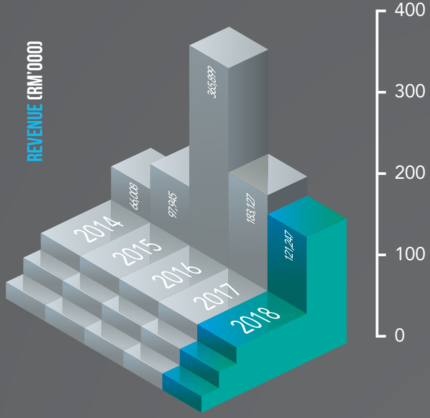
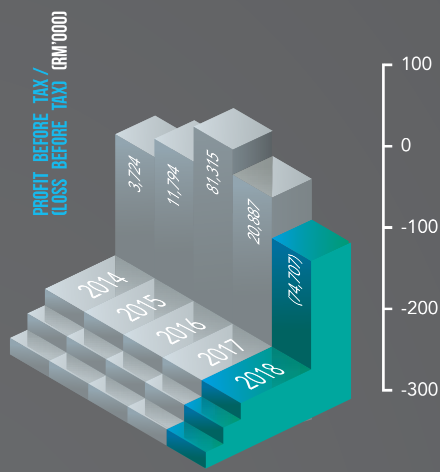
2018 | ANNUAL REPORT

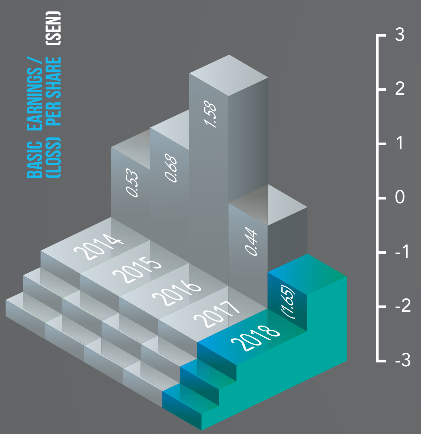
VIVOCOM INTL HOLDINGS BERHAD
(596299-D)

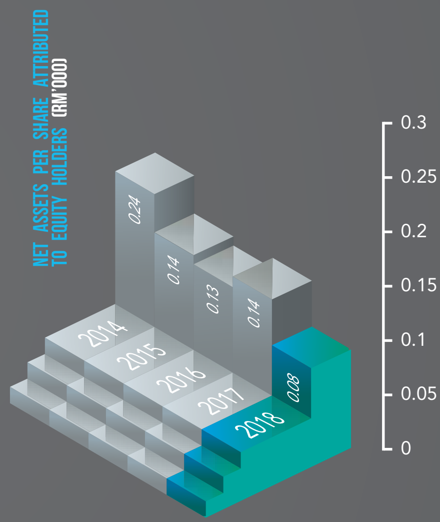
CONTENTS

FINANCIAL HIGHLIGHTS









FIVE YEARS GROUP FINANCIAL SUMMARY

	2014	2015	2016	2017 (Restated)	2018
FINANCIAL RESULTS (RM'000)					
Revenue	66,008	97,945	365,899	183,127	121,247
Profit before tax / (Loss before tax)	3,724	11,794	81,315	20,887	(74,707)
Profit / (Loss) attributed to equity holders	3,703	8,790	49,402	14,509	(68,737)
KEY BALANCE SHEET DATA (RM'000)					
Total Assets	217,982	412,873	604,311	600,935	572,540
Total Liabilities	50,487	83,384	151,783	115,555	106,484
Net assets attributable to equity holders	167,495	321,834	433,408	460,810	447,723
No. of shares in issue at year end	702,254,261	2,340,249,203	3,234,221,413	3,393,721,413	5,664,535,688
SHARES INFORMATION					
Basic earnings / (Loss) per share (sen)	0.53	0.68	1.58	0.44	(1.65)
Net assets per share attributable to equity holders (RM)	0.24	0.14	0.13	0.14	0.08

CHAIRMAN'S STATEMENT

Dear Shareholders,

"On behalf of the Board of Directors of Vivocom Intl Holdings Berhad, I hereby present the financial and operation performance of Vivocom Intl Holdings Berhad (Vivocom) for the financial year ended 31 Dec 2018."

2018 has been a challenging year for the Group as the construction sector experienced a massive slow-down post GE-14, due to the halt and reviews of several infrastructure projects by the federal government. The demand for domestic property was also affected due to lower consumer confidence, and further hampered by the tight financing guidelines imposed by the local financial institutions. Although the number of unsold properties increased significantly, there was a corresponding increase in demand for affordable housing. Many projects were either delayed, shelved and/or re-conceptualize to adapt to the changing market demands.

Similarly, most of our projects experienced slower construction progress due to the above uncertainties, as some developers chose a wait-and-see approach. Consequently, for 2018, the Group recorded revenue of RM121.2 million (2017 : RM183.1 million), a drop of RM61.9 million.

Our profitability suffered as a result, which was further impacted by the provision of impairment for the consolidated goodwill allocated to our investment in Instacom Engineering Sdn Bhd ("IESB") amounting to RM32.4 million. The impairment was provided as the cash generating units in IESB were unable to justify its full carrying value due to weak outlook for the telco segment. The adoption of MFRS 9, which changes the recognition of impairment provision for financial assets by introducing an expected credit loss model has resulted in impairment to receivables amounting to RM30.7 million for 2018. The amounts mostly comprised trade receivable amounts which are overdue but still collectible. These combined factors contributed to the loss before tax of RM74.7million for 2018.

On a brighter note, the construction sector is expected to pick up soon with the various initiatives by the government, amongst others, the federal government pledging to build 1 million affordable homes in 10 years' time, allocation of RM1.5 billion for PPR, PPAM, Prima and SPNB housing, and exemption for stamp duty and special loans agreement for first time house buyers.

On behalf of the Board, I wish to express our gratitude to our staff for their dedication, diligence, professionalism and commitment to the Group as we persevere to ride out this storm together. I would also like to take this opportunity to convey our appreciation to our clients, business associates, shareholders and various stakeholders for their continued support and confidence in Vivocom.

Thank you.
Ar. Lim Tong Hock
Chairman

OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS

Vivocom is a public company listed on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa"). The Group was established on 8 October 2012 when Instacom Engineering Sdn Bhd completed the restructuring and reverse take-over of I-Power Berhad and subsequently changed its name to Instacom Group Berhad.

In 2015, the Group diversified into the construction and aluminium design and fabrication industries when it acquired Neata Aluminium (Malaysia) Sdn Bhd and Vivocom Enterprise Sdn Bhd. The listed holding company then changed to its present name, Vivocom Intl Holdings Berhad, to strengthen the Group's brand image and to better reflect the Group's new focus and aspiration to be a regional construction group.

At present, the Group core activities comprised construction, aluminium design and fabrication, and telecommunication engineering services.

FINANCIAL OVERVIEW

2018 has been a challenging year for the Group due to the massive slow-down in the construction sector post GE-14. Most of our projects experienced slower construction progress as a result, as some developers chose a wait-and-see approach. Consequently, for 2018, the Group recorded revenue of RM121.2 million (2017 : RM183.1 million), a drop of RM61.9 million.

Our profitability suffered as a result, which was further impacted by the provision of impairment for the consolidated goodwill allocated to our investment in Instacom Engineering Sdn Bhd ("IESB") amounting to RM32.4 million (2017 : RM6.38 million). The impairment was provided as the cash generating units in IESB were unable to justify its full carrying value due to weak outlook for the telco segment. The adoption of MFRS 9, which changes the recognition of impairment provision for financial assets by introducing an expected credit loss model has resulted in impairment to receivables amounting to RM30.7 million for 2018. The amounts mostly comprised trade receivable amounts which are overdue but still collectible. These combined factors contributed to the loss before tax of RM74.7 million for 2018.

Cash reserves stood at RM68.698 million as at the end of the FYE 2018 compared to RM46.857 million as at the end of the FYE 2017.

Construction
Construction contributed 50% of the total revenue for the 2018. The decrease in revenue was due to most projects recording slower construction pace due to uncertainty arising from the political change in the country and macroeconomic sentiments, hence the amount of work done up to 31 December 2018 was lower.

Aluminium
Aluminium contributed 46% of the total revenue for 2018. The increase in revenue for the current year is mainly attributable to several projects ramping up for completion.

