



(Registration No. 200901020166 (863263-D))

ANNUAL  
REPORT  
2019





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## CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Gan Kok Ten**

*Executive Chairman and  
Chief Financial Officer*

**Nasaruddin Bin Mohamed Ali**

*Executive Director and  
Chief Executive Officer*

**Omar Bin Mohamed Said**

*Non-Independent  
Non-Executive Director*

**Chan Bee Eie**

*Non-Independent  
Non-Executive Director*

**Azhar Bin Mohamad**

*Senior Independent  
Non-Executive Director*

**Tam Juat Hong**

*Independent  
Non-Executive Director*

**AUDIT COMMITTEE****Tam Juat Hong**

*Chairman*

**Azhar Bin Mohamad**

*Member*

**Chan Bee Eie**

*Member*

**REMUNERATION COMMITTEE****Chan Bee Eie**

*Chairperson*

**Omar Bin Mohamed Said**

*Member*

**Azhar Bin Mohamad**

*Member*

**NOMINATION COMMITTEE****Azhar Bin Mohamad**

*Chairman*

**Chan Bee Eie**

*Member*

**Tam Juat Hong**

*Member*

**RISK MANAGEMENT COMMITTEE****Gan Kok Ten**

*Chairman*

**Nasaruddin Bin Mohamed Ali**

*Member*

**Omar Bin Mohamed Said**

*Member*

**Tam Juat Hong**

*Member*

**COMPANY SECRETARIES****Tai Yit Chan**

SSM Practicing Certificate No:  
202008001023  
MAICSA 7009143

**Chan Yoke Peng**

SSM Practicing Certificate No:  
202008001791  
MAICSA 7053966

**REGISTERED OFFICE**

12<sup>th</sup> Floor, Menara Symphony  
No. 5, Jalan Prof. Khoo Kay Kim  
Seksyen 13  
46200 Petaling Jaya  
Selangor Darul Ehsan  
☎ (03) 7890 4800  
☎ (03) 7890 4650

**HEAD OFFICE**

39-5, Jalan PJU 1/41, Block D1  
Dataran Prima  
47301 Petaling Jaya  
Selangor Darul Ehsan  
☎ (03) 7805 5592  
☎ (03) 7804 7801  
✉ info@turbo-mech.com  
🌐 http://www.turbomech.com.my

**SHARE REGISTRAR****Boardroom Share Registrars Sdn. Bhd.**

11<sup>th</sup> Floor, Menara Symphony  
No. 5, Jalan Prof. Khoo Kay Kim  
Seksyen 13  
46200 Petaling Jaya  
Selangor Darul Ehsan  
☎ (03) 7890 4700  
☎ (03) 7890 4670

**AUDITORS**

**Ernst & Young PLT 202006000003**  
(LLP0022760-LCA) & AF 0039  
Chartered Accountants  
Level 23A, Menara Milenium  
Jalan Damanlela  
Pusat Bandar Damansara  
50490 Kuala Lumpur

**SOLICITOR****Azman Davidson & Co.**

Suite 13.03, 13<sup>th</sup> Floor  
Menara Tan & Tan  
207 Jalan Tun Razak  
50400 Kuala Lumpur  
☎ (03) 2164 0200  
☎ (03) 2164 0280

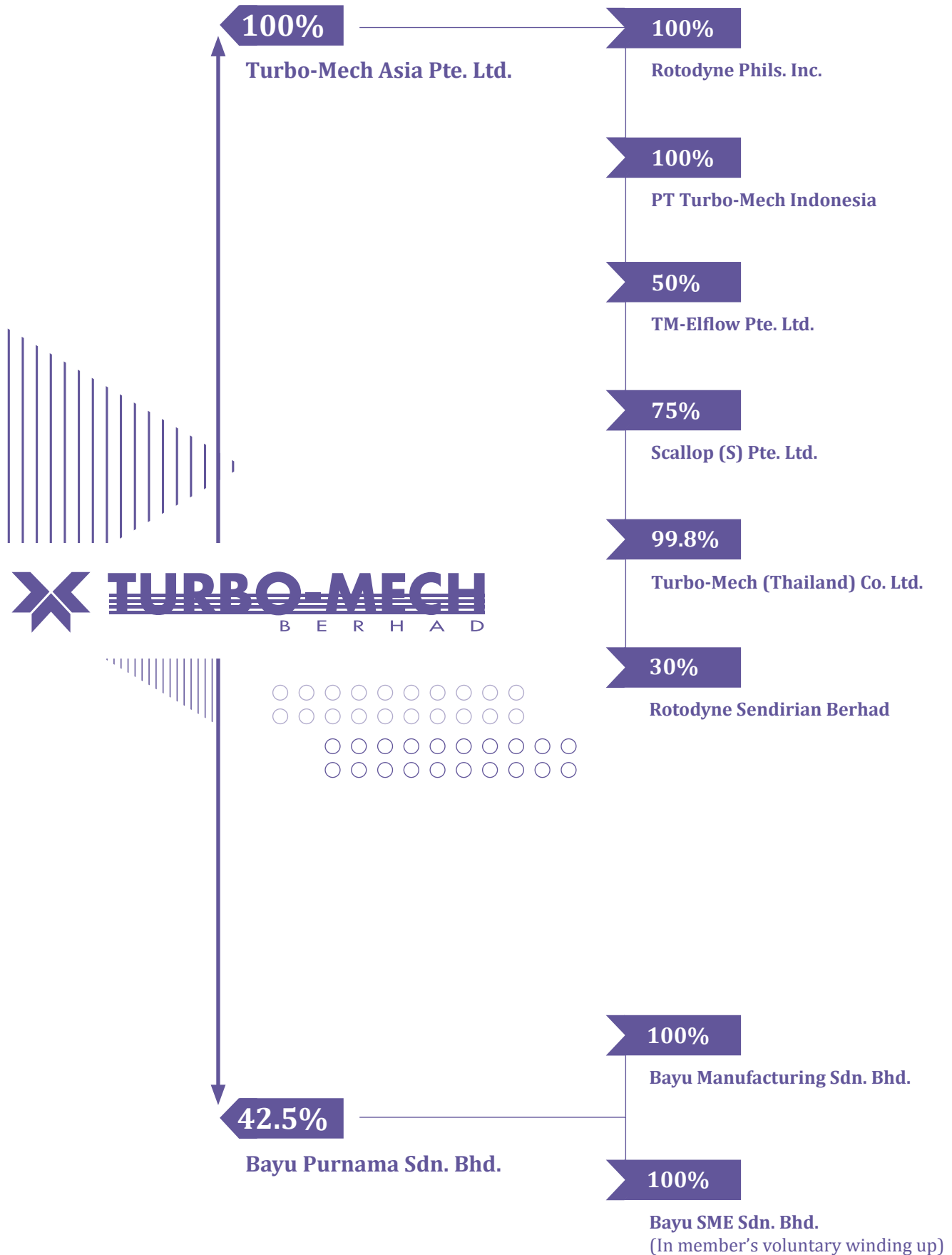
**PRINCIPAL BANKER**

Citibank Berhad

**STOCK EXCHANGE LISTING**

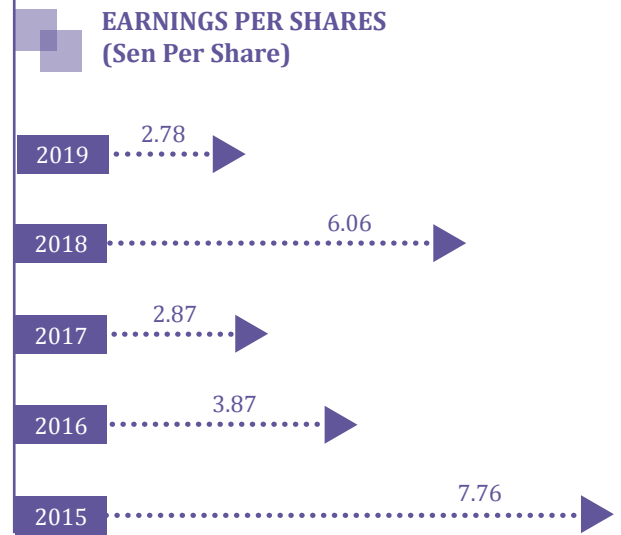
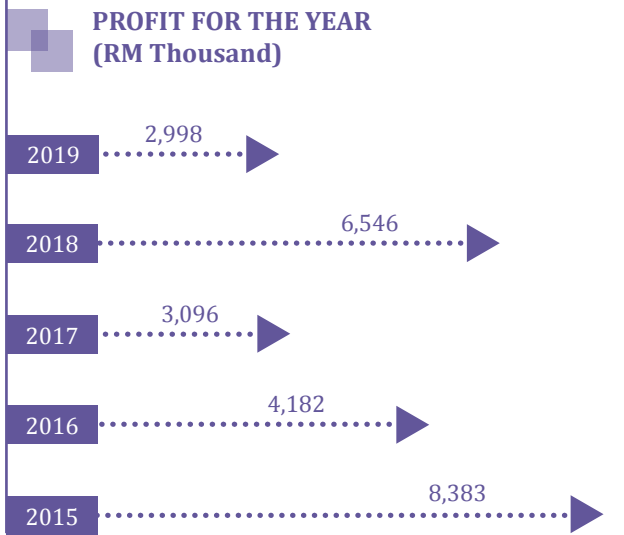
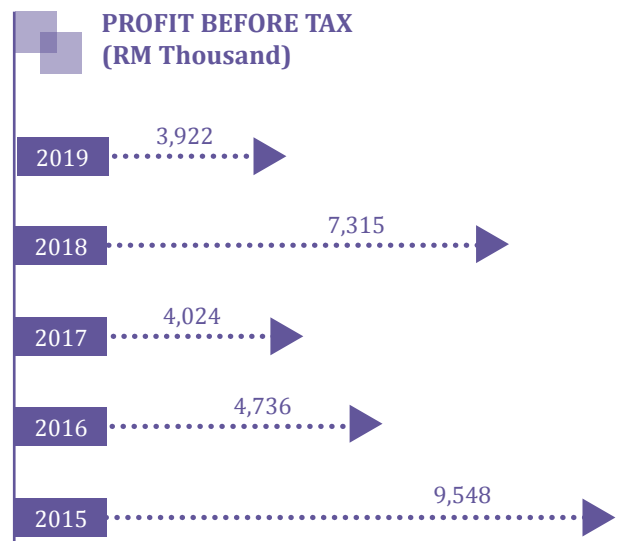
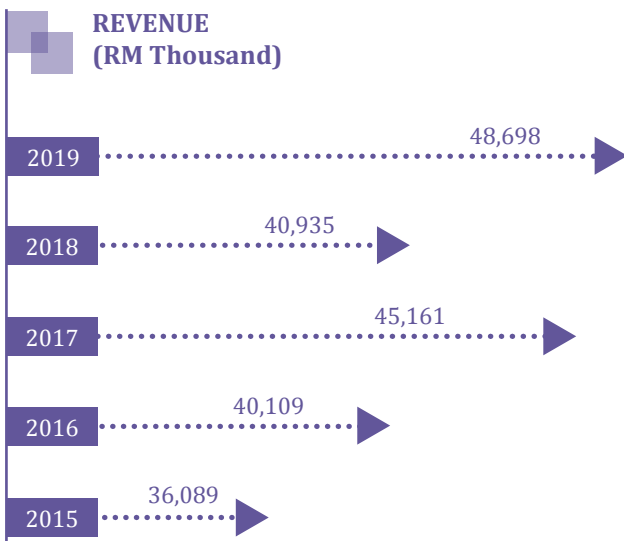
Main Market of  
Bursa Malaysia Securities Berhad  
Sector : **Trading/Service Sector**  
Stock Name : **TURBO**  
Stock Code : **5167**

## CORPORATE STRUCTURE



## FINANCIAL HIGHLIGHTS

	FY 2019 RM	FY 2018 RM	FY 2017 RM	FY 2016 RM	FY 2015 RM
Revenue	<b>48,697,881</b>	40,935,379	45,160,549	40,108,623	36,088,790
Profit before tax	<b>3,921,811</b>	7,315,396	4,023,972	4,735,842	9,548,173
Profit for the year attributable to owners of the parent	<b>2,997,623</b>	6,546,255	3,095,829	4,182,080	8,382,607
Earnings per shares attributable to owners of the parent (sen per share)	<b>2.78</b>	6.06	2.87	3.87	7.76



## MANAGEMENT DISCUSSION AND ANALYSIS

### OVERVIEW OF BUSINESS & OPERATIONS

Turbo-Mech Berhad (“the Group”) is the investment holding company for a group of companies engaged in the sale of rotating equipment and spare parts as well as providing maintenance and overhaul services for rotating equipment. The types of rotating equipment currently marketed by our Group are pumps, compressor and turbines. The Group’s operation covers the South East Asia region, and can be segmented into Malaysia, Singapore, Indonesia, Philippines, Thailand and others countries. The Singapore segment which includes the operation results from Vietnam branch office is the major contributor to the Group’s revenue. Meanwhile the Group has presence in Malaysia and Brunei through its associated company.

### OVERVIEW OF GROUP OBJECTIVES AND STRATEGIES

Our Group is strategically positioned in between the equipment manufacturers and the end users in the value chain with focus in oil and gas, petrochemical and chemical industries. The equipment manufacturers who are our principals, offers a range of products that are API Standards compliance.

Our wide network that covers a number of countries in South East Asia enables us to be logistically close to customers and have the abilities and capabilities to fulfil our customers’ needs.

We will continue to maintain a lean organisation and flexible culture in order to be responsive to the markets’ requirement. Our staff turnover is low and we maintain an excellent relationship with our customers as well as our principals. We believe our close geographical proximities will be of advantage to respond to the customers need effectively.

## REVIEW OF FINANCIAL RESULTS

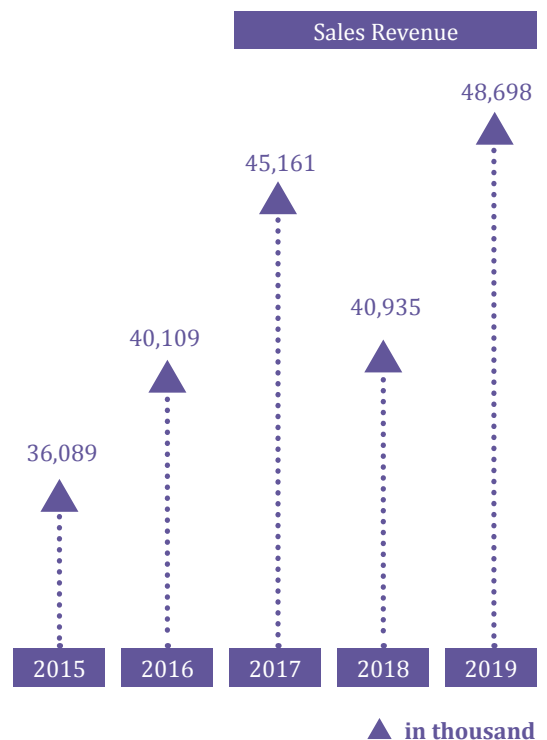
### Revenue

In 2019, the Group recorded RM48.7 million in revenue, improved by 19% compared to the results of RM40.9 million in 2018.

The average Brent crude oil price in year 2018 was USD72 per barrel and it has slowly go down to average USD64 per barrel in year 2019. The persistence volatile and lower oil price in past few years has damaged the oil and gas industry. The industry has underwent structural changes, customers remain cautious in capital expenditures and operating costs, leading to overcapacity in the industry and eventually lead to companies are more aggressive in term of pricing. Adaptation to this new norm is crucial for the Group; we have remained resilient in such complex market environment and able to improve our revenue in last few quarters.

A part of revenue breakdown indicates continuous demand for local manpower technical support for on-site and off-site activities. To accommodate and prepare for the current and future needs of our customers and requirements, we have sustaining the provision of these services through continued training and development. The emphasis will be on training and developing manpower with multi-skilled competencies, continued focus on cost-saving measures ensuring optimum consumption and allocation of resources and close monitoring of overall performance and effectiveness.

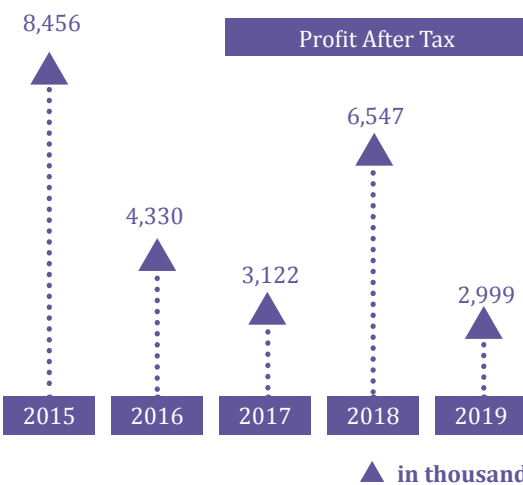
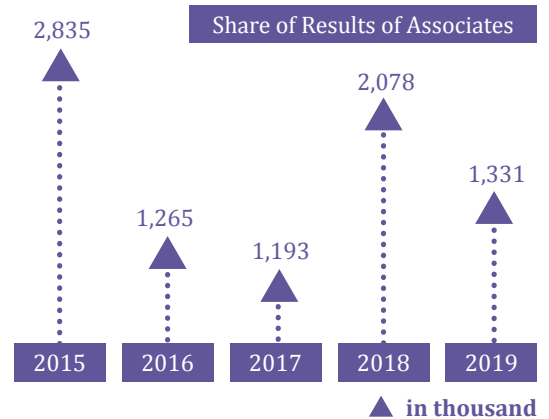
We have posted a year of growth in terms of revenue. It showed that we are a trusted partner to our customers and this in turn facilitate the creation of a long term sustainable partnership. Overall, we made modest progress in line with the overall recovery in the oil and gas industry. Our business saw some pick up during the second half of the year. We saw more activities during these period and we are hopeful the positive momentum will carry through to 2020.



## Management Discussion and Analysis

### Share of result of associates

The shares of net profit from the associated companies decrease by 36% to RM0.7 million from RM2.08 million in the previous year. Bayu Purnama Sdn Bhd being the main contributor of associates result has pulled through a very difficult year in 2019 to emerge still profitable. Petronas, being the largest Oil and Gas Company in Malaysia has experienced continued volatility, and in response to the deteriorating market environment as a result of price downcycle, Petronas has introduced a series of sequential steps to face the difficult periods. Such structural change and vigilant strategy adopt by Petronas has adversely affect financial contributions from our associate company in Malaysia.



### Profit after Tax

The Group has pulled through a very difficult year in 2019 to emerge still profitable and has recorded net profit after tax of RM3.0 million, which represents 6% net profit margin as compared with 16% net profit margin in previous financial year. The decrease in net profit margin was mainly due to our customers carrying out repeated reviews of quotation price in pump and parts replacement. The vigilant spending behaviour by customers have a dampening effect on the potential earnings from scheduled maintenance, retrofit projects and other after-sales activities as well. The decrease in margin is also partially due to increased depreciation charges, unrealised losses in foreign exchanges and generally increases in other operating expenses.

### Attributable Net Profit

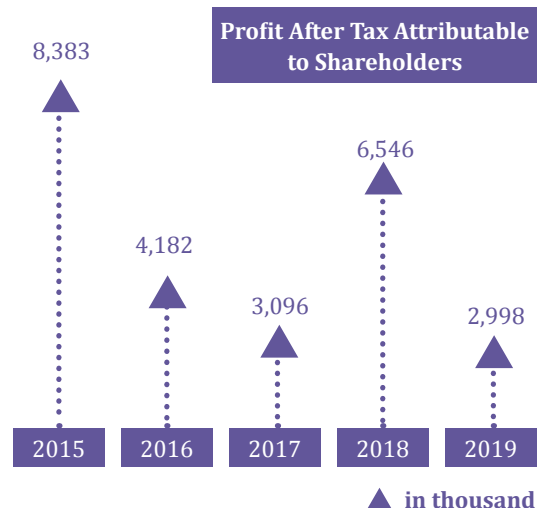
The Group's net profit attributable to shareholders was amounting at RM3.0 million in the financial year, as compared to the previous financial year of RM6.5 million. As a result, the Group's earnings per share stood at 2.78 sen compared to 6.06 sen for the previous financial year.

### Financial Position

At 31 December 2019, the Group's shareholders' fund rose from RM106 million recorded at the end of 2018 to RM108 million and net assets per share increased from RM0.98 to RM1.00.

The Group continues to maintain a healthy financial position with a cash position of RM45 million or net cash per share of 42 sen and current ratio of more than 6 times as at 31 December 2019.

While our group revenue was down, we demonstrated our strong cash generation ability despite considerable market volatilities. The Board of Directors is therefore pleased to propose a final dividend of 1 sen per ordinary share for the financial year ended 31 December 2019 at the forthcoming Annual General Meeting on 1 June 2020.





## Management Discussion and Analysis

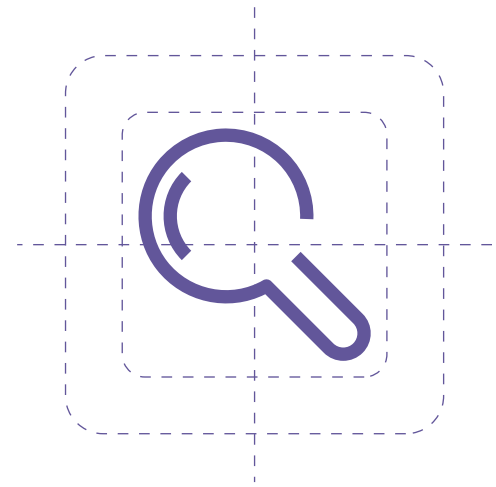
### REVIEW OF OPERATING ACTIVITIES

We have come through a challenging period as the industry is undergoing structural changes and oil and gas players experienced strenuous business condition. Similar to the preceding year, we faced margin compressions from oil companies as their capital investment has been lowered down. Customers are now looking to achieve cost savings given their significantly reduced revenues and this continues to put us under pricing pressure. Despite of that, the Group continue to prove its resilience and remain profitable in FY2019.

We have strengthens our capabilities in service and maintenance sectors as customers are now opt for servicing its rotating equipment to prolong its equipment life cycle. Customers are looking for service providers who possess the tool, equipment, and expertise to make sure their machine is running reliably and efficiently at optimised costs. In this regard, we will continue to explore technology-based diversifications through principals and partnerships in an aim to strengthen our value proposition as a one stop solutions provider. We will also continue to build up customer and business partner relationships, inculcating our employees in the areas of multitasking and creativity, as well as cultivating an effective working culture. This will ensure our workforce remain relevant to the market.

Our air-cooled heat exchangers and air cooling condensers cleaning service was widely accepted by market in certain countries due to the unique cleaning technique which has brought proven cost savings, all-round improvement for operational safety and environmental-friendly. We intend to continue exploring and leveraging on the opportunities within the ASEAN region and ultimately achieve growth in regional scale. We have extensive hands on experience, mechanical and materials engineering knowledge in this service and able to propose creative business solutions; hence we believe the business prospect of this service is promising.

The Group will continue to adapt to a current challenging environment and cushioned the risk factors by improving our maintenance and overhaul services, through operational excellence and prudent business decision making. Overall, the focus of the Group will remain on our few key priorities - securing the sales and realizing the cash flow, lowering capital spending, strengthening customers service and maintenance operations and divesting into new business opportunities related to Oil and Gas industry. Our performance in 2019 was commendable and we will keep the momentum going.

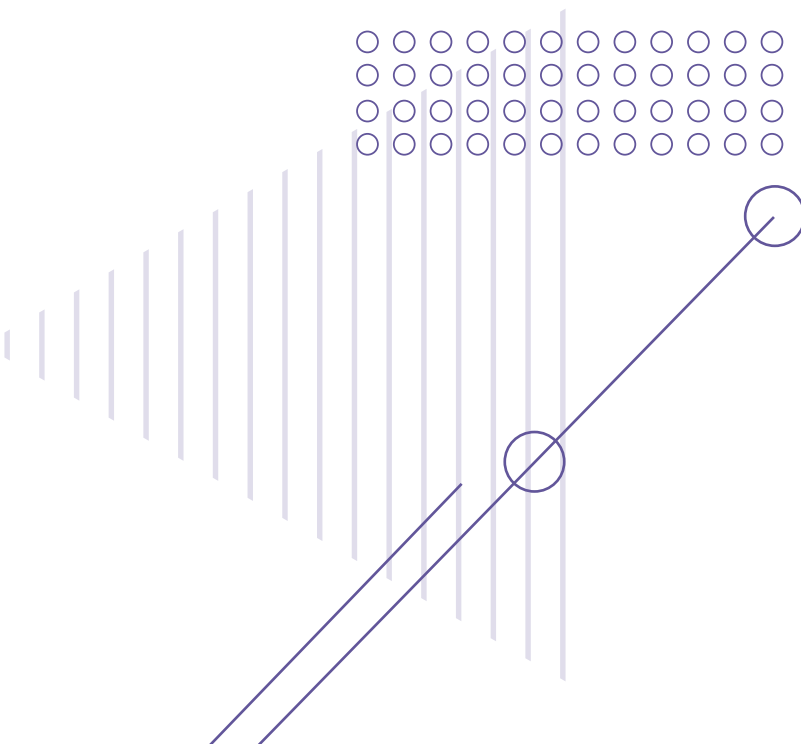


### PROSPECTS

We remain cautiously optimistic of the outlook for 2020 as the global economic slowdown is inevitable due to impact of ongoing geopolitical turmoil and outbreak of Covid-19. The coronavirus pandemic has meant countries have effectively had to shut down, with many governments imposing different measures on social distancing, including certain extend of factories shut down and closure of business activities. It has created an unprecedented demand shock to oil and gas market.

Despite of this, oil remains essential commodity product for every country and the oil drilling will not be stopped regardless the turmoil. Our objective will not be moved and we will continue strengthen our foothold in ASEAN region by continue our close collaboration with existing principals and partners to provide customer-centric solutions. We will continue to explore ways to add new sources of value such as explore new business opportunities which are synergistic with our core business.

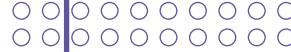
We have set our sights on optimising business sustainability and always endeavoured to safeguard shareholders' interest. With that in mind, the Group will continue to remain focus on the opportunities available, developing new capabilities, preserving cash and working closely with customers, employees and all stakeholders. We have also in place a dynamic and responsive culture as well as a financial structure with low debt level. These competitive advantages put us in a good position to sail through the new norm of business environment as well as stay competitive against our competitors around ASEAN. Further with the stewardship and astute insights of our Board and disciplined execution of strategy by management, the business prospect of the Group will remain positive and encouraging.



## DIRECTORS' PROFILE

### GAN KOK TEN

- Executive Chairman
- Chief Financial Officer
- Chairman of Risk Management Committee



Malaysian  
Aged 44  
Male

**Gan Kok Ten** was appointed to the Board on 15 October 2009. He was subsequently redesignated as the Executive Chairman on 24 November 2015.

He obtained a Bachelor in Commerce from Griffith University, Australia in 1999 and started his career with Apex Healthcare Berhad in 2000 as a Sales Executive in the pharmaceutical division.

In 2002, he moved to Turbo-Mech Asia Pte. Ltd. as a Manager, where he was responsible for sales of the Singapore region. In 2003, he was appointed as Director in charge of the Singapore and Brunei markets. Subsequently in 2007,

his responsibility was expanded to the Indonesia and Vietnam regions.

He is also responsible for the formulation and execution of the overall business strategies of the Group. He plays a key role in the growth, development and the strategic direction of the Group, including implementing management policies and overseeing marketing and sales activities.

He is the brother-in-law of Chan Bee Eie, a Non-Independent Non-Executive Director of the Company. He is a major shareholder of the Company. Save as disclosed, he does not have any other family relationships with any other

director and/or major shareholder of the Company, or any conflict of interest in any business arrangement involving the Company. He attended all of the 4 Board Meetings held during the financial year ended 31 December 2019. He has had no convictions (other than traffic offence, if any) within the past 5 years and has not been imposed of any public sanction or penalty by relevant regulatory bodies during the financial year.

### NASARUDDIN BIN MOHAMED ALI

- Executive Director
- Chief Executive Officer
- Member of Risk Management Committee



Malaysian  
Aged 56  
Male

**Nasaruddin Bin Mohamed Ali** was appointed to the Board on 15 October 2009 as a Non-Independent Non-Executive Director. On 1 March 2012, he was redesignated as an Executive Director and was later appointed as Chief Executive Officer of the Company and the Group on 13 August 2012.

He obtained a Bachelor of Science in Mechanical Engineering from the University of Texas, United States in 1987. He was a registered member with the Board of Engineers, Malaysia.

He started his career in 1988 as process engineer in Intel Technology Sdn. Bhd. Later, he was promoted as Senior Engineer, Process and Equipment. Subsequently in 1993, he joined Johnson Controls (M) Sdn. Bhd. as Manager, Technical Sales until 1996. From 1996 until 1998, he worked with SAAG Oil and Gas Sdn. Bhd. as Manager, Sales and Marketing.

From 1998 until present, he serves as Executive Director of Bayu Purnama Sdn. Bhd., Bayu Manufacturing Sdn. Bhd. and Bayu SME Sdn. Bhd. (In member's voluntary liquidation), the associate companies of Turbo-Mech Berhad.

He does not have any other family relationships with any director and/or major shareholder of the Company, or any conflict of interest in any business arrangement involving the Company. He attended all of the 4 Board Meetings held during the financial year ended 31 December 2019. He has had no convictions (other than traffic offence, if any) within the past 5 years and has not been imposed of any public sanction or penalty by relevant regulatory bodies during the financial year.

## Directors' Profile

**OMAR BIN MOHAMED SAID**

- *Non-Independent Non-Executive Director*
- *Member of Remuneration Committee*
- *Member of Risk Management Committee*



Malaysian  
Aged 37  
Male

**Omar Bin Mohamed Said** was appointed to the Board on 25 February 2011.

He holds a Bachelor of Science (Honours) degree in Management (Accounting and Finance) from the University of Manchester Institute of Science & Technology, United Kingdom.

He started his career in Ernst & Young as an associate under Assurance and Business Services Group. He has experience in providing assurance and advisory

services in the area of statutory audit. He is an Independent Non-Executive Director in Poly Glass Fibre (M) Berhad since 7 October 2003. From 2006 until present, he is the Managing Director of Flowco Malaysia Sdn. Bhd., which specialises in downstream retail oil and gas equipment and services.

He does not have any other family relationships with any director and/or major shareholder of the Company, or any conflict of interest in any business

arrangement involving the Company. He attended 3 out of 4 Board Meetings held during the financial year ended 31 December 2019. He has had no convictions (other than traffic offence, if any) within the past 5 years and has not been imposed of any public sanction or penalty by relevant regulatory bodies during the financial year.

