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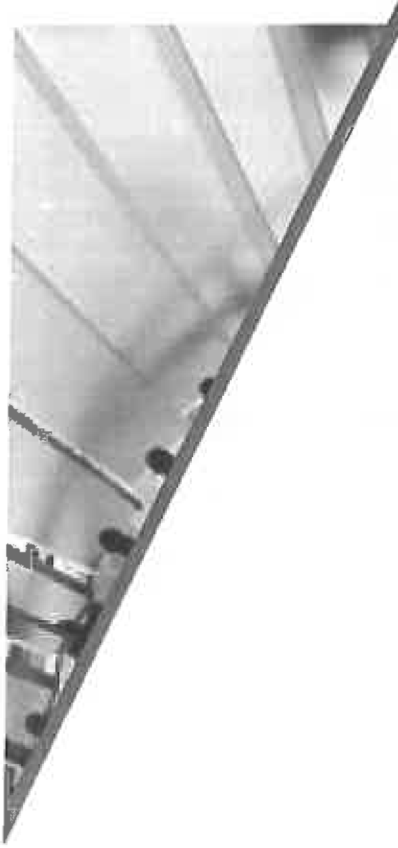

Kejuruteraan Asastera Berhad

(Incorporated in Malaysia, Company No. 420505 – H)

Financial Statements

31 December 2018

your **business** solution *partner*

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Kejuruteraan Asastera Berhad

(Incorporated in Malaysia, Company No. 420505 – H)

Financial Statements

31 December 2018

Kejuruteraan Asastera Berhad
(Incorporated in Malaysia, Company No. 420505 – H)

Financial Statements

31 December

2018

Directors' Report
for the financial year ended 31 December 2018

The directors have pleasure in submitting 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 Company is principally engaged in the business of provision of electrical and mechanical engineering services. The principal activities of the subsidiary companies are set out in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

Results

	Group RM	Company RM
Profit for the financial year attributable to : -		
Owners of the Company	8,562,715	8,695,383
Non-controlling interest	(5,970)	-
	8,556,745	8,695,383

Dividends

The dividends declared or paid by the Company since the end of previous financial year were as follows : -

	RM
In respect of the financial year ended 31 December 2018 : -	
- 1st interim single-tier dividend of RM0.005 per share, paid on 6 April 2018	1,600,000
- 2nd interim single-tier dividend of RM0.005 per share, paid on 11 October 2018	1,600,000
	3,200,000
In respect of the financial year ending 31 December 2019 : -	
- 1st interim single-tier dividend of RM0.005 per share, payable on 4 April 2019	1,600,000

The directors do not recommend any final dividend for the financial year ended 31 December 2018.

Reserves and provisions

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

Bad and doubtful debts

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and were of the opinion that it was not necessary to write off any debts nor make any allowance for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would alter their opinion that it was not necessary to write off any debts nor make any allowance for doubtful debts.

Directors' Report

for the financial year ended 31 December 2018

Current assets

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain whether any current assets, other than debts, were unlikely to realise in the ordinary course of business their value as shown in the accounting records of the Group and of the Company and to the extent so ascertained were written down to an amount that they might be expected to realise.

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

Valuation methods

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

Contingent and other liabilities

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

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

ii) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial year.

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

Change of circumstances

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

Items of an unusual nature

The results of the operations of the Group and of the Company for the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

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, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the current financial year.

Directors' Report
for the financial year ended 31 December 2018

Shares and debentures

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

Directors of the Company

The directors of the Company in office at any time during the financial year and since the end of the financial year are : -

Dato' Lai Keng Onn - Managing Director

Choong Gaik Seng

Ferdaus Bin Mahmood

Lu Chee Leong

Tong Siut Moi

Datin Chan Pey Kheng

Goh Kok Boon - appointed on 1/9/2018

Directors' interests

According to the register of directors' shareholding under Section 59 of the Companies Act, 2016, the interests of directors in office at the end of the financial year in the ordinary shares of the Company and its related corporations during the financial year are as follows : -

	No. of ordinary shares			
Share capital of the Company	As at 1/1/2018	Bought	Sold	As at 31/12/2018
a) Shareholdings in which directors have direct interest in the Company : -				
Dato' Lai Keng Onn	196,000,000	-	(52,000,000)	144,000,000
Choong Gaik Seng	12,000,000	-	-	12,000,000
Ferdaus Bin Mahmood	100,000	2,500,000	(100,000)	2,500,000
Lu Chee Leong	100,000	-	-	100,000
Goh Kok Boon	-	300,000	-	300,000

Directors' Report

for the financial year ended 31 December 2018

Directors' interests (Cont'd.)

	No. of ordinary shares			
	As at 1/1/2018	Bought	Sold	As at 31/12/2018
Share capital of related corporations				
a) Shareholdings in which directors have direct interest in the related company, Gat Success (M) Sdn Bhd : -				
Dato' Lai Keng Onn	-	40,000,000	-	40,000,000
b) Shareholdings in which directors have direct interest in the related company, Lotus Win Sdn Bhd : -				
Dato' Lai Keng Onn	-	12,000,000	-	12,000,000

By virtue of Section 8 of the Companies Act, 2016, Dato' Lai Keng Onn are deemed to be interested in the shares of the subsidiary companies during the financial year to the extent the Company has interest.

None of the other directors holding office at the end of the financial year held any interest in the ordinary shares of the Company and of its related corporations.

Directors' remuneration

The amounts of the remuneration of the directors or past directors of the Company comprising remunerations received or receivable from the Company or any of its subsidiary companies during the financial year are disclosed in Note 29 to the financial statements.

None of the directors or past directors of the Company have received any other benefits otherwise than in cash from the Company or any of its subsidiary companies during the financial year.

No payment has been paid to or payable to any third party in respect of the services provided to the Company or any of its subsidiary companies by the directors or past directors of the Company during the financial year.

Indemnifying Directors, Officers or Auditors

The total amount of indemnity given to or insurance premium paid for the director, officer or auditor of the Group and of the Company is as follow : -

	RM
Directors	11,000

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been the officer or auditor of the Group and of the Company.

Directors' Report
for the financial year ended 31 December 2018

Directors' benefits

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the financial statements, or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except as disclosed in Note 29 to the financial statements.

There were no arrangements during and at the end of the financial year, to which the Company or its subsidiary companies is a party, which had the object of enabling the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Events after the reporting period

Details of events after the reporting period are disclosed in Note 43 to the financial statements.

Auditors

a) Detail of the auditors' remuneration for the Group and the Company is disclosed in Note 27 to the financial statements.

b) The auditors, Kreston John & Gan, Chartered Accountants, have indicated their willingness to accept re-appointment.

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

Dato' Lai Keng Onn **Choong Gaik Seng**

Kuala Lumpur,
Date : 28 March 2019

Independent Auditors' Report

to members of Kejuruteraan Asastera Berhad
(Incorporated in Malaysia, Company No. 420505 - H)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Kejuruteraan Asastera Berhad, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 11 to 86.

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

Basis for Opinion

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

Independence and Other Ethical 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.

Key Audit Matters

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

Revenue recognition

Refer to Note 3(l) – Significant Accounting Policies and Note 24 – Revenue.

The Key Audit Matters

The Group and the Company recognise revenue from contract customers using the stage of completion method. The stage of completion is measured using the input method, which is based on the proportion that the actual contract costs incurred for the work performed to-date to the estimated total contract costs, which includes estimates and judgements by directors on costs to be incurred on the contracts.

The Group and the Company recognised revenue from contract customers of RM126,599,675 for the financial year ended 31 December 2018.

Independent Auditors' Report

to members of Kejuruteraan Asastera Berhad
(Incorporated in Malaysia, Company No. 420505 - H)

Revenue Recognition (Cont'd.)

The Key Audit Matters (Cont'd.)

We focused on this area because there is key judgement involved in determining the following : -

- Stage of completion;
- Extent of contract costs incurred to date; and
- Estimated total contract costs.

How our audit addresses this matter

Our procedures included, amongst others : -

- Evaluated whether the accounting policy adopted by the management is consistent with the requirements of MFRS 15, Revenue from Contracts with Customers;
- Read key contracts to obtain understanding of the specific terms and conditions;
- Identified and assessed key judgements inherent in the recognition of revenue and costs arising from contracts;
- Tested the operating effectiveness of the key controls in determination of the extent of costs incurred to-date;
- Corroborated the stage of completion with the level of completion based on actual costs incurred to-date over the estimated total costs;
- Agreed, on a sample basis, costs incurred to supporting documentation; i.e. invoices from vendors;
- Agreed total budgeted revenue, on a sample basis, of material projects to supporting documentation i.e. sales contracts; and
- Assessed the related disclosures in Note 3(l) and 25 to the financial statements.

Trade receivables

Refer to Note 7 – Trade Receivables.

The Key Audit Matters

As at 31 December 2018, the Group and the Company has outstanding trade receivables of RM40,807,429. As the trade receivables represents 40% of the total assets of the Group and of the Company and is material, we consider this as a key audit matter.

How our audit addresses this matter

Our procedures included, amongst others : -

- Obtained an understanding of the Group and of the Company's control over the trade receivables collection processes and made inquiries regarding the action plans to recover the overdue amounts;
- Reviewed the ageing analysis of trade receivables and test the reliability thereof;
- Reviewed subsequent collections from trade receivables; and
- Evaluated the reasonableness on the assessment of impairment loss to be provided on the trade receivables performed by the management.

Independent Auditors' Report

to members of Kejuruteraan Asastera Berhad
(Incorporated in Malaysia, Company No. 420505 - H)

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report, Management Discussion and Analysis, Corporate Governance Overview Statement, Audit Committee Report and Statement of Risk Management and Internal Control included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

Independent Auditors' Report

to members of Kejuruteraan Asastera Berhad
(Incorporated in Malaysia, Company No. 420505 - H)

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

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 : - (Cont'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 going concern.

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

Independent Auditors' Report

to members of Kejuruteraan Asastera Berhad
(Incorporated in Malaysia, Company No. 420505 - H)

Other Matters

1. The comparative figures were audited by another firm of auditors who expressed unmodified opinion on those statements on 19 March 2018.

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

Kreston John & Gan
(AF 0113)
Chartered Accountants

Yong Chung Sin
Approval No: 02892/04/2020(J)
Chartered Accountant

Kuala Lumpur,
Date : 28 March 2019

Consolidated Statement of Financial Position

31 December 2018

	Note	2018 RM
ASSETS		
Non-current Assets		
Property, plant and equipment	4	**7,228,966**
Investment properties	5	**2,855,765**
Trade receivables	7	**7,403,660**
Total Non-current Assets		**17,488,391**
Current Assets		
Trade receivables	7	**33,403,769**
Contract assets	8	**27,349,530**
Other receivables, deposits and prepayments	9	**3,500,775**
Deposits with licensed banks	11	**9,194,209**
Cash and bank balances		**10,510,914**
Total Current Assets		**83,959,197**
Total Assets		**101,447,588**
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	12	**32,000,000**
Foreign currency translation reserves		**62**
Retained profits	13	**16,262,166**
		48,262,228
Non-controlling interest	14	**(5,480)**
Total Equity		**48,256,748**
Non-current Liabilities		
Borrowings	15	**5,282,829**
Deferred tax liabilities	21	**77,795**
Trade payables	22	**2,465,690**
Total Non-current Liabilities		**7,826,314**
Current Liabilities		
Trade payables	22	**30,830,648**
Contract liabilities	8	**7,057,984**
Other payables and accruals	23	**2,468,590**
Borrowings	15	**4,528,017**
Current tax liabilities		**479,287**
Total Current Liabilities		**45,364,526**
Total Liabilities		**53,190,840**
Total Equity and Liabilities		**101,447,588**

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the financial year ended 31 December 2018