Telco
Telco contributed 4% of the total revenue for 2018. The decrease in revenue for the telco segment is due to lower work orders received during the year.

REVIEW OF OPERATING ACTIVITIES

The Group is primarily involved in the construction industry, with our two main segments, Construction and Aluminium, being highly dependent on the outlook and performance of the construction sector. Consequently, the massive slow-down in the construction sector had greatly impacted our performance.

Consequently, we had to streamline our resources for better cost efficiencies. Administrative expenses have been moderated downwards through centralization and combination of departments and natural attrition of headcount.

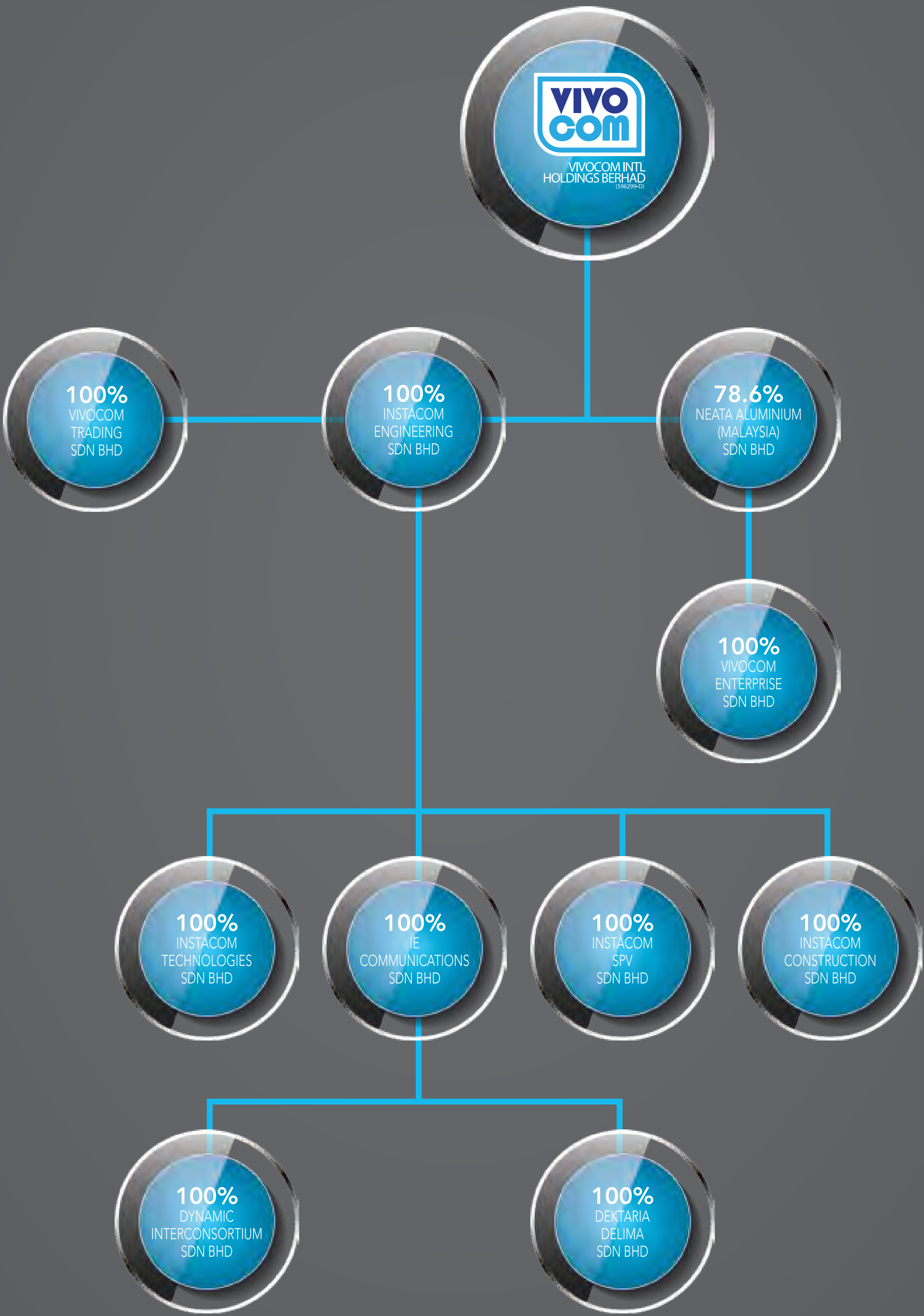
FUTURE PROSPECTS

We expect the construction sector to pick up soon with the various initiatives by the government, amongst others, the federal government pledging to build 1 million affordable homes in 10 years' time, allocation of RM1.5 billion for PPR, PPAM, Prima and SPNB housing, and exemption for stamp duty and special loans agreement for first time house buyers. Once the market improves, we should be able to see more projects taking off, and more job opportunities. Although the Group still have sufficient existing projects in hand and work orders to keep us busy for the next 2-3 years, we will still continue to actively participate in tenders to continue building up our order book.

SEGMENTAL OVERVIEW

Revenue by Segment	2018 (RM'000)	2017 (RM'000)	Changes (RM'000)	Changes (%)
Construction	60,691	105,144	(44,453)	(42.3)
Aluminium	56,355	55,659	696	1.3
Telco	4,200	22,323	(18,123)	(81.2)
Total	121,246	183,126	(61,880)	(33.8)

GROUP STRUCTURE



CORPORATE INFORMATION

BOARD OF DIRECTORS

Ar. Lim Tong Hock
(Chairman, Independent Non-Executive Director)

Choo Seng Choon
(Executive Director)

Dato' Nor Mohd Amin Bin Shaharudin
(Executive Director)

Dato' Azahar bin Rasul
(Senior Independent Non-Executive Director)

Tay Mun Kit
(Independent Non-Executive Director)

AUDIT AND RISK MANAGEMENT COMMITTEE

Tay Mun Kit (Chairman)

Ar. Lim Tong Hock

Dato' Azahar bin Rasul

NOMINATION COMMITTEE

Tay Mun Kit (Chairman)

Ar. Lim Tong Hock

Dato' Azahar bin Rasul

REMUNERATION COMMITTEE

Tay Mun Kit (Chairman)

Ar. Lim Tong Hock

Dato' Azahar bin Rasul

AUDITORS

STYL Associates PLT
(LLP 0019500-LCA & AF 001929)
Chartered Accountants
No. 902, 9th Floor, Block A,
Damansara Intan, No. 1, Jalan SS20/27,
47400 Petaling Jaya, Selangor

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
(ACE Market)

COMPANY SECRETARY

Laang Jhe How (MIA: 25193)
Anne Kung Soo Ching (MIA : 8449)

PRINCIPAL BANKERS

CIMB Bank Berhad
Malayan Banking Berhad
Malaysia Debt Ventures Berhad
RHB Islamic Bank Berhad
Public Bank Berhad
Hong Leong Islamic Bank Berhad

REGISTERED OFFICE

149A, Jalan Aminuddin Baki
Taman Tun Dr. Ismail,
60000 Kuala Lumpur
Tel : 03-7729 1519
Fax: 03-7728 5948

SHARE REGISTRAR

149, Jalan Aminuddin Baki
Taman Tun Dr. Ismail,
60000 Kuala Lumpur
Tel : 03-7729 5529
Fax: 03-7728 5948

PRINCIPAL PLACE OF BUSINESS

6-8, Jalan Seri Utara 1,
Batu 7, Off Jalan Ipoh,
68100 Kuala Lumpur

DIRECTORS' PROFILE

BOARD OF DIRECTORS

Name of Director	Designation	Nationality
Ar. Lim Tong Hock	Chairman, Independent Non-Executive Director	Malaysian
Choo Seng Choon	Executive Director	Malaysian
Dato' Nor Mohd Amin Bin Shaharudin	Executive Director	Malaysian
Dato' Azahar bin Rasul	Senior Independent Non-Executive Director	Malaysian
Tay Mun Kit	Independent Non-Executive Director	Malaysian

AR. LIM TONG HOCK

A Malaysian and aged 65, Ar. Lim Tong Hock was appointed as an Independent Non-Executive Director and as the Chairman of the Board of Directors on 1 April 2015. He is also a member of the Nomination and Remuneration Committee of the Company.