**AZHAR BIN MOHAMAD**

- *Senior Independent Non-Executive Director*
- *Chairman of Nomination Committee*
- *Member of Audit Committee*
- *Member of Remuneration Committee*



Malaysian  
Aged 55  
Male

**Azhar Bin Mohamad** was appointed to the Board on 25 September 2014.

He holds a Bachelor's degree in Accounting and Finance (Honours) from Lancaster University, United Kingdom, and a Master's degree in Law (Business Law Executive) from International Islamic University, Malaysia. He is a member of the Malaysian Institute of Accountants ("MIA") and a Fellow member of the Association of Chartered Certified Accountants. He also holds a Capital Markets Services Representative's License for advising on corporate finance issued by the Securities Commission Malaysia ("SC").

He started his career with Amanah Merchant Bank Berhad in 1991, followed by corporate planning work with KUB Holdings Berhad. He subsequently joined SC in 1995 and left in early 2008, with his last position there as Head of Securities Issues Department. During his tenure with SC, he was involved in the review and evaluation of various corporate proposals submitted by both listed and unlisted companies for the consideration of SC. He is currently the Managing Director of MainStreet Advisers Sdn. Bhd., a licensed corporate finance advisory firm in Malaysia. He also serves as a Director of Berjaya Sampo Insurance Berhad.

He does not have any other family relationships with any director and/or major shareholder of the Company, or any conflict of interest in any business arrangement involving the Company. He attended all of the 4 Board Meetings held during the financial year ended 31 December 2019. He has had no convictions (other than traffic offence, if any) within the past 5 years and has not been imposed of any public sanction or penalty by relevant regulatory bodies during the financial year.

## Directors' Profile

### CHAN BEE EIE

- *Non-Independent Non-Executive Director*
- *Chairperson of Remuneration Committee*
- *Member of Audit Committee*
- *Member of Nomination Committee*



Malaysian  
Aged 40  
Female

**Chan Bee Eie** was appointed to the Board on 16 April 2012.

She graduated from the University of Manchester, United Kingdom in 2001 with a Bachelor's degree in Accounting and Finance and obtained a Master's degree in Finance from the London School of Economics in 2002. She is a member of the Association of Chartered Certified Accountants (ACCA).

She joined PricewaterhouseCoopers and was with the Audit and Assurance Services team from 2003 to 2006 before joining the Audit team in Deloitte Touche

Tohmatsu Hong Kong in 2006. Her main roles with the accounting firms were to provide audit and assurance services, with diverse range of clients involved in trading, manufacturing, construction, property, plantation and automobile.

She then joined JP Morgan Hong Kong as a Manager in 2007 with the Client Services team, a division within the Asset Management, offering clients with portfolio valuations and accounting reports.

She is the sister-in-law of Gan Kok Ten, the Executive Chairman and Chief Financial Officer of the Company. Save as disclosed,

she does not have any other family relationships with any other director and/or major shareholder of the Company, or any conflict of interest in any business arrangement involving the Company. She attended all of the 4 Board Meetings held during the financial year ended 31 December 2019. She has had no convictions (other than traffic offence, if any) within the past 5 years and has not been imposed of any public sanction or penalty by relevant regulatory bodies during the financial year.

### TAM JUAT HONG

- *Independent Non-Executive Director*
- *Chairman of Audit Committee*
- *Member of Nomination Committee*
- *Member of Risk Management Committee*



Malaysian  
Aged 68  
Male

**Tam Juat Hong** was appointed to our Board on 25 May 2012.

He graduated from the University of Malaya in 1975 with a Bachelor of Economics (Accounting) Degree (First Class Honour) and obtained a Diploma in Accounting (Post Graduate course) in 1976 in the same university. He is a member of the MIA and the Malaysian Institute of Certified Public Accountants.

He joined Kassim Chan & Co with the Audit and Assurance team from 1976 to 1980 before joining Utama Merchant Bank Berhad from 1980 to 1999. His main responsibilities were heading the Corporate Finance which provided

advisory on mergers/acquisitions, restructuring of companies for IPO and/or for rehabilitations, capital raising in the stock market via shares/bond/other derivatives, share/debenture issuance and placements of share/equity. His experience in the Investment bank includes heading Treasury and Portfolio Investment department for a period of more than 1 year.

He then joined Dunham-Bush Holding Berhad, a listed multinational company in Malaysia which was taken private in 2007. He joined as a General Manager of Finance in 1999 and retired as Director of Finance in 2011. His main responsibilities were to oversee the corporate/finance

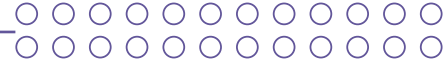
and accounts/legal departments of the overseas subsidiaries and Malaysian operations.

He does not have any other family relationships with any director and/or major shareholder of the Company, or any conflict of interest in any business arrangement involving the Company. He attended all of the 4 Board Meetings held during the financial year ended 31 December 2019. He has had no convictions (other than traffic offence, if any) within the past 5 years and has not been imposed of any public sanction or penalty by relevant regulatory bodies during the financial year.

# SUSTAINABILITY STATEMENT

## ABOUT THIS STATEMENT

This statement presents Turbo-Mech Berhad's ("Turbo-Mech" or "the Group") progress towards embedding sustainability throughout its business operations. This is Turbo-Mech's third sustainability statement and presents both qualitative and quantitative information on the Group's economic, environmental and social ("EES") performance.



## REPORTING FORMAT

The statement is prepared with the following guideline, reference and principle.

Principle Guideline	Supplementary Guideline	Commitment
Bursa Securities' Main Market Listing Requirement • Bursa Malaysia's Sustainability Reporting Guide 2 <sup>nd</sup> Edition	• Global Reporting Initiative ("GRI") Standards - Care Option	• United Nation Sustainable Development Goals (UN SDG)

The relevant GRI indicator has been mentioned against each section of the report and has also been indicated in the table mapping the material sustainability matters and the GRI Content Index available on page 15, respectively.

The content of the report is based on the reporting principles as defined by GRI Standards, which includes:

- Stakeholder Engagement: Key stakeholders' area of concerns and expectations
- Sustainability Context: Our sustainability performance
- Materiality: Material Sustainability Matters that are most material to the Group and our stakeholders

Reference to the GRI as outlined below:

- GRI 202 Market Presence
- GRI 306 Effluents and Waste 2016
- GRI 307 Environmental Compliance 2016
- GRI 401 Employment 2016
- GRI 403 Occupational Health and Safety 2018
- GRI 404 Training and Education 2016
- GRI 405 Diversity and Equal Opportunity 2016
- GRI 413 Local Communities 2016
- GRI 419 Socioeconomic Compliance 2016

## SCOPE & BOUNDARY

Turbo-Mech is a listed engineering and trading company that specialises in providing rotating equipment, spare parts, as well as maintenance and overhaul services to the oil and gas, and petrochemical industry. The Group's operations span across South East Asia including Malaysia, Singapore, Indonesia, Philippines, Brunei, Thailand and Vietnam. This statement covers our operations in Malaysia and Singapore through our associate companies, Bayu Purnama Sdn. Bhd. And Turbo-Mech Asia Pte Ltd respectively, as well as our headquarters in Petaling Jaya, Selangor.

Information disclosed in this statement covers the period from 1 January to 31 December 2019 ("FY2019"), unless specified otherwise.

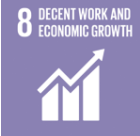


## Sustainability Statement

### OUR APPROACH TO SUSTAINABILITY

#### CONTRIBUTING TO UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

In 2015, the United Nations (UN) announced its plan to launch 17 Sustainable Development Goals (SDGs) with the purpose of improving economic prosperity and environmental protection, and achieving social harmony and peace.

UN member states including Malaysia have declared their commitment to the UN Agenda 2030 and have adopted the 17 SDGs. Therefore, Turbo-Mech is pleased to demonstrate its contribution through the adoption of the following three SDGs.

SDGs	Related Target Number	Contribution by Turbo-Mech
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	SDG 8: Decent Work and Economic Growth	<ul style="list-style-type: none"> <li>Established the Turbo-Mech Asia Pte Ltd Health, Safety, Security &amp; Environmental Policy, Standard Operating Procedure (“SOP”) on Hazard Identification, Risk Assessment and Risk Control (“HIRARC”), as well as associated manuals and work instructions to ensure health and safety of employees.</li> <li>The Group encourages the employment of young employees with a propensity to learn, and with the ability to adapt easily as well as provide feedback on alternative solutions.</li> </ul>
 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	SDG 12: Responsible Consumption and Production	<ul style="list-style-type: none"> <li>We sent 100% of scrap metal, oil and chemical wastes to contractors licensed by the National Environment Agency in Singapore.</li> </ul>
 <p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p>	SDG 16: Peace, Justice and Strong Institutions	<ul style="list-style-type: none"> <li>Established Turbo-Mech Code of Conduct (CoC) and Whistleblowing Policy to inculcate the elements of transparency and fairness amongst our employee at all levels of overhauling and maintenance operations.</li> <li>Turbo-Mech has zero-tolerance for any form of corruption.</li> <li>There were zero whistleblowing cases reported this year.</li> <li>Turbo-Mech Asia Pte Ltd donated 236 cartons of baby diapers valued at SGD 12,351 (RM37,416) to the Babes Pregnancy Crisis Support Ltd this year.</li> </ul>

#### SUSTAINABILITY STRATEGY

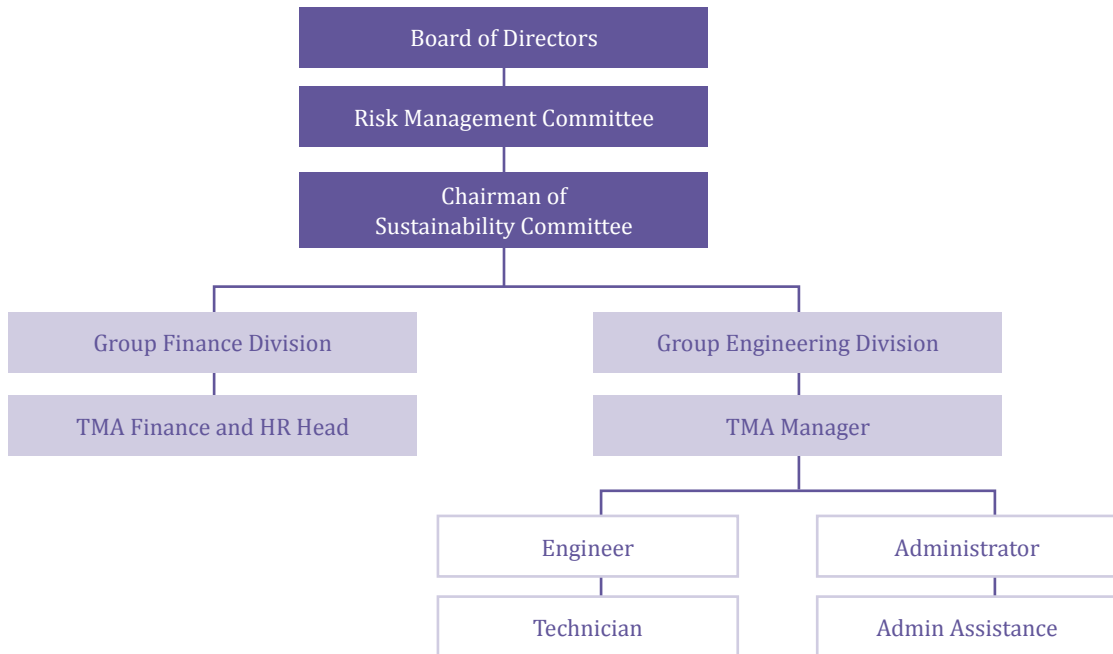
Sustainability is central to corporate competitiveness and a company’s continued ability to operate. In embedding sustainability throughout our entire value-chain, we aim to achieve this through our strategy which is built on three (3) main pillars: Our Marketplace; Our People; and Our Environment. To ensure long-term value creation, our sustainability strategy serves as a guide when addressing the Group’s EES risks and opportunities.



## Sustainability Statement

**SUSTAINABILITY GOVERNANCE**

Sound corporate governance is integral to the long-term sustainable growth of the Group. Only with a dedicated governance structure is it possible to monitor the effectiveness of our sustainability strategy and move forward accordingly. Our sustainability governance chart is as presented below:



The Board of Directors (“BOD”) is at the apex of Turbo-Mech’s sustainability governance structure. They ensure sustainability is incorporated across the Group and the subsidiaries. Reporting to the BOD is the Risk Management Committee, which shoulders the overall responsibility for the implementation of the sustainability strategy and initiatives across the business.

The Chairman of the Sustainability Committee reports to the Risk Management Committee and plays an advisory role by guiding and providing an overview of the Group’s sustainability progress. The role of the Chairman within this governance structure is carried out with the assistance of its Sustainability Committee which comprising of the Group Finance Division and Group Engineering Division. The roles and responsibilities of the sustainability committee are stated in the table below:

Group Finance Division	Group Engineering Division
<ul style="list-style-type: none"> <li>Assess budgeting and planning in order to define strategies and solutions that will strengthen the Group’s financial sustainability</li> <li>Strengthen operations and guide decision-making based on a robust framework that analyses the Group’s progressive direct and indirect economic impact</li> <li>Ensure regulatory compliance to mitigate financial and other related risks</li> </ul>	<ul style="list-style-type: none"> <li>Promote innovative technology and equipment to deliver best quality of products and services</li> <li>Suggest strategy and plans to embed sustainability practices in engineering operations</li> <li>Ensure regulatory compliance towards mitigating environmental and other related risks</li> <li>Measure and monitor the EES impact of engineering activities</li> </ul>





**STAKEHOLDER ENGAGEMENT**

Stakeholders highly influence the Group’s performance and therefore, it is essential that Turbo-Mech understands their expectations and address their concerns accordingly. We engage with our different stakeholders using a variety of methods so that we are able to maintain meaningful dialogue.

Stakeholder	Issues of Interest	Methods of Engagement	Frequency
Investors	<ul style="list-style-type: none"> <li>Corporate financial performance</li> </ul>	<ul style="list-style-type: none"> <li>Annual general meetings</li> <li>Financial statement</li> </ul>	<ul style="list-style-type: none"> <li>Annual</li> <li>Quarterly</li> </ul>

## Sustainability Statement

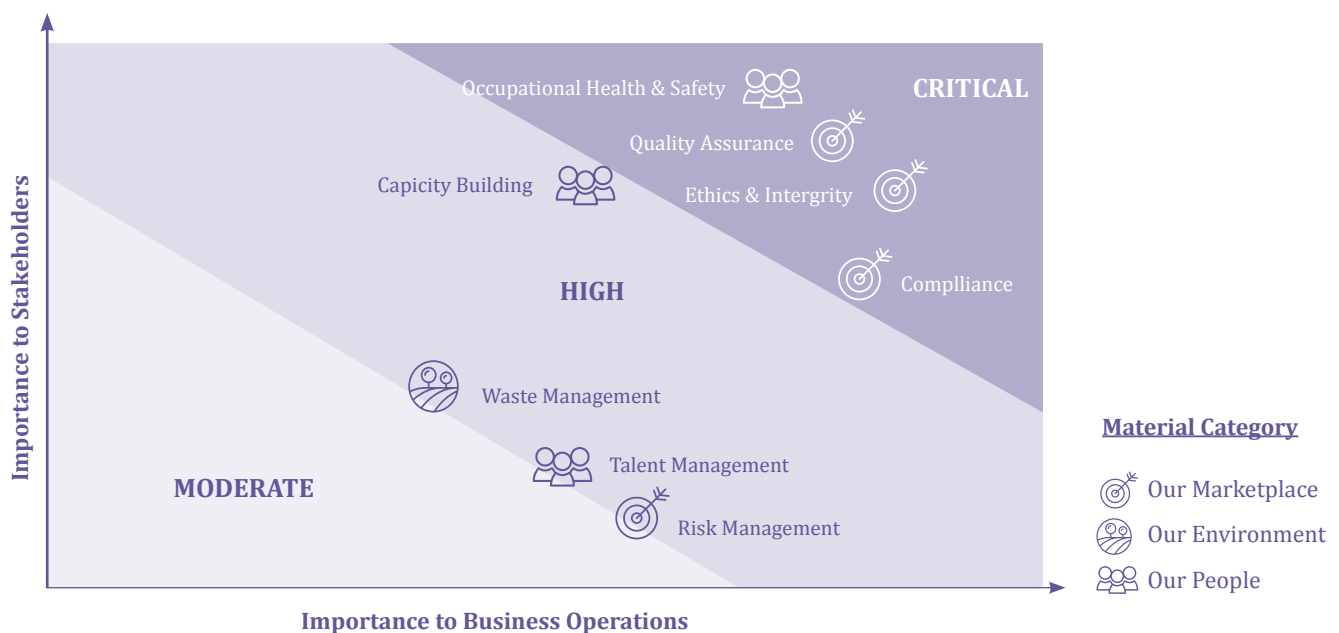
### STAKEHOLDER ENGAGEMENT (CONTINUED)

Stakeholder	Issues of Interest	Methods of Engagement	Frequency
Clients 	<ul style="list-style-type: none"> <li>Competency</li> <li>Innovation and technology</li> <li>Worker's health and safety</li> <li>Cost of products and services</li> <li>Response time and delivery</li> <li>Reaction time to complaints and enquiries/Aftersales service (total solution)</li> </ul>	• Face-to-face meetings	Daily/Weekly
		• Workshop visits	Daily/Weekly
		• Troubleshooting session with clients	Daily/Weekly
		• Product training	Twice a year
		• Final acceptance/Witness testing (results oriented)	Weekly
		• Corporate website	As and when required
Employees 	<ul style="list-style-type: none"> <li>Career development</li> <li>Safe and healthy workplace</li> <li>Remuneration</li> <li>Succession planning</li> </ul>	• OHS training	As and when required
		• Group activities	Monthly
		• Performance appraisals	Annual
Regulatory Agencies and Statutory Bodies 	<ul style="list-style-type: none"> <li>Labour practices and compliance</li> <li>Environmental issues</li> <li>Workplace safety</li> </ul>	• Investigation visits for accidents/ incidents	As and when required
		• Unannounced visits	As and when required
		• Equipment inspection (overhead crane, air compressors, etc.)	Annual
Supplier 	<ul style="list-style-type: none"> <li>Competency</li> <li>Response time and delivery</li> </ul>	• Product training	As and when required
		• Face-to-face meetings	As and when required

### PRIORITY OF MATERIAL SUSTAINABILITY MATTERS

Using the materiality assessment process, we were able to evaluate the EES risks and opportunities (i.e. material matters) across our value chain. The key considerations for this assessment are the impact a material matter has on our business in terms of growth, cost, or risk, and its importance to our stakeholders. The most recent assessment was carried out in a workshop in 2018 with the Sustainability Committee.

The matters that were identified and ranked in 2018 continue to be aligned with our vision and purpose, and to the business strategy of today. Therefore, we have decided to retain the 2018 assessment for this year. We have grouped our material matters based on our three (3) pillars of sustainability strategy; Our Marketplace, Our Environment and Our People and mapped them into a materiality matrix below.

















## Sustainability Statement

**MAPPING OUR MATERIAL SUSTAINABILITY MATTERS**

In embedding sustainability throughout our business operations, we have interlinked our material matters with the corresponding GRI indicators, the relevant stakeholders and SDGs to demonstrate our commitment to build a more sustainable future.

Material Sustainability Matters	Relevant Stakeholders	Corresponding GRI Indicators	SDG
<b>Governance</b>			
Ethics & Integrity	<ul style="list-style-type: none"> <li>Investors</li> <li>Employees</li> <li>Regulatory Agencies and Statutory Bodies</li> </ul>	102-16: Values, principles, standards, and norms of behaviour 102-17: Mechanisms for advice and concerns about ethics 103-2: The management approach and its components	 
Compliance	<ul style="list-style-type: none"> <li>Regulatory Agencies and Statutory Bodies</li> </ul>	103-2: The management approach and its components 307-1: Non-compliance with environmental laws and regulation 419-1: Non-compliance with laws and regulations in the social and economic area	 
Risk Management	<ul style="list-style-type: none"> <li>Investors</li> <li>Employees</li> </ul>	102-30: Executive-level responsibility for economic, environmental, and social topics 103-2: The management approach and its components	 
<b>Economic</b>			
Quality Assurance	<ul style="list-style-type: none"> <li>Investors</li> <li>Clients</li> </ul>	102-43: Approach to Stakeholder Engagement 103-2: The management approach and its components	 
<b>Environmental</b>			
Waste Management	<ul style="list-style-type: none"> <li>Regulatory Agencies and Statutory Bodies</li> </ul>	103-2: The management approach and its components 306-2: Waste by type and disposal method	
<b>Social</b>			
Occupational Health & Safety	<ul style="list-style-type: none"> <li>Employees</li> <li>Regulatory Agencies and Statutory Bodies</li> </ul>	103-2: The management approach and its components 403-1: Occupational Health and Safety management system 403-2: Hazard identification, risk assessment, and incident investigation (HIRARC) 403-4: Worker participation, consultation, and communication on occupational health and safety 403-5: Worker training on occupational health and safety 403-9: Work-related injuries 403-10: Work-related ill health	
Capacity Building	<ul style="list-style-type: none"> <li>Employees</li> </ul>	103-2: The management approach and its components 404-1: Average hours of training per year per employee 404-2: Programmes for upgrading employee skill and transition assistance programmes	
Talent Management	<ul style="list-style-type: none"> <li>Investors</li> <li>Employees</li> </ul>	103-2: The management approach and its components 202-2: Proportion of senior management hired from the local community 401-1: New employee hires and employee turnover 405-1: Diversity of governance bodies and employees	

## Sustainability Statement

### OUR MARKETPLACE

As a responsible and competitive business, Turbo-Mech implements internal checks and measures, and sound governance across its value chain to secure the quality and reliability of its products and services as well as to maintain its business position in the oil and gas industry.

### ETHICS & INTEGRITY

We believe that ethics and integrity are imperative as it reflects our long-term commitment to uphold a high standard of business conduct throughout our value chain. Turbo-Mech has zero-tolerance for any form of corruption and embeds the elements of transparency and fairness in all its overhauling and maintenance operations as well as stakeholder relations. Another safeguard is that Turbo-Mech's mission and vision drive its decision-making process which ensures sound corporate governance and management control.

### Code of Conduct

The Turbo-Mech Code of Conduct (CoC) was established for its employees and directors, and has been cascaded down to all its subsidiaries in Malaysia, Singapore and overseas. It demonstrates the ethical expectations of the Group to foster responsible conduct and facilitate decision making in relation to business operations. The document is reviewed by the BOD from time to time and amended when necessary. Our employees and key stakeholders are made aware of the CoC during engagements and through information that is available on the Turbo-Mech website.

### Whistle-blowing Policy

The Group has implemented a Whistle-blowing Policy to provide a platform for employees and external parties to report on any form of malpractice or wrongdoing, they are cognisant of. We provide protection for whistle-blowers in accordance with the procedures of this Policy which can be read at our website: <http://www.turbomech.com.my/whistleblower.php>

In 2019, no whistleblowing case was reported.

### COMPLIANCE

Turbo-Mech ensures stringent compliance to applicable rules, laws and regulations across its subsidiaries. We have formulated internal guidelines and procedures, appointed consultants for audits as well as adopted ISO standards to ensure we comply with the country's regulatory obligations and for this reason have not had any non-compliances.

Key regulations that we comply with include the following;

Turbo-Mech Berhad & Bayu Purnama Sdn. Bhd.	Turbo-Mech Asia Pte Ltd.
<ul style="list-style-type: none"> <li>• Companies Act 2016</li> <li>• Malaysian Code of Governance (MCCG) 2017</li> <li>• Environmental Quality Act 1974</li> <li>• Factories and Machinery Act 1967</li> <li>• Fire Services Act 1988</li> <li>• Employment Act 1955</li> <li>• Minimum Wage Order 2016</li> <li>• Department of Occupational Safety and Health requirements</li> </ul>	<ul style="list-style-type: none"> <li>• Companies Act 2014</li> <li>• Employment Act 2019</li> <li>• Environmental Public Health Act 1987</li> <li>• Workplace Safety and Health (medical Examination) Regulations</li> </ul>

### RISK MANAGEMENT

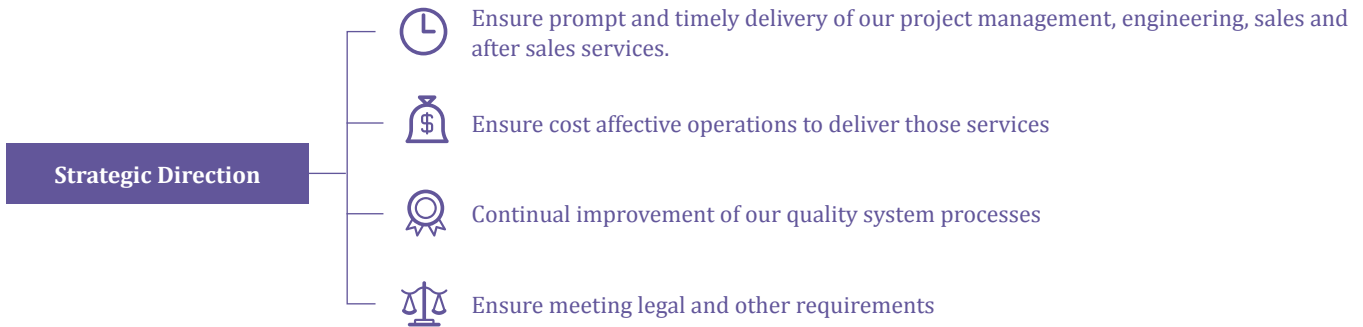
The Group have formed a Risk Management Committee that identifies risks related to the business and proactively seeks ways to mitigate these risks. Key personnel and Management identify the risk which is reported, describing its severity and probability of occurrence. Management will then ensure that appropriate actions recommended by the Risk Management Committee are taken in order to be well prepared for incidents that may arise.

To have a more comprehensive view of our Risk Management process, please refer to pages 32 to 34 of this Annual Report.

## Sustainability Statement

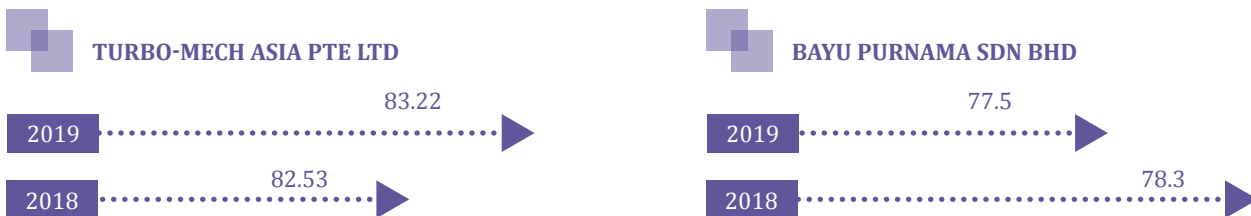
### QUALITY ASSURANCE

Turbo-Mech prioritises the need for quality with regard to its products and services to retain customers and to drive the Group forward in the oil and gas industry. Our management system has been established and certified in accordance with international standards such as the Occupational Health and Safety Management System Requirements (ISO 45001:2018) and Quality Management System Requirements (ISO 9001:2015). Guided by our Management Policy, we ensure quality products and services meet the requirement of our valued customers and align with our strategic direction as illustrated below.



The Group believes that customer satisfaction is key for improving our maintenance and engineering services as well as plays an important role to leverage market value. We monitor customer perception to fulfil their expectations and needs via customer satisfaction surveys which are conducted on a quarterly basis since 2018. The survey covers areas such as supply reliability, management and customer communication.

In FY2019, we observed an increase in our average customer satisfaction score by 0.69% at Turbo-Mech Asia Pte Ltd. Although surpassing its annual score target of 71%, Bayu Purnama Sdn Bhd obtained an average score of 77.5%, a 0.8% decline from the previous year. This is due to the average rating given by customers on our product and service reliability. Moving forward, Turbo-Mech intends to identify gaps between the customers’ expectation and our level of performance. Such approach will be used to measure, analyse and improve our quality of product and service.



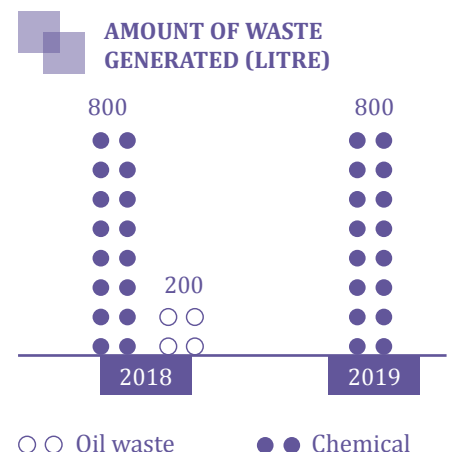
### OUR ENVIRONMENT

Turbo-Mech is mindful of the impact its overhauling activities have on the natural environment. We continue to strive to minimise our environmental footprint and this is mainly reflected in our waste management practices that are implemented across our engineering and maintenance services.

### WASTE MANAGEMENT

For Turbo-Mech, practicing proper waste management in the maintenance workshops in Singapore and Malaysia is important. It helps to improve operational efficiency and performance. Our scheduled waste mainly consists of oil and chemical wastes from equipment cleaning, which is managed and disposed of in accordance with the Environmental Public Health (Toxic Industrial Waste) Regulations 1988 in Singapore.

We ensure that the scheduled wastes are properly labelled, stored and disposed of when a certain quantity limit has been reached. As per the regulations, we send 100% of oil and chemical wastes to contractors licensed by the National Environment Agency (NEA) in Singapore for waste treatment and recovery. The scheduled waste generated in FY2018 and FY2019 by the workshops in Singapore are shown below. We recorded zero chemical waste disposal this year as the waste amount is yet to reach its quality limit for disposal.



