

Company No.

495846	A
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WAH SEONG CORPORATION BERHAD

(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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Company No.

495846

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WAH SEONG CORPORATION BERHAD
(Incorporated in Malaysia)

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WAH SEONG CORPORATION BERHAD

(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of management services to its subsidiaries.

The principal activities of the Group consist of specialised pipe coating and corrosion protection services; Engineering, Procurement and Construction ("EPC") of gas compressors and process equipment; renewable energy and infrastructure materials and services.

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

FINANCIAL RESULTS

	<u>Group</u> RM'000	<u>Company</u> RM'000
Net profit/(loss) for the financial year attributable to:		
- Owners of the Company	64,797	(312)
- Non-controlling interests	(4,935)	-
	<u>59,862</u>	<u>(312)</u>
Net profit/(loss) for the financial year	<u><u>59,862</u></u>	<u><u>(312)</u></u>

DIVIDENDS

No dividends are paid or declared since the end of the previous financial year.

The Directors do not recommend the payment of any dividend in respect of the financial year ended 31 December 2018 and 31 December 2017.

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

ISSUE OF SHARES AND DEBENTURES

The Company did not issue any shares and debentures during the financial year.

WAH SEONG CORPORATION BERHAD

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DIRECTORS' REPORT (CONTINUED)

TREASURY SHARES

During the financial year, the Company purchased 2,329,600 ordinary shares of its total issued share capital from the open market on Bursa Malaysia Securities Berhad ("Bursa Malaysia") for RM2,447,883. The average price paid for the ordinary shares purchased during the financial year was approximately RM1.05 per share.

As at 31 December 2018, the total number of treasury shares held by the Company was 4,426,938 shares.

Details of the treasury shares are set out in Note 27 to the financial statements.

DIRECTORS

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

Dato' Seri Robert Tan Chung Meng
 Chan Cheu Leong
 Giancarlo Maccagno
 Halim Bin Haji Din
 Professor Tan Sri Lin See Yan
 Tan Jian Hong, Aaron
 Tan Sri Saw Choo Boon (Appointed on 6 April 2018)

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

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act, 2016, none of the Directors who held office at the end of the financial year held any shares or debentures in the Company or its subsidiaries during the financial year except as follows:

	Number of ordinary shares			
	As at 1.1.2018	Acquired	Disposed	As at 31.12.2018
<u>The Company</u>				
Dato' Seri Robert Tan Chung Meng				
- direct interest	11,601,308	160,000	-	11,761,308
- deemed interest [#]	310,511,267	-	-	310,511,267
Chan Cheu Leong				
- direct interest	19,990,651	210,000	-	20,200,651
- deemed interest [*]	40,632,627	447,700	-	41,080,327
Giancarlo Maccagno				
- direct interest	16,537,177	143,100	-	16,680,277

WAH SEONG CORPORATION BERHAD

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DIRECTORS' REPORT (CONTINUED)**DIRECTORS' INTERESTS (CONTINUED)**

By virtue of his interests of more than 20% in the shares of the Company, Dato' Seri Robert Tan Chung Meng is deemed to be interested in the shares of all the subsidiaries to the extent that the Company has an interest.

- # Deemed interest held through Wah Seong Enterprises Sdn. Bhd., Wah Seong (Malaya) Trading Co. Sdn. Bhd. and Tan Kim Yeow Sendirian Berhad pursuant to Section 8 of the Companies Act, 2016 ("the Act").
- * Deemed interest held through Midvest Asia Sdn. Bhd. pursuant to Section 8 of the Act and includes interests of his spouse and children.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than the benefits shown under Directors' Remuneration in Note 42 and related party transaction in Note 40) by reason of a contract made by the Company or by a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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

DIRECTORS' REMUNERATION

Details of Directors' remuneration are set out in Note 42 to the financial statements.

INDEMNITY GIVEN TO DIRECTORS AND OFFICERS

During the financial year, the total amount of indemnity coverage and insurance premium paid for the Directors and officer of the Group and the Company was RM153,880.

OTHER STATUTORY INFORMATION

- (a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:
 - (i) to ascertain that 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 allowance had been made for doubtful debts; and
 - (ii) to ensure that any current assets, which were unlikely to realise in the ordinary course of business including the values of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

WAH SEONG CORPORATION BERHAD

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DIRECTORS' REPORT (CONTINUED)**OTHER STATUTORY INFORMATION (CONTINUED)**

- (b) At the date of this report, the Directors are not aware of any circumstances:
- (i) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts inadequate to any substantial extent; or
 - (ii) which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or
 - (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (c) At the date of this report, there does not exist:
- (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and
 - (ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.
- (d) No contingent or other liability of any company in the Group has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Company and its subsidiaries to meet their obligations as and when they fall due.
- (e) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the respective financial statements misleading.
- (f) In the opinion of the Directors:
- (i) the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
 - (ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

SUBSIDIARIES

Details of subsidiaries are set out in Note 7 to the financial statements.

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WAH SEONG CORPORATION BERHAD
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DIRECTORS' REPORT (CONTINUED)

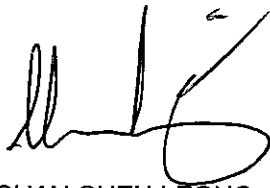
AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 34 to the financial statements.

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept re-appointment as auditors.

This report was approved by the Board of Directors on 3 April 2019. Signed on behalf of the Board of Directors:



CHAN CHEU LEONG
DIRECTOR



HALIM BIN HAJI DIN
DIRECTOR

Kuala Lumpur

Company No.

495846

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WAH SEONG CORPORATION BERHAD
(Incorporated in Malaysia)

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

We, Chan Cheu Leong and Halim Bin Haji Din, two of the Directors of Wah Seong Corporation Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 15 to 166 are drawn up so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2018 and financial performance of the Group and the Company for the financial year ended 31 December 2018 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 3 April 2019.



CHAN CHEU LEONG
DIRECTOR



HALIM BIN HAJI DIN
DIRECTOR

Kuala Lumpur

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

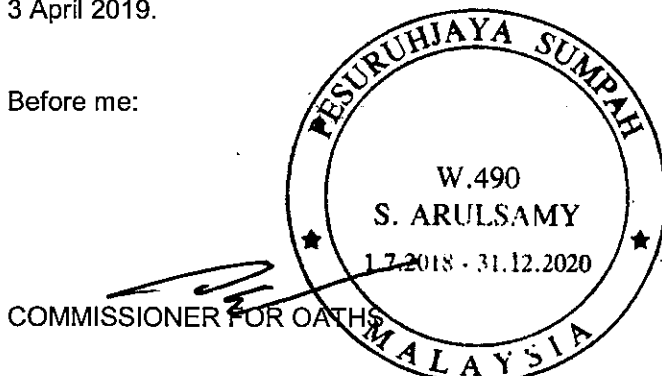
I, Ramanathan A/L P.R. Singaram, the officer primarily responsible for the financial management of Wah Seong Corporation Berhad, do solemnly and sincerely declare that, the financial statements set out on pages 15 to 166 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.



RAMANATHAN A/L P.R. SINGARAM
CA16937

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 3 April 2019.

Before me:



16 - Tingkat Bawah Jalan Pudu,
55100 Kuala Lumpur



INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF WAH SEONG CORPORATION BERHAD
(Incorporated in Malaysia)
(Company No. 495846 A)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

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

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of profit or loss, statements of other comprehensive income, statement of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 15 to 166.

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 Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.



**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF WAH SEONG CORPORATION BERHAD (CONTINUED)**
(Incorporated in Malaysia)
(Company No. 495846 A)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and the Company. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

Key audit matters

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

Key audit matters	How our audit addressed the key audit matters
<p>Impairment assessment for goodwill of CGU A and CGU B</p> <p>Refer to Note 13 'Goodwill and Other Intangible Assets' and Note 3(a) 'Critical Accounting Estimates and Judgements'.</p> <p>As at 31 December 2018, the Group's goodwill totalled RM145.2 million which is allocated to the following cash generating units ("CGU"):</p> <ul style="list-style-type: none"> • Specialised Pipe Coating and Corrosion Protection Services (CGU A); and • EPC, Fabrication and Rental of Gas Compressors and Process Equipment (CGU B). 	<p>We performed the following audit procedures to evaluate management's methodology and assumptions used in the VIU for each CGU:</p> <ul style="list-style-type: none"> • Compared forecasted revenues to approved budgets, past performance, current order book and potential contracts; • Compared revenue and terminal growth rates to historical track records and external market trends; and • Compared costs to approved budget and historical performance.



INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF WAH SEONG CORPORATION BERHAD (CONTINUED)
(Incorporated in Malaysia)
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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
<p>Impairment assessment for goodwill of CGU A and CGU B (continued)</p> <p>We focused on this area due to the size of the goodwill and because the recoverable amounts of the CGUs are determined based on value in use ("VIU") calculations which involve estimates about the future cash flows generated and the appropriate discount and growth rates applied.</p> <p>The key assumptions used in VIU calculations are disclosed in Note 13 to the financial statements.</p>	<ul style="list-style-type: none"> We involved PwC valuation specialists to evaluate the appropriateness of the methodology and the discount rates used for CGU A and CGU B. This involved consideration of inputs from comparable industries and peer companies, adjusted for business risk and marketability. <p>We also considered the adequacy of the disclosures made in the financial statements on key assumptions and the sensitivity analysis for the respective CGUs. We considered the sensitivity of the recoverable amount of CGU A and B by varying the key assumptions within reasonably possible ranges.</p>



INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF WAH SEONG CORPORATION BERHAD (CONTINUED)
(Incorporated in Malaysia)
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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
<p>Impairment assessment on investments in associates and joint ventures</p> <p>Refer to Note 8 'Investment in Associates', Note 9 'Investment in Joint Ventures' and Note 3(b) 'Critical Accounting Estimates and Judgements'.</p> <p>As at 31 December 2018, the Group holds investments in Petra Energy Berhad ("PEB") and Alam-PE Holdings (L) Inc. ("Alam-PE") which are accounted for as an associate and joint venture respectively. PEB and Alam-PE are primarily operating in the offshore oil and gas market.</p> <p>Management assessed the carrying amounts of the investments for impairment in view of the decreased activities in the offshore oil and gas market and lower market value in PEB.</p> <p>We focused on this area due to the size of the investments totalling RM186.4 million and because the recoverable amounts of the investments are determined based on VIU calculations which involve estimates about the future cash flows generated and the appropriate discount and growth rates applied.</p> <p>The key assumptions used in VIU calculations are disclosed in Notes 8 and 9 to the financial statements.</p>	<p>We performed the following audit procedures to evaluate management's methodology and assumptions used in the VIU for each investment:</p> <ul style="list-style-type: none"> • Compared forecasted revenues to approved budgets, past performance, current order book and potential contracts; • Compared revenue and terminal growth rates to historical track records and external market trends; • Compared costs to approved budget and historical performance; and • We involved PwC valuation specialists to evaluate the appropriateness of the methodology and discount rates used for PEB and Alam-PE. This involved independently assessing the cost of equity using comparable companies in the same territories. <p>We also considered the adequacy of the disclosures made in the financial statements on key assumptions and the sensitivity analysis for the respective investments. We considered the sensitivity of the recoverable amounts of PEB and Alam-PE by varying the key assumptions within reasonably possible ranges.</p>

There are no key audit matters in relation to the financial statements of the Company.



INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF WAH SEONG CORPORATION BERHAD (CONTINUED)
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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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 of Corporate Information, Sustainability Statement, Management Discussion & Analysis, Audit Committee report, Remuneration Committee report, Nomination Committee report, Corporate Governance Overview Statement, Additional Compliance Information, Statement on Risk Management and Internal Control, Statement of Directors' Responsibilities, and Directors' Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

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

Responsibilities of the directors for the financial statements

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

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



INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF WAH SEONG CORPORATION BERHAD (CONTINUED)
(Incorporated in Malaysia)
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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

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

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

- (a) 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.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- (d) Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- (e) 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.



INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF WAH SEONG CORPORATION BERHAD (CONTINUED)
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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 7 of the financial statements.



INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF WAH SEONG CORPORATION BERHAD (CONTINUED)
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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.

A handwritten signature in black ink, appearing to read 'Price Waterhouse Coopers PLT'.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

A handwritten signature in black ink, appearing to be 'GAN WEE FONG'.

GAN WEE FONG
03253/01/2021 J
Chartered Accountant

Kuala Lumpur
3 April 2019

WAH SEONG CORPORATION BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

		<u>Group</u>		<u>Company</u>	
	<u>Note</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
		RM'000	RM'000	RM'000	RM'000
NON-CURRENT ASSETS					
Property, plant and equipment	4	831,587	965,096	1,890	4,040
Prepaid lease payments	5	89,256	90,584	-	-
Investment properties	6	16,621	9,340	23,065	21,287
Investment in subsidiaries	7	-	-	763,597	722,201
Investment in associates	8	182,029	185,223	-	-
Investment in joint ventures	9	126,368	146,446	-	-
Finance lease receivables	10	18,042	-	-	-
Investment in equity instruments	11	6	-	-	-
Available-for-sale financial assets	11	-	10	-	-
Goodwill and other intangible assets	13	145,404	143,390	-	-
Deferred tax assets	14	43,344	41,724	2,423	2,062
		<u>1,452,657</u>	<u>1,581,813</u>	<u>790,975</u>	<u>749,590</u>
CURRENT ASSETS					
Inventories	15	324,666	290,159	-	-
Contract assets	16	95,869	-	-	-
Amounts due from customers on contracts	17	-	52,467	-	-
Trade and other receivables	18	560,707	843,136	12,989	14,418
Amounts owing by subsidiaries	19(a)	-	-	163,851	149,871
Amounts owing by associates	20(a)	11,617	12,722	20	13
Amounts owing by joint ventures	21(a)	55,471	55,417	-	23
Finance lease receivables	10	14,380	-	-	-
Tax recoverable		15,479	15,418	303	-
Derivative financial assets	12	146	94	-	-
Time deposits	22	76,373	111,396	9,109	20,972
Cash and bank balances	23	156,363	189,612	854	2,221
		<u>1,311,071</u>	<u>1,570,421</u>	<u>187,126</u>	<u>187,518</u>
Assets classified as held for sale	24	2,207	18,143	-	-
TOTAL ASSETS		<u><u>2,765,935</u></u>	<u><u>3,170,377</u></u>	<u><u>978,101</u></u>	<u><u>937,108</u></u>

WAH SEONG CORPORATION BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018 (CONTINUED)

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
EQUITY AND LIABILITIES					
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY					
Share capital	25	547,690	547,690	547,690	547,690
Treasury shares	27	(4,779)	(2,331)	(4,779)	(2,331)
Exchange translation reserves		(4,679)	(6,220)	-	-
Available-for-sale reserve		-	6	-	-
Retained profits		417,494	355,016	244,124	244,436
		955,726	894,161	787,035	789,795
Non-controlling interests		81,118	96,211	-	-
TOTAL EQUITY		1,036,844	990,372	787,035	789,795
NON-CURRENT AND DEFERRED LIABILITIES					
Loans and borrowings	28	129,410	201,669	-	-
Deferred tax liabilities	14	13,804	13,128	-	-
Trade and other payables	29	6,294	491,929	-	-
		149,508	706,726	-	-
CURRENT LIABILITIES					
Contract liabilities	16	52,792	-	-	-
Amounts due to customers on contracts	17	-	31,759	-	-
Trade and other payables	29	726,350	618,000	14,258	11,603
Provision for warranties	30	8,895	6,929	-	-
Amounts owing to subsidiaries	19(b)	-	-	6,797	1,291
Amounts owing to associates	20(b)	-	175	-	-
Amounts owing to joint ventures	21(b)	3,959	3,314	-	-
Loans and borrowings	28	718,215	774,854	170,011	134,167
Dividend payable		14,004	13,685	-	-
Current tax liabilities		55,368	24,563	-	252
		1,579,583	1,473,279	191,066	147,313
TOTAL LIABILITIES		1,729,091	2,180,005	191,066	147,313
TOTAL EQUITY AND LIABILITIES		2,765,935	3,170,377	978,101	937,108

WAH SEONG CORPORATION BERHAD

(Incorporated in Malaysia)

STATEMENTS OF PROFIT OR LOSS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		Group		Company	
	Note	2018	2017	2018	2017
		RM'000	RM'000	RM'000	RM'000
Gross revenue	31	2,961,131	2,492,100	18,634	25,394
Cost of sales	32	(2,625,280)	(2,182,428)	-	-
Gross profit		335,851	309,672	18,634	25,394
Other operating income		57,952	169,021	3,760	18,456
Selling and distribution expenses		(27,314)	(28,012)	-	-
Administrative and general expenses		(202,215)	(290,706)	(15,368)	(13,406)
Other gains/(losses) - net	33	44	(487)	-	-
Profit from operations	34	164,318	159,488	7,026	30,444
Finance costs	35	(38,940)	(41,897)	(6,489)	(7,427)
Share of results of associates		1,170	(4,863)	-	-
Share of results of joint ventures		(19,460)	9,877	-	-
Profit before tax		107,088	122,605	537	23,017
Tax expense	36	(47,226)	(7,962)	(849)	(2,101)
Net profit/(loss) for the financial year		59,862	114,643	(312)	20,916
Net profit/(loss) for the financial year attributable to:					
Owners of the Company		64,797	113,021	(312)	20,916
Non-controlling interests		(4,935)	1,622	-	-
Net profit/(loss) for the financial year		59,862	114,643	(312)	20,916
Earnings per share computed based on the net profit for the financial year attributable to the owners of the Company:					
- basic and diluted (sen)	37	8.39	14.63		

WAH SEONG CORPORATION BERHAD

(Incorporated in Malaysia)

STATEMENTS OF OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Note	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Net profit/(loss) for the financial year	59,862	114,643	(312)	20,916
Other comprehensive expenses:				
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Foreign currency translation differences for foreign operations	1,412	472	-	-
Share of other comprehensive income/(loss) of an associate, net of tax	696	(2,117)	-	-
Other comprehensive income/(expense) for the financial year, net of tax	2,108	(1,645)	-	-
Total comprehensive income/(expense) for the financial year	61,970	112,998	(312)	20,916
Total comprehensive income/(expense) for the financial year attributable to:				
Owners of the Company	66,338	110,161	(312)	20,916
Non-controlling interests	(4,368)	2,837	-	-
Total comprehensive income/(expense) for the financial year	61,970	112,998	(312)	20,916

Company No.

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WAH SEONG CORPORATION BERHAD
(Incorporated in Malaysia)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

	<u>Note</u>	Attributable to owners of the Company							Non-controlling interests	Total equity
		Share capital	Share premium	Treasury shares	Exchange translation reserves	Available-for-sale reserve	Retained profits	Total		
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2018										
- as previously stated		547,690	-	(2,331)	(6,220)	6	355,016	894,161	96,211	990,372
- effects of adoption of MFRS 9		-	-	-	-	(6)	(2,319)	(2,325)	-	(2,325)
- as restated		547,690	-	(2,331)	(6,220)	-	352,697	891,836	96,211	988,047
Net profit/(loss) for the financial year		-	-	-	-	-	64,797	64,797	(4,935)	59,862
Other comprehensive income for the financial year		-	-	-	1,541	-	-	1,541	567	2,108
Total comprehensive income/(expense) for the financial year		-	-	-	1,541	-	64,797	66,338	(4,368)	61,970
Transactions with owners:										
Shares repurchased (including transaction costs)	27	-	-	(2,448)	-	-	-	(2,448)	-	(2,448)
Dividend paid/payable to non-controlling interests		-	-	-	-	-	-	-	(10,725)	(10,725)
Total contributions by and distributions to owners		-	-	(2,448)	-	-	-	(2,448)	(10,725)	(13,173)
Total transactions with owners		-	-	(2,448)	-	-	-	(2,448)	(10,725)	(13,173)
At 31 December 2018		547,690	-	(4,779)	(4,679)	-	417,494	955,726	81,118	1,036,844

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WAH SEONG CORPORATION BERHAD
(Incorporated in Malaysia)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**

	<u>Note</u>	Attributable to owners of the Company							Non-controlling interests	Total equity
		Share capital	Share premium	Treasury shares	Exchange translation reserves	Available-for-sale reserve	Retained profits	Total		
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2017		387,444	160,246	(2,331)	(11,469)	6	241,995	775,891	91,913	867,804
Net profit for the financial year		-	-	-	-	-	113,021	113,021	1,622	114,643
Other comprehensive (expense)/income for the financial year		-	-	-	(2,860)	-	-	(2,860)	1,215	(1,645)
Total comprehensive (expense)/income for the financial year		-	-	-	(2,860)	-	113,021	110,161	2,837	112,998
Transactions with owners:										
Transition to no-par value regime on 31 January 2017	25, 26	160,246	(160,246)	-	-	-	-	-	-	-
Total contributions by and distributions to owners		160,246	(160,246)	-	-	-	-	-	-	-
Acquisition of shares in existing subsidiary from non-controlling interest		-	-	-	-	-	-	-	400	400
Disposal of a subsidiary		-	-	-	6,895	-	-	6,895	-	6,895
Liquidation of a joint venture		-	-	-	1,214	-	-	1,214	1,061	2,275
Total changes in ownership interest in subsidiaries that did not result in a loss of control		-	-	-	8,109	-	-	8,109	1,461	9,570
Total transactions with owners		160,246	(160,246)	-	8,109	-	-	8,109	1,461	9,570
At 31 December 2017		547,690	-	(2,331)	(6,220)	6	355,016	894,161	96,211	990,372

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WAH SEONG CORPORATION BERHAD
(Incorporated in Malaysia)

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

	<u>Note</u>	<u>Share capital</u> RM'000	<u>Share premium</u> RM'000	<u>Treasury shares</u> RM'000	<u>Retained profits</u> RM'000	<u>Total equity</u> RM'000
At 1 January 2018		547,690	-	(2,331)	244,436	789,795
Total comprehensive expense for the financial year		-	-	-	(312)	(312)
Transactions with owners:						
Shares repurchased (including transaction costs)	27	-	-	(2,448)	-	(2,448)
Total contributions by and distributions to owners		-	-	(2,448)	-	(2,448)
At 31 December 2018		<u>547,690</u>	<u>-</u>	<u>(4,779)</u>	<u>244,124</u>	<u>787,035</u>

Company No.