Ar. Lim Tong Hock began his training as assistant architect in 1980 in the architects' department of Borough of Haringey, London, after obtaining his Bachelor's degree. Subsequently, he worked for Briffa Phillips Chartered Architects in London before returning to Malaysia to join a private architectural practice in Kuala Lumpur in 1984. In 1990, he obtained his corporate membership to practice as an architect and set up his own practice under the name of ADL Architect. He has vast experience in designing and managing projects such as hotels, housing, industrial and institutional buildings.

As at 31 December 2018, he did not hold ordinary shares in the Company.

Ar. Lim attended all the Board meetings held during his tenure in office for the financial period ended 31 December 2018. He has no family relationship with any director or substantial shareholder of the Company.

Ar. Lim has no conflict of interest with the Group and has no conviction for offences within the past 10 years other than traffic offences.

MR. CHOO SENG CHOON

A Malaysian and aged 45, Choo Seng Choon was appointed as an Independent Non-Executive Director on 7 September 2011. He was re-designated as an Executive Director on 15 May 2015.

Choo Seng Choon is a Fellow Member of the Association of Chartered Certified Accountants, a Chartered Member of the Malaysian Institute of Accountants, a Chartered Member of the Institute of Internal Auditors, Malaysia and a Certified Internal Auditor. He also holds a Diploma in Financial Accounting from Tunku Abdul Rahman College, Kuala Lumpur.

He has over 20 years of professional experience that includes internal audits, risk management, investigations, business management consulting, business process re-engineering, corporate governance advisory, due diligence, financial projections and financial audits. Choo also sits on the board of directors of several private limited companies.

As at 31 December 2018, he did not hold ordinary shares in the Company.

Choo attended all the Board meetings held during his tenure in office for the financial period ended 31 December 2018. He has no family relationship with any director or substantial shareholder of the Company.

Choo has no conflict of interest with the Group and has no conviction for offences within the past 10 years other than traffic offences.

DATO' NOR MOHD AMIN BIN SHAHARUDIN

A Malaysian aged 55, Dato Nor Mohd Amin was appointed as the Executive Director on 12 May 2017.

Dato' Nor Mohd Amin has more than 25 years of working experience in managing projects that included building and civil works, tendering, contracting and costing. He has previously worked for Maju Holdings Sdn Bhd as the Director of Construction for Maju Holdings Construction Division. During his tenure at Maju Holdings Sdn Bhd, he led and completed several notable projects as the Project Director such as, amongst others, the Integrated Transport Terminal, Bandar Tasik Selatan, Kuala Lumpur, Banting Matriculation College, Port Klang Marina, Sabah Oil & Gas Terminal (Additional site preparation) and Maju Expressway (MEX) Extension (Pre-contract). Subsequent to that, he was employed as Senior Project Manager and Senior Contracts & Commercial Manager at various companies such as MMC Engineering Services Sdn Bhd, Lebar Daun Development Sdn Bhd and Projass Engineering Berhad.

As at 31 December 2018, he held 3,995,667 ordinary shares in the Company.

Dato' Nor Mohd Amin attended all the Board meetings held during his tenure in office for the financial period ended 31 December 2018. He has no family relationship with any director or substantial shareholder of the Company.

Dato' Nor Mohd Amin has no conflict of interest with the Group and has no conviction for offences within the past 10 years other than traffic offences.

DATO' AZAHAR BIN RASUL

A Malaysian aged 57, Dato' Azahar was appointed as the Independent Non-Executive Director and a member of the Audit and Risk Management Committee on 23 March 2012. He is also a member of the Nomination and Remuneration Committee of the Company.

He obtained his Bachelor of Science Degree in Business Administration from Central Michigan University in 1988 and a Master of Science Degree in Accounting from the University of New Haven, Connecticut, USA in 1990. He has over 26 years of experience in the field of corporate accounting, finance, banking and administration. His last employment was with Land & General Berhad as its Senior Manager for Administration and Finance until 1995, when he left to set up set up his own business. Dato' Azahar also sits on the board of directors of EA Holdings Berhad.

As at 31 December 2018, he did not hold ordinary shares in the Company.

Dato' Azahar attended 4/5 Board meetings held during his tenure in office for the financial period ended 31 December 2018. He has no family relationship with any directors or substantial shareholder of the Company.

Dato' Azahar has no conflict of interest with the Group and has no conviction for offences within the past 10 years other than traffic offences.

MR. TAY MUN KIT

A Malaysian aged 43, Tay was appointed as the Independent Non-Executive Director and a member of the Audit and Risk Management Committee on 18 December 2012. He is also a member of the Nomination and Remuneration Committee of the Company. He was appointed as the Chairman of the Audit and Risk Management Committee on 1 April 2015.

Tay is a Fellow Member of the Association of Chartered Certified Accountants and a Chartered Member of the Malaysian Institute of Accountants. He is the Chief Financial Officer for EA Holdings Berhad, a company involved in the provision of investment holding, management and consultancy services. Prior to joining EA Holdings Berhad, he was attached to an audit firm and has extensive experience in the field of auditing and corporate services.

As at 31 December 2018, he did not hold ordinary shares in the Company.

Tay attended all the Board meetings held during his tenure in office for the financial period ended 31 December 2018. He has no family relationship with any director or substantial shareholder of the Company.

Tay has no conflict of interest with the Group and has no conviction for offences within the past 10 years other than traffic offences.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("the Board") of Vivocom Intl Holdings Berhad recognises the importance of good corporate governance and is fully committed towards ensuring that the highest standards of corporate governance are implemented and maintained as set out in the new Malaysian Code on Corporate Governance 2017 ("the Code") throughout the Group as a fundamental part of its responsibilities to protect and enhance shareholders' value.

Corporate Governance Structure

The Board has established a system of governance structure which sets out roles, functions, compositions, operations and processes of the Board to promote high standards of corporate governance and to facilitate effective decision making. This structure is found in the Board Charter of the company is available on Group's corporate website at www.vivocomgroup.com.

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS

1. Board Responsibilities

The Board is responsible of development of corporate objectives, review and approval of corporate plans, performance and the corporate governance of the Group. The Board also responsible for the identification and management of key risk, the adequacy and integrity of internal control systems.

The Board is responsible for the overall corporate governance of the Group, including the following specific roles and responsibilities:

a) Reviewing, approve and monitor the overall strategies and direction of the Group;
b) Overseeing the conduct of the Group of the Group's business to evaluate whether the business is being properly managed;
c) Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks
d) Succession planning;
e) Developing and implementing an investor relations programme and shareholder communications policy for the Group; and
f) Reviewing the adequacy and the integrity of the Group's internal controls systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The Board has also delegated specific responsibilities to the Board Committees, Audit and Risk Management Committee, Nomination Committee and Remuneration Committee. Board Committees are entrusted with specific responsibilities to oversee the Group's affairs with authority to act on behalf of the Board in accordance with their respective Terms of Reference. The Chairman of the relevant Board Committees also report to the Board on key issues deliberated by the Board Committees at their respective meetings.

The Company is supported by two (2) suitably qualified and competent Company Secretaries. Both are qualified Chartered Secretaries as per Section 235(2)(a) of the Companies Act 2016. The Board is satisfied with the performance and support rendered by the Company Secretaries to the Board in the discharge of its functions. The Company Secretaries ensures that all Board meetings are properly convened and accurate and proper records of the proceedings and resolutions passed are recorded and maintained in the statutory register of the Company. They also ensure that the Board policies and procedures are followed and rules and regulations, codes or guidance and legislations are complied with.

2. Board Composition

The Board strongly concurred that an effective and well-balanced Board which consists of members with wide range of business, technical and financial background is important to achieve the highest standard of performance, accountability and ethical behaviour as expected by the stakeholders.

The positions of the Chairman and CEO are held by two different individuals and there is a clear division of responsibilities. The Chairman is responsible for the governance, orderly conduct and effectiveness of the Board while the CEO is responsible for managing the Group's business operations and implementation of policies and strategies approved by the Board.

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

2. Board Composition (cont'd)

The Board is made up of five (5) members, consisting of one (1) Independent Non-Executive Chairman, two (2) Executive Directors, and two (2) Independent Non-Executive Directors as follows :

No.	Name of Members	Designation
1	Ar. Lim Tong Hock	Chairman, Independent Non-Executive Director
2	Choo Seng Choon	Executive Director
3	Dato' Nor Mohd Amin Bin Shaharudin	Executive Director
4	Dato' Azahar bin Rasul	Senior Independent Non-Executive Director
5	Tay Mun Kit	Independent Non-Executive Director

The Board has a balanced composition of Executive and Non-Executive Independent Directors such that no individual or group of individuals can dominate the Board's decision-making powers and processes. All Board members carry an independent judgment to bear on issues of strategy, performance, resources and standard of conducts. All the Directors have also complied with the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad on the limit of five (5) directorship in public listed companies.