## Sustainability Statement

### WASTE MANAGEMENT (CONTINUED)

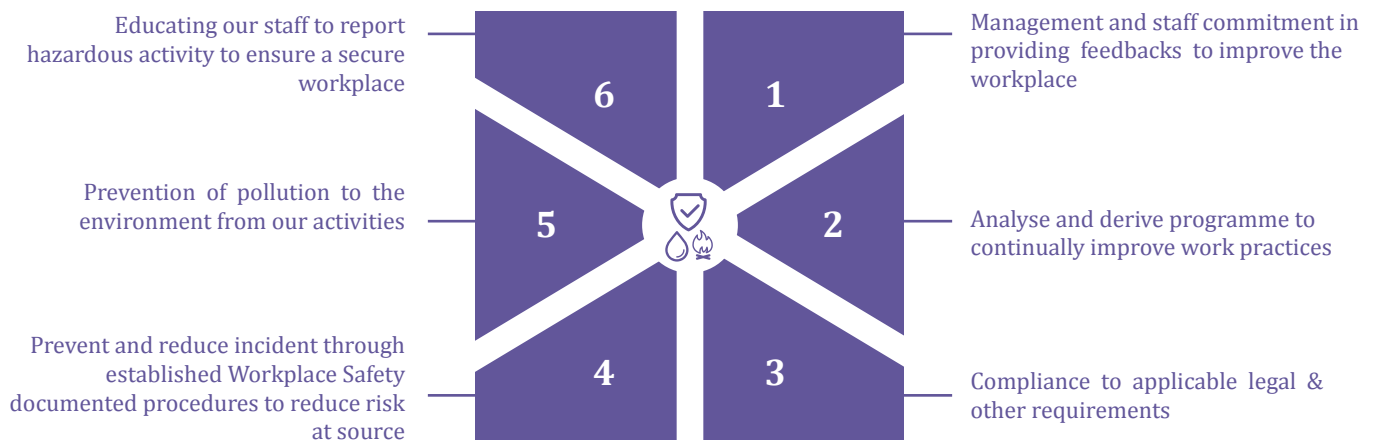
Apart from scheduled waste, we also generate scrap metals and this year we generated 6.8 tonnes from our overhauling and maintenance operations. This waste was then disposed by appointed licensed contractors. Moving forward, the Group intends to record the domestic waste generated by its offices in Singapore to keep track of the waste produced as well as to improve waste management throughout its supply chain.

### OUR PEOPLE

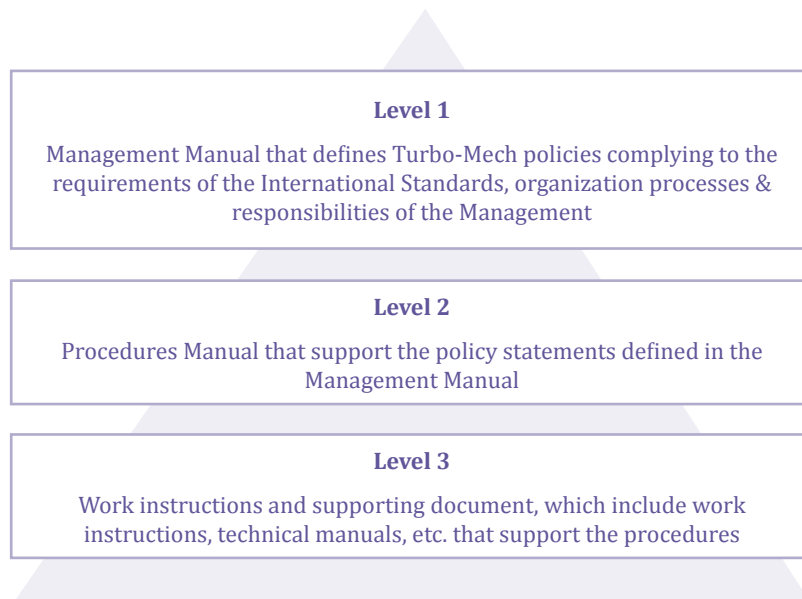
Turbo-Mech acknowledges the significance of creating a positive impact on society. We are committed to ensuring employee development, safety and well-being are taken care of throughout their tenure with us. We also intend to expand our initiatives in corporate social responsibility to improve the socio-economic status of communities where we operate.

### OCCUPATIONAL HEALTH & SAFETY

As a service provider in the oil and gas industry, health and safety are of paramount importance. Our commitment to ensure health and safety throughout our operations is reflected in the Turbo-Mech Asia Pte Ltd Health and Safety, Security & Environmental Policy as illustrated below.



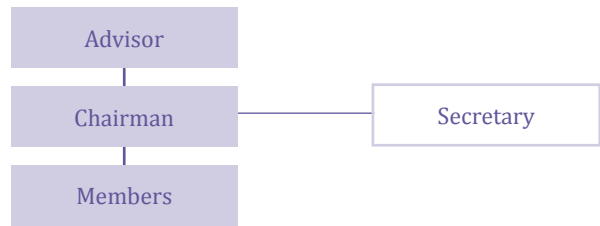
The Group complies with ISO 45001:2018 Occupational Health and Safety management system requirements and its standards are integrated into our operations. The illustration below refers to Turbo-Mech’s manuals and work instructions that reinforce these standards.



In addition, we have established a Standard Operating Procedure (“SOP”) on Hazard Identification, Risk Assessment and Risk Control (“HIRARC”) which aims to identify safety hazards in routine and non-routine activities throughout operations. The SOP also serves as a guideline for performing risk assessment and actions to address safety and health risks at the workplace.

**OCCUPATIONAL HEALTH & SAFETY (CONTINUED)**

To manage occupational safety and health for the Group, we have established a Workplace Safety and Health Committee. It monitors the safety and health performance of the workshops in both Malaysia and Singapore by implementing and maintaining a Risk Assessment System. The committee conducts a monthly meeting to update on the current health and safety issues.



Turbo-Mech recognises the need for competency, skillsets and knowledge to effectively manage safety and health at the workplace. Thus, we continue to equip our employees with both competency-based and awareness training, some of which have been listed in the table below. The training provided helps to ensure employees are up to date on applicable legal requirements as well as industry best practices.

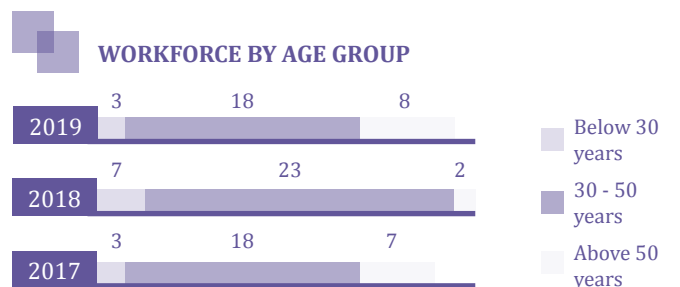
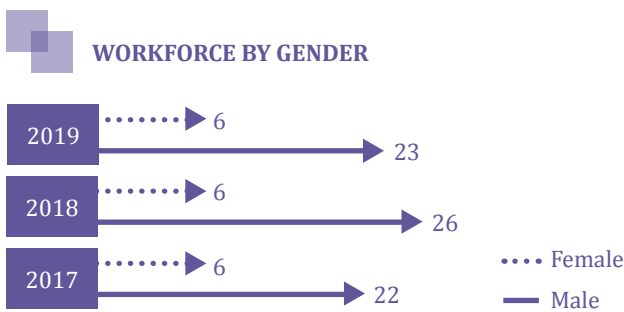
Competency-Based Training	Awareness Training
<ul style="list-style-type: none"> <li>Oil &amp; Gas Safety Passport (OGSP)</li> <li>Tropical Basic Offshore Safety Induction &amp; Emergency (T-BOSIET)</li> <li>Petronas Carigali Sdn Bhd Permit To Work (PCASB-PTW)</li> <li>CIDB Green Card</li> <li>Authorised Entrant and Standby Person for Confined Space (AESP)</li> <li>Working Safely At Height</li> <li>Scheduled Waste Management Training</li> <li>Rigging and Slings Training</li> </ul>	<ul style="list-style-type: none"> <li>Safe Handling Forklift</li> <li>Safe Handling Overhead Crane</li> <li>Personal Protective Equipment Usage &amp; Maintenance</li> <li>Mercury Awareness Training</li> <li>Emergency Response (Fire Drill)</li> <li>Respiratory Protection Training</li> <li>Chemical &amp; Scheduled Waste Handling</li> </ul>

We track safety and health incidents that occur at the workplace and in FY2019 we recorded 56 hours of loss time injury (LTI) against 54,726 man-hours.

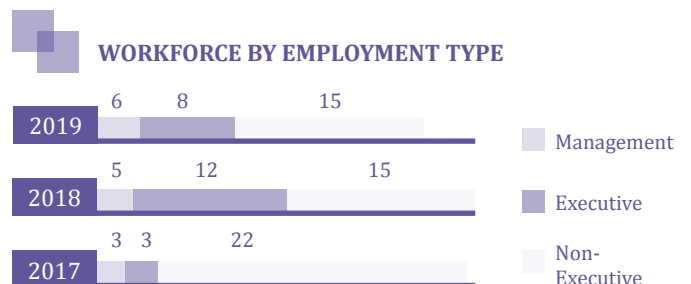
**TALENT MANAGEMENT**

We value employee diversity at our workplace and hire our employees based on their merit and credibility. Currently, the distribution of men in our workforce is at 81% and women at 19%. Turbo-Mech hires more men than women over the years as most of the task performed in our engineering and maintenance settings are labour intensive and therefore, more suitably performed by men.

We recognise and hire talent based on our expectations of what they can bring to the business. Broad industry background, sound decision making and a future outlook are what we expect from Turbo-Mech’s experienced employees. However, from employees below 30 years, we expect a propensity to learn, to adapt easily and to propose alternative solutions that are suited to the industry, when needed.



Our workforce distribution is largely comprised of non-executive and executive that make up to more than 79% over the three consecutive years. The 30 - 50 year age group in Turbo-Mech makes up to above 55% of total employee strength over the years, followed by the age group of above 50 years and the age group of below 30 years.

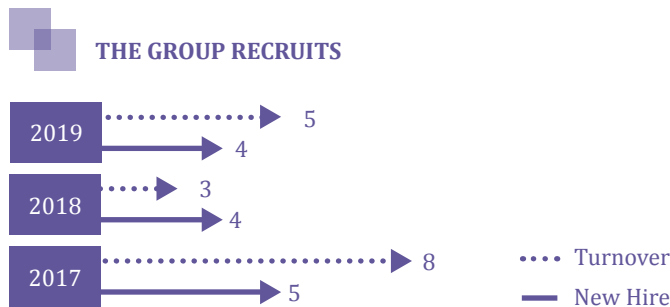


## Sustainability Statement

### TALENT MANAGEMENT (CONTINUED)

Turbo-Mech continues to encourage the recruitment of local employees as we aspire to enhancing the socio-economic of local communities. We are pleased to inform that 100% of our senior management were sourced locally in Malaysia and Singapore this year.

The Group recruits talent who are ambitious and well aligned with Turbo-Mech's business goals to remain competitive and provide quality services to its customers. We offer our employees fair remuneration and employee benefit packages including life insurance, disability coverage, maternity leave as well as retirement provision (EPF). This year, Turbo-Mech experienced a total turnover of 5 individuals and hired 4 new employees.



### CAPACITY BUILDING

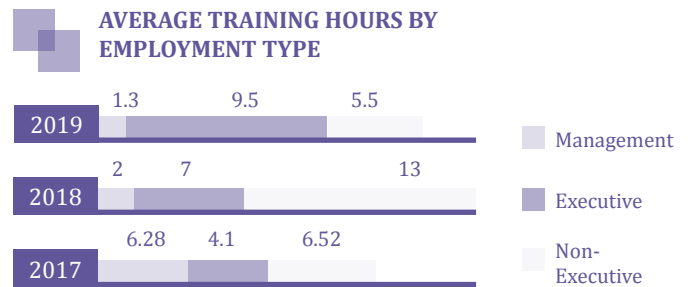
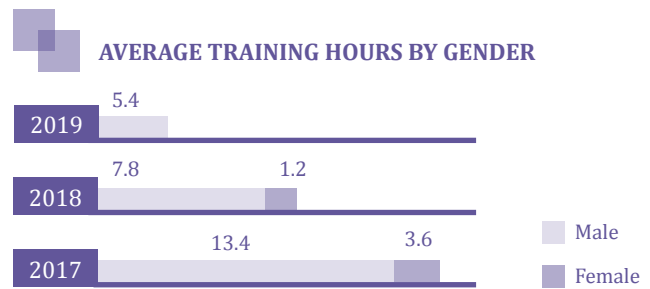
Turbo-Mech encourages an inclusive workplace for its employees and we also support the professional and personal growth of each employee. We conduct an annual Training Need Analysis to assess the types of training required based on the job roles and responsibilities of employees. Our training programmes encompass both technical and non-technical areas.

#### Employee Training Programmes

- Training on Blasting System
- LOTO SWP Communication and Hands On Training
- Class 2 Boiler Attendance Course
- Welding Machines PM Checklist
- Blasting Machines PM Checklist
- Training on Works at Height

In FY2019, our average training hour for an employee has reduced to 5.4 compared to 9 hours last year. We focused more on technical courses and on-the job training this year as the necessity of non-technical training is minimal. The training were attended by male employees due to the technical nature of their roles in Turbo-Mech require specific skills and know-how. While, the job scopes of female employees were largely involved in the administration and non-technical department.

The focus on technical training at Turbo-Mech also means that among the employment categories of Management, Executive and Non-Executive, it is the non-executive category that receives the highest training hours over the years. Their work largely involves maintenance and overhaul services for machineries and rotating equipment.



### COMMUNITY ENGAGEMENT

Turbo-Mech aims to have a positive socioeconomic impact on the local communities where it operates. Our efforts and initiatives revolve around providing aid to the needs of the underprivileged in the community. This year, Turbo-Mech Asia Pte Ltd donated 236 cartons of baby diapers valued at SGD 12,351 (RM 37,416)\*\* to the Babes Pregnancy Crisis Support Ltd. It is a voluntary welfare organisation that provides teenage pregnancy crisis services by reaching out to pregnant teenagers in need of assistance and support.

Moving forward, we will continue to grow as a responsible corporate citizen by actively seeking out opportunities to help the local communities that surround us. We hope our efforts in this direction have a long-lasting impact values and are able to increase our participation in various community engagement programmes.

\*\* currency rate-based on 9 Jan 2020 (SGD 1 = RM 3.04)

### MOVING FORWARD

The business case for sustainability is strong and as a service provider to the oil and gas industry, we focus on managing our environmental and social performance to improve operational efficiency and sustainability. Our governance structure for sustainability was established to build a culture throughout the organisation that embraces the need to perform on financial and non-financial aspects of the business.

We believe that long-term investments in sustainability provide us with long-term business opportunities that will keep Turbo-Mech relevant and successful in a rapidly changing world. Moving forward, we plan to expand our initiatives to strengthen Turbo-Mech's economic performance while embracing environmental stewardship and community development.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## INTRODUCTION

The Board of Directors (“the Board”) of Turbo-Mech Berhad (“Turbo” or the “Company”) and its subsidiaries (hereinafter referred to as the “Group”) recognises the importance of good corporate governance and is fully committed to maintain the highest standards in corporate governance practices, professionalism and integrity in driving the Company to safeguard and enhance shareholders’ value and performance of the Group. The Board believes that good corporate governance is in delivering shareholders’ value.

This Corporate Governance Overview Statement (“Statement”) provides the summary of the Company’s corporate governance practices during the financial year with reference to the three (3) principles set out in the Malaysian Code on Corporate Governance (“MCCG”).

This Statement is to be read together with a Corporate Governance Report (“CG Report”), which is prepared based on a prescribed format as outlined in Paragraph 15.25(2) of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”). The CG Report, which provides the detailed application of the Company’s corporate governance practices against the MCCG during the financial year, can be downloaded from the Company’s website at <http://www.turbomech.com.my> as well as via an announcement on the website of Bursa Securities.

## PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS

### I. BOARD RESPONSIBILITIES

#### 1. Clear roles and responsibilities

The Board is accountable and responsible for the overall performance and affairs of the Group by overseeing and appraising the Group’s strategies, policies and performance.

The Board assumes, amongst others, the following duties and responsibilities:-

- a. Review and adopt a strategic plan for the Group, addressing the sustainability of the Group’s business;
- b. Oversee the conduct of the Group’s business;
- c. Identify principal risks and ensure the implementation of appropriate internal controls and mitigation measures;
- d. Succession planning for senior management;
- e. Oversee the development and implementation of a shareholder communication policy for the Group; and
- f. Review the adequacy and the integrity of the management information and risk management and internal controls system of the Group.

The Board is guided by a Board Charter which sets out the duties and responsibilities of the Board. The Board Charter serves as a reference point for Board’s activities and promotes good corporate governance. The Board reviews its Board Charter once in every two (2) years and updates the Board Charter to ensure it complies with legislations and best practices, and remains relevant and effective in light of the Board’s objectives. The Board Charter was last reviewed on 26 August 2019, and is made available on the Company’s website at [www.turbomech.com.my](http://www.turbomech.com.my).

The Directors are to devote sufficient time and effort to carry out their responsibilities. It is also the Board’s policy for Directors to notify the Chairman before accepting any new directorships notwithstanding that the Listing Requirements allow a Director to sit on the boards of five (5) listed issuers.

The Board is mindful of its role to establish a corporate culture which inculcates ethical conduct that permeates throughout the Group. Accordingly, the Board had formalised a Code of Conduct for Directors and Employees. The Board has also established Whistleblowing Policy to foster an ethical culture throughout the Company and allow legitimate ethical concerns to be raised in confidence without the risk of reprisal. The Code of Conduct and Whistleblowing Policy are reviewed periodically by the Board. These policies are available on the Company’s website at [www.turbomech.com.my](http://www.turbomech.com.my).

#### 2. Separation of positions of the Chairman and Chief Executive Officer

There is a clear division of responsibilities between the Chairman and Chief Executive Officer cum Executive Director for ensuring there is a balance of power and authority in the Company. The Chairman is responsible for the effective functioning of the Board. He is responsible for the implementation of the Board’s policies and decisions. Whilst, the Chief Executive Officer cum Executive Director is responsible for managing the day-to-day business operations of the Group with powers, discretions and delegations authorised from time to time by the Board.

The details of the responsibilities of the Chairman and Chief Executive Officer are clearly set out in the Board Charter.

## Corporate Governance Overview Statement

### PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### I. BOARD RESPONSIBILITIES (CONT'D)

##### 3. Supply of and Access to Information

All Directors have full and unrestricted access to all information pertaining to the Group's businesses and affairs in a timely manner to enable them to discharge their duties effectively.

The Board meets on a scheduled basis, at least four (4) times a year to oversee and monitor the development of the Group. Additional meetings will be held on ad-hoc basis to deliberate on matters requiring its immediate attention. All information with regards to the agenda and Board papers are circulated seven (7) days prior to the meetings to give Directors sufficient time to deliberate on issues to be raised at the Board meetings.

##### 4. Supported by Competent Company Secretaries

The Board is supported by qualified and competent Company Secretaries. The Directors have ready and unrestricted access to the advice and services of the Company Secretaries to enable them to discharge their duties effectively.

The Board is also regularly updated and kept informed of the latest developments in the legislation and regulatory framework affecting the Group and are advised on the proposed contents and timing of material announcements to be made to regulatory authorities.

The Company Secretaries attended all Board and Board Committee meetings and are responsible for ensuring the meeting procedures are followed including disseminating complete and accurate meeting materials in a timely manner to allow Board members to have sufficient time to review the relevant documents prior to meetings. The Company Secretaries also facilitate the communication of key decisions and policies between the Board, Board Committees and Management.

The information of the Company Secretaries' qualification can be found in Corporate Information of this Annual Report.

#### II. BOARD COMPOSITION

##### 1. Board Composition and Balance

The strength of the Board lies in the composition of its members. The current members of the Board have a wide range of expertise, extensive experience and come from diverse backgrounds. The Board currently comprises two (2) Executive Directors (including the Executive Chairman and Chief Executive Officer cum Executive Director), two (2) Independent Non-Executive Directors and two (2) Non-Independent Non-Executive Directors.

The composition of the Board complies with Paragraph 15.02(1) of the MMLR. The Board is therefore of the opinion that the interests of shareholders of the Company are fairly represented through the current composition of the Board and its size constitutes an effective Board to the Company. The wide spectrum of knowledge, skills and experience of the Board members strengthen the leadership which is necessary for the stewardship of the Group. The profiles of each Director are presented on pages 8 to 10 of this Annual Report.

The current composition of the Board reflects the current shareholding structure of the Company. Although the Board does not comprise at least 50% of Independent Directors as recommended in the MCCG, the Independent Directors together with the Chairmen of Audit Committee and Nomination Committee who are both Independent Non-Executive Directors are able to exercise strong independent judgment and provide independent views and advices to all Board deliberations

The presence of Independent Non-Executive Directors also safeguards the interest of the stakeholders in ensuring that the highest standard of conduct and integrity are maintained. Their role is to ensure that any decision of the Board is deliberated fully and objectively with regard to the long term interest of all stakeholders.

During the financial year under review, the Board assessed the independence of its Independent Non-Executive Directors and found them to be independent and objective during Board's deliberations and none of the Independent Directors has served more than a cumulative term of nine (9) years.



## Corporate Governance Overview Statement

## PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

## II. BOARD COMPOSITION (CONT'D)

## 1. Board Composition and Balance (Cont'd)

The Board recognises the importance of having a Senior Independent Non-Executive Director to serve as a sounding board for the Chair and as an effective conduit for other Independent Directors to voice their concern. The Board has identified Encik Azhar Bin Mohamad, who is also the Chairman of the Nomination Committee as the Senior Independent Non-Executive Director of the Company. His duties would typically include the following:-

- Serve as a Chairman of the Nomination Committee;
- Ensure all Independent Directors have an opportunity to provide input on the agenda and advise the Chairman on the quality, quantity and timeliness of the information submitted by the Management that is necessary or appropriate for the Independent Directors to perform their duties effectively; and
- Serve as a designated contact for consultation and direct communication with the shareholders on areas that cannot be resolved through the normal channels of contact with the Chairman or Chief Executive Officer.

The appointment of any additional Director is made as and when it is deemed necessary by the existing Board upon recommendation from the Nomination Committee with due consideration given to the mix of expertise, experience, character, integrity and knowledge required for an effective Board.

In accordance with the Company's Constitution, all Directors who are appointed by the Board are subject to re-election by the shareholders at the next Annual General Meeting ("AGM") subsequent to their appointment. At least one third (1/3) of the Directors are required to retire from office by rotation annually and subject to re-election at each AGM. All Directors shall retire from office at least once every three (3) years, but shall be eligible for re-election.

At this forthcoming 11<sup>th</sup> AGM, Encik Nasaruddin Bin Mohamed Ali and Encik Omar Bin Mohamed Said shall retire from office and be eligible for re-election pursuant to Constitution of the Company. Their profiles are set out in the section on Directors' Profile of this Annual Report.

## 2. Directors' Commitment

The Board endeavors to meet at least four (4) times a year, at quarterly intervals which are scheduled well in advance before the end of the preceding financial year to facilitate the Directors in planning their meeting schedule for the year. The Board is satisfied with the level of commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company as most of the Directors had attended all the Board Meetings during the financial year under review. Additional meetings are convened where necessary to deal with urgent and important matters that require attention of the Board.

All pertinent issues discussed at the Board meetings in arriving at the decisions and conclusions are properly recorded by the Company Secretaries.

The Board met four (4) times during the financial year under review. The details of Directors' attendance are set out as follows:-

Director	Attendance				Total	Percentage (%)
	25 <sup>th</sup> Feb	27 <sup>th</sup> May	26 <sup>th</sup> Aug	18 <sup>th</sup> Nov		
Gan Kok Ten <i>Executive Chairman/Chief Financial Officer</i>	√	√	√	√	4/4	100
Nasaruddin Bin Mohamed Ali <i>Executive Director and Chief Executive Officer</i>	√	√	√	√	4/4	100
Omar Bin Mohamed Said <i>Non-Independent Non-Executive Director</i>	X	√	√	√	3/4	75
Chan Bee Eie <i>Non-Independent Non-Executive Director</i>	√	√	√	√	4/4	100
Tam Juat Hong <i>Independent Non-Executive Director</i>	√	√	√	√	4/4	100
Azhar Bin Mohamad <i>Senior Independent Non-Executive Director</i>	√	√	√	√	4/4	100

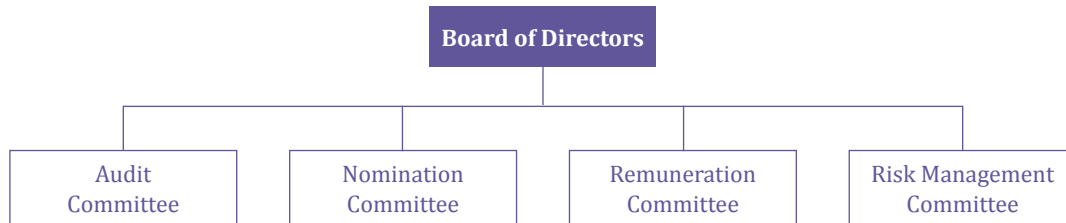
## Corporate Governance Overview Statement

### PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### II. BOARD COMPOSITION (CONT'D)

##### 3. Board Committees

In order to ensure that the Board responsibilities are effectively discharged, the Board delegates certain functions to the following Board Committees to support and assist in discharging fiduciary duties and responsibilities:-



The respective Board Committees with responsibilities guided by the respective terms of references which are periodically reviewed by the Board and the Board appoints the Chairman and members of each Committee.

Each of the Chairmen of the Board Committees reports to the Board on matters considered and their recommendations thereon. The ultimate responsibility for the final decision on all matters, however, lies with the Board.

##### a. Audit Committee

The details of the Audit Committee are set out in Audit Committee Report on pages 35 to 37 of this Annual Report.

##### b. Nomination Committee

The Nomination Committee consists of three (3) members, the majority of whom are Independent Non-Executive Directors as follows:-

Name of Members	Designation
Azhar Bin Mohamad ( <i>Chairman</i> )	Senior Independent Non-Executive Director
Chan Bee Eie	Non-Independent Non-Executive Director
Tam Juat Hong	Independent Non-Executive Director

The committee met once during the financial year under review.

The authorities, functions and responsibilities of the Nomination Committee are set out in its terms of reference, which is available on the Company's website at [www.turbomech.com.my](http://www.turbomech.com.my).

The main objective of the Nomination Committee is to assist the Board on the nomination of Directors based on skills and experience, assessing the effectiveness and continually seek ways to upgrade the effectiveness of the Board as a whole and the Committees of the Board. It also assesses the contribution of each Director, Executive or Independent Non-Executive. In evaluating candidates for directorship, the Nomination Committee will consider based on the following criteria:-

- Mix of skills, experience and diversity;
- Character, integrity, knowledge and expertise;
- In the case of independent directors, their abilities to discharge their responsibilities and functions. The independent directors who have served the Company for an aggregate of more than nine (9) years will submit themselves for retention with justifications at every AGM.

The Board does not specify any gender policy in its evaluation of candidacy as the focus is on skills, experience, character, knowledge, time commitment and integrity. However, the evaluation will be reviewed and revised from time to time to meet the needs of the Company.

## Corporate Governance Overview Statement

## PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

## II. BOARD COMPOSITION (CONT'D)

## 3. Board Committees (Cont'd)

## c. Remuneration Committee

The Remuneration Committee consists of three (3) members, the majority of whom are Non-Executive Directors as follows:-

Name of Members	Designation
Chan Bee Eie ( <i>Chairperson</i> )	Non-Independent Non-Executive Director
Omar Bin Mohamed Said	Non-Independent Non-Executive Director
Azhar Bin Mohamad	Senior Independent Non-Executive Director

The Remuneration Committee is responsible for reviewing, considering and recommending the following matters to the Board for its approval:-

- i. The framework of Executive Directors' remuneration and the remuneration package for each Executive Director drawing from outside advice as necessary;
- ii. Any performance related pay schemes for Executive Directors;
- iii. Executive Directors' scope of service contracts; and
- iv. Appointment of the service of such advisers or consultants as it deems necessary to fulfill its functions.

The Remuneration Committee met once during the financial year under review to discuss and review the reward scheme, remuneration package for Executive Directors and directors' fees for Non-Executive Directors.

## d. Risk Management Committee

The Risk Management Committee consists of four (4) members as follows:-

Name of Members	Designation
Gan Kok Ten ( <i>Chairman</i> )	Executive Chairman/Chief Financial Officer
Nasaruddin Bin Mohamed Ali	Executive Director/Chief Executive Officer
Omar Bin Mohamed Said	Non-Independent Non-Executive Director
Tam Juat Hong	Independent Non-Executive Director

The Committee met once during the year under review.

The responsibilities of the Risk Management Committee are as follows:-

- i. Review the effectiveness of the Group's risk management activities;
- ii. Ensure the implementation of the objectives outlined in the Risk Management Policy and compliance with them;
- iii. Evaluate the process of the Group has in place for assessing and continuously improving internal controls and systems, particularly those related to areas of significant business risk;
- iv. Review the effectiveness of the Group's risk management activities;
- v. Ensure the implementation of the objectives outlined in the Risk Management Policy and compliance with them;
- vi. Evaluate the process of the Group has in place for assessing and continuously improving internal controls and systems, particularly those related to areas of significant business risk;
- vii. Review risk management reports particularly the significant risk observations and risk response and ensure that appropriate action plan is in place to mitigate the risk;
- viii. Report to the Board any significant risk observations that warrants the Board's attention;
- ix. Report and update the Board on key risk management issues as well as ad hoc reporting and evaluation on investment proposals;
- x. Review the adequacy and effectiveness of risk management, internal control and governance systems put in place in the Group, including information technology security and control and to evaluate the systems with the internal and external auditors;
- xi. Work with Management and Internal Auditors in the preparation of the Statement on Risk Management and Internal Control for inclusion in the Company's Annual Report and to recommend the same for the approvals of the Board;
- xii. Consider the appointment of the service of such advisers or consultants as it deems necessary to fulfill its functions; and
- xiii. All other matters delegated by the Board.

The Risk Management Committee reviewed the Group's risk management activities via the risk assessment report prepared by the Internal Auditors.

## Corporate Governance Overview Statement

## PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

## II. BOARD COMPOSITION (CONT'D)

## 4. Continuing Education and Development

In addition to the Mandatory Accreditation Programme as required by Bursa Securities, the Nomination Committee and Directors will continue to identify and attend appropriate seminars, conferences and courses to keep abreast of changes in market, legislations and regulations affecting the Group. The Directors are also committed to continue to undergo other relevant training programmes and seminars whether in-house or external to keep abreast with the developments of the business environment and further enhance their skills and knowledge in discharging their responsibilities.

The Board through the Nomination Committee had conducted an assessment of each Director's training needs via its board evaluation assessment.