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WAH SEONG CORPORATION BERHAD
(Incorporated in Malaysia)

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

	<u>Note</u>	<u>Share capital</u> RM'000	<u>Share premium</u> RM'000	<u>Treasury shares</u> RM'000	<u>Retained profits</u> RM'000	<u>Total equity</u> RM'000
At 1 January 2017		387,444	160,246	(2,331)	223,520	768,879
Total comprehensive income for the financial year		-	-	-	20,916	20,916
Transactions with owners:						
Transition to no-par value regime on 31 January 2017	25, 26	160,246	(160,246)	-	-	-
Total contributions by and distributions to owners		160,246	(160,246)	-	-	-
At 31 December 2017		<u>547,690</u>	<u>-</u>	<u>(2,331)</u>	<u>244,436</u>	<u>789,795</u>

WAH SEONG CORPORATION BERHAD

(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		107,088	122,605	537	23,017
Adjustments for:					
Property, plant and equipment:					
- Depreciation charge		188,091	144,713	100	237
- Impairment charge		48	72,842	-	-
- Reversal of impairment charge		(4,904)	-	-	-
- Written off		839	239	80	-
- Net gain on disposal		(5,418)	(36,006)	(4)	(98)
Prepaid lease payments:					
- Amortisation charge		1,328	1,509	-	-
- Gain on disposal		-	(64,071)	-	-
Depreciation of investment properties		346	236	273	236
Inventories:					
- Allowance for obsolescence		880	6,207	-	-
- Write back of allowance for obsolescence		(727)	(840)	-	-
- Written off		1,862	30	-	-
Impairment loss on investment in an associate		-	271	-	-
Share of results of associates		(1,170)	4,863	-	-
Share of results of joint ventures		19,460	(9,877)	-	-
Loss/(Gain) on disposal of a subsidiary		-	8,363	-	(12,235)
Gain on disposal of:					
- non-current asset held for sale		(4,534)	-	-	-
- an associate		(207)	-	-	-
Net impairment on trade and other receivables		3,421	767	209	-
Net provision for/(write back of) warranties		1,880	(2,079)	-	-
Net unrealised loss/(gain) on foreign exchange		306	4,356	(2,338)	(4,276)
Dividend income		-	-	(9,094)	(10,863)
Interest income		(6,687)	(7,660)	(8,839)	(11,319)
Interest expense		38,940	41,897	6,489	7,427
Fair value (gain)/loss on:					
- derivative financial instruments	33	(48)	487	-	-
- investment in equity instruments	33	4	-	-	-
		340,798	288,852	(12,587)	(7,874)

WAH SEONG CORPORATION BERHAD

(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

	Group		Company	
Note	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)				
Changes in working capital:				
Inventories	(4,281)	(49,553)	-	-
Receivables	(8,236)	(70,160)	(38,166)	(50,065)
Payables	(85,143)	221,818	8,050	(68)
Cash generated from/(used in) operations	243,138	390,957	(42,703)	(58,007)
Interest received	6,687	7,660	8,839	11,319
Interest paid	(38,940)	(41,897)	(6,489)	(7,427)
Tax paid	(13,994)	(19,199)	(1,654)	(1,757)
Net cash generated from/(used in) operating activities	196,891	337,521	(42,007)	(55,872)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(98,207)	(477,999)	(81)	(27)
Purchase of other intangible assets	(11)	(25)	-	-
Purchase of investment properties	(7,216)	(30)	-	-
Additional investment in an associate	-	(9,433)	-	-
Proceeds from disposal of property, plant and equipment*	65,433	8,074	4	124
Proceeds from disposal of:				
- prepaid lease payments*	87,110	5,790	-	-
- non-current asset held for sale	46,286	-	-	-
- an associate	440	-	-	-
Net proceeds from deposits and short term investment	56,421	12,970	18,253	10,978
Net cash outflow from disposal of a subsidiary	-	(5)	-	-
Dividends received from:				
- subsidiaries	-	-	9,094	10,863
- a joint venture	4,312	3,450	-	-
- an associate	257	4,228	-	-
Net advance (to)/from subsidiaries	-	-	(132,820)	(66,022)
Net repayment from subsidiaries	-	-	120,107	151,565

WAH SEONG CORPORATION BERHAD

(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

	<u>Note</u>	<u>Group</u>	<u>Company</u>
		<u>2018</u>	<u>2017</u>
		<u>RM'000</u>	<u>RM'000</u>
CASH FLOWS FROM			
INVESTING ACTIVITIES			
(CONTINUED)			
Net repayment from joint ventures		1,545	16,852
Net (advances to)/			
repayment from associates		(793)	448
Net cash generated from/(used in)			
investing activities		155,577	(435,680)
CASH FLOWS FROM FINANCING			
ACTIVITIES			
Purchase of treasury shares	27	(2,448)	-
Drawdown from term loans		124,217	3,406
Repayments of term loans		(110,677)	(117,422)
Drawdown of fixed rate notes		2,071	-
Repayments of fixed rate notes		(23,083)	-
Drawdown from other bank			
borrowings		1,271,640	1,515,173
Repayments of other bank			
borrowings		(1,399,674)	(1,568,759)
Proceeds received from			
non-controlling interests on			
issuance of shares by subsidiaries		-	400
Dividends paid to non-controlling			
interests		(10,178)	-
(Utilisation)/Advances from customer		(213,937)	265,886
Net cash (used in)/generated from			
financing activities		(362,069)	98,684

WAH SEONG CORPORATION BERHAD

(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

		Group		Company	
	Note	2018	2017	2018	2017
		RM'000	RM'000	RM'000	RM'000
NET CHANGES IN CASH AND CASH EQUIVALENTS		(9,601)	525	5,023	(22,052)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		227,110	228,388	4,331	26,568
EFFECTS OF EXCHANGE RATE CHANGES		(2,250)	(1,803)	-	(185)
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR		215,259	227,110	9,354	4,331
Represented by:					
TIME DEPOSITS	22	76,373	111,396	9,109	20,972
CASH AND BANK BALANCES	23	156,363	189,612	854	2,221
		232,736	301,008	9,963	23,193
LESS:					
TIME DEPOSITS WITH MATURITY MORE THAN 3 MONTHS	22	(16,868)	(55,036)	-	-
SHORT TERM INVESTMENTS	22	(609)	(18,862)	(609)	(18,862)
CASH AND CASH EQUIVALENTS		215,259	227,110	9,354	4,331

* Proceeds from disposal of property, plant and equipment and prepaid lease payments amounting to RM55,890,000 and RM87,110,000 respectively received during the financial year relates to the disposal in prior financial year.

WAH SEONG CORPORATION BERHAD

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018****1 GENERAL INFORMATION**

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Market of Bursa Malaysia Securities Berhad. The address of its registered office and principal place of business are as follows:

Registered office and principal place of business:

Suite 19.01, Level 19
The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

The principal activities of the Company are investment holding and provision of management services to its subsidiaries.

The principal activities of the Group consist of specialised pipe coating and corrosion protection services; Engineering, Procurement and Construction ("EPC") of gas compressors and process equipment; renewable energy and infrastructure materials and services.

The financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency. Unless otherwise indicated, the amounts in these financial statements have been rounded to the nearest thousand.

These financial statements were authorised for issue by the Directors on 3 April 2019.

2 SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently in dealing with items that are considered material in relation to the financial statements.

2.1 Basis of preparation

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

The financial statements have been prepared under the historical cost convention unless otherwise indicated in this summary of significant accounting policies.

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

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 to the financial statements.

WAH SEONG CORPORATION BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies and disclosures

(a) Standards, amendments to published standards and interpretations that are effective

The Group and the Company have applied the following amendments for the first time for the financial year beginning on 1 January 2018:

- **MFRS 9 'Financial Instruments'**

The Group has applied MFRS 9 retrospectively with the date of initial application of 1 January 2018. In accordance with the transitional provisions provided in MFRS 9, comparative information for the financial year ended 31 December 2017 was not restated and continued to be reported under the previous accounting policies governed under MFRS 139. The cumulative effects of initially applying MFRS 9 were recognised as an adjustment to the opening balance of retained earnings as at 1 January 2018.

- **MFRS 15 'Revenue from Contracts with Customers'**

The Group has applied MFRS 15 with the date of initial application of 1 January 2018 by using the modified retrospective transition method. Under the modified retrospective transition method, the Group applies the new policy retrospectively only to contracts that are not completed contracts at the date of initial application. Accordingly, the comparative information for the financial year ended 31 December 2017 was not restated and continued to be reported under the previous accounting policies governed under MFRS 118 and MFRS 111. There is no significant impact to the opening balance of retained earnings as at 1 January 2018.

- **Amendments to MFRS 140 'Investment Property – Transfer of Investment Property'**

- **IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration'**

The adoption of the revised standards and amendments that are applicable from the financial year beginning on 1 January 2018 did not have any significant impact on the financial position and results of the Group and the Company, except as disclosed below.

WAH SEONG CORPORATION BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies and disclosures (continued)

- (a) Standards, amendments to published standards and interpretations that are effective (continued)

Effects on adoption of MFRS 9 on financial statements

The measurement category and the carrying amount of financial assets and financial liabilities in accordance with MFRS 139 and MFRS 9 at 1 January 2018 are compared as follows:

Group

Statements of financial position

	<u>Measurement category</u>		<u>Carrying amount</u>		
	<u>Original</u> <u>(MFRS 139)</u> RM'000	<u>New</u> <u>(MFRS 9)</u> RM'000	<u>Original</u> <u>(MFRS 139)</u> RM'000	<u>Reclass</u> RM'000	<u>New</u> <u>(MFRS 9)</u> RM'000
<u>Non-current assets</u>					
Available-for-sale financial assets	Available for sale	-	10	(10)	-
Investment in equity instruments	-	FVTPL	-	10	10

An investment in equity instruments are reclassified from available-for-sale to financial assets at fair value through profit or loss as they do not meet the MFRS 9 criteria for classification at amortised cost as their cash flows do not represent solely payments of principal and interest.

Related fair value gains of RM6,000 previously recognised in available-for-sale reserve are transferred to retained earnings on 1 January 2018.

Statements of changes in equity

Impacts on the change in the accounting policies on the Group's retained earnings as at 1 January 2018 is as follows:

	<u>Retained earnings</u> RM'000	<u>Available-for-sale reserve</u> RM'000
As previously reported at 31 December 2017	355,016	6
<u>Impacts of adoption of MFRS 9:</u>		
Reclassification of investment in equity instruments from available-for-sale to fair value through profit or loss	6	(6)
Increase in loss allowance for trade receivables that do not contain significant financing components	(2,325)	-
Adjustment to retained earnings upon adoption of MFRS 9	(2,319)	(6)
As restated at 1 January 2018	<u>352,697</u>	<u>-</u>

WAH SEONG CORPORATION BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies and disclosures (continued)

- (a) Standards, amendments to published standards and interpretations that are effective (continued)

Effects on adoption of MFRS 9 on financial statements (continued)

Except as disclosed above, there is no other impact on the classification and measurement recognised in relation to the remaining financial assets and financial liabilities from the adoption of MFRS 9. See Note 45 on the measurement category for each class of financial assets and financial liabilities.

Effects on adoption of MFRS 15 on financial statements

Group

Statements of financial position

There is no impact of MFRS 15 on the Group's and the Company's statement of financial position as at 1 January 2018.

Had the Group continue to apply the previous accounting policies in accordance with MFRS 111 and MFRS 118 on these transactions, the impact on each financial statement line items for the financial year ended 31 December 2018 would be as follows:

	Balances reported as at 31 December 2018 RM'000	Effects of adoption of MFRS 15 RM'000	Balances without adoption of MFRS 15 as at 31 December 2018 RM'000
<u>Current assets</u>			
Contract assets	95,869	(95,869)	-
Amount due from customers on contracts	-	71,251	71,251
Trade and other receivables	560,707	24,618	585,325
<u>Current liabilities</u>			
Contract liabilities	52,792	(52,792)	-
Amount due to customers on contracts	-	29,552	29,552
Trade and other payables	726,350	23,240	749,590

Statements of changes in equity

There is no significant impact to the Group's retained earnings as at 1 January 2018.

WAH SEONG CORPORATION BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies and disclosures (continued)

- (b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and Company but not yet effective

- MFRS 16 'Leases' (effective from 1 January 2019) supersedes MFRS 117 'Leases' and the related interpretations.

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

The right-of-use asset is depreciated in accordance with the principle in MFRS 116 'Property, Plant and Equipment' and the lease liability is accreted over time with interest expense recognised in profit or loss.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

- IC Interpretation 23 'Uncertainty over Income Tax Treatments' (effective 1 January 2019) provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

If an entity concludes that it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the period when such determination is made. An entity shall measure the effect of uncertainty using the method which best predicts the resolution of the uncertainty.

IC Interpretation 23 will be applied retrospectively.

- Amendments to MFRS 128 'Long-term Interests in Associates and Joint Ventures' (effective from 1 January 2019) clarify that an entity should apply MFRS 9 'Financial Instruments' (including the impairment requirements) to long-term interests in an associate or joint venture, which are in substance form part of the entity's net investment, for which settlement is neither planned nor likely to occur in the foreseeable future.

In addition, such long-term interest is subject to loss allocation and impairment requirements in MFRS 128.

The amendments will be applied retrospectively.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies and disclosures (continued)

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and Company but not yet effective (continued)

- Annual Improvements to MFRSs 2015 – 2017 Cycle:

- (i) Amendments to MFRS 11 'Joint Arrangements' (effective from 1 January 2019) clarify that when a party obtains joint control of a business that is a joint operation, the party should not remeasure its previously held interest in the joint operation.
- (ii) Amendments to MFRS 112 'Income Taxes' (effective from 1 January 2019) clarify that where income tax consequences of dividends on financial instruments classified as equity is recognised (either in profit or loss, other comprehensive income or equity) depends on where the past transactions that generated distributable profits were recognised. Accordingly, the tax consequences are recognised in profit or loss when an entity determines payments on such instruments are distribution of profits (that is, dividends). Tax on dividend should not be recognised in equity merely on the basis that it is related to a distribution to owners.
- (iii) Amendments to MFRS 123 'Borrowing Costs' (effective from 1 January 2019) clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

The Group and the Company have started a preliminary assessment on the effects of the above standards and amendments to published standards and the impact is still being assessed. However, the adoption of MFRS 16 is expected to have a material impact to the Group's financial statements as follows:

- Right-of-use assets will be recorded for assets that are leased by the Group. Lease liabilities will be recorded for future lease payments in the Group's consolidated statements of financial position for the "reasonably certain" period of the lease, which may include future lease periods for which the Group has extension options.
- Lease expenses in the Group's consolidated statements of profit or loss comprise of depreciation of right-of-use assets and interest on lease liabilities.
- In the Group's consolidated statements of cash flows, the repayment of principal portion of the lease payments from existing operating leases will be presented under financing activities. The interest payments will remain in net cash from operating activities.
- The Group will exercise the option of not applying the right-of-use approach to low value assets and short-term leases (maximum terms of 12 months). Rental expenses for these assets will therefore be recognised directly in the consolidated statements of profit or loss.

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NOTES TO THE FINANCIAL STATEMENTS**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)****2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.3 Subsidiaries**

Subsidiaries are those corporations, partnerships or other entities (including special purpose entities) over which the Group has power to exercise control over variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Potential voting rights are considered when assessing control only when such rights are substantive.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less accumulated impairment losses, if any. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy 2.14 on impairment of non-financial assets.

Subsidiaries acquired from other companies within Wah Seong Corporation Berhad Group as part of the restructuring scheme is accounted for under the "Predecessor Accounting" method as these were entities under common control. Under the predecessor method of accounting, the subsidiaries are consolidated as if the subsidiaries have always been part of Wah Seong Corporation Berhad Group. Assets and liabilities acquired are not restated to their respective fair values and are recognised as the carrying amounts. The difference between any consideration given and the aggregate carrying amounts of the assets and liabilities of the acquired entity is recognised as an adjustment to equity. No additional goodwill is recognised.

Other subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases. The cost of an acquisition is measured as the fair value of the assets given, equity interests issued and liabilities incurred or assumed at the date of exchange. Acquisition-related costs are expensed to profit or loss as and when incurred. The cost of acquisition includes the fair value of any asset or liability resulting from a contingent consideration. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, measured initially at their fair values at the date of acquisition. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired at the date of acquisition is reflected as goodwill in the statement of financial position – see accounting policy 2.11(a) on goodwill. If the cost of acquisition is less than the fair value of the Group's share of identifiable net assets of the subsidiary acquired, the difference is recognised directly in the profit or loss.

If a business combination achieved in stages, the previously held equity interest in the acquiree is remeasured to its fair value on the date it becomes a subsidiary and the resulting gain or loss is recognised in profit or loss.

All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Non-controlling interests represent that portion of the profit or loss, other comprehensive income and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the Company. It is measured at the non-controlling's share of the fair value of the subsidiaries' identifiable assets and liabilities at the date of acquisition and the non-controlling's share of changes in the subsidiaries' equity since that date.

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NOTES TO THE FINANCIAL STATEMENTS**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)****2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.3 Subsidiaries (continued)**

All earnings and losses of the subsidiary are attributed to the parent and non-controlling interest, even if the attribution of losses to the non-controlling interest results in a debit balance.

The gain or loss on disposal of a subsidiary, which is the difference between net disposal proceeds and the Group's share of its net assets as of the date of disposal, including the cumulative amount of any exchange differences that relate to the subsidiary, is recognised in the consolidated profit or loss.

2.4 Transactions with non-controlling interests

The Group applies a policy of treating transactions with non-controlling interests as transactions with equity owners of the Group. Effects of transactions with non-controlling interests are directly recognised in equity to the extent that there is no change in control. The difference between the fair value of any consideration paid/received and the carrying amount of the share of net assets acquired/sold are recorded in equity. Accordingly, such transactions will no longer result in goodwill or gains and losses upon disposal.

2.5 Associates

An associate is an entity in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but not control or joint control over those policies.

Investment in associates is accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, investment in associates is initially recognised at cost and adjusted thereafter for post-acquisition changes in the Group's share of net assets of the associates.

The Group's share of the associate's post-acquisition profit or loss and other comprehensive income are recognised in the consolidated profit or loss and other comprehensive income respectively. The cumulative post-acquisition movements are adjusted against the carrying amounts of the investments. Dividends received or receivable from an associate are recognised as a reduction in the carrying amount of the investment.

An investment in an associate is accounted for using the equity method from the date on which the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

Goodwill relating to an associate is included in the carrying value of the investment and is not tested for impairment separately.

Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the 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's profit or loss for the financial period in which the investment is acquired.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Associates (continued)

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of associates to ensure consistency of accounting policies with those of the Group.

Equity accounting is discontinued when the carrying amount of the investment in an associate diminishes by virtue of losses to zero, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

For incremental interest in an associate, the date of acquisition is the purchase date at each stage and goodwill is calculated at each purchase date based on the fair value of assets and liabilities identified. There is no "step up to fair value" of net assets of the previously acquired stake and the share of profits and equity movements for the previously acquired stake is recorded directly through equity.

The Group determines at each reporting date whether there is any objective evidence that the investment in associates is impaired. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy 2.14 on impairment of non-financial assets.

On disposal, the difference between the net disposal proceeds and the net carrying amount of the associate disposed is taken to the profit or loss.

In the Company's separate financial statements, investment in associates is stated at cost less impairment loss.

2.6 Joint arrangements

A joint arrangement is an arrangement of which there is contractually agreed sharing of control by the Group with one or more parties, where decisions about the relevant activities relating to the joint arrangement require unanimous consent of the parties sharing control. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities, relating to the arrangement.

The Group has interests in joint venture, which are accounted for in the consolidated financial statements using the equity method of accounting after initially being recognised as cost. Equity accounting involves recognising the Group's share of the post-acquisition profit or loss and other comprehensive income within consolidated profit or loss and other comprehensive income respectively. The cumulative post-acquisition movements are adjusted against the cost of investment and include goodwill on acquisition (net of accumulated impairment loss). Dividends received or receivable from a joint venture are recognised as a reduction in the carrying amount of the investment.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Joint arrangements (continued)

When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any long term interests that, in substance, form part of the Group's net investment in the joint venture, the Group does not recognise further losses unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

The Group recognises the portions of gains or losses on the sale of assets by the Group to the joint venture that is attributable to other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the purchase of assets by the Group from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of assets or an impairment loss.

The Group determines at each reporting date whether there is any objective evidence that the investment in joint ventures is impaired. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy 2.14 on impairment of non-financial assets.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of joint ventures to ensure consistency of accounting policies with those of the Group.

On disposal, the difference between the net disposal proceeds and the carrying amount of the joint venture disposed is included in the profit or loss.

In the Company's separate financial statements, investment in joint ventures is stated at cost less accumulated impairment loss.

2.7 Property, plant and equipment

(a) Measurement basis

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost of property, plant and equipment initially recognised includes purchase price, import duties, non-refundable purchase taxes and any expenditure that is directly attributable to the acquisition of the assets.

Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. See accounting policy 2.24 on borrowing costs. Items such as spare parts are recognised when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Property, plant and equipment (continued)

(a) Measurement basis (continued)

Subsequent costs are included in the asset's carrying amount when it is probable that future economic benefits associated with the asset will flow to the Group and the Company and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are charged to the profit or loss during the financial year in which they are incurred.

At each reporting date, the Group and the Company assess whether there is any indication of impairment. Where an indication of impairment exists, the carrying value of the asset is assessed and written down immediately to its recoverable amount. See accounting policy 2.14 on impairment of non-financial assets.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from their use. Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the profit or loss in the financial year the asset is derecognised.

(b) Depreciation

Freehold land is not depreciated as it has an indefinite life. Depreciation on capital work-in-progress commences when the assets are ready for their intended use.

Depreciation is calculated to write off the depreciable amount of other property, plant and equipment on a straight line basis over their estimated useful lives. The depreciable amount is determined after deducting residual value from cost. The estimated useful lives of the property, plant and equipment are as follows:

Buildings	10 – 50 years
Plant, machinery, tools and equipment	2 – 25 years
Electrical installations, office equipment and furniture and fittings	4 – 10 years
Computer equipment	3 – 10 years
Motor vehicles	3 – 5 years
Renovation, yard development and store extension	2 – 50 years

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

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at the end of each financial year.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

Accounting as lessee

(a) Finance leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalised at the lower of the fair value of the leased assets and the estimated present value of the minimum lease payments at the date of inception. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the lease principal outstanding. The interest element of the finance charge is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Contingent rent, if any, are charged as expenses in the periods which they are incurred.

Property, plant and equipment acquired under finance lease contracts are depreciated over the shorter of the lease term and its useful life if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease expense.

(b) Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit or loss on a straight line basis over the lease period.

Accounting as lessor

(a) Finance leases

The Group leases its compressors under finance leases to non-related party.

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Lease income is recognised over the term of the lease using the net investment method so as to reflect a constant periodic rate of return.

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NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Leases (continued)

Accounting as lessor (continued)

(b) Operating leases

The Group leases its investment properties under operating leases to non-related parties.

Leases of investment properties, where the Group retains substantially all risks and rewards incidental to ownership, are classified as operating leases. Rental income from operating leases is recognised in profit or loss on a straight line basis over the lease term. Contingent rents are recognised as revenue in the period in which they are earned.

2.9 Prepaid lease payments

Leasehold land that has a definite economic life and title is not expected to pass to the lessee by the end of the lease term is treated as operating lease. Prepaid lease payments are carried at cost or surrogate carrying amount and are amortised on a straight line basis over the lease terms in accordance with the pattern of benefits provided.

At each reporting date, the Group assesses whether there is any indication of impairment. Where an indication of impairment exists, the carrying value of the prepaid lease asset is assessed and written down immediately to its recoverable amount. See accounting policy 2.14 on impairment of non-financial assets.

Leasehold land is amortised over the remaining period of the respective leases ranging from 62 to 97 years (2017: 63 to 98 years).

2.10 Investment properties

Investment properties are properties held to earn rental income or for capital appreciation or both rather than for use in the production or supply of goods and services or for administrative purposes, or sale in the ordinary course of business.

(a) Measurement basis

Investment properties are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost of investment properties includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. All other repair and maintenance costs are charged to the profit or loss during the financial year in which they are incurred.

At each reporting date, the Group assesses whether there is any indication of impairment. Where an indication of impairment exists, the carrying value of the investment property is assessed and written down immediately to its recoverable amount. See accounting policy 2.14 on impairment of non-financial assets.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Investment properties (continued)

(a) Measurement basis (continued)

Investment properties are derecognised upon disposal or when they are permanently withdrawn from use and no future economic benefits are expected from their disposal. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

Transfers are made to or from investment property only when there is a change in use. Transfers from investment property to owner-occupied property are made at the carrying amount as 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 as set out in accounting policy 2.7 up to the date of change in use.

(b) Depreciation

Freehold land is not depreciated. Freehold and leasehold buildings are depreciated over the shorter of their estimated useful lives of 50 years or lease term.

Depreciation is calculated to write off the depreciable amount of other investment properties on a straight line basis over their estimated useful lives. Depreciation amount is determined after deducting the residual value from the cost of the investment properties.

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at the end of each financial year.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. See accounting policy 2.14 on impairment of non-financial assets. The amortisation period and the amortisation method are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. See accounting policy 2.14 on impairment of non-financial assets. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

(a) Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries, joint ventures and associates over the fair value of the Group's share of the identifiable net assets at the date of acquisition.

Goodwill on acquisition of subsidiaries is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill on acquisition of subsidiaries is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arose.

Goodwill on acquisitions of joint ventures and associates is included in the carrying amounts of investments in joint ventures and associates respectively. Such goodwill is tested for impairment as part of the overall balance.

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NOTES TO THE FINANCIAL STATEMENTS**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)****2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.11 Intangible assets (continued)****(a) Goodwill (continued)**

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed off, the goodwill associated with the operation disposed off is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed off in this circumstance is measured based on the relative fair values of the operations disposed off and the portion of the cash-generating unit retained.

(b) Intellectual property

Expenditure on acquired intellectual property is capitalised and amortised using the straight line method over their estimated useful life, not exceeding a period of 20 years.

(c) Trademarks

Separately acquired trademarks are shown at historical cost. Trademarks acquired in a business combination are recognised at fair value at the acquisition date. Trademarks have an infinite useful life and are carried at cost less accumulated impairment.

(d) Technical know-how

Separately acquired technical know-how is shown at historical costs. Technical know-how acquired in a business combination is recognised at fair value at the acquisition date. Technical know-how has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost of technical know-how over its estimated useful lives of 5 years.

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first in, first out basis. In the case of finished goods and work in progress, cost comprises materials, direct labour, other direct charges and an appropriate proportion of factory overheads.

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

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.

2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of 3 months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and exclude fixed deposits pledged to secure banking facilities.

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NOTES TO THE FINANCIAL STATEMENTS**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)****2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.14 Impairment of non-financial assets**

Assets that have an indefinite useful life are not subject to amortisation or depreciation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.15 Provision for warranties

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses.

The Group recognises the estimated liability to repair or replace products when the underlying products or services are sold. The provision is calculated based on historical warranty data and specific circumstances related to products or services sold, after considering the various possible outcomes against their associated probabilities.

2.16 Share capital**(a) Issue of shares**

Ordinary shares are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

(b) Dividend distribution

Dividend distribution to owners of the Company is debited directly to equity, net of any related income tax benefit and the corresponding liability is recognised in the period in which the dividends are approved.

Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period.

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NOTES TO THE FINANCIAL STATEMENTS**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)****2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.16 Share capital (continued)****(c) Treasury shares**

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from equity attributable to owners of the Company. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. When treasury shares are reissued by resale, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to owners of the Company.

An amount equivalent to the original purchase cost of the treasury shares will be deducted from retained earnings upon the distribution of any treasury shares as share dividends.

2.17 Foreign currencies**(a) Functional and presentation currencies**

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

(b) Transactions and balances

Transactions in foreign currencies are translated into the functional currency at the rate of exchange ruling at the dates of the transactions.

Monetary items denominated in foreign currencies at the reporting date are translated at the foreign currency exchange rates ruling at that date.

Non-monetary items which are measured in terms of historical costs denominated in foreign currencies are translated at the foreign currency exchange rates ruling at the date of the transaction.

Foreign exchange gains and losses arising on the settlement of monetary items and the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges.