The profiles of the Directors are presented on pages 7 to 8 of this annual report.

All Board members have full and unrestricted access to information on the Group's business and affairs. All scheduled meetings held during the year were preceded by a formal notice issued by the Company Secretary in consultation with the Chairman. The Board papers contain all relevant information and reports on financial, operational, corporate, regulatory and minutes of meetings. These documents are comprehensive and include qualitative and quantitative information to enable the Board members to make informative decisions. Where required, senior management and external advisors are invited to attend these meetings to explain and clarify on matters tabled.

The Board is regularly updated and advised by the Company Secretaries on new statutory as well as regulatory requirements. The Board has full and unrestricted access to the advice and services of the Company Secretaries as well as the senior management. Where necessary, the Board may obtain independent professional advice at the Company's expenses on the specific issues to enable the Board to make well-informed decisions in discharging their duties on the matters tabled.

The Board meets at least four (4) times a year with additional meetings being held as and when required. For the financial year ended 31 December 2018, five (5) Board meetings were held. The Board is satisfied with the level of time committed by its member in discharging their duties and roles as Directors of the Company.

The attendance of the Directors at Board meetings during the financial year are as shown below:

No.	Name of Members	Designation	Attendance	Percentage of Attendance
1	Ar. Lim Tong Hock	Chairman, Independent Non-Executive Director	5/5	100%
2	Choo Seng Choon	Executive Director	5/5	100%
3	Dato' Nor Mohd Amin Bin Shaharudin	Executive Director	5/5	100%
4	Dato' Azahar bin Rasul	Senior Independent Non-Executive Director	4/5	80%
5	Tay Mun Kit	Independent Non-Executive Director	5/5	100%

The Board has adopted a nine (9) year policy for Independent Non-Executive Directors. None of the current independent Board members had served the Company for more than nine years as per the recommendation of the Code. Should the tenure of an independent Director exceed nine years, shareholders' approval will be sought at a General Meeting or if the services of the Director concerned are still required, the director concerned will be re-designated as a non-independent Director.

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

2. Board Composition (cont'd)

There is currently no woman on the Board. At present, the Board does not have a formal policy on boardroom diversity in meeting the goal of achieving more women participation on Board as recommended by the Code. Notwithstanding this, the Board is committed to ensuring that the directors of the Company possess a broad balance of skills, knowledge, experience, independence and diversity, including gender diversity.

The Board is mindful of the importance for its members to undergo continuous training to be apprised on changes to regulatory requirements and the impact such regulatory requirements have on the Group. All Directors have attended the Mandatory Accreditation Programme ("MAP") as required by Bursa Malaysia Securities Berhad. The Directors are encouraged to continually attend relevant training programmes to equip themselves with the necessary knowledge and to keep abreast with the relevant changes in laws, regulations and business development. All Directors have continuously undergone training programmes to enhance their skills and knowledge.

During the year 2018, the Directors had attended the following training programmes :-

Directors	Title of seminar/course
Ar. Lim Tong Hock	• The Future Component Cementitious Waterproofing Membrane on 27 July 2018 • PAM CPD Contracts 2006: Past Present- Future on 4 Aug 2018
Choo Seng Choon	• Transfer Pricing 2018: Complete and Practical Preparation for Transfer Pricing Audit 5 & 6 July 2018 • SST Training on 29 Aug 2018
Dato' Nor Mohd Amin Bin Shaharudin	• SST Training on 29 Aug 2018
Azahar bin Rasul	• ALLIANZ Health & Wellness Talk on 14 Nov 2018
Tay Mun Kit	• SST Training on 29 Aug 2018

To assist the Board in discharge of their duties effectively, the Board has delegated specific functions to certain committees. Each committee will operate within its clearly defined terms of reference.

a) Audit and Risk Management Committee

The terms of reference of the Audit and Risk Management Committee are set out on page 15 to 18 of this annual report.

b) Nomination Committee

The Nomination Committee comprises exclusively of independent Non-Executive Directors as follows:

Tay Mun Kit	Chairman
Ar. Lim Tong Hock	Member
Dato' Azahar bin Rasul	Member

The Nomination Committee was set up to provide a formal and transparent procedure for appointment of Directors as well as assessment on effectiveness of individual Directors and the Board as a whole. The Committee has reviewed the Board's mix of skills and experience and other qualities of all the Directors. The annual assessment of the effectiveness of the Board has been performed by the Nomination Committee.

With the current composition, the Committee is of the opinion that the Board has the necessary knowledge, experience, professionalism, integrity, requisite range of skills and competence to enable them to discharge their duties and responsibilities.

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

2. Board Composition (cont'd)

b) Nomination Committee (cont'd)

Dato' Azahar bin Rasul has been identified by the Board as Senior Independent Non-Executive Director to whom the concerns of the shareholders and other stakeholders may be conveyed.

Nomination Committee attendance were as follows : -

No.	Name of Members	Attendance	Percentage
1	Tay Mun Kit	1/1	100%
2	Dato' Azahar bin Rasul	1/1	100%
3	Ar. Lim Tong Hock	1/1	100%

3. Remuneration

The objective of the Remuneration Committee is to provide a formal and transparent procedure for developing remuneration policy for Directors. The Committee reviews, assesses and recommends to the Board the remuneration packages of the executive directors in all forms which enables the Group to attract and retain Directors with the relevant experience and expertise to manage the business of the Group effectively. Executive Directors play no part in decision on their own remunerations.

The Remuneration Committee comprises exclusively of Independent Non-Executive Directors as follows:

Tay Mun Kit	Chairman
Ar. Lim Tong Hock	Member
Dato' Azahar bin Rasul	Member

The remuneration packages for the directors are designed to support the Company's strategy and to provide an appropriate incentive to maximise individual and corporate performance, whilst ensuring that overall rewards are market competitive. The Executive Directors' package consists of basic salary, contribution to the national pension fund and benefits-in-kind such as medical care, car allowance and fuel whilst the Non-executive Directors' package primarily consists of fees only.

The remuneration packages for the Directors for the financial year ended 31 December 2018 are as follows :-

	Executive Directors (RM'000)	Non-ExecutiveDirectors (RM'000)
Salaries and other emoluments	720	-
Fees	-	132

The number of Directors whose remuneration falls into each band of RM50,000 are set as follows :-

	Number of Directors	
	Executive Directors	Non-Executive Directors
1 - 50,000	-	2
50,001 - 100,000	-	1
300,001 - 350,000	1	-
350,001 - 400,000	1	-

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

3. Remuneration (cont'd)

Remuneration Committee attendance : -

No.	Name of Members	Attendance	Percentage
1	Tay Mun Kit	1/1	100%
2	Dato' Azahar bin Rasul	1/1	100%
3	Ar. Lim Tong Hock	1/1	100%

The Board opines that the disclosure of the Key Senior Management personnel's names and the various remuneration components (salaries, bonuses and other emoluments) would not be in the best interest of the Group given the competitive human resources environment as such disclosure may give rise to recruitment and talent retention issues.

4. Board's Performance Assessment

The Board has established formal assessment processes for evaluation of its performance and the performance of its committee and individual directors. These assessment processes comprise Board Assessment, Board Skills Matrix, Individual Directors Assessment, Board Committee Self and Peer Assessment, and Assessment of Independence of Independent Directors and was administered by Nomination Committee.

Based on this assessment, the Board was satisfied with the overall performance of individual Director, Board and Board Committees for the financial year under review.

PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT

1. Audit Committee

The Board acknowledges its overall responsibilities for maintaining a sound system of risk management and internal control and has delegated its role in the review process to the Audit Committee ("AC"). The AC comprises three (3) Independent Non-Executive Directors and the Chairman of the AC is distinct from the Chairman of the Board. It is a practice for the AC to require a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the AC. For 2018, no former key audit partner has been appointed or is a Director of the Company. The AC met 4 times during the current financial period. The activities of the AC during the financial period are described in the Audit and Risk Management Committee Report found on pages 15 to 18 of this annual report, along with the authority, duties and responsibilities of the AC.

2. Risk Management and Internal Control Framework

The Statement on Risk Management and Internal Control is set out on page 19 to 20 of this annual report detailing the features of the risk management and internal control frameworks of the Group.