	Note	2018 RM
Revenue	24	139,095,967
Cost of sales		(113,718,002)
Gross profit		25,377,965
Other income	25	776,355
Administrative expenses		(12,258,993)
Profit from operations		13,895,327
Finance costs	26	(1,480,670)
Profit before taxation	27	12,414,657
Income tax expense	30	(3,857,912)
Profit for the financial year		8,556,745
Other comprehensive income : -		
- foreign currency translation differences for foreign operation		62
Total comprehensive income for the financial year		8,556,807
Profit for the financial year attributable to : -		
Owners of the Company		8,562,715
Non-controlling interest		(5,970)
		8,556,745
Total comprehensive income for the financial year attributable to : -		
Owners of the Company		8,562,777
Non-controlling interest		(5,970)
		8,556,807
Basic earnings per share (sen)	31	2.68
Diluted earnings per share (sen)	31	-

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

Consolidated Statement of Changes in Equity
for the financial year ended 31 December 2018

	Non-Distributable		Distributable			
	Share capital RM	Foreign currency translation reserves RM	Retained profits RM	Total RM	Non-controlling interest RM	Total equity RM
Balance at 1 January 2018	32,000,000	-	10,899,451	42,899,451	-	42,899,451
Transactions with owners : -						
Dividends paid (Note 32)	-	-	(3,200,000)	(3,200,000)	-	(3,200,000)
Issue of shares to non-controlling interest	-	-	-	-	490	490
Total transactions with owners	-	-	(3,200,000)	(3,200,000)	490	(3,199,510)
Profit for the financial year	-	-	8,562,715	8,562,715	(5,970)	8,556,745
Other comrehensive income : -						
Foreign currency translation differences for foreign operation	-	62	-	62	-	62
Total comprehensive income for the financial year	-	62	8,562,715	8,562,777	(5,970)	8,556,807
Balance at 31 December 2018	32,000,000	62	16,262,166	48,262,228	(5,480)	48,256,748

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

Consolidated Statement of Cash Flows

for the financial year ended 31 December 2018

	Note	2018 RM
Cash flows from operating activities		
Profit before taxation		12,414,657
Adjustments for : -		
Depreciation of property, plant and equipment		1,135,548
Depreciation of investment properties		55,517
Fair value discount on payables		(225,000)
Fair value discount on receivables		725,000
Gain on disposal of property, plant and equipment		(35,000)
Interest expenses		755,670
Interest income		(410,705)
Operating profit before working capital changes		14,415,687
Increase in trade receivables		(4,762,212)
Increase in other receivables, deposits and prepayments		(1,857,513)
Increase in contract assets /liabilities		(14,977,266)
Decrease in trade payables		12,041,367
Decrease in other payables and accruals		1,539,121
Cash generated from operations		6,399,184
Interest paid		(755,670)
Interest received		410,705
Tax paid		(4,609,368)
Net cash from operating activities		1,444,851
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment		35,000
Purchase of property, plant and equipment	33	(905,194)
Net cash used in investing activities		(870,194)
Balance carried forward		574,657

Consolidated Statement of Cash Flows

for the financial year ended 31 December 2018

	Note	2018 RM
Balance brought forward		574,657
Cash flows from financing activities		
Issue of shares to non-controlling interest		490
Dividends paid		(3,200,000)
Drawdown of trade finance	35	627,357
Fixed deposits		
- pledged as securities		(5,051,231)
- uplift of deposits pledged as securities		12,100,812
Repayment of bank's factoring	35	(2,513,237)
Repayment of finance lease liabilities	35	(375,691)
Repayment of term loans	35	(1,855,324)
Net cash used in financing activities		(266,824)
Net increase in cash and cash equivalents		307,833
Cash and cash equivalents at the beginning of the financial year		9,073,182
Effect of foreign exchange rate changes		62
Cash and cash equivalents at the end of the financial year	36	9,381,077

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

Statement of Financial Position

31 December 2018

	Note	2018 RM	2017 RM
ASSETS			
Non-current Assets			
Property, plant and equipment	4	**7,225,254**	9,368,568
Investment properties	5	**2,855,765**	-
Investment in subsidiary companies	6	**1,052**	-
Trade receivables	7	**7,403,660**	8,090,279
Total Non-current Assets		**17,485,731**	17,458,847
Current Assets			
Trade receivables	7	**33,403,769**	29,461,972
Contract assets	8	**27,349,530**	13,515,262
Other receivables, deposits and prepayments	9	**3,500,775**	1,643,262
Amount due from subsidiary companies	10	**156,335**	-
Deposits with licensed banks	11	**9,194,209**	16,243,790
Cash and bank balances		**10,468,343**	11,902,017
Total Current Assets		**84,072,961**	72,766,303
Total Assets		**101,558,692**	90,225,150
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	12	**32,000,000**	32,000,000
Retained profits	13	**16,394,834**	10,899,451
Total Equity		**48,394,834**	42,899,451
Non-current Liabilities			
Borrowings	15	**5,282,829**	5,896,544
Deferred tax liabilities	21	**77,795**	77,795
Trade payables	22	**2,465,690**	3,538,220
Total Non-current Liabilities		**7,826,314**	9,512,559
Current Liabilities			
Trade payables	22	**30,830,648**	17,941,751
Contract liabilities	8	**7,057,984**	8,200,982
Other payables and accruals	23	**2,441,608**	929,469
Borrowings	15	**4,528,017**	9,510,195
Current tax liabilities		**479,287**	1,230,743
Total Current Liabilities		**45,337,544**	37,813,140
Total Liabilities		**53,163,858**	47,325,699
Total Equity and Liabilities		**101,558,692**	90,225,150

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

Statement of Profit or Loss and Other Comprehensive Income
for the financial year ended 31 December 2018

	Note	2018 RM	2017 RM
Revenue	24	**139,095,967**	114,551,857
Cost of sales		**(113,718,002)**	(92,588,939)
Gross profit		**25,377,965**	21,962,918
Other income	25	**776,355**	469,841
Administrative expenses		**(12,120,355)**	(11,014,388)
Profit from operations		**14,033,965**	11,418,371
Finance costs	26	**(1,480,670)**	(1,233,673)
Profit before taxation	27	**12,553,295**	10,184,698
Income tax expense	30	**(3,857,912)**	(3,408,925)
Profit for the financial year, representing total comprehensive income for the financial year		**8,695,383**	6,775,773

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

Statement of Changes in Equity
for the financial year ended 31 December 2018

	Non Distributable	Distributable	
	Share capital RM	Retained profits RM	Total RM
Balance at 1 January 2017	1,000,000	15,123,678	16,123,678
Transactions with owners : -			
Issuance of shares pursuant to bonus issue (Note 12)	11,000,000	(11,000,000)	-
Issuance of shares (Note 12)	20,000,000	-	20,000,000
Total transactions with owners	31,000,000	(11,000,000)	20,000,000
Total comprehensive income for the financial year	-	6,775,773	6,775,773
Balance at 31 December 2017	32,000,000	10,899,451	42,899,451
Transactions with owners : -			
Dividends paid (Note 32)	-	(3,200,000)	(3,200,000)
Total comprehensive income for the financial year	-	8,695,383	8,695,383
Balance at 31 December 2018	32,000,000	16,394,834	48,394,834

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

Statement of Cash Flows

for the financial year ended 31 December 2018

	Note	2018 RM	2017 RM
Cash flows from operating activities			
Profit before taxation		**12,553,295**	10,184,698
Adjustments for : -			
Depreciation of property, plant and equipment		**1,135,210**	633,817
Depreciation of investment properties		**55,517**	-
Fair value discount on payables		**(225,000)**	-
Fair value discount on receivables		**725,000**	-
(Gain) /Loss on disposal of property, plant and equipment		**(35,000)**	14,001
Interest expenses		**755,670**	1,233,673
Interest income		**(410,705)**	(292,715)
Listing expenses		**-**	3,422,486
Operating profit before working capital changes		**14,553,987**	15,195,960
Increase in trade receivables		**(4,567,848)**	(2,767,908)
Increase in other receivables, deposits and prepayments		**(2,051,877)**	(372,861)
Increase in amount due from subsidiary companies		**(156,335)**	-
Increase in contract assets /liabilities		**(14,977,266)**	(1,637,689)
Decrease /(Increase) in trade payables		**12,041,367**	(4,615,561)
Decrease in other payables and accruals		**1,512,139**	158,705
Cash generated from operations		**6,354,167**	5,960,646
Interest paid		**(755,670)**	(1,233,673)
Interest received		**410,705**	292,715
Tax paid		**(4,609,368)**	(3,016,583)
Net cash from operating activities		**1,399,834**	2,003,105
Cash flows from investing activities			
Acquisition of subsidiary		**(1,052)**	-
Proceeds from disposal of property, plant and equipment		**35,000**	-
Purchase of property, plant and equipment	33	**(901,144)**	(3,265,572)
Net cash used in investing activities		**(867,196)**	(3,265,572)
Balance carried forward		**532,638**	(1,262,467)

Statement of Cash Flows
for the financial year ended 31 December 2018

	Note	2018 RM	2017 RM
Balance brought forward		**532,638**	(1,262,467)
Cash flows from financing activities			
Dividends paid		**(3,200,000)**	-
Drawdown of term loans		**-**	5,567,168
Drawdown of trade finance	35	**627,357**	-
Fixed deposits			
- pledged as securities		**(5,051,231)**	(12,130,706)
- uplift of deposits pledged as securities		**12,100,812**	-
Payment of listing expenses		**-**	(3,422,486)
Proceeds from issuance of shares			20,000,000
Repayment of bank's factoring	35	**(2,513,237)**	(1,041,232)
Repayment of finance lease liabilities	35	**(375,691)**	(313,884)
Repayment of term loans	35	**(1,855,324)**	(3,617,916)
Net cash from /(used in) financing activities		**(267,314)**	5,040,944
Net increase in cash and cash equivalents		**265,324**	3,778,477
Cash and cash equivalents at the beginning of the financial year		**9,073,182**	5,294,705
Cash and cash equivalents at the end of the financial year	36	**9,338,506**	9,073,182

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

Notes to the Financial Statements

31 December 2018

1. **General information**

Kejuruteraan Asastera Berhad is a public limited liability company, incorporated and domiciled in Malaysia and listed on the ACE Market of Bursa Malaysia Securities Berhad.

The addresses of the principal place of business and registered office of the Company are as follows : -

Principal place of business	:	No. 18, Jalan Radin Bagus 9 Bandar Baru Seri Petaling 57000 Kuala Lumpur
Registered office	:	Unit 30-01, Level 30, Tower A Vertical Business Suite Avenue 3, Bangsar South No. 8, Jalan Kerinchi 59200 Kuala Lumpur

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2018 comprise the Company and its subsidiary companies (together referred to as the "Group" and individually referred to as "Group entities"). The financial statements of the Company as at and for the financial year ended 31 December 2018 do not included other entities.

The Company is principally engaged in the business of provision of electrical and mechanical engineering services. The principal activities of the subsidiary companies are set out in Note 6 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 28 March 2019.

2. **Basis of preparation**

a) Statement of compliance

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

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

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- Amendments to MFRS 3, Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 9, Financial Instruments – Prepayment Features with Negative Compensation
- Amendments to MFRS 11, Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- MFRS 16, Leases
- Amendments to MFRS 112, Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)

2. **Basis of preparation (Cont'd.)**

a) Statement of compliance (Cont'd.)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019 (Cont'd.)