When a gain or loss on a non-monetary item is recognised in the profit or loss, any corresponding exchange gain or loss is recognised in profit or loss. When a gain or loss on a non-monetary item is recognised directly in other comprehensive income, any corresponding exchange gain or loss is recognised directly in other comprehensive income.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Foreign currencies (continued)

(c) Translation of foreign operations

On consolidation, all assets and liabilities of foreign operations that have a functional currency other than Ringgit Malaysia, including goodwill and fair value adjustments arising on acquisition, are translated at the exchange rates ruling at the reporting date.

Income and expense items are translated at average exchange rates.

All exchange differences arising from the translation of the financial statements of foreign operations are taken to other comprehensive income. Upon disposal of a foreign operation, the exchange translation differences relating to those foreign operations that were recorded within other comprehensive income are recognised in the profit or loss as part of the gain or loss on disposal.

In the case of a partial disposal that does not result in the Group losing control over a foreign operation, the proportionate share of accumulated exchange differences based on effective equity interest are re-attributed to non-controlling interests and are not recognised in profit or loss.

2.18 Financial assets

Accounting policies applied from 1 January 2018 (MFRS 9)

(a) Classification

The Group and the Company classify its financial assets in the following measurement categories: at fair value through profit or loss and at amortised cost. The classification depends on the nature of the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Group and the Company reclassify debt investments when and only when its business model for managing those assets changes.

(b) Recognition and initial measurement

Regular way purchases and sales of financial assets are recognised on the trade date. The trade date refers to the date on which the Group and the Company commit to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction cost that are directly attributable to the acquisition of the financial assets except for financial assets at fair value through profit or loss. Transaction costs for financial assets measured at fair value through profit or loss are recognised immediately as expenses within profit or loss.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Financial assets (continued)

Accounting policies applied from 1 January 2018 (MFRS 9) (continued)

(c) Subsequent measurement

(i) Debt instruments at amortised cost

After initial recognition, financial assets that are held for collection of contractual cash flows where those cash flows represent solely payment of principal and interest are measured at amortised cost using the effective interest method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are recognised in profit or loss within 'cost of sales' or 'administrative and general expenses'.

(ii) Debt instruments at fair value through profit or loss

Subsequent to initial recognition, financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. Any gains or losses arising from changes in fair value are recognised in profit or loss within 'other gains/(losses) - net'. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss.

(iii) Equity instruments

The Group and the Company subsequently measure all equity investments at fair value. Where the Group's and the Company's management have elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's and the Company's right to receive payments is established. Changes in the fair value of financial assets at fair value through profit or loss are recognised in profit or loss within 'other gains/(losses) - net'.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Financial assets (continued)

Accounting policies applied from 1 January 2018 (MFRS 9) (continued)

(d) Impairment of financial assets

The Group and the Company assess on a forward looking basis the expected credit loss ("ECL") associated with the debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The financial assets of the Group and the Company that are subject to the ECL model are trade and other receivables, contract assets, lease receivables and loans to subsidiaries. While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the impairment loss is immaterial.

ECL represent a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Group and the Company expect to receive, over the remaining life of the financial instrument.

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(i) General 3-stage approach for other receivables and loans to subsidiaries

At each reporting date, the Group and the Company measure ECL through loss allowance at an amount equal to 12 month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required.

The Group and the Company consider the probability of default upon initial recognition of financial asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group and the Company compare the risk of a default occurring on the financial asset as at the reporting date with the risk of default as at the date of initial recognition. Available reasonable and supportable forward-looking information are also considered.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Financial assets (continued)

Accounting policies applied from 1 January 2018 (MFRS 9) (continued)

(d) Impairment of financial assets (continued)

(i) General 3-stage approach for other receivables and loans to subsidiaries (continued)

The Group and the Company define a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

- when the counterparty fails to make contractual payment as they fall due
- the debtor is in breach of financial covenants
- concessions have been made by the lender relating to the debtor's financial difficulty
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation
- the debtor is insolvent

Financial instruments that are credit-impaired are assessed on individual basis.

(ii) Simplified approach for trade receivables, contract assets and lease receivables

The Group and the Company apply the MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables, contract assets and lease receivables. Individual assessment is made to these financial assets which are in default or credit-impaired.

(e) Write-off

Financial assets are written off when the Group and the Company have exhausted all practical recovery efforts and have concluded that there is no reasonable expectation of recovery. Indicator of no reasonable expectation of recovery include failure of a debtor to engage in a repayment plan with the Group and the Company. The Group and the Company may write-off financial assets that are still subject to enforcement activity.

Impairment losses are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

(f) De-recognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company have transferred substantially all the risks and rewards of ownership.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Financial assets (continued)

Accounting policies applied until 31 December 2017 (MFRS 139)

(a) Classification

The Group and the Company classify its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the nature of the asset and the purpose for which the assets were acquired. The classification of financial assets is determined at initial recognition.

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

Financial assets at fair value through profit or loss are either financial assets held for trading or those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the short term. Financial assets designated at fair value through profit or loss at inception, are those that are managed and their performances are evaluated on a fair value basis, in accordance with a documented Group investment strategy. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months after the reporting date. Otherwise, they are classified as non-current.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing later than 12 months after the reporting date which are presented as non-current assets.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented within non-current assets unless management intends to dispose of the assets within 12 months after the reporting date.

Available-for-sale reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are disposed or impaired.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Financial assets (continued)

Accounting policies applied until 31 December 2017 (MFRS 139) (continued)

(b) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised or derecognised on the trade date. Trade date refers to the date on which the Group and the Company commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss. Transaction costs for financial assets at fair value through profit or loss are recognised immediately as expenses within profit or loss.

(c) Subsequent measurement

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

Subsequent to initial recognition, financial asset at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss within 'other gains/(losses) - net'. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss.

(ii) Loans and receivables

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

(iii) Available-for-sale financial assets

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of available-for-sale financial asset are recognised in other comprehensive income. When financial assets classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised within other comprehensive income are included in profit or loss.

Interest on available-for-sale financial assets calculated using the effective interest method is recognised in profit or loss as other income. Dividends on available-for-sale financial assets are recognised in profit or loss when the Group's right to receive payment is established.

Investment in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Financial assets (continued)

Accounting policies applied until 31 December 2017 (MFRS 139) (continued)

(d) Impairment of financial assets

The Group and the Company assess at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

(i) Financial assets carried at amortised cost

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

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

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

(ii) Unquoted equity investments carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Financial assets (continued)

Accounting policies applied until 31 December 2017 (MFRS 139) (continued)

(d) Impairment of financial assets (continued)

(iii) Available-for-sale financial assets - equity investments

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

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been previously recognised in other comprehensive income, and there is evidence that the decline in fair value is due to an impairment loss, the cumulative loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Instead, any increase in fair value subsequent to impairment loss is recognised in other comprehensive income.

(e) De-recognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group or the Company has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount in the fair value reserve relating to that asset is transferred to profit or loss.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Financial liabilities

(a) Classification

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

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

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Liabilities in this category are classified within current liabilities if they are either held for trading or are expected to be settled within 12 months after the reporting date. Otherwise, they are classified as non-current.

(ii) Other financial liabilities

The Group and the Company's other financial liabilities include trade payables, other payables, intercompany payables, dividend payable and loans and borrowings. Loans and borrowings are classified as current liabilities unless the Group and the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(b) Recognition and de-recognition

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

A financial liability is derecognised when the obligation under the liability is extinguished. 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 de-recognition 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.

(c) Initial and subsequent measurement

Derivative financial liabilities are initially measured at fair value and subsequently stated at fair value, with any resulting gains or losses recognised in profit or loss. Net gains or losses on the derivatives include exchange differences.

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

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

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are de-recognised, and through the amortisation process.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The legally enforceable rights must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

2.21 Derivative financial instruments

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Gains or losses on derivatives that are not designated as a hedging instrument are recognised in profit or loss within 'other gains/(losses) - net'. The Group currently does not hedge any of its derivative financial instruments.

2.22 Financial guarantee contracts

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

The Company has issued corporate guarantees to banks for borrowings of certain subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Accounting policies applied from 1 January 2018

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, the liability is measured at the higher of the amount determined in accordance with the ECL model under MFRS 9 'Financial Instruments' and the amount initially recognised less cumulative amount of income recognised in accordance with the principles of MFRS 15 'Revenue from Contracts with Customers', where appropriate.

ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instruments less any amounts that the Company expects to receive from the holder, the debtor or any other party. See accounting policy 2.18(d) on impairment under ECL model.

Accounting policies applied until 31 December 2017

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

The fair value of financial guarantee contracts is the estimated amount that would be payable to the holder for assuming the obligations.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Revenue recognition

Revenue is recognised when it is probable that economic benefits will flow to the Group and the Company and when they can be measured reliably. Revenue is measured at the fair value of consideration received or receivable.

Accounting policies applied from 1 January 2018 (MFRS 15)

(a) Revenue from contracts with customers

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of goods and service tax, returns, rebates and discounts. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or services promised in the contract. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

Contract asset is the right to consideration for goods or services transferred to the customers. Where the cumulative revenue earned exceed progress billings, the balance is presented as 'contract assets' within current assets.

Contract liability is the obligation to transfer goods or services to customer for which the Group has received the consideration or has billed the customer. Where progress billings exceed the cumulative revenue earned, the balance is presented as 'contract liabilities' within current liabilities.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Revenue recognition (continued)

Accounting policies applied from 1 January 2018 (MFRS 15) (continued)

(a) Revenue from contracts with customers (continued)

Specific revenue recognition criteria for each of the Group's activities are as described below:

(i) Contract revenue

Contract revenue with customers include contracts relating to pipe coating, manufacturing of boilers and steam turbines as well as engineering and fabrication services.

These contracts may include multiple performance obligations as they are not highly integrated. Hence, the transaction price will be allocated to each performance obligation based on the standalone selling price.

Where the contracts are highly integrated, they are recognised as a single performance obligation. Revenue is recognised progressively based on the progress towards complete satisfaction of the performance obligation.

Revenue are recognised over time when control of the asset is transferred over time when the Group's performance:

- creates and enhances an asset that the customer controls as the services are being performed; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best reflect the Group's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer (eg. surveys of performance completed to date); or
- the Group's efforts or inputs to the satisfaction of the performance obligation (eg. by reference to cost incurred up to the end of the reporting period as a percentage of total estimated costs for complete satisfaction of the contract)

(ii) Sales of goods

The Group manufactures and sells a range of pipes for industrial use. The Group is also involved in the business of selling building materials, construction equipment, and power generators.

Revenue from sales of goods are recognised at a point in time when control of the good is transferred to the customer upon delivery.

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NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Revenue recognition (continued)

Accounting policies applied until 31 December 2017 (MFRS 111 and MFRS 118)

(a) Construction contracts

A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and functions or their ultimate purpose or use.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the reporting date. The stage of completion of a construction contract is determined based on the proportion that the contract costs incurred for work performed to date bear to the estimated total costs for the contract. Costs incurred during the financial year in connection with future activity on a contract are excluded from costs incurred to date when determining the stage of completion of a contract. Such costs are shown as amounts due from/(to) customers on construction contracts in the statement of financial position unless it is not probable that such contract costs are recoverable from the customers, in which case such costs are recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in the contract work and claims that can be measured reliably. A variation or a claim is only included in contract revenue when it is probable that the customer will approve the variation or negotiations have reached an advanced stage such that it is probable that the customer will accept the claim.

At the reporting date, the cumulative costs incurred plus recognised profit (less recognised loss) on each contract is compared against the progress billings. Where the cumulative costs incurred plus the recognised profits (less recognised losses) exceed progress billings, the balance is presented as 'amount due from customers on contracts' within current assets. Where progress billings exceed the cumulative costs incurred plus recognised profits (less recognised losses), the balance is presented as 'amount due to customers on contracts' within current liabilities.

Progress billings not yet paid by customers and retentions by customers are included within 'trade and other receivables'.

(b) Sale of goods

Revenue from sale of goods is measured at the fair value of the consideration receivable and is recognised in the profit or loss when the significant risks and rewards of ownership have been transferred to the buyer.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Revenue recognition (continued)

Revenue from other sources

(a) Rental income

Rental income is recognised on a time proportion basis over the lease term.

(b) Commission income

Commission income is recognised on an accrual basis when service is rendered.

(c) Dividend income

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

(d) Interest income

Interest income is recognised on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable.

(e) Management fee

Management fee is recognised on an accrual basis when service is rendered.

(f) Other services

Other services is recognised on an accrual basis when service is rendered.

2.24 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditure and borrowing costs are incurred. Capitalisation of borrowing costs is suspended or ceased when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

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

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Income taxes

(a) Current tax

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group and the Company operates and includes all taxes based upon the taxable profits after taking into consideration available tax incentives.

Current 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.

(b) Deferred tax

Deferred tax is recognised in full, using the liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or unused tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is recognised on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference, the deferred tax liability is not recognised.

Deferred tax assets on any unutilised portion of tax incentives are recognised to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentives can be utilised.

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

Deferred tax is recognised in the profit or loss, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly to equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill.

Deferred tax assets and liabilities are offset when the enterprise has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Employee benefits

(a) Short term benefits

Salaries, wages, bonuses and social security contributions are recognised as an expense in the financial year in which the services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlements to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur. Non-monetary benefits such as medical care, housing and other staff related expenses are charged to the profit or loss as and when incurred.

(b) Post-employment benefits

The Group has post-employment benefit schemes in accordance with local conditions and practices in the countries in which it operates. These post-employment benefit schemes are defined contribution plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods.

As required by law, the Company and its subsidiaries in Malaysia make contributions to the Employees Provident Fund ("EPF") which is a defined contribution plan, whereas subsidiaries in other countries make their respective local contributions, if required by law.

Such contributions are recognised as an expense in the profit or loss in the financial year to which they relate.

2.27 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group Chief Executive Officer has been identified as the chief operating decision-maker as he is responsible for allocating resources and assessing performance of the Group's operating segments.

2.28 Assets classified as held for sale

Assets classified as held for sale are classified as assets/liabilities held for sale if the carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell. Property, plant and equipment, prepaid lease payments and intangible assets once classified as held for sale are not depreciated or amortised.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

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NOTES TO THE FINANCIAL STATEMENTS**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)****2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.29 Contingent liabilities**

The Group and the Company does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

Contingent liability is not recognised on the statement of financial position of the Group, except for contingent liability assumed in a business combination that is a present obligation and which the fair values can be reliably determined.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

(a) Impairment of goodwill

The Group tests goodwill for impairment annually in accordance with the accounting policy in 2.11(a) and whenever events or changes in circumstances indicate that the goodwill may be impaired. For the purposes of assessing impairment, goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arose. Judgement is required in the estimation of the present value of future cash flows generated by the cash-generating units or groups of cash-generating units. These discounted cash flow calculations use five-year projections that are based on financial forecast. Cash flow projections take into account past experience and represent management's best estimate about future developments. Cash flows after the planning period are extrapolated using terminal growth rates. Key assumptions on which management has based its determination of recoverable value include estimated revenue growth rates and weighted average cost of capital adjusted for specific risks associated with the cash-generating units. Changes in assumptions could affect the results of the Group's test for impairment of goodwill. Further details of the carrying amount and the key assumptions applied in the impairment assessment of goodwill are given in Note 13.

WAH SEONG CORPORATION BERHAD

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NOTES TO THE FINANCIAL STATEMENTS**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)****3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)****(b) Impairment of non-financial assets**

The Group assesses whether there is any indication that non-financial assets are impaired at the end of each reporting period. Impairment is measured by comparing the carrying amount of an asset with its recoverable amount. Recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flows to be derived from that asset. Projected future cash flows are calculated based on historical sector and industry trends, general market and economic conditions, changes in technology and other available information. Changes to any of these assumptions would affect the amount of impairment. Details of the carrying amount and the key assumptions applied in the impairment assessment of investments in associates and joint ventures are given in Note 8 and Note 9. There is no significant impairment or reversal of impairment in respect of other non-financial assets during the financial year.

(c) Revenue recognised from customers on contracts

Revenue is recognised when or as the control of the asset is transferred to the customers and, depending on the terms of the contract and the applicable laws governing the contract, control of the asset may transfer over time or at a point in time. If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress, based on the certified work-to-date.

Significant judgement is required in the estimation of the progress based on the estimation of budget cost, the extent of contract costs incurred and the recoverability of the construction contracts. The Group evaluates the estimates made using past experience.

Company No.

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WAH SEONG CORPORATION BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

4 PROPERTY, PLANT AND EQUIPMENT

<u>Group</u>	<u>Note</u>	<u>Freehold land and buildings</u> RM'000	<u>Long term leasehold buildings</u> RM'000	<u>Short term leasehold buildings</u> RM'000	<u>Plant, machinery, tools and equipment</u> RM'000	<u>Electrical installations, computer and office equipment, furniture and fittings</u> RM'000	<u>Motor vehicles</u> RM'000	<u>Renovation, yard development and store extension</u> RM'000	<u>Capital work in progress</u> RM'000	<u>Total</u> RM'000
<u>2018</u>										
<u>Cost</u>										
At 1 January		117,676	202,054	103,615	1,370,760	97,089	55,304	70,742	31,954	2,049,194
Additions		4,333	903	-	78,516	1,287	1,149	318	11,701	98,207
Disposals		(1,040)	(6,897)	-	(49,753)	(218)	(1,232)	-	-	(59,140)
Write-offs		(15)	-	-	(18,097)	(364)	-	(127)	-	(18,603)
Reclassification		1,413	8,806	-	31,884	12,339	(39,025)	(2)	(15,415)	-
Transfer to investment properties	6	-	(702)	-	-	-	-	-	-	(702)
Transfer to inventories		-	-	-	(54,632)	-	-	-	-	(54,632)
Transfer to assets held for sale	24	-	-	-	(19,505)	(817)	-	-	-	(20,322)
Effect of exchange rate changes		-	4,785	1,843	(369)	613	(709)	(937)	(766)	4,460
At 31 December		122,367	208,949	105,458	1,338,804	109,929	15,487	69,994	27,474	1,998,462

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Note	Freehold land and buildings RM'000	Long term leasehold buildings RM'000	Short term leasehold buildings RM'000	Plant, machinery, tools and equipment RM'000	Electrical installations, computer and office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Renovation, yard development and store extension RM'000	Capital work in progress RM'000	Total RM'000
<u>2018</u>										
<u>Accumulated depreciation and impairment loss</u>										
At 1 January		8,192	42,710	88,044	807,052	76,671	13,533	29,741	18,155	1,084,098
Depreciation charge for the financial year		1,154	9,952	2,266	135,432	7,458	1,302	30,527	-	188,091
Impairment charge for the financial year		-	-	-	48	-	-	-	-	48
Reversal of impairment charge for the financial year		-	-	-	(4,904)	-	-	-	-	(4,904)
Disposals		(11)	(6,243)	-	(47,080)	(195)	(988)	-	-	(54,517)
Write-offs		-	-	-	(17,359)	(321)	-	(84)	-	(17,764)
Reclassifications		-	2,707	-	(11,492)	9,512	(727)	-	-	-
Transfer to investment properties	6	-	(291)	-	-	-	-	-	-	(291)
Transfer to inventory		-	-	-	(20,905)	-	-	-	-	(20,905)
Transfer to assets held for sale	24	-	-	-	(17,497)	(618)	-	-	-	(18,115)
Effect of exchange rate changes		-	1,558	1,615	7,045	707	152	(267)	324	11,134
At 31 December		9,335	50,393	91,925	830,340	93,214	13,272	59,917	18,479	1,166,875
Carrying amount at 31 December		113,032	158,556	13,533	508,464	16,715	2,215	10,077	8,995	831,587

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

<u>Group</u>	<u>Note</u>	<u>Freehold land and buildings RM'000</u>	<u>Long term leasehold buildings RM'000</u>	<u>Short term leasehold buildings RM'000</u>	<u>Plant, machinery, tools and equipment RM'000</u>	<u>Electrical installations, computer and office equipment, furniture and fittings RM'000</u>	<u>Motor vehicles RM'000</u>	<u>Renovation, yard development and store extension RM'000</u>	<u>Capital work in progress RM'000</u>	<u>Total RM'000</u>
<u>2017</u>										
<u>Cost</u>										
At 1 January		118,822	208,728	126,988	1,089,821	93,526	16,094	26,125	87,446	1,767,550
Additions		252	45,656	-	218,766	5,008	37,795	43,898	126,624	477,999
Disposals		(1,147)	(66,273)	-	(4,083)	(352)	(963)	(197)	(376)	(73,391)
Write-offs		-	-	-	(139)	(1,197)	(42)	(353)	-	(1,731)
Reclassification		-	18,003	(12,614)	169,176	5,149	-	-	(179,714)	-
Transfer from investment properties	6	-	2,997	-	-	-	-	-	-	2,997
Transfer to inventories		-	-	-	(7,198)	-	-	-	-	(7,198)
Transfer to assets held for sale	24	(173)	-	-	(27,046)	-	-	-	-	(27,219)
Effect of exchange rate changes		(78)	(7,057)	(10,759)	(68,537)	(5,045)	2,420	1,269	(2,026)	(89,813)
At 31 December		<u>117,676</u>	<u>202,054</u>	<u>103,615</u>	<u>1,370,760</u>	<u>97,089</u>	<u>55,304</u>	<u>70,742</u>	<u>31,954</u>	<u>2,049,194</u>

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Note	Freehold land and buildings RM'000	Long term leasehold buildings RM'000	Short term leasehold buildings RM'000	Plant, machinery, tools and equipment RM'000	Electrical installations, computer and office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Renovation, yard development and store extension RM'000	Capital work in progress RM'000	Total RM'000
<u>2017</u>										
<u>Accumulated depreciation and impairment loss</u>										
At 1 January		7,306	66,368	102,950	708,150	73,501	12,468	15,148	-	985,891
Depreciation charge for the financial year		973	9,803	3,339	103,026	9,082	2,301	16,189	-	144,713
Impairment charge for the financial year		-	-	-	53,549	70	-	-	19,223	72,842
Disposals		(7)	(41,712)	-	(2,020)	(182)	(860)	(38)	-	(44,819)
Write-offs		-	-	-	(9)	(1,113)	(24)	(346)	-	(1,492)
Reclassifications		-	9,195	(9,195)	-	-	-	-	-	-
Transfer from investment properties	6	-	1,346	-	-	-	-	-	-	1,346
Transfer to inventory		-	-	-	(517)	-	-	-	-	(517)
Transfer to assets held for sale	24	(80)	-	-	(7,934)	-	-	-	-	(8,014)
Effect of exchange rate changes		-	(2,290)	(9,050)	(47,193)	(4,687)	(352)	(1,212)	(1,068)	(65,852)
At 31 December		8,192	42,710	88,044	807,052	76,671	13,533	29,741	18,155	1,084,098
Carrying amount at 31 December		109,484	159,344	15,571	563,708	20,418	41,771	41,001	13,799	965,096

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	<u>Note</u>	<u>Long term leasehold building RM'000</u>	<u>Computer and equipment RM'000</u>	<u>Renovations, office equipment, furniture and fittings RM'000</u>	<u>Motor vehicles RM'000</u>	<u>Total RM'000</u>
<u>Company</u>						
<u>2018</u>						
<u>Cost</u>						
At 1 January		4,025	664	898	708	6,295
Additions		-	55	26	-	81
Disposals		-	-	(24)	-	(24)
Write-offs		-	(42)	(133)	-	(175)
Transfer to investment properties	6	(2,175)	-	-	-	(2,175)
At 31 December		<u>1,850</u>	<u>677</u>	<u>767</u>	<u>708</u>	<u>4,002</u>
<u>Accumulated depreciation</u>						
At 1 January		230	636	681	708	2,255
Depreciation charge for the financial year		20	35	45	-	100
Disposals		-	-	(24)	-	(24)
Write-offs		-	(42)	(53)	-	(95)
Transfer to investment properties	6	(124)	-	-	-	(124)
At 31 December		<u>126</u>	<u>629</u>	<u>649</u>	<u>708</u>	<u>2,112</u>
Carrying amount at 31 December		<u>1,724</u>	<u>48</u>	<u>118</u>	<u>-</u>	<u>1,890</u>

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	<u>Note</u>	Long term leasehold building RM'000	Computer and equipment RM'000	Renovations, office equipment, furniture and fittings RM'000	Motor vehicles RM'000	<u>Total</u> RM'000
<u>Company</u>						
<u>2017</u>						
<u>Cost</u>						
At 1 January		6,200	706	896	1,108	8,910
Additions		-	24	3	-	27
Disposals		-	-	-	(400)	(400)
Write-offs		-	(66)	(1)	-	(67)
Transfer to investment properties	6	(2,175)	-	-	-	(2,175)
At 31 December		<u>4,025</u>	<u>664</u>	<u>898</u>	<u>708</u>	<u>6,295</u>
<u>Accumulated depreciation</u>						
At 1 January		286	649	625	1,013	2,573
Depreciation charge for the financial year		58	53	57	69	237
Disposals		-	-	-	(374)	(374)
Write-offs		-	(66)	(1)	-	(67)
Transfer to investment properties	6	(114)	-	-	-	(114)
At 31 December		<u>230</u>	<u>636</u>	<u>681</u>	<u>708</u>	<u>2,255</u>
Carrying amount at 31 December		<u>3,795</u>	<u>28</u>	<u>217</u>	<u>-</u>	<u>4,040</u>

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Impairment of specialised plant and equipment

For the financial year ended 31 December 2017, the market conditions for the oil and gas sector saw decreased demand which affected the utilisation of the Group's property, plant and equipment. Given this impairment indicator, management carried out an impairment assessment. Based on the recoverable amount which was estimated using value in use calculations, an impairment charge amounting to RM72,842,000 was made on certain specialised plant and equipment that were idle and were also not forecast to generate sufficient future economic benefits in the financial year ended 31 December 2017. The pre-tax discount rate used for the value in use calculations was 20.5%. Based on management's reassessment in 2018, there were no significant impairment for plant and equipment.