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

1. Communication with Stakeholders

The Board acknowledges the need for stakeholders to be informed of all material business matters affecting the Group. The Board will ensure the timely release of financial results on a quarterly basis to provide stakeholders with an overview of the Group's performance and operations in addition to the various announcements made during the year. These announcements are also available on the Group's website at www.vivocomgroup.com in the investors relation section.

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

2. Conduct of General Meetings

The Annual General Meeting is the principal forum dialogue with all shareholders. Shareholders are encouraged to participate in the questions and answers session and all the Directors are available to respond to questions during the meeting. Notice of Annual General Meeting and the annual report are sent to shareholders at least 28 days before the date of the meeting, in accordance with the requirements of the Code, enabling shareholders a longer time to review the details of the resolution being proposed for better decision. The notice included details of resolutions to be passed in the general meeting.

Corporate Governance Statement

This Corporate Governance Statement is complemented by the Corporate Governance Report, which is prepared based on the prescribed format as enumerated in Paragraph 15.25(2) of the Listing Requirements for ACE Market of Bursa Malaysia Securities Berhad, to provide a detailed description of the application of the Group's corporate governance practices. The Corporate Governance Report is available on the Group's website, www.vivocomgroup.com, as well as on Bursa Malaysia Berhad's website, www.bursamalaysia.com.

Compliance Statement

The Board believes that the Company has in 2018 followed the Principles and Recommendations of the Code in all material aspects.

This statement is made in accordance with the resolution of the Board dated 29 April 2019.

Directors' Responsibility Statement

This statement is prepared pursuant to the Listing Requirements of Bursa Malaysia Securities Berhad for the ACE Market.

The Board is responsible to ensure the financial statements prepared for each financial year have been made in accordance with applicable approved accounting standards and give a true and fair view of the state of affairs of the Group, including cash flow and results as at the end of each financial year.
The Directors are responsible for ensuring that the Group and the Company have maintained proper accounting records which disclose with reasonable accuracy the financial position of the Group and the Company which comply with the provisions of the Companies Act, 2016.

The Directors have general responsibility for taking such steps as are reasonable available to them to safeguard the assets of the Group and the Company and to detect and prevent fraud and other irregularities.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

Audit and Risk Management Committee Members

Chairman	Tay Mun Kit (Independent Non-Executive Director)
Members	Ar. Lim Tong Hock (Independent Non-Executive Director) Dato' Azahar bin Rasul (Senior Independent Non-Executive Director)
Secretary	Laang Jhe How (Company Secretary)

Terms of Reference of Audit And Risk Management Committee

1. Objective

The primary objectives of the Committee are to assist the Board in discharging its statutory duties and responsibilities relating to accounting and financial reporting practices of the Company and its subsidiaries.

The Committee shall also assist the Board in complying with specified accounting standards and required disclosures as administered by Bursa Securities, relevant accounting standards bodies, and any other laws and regulations as amended from time to time.

The Committee shall also establish a formal and transparent arrangement for maintaining an appropriate relationship with the Company's auditors and overseeing and appraising the quality of audits conducted by the Company's internal and external auditors.

2. Composition

(a) The Audit and Risk Management Committee shall be appointed by the Board from amongst themselves comprising not less than three (3) members where the majority of them shall be composed of independent non-executive directors and the CEO shall not be a member of the Audit and Risk Management Committee.

(b) The Committee shall include at least one (1) person who is a member of the Malaysian Institute of Accountants or possessing such financial related qualification or experience as may be required by Bursa Malaysia Securities Berhad.

(c) The term of office of the Audit and Risk Management Committee is two (2) years and may be re-nominated and appointed by the Board.

(d) The members of the Audit and Risk Committee shall elect a Chairman from amongst themselves who shall be an independent director.

(e) All members of the Audit and Risk Management Committee, including the Chairman, will hold office only so long as they serve as Directors of the Company. Should any member of the Audit and Risk Management Committee cease to be a Director of the Company, his membership in the Audit and Risk Management Committee would cease forthwith.

(f) No Alternate Director of the Board shall be appointed as a member of the Audit and Risk Management Committee.

(g) If the number of members of the Audit and Risk Management Committee for any reason be reduced to below three (3), the Board of Directors shall within three (3) months of the event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

(h) The Board must review the term of office and performance of the Committee and each of its members at least once every three (3) years to determine whether such Committee and members have carried out their duties in accordance with their terms of reference.

3. Duties and Responsibilities

The duties and responsibilities of the Committee shall include the followings:-

External Audit

(a) To review the nomination of external auditors and their audit fees;
(b) To review the nature, scope and quality of external audit plan/arrangements;
(c) To review quarterly and annual financial statements of the Company, before submission to the Board, focusing in particular on the going concern assumption, compliance with accounting standards and regulatory requirements, any changes in accounting policies and practices, significant issues arising from the audit and major judgmental issues;
(d) To review the external auditors' audit report;
(e) To review with the external auditors, their evaluation of the system of internal accounting controls;
(f) To review the Company's policies and procedures with Management and external auditors to ensure the adequacy of internal accounting and financial reporting controls;
(g) To review any letter of resignation from the external auditors; and
(h) To consider and review whether there is reason (supported by grounds) to believe that the Company's external auditors are not suitable for re-appointment.

Internal Audit

(a) To review the adequacy of scope, functions and resources of the internal audit function;
(b) To review the internal audit programme and results of the internal audit process and where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
(c) To review the major findings of internal audit investigations and management's response, and ensure that appropriate actions are taken on the recommendations of the internal audit function; and
(d) To review and approve any appointment, termination or resignation of the internal auditor.

Risk Management and Internal Control

(a) To review the adequacy of the Group's risk management framework and to provide independent assurance to the Board of Directors on the effectiveness of the Company's risk management processes;
(b) To evaluate the quality and effectiveness of the Company's internal controls and management information systems, including compliance with applicable laws, rules and guidelines;
(c) Monitoring and communication of risk assessment results to the Board; and
(d) To recommend to the Board of Directors the Statement of Internal Control and any changes to the said statement.

4. Authority

The Committee shall in accordance with a procedure to be determined by the Board and at the expense of the Company :

(a) have explicit authority to investigate any matter within its terms of reference;
(b) have the resources which the Committee needs to perform the duties;
(c) have full access to any information which the Committee requires in the course of performing its duties;
(d) have unrestricted access to all employees of the Group;
(e) have direct communication channels with the external auditors;
(f) be able to obtain outside legal or independent professional advice in the performance of its duties at the cost of the Company; and
(g) be able to invite outsiders with relevant experience to attend its meetings, if necessary.

5. Meetings and Minutes

The Committee shall hold not less than four (4) meetings a year to review the quarterly results and year end financial statements. In order to form the quorum for each meeting, a minimum of two (2) members present shall be Independent Directors.

In addition to the Committee members, the head of internal audit shall normally attend the meetings. Representatives of the external auditors shall attend meetings where matters relating to the audit of the statutory accounts and/or the external auditors are to be discussed.

Minutes of each meeting shall be kept and distributed to each member of the Committee and also to the other members of the Board. The Committee Chairman shall report on each meeting to the Board.

The Secretary to the Committee shall be the Company Secretary.

6. Internal Audit Function

The Company's internal audit function is outsourced to an independent professional internal audit service provider, which reports directly to the Audit and Risk Management Committee. The Internal Auditors adopt a risk-based approach when preparing its annual audit plan and strategy. The principal role of the internal audit is to conduct independent and regular reviews of the various operations of the Company and to provide objective reports on the state of the internal controls to the Audit and Risk Management Committee. All internal audit reports will be presented to the Audit and Risk Management Committee for deliberation. The Audit and Risk Management Committee would then make the relevant recommendations for the management's further action. The total costs incurred for the outsourced internal audit function during the year was RM25,739.

Summary of Activities

During the financial year ended 31 December 2018, in line with the terms of reference, the Committee carried out the following activities in the discharge of its functions and duties:

1. Meeting with the external auditors to review the audited financial statements for the financial year ended 31 December 2018;

2. Reviewed the audit reports of the Group prepared by the external auditors and considered the major findings by the auditors and management's responses thereto;

3. Reviewed the quarterly and year-end financial results of the Group prior to submission to the Board for consideration and approval;

4. Reviewed the disclosure of related party transactions entered into by the Group;

5. Reviewed the audit plan, nature and scope of the external auditors and considering their audit fee;

6. Reviewed the audit plan, nature and scope as proposed by the internal auditors; and

7. Reviewed the audit reports presented by the internal auditors on the findings and recommendations and ensure that they are duly acted upon by the management.