- Amendments to MFRS 119, Employee Benefits – Plan Amendment, Curtailment or Settlement
- Amendments to MFRS 123, Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 128, Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures
- IC Interpretation 23, Uncertainty over Income Tax Treatments

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 2, Share-Based Payment
- Amendment to MFRS 3, Business Combinations
- Amendments to MFRS 6, Exploration for and Evaluation of Mineral Resources
- Amendment to MFRS 14, Regulatory Deferral Accounts
- Amendments to MFRS 101, Presentation of Financial Statements
- Amendments to MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors
- Amendments to MFRS 134, Interim Financial Reporting
- Amendment to MFRS 137, Provisions, Contingent Liabilities and Contingent Assets
- Amendment to MFRS 138, Intangible Assets
- Amendment to IC Interpretation 12, Service Concession Arrangements
- Amendment to IC Interpretation 19, Extinguishing Financial Liabilities with Equity Instruments
- Amendment to IC Interpretation 20, Stripping Costs in the Production Phase of a Surface Mine
- Amendment to IC Interpretation 22, Foreign Currency Transactions and Advance Consideration
- Amendments to IC Interpretation 132, Intangible Assets – Web Site Costs

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, Insurance Contracts

MFRSs, Interpretations and amendments effective for a date yet to be confirmed

- Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

2. **Basis of preparation (Cont'd.)**

a) Statement of compliance (Cont'd.)

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

- from the annual period beginning on 1 January 2019 for those accounting standards, amendments or interpretations that are applicable to the Group and the Company and effective for annual periods beginning on or after 1 January 2019;

- from the annual period beginning on 1 January 2020 for those accounting standards, amendments or interpretations that are applicable to the Group and the Company and effective for annual periods beginning on or after 1 January 2020; and

- from the annual period beginning on 1 January 2021 for those accounting standards, amendments or interpretations that are applicable to the Group and the Company and effective for annual periods beginning on or after 1 January 2021.

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and of the Company except as mentioned below : -

MFRS 16, Leases

MFRS 16 replaces the guidance in MFRS 117, Leases, IC Interpretation 4, Determining whether an Arrangement contains a Lease, IC Interpretation 115, Operating Leases – Incentives and IC Interpretation 127, Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

MFRS 17, Insurance Contracts

MFRS 17 replaces the existing standard on Insurance Contracts, MFRS 4. Earlier application is permitted provided the entities have applied MFRS 9, Financial Instruments and MFRS 15, Revenue from Contracts with Customers on or before the date of initial application of MFRS 17.

Amendments to MFRS 3, Business Combinations and MFRS 11, Joint Arrangements

The amendments clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to MFRS 11, Joint Arrangement clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interest in that business.

2. **Basis of preparation (Cont'd.)**

a) Statement of compliance (Cont'd.)

Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify that :-

- gains and losses resulting from transactions involving assets that do not constitute a business, between investor and its associate or joint venture are recognised in the entity's financial statements only to the extent of unrelated investors' interests in the associate or joint venture; and

- gains and losses resulting from transactions involving the sale or contribution of assets to an associate of a joint venture that constitute a business is recognised in full.

The amendments are to be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined by Malaysian Accounting Standards Board. Earlier application is permitted. These amendments are not expected to have any impact on the Group and the Company.

Amendments to MFRS 112, Income Taxes

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

Amendments to MFRS 123, Borrowing Costs

The amendments clarify that when a qualifying asset is ready for its intended use or sale, an entity treats any outstanding borrowing made specifically to obtain that qualifying asset as part of general borrowings.

The Group and the Company are assessing the financial impact that may arise from the adoption of MFRS 16, MFRS 17, amendments to MFRS 3 and MFRS 11, amendments to MFRS 10 and MFRS 128, amendments to MFRS 112 and amendments to MFRS 123.

b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 3 to the financial statements.

c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Group's and the Company's functional currency.

2. **Basis of preparation (Cont'd.)**

d) Use of estimates and judgements

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

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

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than the following items : -

i) Classification between investment property and property, plant and equipment

The Group and the Company has developed certain criteria based on MFRS 140 in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group and the Company would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

ii) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated in a straight-line basis over their estimated useful life. Management estimated that useful life of these assets to be within 5 to 50 years. Changes in the expected level of usage and technological developments could impact the economic useful life and the residual values of these assets, therefore future depreciation charges could be revised.

iii) Loss allowances of financial assets

The Group and the Company recognise impairment losses for trade receivables under the expected credit loss model. Individually significant trade receivables are tested for impairment separately by estimating the cash flows expected to be recoverable. All others are grouped into credit risk classes and tested for impairment collectively, using the Group's and the Company's past experience of loss statistics, ageing of past due amounts and current economic trends. The actual eventual losses may be different from the allowance made and this may affect the Group's and the Company's financial positions and results.

2. Basis of preparation (Cont'd.)

d) Use of estimates and judgements (Cont'd.)

iv) Classification of financial assets

The Group and the Company use their business model objectives as a basis to classify financial assets for subsequent measurements. The objectives of the Group and of the Company in managing investments in equity and debt instruments include those held for trading, managing for fair value changes and managing to collect contractual cash flows that are solely payments of principal and interest on principal. Management uses its judgement to determine the classification of each investment at the date of purchase on the basis of the Group's and of the Company's business model objectives. Investment in the same debt or equity instruments need not necessarily be classified in the same category for subsequent measurement.

v) Revenue recognition from construction contracts

Revenue is recognised as and when the control of the asset is transferred to customers and it is probable that the Group and the Company will collect the consideration to which it will be entitled in exchange for the asset that will be transferred to the customer. 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 towards complete satisfaction of that performance obligation based on the physical proportion of contract work-to-date certified by professional consultants. Significant judgement is required in determining the progress towards complete satisfaction of that performance obligation based on the certified work-to-date corroborated by the level of completion of the contract based on actual costs incurred to date over the estimated total construction costs. The total estimated costs are based on approved budgets, which require assessments and judgements to be made on changes in, for example, work scope, changes in costs and costs to completion. In making these judgements, management relies on past experience and the work of specialists.

vi) Income tax expense

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group and the Company recognise tax liabilities based on their understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

vii) Provision for liabilities and charges

Provisions can be distinguished from other liabilities because there is uncertainty about the timing or amount of settlement. The more common provisions recorded by the Group and the Company arise from obligations in relation to refunds, guarantees, onerous contracts and outstanding litigation.

2. **Basis of preparation (Cont'd.)**

d) Use of estimates and judgements (Cont'd.)

vii) Provision for liabilities and charges (Cont'd.)

The recognition and measurement of provisions require the Group and the Company to make significant estimates with regard to the probability (if the event is more likely than not to occur) that an outflow of resources will be required to settle the obligation and make assumptions whether a reliable estimate can be made of the amount of the obligation.

Moreover, the Group's and the Company's accounting policy require recognition of the best estimate of the amount that would be required to settle an obligation and the estimate may be based on information that produces a range of amounts. Since the measurement is based on present value, it involves making estimates around the appropriate discount rate in order to reflect the risks specific to the liability.

viii) Contingencies

Contingent liabilities of the Group and of the Company are not recognised but disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent liabilities represent possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. They are not recognised because it is not probable that an outflow of resources will be required to settle the obligation and the amount of the obligation cannot be measured with sufficient reliability.

Inevitably, the determination that the possibility that an outflow of resources embodying economic benefits is remote and that the occurrence or non-occurrence of one or more uncertain future events is not wholly within the control of the Group and of the Company requires significant judgement.

3. **Significant accounting policies**

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

a) Basis of consolidation

i) Subsidiaries

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

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses. The cost of investments includes transaction costs.

3. **Significant accounting policies (Cont'd.)**

a) Basis of consolidation (Cont'd.)

ii) Business combinations

Business combinations are accounted for by applying the purchase method from the acquisition date, which is the date on which the group obtains control of acquiree. The cost of a business combination is the aggregate of : -

- the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree, plus
- any costs directly attributable to the business combination.

If an associate or a jointly controlled entity becomes a subsidiary, the Group remeasures its previously held entity interest to fair value and recognises the resulting gain or loss, if any, in profit or loss. The remeasured carrying amount forms part of the cost of business combination.

When the cost of the business combination is in excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised, the excess is recognised as goodwill. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The non-controlling interest in the acquiree is measured at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

iii) Acquisitions of non-controlling interests

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

iv) Loss of control

Upon the loss of control of a subsidiary, the Group recognises the difference between the proceeds from the disposal of the subsidiary and its carrying amount as of the date of disposal. If the Group retains any interest in the former subsidiary, that investment is accounted for as a financial asset from the date the entity ceases to be a subsidiary, provided that it does not become an associate or a jointly controlled entity. The carrying amount of the investment at the date that the entity ceases to be a subsidiary is regarded as the cost on initial measurement of the financial asset.

Intra-group balances and transactions, including income, expenses and dividends are eliminated in full in preparing the consolidated financial statements.

3. **Significant accounting policies (Cont'd.)**

a) Basis of consolidation (Cont'd.)

iv) Loss of control (Cont'd.)

Unrealised profits and losses arising from transactions with equity-accounted associates and jointly controlled entities are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated only to the extent that there is evidence of an impairment of the asset transferred.

v) Transactions eliminated on consolidation

Intra-group balances and transactions, including income, expenses and dividends are eliminated in full in preparing the consolidated financial statements.

Unrealised profits and losses arising from transactions with equity-accounted associates and jointly controlled entities are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated only to the extent that there is evidence of an impairment of the asset transferred.

b) Financial instruments

During the financial year, the Group and the Company adopted MFRS 9, Financial Instruments which replaces MFRS 139, Financial Instruments : Recognition and Measurement.

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, the Group and the Company has elected not to restate the comparatives. The financial effect of the changes in accounting policies are disclosed in Note 44 to the financial statements.

i) Initial recognition and measurement

Current financial year

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

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

Previous financial year

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

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

3. **Significant accounting policies (Cont'd.)**

b) Financial instruments (Cont'd.)

i) Initial recognition and measurement (Cont'd.)

Previous financial year (Cont'd.)

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

ii) Financial instrument categories and subsequent measurement

Financial assets

Current financial year

The Group and the Company categorise financial instruments as follows :

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

A) Amortised cost

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

3. **Significant accounting policies (Cont'd.)**

b) Financial instruments (Cont'd.)

ii) Financial instrument categories and subsequent measurement (Cont'd.)

Financial assets (Cont'd.)

Current financial year (Cont'd.)

B) Fair value through other comprehensive income

i) Debt investments

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

ii) Equity investments

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

C) Fair value through profit or loss

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

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

3. **Significant accounting policies (Cont'd.)**

b) Financial instruments (Cont'd.)

ii) Financial instrument categories and subsequent measurement (Cont'd.)

Financial assets (Cont'd.)

Current financial year (Cont'd.)

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through comprehensive income, are subject to impairment assessment (see Note 3(g)(i)).

Previous financial year

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

A) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

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

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

A) Held-to-maturity investments

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Group and the Company has the positive intention and ability to hold them to maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

B) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

3. **Significant accounting policies (Cont'd.)**

b) Financial instruments (Cont'd.)

ii) Financial instrument categories and subsequent measurement (Cont'd.)

Financial assets (Cont'd.)

Previous financial year (Cont'd.)

C) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedge items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 3(g)(i)).

Financial liabilities

Current financial year

At initial recognition, all financial liabilities are subsequently measured at fair value through profit or loss or at amortised cost.

A) Fair value through profit or loss

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

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

3. Significant accounting policies (Cont'd.)

b) Financial instruments (Cont'd.)

ii) Financial instrument categories and subsequent measurement (Cont'd.)

Financial liabilities (Cont'd.)

Current financial year (Cont'd.)

A) Fair value through profit or loss (Cont''d.)

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

B) Amortised cost

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

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

Previous financial year

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

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

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

iii) Financial guarantee contracts

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

Notes to the Financial Statements
31 December 2018

3. Significant accounting policies (Cont'd.)

b) Financial instruments (Cont'd.)

iii) Financial guarantee contracts (Cont'd.)