Assets pledged as security

The net book value of the Group's property, plant and equipment amounting to RM359,153,000 (2017: RM435,621,000) are pledged as security for the advances from customer (Note 29).

5 PREPAID LEASE PAYMENTS

	<u>2018</u>	<u>Group</u> <u>2017</u>
	RM'000	RM'000
<u>Unexpired period 50 years and above</u>		
<u>Cost</u>		
At 1 January	102,622	136,103
Disposals	-	(33,481)
At 31 December	<u>102,622</u>	<u>102,622</u>
<u>Accumulated amortisation</u>		
At 1 January	12,038	15,181
Amortisation for the financial year	1,328	1,509
Disposals	-	(4,652)
At 31 December	<u>13,366</u>	<u>12,038</u>
Carrying amount at 31 December	<u><u>89,256</u></u>	<u><u>90,584</u></u>

The title deeds to certain leasehold land of the Group stated at a total carrying amount of approximately RM29,062,000 (2017: RM29,432,000) have yet to be issued by the relevant authorities.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

6 INVESTMENT PROPERTIES

	<u>Note</u>	<u>Group</u>		<u>Company</u>	
		<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
		RM'000	RM'000	RM'000	RM'000
<u>Cost</u>					
At 1 January		11,560	14,527	22,575	20,400
Additions		7,216	30	-	-
Transfer from/(to) property, plant and equipment	4	702	(2,997)	2,175	2,175
At 31 December		19,478	11,560	24,750	22,575
<u>Accumulated depreciation and impairment loss</u>					
At 1 January		2,220	3,330	1,288	938
Depreciation charge for the financial year		346	236	273	236
Transfer from/(to) property, plant and equipment	4	291	(1,346)	124	114
At 31 December		2,857	2,220	1,685	1,288
Carrying amount at 31 December		16,621	9,340	23,065	21,287
Fair value		68,964	45,853	39,827	41,977

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

6 INVESTMENT PROPERTIES (CONTINUED)

Fair value of investment properties is categorised as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Group</u> <u>Total</u>
	RM'000	RM'000	RM'000	RM'000
<u>2018</u>				
Land	-	-	40,008	40,008
Buildings	-	-	28,956	28,956
	<u>-</u>	<u>-</u>	<u>68,964</u>	<u>68,964</u>

2017

Land	-	-	12,166	12,166
Buildings	-	-	33,687	33,687
	<u>-</u>	<u>-</u>	<u>45,853</u>	<u>45,853</u>

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Company</u> <u>Total</u>
	RM'000	RM'000	RM'000	RM'000

2018

Buildings	<u>-</u>	<u>-</u>	<u>39,827</u>	<u>39,827</u>
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2017

Buildings	<u>-</u>	<u>-</u>	<u>41,977</u>	<u>41,977</u>
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Level 1 fair value is derived from quoted price in active markets for identical investment properties that the entity can access at the measurement date.

Level 2 fair value is estimated using inputs other than quoted price included within Level 1 that are observable for the investment properties, either directly or indirectly.

Level 3 fair value is estimated using unobservable inputs for the investment properties. The unobservable input relates to the price per square feet. The fair value of investment properties were estimated based on valuation by independent professionally qualified valuers using the comparison method.

During the financial year, the Group and the Company carried out a review and noted there was no significant change to the fair value of these properties.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

7 INVESTMENT IN SUBSIDIARIES

	<u>Company</u>	
	<u>2018</u>	<u>2017</u>
	RM'000	RM'000
Unquoted shares, at cost	858,730	817,334
Accumulated impairment losses	(127,526)	(127,526)
	<u>731,204</u>	<u>689,808</u>
Advances to subsidiaries, deemed as net investment	32,393	32,393
	<u>763,597</u>	<u>722,201</u>

Advances to subsidiaries for long term working capital purposes represent an extension of capital to the subsidiaries and are such deemed to be net investment.

Details of subsidiaries are as follows:

	<u>Group's effective interest</u>		<u>Country of incorporation</u>	<u>Principal activities</u>
	<u>2018</u>	<u>2017</u>		
	%	%		
Wasco Energy Ltd.	100	100	Bermuda	Investment holding
Wasco Management Services Sdn. Bhd.	100	100	Malaysia	Provision of management support services
* Wasco Capital Pte. Limited	100	100	Singapore	Investment and management of treasury activities
~ Wasco (Australia) Pty. Ltd.	60	60	Australia	Provision of construction services for the oil and gas industry
# Wasco Coatings Limited	100	100	Hong Kong, SAR	Investment holding
* Wasco Coatings UK Ltd.	100	100	England and Wales	Dormant
* Wasco Management Services S.R.L.	100	100	Italy	Dormant
* Wasco Coatings Singapore Pte. Ltd.	100	100	Singapore	Investment holding
~ Turn Key Pipeline Services B.V.	100	100	The Netherlands	Provision of engineering design, construction, installation services and supply of equipment for pipe coating plant and facilities for the oil and gas industry
Wasco Coatings Services Sdn. Bhd.	100	100	Malaysia	Provision of pipe coating and related services to the oil and gas industry
~ Wasco Coatings Europe B.V.	100	100	The Netherlands	Provision of pipe coating and related services to the oil and gas industry
~ Wasco-PAP Services Ghana Limited	70	70	The Republic of Ghana	Provision of services for the oil and gas sectors

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

7 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of subsidiaries are as follows (continued):

	<u>Group's effective interest</u>		<u>Country of incorporation</u>	<u>Principal activities</u>
	<u>2018</u>	<u>2017</u>		
	%	%		
Wasco CPM Sdn. Bhd.	51 ^k	-	Malaysia	Engineering, procurement and construction of onshore and near shore of hydrocarbon, water and slurry pipelines and associated facilities
# Wasco Coatings Germany GmbH	100	100	Germany	Provision of pipe coating and related services to the oil & gas industry
# Wasco Coatings Germany (Plant and Equipment) GmbH	100	100 ^g	Germany	Provision of pipe coating and related services to the oil & gas industry and the leasing of land, building and coating equipment
# Wasco Coatings Finland Oy	100	100	Finland	Provision of pipe coating and related services to the oil & gas industry
# Wasco Coatings Finland (Plant and Equipment) Oy	100	100 ^f	Finland	Provision of pipe coating and related services to the oil & gas industry and the leasing of land, building and coating equipment
# Wasco Coatings Norway AS	100	100	Norway	Provision of pipe coating and related services to the oil and gas industry
PPSC Industrial Holdings Sdn. Bhd.	100	100	Malaysia	Investment holding
Wasco Resources Sdn. Bhd.	100	100	Malaysia	Property investment holding
Wasco Coatings Malaysia Sdn. Bhd.	70	70	Malaysia	Coating of pipes for the oil and gas industry
Wasco Coatings Insulation Sdn. Bhd.	70	70	Malaysia	Coating of pipes for the oil and gas industry
# Wasco Coatings HK Limited	100	100	Hong Kong, SAR	Investment holding, construction of coating plants, marketing and provision of pipe coating and related services to the oil and gas industry
- Wasco Energy De Mexico S.A.DE C.V.	100	100	Mexico	Provision of pipe coating services to the oil and gas industry

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

7 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of subsidiaries are as follows (continued):

	<u>Group's effective interest</u>		<u>Country of incorporation</u>	<u>Principal activities</u>
	<u>2018</u>	<u>2017</u>		
	%	%		
~ Wasco Kanssen Limited	100	100	British Virgin Islands	Investment holding and provision of pipe coating services
* Jingzhou Wasco Kanssen Offshore Petroleum Engineering Co., Ltd.	100	100	People's Republic of China	Provision of pipe coating services
* Kanssen (Yadong) Coating Services (Jingzhou) Company Limited	100	100	People's Republic of China	Provision of pipe coating services
* PPSC China Limited	100	100	Hong Kong, SAR	Investment holding
Wasco Oil Technologies Sdn. Bhd.	100	100	Malaysia	Investment holding and provision of management services
Wasco Oilfield Services Sdn. Bhd.	49 ^π	49 ^π	Malaysia	Investment holding
Wasco Corrosion Services Sdn. Bhd.	63	63	Malaysia	Supply and installation of sacrificial anodes, provision of cathodic protection services and equipment, corrosion protection services, passive fire protection services, special paint coating services and provision of technical training services
Wasco Lindung Sdn. Bhd.	48 ^π	48 ^π	Malaysia	Manufacture, supply and installation of sacrificial anodes, provision of cathodic protection services and equipment, corrosion protection services, passive fire protection services, special paint coating services and provision of technical training services
* PT. MPE Deepwater	- ^a	- ^a	Indonesia	Dormant (In Member's Voluntary Liquidation)
Asiana Emas Sdn. Bhd.	100	100	Malaysia	Investment holding
Petro-Pipe (Sabah) Sdn. Bhd.	60	60	Malaysia	Manufacturing and sales of spiral welded pipes for the oil and gas industry

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

7 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of subsidiaries are as follows (continued):

	<u>Group's effective interest</u>		<u>Country of incorporation</u>	<u>Principal activities</u>
	<u>2018</u>	<u>2017</u>		
	%	%		
Wasco Engineering Group Limited	100	100	British Virgin Islands	Investment holding
# Wasco Engineering International Ltd.	100	100	British Virgin Islands	Leasing of compressors and power generators, designing, engineering and fabrication and sale of gas processing and compression systems and gas based power generators; and servicing and selling parts of oil and gas processing and compression systems
* PT Wasco Engineering International	100	100	Indonesia	Consulting services, rental, repair and maintenance of natural gas industry equipment
* WS Engineering & Fabrication Pte. Ltd.	100	100	Singapore	Design, engineering and fabrication of oil and gas processing and compression systems and equipment
- Wasco Engineering Australia Pty. Ltd.	100	100	Australia	Dormant
* WS Engineering Equipment Pte. Ltd.	100	100	Singapore	Leasing of equipment and provision of operation and maintenance, and other related services to the oil and gas industry
- Mackenzie Hydrocarbons (Australia) Pty. Ltd.	100	100	Australia	Provision of engineering consultancy and fabrication services
* WS Engineering Technologies Pte. Ltd.	92	92	Singapore	Engineering and fabrication of oil and gas systems and equipment
# PT. Wasco Engineering Indonesia	87	87	Indonesia	Provision of engineering, design, fabrication and construction services for oil and gas industry
Wasco Engineering & Technology Inc.	65	65	British Virgin Islands	Dormant (In Member's Voluntary Winding Up)
* Wasco E&P Services Limited	100	100	Hong Kong, SAR	Investment holding
* WSN Investments Limited	100	100	Hong Kong, SAR	Dormant
* Wasco China International Limited	100	100	Hong Kong, SAR	Investment holding
* Ashburn Offshore Oil & Gas Equipment & Engineering (Tianjin) Co. Ltd.	65	65	People's Republic of China	Design and manufacturing of products to the oil and gas industry

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

7 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of subsidiaries are as follows (continued):

	<u>Group's effective interest</u>		<u>Country of incorporation</u>	<u>Principal activities</u>
	<u>2018</u> %	<u>2017</u> %		
* Ashburn International Trade (Tianjin) Co. Ltd.	65	65	People's Republic of China	International trade, processing and assembling, storage of bonded goods and development of high technological products and consultancy services
Jutasama Sdn. Bhd.	100	100	Malaysia	Contracting of industrial engineering projects
Mackenzie Industries Sdn. Bhd.	60	60	Malaysia	Undertaking of steam boilers and energy system projects
Jutasama Jaya Sdn. Bhd.	100	100	Malaysia	Dormant
PMT Energy (Labuan) Ltd.	100	100	Federal Territory of Labuan, Malaysia	Investment holding
PMT Energy Sdn. Bhd.	100	100	Malaysia	Project management for biomass power plant
- P.M.T.I. Energy (Cambodia) Co. Ltd.	75	75	Kingdom of Cambodia	Dormant
PMT Industries Sdn. Bhd.	100	100	Malaysia	Manufacturing and supplying of spare parts, equipment and provision of maintenance services for palm oil and other agricultural industries
PMT Industries (Labuan) Ltd.	100	100	Federal Territory of Labuan, Malaysia	Supply of equipment for palm oil and other agricultural industries
PMT-Phoenix Industries Sdn. Bhd.	- ⁱ	- ⁱ	Malaysia	Dormant (In Member's Voluntary Winding Up)
PMT-Dong Yuan Industries Sdn. Bhd.	100	100	Malaysia	Fabrication, assembly and supply of machinery and equipment to palm oil industry
* PT. PMT Industri	100	100	Indonesia	Supply of spare parts, equipment, provision of maintenance services and engineering consultation for palm oil and other agricultural industries

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7 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of subsidiaries are as follows (continued):

	<u>Group's effective interest</u>		<u>Country of</u>	<u>Principal activities</u>
	<u>2018</u>	<u>2017</u>	<u>incorporation</u>	
	%	%		
PMT Saito Sdn. Bhd.	51 ¹	-	Malaysia	Manufacturing accessories and equipment under the brand of 'Saito', for disc bowl centrifuge for palm oil industry' manufacturing of decaners model SID550P and 580P for palm oil industry; and manufacturing and development of new products in any industry
Petro-Pipe Industrial Corporation Sdn. Bhd.	100	100	Malaysia	Investment holding
Petro-Pipe Industries (M) Sdn. Bhd.	100	100	Malaysia	Renting of machineries to its subsidiary
PPI Industries Sdn. Bhd.	100	100	Malaysia	Manufacturing and sales of welded steel pipes and related products
Syn Tai Hung Trading Sdn. Bhd.	100	100	Malaysia	Trading and distribution of building materials
Syn Tai Hung Marketing Sdn. Bhd. (formerly known as STH Sri Bulatan Sdn. Bhd.)	60 ^o	100	Malaysia	Dormant
Stellar Marketing Sdn. Bhd.	100	100	Malaysia	Dormant
- Syn Tai Hung (Cambodia) Co. Ltd	80	80	Kingdom of Cambodia	Trading and warehousing of building materials
Petro-Pipe Engineering Services Sdn. Bhd.	100	100	Malaysia	Trading and distribution parts and machineries and other ancillary materials and services
WDG Resources Sdn. Bhd.	60	60	Malaysia	Manufacturing, fabrication, trading, distribution and service of industry machinery, equipment and parts
Spirolite (M) Sendirian Berhad	100	100	Malaysia	Manufacturing and trading of spiral pipes, straight pipes, tubes, tanks and containers
Spirolite Marketing Sdn. Bhd.	100 ^m	100	Malaysia	Dormant (In Member's Voluntary Winding Up)
* Spirolite (Myanmar) Company Limited	100	100	The Republic of the Union of Myanmar	Manufacturing and marketing of polyethylene pipes, fittings and tanks for related fluid conveyance products
Syn Tai Hung Borneo Sdn. Bhd.	70	70	Malaysia	Trading and distribution of building materials

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7 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of subsidiaries are as follows (continued):

	<u>Group's effective interest</u>		<u>Country of incorporation</u>	<u>Principal activities</u>
	<u>2018</u>	<u>2017</u>		
	%	%		
* Wah Seong International Pte Limited	100	100	Hong Kong, SAR	Investment holding
~ WSIPL Australia Pty. Ltd.	100	100	Australia	Dormant
Wah Seong Industrial Holdings Sdn. Bhd.	100	100	Malaysia	Investment and property holding and provision of management services
Syn Tai Hung Corporation Sdn. Bhd.	- ^b	- ^b	Malaysia	Dormant (In Member's Voluntary Winding Up)
Wah Seong Ventures Sdn. Bhd.	- ^d	- ^d	Malaysia	Dormant (In Member's Voluntary Winding Up)
E-Green Technology Sdn. Bhd.	- ^c	- ^c	Malaysia	Dormant (In Member's Voluntary Winding Up)
Wah Seong Management Services Sdn. Bhd.	100	100 ⁿ	Malaysia	Provision of management support services
WSC Capital Sdn. Bhd.	100	100	Malaysia	Provide treasury services to related companies
Maple Sunpark Sdn. Bhd.	100	100	Malaysia	Letting of properties
Peakvest Sdn. Bhd.	100 ⁿ	100	Malaysia	Letting of properties
Triple Cash Sdn. Bhd.	79	79	Malaysia	Investment and property holding
Sunrise Green Sdn. Bhd.	65	65	Malaysia	Investment and property holding
WSC Capital (Labuan) Limited	- ^e	- ^e	Federal Territory of Labuan, Malaysia	Dormant (In Member's Voluntary Winding Up)
WS Agro Industries Pte. Ltd.	-	- ^j	Singapore	Investment holding

* *Audited by a firm other than member firms of PricewaterhouseCoopers International Limited and PricewaterhouseCoopers PLT.*

Audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers PLT.

~ *Companies not required by their local laws to appoint statutory auditors.*

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7 INVESTMENT IN SUBSIDIARIES (CONTINUED)

- ^o On 27 December 2018, Syn Tai Hung Trading Sdn. Bhd. ("STHT"), an indirect wholly-owned subsidiary of the Company had transferred 1,000,000 ordinary shares, representing 100% equity interest in the issued and paid-up share capital of Syn Tai Hung Marketing Sdn. Bhd. (formerly known as STH Sri Bulatan Sdn. Bhd.) ("STHM") to WDG Resources Sdn. Bhd. ("WDG"), a 60% owned subsidiary of the Company, for a total cash consideration of RM163,233.

As a result, STHM became a wholly-owned subsidiary of WDG and an indirect 60% owned subsidiary of the Company, held through WDG.

- ⁿ On 20 December 2018, the Company had disposed of 50,000 ordinary shares, representing 100% equity interest in the issued and paid-up share capital of Peakvest Sdn. Bhd. ("PSB") to Jutasama Sdn. Bhd. ("JSB"), a wholly-owned subsidiary of the Company, for a total cash consideration of RM50,000. As a result, PSB ceased to be a direct wholly-owned subsidiary of the Company and became an indirect wholly-owned subsidiary of the Company, held through JSB.

- ^m On 12 December 2018, Spirolite Marketing Sdn. Bhd. ("Spirolite Marketing"), an indirect wholly-owned subsidiary of the Company had at its Extraordinary General Meeting inter-alia, approved the special resolution to wind up Spirolite Marketing by way of Member's Voluntary Winding Up. As a result, the Group no longer controls the subsidiary and as such it was not consolidated.

- ^l On 6 September 2018, PMT Saito Sdn. Bhd. ("PMTS") was incorporated in Malaysia. PMTS has an initial issued and paid-up share capital of RM1,000 divided into 1,000 ordinary shares. PMTS became an indirect 51% owned subsidiary of the Company, held through PMT Industries Sdn. Bhd., an indirect wholly-owned subsidiary, and Saito Separator Limited, with equity interest of 51% and 49% respectively.

- ^k On 16 August 2018, Wasco CPM Sdn. Bhd. ("WCPM") was incorporated in Malaysia. WCPM has an initial issued and paid-up share capital of RM1,000 divided into 1,000 ordinary shares. WCPM became an indirect 51% owned subsidiary of the Company, held through Wasco Coatings Limited, an indirect wholly-owned subsidiary, PT Citra Panji Manunggal and Mr Keith Potter, with equity interest of 51%, 40% and 9% respectively.

- ^j On 21 December 2017, the Company and WSC Capital Sdn. Bhd. ("WSC Capital"), a direct wholly-owned subsidiary of the Company had disposed 2,000,001 ordinary shares and 3,000,000 redeemable preference shares of WS Agro Industries Pte. Ltd. ("WS Agro"), representing 100% equity interest in WS Agro, for a total cash consideration of USD6,000,000. As a result of the disposal, WS Agro ceased to be a wholly-owned subsidiary of the Company.

- ⁱ On 15 December 2017, PMT-Phoenix Industries Sdn. Bhd. ("PMT-Phoenix"), an indirect wholly-owned subsidiary of the Company had at its Extraordinary General Meeting inter-alia, approved the special resolution to wind up PMT-Phoenix by way of Member's Voluntary Winding Up. As a result, the Group no longer controls the subsidiary and as such it was not consolidated.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

7 INVESTMENT IN SUBSIDIARIES (CONTINUED)

^h On 16 June 2017, a wholly-owned subsidiary of the Company, Wah Seong Management Services Sdn. Bhd. ("WSMS") was incorporated in Malaysia with an initial issued and paid-up share capital of RM1,000 comprising 1,000 ordinary shares which were fully subscribed and paid-up by the Company.

^g On 14 February 2017, Wasco Coatings Germany GmbH ("WC Germany"), an indirect wholly-owned subsidiary of the Company, had acquired the entire issued and paid-up share capital of 50,000 no par bear shares of EUR1 each, representing 100% equity interest in Wasco Germany AG ("WGAG") (formerly known as mutares Holding-16 AG ("MH-16")) for a total consideration of EUR19,500,000.

WGAG is the sole shareholder of Wasco Coatings Germany (Plant and Equipment) GmbH ("WCGPE") (formerly known as Eupec Pipeline Services GmbH ("EUPEC Germany")), with total share capital of Deutsche Mark 50,000.

Upon completion of the acquisition of WGAG, both WGAG and WCGPE became indirect wholly-owned subsidiaries of the Company.

On 11 September 2017, WGAG was consolidated into WCGPE, both being the indirect wholly-owned subsidiaries of the Company, as a single entity. As a result, WGAG ceased to be an indirect wholly-owned subsidiary of the Company.

^f On 17 January 2017, Wasco Coatings Finland Oy ("WC Finland"), an indirect wholly-owned subsidiary of the Company, incorporated a wholly-owned subsidiary in Finland, Wasco Coatings Finland (Plant and Equipment) Oy ("WCFPE") with an initial issued and paid-up share capital of EUR2,500 divided into 1,000 shares of EUR2.50 each.

^e On 27 December 2016, WSC Capital (Labuan) Limited ("WSCCL"), a wholly-owned subsidiary of the Company had at its Extraordinary General Meeting inter-alia, approved the special resolution to wind up WSCCL by way of Member's Voluntary Winding Up. As a result, the Group no longer controls the subsidiary and as such it was not consolidated.

On 31 December 2018, WSCCL had held its final meeting for the Member's Voluntary Winding Up and will be fully dissolved after the expiration of three months from the date of lodgement of the Return by Liquidator relating to the Final Meeting with the Labuan Financial Services Authority and Official Receiver.

^d On 30 December 2015, Wah Seong Ventures Sdn. Bhd. ("WSV"), an indirect wholly-owned subsidiary of the Company had at its Extraordinary General Meeting inter-alia, approved the special resolution to wind up WSV by way of Member's Voluntary Winding Up. As a result, the Group no longer controls the subsidiary and as such it was not consolidated.

^c On 21 December 2015, E-Green Technology Sdn. Bhd. ("EGTSB"), an indirect wholly-owned subsidiary of the Company had at its Extraordinary General Meeting inter-alia, approved the special resolution to wind up EGTSB by way of Member's Voluntary Winding Up. As a result, the Group no longer controls the subsidiary and as such it was not consolidated.

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7 INVESTMENT IN SUBSIDIARIES (CONTINUED)

- ^b On 18 November 2015, Syn Tai Hung Corporation Sdn. Bhd. ("STHC"), an indirect wholly-owned subsidiary of the Company had at its Extraordinary General Meeting inter-alia, approved the special resolution to wind up STHC by way of Member's Voluntary Winding Up. As a result, the Group no longer controls the subsidiary and as such it was not consolidated.
- ^a On 7 March 2012, PT MPE Deepwater, an indirect subsidiary of the Company had at its Extraordinary General Meeting, inter-alia, approved the special resolutions to wind up the company by way of Member's Voluntary Winding Up. As a result, the Group no longer controls the subsidiary and as such it was not consolidated.
- ^π Although the Company does not own more than 50% of the equity shares of Wasco Oilfield Services Sdn. Bhd. ("WOS") and Wasco Lindung Sdn. Bhd. ("WL"), and consequently it does not control more than half of the voting power of those shares, it has the power to appoint and remove the majority of the Board of Directors of WOS and WL as such control of these entities is by the Company. Consequently, WOS and WL are controlled by the Company and is consolidated in these financial statements.

Subsequent event

On 4 January 2019, Wasco Engineering & Technology Inc. ("WETI"), an indirect 65% owned subsidiary of the Company, had at its Extraordinary General Meeting inter-alia, approved the special resolution to wind up WETI by way of Member's Voluntary Winding Up and duly approved by the Financial Services Commission of British Virgin Islands. As a result, the Group no longer controls the subsidiary and as such it was not consolidated.