During the financial year ended 31 December 2019, the Directors have attended various training programmes and seminars, amongst others, the following:-

Director	No.	Title	Organiser	Date
Gan Kok Ten	1	Sustainability by design: Practical Steps for Malaysian Businesses	DIGI	17/09/2019
Nasaruddin Bin Mohamed Ali	1	Sustainability by design: Practical Steps for Malaysian Businesses	DIGI	17/09/2019
	2	Workshop on Corporate Liability Provision (Section 17A) of the MACC Act 2009	Bursa Securities Malaysia Berhad	05/11/2019
Tam Juat Hong	1	Corporate Governance Advocacy Programme - Cyber Security in the Boardroom	Deloitte Risk Advisory Sdn Bhd	27/06/2019
	2	Avoiding Competition Law Violations - Formulating an Effective Compliance Policy	Zain & Co	17/07/2019
	3	Demystifying the Diversity Conundrum: The Road to Business Excellence	Bursa Securities Malaysia Berhad	14/08/2019
	4	Evaluating Effective Internal Audit Function - Audit Committee's Guide on How to	The Institute of Internal Auditors Malaysia	17/10/2019
	5	Workshop on Corporate Liability Provision (Section 17A) of the MACC Act 2009	Bursa Securities Malaysia Berhad	05/11/2019
	6	Conversation with Audit Committees	Securities Commission	22/11/2019
Azhar Bin Mohamad	1	Standard 1300 (Quality Assessment for Internal Audit) & how does it add value to your organisation	Institute of Internal Auditors	11/01/2019
	2	Digital Economy and Capital Market series: Alibaba and Tencent's Success Guide	CHK Consultancy Sdn Bhd	27/03/2019
	3	Corporate Governance Watch: How does Malaysia rank?	ICLIF Leadership and Governance Centre	03/05/2019
	4	Understanding Board of Directors' Responsibilities on Financial Management and Reports of Company - An Overview of Strategic Planning	Malaysian Insurance Institute	30/05/2019
	5	Financial Industry Conference 2019	Bank Negara Malaysia	17/06/2019
	6	Corporate Governance Advocacy Programme - Cyber Security in the Boardroom	Deloitte Risk Advisory Sdn Bhd	27/06/2019
	7	MFRS 17: Understanding the Impact and Consequences	Ernst & Young PLT	29/07/2019
	8	Industry 4.0 and its Impact on the Malaysian Capital Market	CHK Consultancy Sdn Bhd	08/08/2019
	9	Conversation with Audit Committees	Securities Commission	08/11/2019
	10	New Era of Corporate Liability in Malaysia	Wong & Partners	04/12/2019
Omar Bin Mohamed Said	1	Bursa Malaysia Thought Leadership Series - Leadership Greatness in Turbulent Times: Building Corporate Longevity	Institute of Corporate Directors Malaysia	26/06/2019
Chan Bee Eie	1	Corporate fraud enforcement work and lessons learnt	The Hong Kong Institute of Certified Public Accountants	28/11/2019

## Corporate Governance Overview Statement

### PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### II. BOARD COMPOSITION (CONT'D)

##### 4. Continuing Education and Development (Cont'd)

The Company Secretaries circulated the relevant guidelines on statutory and regulatory requirements from time to time and update the Board on the same at Board meetings. The External Auditors also briefed the Board members on any current and future changes to the Malaysian Financial Reporting Standards that affect the Group's financial statements.

##### 5. Board Assessment and Annual Evaluation

The Nomination Committee reviews annually the required mix of skills and experience of Directors; effectiveness of the Board as a whole; succession plans and boardroom diversity, including gender, age, ethnicity, diversity; training courses for Directors and other qualities of the Board, including core-competencies which Non-Executive Directors should bring to the Board.

The evaluation of the suitability of candidates is solely based on the candidates' competency, character, time commitment, integrity and experience in meeting the needs of the Company. The assessment and comments by Directors are summarized in a questionnaire regarding the effectiveness of the Board and its Board Committees and discussed at the Nomination Committee meeting and reported at the Board Meeting by the Nomination Committee Chairman.

During the financial year, the Nomination Committee has undertaken the following key activities:-

- Reviewed and assessed the mix of skills and experience and size of the Board, contribution of each Director and effectiveness of the Board and Board Committees;
- Reviewed and assessed the character, experience, integrity and competence of the Board and the Chief Executive Officer to ensure they have the time to discharge their respective roles;
- Assessed the overall Board and the Board Committees' performance and effectiveness as a whole;
- Reviewed and assessed the independence of Independent Directors and their tenure of service;
- Assessed Directors' training needs to ensure all Directors receive appropriate continuous training programmes; and
- Reviewed and assessed the term of office and performance of the Audit Committee and each of its members.
- Recommended the re-election of Directors under retirement by rotation in accordance with the provisions of the Constitution of the Company and the Companies Act 2016.

All assessments and evaluations carried out by the Nomination Committee in the discharging of all its function were properly documented.

In its assessment, it was concluded that the Board's size is conducive for effective discussion and decision-making and the Board is satisfied that it has an appropriate balance of expertise, skills, and attributes among the Directors including relevant core competencies.

The Board has established a formal policy on diversity of the Group by taking consideration on a range of different skills, age, gender, ethnicity, backgrounds and experience represented amongst its Directors, officers and staff as the Board is aware that it is important in ensuring robust decision-making processes with a diversity of viewpoints and the effective governance of the Company.

#### III. REMUNERATION

##### Board Remuneration

The Directors' remuneration is reviewed from time to time and is determined at levels which enable the Group to attract and retain caliber Directors with the relevant experience and expertise needed to manage the Group effectively. The Executive Directors are to be appropriately rewarded giving due regard to the corporate and individual performance. In the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the Non-Executive Directors concerned.

The remuneration and benefits-in-kind payable to Directors are subject to shareholders' approval at the AGM.

## Corporate Governance Overview Statement

## PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

## III. REMUNERATION (CONT'D)

## Board Remuneration (Cont'd)

Details of Directors' remuneration (both the Company and the Group) who served during the financial year ended 31 December 2019 are as follows:-

**The Group**

Category	Remuneration					
	Fees (RM)	Salary (RM)	Bonus (RM)	Benefits-in-kind (RM)	Emoluments (RM)	Total (RM)
<b>Executive Directors</b>						
Gan Kok Ten	-	245,435	18,478	42,224	-	306,137
Nasaruddin Bin Mohamed Ali	22,000	-	-	-	-	22,000
<b>Non-Executive Directors</b>						
Omar Bin Mohamad Said	20,000	-	-	-	4,000	24,000
Chan Bee Eie	20,000	-	-	-	10,000	30,000
Azhar Bin Mohamad	20,000	-	-	-	10,000	30,000
Tam Juat Hong	22,000	-	-	-	10,000	32,000
<b>Total</b>	<b>104,000</b>	<b>245,435</b>	<b>18,478</b>	<b>42,224</b>	<b>34,000</b>	<b>444,137</b>

**The Company**

Category	Remuneration					
	Fees (RM)	Salary (RM)	Bonus (RM)	Benefits-in-kind (RM)	Emoluments (RM)	Total (RM)
<b>Executive Directors</b>						
Gan Kok Ten	-	-	-	-	-	-
Nasaruddin Bin Mohamed Ali	22,000	-	-	-	-	22,000
<b>Non-Executive Directors</b>						
Omar Bin Mohamad Said	20,000	-	-	-	4,000	24,000
Chan Bee Eie	20,000	-	-	-	10,000	30,000
Azhar Bin Mohamad	20,000	-	-	-	10,000	30,000
Tam Juat Hong	22,000	-	-	-	10,000	32,000
<b>Total</b>	<b>104,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>34,000</b>	<b>138,000</b>

## PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT

## I. AUDIT COMMITTEE

The Audit Committee comprises all non-executive directors and majority of its members are independent directors, and all of them are financial literate and have sufficient understanding of the Group's business. The Audit Committee is led by Mr Tam Juat Hong who is a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants to assist the Board in its oversight of the Company's financial reporting and in fulfilling its fiduciary responsibilities. The Audit Committee therefore meets the requirements of Paragraph 15.09(1)(b) and (c) of the MMLR.

The composition of Audit Committee, including its roles and responsibilities, number of meetings and attendance of Audit Committee, summary of Audit Committee activities and Internal Auditors' activities during the financial year under review were set out in the Audit Committee Report on pages 35 to 37 of this Annual Report.

The Chairman of the Audit Committee is not the Chairman of the Board, ensuring that the impairment of objectivity on the Board's review of the Audit Committee's findings and recommendation remains intact.

## Corporate Governance Overview Statement

### PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

#### I. AUDIT COMMITTEE (CONT'D)

The Audit Committee's terms of reference sets out its goals, objectives, duties, responsibilities and criteria on the composition of the Audit Committee which includes a former key audit partner of the Group to observe a cooling-off period of at least two (2) years before being able to be appointed as a member of the Audit Committee.

The Board maintains a transparent and professional relationship with the external and internal auditors through the Audit Committee's discussion with them their audit plans, audit findings and financial statements. The Audit Committee invites the external auditors at least twice a year to discuss their findings and audited financial statements of the Group. The Audit Committee also met with the External Auditors, Messrs Ernst & Young PLT twice during the financial year ended 31 December 2019 without the presence of the Executive Directors and Management.

The Board upholds the integrity of financial reporting by the Company and has established procedures, via the Audit Committee, in assessing the suitability and independence of the External Auditors. Such procedures entail the provision of written assurance by the External Auditors, confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out by the Malaysian Institute of Accountants. The Board has determined that the provision of non-audit services contracts which cannot be entered into with the external auditors include management consulting, policy and standard operating procedures documentation, strategic decision and internal audit.

The Audit Committee carried out an assessment of the performance and suitability of the External Auditors based on the quality of services, sufficiency of resources, adequacy of resources and trained professional staff assigned to the audit. The Audit Committee generally satisfied with the independence, performance and suitability of the External Auditors based on the assessment and recommended to the Board and subsequently proposed to shareholders for approval for the re-appointment of Messrs Ernst & Young PLT as External Auditors of the Company for the financial year ending 31 December 2020.

#### II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board established a Risk Management Committee to oversee the Company's risk management framework and policies.

The Board acknowledges the importance of maintaining a sound system of risk management and internal control to safeguard and enhance the value of the Company's shareholders and affirms its overall responsibility for the Group's risk management, and for reviewing the adequacy and integrity of the Group's risk management framework which encompasses all subsidiaries of the Group. The Board has established an internal audit function that reports directly to the Audit Committee. This internal audit function is outsourced to an independent professional firm, GovernanceAdvisory.com Sdn. Bhd.. The functions of the internal auditors are to ensure that adequate system of internal controls exist to assist the management to address operational, regulatory and financial risks.

Further information can be found in the Statement of Risk Management and Internal Control on pages 32 to 34 of this Annual Report.

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

#### I. COMMUNICATION WITH STAKEHOLDERS

The Board recognises the importance of maintaining good relationship with both the shareholders and other stakeholders and will take the responsibility to always improve the communication with the shareholders and the stakeholders. As such, the Board is committed to disseminate all important information on the Group's performance and operations timely and adequately. Information is communicated through the following channels:-

- a. The Annual Report; and
- b. The various disclosures and announcements made to Bursa Securities including the quarterly results and annual results, which will also be posted on the Company's website at [www.turbomech.com.my](http://www.turbomech.com.my).

The Board supports the use of information technology for effective dissemination of information. The Company has established a website at [www.turbomech.com.my](http://www.turbomech.com.my), which is served as a useful reference source of information to shareholders, business partners and other stakeholders. In addition to publishing financial results, annual reports and business information, the website has dedicated Corporate Governance sections which included the Board Charter, Terms of Reference of Board Committees, Code of Conduct and Whistleblowing Policy.

## Corporate Governance Overview Statement

### PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

#### II. CONDUCT OF GENERAL MEETING

The AGM is the principal forum for dialogue with shareholders, allowing shareholders to review the Group's performance via the Company's Annual Report and pose questions to the Board for clarification. The Chairmen of the Audit Committee, Nomination Committee and Remuneration Committee were present at the last AGM. All Directors will attend the upcoming AGM, which shall provide shareholders the opportunities to enquire the Directors in person on the Company's performance and operations.

In line with the MMLR, the Company has implemented and will continue to implement poll voting for all proposed resolutions set out in the notice of any general meeting. An independent scrutineer will also be appointed to validate the votes cast at any general meeting of the Company.

To ensure shareholders have sufficient time to go through the Annual Report, it is circulated at least twenty-eight (28) clear days before the date of the AGM. Shareholders are encouraged to vote on the proposed motions by appointing a proxy in the event they are unable to attend the meeting.

Notice of the 10<sup>th</sup> AGM was circulated more than twenty-eight (28) days before the date of the meeting to enable shareholders to go through the Annual Report and papers supporting the resolutions proposed, which is in line with Section 316(2) of Companies Act 2016, Paragraph 7.15 of the MMLR and the MCCG. Notice of AGM was also circulated in a nationally circulated newspaper alongside an announcement on the website of Bursa Securities. This allows shareholders to have immediate access of the notice of AGM and make the necessary preparations for the AGM. The Company will continue to circulate Notice of 11<sup>th</sup> AGM at least twenty-eight (28) days prior to the meeting.

The outcome of all resolutions proposed at the previous AGM was announced to Bursa Securities at the end of the meeting day while the Minutes of the previous AGM were published on the Company's website as soon as practicable after the conclusion of the AGM.

#### DIRECTORS' RESPONSIBILITY STATEMENT

As required under the Companies Act 2016 ("Act"), the Directors on page 43 of this Annual Report have made a statement expressing an opinion on the financial statements. The Board is of the opinion that the financial statements have been drawn up in accordance with applicable Financial Reporting Standards in Malaysia and the provisions of the Companies Act 2016 so as to give a true and fair view of the financial position of the Company and the Group for the financial year ended 31 December 2019.

In the process of preparing these financial statements, and other than as disclosed in the notes to the financial statements, the Directors have reviewed the accounting policies and practices to ensure that they were consistently applied throughout the year. In cases where judgment and estimates were made, they were based on reasonableness and prudence.

The Board has also taken all such necessary steps to ensure that proper internal controls are in place to safeguard the assets of the Group and to detect and prevent fraud and other irregularities.

#### ADDITIONAL COMPLIANCE INFORMATION

##### 1. Utilisation of Proceeds

The Company did not raise any funds through any corporate proposals during the financial year.

##### 2. Audit and Non-Audit Fees

The amount of audit and non-audit fees incurred for the services rendered to the Company and the Group by the External Auditors during the financial year under review were as follows:-

	Company (RM'000)	Group (RM'000)
Audit services	75	299
Non-audit services	10	10
<b>Total</b>	<b>85</b>	<b>309</b>



## Corporate Governance Overview Statement

## ADDITIONAL COMPLIANCE INFORMATION (CONT'D)

## 3. Material Contracts

There were no material contracts entered by the Company and its subsidiaries involving the interests of the Directors, Chief Executive who is not a Director or major shareholders during the financial year ended 31 December 2019.

## 4. Key Senior Management

Save for the Chief Executive Officer and Chief Financial Officer, who are also the Directors of the Company, there is no other key senior management.

## 5. Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPT").

The breakdown of the aggregate value of the RRPT conducted pursuant to the shareholders' mandate obtained at the 10<sup>th</sup> AGM held on 27 May 2019 was as follows:-

No	Related Party	Company within the Group	Type of Recurrent Transactions	Interested Related Parties (*)	Amount transacted during the financial year (RM)
1	Bayu Purnama Sdn. Bhd.	Turbo-Mech Asia Pte. Ltd.	Sales of pump parts to Bayu Purnama Sdn. Bhd.	<u>Interested Director</u> - Omar Bin Mohamed Said <u>Interested Persons Connected to Director</u> - Hamimah Binti Mohamed Said	720,820

Note (\*) The nature of the relationships and extent of the interest of the Related Parties are as follows:-

a. Bayu Purnama Sdn. Bhd. is a 42.5% associated company of Turbo-Mech Berhad.

b. The family relationships of the Related Parties are as follows:-

Brother - Omar Bin Mohamed Said  
Sister - Hamimah Binti Mohamed Said

c. Hamimah Binti Mohamed Said is a director of Bayu Purnama Sdn. Bhd.

d. The Related Parties' shareholding in Bayu Purnama Sdn. Bhd. is as follows:-

Related Parties	Direct	Indirect	Total %
Omar Bin Mohamed Said	-	-	-
Hamimah Binti Mohamed Said	2,550,000	-	51.0

e. Omar Bin Mohamed Said and Hamimah Binti Mohamed Said are deemed interested by virtue of their family relationships with each other.

f. The direct and indirect interest of the interest Director and persons connected to him are as follows:-

Related Parties	Direct		Indirect	
	No. of Shares in the Company	%	No. of Shares in the Company	%
<b>Interested Director</b>				
Omar Bin Mohamed Said	-	-	-	-
<b>Persons Connected</b>				
Hamimah Binti Mohamed Said	50,000	0.05	-	-

This Statement is made in accordance with a resolution of the Board dated 25 February 2020.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## INTRODUCTION

Pursuant to paragraph 15.26 (b) of the Listing Requirements (“LR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) for the MAIN Market and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers (“the Guidelines”), the Board of Directors of Turbo-Mech Berhad (“the Company”) is pleased to include a statement on the state of the Group’s risk management and internal controls in this annual report. This Statement has outlines the nature and scope of risk management and internal control of the Group. For the purposes of this Statement, associates and joint venture are not dealt with as part of the Group, and therefore not covered by this Statement.

## BOARD’S RESPONSIBILITIES

The Board acknowledges the importance of good risk management practices and sound internal controls as a platform to good corporate governance. The Board recognises its overall responsibility for maintaining a sound system of risk management and internal control, and for reviewing its adequacy and integrity. In addition, the Board has also received assurance from the Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”) that the Group’s risk management and internal control system is operating adequately and effectively, in all material aspects.

Due to inherent limitations in any risk management and internal control system, such system put into effect by Management is designed to manage rather than eliminate risks that may impede the achievement of the Group’s business objectives. Therefore, the risk management and internal control system can only provide reasonable and not absolute assurance against material misstatement of financial information, financial losses or irregularities.

## KEY FEATURES OF THE GROUP’S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

Key elements of the Group’s risk management and internal control system that have been established to facilitate the proper conduct of the Group’s businesses are described below:

### 1. RISK MANAGEMENT SYSTEM

The Board maintains an ongoing commitment to strengthen the Group’s risk management framework. The Board delegate oversight of risk management to Risk Management Committee. The overall risk management practice of the Group involves an ongoing process designed to identify the principal risks to the achievement of the Group’s policies, goals and objectives; to evaluate the nature and extent of those risks; and proactively manage these risks efficiently, effectively and economically. To this end, the Board, with the assistance of external consultant has developed a formal risk management framework and has continue to engage their service for the year to assist to conduct review and identification and assessment of the Group principle risks.

The Board had embedded in the Group a monitoring and reporting process to continuously identify, assess and manage the principal risks in a formal manner, which would entail establishing procedures for reporting and monitoring of risk and controls. These initiatives would ensure that the Group has in place an ongoing process for identifying, evaluating, monitoring and managing the principal risks that affects the achievement of its business objectives.

Risk identification, evaluation and managing process:-

The risks are identified through day-to-day operations by the key personnel and management of the Group, which is then incorporated into Risk Management Report that includes details on the nature of the risk as well as the severity and probability of an occurrence.

The risk identification process includes consideration of both internal and external environmental factors. External environmental factors include political, economic, social technological, legal and environment changes. Internal factors include changes in key personnel, introduction of new or revision of existing policies and procedures.

Next, the risks identified are evaluated by examining the potential impact on the Group if a risk was to crystallise, as well as the likelihood of occurrence. The impact is rated on a scale of 1 to 3, 1 to indicate the lowest impact and 3 to indicate the highest impact. The likelihood of a risk crystallising is rated on a scale of 1 to 3, 1 to indicate lowest probability and 3 indicate the highest probability. The risk level shall be rated low, moderate, significant or high and be determined according to the Risk Analysis Matrix.

## Statement on Risk Management and Internal Control

### KEY FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM (CONT'D)

#### 1. RISK MANAGEMENT SYSTEM (CONT'D)

The identified risks can be categorized into below according to their potential impact on the Group:

- Financial Risks  
These risks relate to the financial structure of the business, including transactions with third parties as well as other finance-related arrangements or issues.
- Operational Risks  
These risks concern the execution of day-to-day activities or functions of the company, which may include the risk of loss arising from the failures of the internal systems or the people who operate these functions.
- Reputational Risks  
This is a risk of loss resulting from damages to the company's reputation, lost of revenue; increased operating, capital or regulatory costs; or destruction of shareholders' value and the company's assets, consequent to an adverse or potentially criminal event even if the company is not found guilty.
- Strategic Risks  
These risks may arise from the formulation of strategy, the implementation of business decisions or potential uncertainties concerning the objectives of the Group.

All risks identified are documented in the Risk Management Report, and submitted for notation by the Board and Risk Management Committee. The Risk Management Report serves as a tool for heads of departments or business units to manage key risks applicable to their areas of business activities on a continual basis.

All key risks are reviewed and monitored by the Management team. Through these mechanisms, key risks identified in the Risk Management Report are assessed in a timely manner and control procedures or mitigating factors are re-evaluated accordingly in order to ensure that the key risks are mitigated to an acceptable level.

During the financial year, assessment process on risk management was conducted and attended by Executive Directors and key management personnel. Key business risks were categorised to highlight the source of the risk, its scoring to reflect the impact of the risk and the likelihood of its occurrence. The assessment process took into account all aspects of the businesses and its internal control framework, including risk assessment, the control environment and control activities, information and communication and monitoring procedures. Yearly reviews were conducted to determine existence of new risk and whether the risks previously identified remained relevant. Necessary action will be taken to remedy any significant failings or weaknesses identified from the assessment.

#### 2. INTERNAL CONTROL SYSTEM

- Board of Director and Audit Committee  
The Board and Audit Committee meet at least four times during the financial year to ensure that the Directors maintain effective control on all significant and operational issues.
- Organisation Structure & Authorisation Procedures  
The Group maintains a formal organizational structure that includes clear delegation of responsibilities and accountability. It sets out the roles and responsibilities, appropriate authority limits, review and approval procedures to enhance the internal control system of the Group's various business units. The procedures include the establishment of authority limit for all aspects of the business, which is subject to periodic review throughout the year as to their implementation and for their continuing suitability.
- Periodical and/or Annual Budget  
An annual budget is prepared by Management and tabled to the Board for approval. Periodic monitoring is carried out to measure the actual performance against budget to identify significant variances and devise remedial action plans.
- Group Policies and Procedures  
Documented policies and procedures are in place and are regularly reviewed and updated to ensure that it maintains its effectiveness and continues to support the Group's business activities at all times as the Group continues to grow.
- Human Resource Policy  
Comprehensive guidelines on employment and retention of employees are in place to ensure that the Group has a team of employees who are well trained and equipped with all the necessary knowledge, skills and abilities to carry out their responsibilities effectively.

## Statement on Risk Management and Internal Control

### KEY FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM (CONT'D)

#### 2. INTERNAL CONTROL SYSTEM (CONT'D)

- **Information and Communication**  
Information critical to the achievement of the Group's business objectives are communicated through established reporting lines across the Group. This is to ensure that matters that require the Board and Senior Management's attention are highlighted for review, deliberation and decision on a timely basis.
- **Monitoring and Review**  
Scheduled operational and management meetings are held to discuss and review the business plans, budgets, financial and operational performances of the Group. Monthly management accounts containing key financial results, operational performance and comparison of actual performance against budgets are presented to the management team for monitoring and review. The quarterly financial statements are presented to the Board for their review, consideration and approval. The Board also plays an active role in discussing and reviewing the business plans, strategies, performance and risks faced by the Group.

The Group has also exercised its significant influence over its associated company by obtaining, monitoring and reviewing the management accounts of its associated company, which contains key financial results, operational performances and comparison of actual performances against budgets on a monthly basis.

#### 3. INTERNAL AUDIT FUNCTION

The Group's internal audit function is outsourced to a professional services firm, to assist the Board and Audit Committee in providing an independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control system.

During the financial year ended 31 December 2019, an internal audit review was carried out in accordance with the risk-based internal audit plan approved by the Audit Committee. Risk-based Internal Audit methodology was adopted, which entails focusing on the inherent risk involved in the activities or system and providing assurance that the risk is being managed by the Management within the defined risk appetite level.

The results of the internal audit reviews, recommendations for improvements, and corrective measures implemented or planned were deliberated during the Audit Committee meetings. Minutes of the Audit Committee meetings that recorded the deliberations were then presented to the Board.

The total cost incurred for the internal audit function of the Group in respect of the financial year ended 31 December 2019 amounted to RM16,000.

In addition, follow up review was conducted to ensure that corrective actions have been implemented on a timely manner. Based on the internal audit review conducted, none of the weaknesses noted have resulted in any material losses, contingencies or uncertainties that would require separate disclosure in this annual report.

### REVIEW OF STATEMENT BY EXTERNAL AUDITOR

The External Auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the Annual Report of the Group for the financial year ended 31 December 2019. Their limited assurance review was performed in accordance with the Audit and Assurance Practice Guide 3 (AAPG3) issued by the Malaysian Institute of Accountants.

Based on the review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe this Statement is inconsistent with their understanding of the processes the Board has adopted in reviewing adequacy and effectiveness of the Risk Management and Internal Control system of the Group. The external auditors' report was made solely for, and directed solely to the Board of Directors in connection with their compliance with the listing requirements of Bursa Malaysia Securities Berhad and for no other purpose or parties. As stated in their report, the external auditors do not assume responsibility to any person other than the Board of Directors in respect of any aspect of this report.

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

### CONCLUSION

The Board is of the view that the Group's system of internal control is adequate to safeguard shareholders' investments and the Group's assets. However, the Board is also cognizant of the fact that the Group's system of internal control and risk management practices must continuously evolve to meet the changing and challenging business environment. Therefore, the Board will, when necessary, put in place appropriate action plans to further enhance the system of internal control and risk management framework.

The Board is satisfied on the adequacy and effectiveness of the Group's on-going process for identifying, evaluating, controlling and managing the risks of business, including the scope and frequency of reports on both risk management and internal control that are received and reviewed during the year by the Audit Committee and Risk Management Committee and the Board, important risk and control matters discussed and associated actions taken by the Management.

The statement does not extend to its associate companies and joint venture.

This statement was approved by the Board of Directors on 22 May 2020.

## AUDIT COMMITTEE REPORT

The Board of Directors ("Board") of Turbo-Mech Berhad ("Turbo" or "the Company") is pleased to present the report on the Audit Committee for the financial year ended 31 December 2019.

### 1. COMPOSITION AND ATTENDANCE

The Audit Committee currently consists of three (3) members, all of whom are non-executive directors with a majority of them are independent directors. Mr Tam Juat Hong is a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants. The Audit Committee therefore meets the requirements of Paragraph 15.09(1)(b) and (c) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR").

The Audit Committee met 4 times during the financial year on 25 February 2019, 27 May 2019, 26 August 2019 and 18 November 2019 and the attendance record is tabulated as follows:-

Members	Designation	Attendance
Tam Juat Hong	Chairman, Independent Non-Executive Director	4/4
Chan Bee Eie	Non-Independent Non-Executive Director	4/4
Azhar Bin Mohamad	Senior Independent Non-Executive Director	4/4

### 2. ROLES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE

The Audit Committee is responsible for assisting the Board in fulfilling its statutory and fiduciary responsibilities of monitoring the Turbo Group's management of its financial risk processes, accounting and financial reporting practices, ensuring the efficacy of the Group's system of internal control and in maintaining oversight of both the internal and external audit functions.

A detailed terms of reference of the Audit Committee has been drawn up and approved by the Board and this is available on the Company's website at [www.turbomech.com.my](http://www.turbomech.com.my) pursuant to Paragraph 15.11 of the MMLR. The terms of reference of the Audit Committee is reviewed regularly. Any revision or amendment shall form part of terms of reference and shall be considered duly revised or amended. The terms of reference of the Audit Committee was last reviewed on 29 March 2018.

### 3. REVIEW OF THE PERFORMANCE OF THE AUDIT COMMITTEE

The Board through its Nomination Committee had performed an annual review and assessment of the term of office and performance of Audit Committee to assess the Audit Committee's effectiveness in carrying out its duties as set out in the terms of reference. The Board was satisfied that the Audit Committee has effectively discharged its duties in accordance with the terms of reference for the financial year under review.

### 4. RETIREMENT AND RESIGNATION

In the event of any vacancy in the Audit Committee resulting in the non-compliance with requirements on composition of the Audit Committee and the election of an independent chairman of the Audit Committee, the vacancy must be filled within 3 months of that event.

### 5. SUMMARY OF WORK DURING THE FINANCIAL YEAR

During the financial year ended 31 December 2019, the Audit Committee has met its responsibilities in discharging its duties and functions. The major works undertaken by the Audit Committee are summarised broadly as follows:-

#### i. Internal Audit

The Group has outsourced its internal audit function to a professional internal audit services company, namely GovernanceAdvisory.com Sdn. Bhd. since 2018. The primary responsibility of this internal audit function is to assist the Board and the Audit Committee in reviewing and assessing whether the management systems of internal control procedures are effective and provide recommendations to strengthen these internal control procedures so as to foster a satisfactory management control environment within the context and resources of the Group.

## Audit Committee Report

### 5. SUMMARY OF WORK DURING THE FINANCIAL YEAR (CONT'D)

#### i. Internal Audit (Cont'd)

The Internal Auditors had organised their work in accordance with the principles of the internal auditing standards covering the conduct of the audit planning, execution, documentations, communication of findings and consultation with key stakeholders on the audit concerns.

Before the commencement of the internal audit reviews, an internal audit plan was prepared and presented to the Audit Committee for approval. Upon approval by the Audit Committee, internal audit reviews were carried in accordance with the approved internal audit plan. Thereafter, during the quarterly meetings following the presentation of the Internal Audit Report, the Audit Committee reviewed with the Internal Auditors, the progress and coverage of the Internal Audit Plan to ensure that the audit direction remains relevant and was in line with the Audit Committee's expectations. After considering the changes in the operating environment in the Group, the Internal Audit Plan was developed in consideration of the Group's risk profile and the Board and Management concerns.

Prior to the presentation of reports and findings to the Audit Committee, comments from the Management were obtained and incorporated into the internal audit findings and reports. The Internal Audit Reports also covered the follow-up by the Management on the implementation of recommendations in their earlier reports.

The Internal Auditors had attended two (2) Audit Committee meetings during the financial year. The functional areas and operating processes reviewed by the Internal Auditors were as follows:-

- Follow-up Review; and
- Purchase Function & Project Management.

The Internal Auditors also presented the Internal Audit Review Plan for year 2020 to the Audit Committee for approval at the Audit Committee meeting held on 18 November 2019.

The total cost incurred for the internal audit function of the Group during the financial year was RM16,000 (2018: RM16,000).