Fair value arising from financial guarantee contracts are classified as deferred income and is amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

iv) Regular way purchase or sales of financial assets

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

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to : -

A) the recognition of an asset to be received and the liability to pay for it on the trade date, and

B) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

v) Derecognition

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

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expired. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3. Significant accounting policies (Cont'd.)

c) Property, plant and equipment

i) Recognition and measurement

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

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

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

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

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

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

ii) Subsequent costs

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

Notes to the Financial Statements

31 December 2018

3. **Significant accounting policies (Cont'd.)**

c) Property, plant and equipment (Cont'd.)

iii) Depreciation

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

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by end of the lease term. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use. Freehold land is not depreciated as it has indefinite life. The principal annual rate of depreciation for other property, plant and equipment are as follows : -

	Rate %
Buildings	2
Furniture, fittings and equipment	10 - 20
Motor vehicles	20
Renovation	20

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

d) Leased assets

i) Finance lease

Leases in terms of which the Group and the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Assets with unexpired economic life of 50 years and above will be classified as long term lease assets, whereas short term lease assets will be those assets with unexpired economic life of less than 50 years.

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

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

3. **Significant accounting policies (Cont'd.)**

d) Leased assets (Cont'd.)

ii) Operating lease

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

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

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

e) Investment property

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are stated at cost less accumulated depreciation and accumulated impairment losses. Investment properties are depreciated on a straight-line basis to write down the cost of each asset to their residual values over their estimated useful lives. Freehold land is not depreciated as it has indefinite life. The principal annual rate of depreciation for other investment properties are as follows : -

	Rate %
Buildings	2

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, annually.

f) Cash and cash equivalents

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

3. **Significant accounting policies (Cont'd.)**

g) Impairment of assets

i) Financial assets

During the financial year, the Group and the Company adopted MFRS 9, Financial Instruments which replaces MFRS 139, Financial Instruments : Recognition and Measurement.

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, the Company have elected not to restate the comparatives. The financial effect of the changes in accounting policies are disclosed in Note 45 to the financial statements.

Current financial year

The Group and the Company recognise loss allowances for expected credit losses on financial assets and financial guarantees measured at amortised cost or fair value through comprehensive income, except for investments in equity instruments, and interest in subsidiaries and associates.

The Group and the Company measures loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured as 12 months expected credit loss.

Loss allowances for trade receivable are always measured at an amount equal to lifetime expected credit loss.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument, while 12 months expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

Expected credit losses are a probability-weighted estimate of credit losses. The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

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

3. **Significant accounting policies (Cont'd.)**

g) Impairment of assets (Cont'd.)

i) Financial assets (Cont'd.)

Current financial year (Cont'd.)

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

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

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

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

Previous financial year

All financial assets (except for financial assets categorised as fair value through profit or loss and investment in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

3. **Significant accounting policies (Cont'd.)**

g) Impairment of assets (Cont'd.)

i) Financial assets (Cont'd.)

Previous financial year (Cont'd.)

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's 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 recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial 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.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

ii) Other assets

The carrying amounts of other assets (except for contract assets, deferred tax asset, assets arising from employee benefits, investment property measured at fair value and non-current assets (or disposal group) classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

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

3. **Significant accounting policies (Cont'd.)**

g) Impairment of assets (Cont'd.)

ii) Other assets (Cont'd.)

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

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

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

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

h) Foreign currencies transactions and balances

Transactions denominated in foreign currencies are translated and recorded at the rates of exchange prevailing at the respective dates of transactions. At the end of each reporting period, foreign currency monetary assets and liabilities are retranslated into the functional currency using the exchange rates at the reporting date (i.e. the closing rate).

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated at the exchange rate at the date of the transaction (i.e. historical rate). Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Gains and losses arising from changes in exchange rates after the date of the transaction are recognised in profit or loss (except for loans and advances that form part of the net investment in a foreign operation and transactions entered into in order to hedge foreign currency risks of net investments in foreign operations).

Notes to the Financial Statements
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3. **Significant accounting policies (Cont'd.)**

h) Foreign currencies transactions and balances (Cont'd.)

For loans and advances that form part of the net investment in a foreign operations, exchange differences are recognised in profit or loss in the separate financial statements of the parent Company and/or the individual financial statements of the foreign operation. In the consolidated financial statements that include the foreign operation, the gain or loss recognised in profit or loss in the separate and/or individual financial statements is reversed and recognised in the consolidated other comprehensive income and accumulated in an exchange translation reserve.

i) Equity instruments

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

i) Issue expenses

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

ii) Ordinary shares

Ordinary shares are classified as equity.

j) Employee benefits

i) Short-term employee benefits

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

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group and the Company has a present legal or constructive obligation can be estimated reliably.

ii) State plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the profit or loss as incurred.

k) Provisions

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

3. Significant accounting policies (Cont'd.)

l) Revenue and other income

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 and the Company expect 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.

i) Construction contracts

Revenue from contract works is recognised on a percentage of completion method. Percentage of completion is determined on the proportion of contract costs incurred for work performed to-date against total estimated costs where the outcome of the project can be estimated reliably.

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

Where the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable and contract costs are recognised as an expense in the period in which thy are incurred.

ii) Services rendered

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the end of the reporting period. The stage of completion is assessed by reference to services performed to date as a percentage of total services to be performed.

iii) Interest income

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

iv) Rental income

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from sub-leased property is recognised as other income.

3. Significant accounting policies (Cont'd.)

m) Borrowing costs

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

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

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

n) Income tax

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

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

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

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

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

3. **Significant accounting policies (Cont'd.)**

n) Income tax (Cont'd.)

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

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

o) Operating segments

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

p) Contingencies

i) Contingent liabilities

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

ii) Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statement of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

Notes to the Financial Statements

31 December 2018

3. **Significant accounting policies (Cont'd.)**

q) Fair value measurements

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

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

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

Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 : unobservable inputs for the asset or liability.

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

Notes to the Financial Statements

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4. Property, plant and equipment

Group

2018 At cost	Freehold land RM	Leasehold land RM	Buildings RM	Furniture, fittings and equipment RM	Motor vehicles RM	Renovation RM	Total RM
Balance at 1 January 2018	697,870	760,000	6,403,385	730,927	2,571,488	281,730	11,445,400
Additions	-	-	-	357,968	767,226	-	1,125,194
Disposal	-	-	-	-	(96,452)	-	(96,452)
Reclassification	-	-	(435,992)	-	-	435,992	-
Transfer to investment properties	(437,870)	-	(1,751,480)	-	-	-	(2,189,350)
Balance at 31 December 2018	260,000	760,000	4,215,913	1,088,895	3,242,262	717,722	10,284,792
Accumulated Depreciation							
Balance at 1 January 2018	-	39,500	291,460	335,844	1,298,063	111,965	2,076,832
Charge for the financial year	-	15,200	89,518	121,036	568,712	341,082	1,135,548
Disposal	-	-	-	-	(96,452)	-	(96,452)
Reclassification	-	-	(52,823)	-	-	52,823	-
Transfer to investment properties	-	-	(60,102)	-	-	-	(60,102)
Balance at 31 December 2018	-	54,700	268,053	456,880	1,770,323	505,870	3,055,826
Net Book Value	260,000	705,300	3,947,860	632,015	1,471,939	211,852	7,228,966

Notes to the Financial Statements

31 December 2018

4. Property, plant and equipment (Cont'd.)

Company

2018	Freehold land RM	Leasehold land RM	Buildings RM	Furniture, fittings and equipment RM	Motor vehicles RM	Renovation RM	Total RM
At cost							
Balance at 1 January 2018	697,870	760,000	6,403,385	730,927	2,571,488	281,730	11,445,400
Additions	-	-	-	353,918	767,226	-	1,121,144
Disposal	-	-	-	-	(96,452)	-	(96,452)
Reclassification	-	-	(435,992)	-	-	435,992	-
Transfer to investment properties	(437,870)	-	(1,751,480)	-	-	-	(2,189,350)
Balance at 31 December 2018	260,000	760,000	4,215,913	1,084,845	3,242,262	717,722	10,280,742
Accumulated Depreciation							
Balance at 1 January 2018	-	39,500	291,460	335,844	1,298,063	111,965	2,076,832
Charge for the financial year	-	15,200	89,518	120,698	568,712	341,082	1,135,210
Disposal	-	-	-	-	(96,452)	-	(96,452)
Reclassification	-	-	(52,823)	-	-	52,823	-
Transfer to investment properties	-	-	(60,102)	-	-	-	(60,102)
Balance at 31 December 2018	-	54,700	268,053	456,542	1,770,323	505,870	3,055,488
Net Book Value	260,000	705,300	3,947,860	628,303	1,471,939	211,852	7,225,254

Notes to the Financial Statements
31 December 2018

4. **Property, plant and equipment (Cont'd.)**

Company

2017	Freehold land RM	Leasehold land RM	Buildings RM	Furniture, fittings and equipment RM	Motor vehicles RM	Renovation RM	Total RM
At cost							
Balance at 1 January 2017	137,750	760,000	4,162,905	635,597	2,120,010	99,780	7,916,042
Additions	560,120	-	2,240,480	95,330	565,692	181,950	3,643,572
Disposal	-	-	-	-	(114,214)	-	(114,214)
Balance at 31 December 2017	697,870	760,000	6,403,385	730,927	2,571,488	281,730	11,445,400
Accumulated Depreciation							
Balance at 1 January 2017	-	24,300	183,112	263,286	975,546	96,985	1,543,229
Charge for the financial year	-	15,200	108,348	72,558	422,731	14,980	633,817
Disposal	-	-	-	-	(100,214)	-	(100,214)
Balance at 31 December 2017	-	39,500	291,460	335,844	1,298,063	111,965	2,076,832
Net Book Value	697,870	720,500	6,111,925	395,083	1,273,425	169,765	9,368,568

4. **Property, plant and equipment (Cont'd.)**

i) The titles of the freehold land is in the process of being registered in the name of the Company.

ii) The freehold land, leasehold land and buildings at carrying amount of RM260,000 (2017 – RM697,870), RM705,300 (2017 – RM720,500) and RM3,947,860 (2017 – RM6,111,925) respectively have been pledged to licensed banks as securities for credit facilities granted to the Group and the Company.

iii) The leasehold land of the Group and of the Company have unexpired periods of lease of 92 (2017 – 91) years.

iv) The gross carrying amounts of fully depreciated property, plant and equipment of the Group and of the Company are as follows : -

	Group	Company	
	2018	**2018**	2017
	RM	**RM**	RM
Furniture, fittings and equipment	**218,039**	**218,039**	171,906
Motor vehicles	**685,136**	**685,136**	182,888
Renovation	**99,835**	**99,835**	99,835
	1,003,010	**1,003,010**	454,629

v) The carrying amounts of property, plant and equipment under finance lease arrangements are as follows : -

	Group	Company	
	2018	**2018**	2017
	RM	**RM**	RM
Motor vehicles	**1,070,950**	**1,070,950**	1,184,221

5. **Investment properties**

Group and Company	Freehold lands	Buildings	Total
2018	RM	RM	RM
At cost			
Balance at 1 January 2018	-	-	-
Additions	**156,407**	**625,627**	**782,034**
Tranfer from property, plant and equipment	**437,870**	**1,751,480**	**2,189,350**
Balance at 31 December 2018	**594,277**	**2,377,107**	**2,971,384**

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5. Investment properties (Cont'd.)

Group and Company 2018	Freehold lands RM	Buildings RM	Total RM
Accumulated depreciation			
Balance at 1 January 2018	-	-	-
Charge for the financial year	-	55,517	55,517
Tranfer from property, plant and equipment	-	60,102	60,102
Balance at 31 December 2018	-	115,619	115,619
Net Book Value	594,277	2,261,488	2,855,765

Investment properties of the Group and the Company comprise commercial and residential properties that are intended to be leased to third parties. No contingent rents are charged. During the financial year, two properties has been transferred from property, plant and equipment (see note 4) to investment property, since the building was no longer used by the Group and the Company and would be leased to third party.

The titles of freehold land are in the process of being registered in the name of the Company.

The freehold land and building at carrying amount of RM300,120 (2017 – Nil) and RM1,165,466 (2017 – Nil) respectively have been pledged to licensed bank as securities for credit facilities granted to the Group and the Company.

The fair values of investment properties of the Group and of the Company as at financial year end were RM3,634,710 (2017 – Nil). The fair values were arrived from Directors' estimation by reference to the actual transactions transacted for properties around the same vicinity.