Petro-Pipe (Sabah) Sdn. Bhd. ("PPS"), an indirect 60% owned subsidiary of the Company, had undertaken a renounceable rights issue exercise of 10,000,000 ordinary shares, which rank pari passu with existing ordinary shares except for entitlement as to dividend, rights, allotment and/or other distributions entitlement of which is declared prior to date of allotment of the renounceable rights share. It is offered at an issue price of RM2.00 to PPS's two shareholders in proportion to their shareholdings, representing a capital injection of RM20,000,000. With renunciation by the minority shareholder, namely Sabah Energy Corporation Sdn. Bhd., the rights issue has been fully subscribed by its majority shareholder and immediate holding company, namely Asiana Emas Sdn. Bhd. On 28 February 2019, PPS has completed the exercise with an allotment of 10,000,000 ordinary shares, thus its issued and paid up capital has increased to 28,000,000 ordinary shares. Accordingly, PPS became an indirect 70% owned subsidiary of the Company.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

7 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Non-controlling interests in subsidiaries

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

					Group
	Mackenzie Industries Sdn. Bhd. RM'000	Wasco Coatings Malaysia Sdn. Bhd. RM'000	Petro- Pipe (Sabah) Sdn. Bhd. RM'000	Other individually immaterial subsidiaries RM'000	Total RM'000
<u>2018</u>					
NCI percentage of ownership interest and voting interest	40%	30%	40%		
Carrying amount of NCI	11,141	72,375	(4,110)	1,712	81,118
Net profit/(loss) allocated to NCI	1,208	(7,500)	(2,112)	3,469	(4,935)

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

7 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Non-controlling interests in subsidiaries (continued)

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

	Mackenzie Industries Sdn. Bhd. RM'000	Wasco Coatings Malaysia Sdn. Bhd. RM'000	Group Petro- Pipe (Sabah) Sdn. Bhd. RM'000
<u>2018 (continued)</u>			
<u>Summarised financial information before intra-group elimination</u>			
<u>As at 31 December</u>			
Non-current assets	5,043	31,635	78,042
Current assets	94,316	262,065	14,481
Current liabilities	(71,507)	(52,450)	(102,798)
Net assets/(liabilities)	<u>27,852</u>	<u>241,250</u>	<u>(10,275)</u>
<u>Financial year ended 31 December</u>			
Revenue	109,412	94,275	41,285
Net profit/(loss)	<u>3,019</u>	<u>(24,999)</u>	<u>(5,280)</u>
Cash flows (used in)/generated from operating activities	(18,578)	113,680	24,829
Cash flows generated from/(used in) investing activities	8,096	(95,664)	(1,001)
Cash flows used in financing activities	(3,668)	(37,148)	(24,445)
Net change in cash and cash equivalents	<u>(14,150)</u>	<u>(19,132)</u>	<u>(617)</u>
Dividends paid/payable to NCI	<u>-</u>	<u>10,200</u>	<u>-</u>

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

7 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Non-controlling interests in subsidiaries (continued)

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

					Group
	Mackenzie Industries Sdn. Bhd.	Wasco Coatings Malaysia Sdn. Bhd.	Petro- Pipe (Sabah) Sdn. Bhd.	Other individually immaterial subsidiaries	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>2017</u>					
NCI percentage of ownership interest and voting interest	40%	30%	40%		
Carrying amount of NCI	9,961	90,640	(1,584)	(2,806)	96,211
Net (loss)/profit allocated to NCI	(1,066)	3,428	(1,428)	688	1,622

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

7 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Non-controlling interests in subsidiaries (continued)

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

	Mackenzie Industries Sdn. Bhd. RM'000	Wasco Coatings Malaysia Sdn. Bhd. RM'000	Group Petro- Pipe (Sabah) Sdn. Bhd. RM'000
<u>2017 (continued)</u>			
<u>Summarised financial information before intra-group elimination</u>			
<u>As at 31 December</u>			
Non-current assets	5,794	33,816	80,087
Current assets	90,732	383,197	43,157
Current liabilities	(71,624)	(114,880)	(127,204)
Net assets/(liabilities)	24,902	302,133	(3,960)
<u>Financial year ended 31 December</u>			
Revenue	76,489	259,999	65,682
Net (loss)/profit	(2,664)	11,426	(3,569)
Cash flows generated from/(used in) operating activities	5,688	12,083	(8,641)
Cash flows used in investing activities	(17,130)	(22,465)	(3,213)
Cash flows generated from/(used in) financing activities	28,633	26,284	(2,727)
Net change in cash and cash equivalents	17,191	15,902	(14,581)
Dividends paid/payable to NCI	-	-	-

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8 INVESTMENT IN ASSOCIATES

	2018 RM'000	Group 2017 RM'000
Quoted shares in Malaysia	130,114	130,114
Unquoted shares	85,095	84,093
Share of post-acquisition results and reserves	(33,180)	(28,984)
	<u>182,029</u>	<u>185,223</u>
Share of net assets of associates	<u>182,029</u>	<u>185,223</u>
Quoted shares in Malaysia at fair value	<u>35,053</u>	<u>71,404</u>

Quoted shares – Petra Energy Berhad

As at 31 December 2018 and 31 December 2017, the fair value of the Group's investment in quoted shares is based on Level 1 of the fair value hierarchy.

The market value of the Group's interest in quoted shares, representing its fair value as at 31 December 2018, was approximately RM35,053,000 (2017: RM71,404,000). This fair value is approximately RM52,892,000 (2017: RM22,920,000) below the carrying value, giving rise to an impairment indicator.

Therefore, the recoverable amount is determined using value-in-use calculations. These calculations are based on the discounted cash flows expected to be generated from the investment. Financial budgets approved by management covering a period of 5 years and the terminal period are based on past performance and management's expectation of the future market developments.

The value-in-use calculations are mainly driven by the revenue growth rate, terminal value growth rate and discount rate. The discount rate reflects the current market assessment of the risks specific to the industry and is based on the cost of equity expected of the investment. The revenue growth rate takes into consideration the secured contracts as at 31 December 2018 and the historical performance. The growth rate assumed for terminal value considers external macroeconomic sources of data and industry specific trends.

The following table presents the key assumptions used for the value-in-use calculations.

	2018	2017
Revenue growth rate for 5 years	<0%* – 3.0%	<0%* – 3.0%
Discount rate	12.5%	12.9%
Growth rate for terminal value	<u>2.0%</u>	<u>2.0%</u>

* Negative growth is due to end of ongoing project.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

8 INVESTMENT IN ASSOCIATES (CONTINUED)

Quoted shares – Petra Energy Berhad (continued)

The value-in-use is above the carrying value of the Group's investment in quoted shares. As such, no impairment loss is deemed necessary to be recognised during the financial year.

Sensitivity

The recoverable amount of the investment in quoted shares would equal its carrying amount if the key assumptions were to change as follows:

	2018		2017	
	<u>From</u>	<u>To</u>	<u>From</u>	<u>To</u>
Revenue growth rate for 5 years	3.0%	(2.9%)	1.5%	(2.1%)
Discount rate	12.5%	15.9%	12.9%	18.1%
Growth rate for terminal value	2.0%	(3.3%)	2.0%	(4.8%)

Unquoted shares – Atama Resources Inc.

In the prior financial year, the Company disposed 100% equity interest in its wholly-owned subsidiary, WS Agro Industries Pte. Ltd., which was the holding company of Atama Resources Inc. ("ARI"). As a result, ARI ceased to become associate of the Company. The effects of the disposal of ARI is shown in Note 38.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

8 INVESTMENT IN ASSOCIATES (CONTINUED)

Impairment of investment in associates

The movements for allowance for impairment loss on investment in associates during the financial year are as follows:

	<u>2018</u> RM'000	<u>Group</u> <u>2017</u> RM'000
At 1 January	-	56,487
Impairment loss recognised	-	271
Disposal of an associate	-	(56,758)
At 31 December	-	-

Details of associates are as follows:

	<u>Country of incorporation</u>	<u>Group's effective interest</u> <u>2018</u> %	<u>2017</u> %	<u>Principal activities</u>
WS Integrasi Sdn. Bhd.	Malaysia	49	49 ^b	Trading, distribution, sales and marketing of the Group's product and services in the oil & gas, renewable energy, engineering, industrial and property (including land acquisitions) as well as undertaking other external business services opportunities
Petra Energy Berhad	Malaysia	27	27	Investment holding
Evraz Wasco Pipe Protection Corporation	Canada	49	49	Provision of pipe coating services
Syarikat Beka Sdn. Bhd.	Malaysia	48	48	Dormant
Lesso Home Syn Tai Hung Sdn. Bhd.	Malaysia	- ^d	49 ^a	Trading and distribution of home furnishing goods, building materials, household hardware, builders hardware, sanitary wares and others
Wah Seong Boustead Company Limited	Myanmar	50	50	Property development, trading and provision of auxiliary services
Atama Resources Inc.	Republic of Mauritius	-	- ^c	Investment holding

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

8 INVESTMENT IN ASSOCIATES (CONTINUED)

^d On 3 August 2018, Syn Tai Hung Trading Sdn. Bhd., an indirect wholly-owned subsidiary of the Company had disposed of 490,000 ordinary shares in the issued and paid-up share capital of Lesso Home Syn Tai Hung Sdn. Bhd. ("LHSTH"), representing 49% equity interest in LHSTH to Lesso Home Services Holdings Limited ("LHSH"), the existing shareholder of LHSTH, for a total cash consideration of RM440,000.

As a result of the disposal, LHSTH ceased to be an indirect associate of the Company.

^c On 21 December 2017, the Company and WSC Capital Sdn. Bhd. ("WSC Capital"), a direct wholly-owned subsidiary of the Company had disposed of 2,000,001 ordinary shares and 3,000,000 redeemable preference shares of WS Agro Industries Pte. Ltd. ("WS Agro"), representing 100% equity interest in WS Agro, the holding company of Atama Resources Inc. ("ARI"), for a total cash consideration of USD6,000,000.

As a result of the disposal, WS Agro ceased to be a wholly-owned subsidiary of the Company. Accordingly, ARI and its subsidiaries namely, Atama Plantation SARL, Signet Plus Sdn. Bhd., Agro Commodities Inc. and Atama Forest SARL also ceased to become associates of the Company.

^b On 12 September 2017, the Company together with Tengku Rozitatoria binti Tengku Rostam, had incorporated a company in Malaysia by the name of WS Integrasi Sdn. Bhd. ("WSI"). The total issued and paid-up share capital of WSI is RM1,000 comprising 1,000 ordinary shares which were held in the proportions of 51% and 49% by Tengku Rozitatoria binti Tengku Rostam and the Company, respectively.

^a On 26 January 2017, Lesso Home Syn Tai Hung Sdn. Bhd. ("LHSTH") was incorporated in Malaysia following the Joint Venture and Shareholders' Agreement entered into between Lesso Home Service Holdings Limited ("LESSO") and Syn Tai Hung Trading Sdn. Bhd. ("STHT"), an indirect wholly-owned subsidiary of the Company.

The total issued and paid-up share capital of LHSTH is RM100 only divided into 100 ordinary shares and held in the proportion of 51% and 49% by LESSO and STHT respectively. As a result, LHSTH became the Company's indirect associate held through STHT.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

8 INVESTMENT IN ASSOCIATES (CONTINUED)

The following table summarises the information of the Group's material associates and reconciles the information to the carrying amount of the Group's interest in the associates. The information have been adjusted to reflect the equity method of accounting, including fair value adjustments:

	Group			
	Petra Energy Berhad RM'000	Evraz Wasco Pipe Protection Corporation RM'000	Other individually immaterial associates RM'000	Total RM'000
<u>2018</u>				
<u>Summarised financial information</u>				
<u>As at 31 December</u>				
Non-current assets	315,565	175,867		
Current assets	320,674	46,678		
Non-current liabilities	(19,383)	-		
Current liabilities	(289,922)	(30,874)		
Net assets	<u>326,934</u>	<u>191,671</u>		
<u>Financial year ended 31 December</u>				
Revenue	467,424	122,451		
Net (loss)/profit	(26,277)	17,381		
Other comprehensive income	2,587	-		
Total comprehensive (expense)/income	<u>(23,690)</u>	<u>17,381</u>		
<u>Reconciliation of net assets to carrying amount</u>				
<u>As at 31 December</u>				
Group's share of net assets	87,945	93,919	27	181,891
Goodwill	-	-	68	68
Reclass to other payables	-	-	70	70
Carrying amount in statement of financial position	<u>87,945</u>	<u>93,919</u>	<u>165</u>	<u>182,029</u>
<u>Group's share of results</u>				
<u>Financial year ended 31 December</u>				
Group's share of (loss)/profit	(7,069)	8,517	(278)	1,170
Group's share of other comprehensive income	696	-	-	696
Dividend receivable/received	-	-	257	257

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

8 INVESTMENT IN ASSOCIATES (CONTINUED)

The following table summarises the information of the Group's material associates and reconciles the information to the carrying amount of the Group's interest in the associates. The information have been adjusted to reflect the equity method of accounting, including fair value adjustments (continued):

	Group			
	Petra Energy Berhad	Evraz Wasco Pipe Protection Corporation	Other individually immaterial associates	Total
	RM'000	RM'000	RM'000	RM'000
<u>2017</u>				
<u>Summarised financial information</u>				
<u>As at 31 December</u>				
Non-current assets	436,181	150,139		
Current assets	390,704	68,344		
Non-current liabilities	(91,863)	-		
Current liabilities	(384,377)	(34,735)		
Net assets	<u>350,645</u>	<u>183,748</u>		
<u>Financial year ended 31 December</u>				
Revenue	462,604	41,877		
Net (loss)/profit	(33,270)	18,544		
Other comprehensive expense	(13,611)	-		
Total comprehensive (expense)/income	<u>(46,881)</u>	<u>18,544</u>		
<u>Reconciliation of net assets to carrying amount</u>				
<u>As at 31 December</u>				
Group's share of net assets	94,324	90,037	794	185,155
Goodwill	-	-	68	68
Carrying amount in statement of financial position	<u>94,324</u>	<u>90,037</u>	<u>862</u>	<u>185,223</u>
<u>Group's share of results</u>				
<u>Financial year ended 31 December</u>				
Group's share of (loss)/profit*	<u>(8,950)</u>	<u>9,087</u>	<u>(5,000)</u>	<u>(4,863)</u>
Dividend receivable/received	<u>4,228</u>	<u>-</u>	<u>-</u>	<u>4,228</u>

* Group's share of (loss)/profit for the financial year ended 31 December 2017 included share of loss from Atama Resources Inc., which amounted to RM5,043,000.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

9 INVESTMENT IN JOINT VENTURES

	<u>2018</u>	<u>Group</u> <u>2017</u>
	RM'000	RM'000
Unquoted shares	159,358	159,367
Share of post-acquisition results and reserves	(24,060)	(4,141)
	<u>135,298</u>	<u>155,226</u>
Less: Accumulated impairment loss	(8,930)	(8,780)
	<u>126,368</u>	<u>146,446</u>
Share of net assets of joint ventures	<u>126,368</u>	<u>146,446</u>

Unquoted shares – Alam-PE Holdings (L) Inc.

During the financial year, the Group reviewed the recoverable amount of its investment in a joint venture, Alam-PE Holdings (L) Inc. The recoverable amount was determined using value-in-use calculations. The calculations are based on discounted cash flows expected to be generated from the investment based on past performance and management's business plan.

The value-in-use calculations are mainly driven by the revenue growth rate, terminal value growth rate and discount rate. The discount rate reflects the current market assessment of the risks specific to the industry and is based on the cost of equity. The revenue growth rate takes into consideration the secured contracts as at 31 December 2018 and historical performance. The growth rate assumed for terminal value considers external macroeconomic sources of data and industry specific trends.

The following table presents the key assumptions used to determine the value-in-use.

	<u>2018</u>	<u>2017</u>
Revenue growth rate for 5 years	<0%* – 5.6%	<0%* – 7.5%
Discount rate	11.0%	13.0%
Growth rate for terminal value	3.0%	2.5%

*Negative growth is due to end of ongoing project.

Based on management's value-in-use calculation, no impairment loss is deemed necessary to be recognised during the financial year.

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9 INVESTMENT IN JOINT VENTURES (CONTINUED)

Sensitivity

The recoverable amount of the investment in a joint venture would equal its carrying amount if the key assumptions were to change as follows:

	2018		2017	
	<u>From</u>	<u>To</u>	<u>From</u>	<u>To</u>
Revenue growth rate for 5 years	5.6%	3.0%	7.5%	6.2%
Discount rate	11.0%	11.7%	13.0%	13.5%
Growth rate for terminal value	3.0%	2.2%	2.5%	1.8%

Impairment of investment in joint ventures

The movements for allowance for impairment loss on investment in joint ventures during the financial year are as follows:

	Group	
	<u>2018</u>	<u>2017</u>
	RM'000	RM'000
At 1 January	8,780	9,774
Effect of exchange rate changes	150	(994)
At 31 December	<u>8,930</u>	<u>8,780</u>

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

9 INVESTMENT IN JOINT VENTURES (CONTINUED)

Details of joint ventures are as follows:

	<u>Country of incorporation</u>	<u>Group's effective interest</u>		<u>Principal activities</u>
		<u>2018</u> %	<u>2017</u> %	
Boustead Wah Seong Sdn. Bhd.	Malaysia	50	50	Investment holding activities and businesses in property development and management; provision of general fabrication, engineering and oil and gas services; trading and marketing activities and any other businesses or projects as shall be mutually agreed from time to time in Myanmar
Socotherm Shashi Pipe Coating Co. Ltd.	People's Republic of China	50	50	Provision of pipe coating services
Socotherm PPSC Ningbo (Daxie) Pipe Coating Co. Limited	People's Republic of China	50	50	Marketing and provision of pipe coating services to the oil and gas industry
Sichuan Chuanshi Kanssen (Yadong) Coating Services Company Limited	People's Republic of China	51	51	Provision of pipe coating services
Shaanxi Yadong Anti-Corrosion Company Limited	People's Republic of China	55	55	Provision of pipe coating services
Bayou Wasco Insulation, LLC	United States of America	49	49	Provision of thermal insulation coating services to pipes or pipelines
PMT SHINKO Turbine Sdn. Bhd.	Malaysia	49	49	Assembly and supply of equipment for palm oil and other agricultural industries
Welspun Wasco Coatings Private Limited	India	49	49	Provision of pipe coating services
Alam-PE Holdings (L) Inc.	Federal Territory of Labuan, Malaysia	49	49	Investment holding

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9 INVESTMENT IN JOINT VENTURES (CONTINUED)

The following table summarises the information of the Group's material joint ventures and reconciles the information to the carrying amount of the Group's interest in the joint ventures. The information have been adjusted to reflect the equity method of accounting, including fair value adjustments:

						Group
	Alam-PE Holdings (L) Inc. RM'000	Bayou Wasco Insulation, LLC RM'000	Boustead Wah Seong Sdn. Bhd. RM'000	Welspun Wasco Coatings Private Limited RM'000	Other individually immaterial joint ventures RM'000	Total RM'000
<u>2018</u>						
<u>Summarised financial information</u>						
<u>As at 31 December</u>						
Non-current assets	151,364	79,346	39,788	38,302		
Current assets	28,791	9,100	27,043	2,804		
Cash and cash equivalents	4,021	726	29,823	8,523		
Non-current liabilities	-	(53,776)	(4,311)	(46,340)		
Current liabilities	(7,740)	(12,758)	(17,903)	(3,122)		
	<u>176,436</u>	<u>22,638</u>	<u>74,440</u>	<u>167</u>		

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

9 INVESTMENT IN JOINT VENTURES (CONTINUED)

The following table summarises the information of the Group's material joint ventures and reconciles the information to the carrying amount of the Group's interest in the joint ventures. The information have been adjusted to reflect the equity method of accounting, including fair value adjustments (continued):

						Group
	Alam-PE Holdings (L) Inc. RM'000	Bayou Wasco Insulation, LLC RM'000	Boustead Wah Seong Sdn. Bhd. RM'000	Welspun Wasco Coatings Private Limited RM'000	Other individually immaterial joint ventures RM'000	Total RM'000
<u>2018 (continued)</u>						
<u>Financial year ended 31 December</u>						
Net (loss)/profit	(32,596)	(2,859)	3,034	(8,708)		
Other comprehensive income/(expense)	-	998	1,361	(636)		
Total comprehensive (expense)/income	<u>(32,596)</u>	<u>(1,861)</u>	<u>4,395</u>	<u>(9,344)</u>		
Included in the total comprehensive income/(expense) are:						
Revenue	18,329	55,813	19,391	2,509		
Interest income	-	-	169	-		
Depreciation and amortisation	(11,628)	(2,891)	(6,930)	(4,044)		
Interest expense	-	(1,721)	-	(3,289)		
Tax expense	(102)	-	177	-		

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9 INVESTMENT IN JOINT VENTURES (CONTINUED)

The following table summarises the information of the Group's material joint ventures and reconciles the information to the carrying amount of the Group's interest in the joint ventures. The information have been adjusted to reflect the equity method of accounting, including fair value adjustments (continued):

						Group
	Alam-PE Holdings (L) Inc. RM'000	Bayou Wasco Insulation, LLC RM'000	Boustead Wah Seong Sdn. Bhd. RM'000	Welspun Wasco Coatings Private Limited RM'000	Other individually immaterial joint ventures RM'000	Total RM'000
<u>2018 (continued)</u>						
<u>Reconciliation of net assets to carrying amount</u>						
<u>As at 31 December</u>						
Group's share of net assets	86,454	11,093	18,531	82	16,949	133,109
Goodwill	11,989	-	-	-	1,148	13,137
Less: Elimination of unrealised profits	-	(10,948)	-	-	-	(10,948)
Less: Accumulated impairment loss	-	-	-	-	(8,930)	(8,930)
Carrying amount in statement of financial position	<u>98,443</u>	<u>145</u>	<u>18,531</u>	<u>82</u>	<u>9,167</u>	<u>126,368</u>

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9 INVESTMENT IN JOINT VENTURES (CONTINUED)

The following table summarises the information of the Group's material joint ventures and reconciles the information to the carrying amount of the Group's interest in the joint ventures. The information have been adjusted to reflect the equity method of accounting, including fair value adjustments (continued):

						Group
	Alam-PE Holdings (L) Inc. RM'000	Bayou Wasco Insulation, LLC RM'000	Boustead Wah Seong Sdn. Bhd. RM'000	Welspun Wasco Coatings Private Limited RM'000	Other individually immaterial joint ventures RM'000	Total RM'000
<u>2018 (continued)</u>						
<u>Group's share of results</u>						
<u>Financial year ended 31 December</u>						
Group's share of (loss)/profit	(15,972)	(1,401)	753	(4,267)	1,427	(19,460)
Group's share of other comprehensive income/(expense)	-	489	347	(312)	(441)	83
Group's share of total comprehensive (expense)/income	<u>(15,972)</u>	<u>(912)</u>	<u>1,100</u>	<u>(4,579)</u>	<u>986</u>	<u>(19,377)</u>
Dividend receivable/received	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>412</u>	<u>412</u>

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

9 INVESTMENT IN JOINT VENTURES (CONTINUED)

The following table summarises the information of the Group's material joint ventures and reconciles the information to the carrying amount of the Group's interest in the joint ventures. The information have been adjusted to reflect the equity method of accounting, including fair value adjustments (continued):

						Group
	Alam-PE Holdings (L) Inc. RM'000	Bayou Wasco Insulation, LLC RM'000	Boustead Wah Seong Sdn. Bhd. RM'000	Welspun Wasco Coatings Private Limited RM'000	Other individually immaterial joint ventures RM'000	Total RM'000
<u>2017</u>						
<u>Summarised financial information</u>						
<u>As at 31 December</u>						
Non-current assets	187,077	79,847	46,226	39,207		
Current assets	34,682	14,094	8,106	3,165		
Cash and cash equivalents	1,081	4,021	40,388	24,696		
Non-current liabilities	-	(64,731)	(5,232)	(43,191)		
Current liabilities	(13,808)	(8,112)	(19,444)	(14,304)		
	<u>209,032</u>	<u>25,119</u>	<u>70,044</u>	<u>9,573</u>		

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

9 INVESTMENT IN JOINT VENTURES (CONTINUED)

The following table summarises the information of the Group's material joint ventures and reconciles the information to the carrying amount of the Group's interest in the joint ventures. The information have been adjusted to reflect the equity method of accounting, including fair value adjustments (continued):

						Group
	Alam-PE Holdings (L) Inc. RM'000	Bayou Wasco Insulation, LLC RM'000	Boustead Wah Seong Sdn. Bhd. RM'000	Welspun Wasco Coatings Private Limited RM'000	Other individually immaterial joint ventures RM'000	Total RM'000
<u>2017 (continued)</u>						
<u>Financial year ended 31 December</u>						
Net profit/(loss)	1,085	19,315	6,004	(6,659)		
Other comprehensive (expense)/income	-	-	(7,254)	-		
Total comprehensive income/(expense)	<u>1,085</u>	<u>19,315</u>	<u>(1,250)</u>	<u>(6,659)</u>		
Included in the total comprehensive income/(expense) are:						
Revenue	41,868	216,157	26,611	86,509		
Interest income	-	-	83	-		
Depreciation and amortisation	(11,554)	(4,468)	(7,397)	(2,620)		
Interest expense	-	(2,637)	-	(3,320)		
Tax expense	(102)	-	(1,673)	(1,406)		

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9 INVESTMENT IN JOINT VENTURES (CONTINUED)

The following table summarises the information of the Group's material joint ventures and reconciles the information to the carrying amount of the Group's interest in the joint ventures. The information have been adjusted to reflect the equity method of accounting, including fair value adjustments (continued):

						Group
	Alam-PE Holdings (L) Inc. RM'000	Bayou Wasco Insulation, LLC RM'000	Boustead Wah Seong Sdn. Bhd. RM'000	Welspun Wasco Coatings Private Limited RM'000	Other individually immaterial joint ventures RM'000	Total RM'000
<u>2017 (continued)</u>						
<u>Reconciliation of net assets to carrying amount</u>						
<u>As at 31 December</u>						
Group's share of net assets	102,426	12,308	17,431	4,691	16,489	153,345
Goodwill	11,989	-	-	-	648	12,637
Less: Elimination of unrealised profits	-	(10,756)	-	-	-	(10,756)
Less: Accumulated impairment loss	-	-	-	-	(8,780)	(8,780)
Carrying amount in statement of financial position	<u>114,415</u>	<u>1,552</u>	<u>17,431</u>	<u>4,691</u>	<u>8,357</u>	<u>146,446</u>

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9 INVESTMENT IN JOINT VENTURES (CONTINUED)

The following table summarises the information of the Group's material joint ventures and reconciles the information to the carrying amount of the Group's interest in the joint ventures. The information have been adjusted to reflect the equity method of accounting, including fair value adjustments (continued):

						Group
	Alam-PE Holdings (L) Inc. RM'000	Bayou Wasco Insulation, LLC RM'000	Boustead Wah Seong Sdn. Bhd. RM'000	Welspun Wasco Coatings Private Limited RM'000	Other individually immaterial joint ventures RM'000	Total RM'000
<u>2017 (continued)</u>						
<u>Group's share of results</u>						
<u>Financial year ended 31 December</u>						
Group's share of profit or loss	532	9,464	1,774	(3,263)	1,370	9,877
Group's share of other comprehensive (expense)/income	-	-	(1,850)	-	-	(1,850)
Group's share of total comprehensive income/(expense)	<u>532</u>	<u>9,464</u>	<u>(76)</u>	<u>(3,263)</u>	<u>1,370</u>	<u>8,027</u>
Dividend receivable/received	7,350	-	-	-	-	7,350

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10 FINANCE LEASE RECEIVABLES

	<u>2018</u>	<u>Group</u> <u>2017</u>
	RM'000	RM'000
Minimum lease receivables:		
Not later than 1 year	15,648	-
Later than 1 year and not later than 2 years	13,099	-
Later than 2 years and not later than 5 years	5,617	-
	<u>34,364</u>	<u>-</u>
Less: Future finance income	(1,942)	-
	<u>32,422</u>	<u>-</u>
Present value of finance lease assets	<u>32,422</u>	<u>-</u>
Present value of finance lease receivables:		
Not later than 1 year	14,380	-
Later than 1 year and not later than 2 years	12,502	-
Later than 2 years and not later than 5 years	5,540	-
	<u>32,422</u>	<u>-</u>

The effective interest rate of the Group's finance lease receivables is 5.08% (2017: Nil).

