury shares, the NA per Share will decrease, unless the cost per Share of the treasury shares purchased is below the NA per Share at the relevant point in time. This is because the treasury shares, which are required to be carried at cost, must be offset against equity and therefore would result in a decrease in NA of the Company.

Similarly, if the Purchased Shares are cancelled as provided under the Act, the NA per Share of the AWC Group will decrease, unless the cost per Share of the Purchased Shares is below the NA per Share at the relevant point in time.

In the case where the Purchased Shares are treated as treasury shares and subsequently resold on Bursa Securities, the NA per Share of the AWC Group will increase if the Company realises a gain from the resale, and vice-versa. If the treasury shares are distributed as share dividends, the NA of the AWC Group will decrease accordingly by the cost of the treasury shares.

The implementation of the Proposed Share Buy-Back is likely to reduce the working capital of the Group, the quantum of which will depend on the purchase price of the Shares, the actual number of Shares bought back and any associated costs incurred in making the purchase.

For Shares so purchased which are kept as treasury shares, upon its resale, the working capital of the Company will increase. Again, the quantum of the increase in the working capital will depend on the actual selling price of the treasury shares and the number of treasury shares resold.

#### **5.4 Dividends**

The Proposed Share Buy-Back is not expected to have any impact on the dividend policy of the Board in recommending dividends, if any, to shareholders of AWC. However, as stated herein above, the Board may distribute future dividends in the form of the treasury shares purchased pursuant to the Proposed Share Buy-Back.

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## 5.5

### Directors' and Substantial Shareholders' Shareholdings

Based on the Register of Directors' Shareholdings and Register of Substantial Shareholders as at LPD and assuming that the maximum number of AWC Shares (of up to ten per centum (10%) of the total number issued shares) authorised under the Proposed Share Buy-Back are purchased from shareholders other than the existing substantial shareholders of AWC, and all such shares purchased are cancelled or retained as treasury shares, the effect of the Proposed Share Buy-Back on the shareholdings of the existing Directors and substantial shareholders of AWC are set out below:

	As at LPD*			After the Proposed Share Buy-Back			
	Direct		Indirect	Direct		Indirect	%
	No. of Shares	%		No. of Shares	%		
<b><u>Directors</u></b>							
Dato' Ahmad Kabeer Bin Mohamed Nagoor	16,775,000	5.72	83,000,000 <sup>(1)</sup>	16,775,000	6.29	83,000,000 <sup>(1)</sup>	31.10
Dato' Nik Mod Amin Bin Nik Abd Majid	400,000	0.14	-	400,000	0.15	-	-
Yang Mulia Tunku Puan Sri Dato' Hajjah Noor Hayati Binti Tunku Abdul Rahman Putra Al-Haj	100,000	0.03	-	100,000	0.04	-	-
Dato' Ahri Bin Hashim	-	-	-	-	-	-	-
Sureson A/L Krisnasamy	-	-	-	-	-	-	-
<b><u>Substantial Shareholders</u></b>							
K-Capital Sdn. Bhd.	83,000,000	28.31	-	83,000,000	31.10	-	-
Dato' Ahmad Kabeer bin Mohamed Nagoor	16,775,000	5.72	83,000,000 <sup>(1)</sup>	16,775,000	6.29	83,000,000 <sup>(1)</sup>	31.10

Notes:

\* Excluding 3,326,800 treasury shares held by AWC as at LPD.

(1) Deemed interested by virtue of his interest in K-Capital Sdn. Bhd.

Save for the resulting increase in percentage shareholdings as a consequence of the Proposed Share Buy-Back, none of the Directors or substantial shareholders or persons connected to them has any interest, direct or indirect, in the Proposed Share Buy-Back or the resale of treasury shares, if any.



## 6. PUBLIC SHAREHOLDING SPREAD

The Proposed Share Buy-Back will be carried out in accordance with the prevailing laws at the time of the purchase including compliance with the 25% shareholding spread as required under Paragraph 8.02(1) of the Listing Requirements.

As at LPD, the Record of Depositors of AWC showed 181,059,036 Shares, representing 61.75% of its total number of issued shares were held by the public shareholders. The Company will endeavour to ensure that the Proposed Share Buy-Back will not breach Paragraph 12.14 of the Listing Requirements, which states that a listed corporation must not purchase its own shares on Bursa Securities if that purchase(s) will result in the listed corporation being in breach of the public shareholding spread requirements as set out under Paragraph 8.02(1) of the Listing Requirements.