Rental income of RM8,000 (2017 – Nil) is recognised in profit or loss in respect of the investment properties.

Fair value information

The fair value of investment properties of the Group and Company is categorised as follows : -

Group	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2018				
Investment properties	-	-	3,634,710	3,634,710
Company				
2018				
Investment properties	-	-	3,634,710	3,634,710

5. Investment properties (Cont'd.)

Fair value information (Cont'd.)

Company	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2017				
Investment properties	-	-	-	-

6. Investment in subsidiary companies

	Company 2018 RM	2017 RM
At cost : -		
Unquoted shares	**1,052**	-

The details of the subsidiary companies are as follow : -

Name of subsidiary companies	Place of incorporation	Principal activity	Effective Ownership interest 2018 %	2017 %
KAB Construction Sdn. Bhd. #	Malaysia	General construction and property development	51	-
KAB Technologies Sdn. Bhd. #	Malaysia	Design, installation and commissioning of energy monitoring and saving software	100	-
KAB M&E Engineering Sdn. Bhd. #	Malaysia	Provision of electrical and mechanical services	100	-
KAB (HK) Investment Co., Ltd. *#	Hong Kong	Yet to commence business	100	-

The auditors' report of the subsidiary companies contains an emphasis of material uncertainty related to going concern.

* Audited by a firm other than Kreston John & Gan.

7. Trade receivables

	Group 2018 RM	Company 2018 RM	2017 RM
Non-current assets			
Third parties	**7,403,660**	**7,403,660**	8,090,279

Notes to the Financial Statements
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7. Trade receivables (Cont'd.)

	Group 2018 RM	Company 2018 RM	Company 2017 RM
Current assets			
Third parties	**33,403,769**	**33,403,769**	29,461,972

The normal credit terms of trade receivables range from 30 to 90 days (2017 – 30 to 90 days). Other credit terms are assessed and approved on a case-by-case basis.

Included in trade receivables as at financial year end are retentions sum of RM15,112,047 (2017 – RM14,381,381) relating to construction contracts. Retentions sum are unsecured, interest-free and are expected to be collected as follows : -

	Group 2018 RM	Company 2018 RM	Company 2017 RM
Within 1 year	**7,708,387**	**7,708,387**	6,291,102
More than 1 year and less than 2 years	**3,642,742**	**3,642,742**	3,343,056
More than 2 years and less than 5 years	**3,760,918**	**3,760,918**	4,747,223
	15,112,047	**15,112,047**	14,381,381

Analysis of retentions sum on deferred payment terms with discount rate of 6.2% (2017 – Nil) per annum, being the weighted average cost of capital of the Company as at financial year end, are as follows : -

	Group 2018 RM	Company 2018 RM	Company 2017 RM
Nominal value	**15,837,047**	**15,837,047**	14,381,381
Discount	**(725,000)**	**(725,000)**	-
	15,112,047	**15,112,047**	14,381,381

8. Contract assets / (liabilities)

	Group 2018 RM	Company 2018 RM	Company 2017 RM
Contract assets	**27,349,530**	**27,349,530**	13,515,262
Contract liabilities	**(7,057,984)**	**(7,057,984)**	(8,200,982)

Notes to the Financial Statements

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8. **Contract assets / liabilities (Cont'd.)**

	Group	Company	
	2018	2018	2017
	RM	RM	RM
Represented by : -			
Contract assets			
Aggregate cost recognised to date	192,358,298	192,358,298	156,912,913
Add: Attributable profits	51,373,922	51,373,922	36,769,206
	243,732,220	243,732,220	193,682,119
Less: Progress billings	(216,382,690)	(216,382,690)	(180,166,857)
	27,349,530	27,349,530	13,515,262
Contract liabilities			
Aggregate cost recognised to date	110,331,387	110,331,387	86,402,524
Add: Attributable profits	33,680,544	33,680,544	26,634,026
	144,011,931	144,011,931	113,036,550
Less: Progress billings	(151,069,915)	(151,069,915)	(121,237,532)
	(7,057,984)	(7,057,984)	(8,200,982)

Included in progress billings are retentions sum of RM15,112,047 (2017 – RM14,381,381).

9. **Other receivables, deposits and prepayments**

	Group	Company	
	2018	2018	2017
	RM	RM	RM
Non-trade			
Other receivables	2,710,565	2,710,565	798,900
Deposits	784,625	784,625	671,362
Prepayments	5,585	5,585	173,000
	3,500,775	3,500,775	1,643,262

10. **Amount due from subsidiary companies**

The amount due from subsidiary companies are unsecured, interest free and repayable on demand on cash and cash equivalents.

11. **Deposits with licensed banks**

The fixed deposits with licensed banks are pledged as security for bank credit facilities granted to the Group and the Company.

The interest rate of fixed deposits with licensed banks that was effective during the financial year is 3.08% (2017 – 2.65%) per annum.

Notes to the Financial Statements
31 December 2018

12. Share capital

	Group and Company			
	2018	2017	**2018**	2017
	Number of shares		**RM**	RM
Issued and fully paid				
Ordinary shares with no par value : -				
Balance at 1 January	**320,000,000**	1,000,000	**32,000,000**	1,000,000
Issuance of shares pursuant to bonues issue	-	220,000,000	-	11,000,000
Sub-division of shares	-	19,000,000	-	-
Issuance of shares	-	80,000,000	-	20,000,000
Balance at 31 December	**320,000,000**	320,000,000	**32,000,000**	32,000,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank pari passu with regard to the Company's residual assets.

13. Retained profits

Under the single tier income tax system, the Company is not required to have tax credit under Section 108 of the Income Tax Act, 1967 for dividend payment purposes. Dividends paid under this system are tax exempt in the hands of shareholder.

14. Non-controlling interest

	Group
	2018
	RM
Balance at 1 January 2018	-
Share of non-controlling interest for subsidiary company incorporated during the financial year	**490**
Tranferred from profit or loss	**(5,970)**
Balance at 31 December 2018	**(5,480)**

15. Borrowings

	Group	Company	
	2018	**2018**	2017
	RM	**RM**	RM
Non-current liabilities			
Secured			
Term loans	**4,750,787**	**4,750,787**	5,187,632
Finance lease liabilities	**532,042**	**532,042**	708,912
	5,282,829	**5,282,829**	5,896,544

15. Borrowings (Cont'd.)

	Group 2018 RM	Company 2018 RM	Company 2017 RM
Current liabilities			
Secured			
Bank factoring	-	-	2,513,237
Trade finance	2,678,547	2,678,547	2,051,190
Bank overdrafts	1,129,837	1,129,837	2,828,835
Term loans	343,641	343,641	1,762,120
Finance lease liabilities	375,992	375,992	354,813
	4,528,017	4,528,017	9,510,195
Total borrowings			
Secured			
Bank factoring (Note 16)	-	-	2,513,237
Trade finance (Note 17)	2,678,547	2,678,547	2,051,190
Bank overdrafts (Note 18)	1,129,837	1,129,837	2,828,835
Term loans (Note 19)	5,094,428	5,094,428	6,949,752
Finance lease liabilities (Note 20)	908,034	908,034	1,063,725
	9,810,846	9,810,846	15,406,739
Effective interest /expense rates : -	%	%	%
Bank factoring	-	-	17.70
Trade finance	3.86	3.86	0.82
Bank overdrafts	14.91	14.91	10.18
Term loans	6.57	6.57	6.37
Finance lease liabilities	10.02	10.02	3.88

16. Bank factoring

Group and Company

Secured

The bank factoring are secured by the following : -

i) assignment of contract proceeds from certain contract;

ii) a lien over fixed deposits of the Company;

iii) jointly and severally guaranteed by certain directors of the Company.

17. Trade finance

Group and Company

Secured

The trade finance are secured by the following : -

i) first party legal charge over freehold land and building and leasehold land and building of the Company as disclosed in Note 4 to the financial statements;

ii) a lien over fixed deposits of the Company;

iii) jointly and severally guaranteed by certain directors of the Company.

18. Bank overdraft

Group and Company

Secured

The bank overdraft are secured by the following : -

i) first party legal charge over freehold land and building and leasehold land and building of the Company as disclosed in Note 4 to the financial statements;

ii) a lien over fixed deposits of the Company;

iii) jointly and severally guaranteed by certain directors of the Company.

19. Term loans

	Group	Company	
	2018	**2018**	2017
	RM	**RM**	RM
Secured			
Term loan 1	-	-	1,519,485
Term loan 2	**2,700,000**	**2,700,000**	2,900,000
Term loan 3	**899,992**	**899,992**	966,664
Term loan 4	**1,494,436**	**1,494,436**	1,563,603
	5,094,428	**5,094,428**	6,949,752
Repayable as follows : -			
Non-current liabilities			
- later than one year and not later than two years			
Term loan 2	**400,000**	**400,000**	400,000
Term loan 3	**133,344**	**133,344**	133,344
Term loan 4	**165,966**	**165,966**	251,334
	699,310	**699,310**	784,678

19. **Term loans (Cont'd.)**

Repayable as follows : -	Group 2018 RM	Company 2018 RM	Company 2017 RM
Non-current liabilities (Cont'd.)			
- later than two years and not later than five years			
Term loan 2	600,000	600,000	600,000
Term loan 3	200,016	200,016	200,016
Term loan 4	279,644	279,644	266,829
	1,079,660	1,079,660	1,066,845
- later than five years			
Term loan 2	1,500,000	1,500,000	1,700,000
Term loan 3	499,960	499,960	566,632
Term loan 4	971,857	971,857	1,069,477
	2,971,817	2,971,817	3,336,109
	4,750,787	4,750,787	5,187,632
Current liabilities			
- not later than one year			
Term loan 1	-	-	1,519,485
Term loan 2	200,000	200,000	38,652
Term loan 3	66,672	66,672	161,384
Term loan 4	76,969	76,969	42,599
	343,641	343,641	1,762,120
	5,094,428	5,094,428	6,949,752

Secured

Term loan 1

The term loan 1 is secured by the following : -

i) a lien over fixed deposits of the Company;

ii) guaranteed by a third party, Syarikat Jaminan Pembiayaan Perniagaan Berhad;

iii) jointly and severally guaranteed by certain directors of the Company.

The term loan 1 is repayable by 60 monthly instalments of RM64,354.

Term loan 2

The term loan 2 is secured by the following : -

i) first party legal charge over freehold land and building and leasehold land and building of the Company as disclosed in Note 4 to the financial statements;

ii) a lien over fixed deposits of the Company;

iii) jointly and severally guaranteed by certain directors of the Company.

19. **Term loans (Cont'd.)**

Secured (Cont'd.)

Term loan 2 (Cont'd.)

The term loan 2 is repayable by 180 monthly instalments of RM16,668.

Term loan 3

The term loan 3 is secured by the following : -

i) first party legal charge over freehold land and building and leasehold land and building of the Company as disclosed in Note 4 to the financial statements;

ii) a lien over fixed deposits of the Company;

iii) jointly and severally guaranteed by certain directors of the Company.

The term loan 3 is repayable by 180 monthly instalments of RM5,556.

Term loan 4

The term loan 4 is secured by the following : -

i) first party legal charge over freehold lands and buildings of the Company as disclosed in Note 5 to the financial statements;

ii) jointly and severally guaranteed by certain directors of the Company.

The term loan 4 is repayable by 280 monthly instalments of RM12,150.