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

11 INVESTMENT IN EQUITY INSTRUMENTS / AVAILABLE-FOR-SALE FINANCIAL ASSETS

Group

	Quoted shares in Malaysia	
	2018	2017
	Classified as financial assets at fair value through profit or loss	Classified as available-for-sale financial assets
	RM'000	RM'000
At fair value	6	10
Market value of quoted investments	6	10

The Group has elected to reclass quoted shares in Malaysia from available-for-sale to financial assets at fair value through profit or loss on adoption of MFRS 9.

Gains or losses arising from fair value changes of its financial assets

During the financial year, the Group recognised a loss of RM4,000 in the profit or loss arising from fair value changes of its investment in equity instruments. The method and assumptions applied in determining the fair value of financial assets are disclosed in Note 47.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

12 DERIVATIVE FINANCIAL ASSETS

	Contract/ notional amount	Assets RM'000	Liabilities RM'000
<u>Group</u>			
<u>2018</u>			
<u>Current</u>			
<u>Non-hedging derivatives</u>			
Financial assets at fair value through profit or loss			
- Forward currency contracts	USD4,721,589	146	-
<u>2017</u>			
<u>Current</u>			
<u>Non-hedging derivatives</u>			
Financial assets at fair value through profit or loss			
- Forward currency contracts	SGD1,200,000	94	-

The Company did not hold any derivative financial instruments as at 31 December 2018 (2017: Nil).

Non-hedging derivatives

The Group uses forward currency contracts to manage some of the transaction exposures and limit its exposure to adverse fluctuation in foreign currency. These contracts are not designated as cash flow or fair value hedges.

Forward currency contracts

The Group enters into foreign currency forward contracts to protect the Group from movements in exchange rates by establishing the rate at which a foreign currency asset or liability will be settled. Forward currency contracts are mainly used to hedge certain trade receivables and trade payables denominated in United States Dollar (2017: Singapore Dollar) for which firm commitments existed at the reporting date, extending to June 2019 (2017: April 2018).

Gains or losses arising from fair value changes of its financial assets and financial liabilities

During the financial year, the Group recognised a gain of RM48,000 (2017: loss of RM487,000) in the profit or loss arising from fair value changes of its derivative financial assets and liabilities. The method and assumptions applied in determining the fair value of derivatives are disclosed in Note 47.

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13 GOODWILL AND OTHER INTANGIBLE ASSETS

<u>Group</u>	<u>Goodwill</u> RM'000	<u>Trademark</u> RM'000	<u>Technical know-how</u> RM'000	<u>Intellectual property</u> RM'000	<u>Total</u> RM'000
<u>2018</u>					
<u>Cost</u>					
At 1 January	143,192	198	112	3,800	147,302
Additions	-	11	-	-	11
Written off	-	-	-	(499)	(499)
Effect of exchange rate changes	1,999	4	-	52	2,055
At 31 December	145,191	213	112	3,353	148,869
<u>Accumulated amortisation and impairment loss</u>					
At 1 January	-	-	112	3,800	3,912
Written off	-	-	-	(499)	(499)
Effect of exchange rate changes	-	-	-	52	52
At 31 December	-	-	112	3,353	3,465
Carrying amount at 31 December	145,191	213	-	-	145,404
<u>2017</u>					
<u>Cost</u>					
At 1 January	155,089	192	112	4,391	159,784
Additions	-	25	-	-	25
Written off	-	-	-	(455)	(455)
Effect of exchange rate changes	(11,897)	(19)	-	(136)	(12,052)
At 31 December	143,192	198	112	3,800	147,302
<u>Accumulated amortisation and impairment loss</u>					
At 1 January	-	-	112	4,391	4,503
Written off	-	-	-	(455)	(455)
Effect of exchange rate changes	-	-	-	(136)	(136)
At 31 December	-	-	112	3,800	3,912
Carrying amount at 31 December	143,192	198	-	-	143,390

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13 GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

Impairment testing of goodwill

Goodwill arising from business combination has been allocated to the Group's cash-generating units ("CGU") identified according to operating divisions. The carrying amounts of goodwill allocated to the respective CGUs are as follows:

	<u>2018</u>	<u>Group</u> <u>2017</u>
	RM'000	RM'000
<u>Cash-generating units</u>		
Specialised Pipe Coating and Corrosion Protection Services (CGU A)	78,199	77,157
EPC, Fabrication and Rental of Gas Compressors and Process Equipment (CGU B)	66,992	66,035
	<u>145,191</u>	<u>143,192</u>

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a period of 5 years (2017: 5 years) based on past performance and their expectations of the market development. Terminal value is estimated at the end of the 5-year period.

Value-in-use was determined by discounting the future cash flows generated from the CGUs based on the following key assumptions on the premise that there will be no material changes in the Group's principal activities.

	<u>2018</u>		<u>2017</u>
	Revenue growth rate	Pre-tax discount rate	Revenue growth rate
	rate	rate	rate
CGU A	<0%* – 13.5%	21.7%	<0%* – 5.0%
CGU B	<0%* – 7.0%	21.1%	4.8%
	<u>19.4%</u>	<u>20.5%</u>	

*Negative growth is due to end of ongoing project.

The key assumptions used in calculating the value-in-use are described below:

(i) Terminal growth rate

Terminal growth rates of 2.0% and 1.5% are for CGU A and CGU B respectively (2017: 2.0% for CGU A and 1.5% for CGU B) were used to determine the terminal values beyond the 5-year period cash flows.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

13 GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

Impairment testing of goodwill (continued)

(ii) Discount rate

The discount rates used reflect the weighted average cost of capital adjusted for specific risks associated with the CGUs of the Group with a premium representing the business risk of the respective CGUs.

Sensitivity

The recoverable amount of CGU A and CGU B is estimated to exceed the carrying amount at 31 December 2018 and 31 December 2017. The recoverable amount of CGU A would equal its carrying amount if the key assumptions were to change as disclosed below.

	<u>2018</u>		<u>2017</u>	
	<u>From</u>	<u>To</u>	<u>From</u>	<u>To</u>
<u>CGU A</u>				
Revenue growth rate for 5 years	13.5%	12.8%	5.0%	(7.0%)
Pre-tax discount rate	21.7%	22.0%	19.4%	21.5%
Growth rate for terminal value	2.0%	1.6%	2.0%	(1.7%)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The recoverable amount of CGU B is not sensitive to the changes in the key assumptions.

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14 DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statements of financial position:

	Group		Company	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets	43,344	41,724	2,423	2,062
Deferred tax liabilities	(13,804)	(13,128)	-	-
	<u>29,540</u>	<u>28,596</u>	<u>2,423</u>	<u>2,062</u>
At 1 January	28,596	5,126	2,062	2,175
Credited/(Charged to) to profit or loss (Note 36):				
- Unused tax losses	6,461	14,087	-	-
- Property, plant and equipment	(4,835)	23,343	25	17
- Provisions and accruals	1,089	(14,486)	336	(130)
- Unrealised foreign exchange	(198)	1,320	-	-
- Others	(1,593)	669	-	-
	924	24,933	361	(113)
Effect of exchange rate changes	20	(1,463)	-	-
At 31 December	<u>29,540</u>	<u>28,596</u>	<u>2,423</u>	<u>2,062</u>

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

14 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

	Group		Company	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000
Subject to income tax				
Deferred tax assets (before offsetting)				
- Unused tax losses	27,388	21,416	-	-
- Property, plant and equipment	10,951	16,078	-	-
- Provisions and accruals	7,076	6,072	2,430	2,094
- Unrealised foreign exchange losses	499	116	-	-
- Others	866	1,121	-	-
	<u>46,780</u>	<u>44,803</u>	<u>2,430</u>	<u>2,094</u>
Offsetting	(3,436)	(3,079)	(7)	(32)
Deferred tax assets (after offsetting)	<u>43,344</u>	<u>41,724</u>	<u>2,423</u>	<u>2,062</u>
Deferred tax liabilities (before offsetting)				
- Property, plant and equipment	(13,517)	(13,947)	(7)	(32)
- Unrealised foreign exchange gains	(901)	(377)	-	-
- Others	(2,822)	(1,883)	-	-
	<u>(17,240)</u>	<u>(16,207)</u>	<u>(7)</u>	<u>(32)</u>
Offsetting	3,436	3,079	7	32
Deferred tax liabilities (after offsetting)	<u>(13,804)</u>	<u>(13,128)</u>	<u>-</u>	<u>-</u>

The Group did not recognise deferred tax assets arising from the following temporary differences of certain subsidiaries as it is not probable that future taxable profit will be available against which the deferred tax assets can be utilised in these subsidiaries.

	Group	
	<u>2018</u>	<u>2017</u>
	RM'000	RM'000
Deductible temporary differences on:		
- Unused tax losses	214,317	264,518
- Unabsorbed capital allowances	120,934	67,496
- Provisions and accruals	5,246	13,400
- Others	11,460	19,682
	<u>351,957</u>	<u>365,096</u>
Deferred tax assets not recognised	<u>87,143</u>	<u>83,845</u>

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14 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

Under the Malaysia Finance Act 2018 which was gazetted on 27 December 2018, the Group's unutilised tax losses with no expiry period amounting to RM51,578,000 as at 31 December 2018 will be imposed with a time limit of utilisation. Any accumulated unutilised tax losses brought forward from year of assessment 2018 can be carried forward for another 7 consecutive years of assessment (i.e. from year of assessment 2019 to 2025).

15 INVENTORIES

	Group
	2018
	2017
	RM'000
	RM'000
Raw materials	148,422
Work-in-progress	126,597
Manufactured and trading goods	96,659
Consumables	70,747
Goods in transit	52,192
	56,404
	24,792
	14,774
	2,601
	21,637
	324,666
	290,159

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16 CONTRACT ASSETS/(LIABILITIES)

Net carrying amount of contract assets/(liabilities) is analysed as follows:

	<u>Group</u> <u>2018</u> RM'000
At 1 January (as restated)	
- Contract assets	82,290
- Contract liabilities	(64,563)
	<u>17,727</u>
<u>Over time</u>	
Revenue recognised in the current financial year	
- that was included in the contract liabilities at 1 January	32,720
- from additional contract assets and contract liabilities during the financial year	534,068
Less: Billings during the financial year	(551,912)
	<u>14,876</u>
<u>Point in time</u>	
Revenue recognised in the current financial year	
- that was included in the contract liabilities at 1 January	26,275
- from additional contract assets and contract liabilities during the financial year	137,627
Less: Billings during the financial year	(153,324)
	<u>10,578</u>
Effect of exchange rate changes	(104)
At 31 December	<u><u>43,077</u></u>
At 31 December	
- Contract assets	95,869
- Contract liabilities	(52,792)
	<u><u>43,077</u></u>

Revenue relating to performance obligations that are unsatisfied or partially unsatisfied as at 31 December 2018 amounting to RM52,792,000 are expected to be recognised in the next 12 months.

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17 AMOUNTS DUE FROM/(TO) CUSTOMERS ON CONTRACTS

	<u>Group</u> <u>2017</u> RM'000
Aggregate costs incurred to date	302,658
Attributable profits recognised to date less recognised losses	86,125
	<u>388,783</u>
Less: Progress billings on contracts	(368,075)
	<u>20,708</u>
Represented by:	
Amounts due from customers on contracts	52,467
Amounts due to customers on contracts	(31,759)
	<u>20,708</u>
Retention sums on contracts (included within trade receivables)	<u>2,872</u>

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

18 TRADE AND OTHER RECEIVABLES

	<u>Group</u>		<u>Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000
Gross trade receivables	277,826	399,815	-	-
Less: Allowance for impairment loss	(23,546)	(18,433)	-	-
	<u>254,280</u>	<u>381,382</u>	<u>-</u>	<u>-</u>
Other receivables, deposits and prepayments	323,272	478,829	14,098	15,318
Less: Allowance for impairment loss	(16,845)	(17,075)	(1,109)	(900)
	<u>306,427</u>	<u>461,754</u>	<u>12,989</u>	<u>14,418</u>
Total net receivables	<u>560,707</u>	<u>843,136</u>	<u>12,989</u>	<u>14,418</u>

Credit risk concentration profile

The Group determines concentration of credit risk by monitoring the business segment of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the reporting date is as follows:

	<u>Group</u>	
	<u>2018</u>	<u>2017</u>
	RM'000	RM'000
Oil & Gas	36,789	149,904
Renewable Energy	85,418	53,696
Industrial Trading & Services	132,073	177,782
Total	<u>254,280</u>	<u>381,382</u>

Concentration of credit risk exists within the Oil & Gas segment which primarily trades with oil majors. However, the Group considers the risk of default by these oil majors to be negligible given their relative size and financial strength.

There is no concentration of credit risk within the Renewable Energy and Industrial Trading & Services segments as the balances are distributed over a large number of customers.

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18 TRADE AND OTHER RECEIVABLES (CONTINUED)

Ageing analysis of trade receivables (under MFRS 9)

The following table contains an analysis of the credit risks exposure for which expected credit loss is recognised:

	Gross trade <u>receivables</u> RM'000	Expected <u>credit loss</u> RM'000	Net trade <u>receivables</u> RM'000
<u>2018</u>			
Not past due	65,611	-	65,611
1 to 30 days overdue	58,526	(197)	58,329
31 to 60 days overdue	52,317	(211)	52,106
61 to 90 days overdue	23,451	(342)	23,109
91 to 180 days overdue	24,952	(316)	24,636
181 to 365 days overdue	20,794	(2,618)	18,176
More than 365 days overdue	32,175	(19,862)	12,313
Total	<u>277,826</u>	<u>(23,546)</u>	<u>254,280</u>

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral.

Ageing analysis of trade receivables (under MFRS 139)

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

	Gross trade <u>receivables</u> RM'000	Impairment <u>loss</u> RM'000	Net trade <u>receivables</u> RM'000
<u>2017</u>			
Not past due	145,027	-	145,027
1 to 30 days overdue	82,307	-	82,307
31 to 60 days overdue	62,959	-	62,959
61 to 90 days overdue	34,864	-	34,864
91 to 180 days overdue	40,991	-	40,991
181 to 365 days overdue	8,794	-	8,794
More than 365 days overdue	24,873	(18,433)	6,440
Total	<u>399,815</u>	<u>(18,433)</u>	<u>381,382</u>

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

18 TRADE AND OTHER RECEIVABLES (CONTINUED)

Receivables that are neither past due nor impaired

Trade and other receivables of the Group and the Company that are not impaired are in respect of creditworthy debtors with reliable payment records and have a low risk of default. Most of the Group's trade receivables arise from customers with more than 5 years of experience with the Group.

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

The movements in the allowance for impairment loss of trade receivables during the financial year are as follows:

	<u>Group</u>	
	<u>2018</u>	<u>2017</u>
	RM'000	RM'000
As previously reported at 31 December	18,433	19,748
Effects of adoption of MFRS 9	2,325	-
As restated at 1 January	20,758	19,748
Impairment loss recognised	4,397	1,423
Impairment loss reversed	(1,405)	(1,247)
Bad debts written off	(343)	(718)
Effect of exchange rate changes	139	(773)
At 31 December	<u>23,546</u>	<u>18,433</u>

Trade receivables that are individually determined to be impaired at the reporting date relate to balances for which recoveries are doubtful. These receivables are not secured by any collateral.

The movements in the Group and the Company's allowance for impairment loss of other receivables during the financial year are as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000
At 1 January	17,075	16,626	900	900
Impairment loss recognised	498	626	209	-
Impairment loss reversed	(234)	(35)	-	-
Bad debts written off	(523)	-	-	-
Effect of exchange rate changes	29	(142)	-	-
At 31 December	<u>16,845</u>	<u>17,075</u>	<u>1,109</u>	<u>900</u>

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18 TRADE AND OTHER RECEIVABLES (CONTINUED)

The Group's trade receivables exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the financial year, were:

	Group	
	<u>2018</u>	<u>2017</u>
	RM'000	RM'000
Gross trade receivables		
- United States Dollar	37,269	56,589
- Euro Dollar	5,081	1,155
- Japanese Yen	742	835
- Indonesian Rupiah	578	889
- Singapore Dollar	432	1,023
- Indian Rupee	-	1,322
	<u>44,102</u>	<u>61,813</u>

The Group's and the Company's other receivables, deposits and prepayments exposure to foreign currency (a currency which is other than the functional currency of the Group entities and the Company) risk, based on carrying amounts as at the end of the financial year, were:

	Group		Company	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000
Other receivables, deposits and prepayments				
- United States Dollar	34,360	6,605	12,415	12,197
- Euro Dollar	12,615	1,538	-	-
- Indonesian Rupiah	1,882	336	-	-
- Singapore Dollar	552	928	-	-
- Norwegian Kroner	405	442	-	-
- Ringgit Malaysia	-	502	-	-
- Japanese Yen	-	6,106	-	-
	<u>49,814</u>	<u>16,457</u>	<u>12,415</u>	<u>12,197</u>

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19 AMOUNTS OWING BY/(TO) SUBSIDIARIES

(a) Amounts owing by subsidiaries

	Company	
	<u>2018</u>	<u>2017</u>
	RM'000	RM'000
Interest bearing loans (unsecured)	202,702	183,191
Interest free advances (unsecured)	4,255	9,786
	<u>206,957</u>	<u>192,977</u>
Less: Allowance for impairment loss	(43,106)	(43,106)
	<u>163,851</u>	<u>149,871</u>

The effective interest rate of interest bearing loans as at 31 December 2018 ranges between 4.80% to 8.85% (2017: 2.00% to 6.25%) per annum. The loans and advances are recoverable on demand.

The movements in the allowance for impairment loss of amounts owing by subsidiaries during the financial year are as follows:

	Company	
	<u>2018</u>	<u>2017</u>
	RM'000	RM'000
At 1 January	43,106	43,661
Impairment loss reversed	-	(555)
	<u>43,106</u>	<u>43,106</u>

There is no impairment of amounts owing by subsidiaries as the rate of default and expected loss rate is low.

The Company's amounts owing by subsidiaries exposure to foreign currency (a currency which is other than the functional currency of the Company) risk, based on carrying amounts as at the end of the financial year, were:

	Company	
	<u>2018</u>	<u>2017</u>
	RM'000	RM'000
- United States Dollar	<u>72,515</u>	<u>89,348</u>

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19 AMOUNTS OWING BY/(TO) SUBSIDIARIES (CONTINUED)

(b) Amounts owing to subsidiaries

	Company	
	<u>2018</u>	<u>2017</u>
	RM'000	RM'000
Non-trade account	6,797	1,291

The Company's amounts owing to subsidiaries are denominated in Ringgit Malaysia, unsecured, interest free and repayable on demand.

20 AMOUNTS OWING BY/(TO) ASSOCIATES

(a) Amounts owing by associates

	Group		Company	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000
Trade accounts	7,396	6,601	-	-
Advances	4,221	6,121	20	13
	<u>11,617</u>	<u>12,722</u>	<u>20</u>	<u>13</u>

The movements in the allowance for impairment loss of amounts owing by associates during the financial year are as follows:

	Group	
	<u>2018</u>	<u>2017</u>
	RM'000	RM'000
At 1 January	-	1,441
Written off	-	(534)
Disposal of an associate	-	(885)
Effect of exchange rate changes	-	(22)
At 31 December	<u>-</u>	<u>-</u>

There is no impairment of amounts owing by associates as the rate of default and expected loss rate is low.

The Group has no significant exposure to foreign currency risk for the amounts owing by associates except for an amount of RM45,000 (2017: RM44,000) denominated in United States Dollar.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

20 AMOUNTS OWING BY/(TO) ASSOCIATES (CONTINUED)

(a) Amounts owing by associates (continued)

Trade accounts are unsecured, interest free and recoverable within the normal credit period. The advances are unsecured, interest free and recoverable on demand.

The Company's amounts owing by associates is non-trade in nature, unsecured, interest free and recoverable on demand. As at 31 December 2018 and 31 December 2017, the Company has no exposure to foreign currency risk for the amounts owing by associates.

(b) Amounts owing to associates

	Group	
	<u>2018</u>	<u>2017</u>
	RM'000	RM'000
Trade account	-	165
Non-trade account	-	10
	<u>-</u>	<u>175</u>
	<u><u>-</u></u>	<u><u>175</u></u>

The Group's amounts owing to associates exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the financial year, were:

	Group	
	<u>2018</u>	<u>2017</u>
	RM'000	RM'000
- Canadian Dollar	-	165
- United States Dollar	-	10
	<u>-</u>	<u>175</u>
	<u><u>-</u></u>	<u><u>175</u></u>

Trade and non-trade accounts are unsecured, interest free and repayable on demand.

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21 AMOUNTS OWING BY/(TO) JOINT VENTURES

(a) Amounts owing by joint ventures

	Group		Company	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000
Trade accounts	1,784	1,678	-	-
Interest bearing loan	53,082	51,872	-	-
Advances	605	2,292	-	23
	<u>55,471</u>	<u>55,842</u>	<u>-</u>	<u>23</u>
Less: Allowance for impairment loss	-	(425)	-	-
	<u>55,471</u>	<u>55,417</u>	<u>-</u>	<u>23</u>

The Group's effective interest rate of interest bearing loans as at 31 December 2018 is between 3.26% to 3.75% (2017: 3.26% to 3.75%) per annum. The loans and advances are unsecured and recoverable on demand.

The movements in the allowance for impairment loss on the Group's amounts owing by joint ventures during the financial year are as follows:

	Group	
	<u>2018</u>	<u>2017</u>
	RM'000	RM'000
At 1 January	425	454
Written off	(421)	-
Effect of exchange rate changes	(4)	(29)
At 31 December	<u>-</u>	<u>425</u>

There is no impairment of amounts owing by joint ventures as the rate of default and expected loss rate is low.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

21 AMOUNTS OWING BY/(TO) JOINT VENTURES (CONTINUED)

(a) Amounts owing by joint ventures (continued)

The Group's amounts owing by joint ventures exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the financial year, were:

	<u>2018</u>	<u>Group</u> <u>2017</u>
	RM'000	RM'000
- United States Dollar	32,496	33,380
- China Renminbi	-	1,080
	<u>32,496</u>	<u>34,460</u>

As at 31 December 2017, the Company's amounts owing by a joint venture is non-trade in nature, unsecured, interest free and recoverable on demand. The Company has no exposure to foreign currency risk for the amounts owing by a joint venture.