8. Reviewed the Statement on Risk Management and Internal Control to be published in the Annual Report.

Meeting Attendance

The Committee held four (4) meetings during the financial year ended 31 December 2018. The details of the attendance are as follows:

Directors	No. of meetings attended
Tay Mun Kit	4/4
Dato' Azahar bin Rasul	3/4
Ar. Lim Tong Hock	4/4

Directors' Responsibility Statement

This Statement is prepared pursuant to the Listing Requirements of Bursa Malaysia Securities Berhad for the ACE Market.

The Board is responsible to ensure the financial statements prepared for each financial year have been made in accordance with applicable approved accounting standards and give a true and fair view of the state of affairs of the Group, including cash flow and results as at the end of each financial year.

The Directors are responsible for ensuring that the Group and the Company have maintained proper accounting records which disclose with reasonable accuracy the financial position of the Group and the Company which comply with the provisions of the Companies Act, 2016.

The Directors have general responsibility for taking such steps as are reasonable available to them to safeguard the assets of the Group and the Company and to detect and prevent fraud and other irregularities.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Malaysian Code of Corporate Governance under Principle 6 states that the Board should establish a sound risk management framework and internal controls systems to safeguard shareholders' investments and the Group's assets.

Board Responsibilities

The Board acknowledges the importance and responsibilities of maintaining a good system of risk management and internal controls and risk management which includes determining the Group's level of risk tolerance and in conjunction with the management of the Group, the establishment of an appropriate internal control environment and framework, reviewing the integrity, effectiveness and adequacy of these systems to safeguard shareholders' investment and the Group's assets.

The system of risk management and internal control covers not only financial control but also operational and compliance control. The Board believes that this is a continuing process and more importantly a concerted effort by all employees of the Group. As part of its review, the Board will continue taking necessary measures to strengthen its risk management and internal control system to address any weaknesses identified.

System of Risk Management

The Board acknowledged that all areas of the Group's activities involve some degree of risks and recognises that effective risk management is part of good business management practice for the successful achievement of the Group's business objectives.

Day to day operations in respect of commercial, financial, legal compliance and operational aspects of the Group are closely monitored by the Management and they are delegated with the responsibilities to manage identified risks within defined parameters and standards. Significant risks will be highlighted to the Board and deliberation of risks and mitigating responses are carried out. The Risk Management Framework and Risk Management Policies to be adopted by the Board serves as guidance notes to the Management on the systematic approach to assess and manage risk.

Objectives of the Risk Management Framework and Policies are as followings:-

(a) To identify and prioritise potential risk areas and risk events;
(b) To develop methods to evaluate identified risks; and
(c) To develop risk management, risk mitigation and risk response strategies and plans.

System of Internal Control

The key measures implemented in the Group are as follows :-

(i) A well-defined organization structure with distinct lines of accountability that sets out the authority delegated to the board and management committees;

(ii) A process of hierarchical reporting which provides a documented and auditable trail of accountability;

(iii) Documented policies and procedures for all significant processes;

(iv) Regular and comprehensive information provided to management, covering financial and operational performance and key business indicators for effective monitoring and decision making;

(v) Consistent monitoring of results against budget, with major variances being followed up and management action taken, where necessary;

(vi) Close involvement in the daily operation by the senior management; and

(vii) Review of quarterly and annual financial results by the Audit and Risk Management Committee;

Internal Audit Function

The Group has outsourced its internal audit function to an independent professional firm to review the adequacy and integrity of the internal control systems of the Group.

The functions of the internal audit are as follows :-

1. Perform audit work in accordance with the pre-approved internal audit plan.
2. Carry out review on the system of internal controls of the Group.
3. Review and comment on the effectiveness and adequacy of the existing control policies and procedures.
4. Provide recommendations, if any, for the improvement of the control policies and procedures.
5. Review and comment on the implementation status of the recommendation by the internal audit function.

The internal audit function reports directly to the Audit and Risk Management Committee and is independent of the management. The internal audit reports are submitted to the Audit and Risk Management Committee who would review and deliberate on the findings before making the necessary recommendations to the Board to strengthen its system internal control and policies.

Conclusion

The Board have received assurance from the Executive Directors that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects based on the risk management and internal control system of the Group.

The Board is committed towards operating a sound system of internal control and effective risk management practices throughout the Group and is of the view that they are adequate to safeguard shareholders' investments and the Group's assets. There were no material losses incurred during the financial period as a result of weaknesses in internal control that would require a separate disclosure in the annual report. The Board will, when necessary, take the necessary steps to further enhance the Company's system of risk management and internal control to adapt to the ever changing and challenging business environment.

Review of the Statement by the External Auditors

Pursuant to Paragraph 15.23 of the ACE Market Listing Requirements of Bursa Malaysia, the External Auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in this annual report. Their review was performed in accordance with Recommended Practice Guide ("RPG") 5 (Revised 2015), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control issued by the Malaysian Institute of Accountants for inclusion in the annual report and reported to the Board that nothing has come to their attention that causes them to believe that this Statement is not prepared , in all material respect, in accordance with the disclosures required by Paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers to be set out, or nor is factually inaccurate.

The external auditors are not required to consider whether the Directors' Statement on Risk Management and Internal Control covers all risk and control, or to form an opinion on the adequacy and effectiveness of the Company's risk management and internal control system including the assessment and opinion by the Board of Directors and Management thereon in accordance with RPG (Revised 2015).The external auditors are also not required to consider the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

This Statement was made in accordance with a resolution of the Board dated 29 April 2019.

SUSTAINABILITY STATEMENT

The Board of Directors ("Board") recognizes the essence of sustainability as a key driver for business continuation and long term growth and acknowledges the increasing relevance of sustainability in our business value. The Board is committed to develop and engage various responsible and sustainable measures in our business operation to promote and continually contribute to the environment, society and economy. However, similar to any major initiative, this will involve an on-going and long-term transformation in corporate culture, strategy and processes.

Our main focus on sustainability measures are listed as below:

(a) The Environmental Sustainability

The Group values the importance, impact and implications its business operations have on the environment as a whole and strive to conduct business in the best possible ways to conserve and minimize the impact to the environment. The three (3) main identified efforts are:

(i) Paperless environment

Business entities and staff are encouraged to fully maximize the advancement and benefits of technology for communication, filing and only print physical copy when necessary. The management has also implemented e-leave system to a promote seamless and efficient system to reduce the impact to the environment.

(ii) Recycling

Staffs are encouraged to maximize the usage of papers by printing on both sides while unwanted papers and recyclable items are collected and sent to be recycled. This initiative is in place to support the environmentally friendly effort.

(iii) Energy Consumption

The Group is constantly monitoring the consumption of energy in the workplace. Staff are advised to switch off electricity during lunch break or when equipment are not in used. The Group is also exploring other measures to reduce consumption of energy and wastages.

We also ensure that all business activities at the project sites is carried out in a responsible manner. The respective management team is to ensure that all projects are complied with all relevant authorities' requirements including environmental reporting. All permits, approvals and reporting requirements are obtained, maintained and strictly adhered to according to the law and regulations. Wastes are also identified and handled according to the compliances and regulations by all relevant authorities.

In addition to the existing measures, we are continuously looking to improve and further minimise our business impacts to the environment.

(b) Economic Sustainability

The Group seeks to always uphold and comply the standards of Corporate Governance within the operation of the company in order to meet shareholder expectations and to benefit the stake of the shareholders. The Group also releases quarterly reports and annual report timely to keep stakeholders abreast of the progress of the company.

Vivocom Group work mainly with local enterprises in support of the growth of local businesses and products. Pool of suppliers and subcontractors are sourced locally unless special request, specifications or skills are required by the clients to promote business growth within the country.

The Board and management team believe that product safety and quality assurance will increase competitive edge of the entire Group in the marketplace, therefore the Group continuously emphasis on good workmanship and delivering high quality product as commitment all customers. To achieve such standards, Quality Assurance and Quality Control Department which has been set up in the subsidiary companies play pivotal roles to ensure products and all works carried out is at its best quality possible. The construction division has also taken initiative to adopt ISO standards in its day -to-day operation.