20. **Finance lease liabilities**

	Group	Company	
	2018	**2018**	2017
	RM	**RM**	RM
Minimum lease payments : -			
- not later than one year	**408,613**	**408,613**	399,984
- later than one year and not later than two years	**407,990**	**407,990**	598,305
- later than two years and not later than five years	**157,786**	**157,786**	200,108
	974,389	**974,389**	1,198,397
Less : Future interest charge	**(66,355)**	**(66,355)**	(134,672)
Present value of finance lease liabilities	**908,034**	**908,034**	1,063,725

20. Finance lease liabilities (Cont't.)

	Group	Company	
	2018	**2018**	2017
Repayable as follows : -	**RM**	**RM**	RM
Non-current liabilities			
- later than one year and not later than two years	**378,759**	**378,759**	530,811
- later than two years and not later than five years	**153,283**	**153,283**	178,101
	532,042	**532,042**	708,912
Current liabilities			
- not later than one year	**375,992**	**375,992**	354,813
	908,034	**908,034**	1,063,725

The Group and the Company obtains finance lease facilities to finance their purchase of motor vehicles. The remaining finance lease terms are in the range from 1 to 5 years as at 31st December 2018. Implicit interest rate of the finance lease is fixed at the inception of the finance lease arrangements, and the finance lease instalments are fixed throughout the finance lease period. The Group has the option to purchase the assets at the end of the agreements. There are no significant restriction clauses imposed on the finance lease arrangements.

21. Deferred tax liabilities

	Group	Company	
	2018	**2018**	2017
	RM	**RM**	RM
Balance at 1 January	**77,795**	**77,795**	45,851
Transfered from profit or loss (Note 30)	**-**	**-**	31,944
Balance at 31 December	**77,795**	**77,795**	77,795

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

Group	As at 1 January RM	Transfer from profit or loss RM	As at 31 December RM
2018			
Deferred tax liability			
Property, plant and equipment	**77,795**	**-**	**77,795**

Company	As at 1 January RM	Transfer from profit or loss RM	As at 31 December RM
2018			
Deferred tax liability			
Property, plant and equipment	**77,795**	**-**	**77,795**

21. Deferred tax liabilities (Cont'd.)

Company	As at 1 January RM	Transfer from profit or loss RM	As at 31 December RM
2017			
Deferred tax liability			
Property, plant and equipment	45,851	31,944	77,795

22. Trade payables

	Group	Company	
	2018	**2018**	2017
Non-current liabilities	**RM**	**RM**	RM
Third parties	**2,465,690**	**2,465,690**	3,538,220
Current liabilities			
Third parties	**30,830,648**	**30,830,648**	17,941,751

The normal credit terms of trade payables range from 30 to 120 days (2017 – 30 to 120 days). However, the credit terms may vary dependent on negotiation with the suppliers.

Included in trade payables as at financial year end are retentions sum of RM6,734,037 (2017 – RM6,082,253) relating to construction contracts. Retentions sum are unsecured, interest-free and are expected to be paid as follows : -

	Group	Company	
	2018	**2018**	2017
	RM	**RM**	RM
Within 1 year	**4,268,347**	**4,268,347**	2,544,033
More than 1 year and less than 2 years	**1,391,112**	**1,391,112**	1,640,877
More than 2 years and less than 5 years	**1,074,578**	**1,074,578**	1,897,343
	6,734,037	**6,734,037**	6,082,253

Analysis of retentions sum on deferred payment terms with discount rate of 6.2% per annum, being the weighted average cost of capital of the Company as at financial year end, are as follows : -

	Group	Company	
	2018	**2018**	2017
	RM	**RM**	RM
Nominal value	**6,959,037**	**6,959,037**	6,082,253
Discount	**(225,000)**	**(225,000)**	-
	6,734,037	**6,734,037**	6,082,253

23. Other payables and accruals

	Group 2018 RM	Company 2018 RM	Company 2017 RM
Other payables	**1,479,220**	**1,476,964**	233,723
Accruals	**989,370**	**964,644**	695,746
	2,468,590	**2,441,608**	929,469

24. Revenue

	Group 2018 RM	Company 2018 RM	Company 2017 RM
Revenue from contract customers	**126,599,675**	**126,599,675**	103,571,506
Revenue from sale of goods	**12,496,292**	**12,496,292**	10,980,351
	139,095,967	**139,095,967**	114,551,857
Timing of revenue : -			
- at a point in time	**12,496,292**	**12,496,292**	10,980,351
- over time	**126,599,675**	**126,599,675**	103,571,506
	139,095,967	**139,095,967**	114,551,857

25. Other income

	Group 2018 RM	Company 2018 RM	Company 2017 RM
Fair value discount on payables	**225,000**	**225,000**	-
Gain on disposal of property, plant and equipment	**35,000**	**35,000**	-
Interest income	**410,705**	**410,705**	292,715
Rental income	**8,000**	**8,000**	-
Sundry income	**97,650**	**97,650**	177,126
	776,355	**776,355**	469,841

26. Finance costs

	Group 2018 RM	Company 2018 RM	Company 2017 RM
Bank factoring interest	**58,315**	**58,315**	444,854
Bank overdraft interest	**168,435**	**168,435**	288,053
Fair value discount on receivables	**725,000**	**725,000**	-
Finance lease interest	**91,018**	**91,018**	41,259
Term loan interest	**334,575**	**334,575**	442,776
Trade finance interest	**103,327**	**103,327**	16,731
	1,480,670	**1,480,670**	1,233,673

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27. Profit before taxation

	Group	Company	
	2018	2018	2017
This is arrived at after charging : -	RM	RM	RM
Auditors' remuneration			
- current financial year			
- Kreston John & Gan	113,500	110,000	-
- other auditors	4,239	-	80,000
- overprovision in prior financial year			
- other auditors	(6,000)	(6,000)	(7,000)
Depeciation			
- property, plant and equipment	1,135,548	1,135,210	633,817
- investment properties	55,517	55,517	-
Employee benefits expense (Note 28)	8,691,351	8,648,130	6,680,683
Hire of machinery	29,209	29,209	42,540
Loss on disposal of property, plant and equipment	-	-	14,001
Rental of premises	95,083	95,083	114,379
and crediting : -			
Fair value discount on payables	225,000	225,000	-
Gain on disposal of property, plant and equipment	35,000	35,000	-
Interest income	410,705	410,705	292,715
Rental income	8,000	8,000	-

28. Employee benefits expense

	Group	Company	
	2018	2018	2017
	RM	RM	RM
Salaries, bonus, wages and allowances	7,020,425	6,988,207	5,546,596
Employees Provident Fund	1,026,165	1,022,489	660,269
Employment Insurance System	8,945	8,901	-
Social security cost	79,578	79,195	55,795
Other staff related expenses	556,238	549,338	418,023
	8,691,351	8,648,130	6,680,683

Included in employee benefits expense of the Group and of the Company are executive directors' emoluments excluding benefits-in-kind, amounting to RM2,289,312 (2017 – RM1,368,407) as disclosed in Note 29 to the financial statements.

29. Directors' emoluments

	Group	Company	
	2018	2018	2017
	RM	RM	RM
Directors of the Company			
Executive directors			
- emoluments	2,072,944	2,072,944	1,269,047
- Employees Provident Fund	216,368	216,368	99,360
Non-executive directors			
- fees	180,000	180,000	170,025
Total excluding benefits-in-kind	2,469,312	2,469,312	1,538,432

30. Income tax expense

	Group	Company	
	2018	2018	2017
	RM	RM	RM
Tax provision for the financial year	3,630,000	3,630,000	3,118,534
Underprovision of taxation in previous financial year	227,912	227,912	258,447
Deferred taxation (Note 21)	-	-	31,944
	3,857,912	3,857,912	3,408,925

Income tax is calculated at the Malaysian statutory tax rates of 24% (2017 – 24%) of the estimated assessable profit for the financial year.

The numerical reconciliation between the effective tax rate and the applicable tax rate is as follows :-

	Group	Company	
	2018	2018	2017
	%	%	%
Applicable tax rate	24	24	24
Non-allowable expenses	5	5	10
Non-taxable income	-	-	(3)
Underprovision of taxation in previous financial year	2	2	3
Effective tax rate	31	31	34

31. Earnings per share

Basic : -

Basic earnings per share is calculated by dividing the profit for the financial year attributable to ordinary shareholders by weighted average number of ordinary shares in issue during the financial year as follows : -

	Group 2018 RM
Profit for the financial year attributable to ordinary owners of the Company	**8,562,715**

	2018 Unit
Weighted average number of ordinary shares in issue	**320,000,000**

	2018 Sen
Basic earnings per share	**2.68**

Diluted : -

Diluted earnings per share is not computed as the Group and the Company did not have any convertible financial instruments as at 31 December 2018.

32. Dividends paid

The interim dividends paid in respect of financial year ended 31 December are as follows : -

	2018 RM	2017 RM
- 1st interim single-tier dividend of RM0.005 per share paid on 6 April 2018	**1,600,000**	-
- 2nd interim single-tier dividend of RM0.005 per share paid on 11 October 2018	**1,600,000**	-
	3,200,000	-

The directors do not recommend any final dividend for the financial year ended 31 December 2018.

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33. Purchase of property, plant and equipment

During the financial year, the Group and the Company made the following cash payments to purchase property, plant and equipment : -

	Group	Company	
	2018	**2018**	2017
	RM	**RM**	RM
Purchase of property, plant and equipment (Note 4)	**1,125,194**	**1,121,144**	3,643,572
Financed by finance lease arrangements	**(220,000)**	**(220,000)**	(378,000)
	905,194	**901,144**	3,265,572

34. Purchase of investment properties

During the financial year, the Group and the Company made the following cash payments to purchase investment properties : -

	Group	Company	
	2018	**2018**	2017
	RM	**RM**	RM
Purchase of investment properties (Note 5)	**782,034**	**782,034**	-
Contra from trade receivables	**(782,034)**	**(782,034)**	-
	-	**-**	-

35. Changes in liabilities arising from financing activities

The table below details changes in the liabilities of the Group and of the Company arising from financing activities, including both cash and non-cash changes as follows : -

	At 1 January 2018 RM	Cash flows RM	**At 31 December 2018 RM**
Bank factoring	2,513,237	(2,513,237)	**-**
Trade finance	2,051,190	627,357	**2,678,547**
Term loans	6,949,752	(1,855,324)	**5,094,428**
Finance lease liabilities	1,063,725	(155,691)	**908,034**
	12,577,904	(3,896,895)	**8,681,009**

36. Cash and cash equivalents

	Group 2018 RM	Company 2018 RM	Company 2017 RM
Cash and bank balances	**10,510,914**	**10,468,343**	11,902,017
Bank overdraft (Note 18)	**(1,129,837)**	**(1,129,837)**	(2,828,835)
Deposits with licensed banks (Note 11)	**9,194,209**	**9,194,209**	16,243,790
	18,575,286	**18,532,715**	25,316,972
Less :			
- pledged deposits (Note 11)	**(9,194,209)**	**(9,194,209)**	(16,243,790)
	9,381,077	**9,338,506**	9,073,182

37. Segment information

No segment reporting by industry and geographical segments has been prepared as the Group and the Company operated predominantly in the provision of electrical and mechanical engineering services and their subsidiary companies are newly incorporated during the financial year and remained inactive as at the end of the financial year.

The following is major customer with revenue equal or more than 10% of the Group's or the Company's total revenue : -

	Group 2018 RM	Company 2018 RM	Company 2017 RM
- customer A	**3,695,498**	**3,695,498**	15,556,797
- customer B	**29,536,509**	**29,536,509**	7,052,465
- customer C	**15,737,832**	**15,737,832**	3,673,522
	48,969,839	**48,969,839**	26,282,784

38. Financial instruments

a) Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows : -
(i) Financial assets measured at amortised cost ("FAAC").
(ii) Financial liabilities measured at amortised cost ("FLAC").

Group 2018	Carrying amount RM	FAAC RM	FLAC RM
Financial assets			
Trade receivables	40,807,429	40,807,429	-
Contract assets	27,349,530	27,349,530	-
Other receivables and deposits	3,495,190	3,495,190	-
Deposits with licensed banks	9,194,209	9,194,209	-
Cash and bank balances	10,510,914	10,510,914	-
	91,357,272	91,357,272	-

Notes to the Financial Statements
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38. Financial instruments (Cont'd.)

a) Categories of financial instruments (Cont'd.)