## 7. PURCHASES AND RESALE OF AWC SHARES MADE IN THE PREVIOUS TWELVE (12) MONTHS

The Company does not have an existing authority to purchase its Shares for the previous twelve (12) months. Hence, no shares were purchased, resold, transferred and/or cancelled by the Company during the last twelve (12) months preceding the LPD. As at the date of this Statement, a total of 3,326,800 Shares were held by the Company as treasury shares.

## 8. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of AWC shares as traded on Bursa Securities for the past twelve (12) months are as follows: -

	High RM	Low RM
<b><u>2018</u></b>		
October	0.920	0.740
November	0.845	0.755
December	0.810	0.650
<b><u>2019</u></b>		
January	0.710	0.620
February	0.780	0.670
March	0.810	0.725
April	0.795	0.720
May	0.785	0.690
June	0.755	0.690
July	0.745	0.700
August	0.715	0.580
September	0.630	0.590

(Source: investing.com)

The last transacted price of AWC Shares as at the LPD prior to the printing of this Statement was RM0.615 per Share.

## 9. IMPLICATIONS OF THE CODE

A person and any person acting in concert with him will be obliged to make a mandatory general offer under Part III and subparagraph 10.1 of Practice Note 9 of the Code for the remaining ordinary shares of the Company not already owned by him/them if as a result of the Proposed Share Buy-Back:

- a. a person obtains control in the Company;

- b. a person (holding more than 33% but not more than 50% of the voting shares or voting rights of a company) increases his holding of the voting shares or voting rights of the Company by more than 2% in any six (6)-month period; or
- c. a person (holding more than 33% but not more than 50% of the voting shares or voting rights of a company) acquires more than 2% of the voting shares or voting rights of the Company when he knows or reasonably ought to know that the Company would carry out a share buy-back scheme.

As it is not intended for the Proposed Share Buy-Back to trigger the obligation to undertake a mandatory general offer under the Code by any of our Company's substantial shareholders and/or persons acting in concert with them, the Board will ensure that such number of Shares are purchased, retained as treasury shares, cancelled or distributed such that the Proposed Share Buy-Back would not result in the triggering of any mandatory offer obligation on the part of our Company's substantial shareholders and/or persons acting in concert with them. In this connection, the Board is mindful of the requirements when making any purchase of our Shares pursuant to the Proposed Share Buy-Back.

#### **10. APPROVAL REQUIRED**

The Proposed Share Buy-Back is subject to and conditional upon the approval of AWC's shareholders at the forthcoming 18<sup>th</sup> AGM of the Company.

The Proposed Share Buy-Back is not conditional or inter-conditional upon any other corporate proposal undertaken or to be undertaken by the Company.

#### **11. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM**

Save for the proportionate increase in the percentage shareholdings and/or voting rights of the shareholdings as a consequence of the Proposed Share Buy-Back, none of the Directors, substantial shareholders of AWC, and/or person connected to them, as defined in the Listing Requirements, have any interest, whether directly or indirectly, in the Proposed Share Buy-Back.

#### **12. DIRECTORS' STATEMENT**

The Board of AWC, having considered all aspects of the Proposed Share Buy-Back, is of the opinion that the Proposed Share Buy-Back is in the best interest of the Company.

#### **13. DIRECTORS' RECOMMENDATION**

The Board recommends that you vote in favour of the ordinary resolution pertaining to the Proposed Share Buy-Back to be tabled at the forthcoming 18<sup>th</sup> AGM of the Company.

#### **14. 18<sup>TH</sup> AGM**

The ordinary resolution pertaining to the Proposed Share Buy-Back is set out in the Notice of the 18<sup>th</sup> AGM in the 2019 Annual Report. An extract of the same is in the attached **Appendix II** of this Statement.

The 18<sup>th</sup> AGM will be held at Ballroom 1, Tropicana Golf and Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Thursday, 28 November 2019 at 10:00 a.m. The Notice of the 18<sup>th</sup> AGM, together with the Proxy Form, are set out in the Annual Report 2019, which is despatched together with this Statement.

A member entitled to attend and vote at the 18<sup>th</sup> AGM is entitled to appoint more than one (1) proxy to attend and vote on his behalf. If you intend to appoint a proxy to attend and vote at the 18<sup>th</sup> AGM on your behalf, the Proxy Form must be completed and deposited at the Share Registrar of the Company situated at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, not less than forty-eight (48) hours before the time for holding the AGM or adjourned AGM at which the person named in the instrument proposes to vote.

**15. FURTHER INFORMATION**

Shareholders are requested to refer to the attached **Appendix I** of this Statement for further information.