(c) Social Sustainability

Human resource is the strategic asset of the Group. The Group always strives to set up a quality work environment for our dedicated workers in line with the health and safety standards. The Group has a fundamental responsibility and commitment to ensure that all employees work in a safe and healthy environment.

For construction division, the presence of a safety officer is mandatory on site as we strive to achieve the lowest rate of lost- work time injuries and to ensure the safety of all personnel on site. It is also mandatory for staff to attend Occupational Safety and Health Administration (OSHA) courses conducted by external trainers to enhance their understanding and responsibility on employees' health and safety.

At the manufacturing front, enforcement of safe work practices for all production workers in the production areas is also in place. Production work flow is organised in an orderly manner to ensure optimum workers' movement, safety and sustainable work rate. Production debris and hazardous materials are handled in accordance to the safety requirements and regulations to ensure a safe workplace and minimum harm to the environment.

Workforce development is also crucial to increase efficiency and productivity at work. Staff are sent for various training during their employment to enhance their skills and abilities which would be beneficial for the group besides offering excellent opportunities for staff future career development. The Group also appreciate individuality and diversity regardless of gender, ethnicity or cultural background. We do not tolerate discrimination in any form and encourage all staff to reach their full potential.

The Group also aims to foster and cultivate close ties among the subsidiaries and staff by organizing several social activities such as annual dinner, sports events to produce quality workforce with a strong sense belonging.

(a) Utilisation of Proceeds

(i) The status of utilisation of the gross proceeds of RM63.318 million from the Private Placement of up to 10% of the issued and paid up share capital of Vivocom as at 31 December 2018 are as follows:-

Purposes	Proposed Utilisation (RM'000)	Amount Utilised (RM'000)	Amount Unutilised (RM'000)	Deviation (RM'000)	Intended timeframe for Utilisation
Future viable investments	38,000	-	38,000	-	Within 24 months from completion
General working capital for VESB	24,118	24,118	-	-	Within 24 months from completion
Private placement expenses	1,200	1,200	-	-	Upon completion
Total	**63,318**	**25,318**	**38,000**	**-**	

(ii) The status of utilisation of the gross proceeds of RM56.6457 million from the Rights Issue as at 31 December 2018 are as follows:-

Purposes	Proposed Utilisation (RM'000)	Amount Utilised (RM'000)	Amount Unutilised (RM'000)	Deviation (RM'000)	Intended timeframe for Utilisation	Explanation
Future viable investments	25,000	-	25,000	-	Within 24 months from completion	
Working capital	30,445	25,000	5,445	-	Within 24 months from completion	Being additional rights issue expenses of RM330,000 incurred
Rights Issue expenses	1,200	1,530	-	(330)	Upon completion	
Total	**56,645**	**26,530**	**30,445**	**(330)**		

(b) Audit and Non-Audit Fees

The amount of audit and non-audit fees paid to the external auditors and their affiliates by the Group and the Company respectively for the financial year are as follows :-

	Company (RM)	Group (RM)
Audit services rendered	90,000	288,500
Non-audit services rendered	85,000	85,000
Total	**175,000**	**373,500**

(c) Material Contracts Involving Directors and Major Shareholders

There were no material contracts entered into by the Company and its subsidiaries involving the Company's Directors' and/or major shareholders' interest.

(d) Recurrent Related Party Transactions of Revenue Nature ("RRPT")

During the financial year, the Company did not enter into any RRPT.

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

The directors hereby submit their report together with 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 provision of telecommunication engineering and services as well as investment holding.

The principal activities of the subsidiaries are as stated in Note 5 to the financial statements. There have been no significant changes to the nature of these principal activities during the financial year.

RESULTS

	Group RM	Company RM
Net (loss) for the financial year	(74,965,107)	(40,288,467)
Other comprehensive income, net of tax	-	-
Total comprehensive (deficit) for the financial year	(74,965,107)	(40,288,467)
Attributable to:-		
Owners of the parent	(68,736,998)	(40,288,467)
Non-controlling interests	(6,228,109)	-
Total comprehensive (deficit) for the financial year	(74,965,107)	(40,288,467)

DIVIDENDS

There were no dividends paid or declared by the Company since the end of the previous financial year.

The directors do not recommend the payment of any dividends in respect of 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 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 had satisfied themselves that all known bad debts had been written off and adequate allowance had been made for doubtful debts.

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

CURRENT ASSETS

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

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 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 liabilities in respect of the Group and of the Company that has arisen since the end of the financial year.

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

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 financial year in which this report is made.

ISSUES OF SHARES AND DEBENTURES

During the financial year, the issued and paid-up share capital increased from RM360,199,392/- to RM415,849,654/- by way of:-

(i) issuance of 5,000,000 new ordinary shares via private placements to eligible investors for a total purchase consideration of RM537,000/- at an average issue price of RM0.1074 per ordinary share; and

(ii) renounceable rights issue of 2,265,814,275 new ordinary shares on the basis of two (2) rights shares for every three (3) existing ordinary shares held together 1,132,906,538 free detachable Warrant E on the basis of one (1) free Warrant E for every two (2) rights shares subscribed.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares in the Company. There were no issuance of debentures during the financial year.

WARRANT B 2013/2018

A total of 351,127,130 free warrants have been issued pursuant to the Bonus Issue of one (1) free warrant for every two (2) existing ordinary shares of RM0.10 each held on 30 August 2013. The warrants were granted listing and quotation on the ACE Market of Bursa Malaysia Berhad on 9 September 2013. The salient features and details of the Warrant B are disclosed in Note 17 to the financial statements. The movement of the Warrant B 2013/2018 during the financial year is as follows:-

	Number of Warrant B				
	At 01.01.2018	Issued	Exercised	Expired	At 31.12.2018
Warrant B 2013/2018	626,145,878	275,502,787	-	(901,648,665)	-

WARRANT C 2015/2020

A total of 140,450,852 free warrants have been issued pursuant to the Bonus Issue of one (1) free warrant for every five (5) existing ordinary shares of RM0.10 each held on 22 January 2015. The warrants were granted listing and quotation on the ACE Market of Bursa Malaysia Berhad on 30 January 2015.

The salient features and details of the Warrant C are disclosed in Note 17 to the financial statements. The movement of the Warrant C 2015/2020 during the financial year is as follows:-

	Number of Warrant C				
	At 01.01.2018	Issued	Exercised	Expired	At 31.12.2018
Warrant C 2015/2020	250,367,513	110,160,335	-	-	360,527,848

WARRANT D 2015/2020

The Company has Renounceable Rights Issue of up to 429,515,979 Rights Shares on the basis of two (2) Rights Shares for every seven (7) existing ordinary shares held, together with up to 214,757,989 free detachable warrants in the Company ("Warrant D") on the basis of one (1) free Warrant D for every two (2) Rights Shares subscribed for at 5.00 p.m. on Monday, 15 June 2015 at an issue price of RM0.10 per Rights Share ("Rights Issue with Warrants").

The salient features and details of the Warrant D are disclosed in Note 17 to the financial statements.

The movement of the Warrant D 2015/2020 during the financial year is as follows:-

	Number of Warrant D				
	At 01.01.2018	Issued	Exercised	Expired	At 31.12.2018
Warrant D 2015/2020	240,824,301	105,962,425	-	-	346,786,726

WARRANT E 2018/2023

The Company has Renounceable Rights Issue of up to 3,010,706,070 Rights Shares on the basis of two (2) Rights Shares for every three (3) existing ordinary shares held, together with up to 1,505,353,035 free detachable warrants in the Company ("Warrant E") on the basis of one (1) free Warrant E for every two (2) Rights Shares subscribed for at 5.00 p.m. on Monday, 30 July 2018 at an issue price of RM0.025 per Rights Share ("Rights Issue with Warrants").

The salient features and details of the Warrant E are disclosed in Note 17 to the financial statements.