The table below provides an analysis of financial instruments categorised as follows : - (Cont'd.)

Group 2018	Carrying amount RM	FAAC RM	FLAC RM
Financial liabilities			
Trade and other payables	**(33,296,338)**	**-**	**(33,296,338)**
Contract liabilities	**(7,057,984)**	**-**	**(7,057,984)**
Other payables and accruals	**(2,468,590)**	**-**	**(2,468,590)**
Borrowings	**(9,810,846)**	**-**	**(9,810,846)**
	(52,633,758)	**-**	**(52,633,758)**
Company **2018**			
Financial assets			
Trade receivables	**40,807,429**	**40,807,429**	**-**
Contract assets	**27,349,530**	**27,349,530**	**-**
Other receivables and deposits	**3,495,190**	**3,495,190**	**-**
Amount due from subsidiary companies	**156,335**	**156,335**	**-**
Deposits with licensed banks	**9,194,209**	**9,194,209**	**-**
Cash and bank balances	**10,468,343**	**10,468,343**	**-**
	91,471,036	**91,471,036**	**-**
Financial liabilities			
Trade payables	**(33,296,338)**	**-**	**(33,296,338)**
Contract liabilities	**(7,057,984)**	**-**	**(7,057,984)**
Other payables and accruals	**(2,441,608)**	**-**	**(2,441,608)**
Borrowings	**(9,810,846)**	**-**	**(9,810,846)**
	(52,606,776)	**-**	**(52,606,776)**
2017			
Financial assets			
Trade receivables	37,552,251	37,552,251	-
Contract assets	13,515,262	13,515,262	-
Other receivables and deposits	1,470,262	1,470,262	-
Deposits with licensed banks	16,243,790	16,243,790	-
Cash and bank balances	11,902,017	11,902,017	-
	80,683,582	80,683,582	-
Financial liabilities			
Trade payables	(21,479,971)	-	(21,479,971)
Contract liabilities	(8,200,982)	-	(8,200,982)
Other payables and accruals	(929,469)	-	(929,469)
Borrowings	(15,406,739)	-	(15,406,739)
	(46,017,161)	-	(46,017,161)

38. Financial instruments (Cont'd.)

b) Gains and losses arising from financial instruments

	Group	Company	
	2018	**2018**	2017
	RM	**RM**	RM
Net gains /(losses) on : -			
Financial assets			
measured at amortised cost	**410,705**	**410,705**	**292,715**
Financial liabilities			
measured at amortised cost	**(1,255,670)**	**(1,255,670)**	**(1,233,673)**
	(844,965)	**(844,965)**	**(940,958)**

c) Financial risk management

The Group and the Company have exposure to the following risks from its use of financial instruments : -

- Credit risk
- Liquidity and cash flow risk
- Market risk
- Operational risk

i) Credit risk

Credit risk is the risk of a financial loss to the Group or to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's and the Company's exposure to credit risk arises principally from its receivables from customers and subsidiary companies.

Receivables

Risk management objectives, policies and processes for managing the risk

The credit risk is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's and the Company's associations to business partners with high credit worthiness. The Group and the Company also has an internal credit review which is conducted if the credit risk is material. Trade receivables are monitored on an ongoing basis via Group and Company management reporting procedures.

Exposure to credit risk, credit quality and collateral

As at 31 December 2018, the Group and the Company has significant concentration of credit risk in the form of outstanding balance of approximately RM6,100,000 due from three trade receivables which represents 15% of the total trade receivables of the Group and of the Company. However, the directors are of the opinion that these amount outstanding is fully recoverable. Credit risk and receivables are monitored on an ongoing basis. These procedures substantially mitigate credit risk of the Group and of the Company.

38. Financial instruments (Cont'd.)

c) Financial risk management (Cont'd.)

i) Credit risk (Cont'd.)

Receivables (Cont'd.)

Exposure to credit risk, credit quality and collateral (Cont'd.)

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

The trade receivables are not secured by any collateral or supported by any other credit enhancements.

Expected credit losses ("ECL") assessment for trade receivables as at 1 January 2018 and 31 December 2018

The Group and the Company use an allowance matrix to measure the ECLs of trade receivables from individual customers.

To measure the expected credit losses, trade receivables have been grouped based on credit risk and days past due.

Where a trade receivable has a low credit risk, it is excluded from the allowance matrix and its ECL is assessed individually by considering historical payment trends and financial strength of the receivable.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2018 :-

Group **2018**	Gross RM	Loss allowance RM	Net RM
Not past due	**18,001,734**	-	**18,001,734**
Past due Over 90 days	**7,693,648**	-	**7,693,648**
Retention sums	**15,112,047**	-	**15,112,047**
	40,807,429	-	**40,807,429**

Company **2018**	Gross RM	Loss allowance RM	Net RM
Not past due	**18,001,734**	-	**18,001,734**
Past due Over 90 days	**7,693,648**	-	**7,693,648**
Retention sums	**15,112,047**	-	**15,112,047**
	40,807,429	-	**40,807,429**

38. Financial instruments (Cont'd.)

c) Financial risk management (Cont'd.)

i) Credit risk (Cont'd.)

Receivables (Cont'd.)

Expected credit losses ("ECL") assessment for trade receivables as at 1 January 2018 and 31 December 2018 (Cont'd.)

Comparative under MFRS 139 Financial Instruments

An analysis of the credit quality of trade receivables that were neither past due nor impaired and the aging of trade receivables that were past due but not impaired as at 1 January 2018 is as follows : -

Company 2017	Gross RM	Individual impairment RM	Net RM
Not past due	19,967,260	-	19,967,260
Past due Over 90 days	3,473,610	-	3,473,610
Retention sums	14,381,381	-	14,381,381
	37,822,251	-	37,822,251

At the end of the reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

Movements in the allowance for impairment losses in respect of trade receivables

On the date of initial application of MFRS 9, there was no adjustment on the ending balance of the allowance for impairment losses reported under the previous MFRS 139 to derive the opening balance allowance for impairment losses determined in accordance with MFRS 9.

The allowance in respect of trade receivables is used to record impairment losses. Unless the Group and the Company are satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the trade receivable directly.

Expected credit loss of other receivables

Expected credit loss of other receivables is determined individually after considering the financial strength of the other receivables. Based on management's assessment, the probability of the default of these receivables is low and hence, no loss allowance has been made.

38. Financial instruments (Cont'd.)

c) Financial risk management (Cont'd.)

i) Credit risk (Cont'd.)

Inter-company loans and advances

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

Impairment losses

As at the end of the reporting period, there was no indication that the loans and advances to the subsidiary companies are not recoverable. The Company does not specifically monitor the ageing of current advances to the subsidiary companies.

ii) Liquidity and cash flow risk

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

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

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

Notes to the Financial Statements

31 December 2018

38. Financial instruments (Cont'd.)

c) Financial risk management (Cont'd.)

ii) Liquidity and cash flow risk (Cont'd.)

Maturity analysis

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

Group 2018	Carrying amount RM	Effective interest / expense rate %	Contratual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
Non-derivative financial liabilities							
Retensions (included in trade payables)	6,734,037	6.20	6,959,037	4,268,347	1,477,361	1,213,329	-
Trade payables	26,562,301	-	26,562,301	26,562,301	-	-	-
Contract liabilities	7,057,984	-	7,057,984	7,057,984	-	-	-
Other payables and accruals	2,468,590	-	2,468,590	2,468,590	-	-	-
Trade finance	2,678,547	3.86	2,678,547	2,678,547	-	-	-
Bank overdrafts	1,129,837	14.91	1,129,837	1,129,837	-	-	-
Term loans	5,094,428	6.57	5,094,428	343,641	699,310	1,079,660	2,971,817
Finance lease liabilities	908,034	10.02	974,389	408,613	407,990	157,786	-
	52,633,758		52,925,113	44,917,860	2,584,661	2,450,775	2,971,817

Notes to the Financial Statements
31 December 2018

38. **Financial instruments (Cont'd.)**

c) Financial risk management (Cont'd.)

ii) Liquidity and cash flow risk (Cont'd.)

Maturity analysis (Cont'd.)

The table below summarises the maturity profile of the Group's and of the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments : - (Con't.)

Company **2018**	Carrying amount RM	Effective interest / expense rate %	Contratual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
Non-derivative financial liabilities							
Retensions (included in trade payables)	**6,734,037**	**6.20**	**6,959,037**	**4,268,347**	**1,477,361**	**1,213,329**	-
Trade payables	**26,562,301**	-	**26,562,301**	**26,562,301**	-	-	-
Contract liabilities	**7,057,984**	-	**7,057,984**	**7,057,984**	-	-	-
Other payables and accruals	**2,441,608**	-	**2,441,608**	**2,441,608**	-	-	-
Trade finance	**2,678,547**	**3.86**	**2,678,547**	**2,678,547**	-	-	-
Bank overdrafts	**1,129,837**	**14.91**	**1,129,837**	**1,129,837**	-	-	-
Term loans	**5,094,428**	**6.57**	**5,094,428**	**343,641**	**699,310**	**1,079,660**	**2,971,817**
Finance lease liabilities	**908,034**	**10.02**	**974,389**	**408,613**	**407,990**	**157,786**	-
	52,606,776		**52,898,131**	**44,890,878**	**2,584,661**	**2,450,775**	**2,971,817**

Notes to the Financial Statements
31 December 2018

38. **Financial instruments (Cont'd.)**

c) Financial risk management (Cont'd.)

ii) Liquidity and cash flow risk (Cont'd.)

Maturity analysis (Cont'd.)

The table below summarises the maturity profile of the Group's and of the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments : - (Con't.)

Company 2017	Carrying amount RM	Effective interest / expense rate %	Contratual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
Non-derivative financial liabilities							
Retensions							
(included in trade payables)	6,082,253	-	6,082,253	2,544,033	1,640,877	1,897,343	-
Trade payables	15,397,718	-	15,397,718	15,397,718	-	-	-
Contract liabilities	8,200,982	-	8,200,982	8,200,982	-	-	-
Other payables and accruals	929,469	-	929,469	929,469	-	-	-
Bank factoring	2,513,237	17.70	2,513,237	2,513,237	-	-	-
Trade finance	2,051,190	0.82	2,051,190	2,051,190	-	-	-
Bank overdrafts	2,828,835	10.18	2,828,835	2,828,835	-	-	-
Term loans	6,949,752	6.37	6,949,752	1,762,120	784,678	1,066,845	3,336,109
Finance lease liabilities	1,063,725	3.88	1,198,397	399,984	598,305	200,108	-
	46,017,161		46,151,833	36,627,568	3,023,860	3,164,296	3,336,109

38. Financial instruments (Cont'd.)

c) Financial risk management (Cont'd.)

iii) Market risk

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

Interest /Expense rate risk

The Group's and the Company's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest /expense rates. The Group's and the Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest /expense rates. Short term investments such as deposits with licensed banks are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group's and the Company's policy is to borrow principally on the floating rate basis but to retain a proportion of fixed rate debt. The objectives for the mix between fixed and floating rate borrowings are set to reduce the impact of an upward change in interest rates while enabling benefits to be enjoyed if interest rates fall.

Exposure to interest /expense rate risk

The interest /expense rate profile of the Group's and the Company's significant interest /expense-bearing financial instruments, based on carrying amounts as at the end of the reporting period was : -

Group and Company	**2018 RM**	**Effective interest / expense rate %**	2017 RM	Effective interest / expense rate %
Fixed rate instruments				
Deposits with licensed banks	**9,194,209**	**3.08**	16,243,790	2.65
Finance lease liabilities	**(908,034)**	**10.02**	(1,063,725)	3.88
Floating rate instruments				
Bank factoring	-	-	(2,513,237)	17.70
Trade finance	**(2,678,547)**	**3.86**	(2,051,190)	0.82
Bank overdrafts	**(1,129,837)**	**14.91**	(2,828,835)	10.18
Term loans	**(5,094,428)**	**6.57**	(6,949,752)	6.37

Interest rate risk sensitivity analysis : -

Fair value sensitivity analysis for fixed rate instruments

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

Notes to the Financial Statements

31 December 2018

38. Financial instruments (Cont'd.)

c) Financial risk management (Cont'd.)

iii) Market risk (Cont'd.)