#### ii. Financial Reporting

During the financial year ended 31 December 2019, the Audit Committee in the discharge of its duties and responsibilities in respect of the financial reporting by the Group carried out the following activities:-

- a. Reviewed the financial positions, quarterly interim financial reports and announcements for the respective financial quarters prior to submission to the Board for their consideration and approval. The First, Second, Third and Fourth Quarter Interim Financial Reports were tabled at the Audit Committee meetings held on 27 May 2019, 26 August 2019, 18 November 2019 and 25 February 2020 respectively. The quarterly interim financial reports were prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134 and Paragraph 9.22 of the MMLR;
- b. Reviewed the Audit Planning Memorandum for the financial year ended 31 December 2019 which was prepared by External Auditors of the Company including but not limited to the audit analytics used, the assessment of professional independence, the manpower of the audit engagement team, the concept of materiality, the potential areas of audit emphasis, the audit reliance placed with the internal auditors and the audit timeline for the full audit engagement. Included in this Audit Plan is an annual statement from the External Auditors that the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants are complied with;
- c. Reviewed the Audit Results of the External Auditors which include the audit scope changes, the significant accounting and auditing issues, the qualitative aspect of accounting policies and the summary of audit difference, if any;
- d. Reviewed the Audited Financial Statements ("AFS") of the Company and the External Auditors' findings and recommendations for the financial year ended 31 December 2018 at the Audit Committee meeting held on 25 February 2019. The AFS of the Company were prepared in compliance with the MFRS, International Financial Reporting Standards and the requirements of the Companies Act 2016;
- e. Conducted private meeting sessions with the External Auditors without the presence of the Executive Board Members and Management of the Company on 25 February 2019 and 18 November 2019;

## Audit Committee Report

**5. SUMMARY OF WORK DURING THE FINANCIAL YEAR (CONT'D)**

## ii. Financial Reporting (Cont'd)

- f. Assessed the performance of External Auditors and recommended to the Board for re-appointment;
- g. To ensure the integrity of the financial information, received assurance from the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of the Company, that:-
  - Appropriate accounting policies had been adopted and applied consistently;
  - Going concern basis applied in the Annual Consolidated Financial Statements was appropriate;
  - Prudent judgements and reasonable estimates had been made in accordance with the requirements set out in the MFRS;
  - Adequate controls and processes were in place for effective and efficient financial reporting and relevant disclosures under MFRS and MMLR; and
  - Annual Consolidated Financial Statements and the Quarterly Condensed Consolidated Financial Statements did not contain material misstatements and gave a true and fair view of the financial position.
- h. Reviewed the Statement of Risk Management and Internal Control together with the Internal Auditors and External Auditors and received assurance from the CEO and CFO of the Company that the Group's risk management and internal control systems are operating adequately and effectively in all material aspects before recommending the said Statement to the Board for their approval;
- i. Reviewed the terms of related party transactions and recurrent related party transactions, if any, entered into by the Group;
- j. Reviewed and recommended to the Board the Audit Committee Report and Corporate Governance Overview Statement for approval and inclusion in the Company's Annual Report; and
- k. Reviewed the assistance provided by Management to the External Auditors and Internal Auditors.

## iii. External Audit

Upon the re-appointment of Messrs Ernst & Young PLT as External Auditors of the Company for the financial year, the External Auditors attended the Audit Committee meeting of the Company held on 18 November 2019 and during their presentation on Audit Planning Memorandum for the financial year ended 31 December 2019, had declared and confirmed that they were independent and would be independent through their audit engagement.

Subsequent to the financial year ended 31 December 2019, the Audit Committee met with the External Auditors in the absence of Management on 1 occasion on 25 February 2020. The Audit Committee had the opportunity to assess the co-operation extended by Management to the External Auditors, their attitude and readiness to provide documentation and explanations, as well as the adequacy of resources in the Group's finance department.

There were no areas of major concerns raised by the External Auditors that warranted escalation to the Board. The External Auditors were also informed by the Audit Committee that should there be any significant incidents or matters detected in the course of their audits or reviews which warrant their knowledge or intervention, it shall be reported to the Audit Committee accordingly.

At the same time, the External Auditors had the opportunity to obtain feedback from the Audit Committee on their perspectives on the areas of major concerns, which they would like the External Auditors to look into.

The Audit Committee carried out an assessment of the performance and suitability of the External Auditors based on the quality of services, sufficiency of resources, adequacy of resources and trained professional staff assigned to the audit. The Audit Committee was generally satisfied with the independence, performance and suitability of the External Auditors based on the assessment and recommended to the Board and subsequently proposed to shareholders for approval for the re-appointment of Messrs Ernst & Young PLT as External Auditors of the Company for the financial year ending 31 December 2020.



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## DIRECTORS' REPORT

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

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Corporate information is disclosed in Note 1 to the financial statements.

The principal activities and other information relating to the subsidiaries, associates and joint venture are disclosed in Note 6, Note 7 and Note 8 respectively to the financial statements.

### FINANCIAL RESULTS

	Group RM	Company RM
Profit attributable to:		
Owners of the company	2,997,623	784,157
Non-controlling interests	1,014	-
	<u>2,998,637</u>	<u>784,157</u>

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

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

### DIVIDENDS

The amount of dividends paid by the Company since 31 December 2018 were as follows:

	RM
In respect of the financial year ended 31 December 2018 as reported in the Directors' report of that year:	
Final single tier dividend of 2.0 sen on 108,000,000 ordinary shares, declared on 26 April 2019 and paid on 27 June 2019.	<u>2,160,000</u>

At the forthcoming Annual General Meeting, a final single-tier dividend of 1 sen per ordinary share in respect of the financial year ended 31 December 2019, on 108,000,000 ordinary shares, amounting to a dividend payable of RM1,080,000 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 31 December 2020.

### DIRECTORS

The names of the Directors of the Company in office since the beginning of the financial year to the date of this report are:

Gan Kok Ten \*  
Nasaruddin bin Mohamed Ali  
Omar bin Mohamed Said  
Chan Bee Eie  
Tam Juat Hong  
Azhar bin Mohamad

\* The Director is also Director of the Company's subsidiaries.

## Directors' Report

### DIRECTORS (CONT'D)

The names of the Directors of the Company's subsidiaries in office since the beginning of the financial year to the date of this report (not including those Directors listed above) are:

Tay Hwee Leck  
 Arnel Lattore Pulla  
 Gilbert M. Untalan  
 Roberto J. Consunji  
 Agus Kusnadi  
 Lai Yew Fong  
 Pranee Yimchalam

### DIRECTORS' BENEFITS

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

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

The Directors' benefits are as follows:

	<b>Group 2019 RM</b>	<b>Company 2019 RM</b>
<b>Director of the Company</b>		
<b>Executive:</b>		
Salaries and other emoluments	245,435	-
Fees - current year	22,000	22,000
Bonus	18,478	-
Defined contribution plan	42,224	-
Insurance effected to indemnify directors	3,537	3,537
<b>Total Executive Directors' remuneration</b>	<b>331,674</b>	<b>25,537</b>
<b>Non-Executive:</b>		
Fees - current year	82,000	82,000
Other emoluments	34,000	34,000
Insurance effected to indemnify directors	7,073	7,073
<b>Total Non-Executive Directors' remuneration</b>	<b>123,073</b>	<b>123,073</b>
	<b>454,747</b>	<b>148,610</b>
<b>Director of the Subsidiaries</b>		
<b>Executive:</b>		
Salaries and other emoluments	510,644	-
Bonus	39,122	-
Defined contribution plan	42,443	-
	<b>592,209</b>	<b>-</b>
<b>Non-Executive:</b>		
Fees	-	-
<b>Total Directors' remuneration</b>	<b>1,046,956</b>	<b>148,610</b>
Executive Directors' remuneration	923,883	25,537
Non-Executive Directors' remuneration	123,073	114,073

**DIRECTORS' INTERESTS**

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

The Company	Number of Ordinary Shares			
	1 January 2019	Bought	Sold	31 December 2019
<b>Direct Interest</b>				
Gan Kok Ten	19,497,632	1,139,787	-	20,637,419
Nasaruddin bin Mohamed Ali	940,876	-	-	940,876
<b>Indirect Interest</b>				
Gan Kok Ten <sup>(1)</sup>	41,030,698	-	1,139,787	39,890,911
Chan Bee Eie <sup>(2)</sup>	100,000	1,139,787	-	1,239,787
<b>Subsidiary</b>				
<b>Turbo-Mech (Thailand) Co. Ltd</b>				
<b>Direct Interest</b>				
Gan Kok Ten	1,000	-	-	1,000

<sup>(1)</sup> Deemed interested by virtue of the shareholdings of his brother and Mosgan Holdings Sdn Bhd pursuant to Section 8(4)(c) of the Companies Act 2016.

<sup>(2)</sup> Deemed interested in the direct shareholdings of her spouse, Gan Kok Tin, a substantial shareholder of the Company pursuant to Section 59(11)(c) of the Companies Act 2016.

By virtue of their interests in the shares of the Company, Gan Kok Ten is also deemed to have an interest in the shares of all the subsidiaries of the Company to the extent the Company has an interest.

**ISSUE OF SHARES AND DEBENTURES**

There were no issues of shares or debentures during the financial year.

**OTHER STATUTORY INFORMATION**

- (a) Before the statements of financial position and statements of income of the Group and of the Company were made out, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
  - (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

## Directors' Report

### OTHER STATUTORY INFORMATION (CONT'D)

- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) At the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the Directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

### SUBSEQUENT EVENT

Details of subsequent event are disclosed in Note 40 to the financial statements.

### AUDITORS

The auditors, Ernst & Young PLT, have expressed their willingness to continue in office.

Auditors' remuneration is as follows:

	<b>Group 2019 RM</b>	<b>Company 2019 RM</b>
Ernst & Young PLT, Malaysia	75,000	75,000
Member firms of Ernst & Young Global	214,378	-
Other auditors	37,415	-
	<b>326,793</b>	<b>75,000</b>

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young PLT, as part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young PLT for the financial year ended 31 December 2019.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 22 May 2020.

## STATEMENT BY DIRECTORS

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

We, Gan Kok Ten and Nasaruddin bin Mohamed Ali, being two of the Directors of Turbo-Mech Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 47 to 111 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of their financial performance and the cash flows of the Group and of the Company for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 22 May 2020.

**Gan Kok Ten**  
Director

**Nasaruddin bin Mohamed Ali**  
Director

## STATUTORY DECLARATION

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

I, Gan Kok Ten, being the Director primarily responsible for the financial management of Turbo-Mech Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 47 to 111 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the  
abovenamed Gan Kok Ten at Kuala Lumpur  
in the Federal Territory on 22 May 2020.

**Gan Kok Ten**

Before me,  
**Firdaus binti S. Faizal** (W723)  
Commissioner for Oaths

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TURBO-MECH BERHAD (200901020166 (863263-D))  
(INCORPORATED IN MALAYSIA)

## Report on the Audit of the Financial Statements

### *Opinion*

We have audited the financial statements of Turbo-Mech Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and statements of income, 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 47 to 111.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

### *Basis for Opinion*

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

### *Independence and Other Ethical Responsibilities*

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

### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. We have determined that there are no key audit matters to communicate in our report on the financial statements of the Company. The key audit matters for the audit of the financial statements of the Group are described below. These matters were addressed in the context of our audit of the financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

### Revenue Recognition

Revenue for the year ended 31 December 2019 amounted to RM48,697,881.

#### Sale of goods

The Group's revenue recognition policy is to recognise the revenue upon the transfer of control of the goods to the customer, which generally coincides with delivery and acceptance of the goods sold. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods. The timing of the transfer of the risks and rewards of the goods to the buyers is defined by the specific delivery terms agreed upon with the customers.

As the Group arranged shipment under various shipping terms across its operating markets, any lapse or delay in the monitoring of the shipment status will affect the timing of revenue recognition, resulting in misstatement of revenue recorded in the financial statements. Accordingly, as there is a risk that revenue could be misstated resulting from cut off issue, we have identified this matter as a key audit matter.

#### Rendering of services

Revenue from services rendered are recognised upon services performed. The Group recognises its revenue in accordance with MFRS 15 Revenue from Contract with Customers, where it is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

As the Group recognised revenue based on work done, any delay in the monitoring of service report status will affect the timing of revenue recognition, resulting in misstatement of revenue recorded in the financial statements. Accordingly, as there is a risk that revenue could be misstated resulting from cut off issue, we have identified this matter as a key audit matter.

Independent Auditors' Report  
To the Members of Turbo-Mech Berhad (200901020166 (863263-D))  
(Incorporated In Malaysia)

## Report on the Audit of the Financial Statements (Cont'd)

### *Key Audit Matters (Cont'd)*

#### Rendering of services (Cont'd)

As part of our audit procedures, we evaluated the appropriateness of the Group's revenue recognition accounting policies. We obtained an understanding of management's internal controls over the revenue recognition process and placed specific attention on the timing of the revenue recognition. We tested on a sample basis, sales transactions taking place near to or after the reporting date by evaluating the agreed delivery terms or service report provided by the customer and the timing of revenue recognition, to assess whether the sales transactions were recognised in the appropriate financial year. We have also obtained external confirmations from trade receivables with significant balances outstanding as at year end. For material credit notes issued after the reporting date, if any, we performed procedures to assess whether sales transactions were recognised in the correct financial year. In addition, we have also performed trend analysis over products by comparing against prior year, and assessed if the variances are reasonable.

Information regarding the Group's revenue is disclosed in Notes 23 and 38 to the financial statements.

#### *Information Other than the Financial Statements and Auditors' Report Thereon*

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report and 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. We obtained the Directors' Report prior to the date of this auditors' report, and the other information included in the Annual Report is expected to be made available to us after the date of this auditors' report.

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

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the 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 on the other information included in the Annual Report that we obtained prior to the date of this auditors' report, 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.

When we read the remaining other information included in the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors of the Company and take appropriate action.

#### *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 Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative to do so.

#### *Auditors' Responsibilities for the Audit of the Financial Statement*

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.

## Independent Auditors' Report

To the Members of Turbo-Mech Berhad (200901020166 (863263-D))  
(Incorporated In Malaysia)

### Report on the Audit of the Financial Statements (Cont'd)

#### *Auditors' Responsibilities for the Audit of the Financial Statement*

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 skepticism 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 of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Directors.
- Conclude on the appropriateness of 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 and business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

### Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 6 to the financial statements.

### Other Matters

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

**Ernst & Young PLT**  
202006000003 (LLP0022760-LCA) & AF 0039  
Chartered Accountants

**H'ng Boon Keng**  
03112/08/2020 J  
Chartered Accountant

Kuala Lumpur, Malaysia  
22 May 2020



## STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	3	2,583,315	28,317,532	486	1,406
Investment properties	4	6,576,574	1,421,345	-	-
Land use rights	5	-	2,945,948	-	-
Right-of-use assets	22	23,556,565	-	-	-
Investment in subsidiaries	6	-	-	44,628,995	44,628,995
Investment in associates	7	17,866,917	17,943,895	8,639,755	8,639,755
Investment in joint ventures	8	354,856	439,972	-	-
Other non-current assets	9	15,371	23,051	-	-
		50,953,598	51,091,743	53,269,236	53,270,156
<b>CURRENT ASSETS</b>					
Inventories	11	3,555,936	1,855,033	-	-
Trade and other receivables	12	19,732,506	12,255,330	7,605	7,605
Contract assets	13	1,876,791	1,957,812	-	-
Dividend receivables		1,402,500	2,550,000	1,402,500	2,550,000
Prepayments		354,285	112,152	-	-
Tax recoverable		109,162	9,581	-	9,581
Cash and bank balances	14	45,154,332	42,746,805	401,990	555,480
		72,185,512	61,486,713	1,812,095	3,122,666
<b>TOTAL ASSETS</b>		123,139,110	112,578,456	55,081,331	56,392,822
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENTS</b>					
Share capital	15	54,000,000	54,000,000	54,000,000	54,000,000
Retained earnings	16(a)	32,998,090	32,160,467	858,095	2,233,938
Capital reserve	16(b)	4,763,400	4,763,400	-	-
Retirement benefit obligation reserve	16(c)	(34,518)	12,584	-	-
Statutory reserve	16(d)	108,500	108,500	-	-
Foreign currency translation reserve	17	16,349,960	15,072,667	-	-
		108,185,432	106,117,618	54,858,095	56,233,938
Non-controlling interests		34,631	31,175	-	-
<b>TOTAL EQUITY</b>		108,220,063	106,148,793	54,858,095	56,233,938

## Statements of Financial Position

As at 31 December 2019

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
<b>NON-CURRENT LIABILITIES</b>					
Loans and borrowings	20	4,147	22,416	-	-
Lease liabilities	22	2,386,166	-	-	-
Deferred tax liabilities	10	171,906	78,391	-	-
Retirement benefit obligation	21	272,130	200,360	-	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>2,834,349</b>	<b>301,167</b>	<b>-</b>	<b>-</b>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	18	8,036,810	4,862,052	219,265	158,884
Contract liabilities	19	3,081,717	261,045	-	-
Loans and borrowings	20	18,857	22,881	-	-
Lease liabilities	22	178,037	-	-	-
Income tax payable		769,277	982,518	3,971	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>12,084,698</b>	<b>6,128,496</b>	<b>223,236</b>	<b>158,884</b>
<b>TOTAL LIABILITIES</b>		<b>14,919,047</b>	<b>6,429,663</b>	<b>223,236</b>	<b>158,884</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>123,139,110</b>	<b>112,578,456</b>	<b>55,081,331</b>	<b>56,392,822</b>

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

## STATEMENTS OF INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
Revenue	23	48,697,881	40,935,379	1,402,500	2,550,000
Cost of sales	24	(35,001,327)	(25,487,628)	-	-
Gross profit		13,696,554	15,447,751	1,402,500	2,550,000
Interest income	25	412,474	292,676	2,466	5,560
Other income	26	1,406,952	1,288,731	-	-
Depreciation expenses		(2,948,321)	(2,651,167)	(920)	(920)
Amortisation expenses		(7,680)	(82,189)	-	-
Employee benefits expense	27	(5,873,067)	(5,701,460)	(293,568)	(259,238)
Other expenses		(4,102,088)	(3,593,722)	(316,257)	(519,102)
Operating profit		2,584,824	5,000,620	794,221	1,776,300
Finance cost	29	(90,567)	(4,158)	-	-
Share of results of associates	7	1,331,323	2,078,371	-	-
Share of results of joint ventures	8	96,231	240,563	-	-
Profit before taxation	30	3,921,811	7,315,396	794,221	1,776,300
Income tax expense	31	(923,174)	(768,258)	(10,064)	(760)
Profit for the financial year		2,998,637	6,547,138	784,157	1,775,540
<b>Profit attributable to:</b>					
Owners of the parent		2,997,623	6,546,255	784,157	1,775,540
Non-controlling interests		1,014	883	-	-
		2,998,637	6,547,138	784,157	1,775,540
Earnings per share attributable to owners of the parent (sen per share)					
- Basic	32	3	6		
- Diluted	32	*3	*6		

\* Diluted earnings per share of the Company for the financial year ended 31 December 2019 and 31 December 2018 is equivalent to the basic earnings per share as the Company has no dilutive potential ordinary shares in issue at the end of the reporting date.

## STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
Profit for the financial year		2,998,637	6,547,138	784,157	1,775,540
<b>Other comprehensive income to be reclassified to profit or loss in subsequent period:</b>					
Foreign currency translation	17	1,279,735	36,989	-	-
<b>Other comprehensive income will not be reclassified to profit or loss in subsequent period:</b>					
Remeasurement (loss)/gain on defined benefit obligation	16(c)	(47,102)	18,893	-	-
		1,232,633	55,882	-	-
<b>Total comprehensive income for the financial year</b>		<b>4,231,270</b>	<b>6,603,020</b>	<b>784,157</b>	<b>1,775,540</b>
<b>Total comprehensive income for the financial year attributable to:</b>					
Owners of the parent		4,227,814	6,601,418	784,157	1,775,540
Non-controlling interests		3,456	1,602	-	-
		4,231,270	6,603,020	784,157	1,775,540

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

## STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Group	Distributable		Non-distributable					Total Equity	
	Share Capital (Note 15) RM	Retained Earnings (Note 16) RM	Capital Reserve (Note 16) RM	Retirement Obligation Reserve (Deficit) (Note 16) RM	Statutory Reserve (Note 16) RM	Foreign Currency Translation Reserve (Note 17) RM	Equity Attributable to Owners of the Parent RM		Non-controlling Interests RM
<b>At 1 January 2018</b>	54,000,000	26,634,745	4,763,400	(6,309)	108,500	15,036,397	100,536,733	3,696,570	104,233,303
Profit for the financial year	-	6,546,255	-	-	-	-	6,546,255	883	6,547,138
Other comprehensive income during the year	-	-	-	18,893	-	36,270	55,163	719	55,882
Total comprehensive income for the financial year	-	6,546,255	-	18,893	-	36,270	6,601,418	1,602	6,603,020
Dividends (Note 39) Arising from the acquisition of additional shares in a subsidiary (Note 6)	-	(1,080,000)	-	-	-	-	(1,080,000)	-	(1,080,000)
	-	59,467	-	-	-	-	59,467	(3,666,997)	(3,607,530)
<b>At 31 December 2018</b>	54,000,000	32,160,467	4,763,400	12,584	108,500	15,072,667	106,117,618	31,175	106,148,793
<b>At 1 January 2019</b>	54,000,000	32,160,467	4,763,400	12,584	108,500	15,072,667	106,117,618	31,175	106,148,793
Profit for the financial year	-	2,997,623	-	-	-	-	2,997,623	1,014	2,998,637
Other comprehensive income during the year	-	-	-	(47,102)	-	1,277,293	1,230,191	2,442	1,232,633
Total comprehensive income for the financial year	-	2,997,623	-	(47,102)	-	1,277,293	4,227,814	3,456	4,231,270
Dividends (Note 39)	-	(2,160,000)	-	-	-	-	(2,160,000)	-	(2,160,000)
<b>At 31 December 2019</b>	54,000,000	32,998,090	4,763,400	(34,518)	108,500	16,349,960	108,185,432	34,631	108,220,063

## Statements of Changes in Equity

For the financial year ended 31 December 2019

	Share Capital (Note 15) RM	Distributable Retained Earnings (Note 16) RM	Total Equity RM
<b>Company</b>			
<b>At 1 January 2018</b>	54,000,000	1,538,398	55,538,398
Profit for the financial year	-	1,775,540	1,775,540
Other comprehensive income for the financial year	-	-	-
Total comprehensive income for the financial year	-	1,775,540	1,775,540
Dividends (Note 39)	-	(1,080,000)	(1,080,000)
<b>At 31 December 2018</b>	54,000,000	2,233,938	56,233,938
Profit for the financial year	-	784,157	784,157
Other comprehensive income for the financial year	-	-	-
Total comprehensive income for the financial year	-	784,157	784,157
Dividends (Note 39)	-	(2,160,000)	(2,160,000)
<b>At 31 December 2019</b>	54,000,000	858,095	54,858,095

## STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before taxation	3,921,811	7,315,396	794,221	1,776,300
Adjustments for:				
Amortisation of land use rights	-	74,509	-	-
Amortisation of investment in club membership	7,680	7,680	-	-
Depreciation of property, plant and equipment	1,378,290	2,537,341	920	920
Depreciation of investment properties	255,356	113,826	-	-
Depreciation of right-of-use assets	1,314,675	-	-	-
Dividend income	-	-	(1,402,500)	(2,550,000)
Gain on disposal of property, plant and equipment	(397)	(46,328)	-	-
Interest income	(412,474)	(292,676)	(2,466)	(5,560)
Allowance for impairment loss on				
- trade receivables	72,014	151,592	-	-
- contract assets	(9,495)	9,495	-	-
Interest expenses	2,717	4,158	-	-
Accretion of interest on lease liabilities	87,850	-	-	-
Inventories written down	59,580	101,968	-	-
Reversal of inventories written down	(85,014)	(114,411)	-	-
Share of results of associates	(1,331,323)	(2,078,371)	-	-
Share of results of joint venture	(96,231)	(240,563)	-	-
Provision for retirement benefit obligation	42,853	102,862	-	-
Unrealised (gain)/loss on foreign currency translations	49,787	(355,771)	-	-
Operating profit/(loss) before changes in working capital	5,257,679	7,290,707	(609,825)	(778,340)
Changes in working capital:				
Inventories	(1,675,469)	(348,015)	-	-
Trade and other receivables	(7,576,492)	286,193	-	-
Contract assets	90,516	(895,457)	-	34,964
Prepayments	(242,133)	(29,758)	-	-
Trade and other payables	3,189,225	(190,174)	-	-
Contract liabilities	2,820,672	(16,802)	60,381	(61,728)
Cash generated from/(used in) operation	1,863,998	6,096,694	(549,444)	(805,104)
Interest paid	(2,717)	(4,158)	-	-
Payment of retirement benefit obligations	(29,181)	-	-	-
Income taxes (paid)/ refund	(1,142,681)	(545,596)	3,488	(5,999)
Net cash generated from/(used in) operating activities	689,419	5,546,940	(545,956)	(811,103)

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

## Statements of Cash Flows

For the financial year ended 31 December 2019

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from disposal of property, plant and equipment	1,027	47,492	-	-
Purchase of property, plant and equipment	(184,374)	(741,690)	-	-
Placement of fixed deposit with licensed bank	(5,391,260)	(2,338,826)	-	-
Net cash outflow from acquisition of additional shares in a subsidiary (Note 6(b))	-	(3,607,530)	-	-
Interest income received	412,474	292,676	2,466	5,560
Dividend received from a joint venture	182,262	-	-	-
Dividend received from an associate	2,550,000	1,900,080	2,550,000	1,900,080
Net cash flows (used in)/generated from investing activities	(2,429,871)	(4,447,798)	2,552,466	1,905,640
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Dividends paid	(2,160,000)	(1,080,000)	(2,160,000)	(1,080,000)
Payment of lease liabilities	(187,409)	-	-	-
Repayment of finance lease obligations	(22,293)	(21,084)	-	-
Net cash flows used in financing activities	(2,369,702)	(1,101,084)	(2,160,000)	(1,080,000)
<b>NET CHANGES IN CASH AND CASH EQUIVALENTS</b>	<b>(4,110,154)</b>	<b>(1,942)</b>	<b>(153,490)</b>	<b>14,537</b>
Effect of exchange rate changes on cash and cash equivalents	1,126,421	505,058	-	-
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR</b>	<b>34,859,226</b>	<b>34,356,110</b>	<b>555,480</b>	<b>540,943</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR (NOTE 14)</b>	<b>31,875,493</b>	<b>34,859,226</b>	<b>401,990</b>	<b>555,480</b>

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



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Bursa Malaysia Securities Berhad.

The registered office of the Company is located at 12<sup>th</sup> Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

The principal place of business is located at 39-5, Jalan PJU 1/41, Block D1, Dataran Prima, 47301 Petaling Jaya, Selangor Darul Ehsan.

The principal activity of the Company is investment holding.

The principal activities and other information relating to the subsidiaries and associates are disclosed in Note 6 and Note 7 respectively.

There have been no significant changes in the nature of the 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 Board of Directors on 22 May 2020.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of Preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. At the beginning of the current financial year, the Company adopted new and revised MFRS and interpretations which are mandatory for financial periods beginning on or after 1 January 2019 as fully described in Note 2.3.

The financial statements of the Group and of the Company have been prepared on a historical cost basis unless otherwise disclosed below.

The financial statements of the Group and of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Ringgit Malaysia ("RM"), which is also the Group's and the Company's functional currency.

### 2.2 Summary of Significant Accounting Policies

#### (a) Basis of Consolidation and Business Combinations

##### (i) Basis of Consolidation

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

The Company controls an investee if and only if the Company has all the following:

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

## Notes to the Financial Statements

### 31 DECEMBER 2019

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of Significant Accounting Policies (Contd.)

#### (a) Basis of Consolidation and Business Combinations (Contd.)

##### (i) Basis of Consolidation (Contd.)

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

- (i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- (ii) Potential voting rights held by the Company, other vote holders or other parties;
- (iii) Contractual arrangement with the other vote holders of the investee;
- (iv) Rights arising from other contractual arrangements; and
- (v) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

##### (ii) Business Combinations

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss in accordance with MFRS 9. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 9, it is measured at fair value at each reporting date with changes in fair value recognised in profit and loss.

Notes to the Financial Statements  
31 DECEMBER 2019**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****2.2 Summary of Significant Accounting Policies (Contd.)****(a) Basis of Consolidation and Business Combinations (Contd.)****(ii) Business Combinations (Contd.)**

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

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

- (b) Business combinations involving entities under common control are accounted for by applying the pooling of interest method. The assets and liabilities of the combining entities are reflected at their respective carrying amounts and reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the "acquired" entity is reflected within equity as merger reserve or merger deficit. Merger deficit is adjusted against suitable reserves of the Group to the extent that the laws and statutes do not prohibit the use of such reserves. The statement of comprehensive income reflects the result of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities have always been combined since the date the entities had come under common control.

At the reporting date, the merger deficit is Nil (2017: Nil) as the carrying amount of merger deficit had been adjusted against the Group's retained earnings in previous financial years.

**(b) Transactions with Non-controlling Interests**

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

**(c) Foreign Currency****(i) Foreign Currency Translation**

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

## Notes to the Financial Statements

### 31 DECEMBER 2019

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of Significant Accounting Policies (Contd.)

#### (c) Foreign Currency (Contd.)

##### (i) Foreign Currency Translation (Contd.)

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in statement of income for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

##### (ii) Foreign Operations

For consolidation purpose, the assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

#### (d) Property, Plant and Equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing part of the property, plant and equipment. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

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

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Land improvements	20 years
Air conditioner	5 years
Computers	3 - 5 years
Furniture and fittings	2 - 10 years
Motor vehicles	7 - 10 years
Office equipment	2 - 10 years
Plant, machinery and instruments	5 years
Renovation	5 years

Construction work in progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

## Notes to the Financial Statements

### 31 DECEMBER 2019

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of Significant Accounting Policies (Contd.)

#### (d) Property, Plant and Equipment (Contd.)

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

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

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

#### (e) Investment Properties

Investment properties are properties that are either owned by the Group or leased under a finance lease that are held to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties. Properties held under operating leases are classified as investment properties when the definition of an investment property is met.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and any accumulated impairment loss.

Depreciation of investment property is provided for on a straight-line basis to write off the cost of investment properties to its residual value over the lower of the estimated useful life or lease period:

- Leasehold land and Building Over the lease period of 17 - 50 years

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

Right-of-use assets that meet the definition of investment property in accordance to MFRS 16, are presented in the statement of financial position as investment property.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the carrying cost at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.2(d) up to the date of change in use.