(b) Amounts owing to joint ventures

	<u>2018</u>	<u>Group</u> <u>2017</u>
	RM'000	RM'000
Advance	3,757	3,198
Non-trade account	202	116
	<u>3,959</u>	<u>3,314</u>

The Group's amounts owing to joint ventures exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the financial year, were:

	<u>2018</u>	<u>Group</u> <u>2017</u>
	RM'000	RM'000
- Japanese Yen	3,757	3,198
- China Renminbi	202	96
- United States Dollar	-	20
	<u>3,959</u>	<u>3,314</u>

Advance and non-trade accounts are unsecured, interest free and repayable on demand.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

22 TIME DEPOSITS

	<u>Group</u>		<u>Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000
Time deposits placed with:				
- licensed banks in Malaysia	30,172	35,998	8,500	2,110
- licensed overseas banks	28,724	1,500	-	-
	<u>58,896</u>	<u>37,498</u>	<u>8,500</u>	<u>2,110</u>
Time deposits with maturity more than 3 months	16,868	55,036	-	-
Short term investments	609	18,862	609	18,862
	<u>76,373</u>	<u>111,396</u>	<u>9,109</u>	<u>20,972</u>

Short term investments are liquid investments held for investment purposes.

As at 31 December 2018 and 31 December 2017, the Group and the Company have no exposure to foreign currency risk for time deposits and short term investments.

The effective interest rates of time deposits of the Group and the Company are as follow:

	<u>Group</u>		<u>Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	%	%	%	%
Time deposits	<u>1.65 – 3.31</u>	<u>2.60 – 3.31</u>	<u>2.70</u>	<u>2.60 – 2.65</u>

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23 CASH AND BANK BALANCES

	<u>Group</u>		<u>Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	156,363	189,612	854	2,221

The Group's and the Company's cash and cash equivalents exposure to foreign currency (a currency which is other than the functional currency of the Group entities and the Company) risk, based on carrying amounts as at the end of the financial year, were:

	<u>Group</u>		<u>Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000
- United States Dollar	10,082	34,544	241	740
- Euro Dollar	4,573	4,302	-	19
- Singapore Dollar	3,834	5,054	110	174
- Indonesian Rupiah	1,593	1,518	-	-
- Japanese Yen	1,243	1,711	-	-
- Norwegian Kroner	650	148	-	-
- China Renminbi	310	343	-	-
- Ringgit Malaysia	-	1,602	-	-
- Australian Dollar	20	22	20	22
	<u>22,305</u>	<u>49,244</u>	<u>371</u>	<u>955</u>

Cash and bank balances are deposits held at call with banks and earn no interest.

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24 ASSETS CLASSIFIED AS HELD FOR SALE

- (a) On 22 June 2018, the Company's 70% owned subsidiary, Wasco Coatings Insulation Sdn. Bhd. ("WCI") entered into a sale and purchase agreement for the disposal of plant and machineries for a consideration of RM2,207,000.

The completion of the disposal is subject to fulfilment of the condition precedent as stipulated in the sales and purchase agreement.

Pursuant to MFRS 5 "Non-current Assets Held for Sales and Discontinued Operations", the carrying amount of the plant and machineries have been classified as assets held for sale.

- (b) On 8 August 2017, the Company's wholly-owned subsidiary, Wasco Engineering International Limited ("WEIL") entered into a sale and purchase agreement for the disposal of compressor units for a consideration of USD11,464,000 (equivalent to approximately RM46,286,000). The consideration includes additional refurbishment and modification cost on the existing compressor units.

On 14 January 2018, WEIL completed the disposal of the said compressor units by fulfilling condition precedent as stipulated in the sales and purchase agreement. Accordingly, the carrying amount of the said compressor units was derecognised as asset held for sale, resulting in a gain on disposal of USD1,123,000 (equivalent to approximately RM4,534,000) being recognised in the statement of profit or loss.

Details of the assets classified as held for sale are as follows:

	Group	
	<u>2018</u>	<u>2017</u>
	RM'000	RM'000
Property, plant and equipments	<u>2,207</u>	<u>18,143</u>

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25 SHARE CAPITAL

	2018		Group and Company 2017	
	Number of shares '000	Carrying value RM'000	Number of shares '000	Carrying value RM'000
Issued and fully paid:				
At 1 January - Ordinary shares with no-par value (31 January 2017: RM0.50 each)	774,887	547,690	774,887	387,444
Transition to no-par value regime on 31 January 2017 (Note 26)	-	-	-	160,246
At 31 December - Ordinary shares with no-par value	774,887	547,690	774,887	547,690

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share and rank equally with regard to the Company's residual assets.

The Companies Act, 2016 ("Act"), which came into effect on 31 January 2017, had abolished the authorised share capital and par value of share capital. Consequently, any amounts standing to the credit of the share premium account becomes part of the Company's share capital pursuant to Section 618(2) of the Act. There is no impact on the numbers of ordinary shares issued or the entitlement of the shareholders as a result of the Act.

26 SHARE PREMIUM

	Group and Company	
	2018 RM'000	2017 RM'000
At 1 January	-	160,246
Transition to no-par value regime on 31 January 2017 (Note 25)	-	(160,246)
At 31 December	-	-

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27 TREASURY SHARES

	2018		Group and Company 2017	
	Number of shares '000	Amount RM'000	Number of shares '000	Amount RM'000
At 1 January	2,097	2,331	2,097	2,331
Shares repurchased	2,330	2,448	-	-
At 31 December	4,427	4,779	2,097	2,331

The shareholders of the Company had approved an ordinary resolution at the Eighteenth Annual General Meeting held on 25 May 2018 for the Company to purchase its own shares of up to a maximum of 10% of the total number of issued shares of the Company. The Directors of the Company are committed to enhancing the value of the Company and believe that the purchase plan is being implemented in the best interest of the Company and its shareholders.

During the financial year, the Company purchased 2,329,600 ordinary shares of its total number of issued shares from the open market on Bursa Malaysia for RM2,447,883. The average price paid for the shares purchased during the financial year was approximately RM1.05 per share. The purchase transactions were financed by internally generated funds. Pursuant to the provisions of Section 127 of the Companies Act, 2016 ("Act"), the Company may either retain the purchased shares as treasury shares or cancel the purchased shares or a combination of both. The Directors of the Company may treat the purchased shares held as treasury shares as follows pursuant to Section 127(7) of the Act:

- (i) distribute the treasury shares as dividends to the shareholders, such dividend to be known as "share dividends";
- (ii) resell the treasury shares or any of the treasury shares in accordance with the relevant rules of Bursa Securities;
- (iii) transfer the treasury shares or any of the treasury shares for the purposes of or under an employees' share scheme;
- (iv) transfer the treasury shares or any of the treasury shares as purchase consideration;
- (v) cancel the treasury shares or any of the treasury shares; or
- (vi) sell, transfer or otherwise use the treasury shares for such other purposes as the Minister (as defined in the Act) may by order prescribe.

As treasury shares, the rights attached as to voting, dividends and participation in other distribution, whether cash or otherwise, of the Company's assets including any distribution of assets upon winding up are suspended and the treasury shares shall not be taken into account in calculating the number or percentage of shares or of a class of shares for any purposes including substantial shareholdings, takeovers, notices, the requisitioning of meetings, the quorum for a meeting and the result of a vote on a resolution at a meeting.

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28 LOANS AND BORROWINGS

	<u>Group</u>		<u>Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000
<u>Current</u>				
Unsecured:				
Revolving credits	511,118	515,194	170,011	134,167
Term loans	110,892	111,426	-	-
Trade financing	87,190	118,217	-	-
Fixed rate notes	9,015	30,017	-	-
	<u>718,215</u>	<u>774,854</u>	<u>170,011</u>	<u>134,167</u>
<u>Non-current</u>				
Unsecured:				
Term loans	129,410	113,169	-	-
Revolving credits	-	88,500	-	-
	<u>129,410</u>	<u>201,669</u>	<u>-</u>	<u>-</u>
	<u>847,625</u>	<u>976,523</u>	<u>170,011</u>	<u>134,167</u>

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

	<u>Group</u>		<u>Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000
Within 1 year	718,215	774,854	170,011	134,167
More than 1 year and less than 2 years	51,550	171,399	-	-
More than 2 years and less than 5 years	37,660	30,270	-	-
More than 5 years	40,200	-	-	-
	<u>847,625</u>	<u>976,523</u>	<u>170,011</u>	<u>134,167</u>

As at 31 December 2018 and 31 December 2017, there were no secured loans and borrowings held by the Group.

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28 LOANS AND BORROWINGS (CONTINUED)

The Group's and the Company's loans and borrowings exposure to foreign currency (a currency which is other than the functional currency of the Group entities and the Company) risk, based on carrying amounts as at the end of the financial year, were:

	<u>Group</u>		<u>Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000
- United States Dollar	153,415	178,646	120,011	134,167
- Euro Dollar	23,344	10,714	-	-
- British Pound	3,963	-	-	-
	<u>180,722</u>	<u>189,360</u>	<u>120,011</u>	<u>134,167</u>

The effective interest rates of loans and borrowings of the Group are as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	%	%	%	%
Revolving credits	2.79 – 6.46	1.38 – 6.28	3.20 – 6.46	1.57 – 6.28
Term loans	3.16 – 6.57	2.68 – 5.32	-	-
Trade financing	2.28 – 4.69	2.40 – 8.51	-	-
Fixed rate notes	3.44 – 4.55	3.44	-	-

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

28 LOANS AND BORROWINGS (CONTINUED)

The net exposure of loans and borrowings to cash flow risk and fair value risk in the periods in which they mature or reprice (whichever is earlier) are as follows:

2018

	Total carrying amount RM'000	Fixed interest rate (Fair value risk) <1 year RM'000	Floating interest rate (Cash flow risk)			
			<1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000	>5 years RM'000
<u>Group</u>						
<u>Unsecured</u>						
Revolving credits	511,118	-	511,118	-	-	-
Term loans	240,302	-	110,892	51,550	37,660	40,200
Trade financing	87,190	-	87,190	-	-	-
Fixed rate notes	9,015	9,015	-	-	-	-
	<u>847,625</u>	<u>9,015</u>	<u>709,200</u>	<u>51,550</u>	<u>37,660</u>	<u>40,200</u>
<u>Company</u>						
<u>Unsecured</u>						
Revolving credits	<u>170,011</u>	<u>-</u>	<u>170,011</u>	<u>-</u>	<u>-</u>	<u>-</u>

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28 LOANS AND BORROWINGS (CONTINUED)

The net exposure of loans and borrowings to cash flow risk and fair value risk in the periods in which they mature or reprice (whichever is earlier) are as follows (continued):

2017

Group	Total carrying amount RM'000	Fixed interest rate (Fair value risk)	Floating interest rate (Cash flow risk)		
		<u><1 year</u>	<u><1 year</u>	<u>1 – 2 years</u>	<u>2 – 3 years</u>
		RM'000	RM'000	RM'000	RM'000
<u>Unsecured</u>					
Revolving credits	603,694	-	515,194	88,500	-
Term loans	224,595	-	111,426	82,899	30,270
Trade financing	118,217	-	118,217	-	-
Fixed rate notes	30,017	30,017	-	-	-
	<u>976,523</u>	<u>30,017</u>	<u>744,837</u>	<u>171,399</u>	<u>30,270</u>
<u>Company</u>					
<u>Unsecured</u>					
Revolving credits	134,167	-	134,167	-	-

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

29 TRADE AND OTHER PAYABLES

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<u>Current</u>				
Trade payables	190,472	248,090	-	-
Deferred revenue	-	6,423	-	-
Advances from customer*	357,464	85,166	-	-
Other payables and accruals	178,414	278,321	14,258	11,603
	<u>726,350</u>	<u>618,000</u>	<u>14,258</u>	<u>11,603</u>
<u>Non-current</u>				
Advances from customer*	-	486,236	-	-
Other liabilities	6,294	5,693	-	-
	<u>6,294</u>	<u>491,929</u>	<u>-</u>	<u>-</u>

* As at 31 December 2018, the revenue relating to performance obligation that are unsatisfied or partially unsatisfied arising from advances from customer is expected to be recognised over the next 12 months. Revenue recognised during the financial year that would have been included in the contract liabilities as at 1 January 2018 and from additional contract liabilities during the financial year are RM567,433,000 and RM890,209,000 respectively.

The Group's trade payables exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the financial year, were:

	Group	
	2018	2017
	RM'000	RM'000
- United States Dollar	28,477	27,863
- United Arab Emirates Dirham	5,014	1,528
- Indonesian Rupiah	2,809	5,564
- Singapore Dollar	2,010	5,917
- Euro Dollar	1,628	2,123
- China Renminbi	1,038	-
- Japanese Yen	994	1,756
- British Pound	424	2,406
- Ringgit Malaysia	187	-
- Australian Dollar	112	121
	<u>42,693</u>	<u>47,278</u>

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29 TRADE AND OTHER PAYABLES (CONTINUED)

The Group's other payables exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the financial year, were:

	<u>2018</u>	<u>Group</u> <u>2017</u>
	RM'000	RM'000
- Euro Dollar	17,528	10,748
- United States Dollar	2,589	5,914
- Singapore Dollar	1,424	2,400
- Indonesian Rupiah	524	538
- China Renminbi	416	137
- Ringgit Malaysia	107	1,635
- Japanese Yen	10	3,776
- United Arab Emirates Dirham	-	1,138
	<u>22,598</u>	<u>26,286</u>

Other payables and accruals balances of the Company are denominated in Ringgit Malaysia.

30 PROVISION FOR WARRANTIES

	<u>2018</u>	<u>Group</u> <u>2017</u>
	RM'000	RM'000
At 1 January	6,929	9,470
Additions	4,501	4,476
Utilisation	-	(808)
Reversal	(2,621)	(5,747)
Effect of exchange rate changes	86	(462)
At 31 December	<u>8,895</u>	<u>6,929</u>

The Group recognises the estimated liability to repair or replace products when the underlying products or services are sold. It is expected that most of these costs will be incurred over the warranty period which extends up to 4 years.

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31 GROSS REVENUE

	<u>Group</u>		<u>Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000
<u>Revenue from contracts with customers</u>				
Contract revenue	2,172,634	1,673,141	-	-
Sale of goods	721,925	772,225	-	-
	<u>2,894,559</u>	<u>2,445,366</u>	<u>-</u>	<u>-</u>
<u>Revenue from other sources</u>				
Rental income	64,545	39,979	-	-
Commission income	-	2,683	-	-
Dividend income	-	-	9,094	10,863
Interest income	-	-	8,839	11,319
Management fees	-	-	701	3,212
Other services	2,027	4,072	-	-
	<u>66,572</u>	<u>46,734</u>	<u>18,634</u>	<u>25,394</u>
	<u>2,961,131</u>	<u>2,492,100</u>	<u>18,634</u>	<u>25,394</u>

Revenue from contracts with customers is represented by:

	<u>Group</u>
	<u>2018</u>
	RM'000
Timing of revenue recognition	
- Over time	2,024,442
- At a point in time	870,117
	<u>2,894,559</u>

Comparative information for the previous financial year is not required to be disclosed in accordance with MFRS 15.

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32 COST OF SALES

	Group	
	<u>2018</u>	<u>2017</u>
	RM'000	RM'000
Contract costs	1,930,280	1,443,661
Cost of goods sold	646,980	705,935
Direct operating costs relating to rental income	48,020	32,832
	<u>2,625,280</u>	<u>2,182,428</u>

33 OTHER GAINS/(LOSSES) - NET

	Group	
	<u>2018</u>	<u>2017</u>
	RM'000	RM'000
Fair value gains/(losses) arising from fair value changes of:		
- Derivative financial instruments - Forward currency contracts	48	(487)
- Investment in equity instruments	(4)	-
	<u>44</u>	<u>(487)</u>

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34 PROFIT FROM OPERATIONS

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Profit from operations is stated after charging:				
Staff costs (Note 41)	494,370	334,866	6,848	4,371
Auditors' remuneration:				
Fees for statutory audits				
- PricewaterhouseCoopers PLT	1,068	1,077	88	88
- member firms of PricewaterhouseCoopers International Limited	2,176	1,497	-	-
- others	629	590	-	-
Fees for non-audit services*				
- PricewaterhouseCoopers PLT	692	577	14	14
- member firms of PricewaterhouseCoopers International Limited	2,082	2,802	-	-
Depreciation of property, plant and equipment	188,091	144,713	100	237
Impairment loss on:				
- property, plant and equipment	48	72,842	-	-
- investment in an associate	-	271	-	-
Loss on foreign currency exchange:				
- realised	14,058	13,313	4,619	5,545
- unrealised	11,392	29,104	-	-
Loss on disposal on a subsidiary	-	8,363	-	-
and crediting:				
Gain on disposal of property, plant and equipment	5,439	36,662	3	98
Gain on disposal of non-current asset held for sale	4,534	-	-	-
Gain on disposal of prepaid lease payments	-	64,071	-	-
Gain on disposal of a subsidiary	-	-	-	12,235
Gain on foreign exchange:				
- realised	6,604	14,342	-	-
- unrealised	11,086	24,748	2,338	4,276
Interest income	6,687	7,660	8,839	11,319
Reversal of impairment loss on property, plant and equipment	4,904	-	-	-

* Included in fees for non-audit services are fees payable to PricewaterhouseCoopers PLT and its local affiliates for the Group and the Company of RM692,000 (2017: RM577,000) and RM14,000 (2017: RM14,000) respectively.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

35 FINANCE COSTS

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Interest expense on:				
- loans and borrowings	38,940	41,897	6,489	7,427

36 TAX EXPENSE

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Current tax:				
- Malaysian income tax	8,665	10,173	1,210	1,988
- Foreign taxation	39,485	22,722	-	-
	48,150	32,895	1,210	1,988
Deferred taxation (Note 14)	(924)	(24,933)	(361)	113
	47,226	7,962	849	2,101
Current tax:				
- Current financial year	48,290	36,959	1,100	1,800
- (Over)/Under accrual in prior financial years	(140)	(4,064)	110	188
	48,150	32,895	1,210	1,988
Deferred taxation (Note 14)				
- Origination and reversal of temporary differences	(924)	(24,933)	(361)	113
Tax expense recognised in profit or loss	47,226	7,962	849	2,101

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

36 TAX EXPENSE (CONTINUED)

The numerical reconciliation between the tax expense and the product of accounting profit multiplied by the statutory tax rate is as follows:

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Profit before tax	107,088	122,605	537	23,017
Calculated at the Malaysian tax rate of 24% (2017: 24%) on profit before tax	25,701	29,425	129	5,524
Expenses not deductible for tax purposes	27,554	28,779	654	3,199
Income not subject to tax	(22,464)	(38,328)	(44)	(6,810)
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(1,334)	(3,508)	-	-
Reversal of previously recognised deferred tax assets	3,532	-	-	-
Current financial year deferred tax assets not recognised	4,262	10,363	-	-
Utilisation of tax incentives	(1,268)	(1,971)	-	-
Effect of different tax rates in other countries	6,195	1,060	-	-
Effect of changes in tax rates	-	(12,539)	-	-
(Over)/Underprovision in prior financial years	(140)	(4,064)	110	188
Share of associates and joint ventures results	4,603	(1,093)	-	-
Others	585	(162)	-	-
Tax expense recognised in profit or loss	47,226	7,962	849	2,101

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

37 EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The basic earnings per share for the financial year has been calculated by dividing the Group's profit attributable to owners of the Company for the financial year of RM64,797,000 (2017: RM113,021,000) by the weighted average number of ordinary shares in issue, after adjusting for movements in treasury shares during the financial year.

Weighted average number of shares

	<u>Group</u>	
	<u>2018</u>	<u>2017</u>
	<u>'000</u>	<u>'000</u>
Issued ordinary shares at 1 January	774,887	774,887
Effect of shares repurchased	(2,786)	(2,096)
Weighted average number of ordinary shares in issue	<u>772,101</u>	<u>772,791</u>
Basic earnings per ordinary share (sen)	<u>8.39</u>	<u>14.63</u>

As there are no potential ordinary shares issued by the Company, thus there is no dilution in earnings per share.

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38 DISPOSAL OF SUBSIDIARY

Disposal of subsidiary in the previous financial year

On 21 December 2017, the Company and WSC Capital Sdn. Bhd. ("WSC Capital"), a direct wholly-owned subsidiary of the Company had disposed of 2,000,001 ordinary shares and 3,000,000 redeemable preference shares of WS Agro Industries Pte. Ltd. ("WS Agro"), representing 100% equity interest in WS Agro, for a total cash consideration of USD6,000,000. As a result of the disposal, WS Agro ceased to be a wholly-owned subsidiary of the Company.

Details of the disposal and the net cash flow on disposal are as follows:

	<u>At the date of disposal</u> RM'000
Investment in associate	24,104
Other receivables	59
Amount owing by associate	1,785
Cash and bank balances	5
Other payables	(15)
Amount owing to related company	(1)
	<hr/>
Group share of net assets disposed	25,937
Net disposal proceeds	24,469
	<hr/>
Net loss on disposal before reclassification of foreign currency translation reserve	(1,468)
Reclassification of foreign currency translation reserve to profit or loss	(6,895)
	<hr/>
Net loss on disposal	(8,363)
Less: Cash and bank balances of subsidiary disposed	(5)
Proceeds receivable	8,363
	<hr/>
Net cash outflow on disposal	<u>(5)</u>

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

39 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

<u>Group</u>	<u>Term loans</u> RM'000	<u>Fixed rate notes</u> RM'000	<u>Other bank borrowings</u> RM'000	<u>Total liabilities from financing activities</u> RM'000
<u>2018</u>				
At 1 January	224,595	30,017	721,911	976,523
Cash flows	13,540	(21,012)	(128,034)	(135,506)
Effect of exchange rate changes	2,167	10	4,431	6,608
At 31 December	<u>240,302</u>	<u>9,015</u>	<u>598,308</u>	<u>847,625</u>
<u>2017</u>				
At 1 January	366,580	33,138	831,783	1,231,501
Cash flows	(114,016)	-	(53,586)	(167,602)
Effect of exchange rate changes	(27,969)	(3,121)	(56,286)	(87,376)
At 31 December	<u>224,595</u>	<u>30,017</u>	<u>721,911</u>	<u>976,523</u>

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

39 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONTINUED)

<u>Company</u>	<u>Other bank borrowings</u> RM'000	<u>Total liabilities from financing activities</u> RM'000
<u>2018</u>		
At 1 January	134,167	134,167
Cash flows	34,921	34,921
Effect of exchange rate changes	923	923
	<hr/>	<hr/>
At 31 December	<u>170,011</u>	<u>170,011</u>
<u>2017</u>		
At 1 January	233,402	233,402
Cash flows	(73,661)	(73,661)
Effect of exchange rate changes	(25,574)	(25,574)
	<hr/>	<hr/>
At 31 December	<u>134,167</u>	<u>134,167</u>

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

40 SIGNIFICANT RELATED PARTY DISCLOSURES

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly.

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions. The transactions described below were carried out on agreed terms.

	<u>2018</u>	<u>Group</u> <u>2017</u>
	RM'000	RM'000
<u>Significant transactions with companies in which a Director of the Company, Dato' Seri Robert Tan Chung Meng, has interest</u>		
Rental of premises paid/payable	1,031	1,031
	<u> </u>	<u> </u>
<u>Significant transactions with an associate</u>		
Lease rental of equipment	10,307	11,490
	<u> </u>	<u> </u>

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

40 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

	Company	
	2018	2017
	RM'000	RM'000
<u>Significant transactions with subsidiaries</u>		
Dividend income:		
- Jutasama Sdn. Bhd.	7,985	9,875
- Petro-Pipe Industrial Corporation Sdn. Bhd.	1,109	988
	<u> </u>	<u> </u>
Interest income:		
- WSC Capital Sdn. Bhd.	6,158	8,337
- Peakvest Sdn. Bhd.	988	952
- Sunrise Green Sdn. Bhd.	853	264
- Triple Cash Sdn. Bhd.	230	217
- Wah Seong Management Services Sdn. Bhd.	149	-
- Maple Sunpark Sdn. Bhd.	112	-
- WDG Resources Sdn. Bhd.	70	-
- Petro-Pipe Industries (M) Sdn. Bhd.	5	363
	<u> </u>	<u> </u>
Management fees receivables:		
- PMT Industries Sdn. Bhd.	271	662
- Syn Tai Hung Trading Sdn. Bhd.	235	1,340
- Jutasama Sdn. Bhd.	162	499
- Mackenzie Industries Sdn. Bhd.	33	136
- Wasco Management Services Sdn. Bhd.	-	442
- Peakvest Sdn. Bhd.	-	44
- Maple Sunpark Sdn. Bhd.	-	44
- Sunrise Green Sdn. Bhd.	-	44
	<u> </u>	<u> </u>
Net (repayment from)/advances to subsidiaries:		
- WSC Capital Sdn. Bhd.	(36,236)	(76,593)
- Peakvest Sdn. Bhd.	(16,866)	-
- Petro-Pipe Industries (M) Sdn. Bhd.	(531)	(12,469)
- Wah Seong Industrial Holdings Sdn. Bhd.	-	(43)
- Maple Sunpark Sdn. Bhd.	65,107	-
- Sunrise Green Sdn. Bhd.	7,132	-
- Wah Seong Management Services Sdn. Bhd.	1,329	2,080
	<u> </u>	<u> </u>

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

40 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Significant outstanding balances with related parties at the financial year end are as follows:

	Company	
	<u>2018</u>	<u>2017</u>
	RM'000	RM'000
Amounts due from/(to) subsidiaries:		
- WSC Capital Sdn. Bhd.	76,551	115,501
- Maple Sunpark Sdn. Bhd.	65,219	-
- Sunrise Green Sdn. Bhd.	12,939	4,951
- Triple Cash Sdn. Bhd.	4,804	4,574
- Wah Seong Management Services Sdn. Bhd.	3,438	2,100
- Jutasama Sdn. Bhd.	435	530
- Syn Tai Hung Trading Sdn. Bhd.	280	76
- Peakvest Sdn. Bhd.	66	21,119
- Mackenzie Industries Sdn. Bhd.	51	387
- Wah Seong Industrial Holdings Sdn. Bhd.	37	17
- PMT Industries Sdn. Bhd.	21	24
- PPI Industries Sdn. Bhd.	(3,356)	-
- Wasco Management Services Sdn. Bhd.	(2,878)	(1,291)
- Petro-Pipe Industries (M) Sdn. Bhd.	(585)	566

Compensation of key management personnel are as follows:

	Group		Company	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000
Key management personnel:				
- short-term employee benefits (including monetary value of benefits-in-kind)	14,997	13,394	4,611	4,072
- post-employment benefits	1,116	834	540	467

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

41 STAFF COSTS

	Group		Company	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000
Salaries, wages and bonus	470,014	315,881	6,243	3,930
Defined contribution plan	24,356	18,985	605	441
	<u>494,370</u>	<u>334,866</u>	<u>6,848</u>	<u>4,371</u>

Included within staff costs are remuneration of Executive Directors of the Group and the Company (Note 42).