Yours faithfully  
for and on behalf of the Board of  
**AWC BERHAD**

**DATO' NIK MOD AMIN BIN NIK ABD MAJID**  
Independent Non-Executive Chairman

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**FURTHER INFORMATION**

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**1. DIRECTORS' RESPONSIBILITY STATEMENT**

This Statement has been seen and approved by the Directors of AWC and they collectively and individually, accept full responsibility for the accuracy of the information contained in this Statement and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

**2. DOCUMENTS AVAILABLE FOR INSPECTION**

The following documents are available for inspection at the Registered Office of the Company at Third Floor, No. 77, 79 and 81, Jalan SS 21/60, Damansara Utama, 47400 Petaling Jaya, Selangor Darul Ehsan, during normal business hours from Monday to Friday (except for Public Holiday) from the date of this Statement up to and including the date of the forthcoming AGM:

- (a) Constitution of the Company; and
- (b) Audited financial statements of AWC for the past two (2) financial years ended 30 June 2018 and 30 June 2019.

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## AWC BERHAD

[Registration No. 200101014341(550098-A)]  
(Incorporated in Malaysia)

### EXTRACT OF THE NOTICE OF EIGHTEENTH ("18<sup>TH</sup>") ANNUAL GENERAL MEETING ("AGM")

#### ORDINARY RESOLUTION 8

#### PROPOSED SHARE BUY-BACK OF UP TO 10% OF THE TOTAL NUMBER OF ISSUED SHARES OF THE COMPANY ("PROPOSED SHARE BUY-BACK")

"THAT, subject to the provisions of the Companies Act 2016 ("Act"), the provisions of the Constitution of the Company, the Main Market Listing Requirements of Bursa Securities and all prevailing laws, rules, regulations, orders, guidelines and requirements for the time being in force, approval and authority be and are hereby given to the Directors of the Company ("Directors"), to the extent permitted by law, to purchase such number of AWC Shares as may be determined by the Directors from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit, necessary and expedient in the best interest of the Company, provided that:

- (i) the maximum aggregate number of AWC Shares, which may be purchased by the Company, shall not exceed 10% of the total number of issued shares in the Company at any point in time subject to compliance with the provision of the Act, the Main Market Listing Requirements of Bursa Securities and/or any other relevant authorities;
- (ii) the maximum amount of funds to be allocated for the Proposed Share Buy-Back shall not exceed the retained profits of the Company; and
- (iii) the authority conferred by this resolution shall be effective immediately after the passing of this resolution and shall continue to be in force until:
  - (a) the conclusion of the next AGM of AWC following the general meeting at which the ordinary resolution for the Proposed Share Buy-Back is passed, at which time shall lapse, unless the authority is renewed by a resolution passed at the next AGM; or
  - (b) the expiration of the period within the next AGM is required by law to be held; or
  - (c) revoked or varied by ordinary resolution passed by the shareholder of the Company at a general meeting,

whichever occurs first;

THAT the Directors be and are hereby authorised to deal with the AWC Share(s) purchased under the Proposed Share Buy-Back ("Purchased Shares"), at their discretion, in the following manner:

- (i) cancel the Purchased Shares; or
- (ii) retain the Purchased Shares as treasury shares; or
- (iii) retain part of the Purchased Shares as treasury shares and cancel the remainder;

THAT where such Purchased Shares are held as treasury shares, the Directors be and are hereby authorised to deal with the treasury shares in their absolute discretion, in the following manner:

- (i) distribute the Purchased Shares as dividends to shareholders, such dividends to be known as "shares dividends"; or
- (ii) resell the Purchased Shares or any of the Purchased Shares in accordance with the relevant rules of Bursa Securities; or
- (iii) transfer the Purchased Shares or any of the Purchased Shares for the purpose of or under an employees' share scheme; or
- (iv) transfer the Purchased Shares or any of the Purchased Shares as purchase consideration; or
- (v) cancel the Purchased Shares or any of the Purchased Shares; or
- (vi) sell, transfer or otherwise use the Purchase Shares for such other purposes as the Minister may by order prescribe; and/or
- (vii) in any other manner as may be prescribed by the Act, rules, regulations and order made pursuant to the Act and the requirements of Bursa Securities, and/or any other relevant authority for the time being in force;

AND THAT the Directors be and are hereby authorised and empowered to do all acts and things and to take all such steps as necessary or expedient (including opening and maintaining a Central Depository System account) and to enter into and execute, on behalf of the Company, any instrument, agreement and/or arrangement with any person, and with full power to assent to any condition, modification, variation and/or amendment as may be imposed by Bursa Securities or any relevant regulatory authority, and/or as may be required in the best interest of the Company and to take all such steps as the Directors may deem fit, necessary and expedient in the best interest of the Company in order to implement, finalise and give full effect to the purchase by the Company of its Shares."

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