#### (f) Land Use Rights

Prior to adoption of MFRS 16, land use rights represent land leases granted by the state authorities and are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation. The land use rights are amortised on a straight-line basis over the lease terms.

#### (g) Right-of-use Assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Leasehold land and building 18 years

## Notes to the Financial Statements

### 31 DECEMBER 2019

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of Significant Accounting Policies (Contd.)

#### (g) Right-of-use Assets (Contd.)

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, amortisation is calculated using the estimated useful life of the asset.

Right-of-use assets that meet the definition of investment property in accordance to MFRS 16, are presented in the statement of financial position as investment property.

The Group assesses at each reporting date whether there is an indication that the right-of-use assets may be impaired in accordance with the accounting policy set out in Note 2.2(j).

#### (h) Club Membership

Club membership which was acquired separately is carried at cost less accumulated impairment loss. The Group assesses at each reporting date whether there is an indication that the club membership may be impaired in accordance with the accounting policy set out in Note 2.2(j).

#### (i) Other Investment

Other investment which was acquired separately is carried at cost less accumulated impairment loss. The Group assesses at each reporting date whether there is an indication that the other investment may be impaired in accordance with the accounting policy set out in Note 2.2(j).

#### (j) Impairment of Non-Financial Assets

The Group and the Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group and the Company makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

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

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, 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. If such indication exists, the Group and the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. 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  
31 DECEMBER 2019**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****2.2 Summary of Significant Accounting Policies (Contd.)****(k) Subsidiaries**

A subsidiary is an investee that is controlled by the Group as further discussed in Note 2(a)(i). The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

**(l) Associates and Joint Venture**

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

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

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

An associate and joint venture are equity accounted for from the date on which the investee becomes an associate and joint venture.

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

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

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

After application of the equity method, the Group determine whether it is necessary to recognise an additional impairment loss on the Group's investment in associate or joint ventures. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount in profit or loss.

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

## Notes to the Financial Statements

### 31 DECEMBER 2019

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of Significant Accounting Policies (Contd.)

#### (m) Financial Assets

##### Initial Recognition and Measurement

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

##### Initial Recognition and Measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group and the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

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

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

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

##### Subsequent Measurement

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

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

The Group and the Company have no financial assets carried at fair value through OCI, for both debt and equity instruments and financial assets at fair value through profit or loss.

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

##### Financial Assets at Amortised Cost ("Debt Instruments")

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

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

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



Notes to the Financial Statements  
31 DECEMBER 2019**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****2.2 Summary of Significant Accounting Policies (Contd.)****(m) Financial Assets (Contd.)****Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group and the Company have transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group and the Company 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 has transferred control of the asset.

When the Group and the Company have transferred its rights to receive cash flows from an asset or have entered into a pass-through arrangement, they 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 its 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.

**(n) Impairment of Financial Assets**

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

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

For trade receivables, the Group and the Company apply a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group and the Company have established a provision matrix that is based on its historical credit loss experience. The Group and the Company consider forward-looking factors do not have significant impact to their credit risk given the nature of their industry and the amount of ECLs is insensitive to changes to forecast economic conditions.

The Group and the Company consider a financial asset in default when contractual payments are 120 days past due. However, in certain cases, the Group and the Company may also consider a financial asset to be in default when internal or external information indicates that the Group and the Company are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

## Notes to the Financial Statements

### 31 DECEMBER 2019

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of Significant Accounting Policies (Contd.)

#### (o) Cash and Cash Equivalents

For the purposes of the statements of cash flows, cash and cash equivalents consist of cash in hand, bank balances, demand deposits and short term highly liquid investments with a maturity of three months or less from the date of placement that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### (p) Inventories

Inventories are stated 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:

- Trading goods: purchase costs on a first-in-first-out basis.
- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a first-in-first-out basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

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

#### (q) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

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

#### (r) Financial Liabilities

##### Initial Recognition and Measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

##### Subsequent Measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss; and
- Other financial liabilities.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of Significant Accounting Policies (Contd.)

#### (r) Financial Liabilities (Contd.)

##### Other Financial Liabilities

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

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

##### Derecognition

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

##### Offsetting of Financial Instruments

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

#### (s) Employee Benefits

##### (i) Short Term Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group.

##### (ii) Defined Contribution Plans

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

##### (iii) Defined Benefit Plan

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation (derived using a discount rate based on high quality corporate bonds) at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

## Notes to the Financial Statements

### 31 DECEMBER 2019

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of Significant Accounting Policies (Contd.)

#### (s) Employee Benefits (Contd.)

##### (iii) Defined Benefit Plan (Contd.)

Defined benefit costs comprise the following:

- Service cost;
- Net interest on the net defined benefit liability or asset; and
- Remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognised as expense in profit or loss. Past service costs are recognised when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognised as expense or income in profit or loss.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognised immediately in other comprehensive income in the period in which they arise. Remeasurements are recognised in retained earnings within equity and are not reclassified to profit or loss in subsequent periods.

##### (iv) Employee Leave Entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to the reporting date.

#### (t) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

##### Finance Lease

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

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

Right-of-use assets that meet the definition of investment property in accordance to MFRS 16, are presented in the statement of financial position as investment property.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of Significant Accounting Policies (Contd.)

#### (t) Leases (Contd.)

##### Operating Lease

##### Group as a Lessee

Prior to adoption of MFRS 16, operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Upon adoption of MFRS 16, the Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### (i) Lease Liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

#### (ii) Short-term Leases and Leases of Low-value Assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

##### Group as a Lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

#### (u) Revenue

Revenue is measured based on the consideration to which the Group and the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

## Notes to the Financial Statements

### 31 DECEMBER 2019

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of Significant Accounting Policies (Contd.)

#### (u) Revenue (Contd.)

Revenue is recognised when the Group and the Company satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

#### (i) Sale of Goods

The Group and the Company is in the business of sales of rotating equipment and spare parts.

Revenue is recognised when the goods are delivered to the customer and all criteria for acceptance have been satisfied. The amount of revenue recognised is based on the estimated transaction price which comprise the contractual price.

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

#### (ii) Rendering of Services

The Group and the Company is in the business of maintenance and overhaul service of of rotating equipment and spare parts.

Revenue is recognised based when the services are rendered to the customer and all criteria for acceptance have been satisfied. The amount of revenue recognised is based on the estimated transaction price which comprise the contractual price.

#### (iii) Commission Income

The Group acts as an agent to provide a service of arranging for another party to transfer goods to a customer. The Group recognises a commission fee, being the net amount of consideration that the Group retains after paying the other party the consideration received in exchange for the goods or services to be provided by that party.

#### (iv) Interest Income

Interest income is recognised using the effective interest method.

#### (v) Dividend Income

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

#### (vi) Rental Income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

### Contract Balances

#### (i) Contract Assets

Contract assets primarily relate to the Group's right to consideration for work complete but not yet billed at reporting date for sale of goods and services. Contract assets are transferred to receivables when the rights become unconditional.

Notes to the Financial Statements  
31 DECEMBER 2019**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****2.2 Summary of Significant Accounting Policies (Contd.)****(u) Revenue (Contd.)****Contract Balances (Contd.)****(ii) Trade Receivables**

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due) in accordance with the accounting policy set out in Note 2.2(m).

**(iii) Contract Liabilities**

Contract liabilities primarily relate to the Group's obligation to transfer goods or services to customers for which the Group has received advances received from customers for sale of goods and services.

**(v) Taxes****(i) Current Income Tax**

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**(ii) Deferred Tax**

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

Deferred tax liabilities are recognised for all temporary differences, except where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

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 and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

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

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

Revenues, expenses and assets in Singapore, Thailand, Philippines, Indonesia and Malaysia (up to 31 May 2018) are recognised net of the amount of GST except:

- Where the GST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- When receivables and payables are stated with the amount of GST included.

## Notes to the Financial Statements

### 31 DECEMBER 2019

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of Significant Accounting Policies (Contd.)

#### (v) Taxes (Contd.)

##### (iii) Goods and Services Tax ("GST") (Contd.)

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

Effective from 1 June 2018 for Malaysia, the rate was reduced from 6% to 0% and GST was subsequently abolished and replaced by Sales and Services Tax on 1 September 2018.

##### (iv) Sales and Service Tax ("SST")

When SST is incurred, SST is recognised as part of the expense or cost of acquisition of the asset as SST is not recoverable.

Whereas, revenue is recognised net of the amount of SST billed as it is payable to the taxation authority. SST payable to the taxation authority is included as part of payables in the statements of financial position.

#### (w) Share Capital and Share Issuance Expenses

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

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

#### (x) Segment Reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 38, including the factors used to identify the reportable segments and the measurement basis of segment information.

#### (y) Current Versus Non-current Classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.



Notes to the Financial Statements  
31 DECEMBER 2019**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****2.2 Summary of Significant Accounting Policies (Contd.)****(z) Fair Value Measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- (i) In the principal market for the asset or liability; or
- (ii) In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

- (i) Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- (ii) Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- (iii) Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

**2.3 Changes in Accounting Policies**

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of new standards and interpretations as follows:

On 1 January 2019, the Group and Company adopted the following new and amended MFRS and interpretation mandatory for annual financial periods beginning on or after 1 January 2019.

**Effective for financial periods beginning on or after 1 January 2019**

Amendments to MFRS 3: Business Combinations (Annual improvements to MFRSs 2015–2017 Cycle)  
Amendments to MFRS 9: Prepayment Features with Negative Compensation  
Amendments to MFRS 11: Joint Arrangements (Annual improvements to MFRSs 2015–2017 Cycle)  
Amendments to MFRS 112: Income Taxes (Annual improvements to MFRSs 2015–2017 Cycle)  
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement  
Amendments to MFRS 123: Borrowing Costs (Annual improvements to MFRSs 2015–2017 Cycle)  
MFRS 16: Leases  
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures  
IC Interpretation 23: Uncertainty over Income Tax Treatments

## Notes to the Financial Statements

### 31 DECEMBER 2019

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.3 Changes in Accounting Policies (Contd.)

Adoption of the above standards and interpretation did not have any effect on the financial performance or position of the Group and of the Company except as discussed below:

#### MFRS 16 Leases

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

Lessor accounting under MFRS 16 is substantially unchanged from MFRS 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in MFRS 117. Therefore, MFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted MFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the effect of recognising right-of-use assets equal to the lease liabilities adjusted by the amount of any prepaid lease payment at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying MFRS 117 and IC Interpretation 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contract that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

The effect of adoption MFRS 16 as at 1 January 2019 (increase/(decrease)) is, as follows:

#### **Impact on the consolidated statement of financial position:**

	<b>RM</b>
<b>Assets</b>	
Property, plant and equipment	(25,737,296)
Right-of-use assets	28,395,392
<b>Total assets</b>	<b>2,658,096</b>
<b>Liabilities</b>	
Lease liabilities	2,658,096
<b>Total liabilities</b>	<b>2,658,096</b>
<b>Equity:</b>	
Retained earnings	-
Non-controlling interests	-

The Group has lease contracts on rental of land. Before the adoption of MFRS 16, the Group classified its leases (as lessee) at the inception date as either a finance lease or an operating lease. Refer to Note 2.2(t) Leases for the accounting policy prior to 1 January 2019.

Upon adoption of MFRS 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 2.2(t) Leases for the accounting policy beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

#### **Leases previously classified as finance leases**

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under MFRS 117). The requirements of MFRS 16 were applied to these leases from 1 January 2019.

Right-of-use assets that meet the definition of investment property in accordance to MFRS 16, are presented in the statement of financial position as investment property.

Notes to the Financial Statements  
31 DECEMBER 2019**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****2.3 Changes in Accounting Policies (Contd.)**MFRS 16 Leases (Contd.)**Leases previously accounted for as operating leases**

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Use hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

The effect of the adoption of MFRS 16 as at 1 January 2019 are disclosed in Note 22 to the financial statements.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	<b>RM</b>
<b>Assets</b>	
Operating lease commitments as at 31 December 2018	3,672,340
Less: Commitments relating to short-term leases	(49,099)
	<u>3,623,241</u>
Incremental borrowing rate as at 1 January 2019	3.36%
Discounted operating lease commitments as at 1 January 2019	<u>2,658,096</u>

**2.4 Malaysian Financial Reporting Standards Issued but Not Effective**

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

**Effective for financial periods beginning on or after 1 January 2020**

Revised Conceptual Framework for Financial Reporting  
Amendment to MFRS 3: Definition of Business  
Amendment to MFRS 101: Definition of Material  
Amendment to MFRS 108: Definition of Material  
Amendment to MFRS 7: Interest Rate Benchmark Reform  
Amendment to MFRS 9: Interest Rate Benchmark Reform  
Amendment to MFRS 139: Interest Rate Benchmark Reform

**Effective for financial periods beginning on or after 1 January 2021**

MFRS 17: Insurance Contracts

## Notes to the Financial Statements

### 31 DECEMBER 2019

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.4 Malaysian Financial Reporting Standards Issued but Not Effective (Contd.)

#### Effective for financial periods beginning on or after 1 January 2022

Amendment to MFRS 101: Classification of Liabilities as Current or Non-current

#### Effective for financial periods to be announced

Amendment to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an investor and its Associate or Joint Venture

The Directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application.

### 2.5 Significant Accounting Judgements and Estimates

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

#### (a) Critical Judgements Made in Applying Accounting Policies

There are critical judgements made by management in the process of applying the Group's and the Company's accounting policies which may have significant effect on the amounts recognised in the financial statements as disclosed below:

##### (i) Property Lease Classification - Group as Lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains substantially all the risks and rewards incidental to ownership of these properties and accounts for the contracts as operating leases.

#### (b) Key Sources of Estimation Uncertainty

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

##### (i) Provision for Expected Credit Losses of Trade Receivables and Contract Asset

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 12 and Note 13 respectively.

The carrying amount of trade receivables and contract assets as at 31 December 2019 are RM16,787,108 and RM1,876,791 respectively (31 December 2018: RM11,282,749 and RM1,957,812).

Notes to the Financial Statements  
31 DECEMBER 2019

## 3. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold Buildings RM	Land Improvement RM	Air Conditioner RM	Computers RM	Furniture and RM			Motor Vehicles RM	Office Equipment RM	Instruments RM	Plant, Machinery and and RM	Renovation RM	Total RM
					Fittings RM	and RM	RM						
<b>At 31 December 2019</b>													
<b>Cost</b>													
At 1 January 2019	29,266,480	58,359	119,129	453,775	740,393	1,095,883	438,774	5,656,459	2,892,767	40,722,019			
(as previously stated)													
Reclassification to right-of-use assets arising from the adoption of MFRS 16 (Note 22)	(25,737,296)	-	-	-	-	-	-	-	-	-	-	(25,737,296)	
At 1 January 2019	3,529,184	58,359	119,129	453,775	740,393	1,095,883	438,774	5,656,459	2,892,767	14,984,723			
(as restated)													
Reclassification to investment property (Note 4)	(3,529,184)	-	-	-	-	-	-	-	-	-	-	(3,529,184)	
Additions	-	-	-	15,626	5,464	-	10,322	103,768	49,194	184,374			
Disposals	-	-	-	(8,062)	-	-	(1,011)	-	-	(9,073)			
Exchange differences	-	1,490	253	10,374	14,799	24,027	11,426	77,326	8,797	148,492			
At 31 December 2019	-	59,849	119,382	471,713	760,656	1,119,910	459,511	5,837,553	2,950,758	11,779,332			
<b>Accumulated Depreciation</b>													
At 1 January 2019	4,696,637	52,424	80,584	418,733	526,233	838,690	326,930	3,829,054	1,635,202	12,404,487			
(as previously stated)													
Reclassification to right-of-use assets arising from the adoption of MFRS 16 (Note 22)	(3,582,160)	-	-	-	-	-	-	-	-	(3,582,160)			
At 1 January 2019	1,114,477	52,424	80,584	418,733	526,233	838,690	326,930	3,829,054	1,635,202	8,822,327			
(as restated)													
Reclassification to investment property (Note 4)	(1,114,477)	-	-	-	-	-	-	-	-	(1,114,477)			
Depreciation charge for the year	-	3,026	18,737	22,157	91,284	77,377	48,740	667,346	449,623	1,378,290			
Disposals	-	-	-	(8,056)	-	-	(387)	-	-	(8,443)			
Exchange differences	-	1,357	180	9,837	14,259	13,229	8,743	64,540	6,175	118,320			
At 31 December 2019	-	56,807	99,501	442,671	631,776	929,296	384,026	4,560,940	2,091,000	9,196,017			
<b>Net Carrying Amount</b>													
At 31 December 2019	-	3,042	19,881	29,042	128,880	190,614	75,485	1,276,613	859,758	2,583,315			

## Notes to the Financial Statements

### 31 DECEMBER 2019

#### 3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Group	Leasehold Buildings RM	Improvement RM	Land RM	Air Conditioner RM	Computers RM	Furniture and fittings RM		Motor Vehicles RM	Office Equipment RM	Plant, Machinery and Instruments RM		Renovation RM	Total RM
						Fittings RM	and RM			Machinery RM	Instruments RM		
<b>At 31 December 2018</b>													
<b>Cost</b>													
At 1 January 2018	29,346,383	60,247	116,965	2,400	436,278	725,666	1,037,159	428,641	5,524,432	2,885,016	40,560,787		
Additions	-	-	2,400	-	16,118	12,770	209,708	11,302	471,129	18,263	741,690		
Disposals	-	-	-	-	-	-	(147,236)	(3,021)	(244,669)	-	(394,926)		
Exchange differences	(79,903)	(1,888)	(236)	(236)	1,379	1,957	(3,748)	1,852	(94,433)	(10,512)	(185,532)		
At 31 December 2018	29,266,480	58,359	119,129	119,129	453,775	740,393	1,095,883	438,774	5,656,459	2,892,767	40,722,019		
<b>Accumulated Depreciation</b>													
At 1 January 2018	3,480,735	51,056	61,032	19,425	378,593	428,663	911,293	280,592	3,535,581	1,203,674	10,331,219		
Depreciation charge for the year	1,217,273	2,886	19,425	-	38,393	93,811	79,383	46,298	607,633	432,239	2,537,341		
Disposals	-	-	-	-	-	-	(147,236)	(1,863)	(244,663)	-	(393,762)		
Exchange differences	(1,371)	(1,518)	127	127	1,747	3,759	(4,750)	1,903	(69,497)	(711)	(70,311)		
At 31 December 2018	4,696,637	52,424	80,584	80,584	418,733	526,233	838,690	326,930	3,829,054	1,635,202	12,404,487		
<b>Net Carrying Amount</b>	24,569,843	5,935	38,545	38,545	35,042	214,160	257,193	111,844	1,827,405	1,257,565	28,317,532		

Notes to the Financial Statements  
31 DECEMBER 2019

## 3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

## Company

	Computer RM	Office Equipment RM	Total RM
<b>At 31 December 2019</b>			
<b>Cost</b>			
At 1 January 2019/31 December 2019	6,146	2,700	8,846
<b>Accumulated Depreciation</b>			
At 1 January 2019	5,280	2,160	7,440
Depreciation charge for the year	650	270	920
At 31 December 2019	5,930	2,430	8,360
<b>Net Carrying Amount</b>	216	270	486
<b>At 31 December 2018</b>			
<b>Cost</b>			
At 1 January 2018/31 December 2018	6,146	2,700	8,846
<b>Accumulated Depreciation</b>			
At 1 January 2018	4,630	1,890	6,520
Depreciation charge for the year	650	270	920
At 31 December 2018	5,280	2,160	7,440
<b>Net Carrying Amount</b>	866	540	1,406

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM184,374 (2018: RM741,690) of which RM Nil (2018: RM Nil) were acquired by means of finance lease arrangements.

During the financial year, a leasehold building with carrying value of RM2,414,707 (2018: RM Nil) was reclassified to investment property (Note 4) pursuant to a long-term lease agreement entered with a third party. The Group's lease commitment as a lessor with the third party is disclosed in Note 34.

During the financial year, a leasehold building with carrying value of RM22,155,136 (2018: RM Nil) was reclassified to right-of-use assets (Note 22) arising from the adoption of MFRS 16.

The carrying amount of property, plant and equipment held under finance lease arrangement at the reporting date are as follows:

	Group	
	2019	2018
Office equipment	7,574	32,891

## Notes to the Financial Statements

### 31 DECEMBER 2019

#### 4. INVESTMENT PROPERTIES

	Group	
	2019	2018
	RM	RM
<b>Leasehold Land and Building</b>		
<b>Cost</b>		
At 1 January	2,234,101	2,341,097
Reclassification from property, plant and equipment (Note 3)	3,529,184	-
Reclassification from land use rights (Note 5)	4,305,613	-
Exchange differences	78,771	(106,996)
At 31 December	10,147,669	2,234,101
<b>Accumulated Depreciation</b>		
At 1 January	812,756	731,281
Reclassification from property, plant and equipment (Note 3)	1,114,477	-
Reclassification from land use rights (Note 5)	1,359,665	-
Depreciation charge for the year	255,356	113,826
Exchange differences	28,841	(32,351)
At 31 December	3,571,095	812,756
<b>Net Carrying Amount</b>	6,576,574	1,421,345
Fair value as at 31 December	16,491,846	3,121,846

Right-of-use assets that meet the definition of investment property in accordance to MFRS 16, are presented in the statement of financial position as investment property.

During the financial year, a leasehold building and land use rights with carrying value of RM2,414,707 (2018: RM Nil) and RM2,945,948 (2018: RM Nil) were reclassified from property, plant and equipment (Note 3) and land use rights (Note 5) respectively pursuant to a long-term lease agreement entered with a third party. The Group's lease commitment as a lessor with the third party is disclosed in Note 34.

The investment property as at 31 December 2018 and 31 December 2019 was valued by independent professional valuers firm based on comparable approaches.

- (a) The Group has land use rights and buildings with carrying amount of RM1,347,659 (2018: RM1,421,345) represent land lease over two plots of state-owned land in the Republic of Indonesia. The land use rights are transferable and have a remaining tenure of 12 years (2018: 13 years) and 8 years (2018: 9 years) respectively.

The Group also has land use rights and buildings with carrying amount of RM5,228,915 (2018: RM2,945,948) represent land lease over one plot of state-owned land in the Republic of Singapore. The land use rights are transferable and have a remaining tenure of 39 years (2018: 40 years).

- (b) Investment properties pledged as security

The investment properties of the Group with carrying amount of RM5,228,915 (2018: RM Nil) are pledged to secure the Group's trade banking facilities for letter of credit which were not utilised at the reporting date.



Notes to the Financial Statements  
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## 5. LAND USE RIGHTS

	Group	
	2019 RM	2018 RM
<b>Cost</b>		
At 1 January	4,305,613	4,315,554
Reclassification to investment properties (Note 4)	(4,305,613)	-
Exchange currency translation differences	-	(9,941)
At 31 December	-	4,305,613
<b>Accumulated Amortisation</b>		
At 1 January	1,359,665	1,287,092
Reclassification to investment properties (Note 4)	(1,359,665)	-
Amortisation for the financial year	-	74,509
Exchange currency translation differences	-	(1,936)
At 31 December	-	1,359,665
<b>Net Carrying Amount</b>	-	2,945,948

(a) The Group has land use rights represent land lease over one plot of state-owned land in the Republic of Singapore where the subsidiary's office and storage facilities reside. The land use rights are not transferable and have a remaining tenure of 39 years (2018: 40 years).

(b) Land use rights pledged as security

The Group's land use rights in prior financial year with a carrying amount of RM2,945,948 was pledged to secure the Group's trade banking facilities for letter of credit which were not utilised at the reporting date.

(c) During the financial year, land use rights with carrying value of RM2,945,948 was reclassified to investment property (Note 4) pursuant to a long-term lease agreement entered with a third party. The Group's lease commitment as a lessor with the third party is disclosed in Note 34.

## 6. INVESTMENT IN SUBSIDIARIES

	Company	
	2019 RM	2018 RM
Unquoted shares outside Malaysia, at cost	44,628,995	44,628,995

(a) Details of the subsidiaries are as follows:

Name of Subsidiaries	Country of Incorporation	Principal Activities	Proportion of Ownership Interest held by Group		Proportion of Ownership Interest held by Non-controlling Interests	
			2019 (%)	2018 (%)	2019 (%)	2018 (%)
<b>Held by the Company:</b>						
Turbo-Mech Asia Pte. Ltd. <sup>(1)</sup>	Singapore	Sales of rotating equipment and spare parts and provision of maintenance and overhaul services	100	100	-	-

## Notes to the Financial Statements

### 31 DECEMBER 2019

#### 6. INVESTMENT IN SUBSIDIARIES (CONTD.)

(a) Details of the subsidiaries are as follows: (Contd.)

Name of Subsidiaries	Country of Incorporation	Principal Activities	Proportion of Ownership Interest held by Group		Proportion of Ownership Interest held by Non-controlling Interests	
			2019	2018	2019	2018
			(%)	(%)	(%)	(%)
<b>Held through Turbo-Mech Asia Pte. Ltd.:</b>						
Scallop (S) Pte. Ltd. <sup>(1)</sup>	Singapore	Dormant	75	75	25	25
Rotodyne Phils. Inc. <sup>(1)</sup>	Philippines	Sales of rotating equipment and spare parts and provision of maintenance and overhaul services	100	100	-	-
PT Turbo-Mech Indonesia <sup>(2)(3)</sup>	Indonesia	Sales of rotating equipment and spare parts	100	100	-	-
TMA Offshore Pte. Ltd. <sup>(2)</sup>	Singapore	Dormant	100	100	-	-
Turbo-Mech (Thailand) Co. Ltd. <sup>(2)</sup>	Thailand	Sales of rotating equipment and spare parts	99.8	99.8	0.2 <sup>(4)</sup>	0.2

<sup>(1)</sup> Audited by member firms of Ernst & Young Global in the respective countries

<sup>(2)</sup> Audited by firms of auditors other than Ernst & Young

<sup>(3)</sup> 0.58% (2018: 0.58%) of the Group's investment in PT Turbo-Mech Indonesia is registered in the name of a Director, held in trust for the Group

<sup>(4)</sup> 0.1% (2018: 0.1%) is owned by a Director, Gan Kok Ten.

(b) Acquisition of additional 24.8% Equity Interest in Turbo-Mech (Thailand) Company Limited

On 1 January 2018, the Group's subsidiary company, Turbo-Mech Asia Pte. Ltd. ("TMA"), acquired an additional 24.8% equity interest in Turbo-Mech (Thailand) Co. Ltd. ("TMT") from its non-controlling interests for a cash consideration of RM3,607,530. As a result of this acquisition, TMT become a 99.8% owned subsidiary of TMA. The carrying value of the net assets of TMT at 1 January 2018 was RM14,786,276 and the carrying value of the additional interest acquired was RM3,666,997. The difference of RM59,466 between the consideration and the carrying value of the additional interest acquired has been recognised as "Bargain Purchase on Acquisition of Non-Controlling Interests" within equity.

The following summarises the effect of the change in the Group's ownership interest in TMT on the equity attributable to owners of the Company:

	<b>2018</b>
	<b>RM</b>
Consideration paid for acquisition of non-controlling interests	3,607,530
Decrease in equity attributable to non-controlling interests	(3,666,997)
Bargain purchase on acquisition of non-controlling interests	(59,467)

(c) There are no financial information presented for the financial year 2018 arising from the above acquisition in prior financial year as the non-controlling interest is not material to the Group.

Notes to the Financial Statements  
31 DECEMBER 2019

## 7. INVESTMENT IN ASSOCIATES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Unquoted equity shares, at cost	8,765,513	8,765,513	8,639,755	8,639,755
Share of post-acquisition profits				
As at 1 January	9,178,382	9,651,004	-	-
Share of results of associates	1,331,323	2,078,371	-	-
Less: Dividend declared	(1,402,500)	(2,550,000)	-	-
Exchange currency translation differences	(5,801)	(993)	-	-
As at 31 December	9,101,404	9,178,382	-	-
	17,866,917	17,943,895	8,639,755	8,639,755

(a) Details of the associates are as follows:

Name of Associates	Country of Incorporation	Principal Activities	Proportion of Ownership Interest		Accounting Model Applied	Financial Year End
			2019 (%)	2018 (%)		
Bayu Purnama Sdn. Bhd. <sup>(1)</sup>	Malaysia	Sales of rotating equipment and spare parts and provision of maintenance and overhaul services	42.5	42.5	Equity method	31 December
<b>Held through Bayu Purnama Sdn. Bhd.</b>						
Bayu Manufacturing Sdn. Bhd. <sup>(1)</sup>	Malaysia	Manufacturing of skid mounted pumps sets, chemical injection packages and other related equipment for oil and gas industry	100	100	Equity method	31 December
<b>Held through Turbo-Mech Asia Pte. Ltd.:</b>						
Rotodyne Sendirian Berhad <sup>(2)</sup>	Negara Brunei Darussalam	Sales of rotating equipment and spare parts	30	30	Equity method	31 December

<sup>(1)</sup> Audited by Ernst & Young PLT, Malaysia

<sup>(2)</sup> Audited by member firms of Ernst & Young Global in the respective countries

(b) Summarised financial information in respect of each of the Group's material associates is set out below.

(i) Summarised statements of financial position

**Bayu Purnama Sdn. Bhd.**

	2019 RM	2018 RM
Non-current assets	2,984,264	1,837,306
Current assets	46,447,435	49,907,948
Total assets	49,431,699	51,745,254
Non-current liabilities	1,378,022	-
Current liabilities	5,768,904	9,306,679
Net assets	42,284,773	42,438,575

## Notes to the Financial Statements

### 31 DECEMBER 2019

#### 7. INVESTMENT IN ASSOCIATES (CONTD.)

(b) Summarised financial information in respect of each of the Group's material associates is set out below. (Contd.)

(ii) Summarised statements of comprehensive income

	2019 RM	2018 RM
Revenue	32,242,951	38,210,815
Profit before tax from continuing operations	4,366,593	5,929,894
Profit for the year from continuing operations	3,146,198	5,120,548
Other comprehensive income	-	-
Total comprehensive income	3,146,198	5,120,548
Dividend received from the associate during the year	1,402,500	2,550,000

(iii) Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in its material associates

Net assets at 1 January	42,438,575	43,318,027
Profit for the year	3,146,198	5,120,548
Other comprehensive income	-	-
Less: Dividend paid	(3,300,000)	(6,000,000)
Net assets at 31 December	42,284,773	42,438,575
Interest in associates	42.5%	42.5%
Carrying value of Group's interest in associate	17,971,029	18,036,394

(c) Aggregate information of associate that is not individually material

	2019 RM	2018 RM
The Group's share of loss before tax from continuing operations	(31,007)	(97,860)
The Group's share of loss after tax from continuing operations	(31,007)	(97,860)
The Group's share of other comprehensive income	-	-
The Group's share of total comprehensive loss	(31,007)	(97,860)

(d) The associates had no contingent liabilities or capital commitments as at 31 December 2019 and 31 December 2018.