42 DIRECTORS' REMUNERATIONS

	Group		Company	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000
<u>Executive Directors</u>				
Salaries, wages and bonus	8,984	6,817	3,030	2,184
Defined contribution plan	674	504	364	263
Directors' fees	80	80	80	80
Directors' allowances	18	18	18	18
	<u>9,756</u>	<u>7,419</u>	<u>3,492</u>	<u>2,545</u>
<u>Non-Executive Directors</u>				
Directors' fees	250	250	250	250
Directors' allowances	80	78	78	78
	<u>330</u>	<u>328</u>	<u>328</u>	<u>328</u>
	<u>10,086</u>	<u>7,747</u>	<u>3,820</u>	<u>2,873</u>

The estimated monetary value of benefits-in-kind received and receivable by Directors of the Group and the Company are RM442,000 (2017: RM597,000) and RM155,000 (2017: RM156,000) respectively.

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43 COMMITMENTS

(a) Capital commitments

Capital expenditure as at the reporting date is as follows:

	Group	
	2018	2017
	RM'000	RM'000
Commitment to acquire property, plant and equipment not provided for in the financial statements:		
Approved and contracted	606	797

(b) Operating lease commitments - The Group as lessee

In addition to the prepaid lease payments disclosed in Note 5, the Group has entered into commercial leases of land and operating equipment. These leases have an average tenure between 1 and 5 years with no renewal option or contingent rent provision included in the contracts.

Future minimum rental payable under non-cancellable operating leases (excluding prepaid lease payments) at the reporting date are as follows:

	Group	
	2018	2017
	RM'000	RM'000
Payable not later than one year	21,565	22,938
Payable later than one year but not later than five years	64,505	71,897
Payable later than five years	173,867	194,330

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44 SEGMENTAL ANALYSIS

For management purposes, the Group is organised into business units based on their products and services.

The Group's operating segments comprise:

- (a) Oil & gas division: Pipe coating, pipe manufacturing for the oil and gas industry, building and operating offshore/onshore field development facilities and the provision of highly specialised equipment and services to the power generation, oleochemical and petrochemical industries.
- (b) Renewable energy division: Supplier and manufacturer of specialised equipment for biomass power plants; such as industrial fans, boilers and turbines that run primarily on biomass fuels.
- (c) Industrial trading & services division: Trading and distribution of building materials and the manufacturing and trading of industrial pipes for the construction industry.
- (d) Plantation division: Agricultural development, cultivation of oil palm and other crops and trading of oil palm products and agriculture based products. The Group had disposed of its Plantation business in the previous financial year.
- (e) Others: All other units within the Group that do not constitute a separately reportable segment.

Management monitors the operating results of its divisions separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on revenue and profitability measures as shown in the table below.

Transactions between segments were entered into in the normal course of business and were established on agreed terms. The effects of such inter-segmental transactions are eliminated on consolidation.

The assets are allocated based on the operations of the respective segments. The amounts provided to the Group Chief Executive Officer with respect to total assets are measured in a manner consistent with the disclosure of segment assets below.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

44 SEGMENTAL ANALYSIS (CONTINUED)

	<u>Oil & Gas</u> RM'000	<u>Renewable</u> <u>Energy</u> RM'000	<u>Industrial</u> <u>Trading &</u> <u>Services</u> RM'000	<u>Others</u> RM'000	<u>Total</u> RM'000
<u>RESULTS</u>					
<u>Financial year ended 31 December 2018</u>					
Revenue	1,981,234	335,845	481,679	165,505	2,964,263
Less: Inter segment revenue	(2,711)	-	-	(421)	(3,132)
External revenue	<u>1,978,523</u>	<u>335,845</u>	<u>481,679</u>	<u>165,084</u>	<u>2,961,131</u>
Segment profits/(losses)	132,420	29,231	7,279	(5,722)	163,208
Share of results of associates	1,448	-	(208)	(70)	1,170
Share of results of joint ventures	(21,719)	1,506	-	753	(19,460)
	<u>112,149</u>	<u>30,737</u>	<u>7,071</u>	<u>(5,039)</u>	<u>144,918</u>
Unallocated expenses relating to financing activities					(20,253)
Unallocated corporate expenses					(17,577)
Profit before tax					<u><u>107,088</u></u>

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44 SEGMENTAL ANALYSIS (CONTINUED)

	<u>Oil & Gas</u> RM'000	<u>Renewable</u> <u>Energy</u> RM'000	<u>Industrial</u> <u>Trading &</u> <u>Services</u> RM'000	<u>Others</u> RM'000	<u>Total</u> RM'000
<u>TOTAL ASSETS</u>					
<u>As at 31 December 2018</u>					
Segment assets	1,597,998	411,187	257,920	72,258	2,339,363
Investment in associates	181,864	-	165	-	182,029
Investment in joint ventures	104,107	3,731	-	18,530	126,368
	<u>1,883,969</u>	<u>414,918</u>	<u>258,085</u>	<u>90,788</u>	<u>2,647,760</u>
Assets held for sale					2,207
Unallocated corporate assets					
- Deferred tax assets					43,344
- Tax recoverable					15,479
- Cash and cash equivalents					18,566
- Short term investment					609
- Others					37,970
Total assets					<u><u>2,765,935</u></u>

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

44 SEGMENTAL ANALYSIS (CONTINUED)

	<u>Oil & Gas</u> RM'000	<u>Renewable</u> <u>Energy</u> RM'000	<u>Industrial</u> <u>Trading &</u> <u>Services</u> RM'000	<u>Others</u> RM'000	<u>Total</u> RM'000
<u>OTHER INFORMATION</u>					
<u>Financial year ended 31 December 2018</u>					
Depreciation of:					
- Property, plant and equipment	180,206	4,676	1,886	1,323	188,091
- Investment properties	-	-	4	342	346
Amortisation of:					
- Prepaid lease payments	508	-	820	-	1,328
Additions of:					
- Property, plant and equipment	91,141	5,265	353	1,448	98,207
- Investment properties	-	-	-	7,216	7,216
Impairment loss on receivables	205	1,471	1,536	209	3,421
(Reversal of)/impairment loss on property, plant and equipment	(4,904)	-	48	-	(4,856)
Impairment loss on inventories	2,120	481	(586)	-	2,015
Interest income	(4,582)	(791)	(949)	(365)	(6,687)
Interest expense	11,580	2,521	3,284	1,302	18,687

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

44 SEGMENTAL ANALYSIS (CONTINUED)

	Oil & Gas RM'000	Renewable Energy RM'000	Industrial Trading & Services RM'000	Others RM'000	Total RM'000
<u>RESULTS</u>					
<u>Financial year ended 31 December 2017</u>					
Revenue	1,558,949	280,274	520,423	134,791	2,494,437
Less: Inter segment revenue	(1,877)	-	-	(460)	(2,337)
External revenue	<u>1,557,072</u>	<u>280,274</u>	<u>520,423</u>	<u>134,331</u>	<u>2,492,100</u>
Segment profits/(losses)*	124,793	28,492	(493)	(4,307)	148,485
Share of results of associates*	137	-	43	(5,043)	(4,863)
Share of results of joint ventures	<u>7,088</u>	<u>1,015</u>	<u>-</u>	<u>1,774</u>	<u>9,877</u>
	132,018	29,507	(450)	(7,576)	153,499
Unallocated expenses relating to financing activities					(24,963)
Unallocated corporate expenses					<u>(5,931)</u>
Profit before tax					<u>122,605</u>

* Segment profits/(losses) and share of results of associates included Plantation segment, which amounted to loss of RM8,698,000 and loss of RM5,043,000 respectively within the "Others" segment.

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44 SEGMENTAL ANALYSIS (CONTINUED)

	<u>Oil & Gas</u> RM'000	<u>Renewable</u> <u>Energy</u> RM'000	<u>Industrial</u> <u>Trading &</u> <u>Services</u> RM'000	<u>Others</u> RM'000	<u>Total</u> RM'000
<u>TOTAL ASSETS</u>					
<u>As at 31 December 2017</u>					
Segment assets	1,966,038	333,006	293,867	93,712	2,686,623
Investment in associates	184,360	-	863	-	185,223
Investment in joint ventures	126,791	2,225	-	17,430	146,446
	<u>2,277,189</u>	<u>335,231</u>	<u>294,730</u>	<u>111,142</u>	<u>3,018,292</u>
Assets held for sale					18,143
Unallocated corporate assets					
- Deferred tax assets					41,724
- Tax recoverable					15,418
- Cash and cash equivalents					18,155
- Short term investment					18,862
- Others					39,783
Total assets					<u><u>3,170,377</u></u>

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44 SEGMENTAL ANALYSIS (CONTINUED)

	Oil & Gas RM'000	Renewable Energy RM'000	Industrial Trading & Services RM'000	Others RM'000	Total RM'000
<u>OTHER INFORMATION</u>					
<u>Financial year ended 31 December 2017</u>					
Depreciation of:					
- Property, plant and equipment	136,172	4,647	2,161	1,733	144,713
- Investment properties	-	-	13	223	236
Amortisation of:					
- Prepaid lease payments	689	-	820	-	1,509
Additions of:					
- Property, plant and equipment	473,320	2,993	569	1,117	477,999
- Investment properties	-	-	-	30	30
Impairment loss on trade receivables	-	921	502	-	1,423
Impairment loss on property, plant and equipment	72,024	-	818	-	72,842
Impairment loss on investment in an associate**	-	-	-	271	271
Impairment loss on inventories	-	3,386	2,821	-	6,207
Interest income	(3,921)	(1,023)	(1,443)	(1,273)	(7,660)
Interest expense	12,628	820	2,881	605	16,934

** Impairment loss on investment in an associate included Plantation segment, which amounted to RM271,000 within the "Others" segment.

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44 SEGMENTAL ANALYSIS (CONTINUED)

Geographical information

Revenue and non-current assets information is based on the geographical location of customers and assets respectively as follows:

	<u>Revenue</u>		<u>Non-current assets*</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000
Attributed to the country of domicile:				
Malaysia	679,975	896,636	554,086	593,779
Attributed to foreign countries:				
Europe	1,743,402	1,144,397	548,731	627,015
South East Asia excluding Malaysia	175,226	119,409	122,962	132,506
Australia	159,485	154,556	16,797	9,621
Middle East	74,532	61,309	22,881	25,851
East Asia	28,183	12,209	-	-
China	26,681	18,245	8,081	9,029
Latin America	16,371	14,132	-	-
Canada	11,550	13,420	132,306	132,538
Africa	6,582	19,477	-	-
India	2,624	8,584	82	4,691
Others	36,520	29,726	3,387	5,049
	<u>2,961,131</u>	<u>2,492,100</u>	<u>1,409,313</u>	<u>1,540,079</u>

* Non-current assets other than investment in equity instruments/available-for-sale financial assets, financial instruments and deferred tax assets.

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45 FINANCIAL INSTRUMENTS BY CATEGORY

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<u>Financial assets</u>				
Financial assets measured at fair value through profit or loss – designated upon initial recognition:				
- Derivatives financial assets	146	94	-	-
- Short term investments	609	18,862	609	18,862
- Investment in equity instruments	6	-	-	-
Financial assets measured at fair value through other comprehensive income:				
- Available-for-sale financial assets	-	10	-	-
Financial assets at amortised cost:				
- Trade and other receivables (excluding prepayments)	466,275	738,841	12,815	14,261
- Amounts owing by subsidiaries	-	-	163,851	149,871
- Amounts owing by associates	11,617	12,722	20	13
- Amounts owing by joint ventures	55,471	55,417	-	23
- Finance lease receivables	32,422	-	-	-
- Time deposits	75,764	92,534	8,500	2,110
- Cash and bank balances	156,363	189,612	854	2,221
	797,912	1,089,126	186,040	168,499
Total	798,673	1,108,092	186,649	187,361
<u>Financial liabilities</u>				
Financial liabilities at amortised cost:				
- Trade and other payables	369,032	533,042	14,258	11,603
- Amounts owing to subsidiaries	-	-	6,797	1,291
- Amounts owing to associates	-	175	-	-
- Amounts owing to joint ventures	3,959	3,314	-	-
- Dividend payable	14,004	13,685	-	-
- Loans and borrowings	847,625	976,523	170,011	134,167
Total	1,234,620	1,526,739	191,066	147,061

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

46 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's and the Company's overall financial risk management objectives and policies are to ensure that the Group and the Company create value and maximise returns for its shareholders. Financial risk management is carried out through risk review, internal control systems, benchmarking to the industry's best practices and adherence to the Group's financial risk management policies.

The main risks arising from the financial instruments of the Group and the Company are credit risk, market risk, and liquidity risk. Management monitors the Group's and the Company's financial position closely with the objective to minimise potential adverse effects on the financial performance of the Group and of the Company.

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 managing these risks.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and the Company.

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amounts of each class of financial assets recognised in the statements of financial position, including derivative financial instruments with positive fair values.

(a) Receivables

The Group's and the Company's exposure to credit risk is monitored on an ongoing basis. The Group and the Company have credit policies in place to manage the credit risk exposure. The risk is managed through the application of the Group's and the Company's credit management procedures which include the application of credit evaluations or approvals and follow up procedures.

The Group and the Company actively monitor the utilisation of credit limits to manage the risk of any material loss from the non-performance of its counterparties.

Simplified approach for trade receivables and contract assets (including intercompany trade balances)

The Group and the Company apply simplified approach to providing for expected credit losses prescribed by MFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables and contract assets. The Group and the Company accounts for its credit risk by appropriately providing for expected credit losses on timely basis. In calculating credit loss rate, the trade receivables and contract assets have been assessed based on credit risk categories and the days past due and adjust for forward looking information.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group and the Company. The Group and the Company categorise a receivable for write off when a debtor fails to make contractual payments and the recoverability of the receivables is remote. Where trade receivables have been written off, the Group and the Company continues to engage in enforcement activity to attempt to receive the receivable due. Where recoveries are made, these are recognised in profit or loss.

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46 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

(a) Receivables (continued)

General 3-stage approach for other debt instruments financial assets

Other debt instruments financial assets at amortised costs include other receivables, non-trade intercompany balances, time deposits and cash and bank balances. All of these financial assets are considered to have low credit risk, and thus the impairment provision recognised during the financial year was limited to 12 months expected credit losses. These financial assets instruments are considered to be low credit risk when they have a low risk of default and the counterparties have strong capacity to meet its contractual cash flow obligations in the near term. Bank deposits are placed with licensed financial institutions with high credit ratings assigned by credit rating agencies and hence, the credit risk is considered to be low

Historically, the Company's loss arising from credit risk is negligible. However, the Company considers available reasonable and supportive forward looking information, such as:

- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor and changes in the business of the debtor;
- debtor's past history and existing market conditions

There is no loss allowance provision for other financial asset at amortised cost as at 31 December 2018, except for other receivables.

For movement of allowance for impairment of trade and other receivables, refer to Note 18.

(b) Intercompany balances

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of its subsidiaries regularly.

As at 31 December 2018 and 31 December 2017, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that intercompany receivables are stated at the realisable values. As at 31 December 2018 and 31 December 2017, there was no indication that the loans and advances extended to the subsidiaries are not recoverable.

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46 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

(b) Intercompany balances (continued)

Loan to subsidiaries

Loan to subsidiaries that are repayable on demand and interest-free are classified as amortised cost in the Company's financial statements because the Company's business model is to hold and collect the contractual cash flows and those cash flows represent solely payments of principal and interest. The Company applied the general 3-stage approach when determining ECL for these loans to subsidiaries.

No additional loss allowance is recognised on these loans to subsidiaries upon adoption of MFRS 9 as all strategies indicate that the Company could fully recover the outstanding balance of the loans to subsidiaries.

Loans to subsidiaries in the Company's separate financial statements are assessed on individual basis for ECL measurement, as credit risk information is obtained and monitored based on each loan to subsidiary.

(c) Derivative financial instruments

Transactions involving derivative financial instruments are with approved financial institutions and reputable banks.

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

In view of the counterparties being reputable licensed financial institutions, management does not expect any of the counterparties to fail to meet their obligations.

(d) Financial guarantees

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayment made by the subsidiaries.

The maximum exposure to credit risk amounts to RM208,717,000 (2017: RM311,479,000) representing banking facilities utilised by the subsidiaries as at the end of the financial year.

As at 31 December 2018, there was no indication that any subsidiary would default on repayment.

Financial guarantees have not been recognised since the fair value on initial recognition was not material as the probability of the subsidiaries defaulting on its banking facilities is remote.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

46 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

(e) Time deposits and cash and bank balances

Time deposits and cash and bank balances are placed with approved financial institutions and reputable banks. The likelihood of non-performance by these financial institutions is remote based on their high credit ratings.

Market risk

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

(a) Foreign currency risk

Foreign currency risk is the risk that the fair value of 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 and purchases that are denominated in a currency other than the functional currencies of the Group entities. The foreign currency in relation to these transactions is mainly denominated in United States Dollar.

The Group maintains a natural hedge, whenever possible, by maintaining receivables and payables in matching foreign currencies. Foreign exchange exposures in transactional currencies other than the functional currencies of the operating entities are kept to an acceptable level.

The Group also uses forward currency contracts to minimise exposure on currency fluctuations for which receipts or payments are anticipated more than one month after the Group has entered into a firm commitment for a sale or purchase. The forward currency contracts entered are in the same currency as the hedged item. It is the Group's policy to negotiate the terms of the forward currency contracts to match the terms of the hedged item to maximise its effectiveness.

At the reporting date, the Group is mainly exposed to fluctuation in the United States Dollar exchange rate against the respective functional currencies of the Group entities. The Group considers a 5% strengthening or weakening of the United States Dollar as a possible change.

A 5% strengthening or weakening of the United States Dollar would result in profit or loss after tax and equity being approximately RM3,511,000 (2017: RM4,064,000) lower or higher for the Group. A 5% strengthening or weakening of the United States Dollar would result in profit or loss after tax and equity being approximately RM1,540,000 (2017: RM1,594,000) higher or lower for the Company.

The Group and the Company consider that the foreign currency risk attributable to currencies other than the United States Dollar to be insignificant.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

46 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (continued)

(b) Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Group's and the Company's exposure to interest rate risks relates primarily to the Group's and the Company's time deposits and interest bearing borrowings.

Surplus funds are placed with licensed financial institutions to earn interest income based on prevailing market rates. The Group and the Company manages its interest rate risks by placing such funds on short tenures of 12 months or less.

The Group and the Company generally borrow principally on a floating rate basis and ensure that interest rates obtained are competitive.

The interest rate profile of the Group's and the Company's significant interest-bearing financial instrument have been presented in Notes 19, 21, 22 and 28.

Fair value sensitivity for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as a fair value hedge. Therefore, a change in interest rates for these financial instruments at the end of the reporting period would not affect profit or loss.

Sensitivity analysis for variable rate instruments

At the reporting date, if interest rates had been 50 basis points lower/higher, with all other variables held constant, the Group's and the Company's profit or loss after tax and equity would have been approximately RM4,193,000 and RM850,000 (2017: RM4,733,000 and RM671,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

Liquidity risk

Liquidity risk is the risk that the Group or the Company will not be able to meet its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises principally from its payables and borrowings. The Group and the Company maintain a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

46 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

As at 31 December 2018, there are facilities available together with new facility which the Group and the Company is pursuing, that can be used to part refinance borrowings, capital expenditure and general working capital requirements of the Group and the Company.

All financial liabilities of the Group and the Company that will be due and payable within the next 12 months are classified within current liabilities. The contractual cash flows of derivative financial liabilities and non-derivative financial liabilities are presented below:

	Within 1 year RM'000	More than 1 year and less than 2 years RM'000	More than 2 years and less than 5 years RM'000	More than 5 years RM'000	Total contractual undiscounted cash flows RM'000	Total carrying amount RM'000
<u>Group</u>						
<u>2018</u>						
<u>Non-derivative financial liabilities</u>						
Trade and other payables	368,882	63	87	-	369,032	369,032
Amounts owing to joint ventures	3,959	-	-	-	3,959	3,959
Loans and borrowings	751,123	58,380	48,507	43,398	901,408	847,625
Dividend payable	14,004	-	-	-	14,004	14,004
	<u>1,137,968</u>	<u>58,443</u>	<u>48,594</u>	<u>43,398</u>	<u>1,288,403</u>	<u>1,234,620</u>
<u>2017</u>						
<u>Non-derivative financial liabilities</u>						
Trade and other payables	532,833	209	-	-	533,042	533,042
Amounts owing to associates	175	-	-	-	175	175
Amounts owing to joint ventures	3,314	-	-	-	3,314	3,314
Loans and borrowings	801,555	179,036	31,725	-	1,012,316	976,523
Dividend payable	13,685	-	-	-	13,685	13,685
	<u>1,351,562</u>	<u>179,245</u>	<u>31,725</u>	<u>-</u>	<u>1,562,532</u>	<u>1,526,739</u>

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

46 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

	Within 1 year RM'000	More than 1 year and less than 2 years RM'000	More than 2 years and less than 5 years RM'000	Total contractual undiscounted cash flows RM'000	Total carrying amount RM'000
<u>Company</u>					
<u>2018</u>					
<u>Non-derivative financial liabilities</u>					
Financial guarantees*	208,717	-	-	208,717	-
Other payables and accruals	14,258	-	-	14,258	14,258
Amounts owing to subsidiaries	6,797	-	-	6,797	6,797
Loans and borrowings	178,218	-	-	178,218	170,011
	<u>407,990</u>	<u>-</u>	<u>-</u>	<u>407,990</u>	<u>191,066</u>
<u>2017</u>					
<u>Non-derivative financial liabilities</u>					
Financial guarantees*	311,479	-	-	311,479	-
Other payables and accruals	11,603	-	-	11,603	11,603
Amounts owing to subsidiaries	1,291	-	-	1,291	1,291
Loans and borrowings	139,431	-	-	139,431	134,167
	<u>463,804</u>	<u>-</u>	<u>-</u>	<u>463,804</u>	<u>147,061</u>

* This represents the maximum exposure to the Company in the event that the financial guarantee contracts issued by the Company to its subsidiaries are called upon. These liabilities have been included in the consolidated statement of financial position of the Group and hence not result in any additional liability to the Group.

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NOTES TO THE FINANCIAL STATEMENTS
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47 FAIR VALUES OF FINANCIAL INSTRUMENTS

The carrying amounts of financial assets and liabilities classified within current assets and current liabilities respectively approximate their fair values due to the relatively short term nature of these financial instruments.

Fair value of quoted equity instruments and debts securities are determined by reference to their respective published market bid price as at 31 December 2018.

The fair values of forward exchange contracts are estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate.

The fair values of interest rate swaps is determined by using valuation techniques based on observable market data.

Fair values of non-derivative financial liabilities are calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

The carrying amount of financial liabilities measured at amortised cost approximates their respective fair values.

Fair value hierarchy

The table below summarises all financial instruments carried at fair value as at 31 December 2018 and 31 December 2017, based on a hierarchy that reflects the significance of the inputs used in measuring its respective fair values. The levels are defined as follows:

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

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the financial asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the financial asset or liability that are not based on observable market data (unobservable inputs).

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

47 FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Group</u> <u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>2018</u>				
<u>Financial assets</u>				
Investment in equity instruments	6	-	-	6
Derivative financial assets	-	146	-	146
Short term investments	-	609	-	609
	<u>6</u>	<u>755</u>	<u>-</u>	<u>761</u>

2017

Financial assets

Available-for-sale financial assets	10	-	-	10
Derivative financial assets	-	94	-	94
Short term investments	-	18,862	-	18,862
	<u>10</u>	<u>18,956</u>	<u>-</u>	<u>18,966</u>

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Company</u> <u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>

2018

Financial assets

Short term investments	-	609	-	609
	<u>-</u>	<u>609</u>	<u>-</u>	<u>609</u>

2017

Financial assets

Short term investments	-	18,862	-	18,862
	<u>-</u>	<u>18,862</u>	<u>-</u>	<u>18,862</u>

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

48 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital structure in order to continue supporting its businesses, maximise shareholders' value and sustain future development of businesses within the Group. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as interest bearing liabilities less cash and cash equivalents. Total capital includes paid-up share capital and reserves attributable to owners of the Company. The Group's net gearing ratio is 0.64 times (2017: 0.75 times).