Interest /Expense rate risk (Cont'd.)

Interest rate risk sensitivity analysis : - (Cont'd.)

Cash flow sensitivity analysis for variable rate instruments

At the reporting date, if interest rates had been 100 basis points lower /higher, with all other variables held constant, the Group's and the Company's profit net of tax would have been RM6,063 (2017 – RM11,924) 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.

iv) Operational risk

The operational risk arises from the daily activities of the Group and of the Company which includes legal, credit reputation and financing risk and other risks associated to daily running of its business operations.

Such risks are mitigated through proper authority levels of approval limits, clear reporting structure, segregation of duties, policies and procedures implemented and periodic management meetings.

In dealing with its stewardship, the directors recognise that effective risk management is an integral part of good business practice.

The directors will pursue an ongoing process of identifying, assessing and managing key business areas, overall operational and financial risks faced by the business units as well as regularly reviewing and enhancing risk mitigating strategies with its appointed and key management personnel.

Notes to the Financial Statements

31 December 2018

38. Financial instruments (Cont'd.)

d) Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably approximate their fair value due to the relatively short term nature or that they are floating rate instruments that are re-priced to market interest rates on or near to the reporting date.

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

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
Group 2018	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Total fair value RM	Carrying amount RM
Financial assets										
Retensions sum (included in trade receivables)	-	-	7,403,660	7,403,660	-	-	-	-	7,403,660	7,403,660
Financial liabilities										
Retensions sum (included in trade payables)	-	-	2,465,690	2,465,690	-	-	-	-	2,465,690	2,465,690
Term loans	-	-	-	-	-	-	3,768,798	3,768,798	3,768,798	4,750,787
Finance lease liabilities	-	-	-	-	-	-	501,187	501,187	501,187	532,042
	-	-	2,465,690	2,465,690	-	-	4,269,985	4,269,985	6,735,675	7,748,519

Notes to the Financial Statements

31 December 2018

38. **Financial instruments (Cont'd.)**

d) Fair value information (Cont'd.)

Company 2018	Fair value of financial instruments carried at fair value Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Fair value of financial instruments not carried at fair value Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Total fair value RM	Carrying amount RM
Financial assets										
Retensions sum (included in trade receivables)	-	-	7,403,660	7,403,660	-	-	-	-	7,403,660	7,403,660
Financial liabilities										
Retensions sum (included in trade payables)	-	-	2,465,690	2,465,690	-	-	-	-	2,465,690	2,465,690
Term loans	-	-	-	-	-	-	3,768,798	3,768,798	3,768,798	4,750,787
Finance lease liabilities	-	-	-	-	-	-	501,187	501,187	501,187	532,042
	-	-	2,465,690	2,465,690	-	-	4,269,985	4,269,985	6,735,675	7,748,519

Notes to the Financial Statements

31 December 2018

38. Financial instruments (Cont'd.)

d) Fair value information (Cont'd.)

Company 2017	Fair value of financial instruments carried at fair value Level 1 RM	 Level 2 RM	 Level 3 RM	 Total RM	Fair value of financial instruments not carried at fair value Level 1 RM	 Level 2 RM	 Level 3 RM	 Total RM	Total fair value RM	Carrying amount RM
Financial assets										
Retensions sum (included in trade receivables)	-	-	7,403,660	7,403,660	-	-	-	-	7,403,660	7,403,660
Financial liabilities										
Retensions sum (included in trade payables)	-	-	3,538,220	3,538,220	-	-	-	-	3,538,220	3,538,220
Term loans	-	-	-	-	-	-	4,130,459	4,130,459	4,130,459	5,187,632
Finance lease liabilities	-	-	-	-	-	-	739,884	739,884	739,884	532,042
	-	-	3,538,220	3,538,220	-	-	4,870,343	4,870,343	8,408,563	9,257,894

38. Financial instruments (Cont'd.)

d) Fair value information (Cont'd.)

Level 1 fair value

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

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Transfer between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2017 - no transfer in either directions).

Level 3 fair value

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

The following shows the valuation techniques used in the determination of fair values within Level 3 for financial instruments not carried at fair value, as well as the key unobservable inputs used in the valuation models.

Type	Description of valuation technique and inputs used
Retentions sum	Discounted cash flows using a rate based on the weighted average cost of capital of the Group and the Company at the reporting date.
Borrowings	Discounted cash flows using a rate based on the current market rate of borrowing of the Group and the Company at the reporting date.

39. Capital management

The Group and the Company manage their capital to ensure that the Group and the Company will be able to maintain an optimal capital structure so as to support its businesses and maximise shareholders' value. To achieve this objective, the Group and the Company may take adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

39. Capital management (Cont'd.)

The Group and the Company manage their capital based on debt-to-equity ratio. The debt-to-equity ratio is calculated as total borrowings from financial institutions divided by total equity.

	Group	Company	
	2018	**2018**	2017
	RM	**RM**	RM
Total borrowings	**9,810,846**	**9,810,846**	15,406,739
Total equity	**48,256,748**	**48,394,834**	42,899,451
Debt-to-equity ratio	**0.20**	**0.20**	0.36

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

40. Capital commitment

	Group	Company	
	2018	**2018**	2017
	RM	**RM**	RM
Capital commitment to purchase of investment properties			
- Authorised and contracted for	**275,035**	**275,035**	-

41. Contingent liabilities

	Group	Company	
	2018	**2018**	2017
	RM	**RM**	RM
Secured			
Bankers' guarantees issued in favour of third parties secured by deposits with licensed banks in respect of contract works	**13,401,658**	**13,401,658**	9,219,179

The directors are of the opinion that adequate allowance has been made in the financial statements for any possible liabilities.

42. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group and the Company if the Group and the Company have 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 and the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

42. Related parties (Cont'd.)

Identity of related parties (Cont'd.)

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel include all the Directors of the Group and of the Company, and certain members of the senior management of the Group and of the Company.

The Group and the Company have related party relationship with their directors and key management personnel.

Significant related party transactions

Related party transactions entered into the normal course of business under normal trade terms. The significant related party transactions of the Group and of the Company are show below. The related party balances are shown in Note 10 to the financial statements.

Compensation of key management personnel

The remuneration paid by the Group and the Company to key management personnel during the financial year are as follows : -

	Group	Company	
	2018	**2018**	2017
Directors	**RM**	**RM**	RM
Executive directors			
Short-term employee benefits	**2,072,944**	**2,072,944**	1,269,047
Post-employment benefits : -			
- defined contribution plan - EPF	**216,368**	**216,368**	99,360
Non-executive directors			
Short-term employee benefits	**180,000**	**180,000**	170,025
	2,469,312	**2,469,312**	1,538,432

43. Events after the reporting period

a) On 10 December 2018, Mercury Securities Sdn. Bhd. ("Mercury Securities") had announced on behalf of the Board of Directors of the Company that the Company proposed to undertake a special issue of up to 34,000,000 new ordinary shares in the Company to Bumiputera investors to be identified and/or approved by the Ministry of International Trade and Industry ("MITI"), at an issue price to be determined at a later date after obtaining all relevant approvals ("Special Issue"). The Special Issue is undertaken to comply with the Bumiputera equity condition of ensuring at least 12.5% of the Company's enlarged share capital to be allocated or held by Bumiputera investors recognised by the MITI. The Special Issue had been approved by the Company's shareholders on 3 January 2019.

On 10 December 2018, Mercury Securities had on behalf of the Company submitted an application to the Securities Commission Malaysia ("SC") for an extension of time of 6 months from 31 December 2018 to 30 June 2019 for the Company to comply with the Bumiputera Equity Condition. The SC had on 11 February 2019 approved the said application.

43. Events after the reporting period (Cont'd.)

b) On 25 February 2019, the directors declared the payment of an interim single-tier dividend of RM0.005 per ordinary share in respect of the financial year ending 31 December 2019 totalling RM1,600,000, payable on 4 April 2019.

44. Changes in accounting policy

Classification of financial assets and financial liabilities upon adoption of MFRS 9

The following table shows the initial measurement under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Company's financial assets and liabilities as at 1 January 2018 based on the business model assessment done.

	Classification under MFRS 139	New classification under MFRS 9	Carrying amount under MFRS 139 RM	Carrying amount under MFRS 9 RM
Financial assets				
Trade receivables	Loans and receivables	Amortised cost	37,552,251	37,552,251
Contract assets	Loans and receivables	Amortised cost	13,515,262	13,515,262
Other receivables and deposits	Loans and receivables	Amortised cost	1,470,262	1,470,262
Deposits with licensed banks	Loans and receivables	Amortised cost	16,243,790	16,243,790
Cash and bank balances	Loans and receivables	Amortised cost	11,902,017	11,902,017
Financial liabilities				
Trade payables	Financial liabilities measured at amortised cost	Financial liabilities measured at amortised cost	21,479,971	21,479,971
Contract liabilities	Financial liabilities measured at amortised cost	Financial liabilities measured at amortised cost	8,200,982	8,200,982
Other payables and accruals	Financial liabilities measured at amortised cost	Financial liabilities measured at amortised cost	929,469	929,469

44. Changes in accounting policy (Cont'd.)

Classification of financial assets and financial liabilities upon adoption of MFRS 9 (Cont'd.)

	Classification under MFRS 139	New classification under MFRS 9	Carrying amount under MFRS 139 RM	Carrying amount under MFRS 9 RM
Financial liabilities				
Borrowings	Financial liabilities measured at amortised cost	Financial liabilities measured at amortised cost	15,406,739	15,406,739

Trade receivables, contract assets, other receivables and deposits, deposits with licensed banks and cash and bank balances are reclassified from loan and receivables to amortised cost under MFRS 9. There are no changes in the allowance for impairment of trade receivables that was recognised in opening retained profits at 1 January 2018.

45. Comparative figures

a) The following comparative figures have been reclassified to conform with the current period's presentation : -

	Company As reclassified RM	Company As previously reported RM
Non-current assets		
Trade receivables	8,090,279	-
Current assets		
Trade receivables	29,461,972	27,552,251
Non-current liabilities		
Trade payables	3,538,220	-
Current liabilities		
Trade payables	17,941,751	21,479,971
Borrowings		
- Bank factoring	2,513,237	4,564,427
- Trade finance	2,051,190	-
Administrative expense	11,014,388	11,031,119
Finance costs	1,233,673	1,216,942
Employee benefits expense	6,680,683	7,899,076
Directors' emoluments	1,538,432	1,536,810

b) The comparative figures were audited by another firm of auditors who expressed unmodified opinion on those statements on 19 March 2018.

c) This being the first set of group financial statements, there are no comparative figures.

Kejuruteraan Asastera Berhad
(Incorporated in Malaysia, Company No. 420505 – H)

Statement by Directors
Pursuant to Section 251(2) of the Companies Act, 2016

We, Dato' Lai Keng Onn and Choong Gaik Seng, being two of the directors of Kejuruteraan Asastera Berhad, do hereby state on behalf of the directors that in our opinion, the financial statements set out on pages 11 to 86 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2018 and of the results and the cash flows of the Group and of the Company for the financial year ended on that date.

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

Dato' Lai Keng Onn **Choong Gaik Seng**

Kuala Lumpur,
Date : 28 March 2019

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

I, Dato' Lai Keng Onn, NRIC: 680914-07-5853, being the director primarily responsible for the financial management of Kejuruteraan Asastera Berhad, do solemnly and sincerely declare that the financial statements set out on pages 11 to 86, to the best of my knowledge and belief, are correct.

And, I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
at Kuala Lumpur
this 28 March 2019

Before me

Dato' Lai Keng Onn

Lai Din (W668)
Commissioner for Oaths