#### 8. INVESTMENT IN JOINT VENTURE

	Group	
	2019 RM	2018 RM
Unquoted shares, at cost	155,080	155,080
Share of post-acquisition profit		
As at 1 January	284,892	41,470
Share of results of joint ventures	96,231	240,563
Less: Dividend declared	(182,262)	-
Exchange currency translation differences	915	2,859
As at 31 December	199,776	284,892
	354,856	439,972

Notes to the Financial Statements  
31 DECEMBER 2019

## 8. INVESTMENT IN JOINT VENTURE (CONTD.)

(a) Details of the joint venture are as follows:

Name of Joint Venture	Country of Incorporation	Principal Activities	Proportion of Ownership Interest held by Group		Proportion of Ownership Interest held by Joint Venture Party	
			2019 (%)	2018 (%)	2019 (%)	2018 (%)
<b>Held through Turbo-Mech Asia Pte. Ltd.:</b>						
TM-Elflow Pte. Ltd. <sup>(1)</sup>	Singapore	Sales of air-cooled heat exchangers and products and services	50	50	50	50

The financial year end of the joint venture is at 31 December.

<sup>(1)</sup> Audited by member firms of Ernst & Young Global in the respective countries

(b) Summarised financial information in respect of each of the Group's joint venture is set out below.

(i) Summarised statements of financial position

	2019 RM	2018 RM
Non-current assets	176,016	134,303
Current assets	563,558	785,615
Total assets	739,574	919,918
Current liabilities	(29,825)	(39,937)
Irredeemable, non-convertible preference shares	(37)	(37)
Net assets	709,712	879,944

(ii) Summarised statements of comprehensive income

	2019 RM	2018 RM
Revenue	358,582	580,969
Income before tax from continuing operations	220,094	465,798
Income after tax from continuing operations	192,462	481,126
Other comprehensive gain	1,830	5,718
Total comprehensive income	194,292	486,844
Dividend received from the joint venture during the year	182,262	-

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#### 8. INVESTMENT IN JOINT VENTURE (CONTD.)

(b) Summarised financial information in respect of each of the Group's joint venture is set out below. (Contd.)

(iii) Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in its joint venture

	2019 RM	2018 RM
Net assets at beginning of the year	885,662	393,100
Irredeemable, non-convertible preference shares	-	-
Income for the year	194,292	486,844
Exchange currency translation differences	1,830	5,718
Less: Dividend paid	(364,524)	-
Net assets at 31 December	717,260	885,662
Interest in joint venture	50.0%	50.0%
Carrying value of Group's interest in joint venture	358,630	442,831

The joint venture had no contingent liabilities or capital commitments as at 31 December 2019 and 31 December 2018.

#### 9. OTHER NON-CURRENT ASSETS

	Group	
	2019 RM	2018 RM
Club memberships, at cost	61,441	61,441
Less: Impairment of club memberships	(23,042)	(23,042)
Less: Amortisation of club memberships	(23,040)	(15,360)
Net book value of club memberships	15,359	23,039
Unquoted investment, at cost	12	12
	15,371	23,051

The non-current assets are stated at costs, less impairment and amortisation which approximate their market values.

#### 10. DEFERRED TAX LIABILITIES

	Group	
	2019 RM	2018 RM
At 1 January	78,391	110,113
Recognised in the statements of income	93,315	(32,809)
Exchange currency translation differences	200	1,087
At 31 December	171,906	78,391

Presented after offsetting as follows:

Deferred tax assets	(436,422)	-
Deferred tax liabilities	608,328	78,391
	171,906	78,391

Notes to the Financial Statements  
31 DECEMBER 2019**10. DEFERRED TAX LIABILITIES (CONTD.)**

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

**Deferred Tax Liabilities of the Group:**

	Right-of-use Assets RM	Property, Plant and Equipment RM	Total RM
At 1 January 2018	-	116,331	116,331
Recognised in the statements of income	-	(38,689)	(38,689)
Exchange currency translation differences	-	749	749
At 31 December 2018	-	78,391	78,391
Recognised in the statements of income	429,422	100,208	529,630
Exchange currency translation differences	500	(193)	307
At 31 December 2019	429,922	178,406	608,328

**Deferred Tax Assets of the Group:**

	Lease Liability RM	Other Deductible Temporary Differences RM	Total RM
At 1 January 2018	-	6,218	6,218
Recognised in the statements of income	-	(5,880)	(5,880)
Exchange currency translation differences	-	(338)	(338)
At 31 December 2018	-	-	-
Recognised in the statements of income	(435,915)	-	(435,915)
Exchange currency translation differences	(507)	-	(507)
At 31 December 2019	(436,422)	-	(436,422)

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

	Group	
	2019 RM	2018 RM
<u>Foreign</u>		
Unutilised business losses	96,326	96,326
Potential foreign deferred tax benefits at 17% (2018: 17%)	16,375	16,375

Deferred tax assets have not been recognised in respect of the above items as it is uncertain that taxable profit will be available against which the deductible temporary differences can be utilised. The use of these tax losses are subject to agreement of tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

At the end of the reporting period, no deferred tax liability (2018: Nil) has been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries as the Group has determined that undistributed earnings of its subsidiaries will not be distributed in the foreseeable future. Such temporary differences for which no deferred tax liability is estimated to be RM1,194,000 (2018: RM1,059,000).

**11. INVENTORIES**

	Group	
	2019 RM	2018 RM
Trading goods	3,081,004	1,295,372
Goods in transit	474,932	559,661
Total inventories at the lower of cost and net realisable value	3,555,936	1,855,033

## Notes to the Financial Statements

### 31 DECEMBER 2019

#### 11. INVENTORIES (CONTD.)

- (a) During the financial year, the amount of inventories recognised as an expense in cost of sales of the Group was RM31,464,025 (2018: RM20,923,284).
- (b) Inventories amounting to RM59,580 (2018: RM101,968) were written off against other operating expenses in profit and loss.

#### 12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019	2018	2019	2018
<b>Trade Receivables</b>				
Third parties	16,125,709	11,644,437	-	-
Amount due from associates	820,215	916	-	-
	16,945,924	11,645,353	-	-
Less: Allowance for expected credit loss	(158,816)	(362,604)	-	-
	16,787,108	11,282,749	-	-
<b>Other Receivables</b>				
Amount due from related company	35,440	35,365	-	-
Amount due from a joint venture	-	1,965	-	-
Staff advances	-	26,599	-	-
Refundable deposits	199,911	197,493	7,605	7,605
Interest receivables	143,052	90,614	-	-
Advance to suppliers	2,392,206	312,367	-	-
Net GST receivables	5,955	-	-	-
Other receivables	168,834	308,178	-	-
	2,945,398	972,581	7,605	7,605
Total trade and other receivables	19,732,506	12,255,330	7,605	7,605
Add: Dividend receivables	1,402,500	2,550,000	1,402,500	2,550,000
Add: Cash and bank balances	45,154,332	42,746,805	401,990	555,480
Total financial assets carried at amortised cost	66,289,338	57,552,135	1,812,095	3,113,085

##### (a) Trade Receivables

Trade receivables are non-interest bearing and are generally on 30 to 120 days (2018: 30 to 120 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Ringgit Malaysia	7,605	7,750	7,605	7,605
Singapore Dollars	3,901,399	2,751,330	-	-
United States Dollars	8,320,140	3,991,231	-	-
Japanese Yen	118,071	878,385	-	-
Philippines Peso	212,472	818,284	-	-
Indonesian Rupiah	3,703,610	2,553,449	-	-
Thailand Baht	2,264,449	771,499	-	-
Euro	1,204,760	483,402	-	-
	19,732,506	12,255,330	7,605	7,605



Notes to the Financial Statements  
31 DECEMBER 2019**12. TRADE AND OTHER RECEIVABLES (CONTD.)****(a) Trade Receivables (Contd.)**Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	Gross Carrying Amount RM	Expected Credit Loss RM	Total RM
<b>At 31 December 2019</b>			
Current	13,773,411	-	13,773,411
1 to 30 days past due	1,872,986	(16,111)	1,856,875
31 to 60 days past due	310,662	(2,681)	307,981
60 to 90 days past due	67,255	(580)	66,675
More than 91 days past due	921,610	(139,444)	782,166
	16,945,924	(158,816)	16,787,108
<b>At 31 December 2018</b>			
Current	4,740,139	(38,458)	4,701,681
1 to 30 days past due	1,798,304	(14,825)	1,783,479
31 to 60 days past due	1,181,508	(7,992)	1,173,516
60 to 90 days past due	777,336	(5,423)	771,913
More than 91 days past due	3,148,066	(295,906)	2,852,160
	11,645,353	(362,604)	11,282,749

Receivables that are neither past due nor impaired

Trade receivables that are not impaired are creditworthy debtors with good payment records with the Group. None of the Group's trade receivables have been renegotiated during the financial year.

As at reporting date, the Group has a significant concentration of credit risk in the form of outstanding balances due from 6 (2018: 7) debtors represent 85% (2018: 70%) of total trade receivables.

Expected Credit Losses

The movement in allowance for expected credit losses of trade receivables computed based on lifetime ECL are as follows:

	Group	
	2019 RM	2018 RM
Movement in expected credit loss allowance accounts		
As at 1 January	362,604	236,147
Charge for the financial year (Note 30)	72,014	151,592
Written off	(281,441)	(29,442)
Exchange currency translation differences	5,639	4,307
As at 31 December	158,816	362,604

**(b) Amounts due from A Subsidiary, An Associate, A Joint Venture and Related Companies**

The amounts due from a subsidiary, an associate, a joint venture and related companies are unsecured, non-interest bearing and receivable on demand.

## Notes to the Financial Statements

### 31 DECEMBER 2019

#### 13. CONTRACT ASSET

	Group	
	2019 RM	2018 RM
Contract assets	1,876,791	1,967,307
Less: Allowance for impairment	-	(9,495)
	1,876,791	1,957,812

Contract assets primarily relate to the Group's right to consideration for work complete including attributable profits but not yet billed at reporting date for sale of goods and services. Contract assets are transferred to receivables when the rights become unconditional.

Contract assets relate to revenue earned from ongoing project services. As such, the balance of this account vary and depend on the number of ongoing project services at the end of the financial year.

Movement in contract assets are explained as follows:

	Group	
	2019 RM	2018 RM
As at 1 January	1,957,812	1,062,355
Unbilled portion for revenue earned	6,711,040	8,199,644
Reversal of/ (Allowance) for expected credit loss	9,495	(9,495)
Contract asset reclassified to trade receivables	(6,801,556)	(7,294,692)
As at 31 December	1,876,791	1,957,812

Contract assets are denominated in the following currencies:

	Group	
	2019 RM	2018 RM
Singapore Dollars	1,876,791	1,102,756
Thailand Baht	-	855,056
	1,876,791	1,957,812

#### Expected Credit Losses

The movement in allowance for expected credit losses of contract assets computed based on lifetime ECL are as follows:

	Group	
	2019 RM	2018 RM
Movement in expected credit loss allowance accounts		
As at 1 January	9,495	-
(Reversal)/ Charge for the financial year (Note 30)	(9,495)	9,495
As at 31 December	-	9,495

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are, as follows:

	Group	
	2019 RM	2018 RM
Within one year	3,014,262	329,201

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## 14. CASH AND BANK BALANCES AND CASH AND CASH EQUIVALENTS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Cash at banks and in hand	17,676,034	18,382,346	401,990	155,480
Fixed deposits with licensed banks	27,478,298	24,364,459	-	400,000
Cash and bank balances	45,154,332	42,746,805	401,990	555,480
Less: Fixed deposits with licensed bank with maturity periods more than 3 months	(13,278,839)	(7,887,579)	-	-
Cash and cash equivalents	31,875,493	34,859,226	401,990	555,480

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits with licensed bank are made for varying periods of between one day and one year (2018: one day and one year) depending on the immediate cash requirements of the Group and of the Company. The Group and the Company deposits with licensed bank earns interest ranging from 0.25% to 1.79% (2018: 0.25% to 2.50%) and Nil (2018: 2.50%) per annum respectively during the year.

The weighted average effective rates of deposits of the Group and the Company were 1.44% (2018: 1.34%) and Nil (2018: 2.50%) per annum respectively.

The weighted average maturities of deposits of the Group in the current year were 130 (2018: 230) days.

Fixed deposits with licensed banks of the Group amounting to RM15,814,045 (2018: RM11,807,122) are pledged to secure the Group's banking facilities for letter of credit and bank guarantee.

As at the reporting date, the Group have not utilised any of the above banking facilities.

Cash and bank balances are denominated in the following currencies:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Ringgit Malaysia	401,990	555,480	401,990	555,480
Singapore Dollars	18,973,020	18,072,505	-	-
United States Dollars	9,958,770	10,621,245	-	-
Japanese Yen	2,588,095	1,642,779	-	-
Philippines Peso	159,958	223,324	-	-
Indonesian Rupiah	2,844,916	1,798,303	-	-
Euro Dollars	504,644	558,985	-	-
Thailand Baht	9,678,493	9,232,561	-	-
Others	44,446	41,623	-	-
	45,154,332	42,746,805	401,990	555,480

## 15. SHARE CAPITAL

	Number of Ordinary Shares		Amount	
	2019	2018	2019 RM	2018 RM
<b>Issued and fully paid:</b>				
At 1 January / 31 December	108,000,000	108,000,000	54,000,000	54,000,000

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

## Notes to the Financial Statements

### 31 DECEMBER 2019

#### 16. RETAINED EARNINGS AND RESERVES

##### (a) Retained Earnings

The Company may distribute dividends out of its entire retained earnings as at 31 December 2019 and 31 December 2018 under the single tier system.

##### (b) Capital Reserve

This reserve arose from a subsidiary's bonus issue by way of capitalisation of its retained earnings.

##### (c) Retirement Benefit Obligation Reserve

The reserve arose from remeasurement of the net defined benefit liability arising from actuarial gains and losses from increases or decreases in the present value of the defined benefit obligation.

##### (d) Statutory Reserve

The statutory reserve relates to the appropriation of reserves from the net profits of a subsidiary company established in Thailand. In accordance with the Thailand local laws, before dividends for a particular year are declared, companies are required to appropriate 5% of their profit before taxation reported in the statutory accounts for that year to a statutory reserve. The maximum balance of the reserve is capped at 10% of the registered capital. This reserve can only be distributed to the shareholders upon liquidation of the company or utilised in the event of a reduction in share capital.

#### 17. FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

#### 18. TRADE AND OTHER PAYABLES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
<b>Trade Payables</b>				
Third parties	4,289,043	1,991,973	-	-
<b>Other Payables</b>				
Amount due to a joint venture	317,974	591,520	-	-
Amount due to related party	-	41,180	-	-
Accruals	2,938,517	1,626,387	219,265	158,884
Net GST payables	1,013	129,867	-	-
Other payables	490,263	481,125	-	-
	3,747,767	2,870,079	219,265	158,884
Total trade and other payables	8,036,810	4,862,052	219,265	158,884
Add: Loans and borrowings (Note 20)	23,004	45,297	-	-
Add: Lease liability	2,564,203	-	-	-
Less: Net GST payables	(1,013)	(129,867)	-	-
Total financial liabilities carried at amortised cost	10,623,004	4,777,482	219,265	158,884

Notes to the Financial Statements  
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## 18. TRADE AND OTHER PAYABLES (CONTD.)

### (a) Trade Payables

These amounts are non-interest bearing. Trade payables are normally settled on 30 to 60 days (2018: 30 to 60 days) terms.

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Ringgit Malaysia	219,266	174,636	219,265	158,884
Singapore Dollars	2,261,209	2,283,200	-	-
United States Dollars	2,926,035	1,159,677	-	-
Japanese Yen	231,729	189,619	-	-
Philippines Peso	105,153	219,929	-	-
Indonesian Rupiah	181,877	243,417	-	-
Thailand Baht	159,526	554,835	-	-
Euro Dollars	1,952,015	36,739	-	-
	8,036,810	4,862,052	219,265	158,884

### (b) Other Payables

These amounts are non-interest bearing. Other payables are normally settled on an average term of 90 days (2018: 90 days).

### (c) Amount due to A Joint Venture and Related Party

The amount due to a joint venture and related party are unsecured, non-interest bearing and are repayable on demand.

## 19. CONTRACT LIABILITIES

	Group	
	2019 RM	2018 RM
Contract liabilities	3,081,717	261,045

Contract liabilities primarily relate to the Group's obligation to transfer goods or services to customers for which the Group has received advances from customers for sale of goods and services.

Contract liabilities are recognised as revenue as the Group performs under the contract.

Movement in contract liabilities are explained as follows:

	Group	
	2019 RM	2018 RM
As at 1 January	261,045	244,243
Advances received from customers	4,550,776	822,882
Recognised as revenue during the year	(1,730,104)	(806,080)
As at 31 December	3,081,717	261,045

Contract liabilities are denominated in the following currencies:

	Group	
	2019 RM	2018 RM
Singapore Dollars	3,081,717	261,045

## Notes to the Financial Statements

### 31 DECEMBER 2019

#### 19. CONTRACT LIABILITIES (CONTD.)

The remaining performance obligations expected to be recognised (unsatisfied or partially unsatisfied) as at 31 December are, as follows:

	Group	
	2019 RM	2018 RM
Within one year	3,081,717	261,045

#### 20. LOANS AND BORROWINGS

	Maturity	Group	
		2019 RM	2018 RM
<b>Current</b>			
Secured:			
Obligations under finance lease	2019	18,857	22,881
<b>Non-current</b>			
Secured:			
Obligations under finance lease	2020-2021	4,147	22,416
Total		23,004	45,297

##### Obligations under finance lease

The Company has finance lease for certain of its office equipment (Note 3). This lease does not have terms of renewal, but have purchase options at nominal values at the end of the lease term.

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

	2019 RM	2018 RM
<b>Future minimum lease payments:</b>		
On demand or within one (1) year	19,656	25,408
More than one (1) year and less than two (2) years	4,034	19,374
More than two (2) years and less than five (5) years	-	4,027
Total minimum future lease payments	23,690	48,809
Less: Future finance charges	(686)	(3,512)
Present value of finance lease liabilities	23,004	45,297

##### Analysis of present value of finance lease liabilities:

On demand or within one (1) year	18,857	22,881
More than one (1) year and less than two (2) years	4,147	18,544
More than two (2) years and less than five (5) years	-	3,872
	23,004	45,297
Less: Amount due within 12 months	(18,857)	(22,881)
Amount due after 12 months	4,147	22,416

The finance lease bears interest at the reporting date ranging from 5.69% to 12.68% (2018: 5.69% to 12.68%) per annum.

Notes to the Financial Statements  
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## 21. RETIREMENT BENEFIT OBLIGATION

	Group	
	2019 RM	2018 RM
Defined benefit obligations	272,130	200,360

Defined benefit plans

The Group operates a defined benefit plans covering all regular full-time employees in a subsidiary, Rotodyne Phil. Inc. It is unfunded but accrues the estimated cost of post-employment benefits, actuarially determined.

The amount included in the Group's statement of financial position arising from the Group's obligations in respect of its defined benefit plans is as follows:

	Group	
	2019 RM	2018 RM
Present value of defined benefit obligations representing net defined benefit liabilities	272,130	200,360

Changes in present value of the defined benefit obligations are as follows:

	Group	
	2019 RM	2018 RM
At 1 January	212,944	110,817
Benefit paid	(29,181)	-
At date of implementation	-	72,774
Current service costs	21,847	20,790
Past service costs	7,811	-
Interest costs	13,195	9,298
Amount recognised in statement of income	42,853	102,862
Exchange differences	10,996	(735)
	53,849	102,127
At 31 December	237,612	212,944
Remeasurement loss/(gain) on defined benefit plans		
At 1 January	(12,584)	-
Actuarial loss/(gain) arising from:		
- changes in financial assumptions	25,516	(15,794)
- changes in demographic assumptions	-	-
- experience adjustments	21,586	3,210
- exchange difference	-	-
Amount recognised in statement of comprehensive income	47,102	(12,584)
At 31 December	34,518	(12,584)
<b>Net Carrying Amount</b>	<b>272,130</b>	<b>200,360</b>

Analysed as:

<b>Current</b>	-	-
<b>Non-current</b>		
Later than one (1) year but not later than two (2) years	-	-
Later than two (2) years but not later than five (5) years	5,882	4,294
Later than five (5) years	266,248	196,066
	272,130	200,360
	272,130	200,360

## Notes to the Financial Statements

### 31 DECEMBER 2019

#### 21. RETIREMENT BENEFIT OBLIGATION (CONTD.)

The cost of defined benefit plans as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining the obligations for the defined benefit plans are shown below:

	Group	
	2019	2018
Discount rates	2.92%-6.12%	2.92%-8.09%
Expected rate of future salary increases	2%-10%	2%-10%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming if all other assumptions were held constant:

		Group	
		2019 RM	2018 RM
		Profit for the year	Profit for the year
Discount rates	- Increase 1% (2018: 1%)	(22,098)	(17,695)
	- Decrease 1% (2018: 1%)	24,661	19,818
Expected rate of future salary increases	- Increase 1% (2018: 1%)	25,009	19,533
	- Decrease 1% (2018: 1%)	(22,793)	(17,752)

#### 22. LEASES

The Group has lease contracts for land used and building in its operations. Leases of land and building have remaining lease terms of 18 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. The Group is restricted from assigning and subleasing the leased assets.

The Group also has certain leases of offices with lease terms of 12 months or less. The Group applies the 'short-term lease' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

Group	Lease of Land RM	Leasehold Building RM	Total RM
<b>At 31 December 2019</b>			
<b>Cost</b>			
At 1 January (as previously stated)	-	-	-
Arising from the adoption of MFRS 16	2,658,096	-	2,658,096
Reclassification from property, plant and equipment arising from the adoption of MFRS 16 (Note 3)	-	25,737,296	25,737,296
At 1 January (as restated)	2,658,096	25,737,296	28,395,392
Exchange difference	6,174	71,205	77,379
At 31 December	2,664,270	25,808,501	28,472,771
<b>Accumulated Depreciation</b>			
At 1 January (as previously stated)	-	-	-
Reclassification from property, plant and equipment arising from the adoption of MFRS 16 (Note 3)	-	3,582,160	3,582,160
At 1 January (as restated)	-	3,582,160	3,582,160
Depreciation of right-of-use assets	137,738	1,176,937	1,314,675
Exchange difference	520	18,851	19,371
At 31 December	138,258	4,777,948	4,916,206
<b>Net Carrying Amount</b>	2,526,012	21,030,553	23,556,565



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## 22. LEASES (CONTD.)

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	<b>Group 2019 RM</b>
As at 1 January (as previously stated)	-
Arising from the adoption of MFRS 16	2,658,096
As at 1 January (as restated)	2,658,096
Accretion of interest on lease liabilities	87,850
Payment	(187,409)
Exchange difference	5,666
As at 31 December	2,564,203
Current	178,037
Non-current	2,386,166

The maturity analysis of lease liabilities are disclosed below:

	<b>Group 2019 RM</b>
Not later than one year	102,985
Later than one year but not later than five years	570,028
Later than five years	1,891,190
	2,564,203
	<b>RM</b>
Depreciation of right-of-use assets	(1,314,675)
Accretion of interest on lease liabilities	(87,850)
Total amount recognised in profit or loss	(1,402,525)

The Group had total cash outflows for lease payments of RM187,409 in 2019. The future cash outflows relating to leases that have not yet commenced are disclosed in Note 35.

During the financial year, a leasehold building with carrying value of RM22,155,136 was reclassified from property, plant and equipment (Note 3) to right-of-use assets (Note 22) arising from the adoption of MFRS 16.

## Notes to the Financial Statements

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#### 23. REVENUE

##### (a) Disaggregation of Revenue

Segments	Group					
	Sales of Goods		Service Income		Total Revenue	
	2019 RM	2018 RM	2019 RM	2018 RM	2019 RM	2018 RM
<b>Primary geographical market</b>						
Malaysia	710,591	377,449	492,157	-	1,202,748	377,449
Singapore	12,917,254	15,394,484	5,745,951	6,752,767	18,663,205	22,147,251
Indonesia	12,103,293	6,598,945	-	-	12,103,293	6,598,945
Philippines	3,399,932	1,828,666	-	1,437,382	3,399,932	3,266,048
Thailand	5,227,831	4,001,402	33,646	-	5,261,477	4,001,402
Others	7,618,440	4,544,284	448,786	-	8,067,226	4,544,284
	41,977,341	32,745,230	6,720,540	8,190,149	48,697,881	40,935,379
<b>Major product or service lines</b>						
Rotating equipment and spare parts	41,977,341	32,712,175	-	-	41,977,341	32,712,175
Maintenance and overhaul services	-	-	6,720,540	8,190,149	6,720,540	8,190,149
Commission on sales of rotating equipment	-	33,055	-	-	-	33,055
	41,977,341	32,745,230	6,720,540	8,190,149	48,697,881	40,935,379
<b>Timing of transfer of goods or services</b>						
At a point in time	41,977,341	32,745,230	-	-	41,977,341	32,745,230
Over time	-	-	6,720,540	8,190,149	6,720,540	8,190,149
	41,977,341	32,745,230	6,720,540	8,190,149	48,697,881	40,935,379

	Company	
	2019 RM	2018 RM
Dividend income	1,402,500	2,550,000

Set out below, is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information

	Group			
	2019		2018	
	Sales of Goods RM	RM	Service Income RM	RM
Revenue	41,977,341	32,745,230	6,720,540	8,190,149
Inter-segment	4,497,664	1,032,738	-	-
	46,475,005	33,777,968	6,720,540	8,190,149
Inter-segment adjustments and elimination	(4,497,664)	(1,032,738)	-	-
Total revenue from contracts with customers	41,977,341	32,745,230	6,720,540	8,190,149

##### (b) Contract Balances

Information about trade receivables, contract assets and contract liabilities from contracts with customers are disclosed in Note 12, Note 13 and Note 19 respectively.

The Group has recognised expected credit losses on trade receivables and contract asset arising from contracts with customers as disclosed in Note 12 and Note 13 respectively.

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## 23. REVENUE (CONTD.)

### (c) Performance Obligation

Information about the Group's performance obligations are summarised below:

#### (i) Sales of Goods

The performance obligation is satisfied upon delivery of the rotating equipment and spare parts and payment is generally due within 30 to 120 days from delivery.

#### (ii) Service Income

The performance obligation is satisfied over-time and payment is generally due upon completion of maintenance and overhaul services and acceptance of the customer.

## 24. COST OF SALES

Cost of sales comprises cost of goods sold and its associated expenses.

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Cost of inventories sold	31,464,025	20,923,284	-	-
Cost of services	3,537,302	4,564,344	-	-
	35,001,327	25,487,628	-	-

## 25. INTEREST INCOME

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Interest income from fixed deposits with licensed banks	412,474	292,676	2,466	5,560

## 26. OTHER INCOME

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Net unrealised gain on foreign currency translations	-	355,771	-	-
Rental income	1,185,641	578,397	-	-
Gain on disposal of property plant and equipment	397	46,328	-	-
Reversal of write-down of inventories	85,014	114,411	-	-
Others	135,900	193,824	-	-
	1,406,952	1,288,731	-	-

## 27. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Salaries, bonuses and other emoluments	4,466,269	4,214,025	170,435	149,805
Director fees	104,000	92,000	104,000	92,000
Contributions to defined contribution plan	607,857	581,160	18,347	16,763
Increase in liability for defined benefit plan	44,983	83,234	-	-
Other benefits	649,958	731,041	786	670
	5,873,067	5,701,460	293,568	259,238

Included in employee benefits expense of the Group and of the Company are Directors' remuneration amounting to RM1,046,956 (2018: RM1,028,582) and RM148,610 (2018: RM137,610) respectively.

## Notes to the Financial Statements

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#### 28. DIRECTORS' REMUNERATION

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
<b>Director of the Company</b>				
<b>Executive:</b>				
Salaries and other emoluments	245,435	233,257	-	-
Fees - current year	22,000	20,000	22,000	20,000
Bonus	18,478	34,988	-	-
Defined contribution plan	42,224	45,537	-	-
Insurance effected to indemnify directors	3,537	3,537	3,537	3,537
<b>Total Executive Directors' remuneration</b>	<b>331,674</b>	<b>337,319</b>	<b>25,537</b>	<b>23,537</b>
<b>Non-Executive:</b>				
Fees - current year	82,000	72,000	82,000	72,000
Other emoluments	34,000	35,000	34,000	35,000
Insurance effected to indemnify directors	7,073	7,073	7,073	7,073
<b>Total Non-Executive Directors' remuneration</b>	<b>123,073</b>	<b>114,073</b>	<b>123,073</b>	<b>114,073</b>
	<b>454,747</b>	<b>451,392</b>	<b>148,610</b>	<b>137,610</b>
<b>Director of the Subsidiaries</b>				
<b>Executive:</b>				
Salaries and other emoluments	510,644	476,865	-	-
Fees	-	-	-	-
Bonus	39,122	50,768	-	-
Defined contribution plan	42,443	49,557	-	-
	<b>592,209</b>	<b>577,190</b>	<b>-</b>	<b>-</b>
<b>Non-Executive:</b>				
Fees	-	-	-	-
<b>Total Directors' remuneration</b>	<b>1,046,956</b>	<b>1,028,582</b>	<b>148,610</b>	<b>137,610</b>
Executive Directors' remuneration	923,883	914,509	25,537	23,537
Non-Executive Directors' remuneration	123,073	114,073	123,073	114,073

The number of Directors of the Company whose total remuneration during the financial year fell within the followings bands is analysed below:

	Number of Directors			
	Group		Company	
	Non-Executive Directors	Non-Executive Directors	Executive Directors	Executive Directors
<b>At 31 December 2019</b>				
RM0 - RM50,000	1	4	2	4
RM300,001 - RM350,000	1	-	-	-
<b>At 31 December 2018</b>				
RM0 - RM50,000	1	4	2	4
RM300,001 - RM350,000	1	-	-	-

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## 29. FINANCE COST

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Interest expense on obligations under finance lease	2,717	4,158	-	-
Accretion of interest on lease liabilities	87,850	-	-	-
	90,567	4,158	-	-

## 30. PROFIT BEFORE TAXATION

The following amounts have been included in arriving at profit before taxation:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Auditors' remuneration:				
- statutory audits				
- current year	326,793	303,580	75,000	75,000
- overprovision in prior year	-	(29,909)	-	-
- non-statutory audits	10,000	10,000	10,000	10,000
Depreciation of property	255,356	113,826	-	-
Depreciation of right-of-use assets	1,314,675	-	-	-
Amortisation on investment in club membership	7,680	7,680	-	-
Amortisation of land use rights	-	74,509	-	-
Non-Executive Directors' remuneration	123,073	114,073	123,073	114,073
Allowance for impairment loss on financial assets:				
- trade receivables	72,014	151,592	-	-
- contract assets	(9,495)	9,495	-	-
Inventories written-down	59,580	101,968	-	-
Unrealised loss on foreign currency translations	49,787	-	-	-
Realised loss on foreign currency translations	436,076	218,895	-	-
Provision for retirement benefit obligations	42,853	102,127	-	-
Operating lease:				
Rental on land	-	184,524	-	-
Rental on properties on short-term lease	137,773	128,910	-	-
Rental on office equipment	-	3,888	-	-

## 31. INCOME TAX EXPENSE

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Current income tax:				
- Malaysian income tax	9,960	908	9,960	908
- Foreign income tax	824,616	979,984	-	-
- (Over)/Under provision in respect of previous financial years	(4,717)	(179,825)	104	(148)
	829,859	801,067	10,064	760
Deferred tax (Note 10):				
Relating to origination and reversal of temporary differences	93,315	287,891	-	-
Over provision of deferred tax expense in prior financial year	-	(320,700)	-	-
	93,315	(32,809)	-	-
	923,174	768,258	10,064	760

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2018: 24%) of the estimated assessable profit for the financial year. The corporate tax rate applicable to the Singapore subsidiaries of the Group was 17% (2018: 17%). Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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#### 31. INCOME TAX EXPENSE (CONTD.)

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Profit before taxation	3,921,811	7,315,396	794,221	1,776,300
Tax at Malaysian statutory tax rate of 24% (2018: 24%)	941,235	1,755,695	190,613	426,312
Different tax rates in other countries	(278,170)	(501,349)	-	-
Adjustments:				
Non-deductible expenses	662,258	684,065	155,947	186,596
Income not subject to taxation	(8,757)	(21,256)	(336,600)	(612,000)
Effect of partial exemption and tax relief	(52,932)	(107,448)	-	-
Share of results of associates	(319,384)	(500,028)	-	-
Share of results of joint venture	(16,359)	(40,896)	-	-
Over provision of income tax expense in prior financial year	(4,717)	(179,825)	104	(148)
Over provision of deferred tax expense in prior financial year	-	(320,700)	-	-
Income tax expense recognised in the statements of income	923,174	768,258	10,064	760

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

#### 32. EARNINGS PER SHARE

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

	Group	
	2019 RM	2018 RM
Profit net of tax attributable to owners of the parent used in the computation of basic and diluted earnings per share	2,997,623	6,546,255
	Number of shares	
	2019	2018
Weighted average number of ordinary shares for basic and diluted earnings per share computation	108,000,000	108,000,000
	Sen per share	
	2019	2018
Basic and diluted earnings per share for profit for the financial year (sen per share)	3	6

The Group has no potential ordinary shares in issue as at 31 December 2019 and 31 December 2018 and therefore the diluted earnings per share are the same.

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### 33. RELATED PARTY TRANSACTIONS

#### (a) Sale and Purchase of Goods and Services

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
(Income)/ Expense:				
Dividend income received from:				
- associate	-	-	(1,402,500)	(2,550,000)
Sale of goods and services to:				
- associates	(1,320,049)	(296,024)	-	-
- related party	-	(8,219)	-	-
Purchase of goods from associate	66,467	-	-	-
Expenses reimbursed to related party	-	34,883	-	-
Expenses reimbursed by an associate	(31,561)	(70,250)	-	-

Information regarding outstanding balances arising from related party transactions as at 31 December 2019 and 31 December 2018 are disclosed in Notes 12 and 18.

#### (b) Compensation of Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

The key management personnel of the Group and Company are the Directors and the directors of its subsidiaries and their remuneration are as disclosed in Note 28.

### 34. COMMITMENTS

#### (a) Capital Commitments

Capital expenditure as at the reporting date is as follows:

	Group	
	2019 RM	2018 RM
Capital expenditure		
Approved and contracted for:		
Renovation work	-	50,031

#### (b) Operating Lease Commitments for Short-Term Lease - Lessee

In addition to the land use rights disclosed in Note 5, the Group has entered into commercial lease on certain leases on office equipment and certain properties. These leases have an average tenure of one (1) year (2018: between one (1) to twenty two (22) years) with no renewal option or contingent rent provision included in the contracts. There are no restrictions place upon the Group by entering into the leases.

Minimum lease payments, including amortisation of land use rights recognised in statements of income for the financial year ended 31 December 2018 amounted to RM391,831.

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#### 34. COMMITMENTS (CONTD.)

##### (b) Operating Lease Commitments for Short-Term Lease - Lessee (Contd.)

Future minimum lease payable under short-term operating leases (excluding land use rights) at the reporting date but not recognised as liabilities are as follows:

	Group	
	2019 RM	2018 RM
Not later than one (1) year	46,790	294,166
Later than one (1) year but not later than five (5) years	-	946,268
More than five (5) years	-	2,431,906
	46,790	3,672,340

##### (c) Operating Lease Commitments - Lessor

The Group has entered into commercial property leases on one of its properties. This non-cancellable lease has remaining lease term of two years with no renewal option included in the contract.

Future minimum rentals receivables under non-cancellable operating leases at the reporting date are as follows:

	Group	
	2019 RM	2018 RM
Not later than one (1) year	1,282,751	614,542
Later than one (1) year but not later than five (5) years	963,307	528,052
	2,246,058	1,142,594

#### 35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and foreign currency risk. The Group does not hold or issue derivative financial instruments for trading purposes.

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

##### (a) Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The carrying amounts of fixed deposits and cash and bank balances and trade and other receivables, represent the Group's maximum exposure to credit risk.

Deposits with licensed banks and other financial institutions that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

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

##### *Trade Receivables*

An impairment analysis is performed at each reporting date using the simplified approach to measure expected credit losses. The provision is based on reasonable and supportable information that is available at the reporting date about past events, current conditions and forecast of future economic conditions. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 12 and Note 13 respectively.

Information about the credit risk exposure and expected credit loss movement on the Group's trade receivables and contract assets are disclosed in Note 12 and Note 13 respectively.



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## 35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

## (a) Credit Risk (Contd.)

*Credit risk concentration profile*

The Group determines concentrations of credit risk by monitoring the country profile of its trade receivables and contract assets 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		Group		2018	
	RM	% of total	RM	% of total	RM	% of total
<b>By Country:</b>						
Malaysia	870,828	5%	916	0%		
Singapore	5,419,647	32%	3,762,535	33%		
Philippines	835,585	5%	1,244,369	11%		
Indonesia	7,191,925	43%	4,138,086	37%		
Brunei	2,383,058	14%	543,300	5%		
Thailand	-	0%	605,537	5%		
Vietnam	86,065	1%	988,006	9%		
Others	-	0%	-	0%		
Total trade receivables	16,787,108	100%	11,282,749	100%		

## (b) Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by management to mitigate the effects of fluctuations in cash flows.

**Analysis of Financial Instruments by Remaining Contractual Maturities**

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

	On demand or within one (1) year RM	One (1) to five (5) years RM	More than (5) years RM	Total RM
<b>At 31 December 2019</b>				
<b>Group</b>				
<b>Financial Assets:</b>				
Trade and other receivables	19,732,506	-	-	19,732,506
Dividend receivables	1,402,500	-	-	1,402,500
Cash and bank balances	45,154,332	-	-	45,154,332
Total undiscounted assets	66,289,338	-	-	66,289,338
<b>Financial Liabilities:</b>				
Trade and other payables	8,035,797	-	-	8,035,797
Lease liabilities	187,452	937,268	2,312,041	3,436,761
Obligations under finance leases	19,656	4,034	-	23,690
Retirement benefit obligation	-	-	272,130	272,130
Total undiscounted liabilities	8,242,905	941,302	2,584,171	11,768,378
Total net undiscounted financial assets/(liabilities)	58,046,433	(941,302)	(2,584,171)	54,520,960

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35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

(b) Liquidity Risk (Contd.)

Analysis of Financial Instruments by Remaining Contractual Maturities (Contd.)

	On demand or within one (1) year RM	One (1) to five (5) years RM	More than (5) years RM	Total RM
<b>At 31 December 2019</b>				
<b>Company</b>				
<b>Financial Assets:</b>				
Trade and other receivables	7,605	-	-	7,605
Dividend receivables	1,402,500	-	-	1,402,500
Cash and bank balances	401,990	-	-	401,990
Total undiscounted assets	1,812,095	-	-	1,812,095
<b>Financial Liabilities:</b>				
Trade and other payables	219,265	-	-	219,265
Total undiscounted liabilities	219,265	-	-	219,265
Total net undiscounted financial assets	1,592,830	-	-	1,592,830
<b>At 31 December 2018</b>				
<b>Group</b>				
<b>Financial Assets:</b>				
Trade and other receivables	12,255,330	-	-	12,255,330
Dividend receivables	2,550,000	-	-	2,550,000
Cash and bank balances	42,746,805	-	-	42,746,805
Total undiscounted assets	57,552,135	-	-	57,552,135
<b>Financial Liabilities:</b>				
Trade and other payables	4,732,185	-	-	4,732,185
Obligations under finance leases	25,408	23,401	-	48,809
Retirement benefit obligation	-	-	200,360	200,360
Total undiscounted liabilities	4,757,593	23,401	200,360	4,981,354
Total net undiscounted financial assets/(liabilities)	52,794,542	(23,401)	(200,360)	52,570,781
<b>Company</b>				
<b>Financial Assets:</b>				
Trade and other receivables	7,605	-	-	7,605
Dividend receivables	2,550,000	-	-	2,550,000
Cash and bank balances	555,480	-	-	555,480
Total undiscounted assets	3,113,085	-	-	3,113,085
<b>Financial Liabilities:</b>				
Trade and other payables	158,884	-	-	158,884
Total undiscounted liabilities	158,884	-	-	158,884
Total net undiscounted financial assets	2,954,201	-	-	2,954,201

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## 35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

## (b) Liquidity Risk (Contd.)

Group								
Changes in liabilities arising from financing activities	1 January 2019	Arising from Adoption of MFRS 16	Accretion of Interest on Lease Liabilities	Exchange Difference	Cashflow	Other	31 December 2019	
Current obligations under finance leases	22,881	-	-	-	(22,293)	18,269	18,857	
Non-current obligations under finance leases	22,416	-	-	-	-	(18,269)	4,147	
Current lease liabilities	-	93,893	87,850	5,666	(187,409)	178,037	178,037	
Non-current lease liabilities	-	2,564,203	-	-	-	(178,037)	2,386,166	
<b>Total liabilities from financing activities</b>	<b>45,297</b>	<b>2,658,096</b>	<b>87,850</b>	<b>5,666</b>	<b>(209,702)</b>	<b>-</b>	<b>2,587,207</b>	

Group								
Changes in liabilities arising from financing activities	1 January 2018	Arising from Adoption of MFRS 16	Accretion of Interest on Lease Liabilities	Exchange Difference	Cashflow	Other	31 December 2018	
Current obligations under finance leases	21,145	-	-	-	(21,084)	22,820	22,881	
Non-current obligations under finance leases	45,236	-	-	-	-	(22,820)	22,416	
<b>Total liabilities from financing activities</b>	<b>66,381</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(21,084)</b>	<b>-</b>	<b>45,297</b>	

The 'Other' column includes the effect of reclassification of non-current portion of interest-bearing loans and borrowings, including obligations under finance leases to current due to the passage of time. The Group classifies interest paid as cash flows from operating activities.

## (c) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk arises primarily from their borrowings. The Group's policy is to manage interest cost using a mix of fixed and floating rate debts.

*Sensitivity analysis for interest rate risk*

At the reporting date, if interest rates had been 10 basis points lower/higher, with all other variables held constant, the Group's profit for the financial year would have been RM Nil (2018: RM Nil) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

## (d) Foreign Currency Risk

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

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily United States Dollar ("USD"), Japanese Yen ("JPY") and EURO Dollar ("EURO").

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#### 35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

##### (d) Foreign Currency Risk (Contd.)

During the financial year, the Group's entire sales (2018: entire sales) are denominated in foreign currencies whilst the entire costs (2018: entire costs) are denominated in the respective functional currencies of the Group entities. The Group's trade receivable and trade payable balances at the reporting date have similar exposures.

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes as disclosed in Note 14.

In addition to transactional exposure, the Group is also exposed to currency translation risk arising from its net investments in foreign operations. The Group's net investments in foreign subsidiaries are not hedged as currency positions are considered to be long-term in nature. "

##### *Sensitivity analysis for foreign currency risk*

The following table demonstrates the sensitivity of the Group's profit for the year to a reasonably possible change in the USD, JPY and EURO exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

		Group	
		2019 RM Profit for the year	2018 RM Profit for the year
USD/RM	- strengthened 5% (2018: 5%)	767,644	672,640
	- weakened 5% (2018: 5%)	(767,644)	(672,640)
JPY/RM	- strengthened 5% (2018: 5%)	123,722	116,577
	- weakened 5% (2018: 5%)	(123,722)	(116,577)
EURO/RM	- strengthened 5% (2018: 5%)	(12,131)	50,282
	- weakened 5% (2018: 5%)	12,131	(50,282)

The net unhedged financial assets and liabilities of the Group as at 31 December 2019 that are transacted in their functional currencies other than RM, SGD, PHP, THB and IDR are as follows:

	Cash and Bank Balances RM	Receivables RM	Payables RM	Total RM
<b>Group</b>				
<b>At 31 December 2019</b>				
United States Dollars	9,958,770	8,320,140	(2,926,035)	15,352,875
Japanese Yen	2,588,095	118,071	(231,729)	2,474,437
Euro Dollars	504,644	1,204,760	(1,952,015)	(242,611)
	13,051,509	9,642,971	(5,109,779)	17,584,701
<b>At 31 December 2018</b>				
United States Dollars	10,621,245	3,991,231	(1,159,677)	13,452,799
Japanese Yen	1,642,779	878,385	(189,619)	2,331,545
Euro Dollars	558,985	483,402	(36,739)	1,005,648
	12,823,009	5,353,018	(1,386,035)	16,789,992

Notes to the Financial Statements  
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The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

The Group do not have financial assets and liabilities that are measured at fair value on a non-recurring basis in the statement of financial position after initial recognition.

**(a) Fair Value Hierarchy**

The Group categories fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

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

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group and the Company does not have any financial instruments classified as Level 1 to Level 3 as at 31 December 2019 and 31 December 2018.

**Financial Instruments whose Carrying Amounts Approximate Fair Value**

Management has determined that the carrying amounts of cash and short term deposits, receivables and payables, based on their notional amounts, reasonably approximate their fair values because these are mostly short-term in nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

**(b) Assets and Liabilities not Measured at Fair Value, for which Fair Value is Disclosed**

	Carrying amount RM	Group Fair value RM
<b>At 31 December 2019</b>		
<b>Asset</b>		
Investment properties	6,576,574	16,491,846
<b>Liabilities</b>		
Finance lease payable	23,004	21,458
<b>At 31 December 2018</b>		
<b>Asset</b>		
Investment properties	1,421,345	3,121,846
<b>Liabilities</b>		
Finance lease payable	45,297	44,153

The fair value of finance lease liabilities and interest-bearing loans and borrowings with fixed interest rates are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangement at the end of the reporting period.

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#### 37. CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2019 and 31 December 2018.

The Group's capital management is dependent on capital requirements of the business or investments. Management would evaluate various options taking into consideration market conditions, nature of investment and the Group's structure.

The Group is not subjected to any externally imposed capital requirement except as disclosed in Note 16(d).

The Group monitor its capital by minimising external borrowing and funds its operation mainly through internally generated funds.

The Group monitors capital using a gearing ratio, which is total debt divided by total capital. The Group's policy is to keep the gearing ratio at a manageable level. The Group includes finance lease and borrowings within debt. Capital includes equity attributable to the owners of the parent.

	Note	Group 2019 RM	2018 RM
Finance lease payable	20	23,004	45,297
Lease liabilities	22	2,564,203	-
		2,587,207	45,297
Equity attributable to the owners of the parents		108,220,063	106,148,793
Gearing ratio		2.39%	0.04%

#### 38. SEGMENT INFORMATION

For management purposes, the Group is organised into geographical segments. The Executive Management Committee is the Chief Operating Decision Maker (CODM) and monitors the operating results of its geographical segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

##### (a) Primary Reporting Segmental - Geographical Segments

The Group operates its business in four principal geographical areas of the world and is principally involved in sales of rotating equipment and spare parts and provision of maintenance and overhaul services.

##### (b) Secondary Reporting Segmental - Business Segments

As the Group is principally involved in sales of rotating equipment and spare parts and provision of maintenance and overhaul services, segment reporting by business segment is not prepared.

##### Adjustments and Eliminations

- Inter-segment revenues are eliminated upon consolidation and reflected in the 'Consolidation Adjustments' column.
- Tax payables, tax recoverable and deferred taxes assets and liabilities are not allocated to those segments as they are managed on a group basis.
- Capital expenditure consists of additions of property, plant and equipment and investment properties.

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## 38. SEGMENT INFORMATION (CONTD.)

	Malaysia RM	Singapore RM	Indonesia RM	Philippines RM	Thailand RM	Consolidation adjustments RM	Group RM
<b>At 31 December 2019</b>							
<b>Revenue</b>							
External sales	-	33,022,525	9,900,817	589,710	5,184,829	-	48,697,881
Inter-segment sales	-	5,078,713	-	-	-	(5,078,713)	-
Total revenue	-	38,101,238	9,900,817	589,710	5,184,829	(5,078,713)	48,697,881
<b>Results</b>							
Profit/(Loss) from operations	(608,279)	2,693,187	459,992	(348,240)	662,341	(274,177)	2,584,824
Finance costs	-	(89,661)	-	-	(906)	-	(90,567)
Share of profit of associates						1,331,323	1,331,323
Share of loss of joint venture						96,231	96,231
Profit before taxation							3,921,811
Taxation							(923,174)
Profit for the financial year							2,998,637
Profit attributable to:							
Owners of the parent							2,997,623
Non-controlling interests							1,014
							2,998,637
<b>Assets</b>							
Segment assets	55,081,332	100,118,937	8,926,373	507,537	18,144,350	(59,748,581)	123,029,948
Unallocated assets	-	-	-	-	109,162	-	109,162
Total assets							123,139,110
<b>Liabilities</b>							
Segment liabilities	219,266	18,420,262	2,528,504	1,251,967	827,279	(9,269,414)	13,977,864
Unallocated liabilities	3,971	783,031	43,996	-	110,185	-	941,183
Total liabilities							14,919,047
<b>Other information</b>							
Capital expenditure	-	172,503	-	-	11,871	-	184,374
Depreciation of property, plant and equipment	920	995,487	280,148	52,362	49,373	-	1,378,290
Depreciation of investment properties	-	137,591	117,765	-	-	-	255,356
Depreciation of right-of-use assets	-	1,314,675	-	-	-	-	1,314,675
Amortisation of club memberships	-	7,680	-	-	-	-	7,680
Other non-cash expenses	-	172,273	5,169	20,533	19,203	-	217,178

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#### 38. SEGMENT INFORMATION (CONTD.)

	Malaysia RM	Singapore RM	Indonesia RM	Philippines RM	Thailand RM	Consolidation adjustments RM	Group RM
<b>At 31 December 2018</b>							
<b>Revenue</b>							
External sales	-	33,158,017	1,229,161	1,751,789	4,796,412	-	40,935,379
Inter-segment sales	-	1,032,738	-	-	-	(1,032,738)	-
<b>Total revenue</b>	<b>-</b>	<b>34,190,755</b>	<b>1,229,161</b>	<b>1,751,789</b>	<b>4,796,412</b>	<b>(1,032,738)</b>	<b>40,935,379</b>
<b>Results</b>							
Profit/(loss) from operations	(768,700)	4,005,826	430,636	(220,669)	568,226	985,301	5,000,620
Finance costs	-	(170,337)	-	-	(1,313)	167,492	(4,158)
Share of profit of associates						2,078,371	2,078,371
Share of loss of joint venture						240,563	240,563
Profit before taxation							7,315,396
Taxation							(768,258)
Profit for the financial year							6,547,138
Profit attributable to:							
Owners of the parent							6,546,255
Non-controlling interests							883
							6,547,138
<b>Assets</b>							
Segment assets	56,373,660	89,384,905	6,292,344	1,244,953	17,208,918	(57,935,905)	112,568,875
Unallocated assets	9,581	-	-	-	-	-	9,581
<b>Total assets</b>							<b>112,578,456</b>
<b>Liabilities</b>							
Segment liabilities	153,885	9,642,954	484,815	1,565,351	1,510,872	(7,989,123)	5,368,754
Unallocated liabilities	-	907,754	42,890	-	110,265	-	1,060,909
<b>Total liabilities</b>							<b>6,429,663</b>
<b>Other information</b>							
Capital expenditure	-	480,716	-	98,435	162,539	-	741,690
Depreciation of property, plant and equipment	920	2,313,354	157,693	37,630	27,744	-	2,537,341
Depreciation of investment properties	-	-	113,826	-	-	-	113,826
Amortisation of club memberships	-	7,680	-	-	-	-	7,680
Amortisation of land use rights	-	74,509	-	-	-	-	74,509
Other non-cash expenses	-	(266,314)	27,256	70,972	17,493	-	(150,593)



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### 39. DIVIDENDS

	Dividend in respect of year		Dividend recognised in year	
	2019 RM	2018 RM	2019 RM	2018 RM
<b>Group and Company</b>				
Recognised during the financial year				
In respect of financial year ended 31 December 2017				
- Final single-tier dividend (1 sen) on 108,000,000 ordinary shares paid on 27 June 2018	-	-	-	1,080,000
In respect of financial year ended 31 December 2018				
- Final single-tier dividend (2 sen) on 108,000,000 ordinary shares paid on 27 June 2019	-	2,160,000	2,160,000	-
	-	2,160,000	2,160,000	1,080,000
			<b>Group and Company</b>	<b>Group and Company</b>
			<b>2019</b>	<b>2018</b>
			<b>RM</b>	<b>RM</b>
<b>Proposed but not recognised as a liability as at 31 December:</b>				
Dividends on ordinary shares, subject to shareholders' approval at the Annual General Meeting:				
- Final single-tier dividend for 2018: 2 sen per ordinary share			-	2,160,000
- Final single-tier dividend for 2019: 1 sen per ordinary share			1,080,000	-

At the forthcoming Annual General Meeting, a final single-tier dividend of 1 sen per ordinary share in respect of the financial year ended 31 December 2019, on 108,000,000 ordinary shares, amounting to a dividend payable of RM1,080,000 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 31 December 2020.

### 40. SUBSEQUENT EVENT

Subsequent to the end of the financial year, the COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020. Responding to the outbreak, the Governments in the regions in which the Group and the Company operate have implemented various movement controls and restrictions.

On 18 March 2020, the Government of Malaysia imposed a Movement Control Order ("MCO") and on the 7 April 2020, the Government of Singapore imposed a Circuit Breaker ("CB"), both of which involves movement restrictions for locals and restrictions on foreigners from entering the countries. With the various restrictions currently imposed by many countries and additional restrictions which may be imposed from time to time, if any, the economy of many countries, especially Malaysia and Singapore, are expected to be adversely affected.

The significant dropped in the crude oil prices subsequent to the year end may have a direct and indirect unfavourable impact on the customers of the Group (including its associates), that are petrol and petrochemical producers. Therefore, the demand from customers for the goods and services of the Group (including its associates) may be indirectly affected. As the situation is fluid and rapidly evolving, the extent of the impact of COVID-19 on the Group and the Company's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our customers, and vendors all of which are uncertain and cannot be ascertained. The direct and indirect impact arising from this pandemic on the Group and the Company's businesses, assets and liabilities cannot be reasonably estimated at this juncture.

The Directors concluded that the COVID-19 outbreak did not provide evidence of conditions that existed on or before 31 December 2019 and have accordingly assessed it to be a non-adjusting event.

## PARTICULARS OF PROPERTIES

No	Location	Description and Existing Use	Tenure	Land Area/ Built-up	Approximate Age of Buildings (years)	Net Book Valued as at 31 December 2019 (RM)
1	<b>Turbo-Mech Asia Pte. Ltd</b> 61, Ubi Crecent, Ubi Techpark Singapore 408598	4 Storey Landed Terrace Head Office and Warehouse	Leasehold for 60 years expiring on 4 July 2057	4,524 sq. ft/ 11,312 sq. ft	22	5,228,915
2	<b>Turbo-Mech Asia Pte. Ltd</b> 22, Joo Koon Circle Singapore 629054	2 Storey Landed Office, and Factory/ Warehouse	Leasehold for 30 years expiring on 30 April 2038	39,505 sq. ft/ 24,973 sq. ft	40	23,556,565
3	<b>PT Turbo Mech Indonesia</b> Komplek CBD BSD Ruko Bidex, Blok 1-05 Jl. Pahlawan seribu BSD City, Serpong-Tangerang 15322 Indonesia	2 Storey Landed Shop House	Leasehold for 25 years expiring on 1 August 2031	807 sq. ft/ 2,421 sq. ft.	13	337,105
4	<b>PT Turbo Mech Indonesia</b> Jabeka Techno Park SFB Blok A8F Jl. Techno 5, Desa Pasir Gombang Kecamatan Cikarang utara Jababeka Bekasi 17834 Indonesia	2 Storey Landed Workshop	Leasehold for 25 years expiring on 29 September 2027	10,167 sq ft/ 22,270 sq. ft	17	1,010,554

## ANALYSIS OF SHAREHOLDINGS

AS AT 29 MAY 2020

Total Number of Issued Shares	:	108,000,000
Class of Shares	:	Ordinary shares
Voting Rights	:	One vote per ordinary share
Number of Shareholders	:	669

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Capital
Less than 100	10	1.49	152	0.00
100 - 1,000	96	14.35	67,324	0.06
1,001 - 10,000	341	50.97	1,907,500	1.77
10,001 - 100,000	172	25.71	5,635,800	5.22
100,001 - 5,399,999 (*)	47	7.03	39,214,480	36.31
5,400,000 (**) and above	3	0.45	61,174,744	56.64
Total	669	100.00	108,000,000	100.00

Notes:

\* Less than 5% of issued shares

\*\* 5% and above of issued shares

## LIST OF SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 29 MAY 2020

Names	Direct shareholdings		Indirect shareholdings	
	No. of Shares	%	No. of Shares	%
Mosgan Holdings Sdn Bhd	38,651,124	35.79	21,877,206 <sup>(1)</sup>	20.26
Gan Kok Ten	20,637,419	19.11	39,890,911 <sup>(2)</sup>	36.94
Gan Kok Tin	1,239,787	1.15	59,288,543 <sup>(2)</sup>	54.90
Leong Khai Cheong	3,020,000	2.80	5,631,770 <sup>(3)</sup>	5.21
Lai Siew Yoong	5,631,770	5.21	3,020,000 <sup>(4)</sup>	2.80

Notes:

<sup>(1)</sup> Deemed interested by virtue of Gan Kok Ten's and Gan Kok Tin's shareholdings in the Company pursuant to Section 8(4)(c) of the Companies Act 2016.<sup>(2)</sup> Deemed interested by virtue of the shareholdings of his brother and Mosgan Holdings Sdn Bhd pursuant to Section 8(4)(c) of the Companies Act 2016.<sup>(3)</sup> Deemed interested by virtue of the shareholding of his spouse pursuant to Section 59(11)(c) of the Companies Act 2016.<sup>(4)</sup> Deemed interested by virtue of the shareholding of her spouse pursuant to Section 59(11)(c) of the Companies Act 2016.

## LIST OF DIRECTORS' SHAREHOLDINGS

AS PER REGISTER OF DIRECTORS' SHAREHOLDINGS AS AT 29 MAY 2020

Names	Direct shareholdings		Indirect shareholdings	
	No. of Shares	%	No. of Shares	%
Gan Kok Ten	20,637,419	19.11	39,890,911 <sup>(1)</sup>	36.94
Nasaruddin Bin Mohamed Ali	940,876	0.87	-	-
Omar Bin Mohamed Said	-	-	-	-
Chan Bee Eie	-	-	1,239,787 <sup>(2)</sup>	1.15
Tam Juat Hong	-	-	-	-
Azhar Bin Mohamad	-	-	-	-

Notes:

<sup>(1)</sup> Deemed interested by virtue of the shareholdings of his brother and Mosgan Holdings Sdn Bhd pursuant to Section 8(4)(c) of the Companies Act 2016.<sup>(2)</sup> Deemed interested in the direct shareholding of her spouse, Gan Kok Tin, a substantial shareholder of the Company pursuant to Section 59(11)(c) of the Companies Act 2016.

## Analysis of Shareholdings

As at 29 May 2020

## LIST OF 30 LARGEST SHAREHOLDERS

AS AT 29 May 2020

No.	Names	Shareholdings	%
1	Mosgan Holdings Sdn Bhd	38,651,124	35.79
2	Gan Kok Ten	16,891,850	15.64
3	Lai Siew Yoong	5,631,770	5.21
4	Boo Lee Kiang	4,499,454	4.17
5	Lai Yew Fong	4,011,355	3.71
6	AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tay Eng Tong	3,023,000	2.80
7	Salmiah Binti Jantan	2,827,564	2.62
8	Gan Kok Ten	2,605,782	2.41
9	Loo Kien Seng	2,500,020	2.31
10	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Leong Khai Cheong	2,500,000	2.31
11	Lim Yoke Sim	2,307,200	2.14
12	Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Gan Kok Ten	2,279,574	2.11
13	Tay Hwee Leck	1,126,524	1.04
14	Leong Choong Wah	911,329	0.84
15	Nasaruddin Bin Mohamed Ali	840,876	0.78
16	Loke Kah Kheon	753,800	0.70
17	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chee Sai Mun	677,600	0.63
18	Ong Chiow Hock	550,000	0.51
19	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chee Sai Mun	521,100	0.48
20	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for Leong Khai Cheong	500,000	0.46
21	Kok Choi Wah	500,000	0.46
22	Yap Kim Loong	443,100	0.41
23	Mohd Radzuan Bin AB Halim	411,100	0.38
24	CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Khor Shen Chieh	363,300	0.34
25	Ong Beng Kee	360,000	0.33
26	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Chang Joon	320,000	0.30
27	Wong Siew Ting	300,002	0.28
28	Teh Bee Gaik	290,700	0.27
29	Chau Mooi Fei	253,800	0.24
30	Kenanga Nominees (Tempatan) Sdn Bhd Rakuten Trade Sdn Bhd for Yap Kok Ann	250,000	0.23





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