The movement of the Warrant E 2018/2023 during the financial year is as follows:-

	Number of Warrant E				
	At 01.01.2018	Issued	Exercised	Expired	At 31.12.2018
Warrant E 2018/2023	-	1,132,906,538	-	-	1,132,906,538

DIRECTORS

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

CHOO SENG CHOON
DATO' AZAHAR BIN RASUL
TAY MUN KIT
AR. LIM TONG HOCK
DATO' NOR MOHD AMIN BIN SHAHARUDIN

DIRECTORS OF SUBSIDIARIES OF THE COMPANY

Pursuant to Section 253(2) of the Companies Act, 2016 in Malaysia, the directors who held office in the subsidiaries of the Company during the financial year and during the period from the end of the financial year to the date of this report are:-

ANNE KUNG SOO CHING
DATO' NOR MOHD AMIN BIN SHAHARUDIN
DATO' CHIA KOK SENG
CHOO SENG CHOON
SEAH KOK CHONG
OOI ENG KEAN
LOH PIT KONG (Resigned on 02.04.2018)
PHUA SIEW BOON (Resigned on 07.09.2018)

DIRECTORS' INTERESTS

According to the register of the directors' shareholdings, the interest of directors who held office at the end of the financial year in shares or debentures in the Company or its subsidiaries during the financial year are as follows:-

	Number of ordinary shares			
	At 1.1.2018	Bought	Sold	At 31.12.2018
The Company				
Direct Interests				
DATO' NOR MOHD AMIN BIN SHAHARUDIN	3,995,667	-	-	3,995,667
Neata Aluminium (Malaysia) Sdn. Bhd.				
Direct Interests				
DATO' NOR MOHD AMIN BIN SHAHARUDIN	204,285	-	-	204,285

None of the other directors in office at the end of the financial year had any interest in the shares and warrants of the Company or its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit (other than benefit shown under directors' remuneration) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

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

DIRECTORS' REMUNERATIONS

The amounts of the remunerations of the directors or past directors of the Company comprising remunerations received/ receivable from the Group and the Company during the financial year are disclosed in Note 25 to the financial statements.

INDEMNIFYING DIRECTORS, OFFICERS AND AUDITORS

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

SUBSIDIARIES OF THE COMPANY

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

AUDITORS

The auditors, STYL Associates PLT (LLP0019500-LCA & AF 001929), have expressed their willingness to continue in office.

STYL Associates PLT (LLP0019500-LCA & AF 001929) was registered on 13 March 2019 and with effect from that date, STYL Associates (AF 001929), a conventional partnership was converted to a limited liability partnership.

AUDITORS' REMUNERATIONS

Total amounts paid or receivable by the auditors as remunerations for their statutory audit services is disclosed in Note 24 to the financial statements.

Signed on behalf of the Board of Directors,

....

CHOO SENG CHOON
Director

....

TAY MUN KIT
Director

Petaling Jaya

Date: 29 April 2019

STATEMENT BY DIRECTORS

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

We, CHOO SENG CHOON and TAY MUN KIT, being two of the directors of VIVOCOM INTL HOLDINGS BERHAD, do hereby state that in the opinion of the directors, the accompanying financial statements set out on pages 35 to 95 are properly drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of their financial performance and cash flows of the Group and of the Company for the financial year then ended.

Signed on behalf of the Board of Directors,

....	....
CHOO SENG CHOON	**TAY MUN KIT**
Director	Director

Petaling Jaya

Date: 29 April 2019

STATUTORY DECLARATION

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

I, CHOO SENG CHOON (MIA Membership No.19984), being the director primarily responsible for the financial management of VIVOCOM INTL HOLDINGS BERHAD, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 35 to 95, 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, l960.

....

CHOO SENG CHOON

Subscribed and solemnly declared by the abovenamed at Petaling Jaya in the Selangor Darul Ehsan on 29 April 2019.

Before me,

....

WONG CHOY YIN (No. B508)
Commissioner for Oaths
Petaling Jaya

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF
VIVOCOM INTL HOLDINGS BERHAD
(INCORPORATED IN MALAYSIA)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of VIVOCOM INTL HOLDINGS BERHAD, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 35 to 95.

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

Key audit matter	How our audit addressed the key audit matter
Goodwill	
As disclosed in Note 4 to the financial statements, the Group has goodwill of RM146,412,540/- arose from the acquisition of Instacom Engineering Sdn. Bhd. and Neata Aluminium (Malaysia) Sdn. Bhd. as the cash generating units ("CGU"). These CGUs have been tested for impairment on yearly basis to assess the recoverability of the carrying amounts of the goodwill. The management assessed the recoverable amounts of the goodwill by determining the CGUs' value-in-use using the discounted cash flow projections. The determination of value-in-use is highly subjective as significant judgement is required to determine the appropriateness of discounted cash flows projections and assumptions used. The management has disclosed the relevant information of goodwill in Note 2.4(c) for significant accounting estimates and judgements and Note 4 for goodwill disclosure.	Our audit procedures included, among others, evaluating the assumptions and methodologies used by the Group in performing the impairment assessment. We tested the basis of preparing the cash flow projections taking into account the back-testing results on the accuracy of previous forecasts and the historic evidence supporting underlying assumptions. We also assessed the appropriateness of the other key assumptions, such as budgeted gross margin, growth rates used to extrapolate the cash flows and the discount rates applied, by comparing against internal information, and external economic and market data. We also reviewed management's sensitivity and stress testing analysis and tested independently those assumptions to which the outcome of the impairment test is most sensitive.

Key Audit Matters (Cont'd)

Key audit matter	How our audit addressed the key audit matter
Investment in subsidiaries	
As disclosed in Note 5 to the financial statements, the Company has carrying amount of investment in subsidiaries of RM202,607,100/-. The Company is required to assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. The management assessed the impairment by comparing the carrying amounts of these investment in subsidiaries against the recoverable amounts. The determination of recoverable amounts is highly subjective as significant judgement is required to determine the appropriateness of discounted cash flows projections and assumptions used. The management has disclosed the relevant information of investment in subsidiaries Note 2.4(d) for significant accounting estimates and judgements and Note 5 for investment in subsidiaries disclosure.	Our audit procedures included, among others, evaluating the assumptions and methodologies used by the Company in performing the impairment assessment. We tested the basis of preparing the cash flow projections taking into account the back-testing results on the accuracy of previous forecasts and the historic evidence supporting underlying assumptions. We also assessed the appropriateness of the other key assumptions, such as budgeted gross margin, growth rates used to extrapolate the cash flows and the discount rates applied, by comparing against internal information, and external economic and market data. We also reviewed management's sensitivity and stress testing analysis and tested independently those assumptions to which the outcome of the impairment test is most sensitive.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of the 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.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 5 to the financial statements.

Other Matters

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

STYL ASSOCIATES PLT
LLP0019500-LCA & AF 001929
Chartered Accountants

ONG THIAN GHIM
No. 03331/10/2019(J)
Chartered Accountant

Petaling Jaya

Date: 29 April 2019

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

		Group		Company	
	Note	2018 RM	2017 RM Restated	2018 RM	2017 RM
ASSETS					
Non-current assets					
Property, plant and equipment	3	27,501,513	29,595,289	14,422,660	15,089,703
Intangible assets	4	146,412,540	178,829,540	-	-
Investment in subsidiaries	5	-	-	202,607,100	234,384,100
Other investment	6	2,968,743	-	2,968,743	-
Finance receivables	7	5,866,940	9,130,208	-	-
Trade and other receivables	8	22,850,536	-	-	-
Deferred tax assets	9	-	-	-	-
Total non-current assets		205,600,272	217,555,037	219,998,503	249,473,803
Current assets					
Inventories	10	2,061,310	2,555,819	-	895,498
Finance receivables	7	4,864,269	5,410,959	-	-
Trade and other receivables	8	258,078,380	273,736,024	47,106,547	40,017,884
Contract assets	11	33,237,350	54,819,772	-	-
Amount owing by subsidiaries	12	-	-	123,695,265	122,314,258
Fixed deposits with licensed banks	13	9,783,482	9,091,444	2,841,027	2,766,472
Cash and bank balances	14	58,914,645	37,765,513	54,593,230	18,804,267
Total current assets		366,939,436	383,379,531	228,236,069	184,798,379
Total assets		572,539,708	600,934,568	448,234,572	434,272,182
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	15	415,849,654	360,199,392	415,849,654	360,199,392
Other reserves	16	11,481,382	4,806,111	11,481,382	4,797,234
Retained earnings/(Accumulated losses)		20,392,135	95,804,404	(2,860,784)	44,111,831
		447,723,171	460,809,907	424,470,252	409,108,457
Non-controlling interests		18,332,702	24,569,341	-	-
Total equity		466,055,873	485,379,248	424,470,252	409,108,457
LIABILITIES					
Non-current liabilities					
Loans and borrowings	18	10,920,291	8,962,638	2,322,136	2,509,241
Deferred tax liabilities	9	252,949	386,147	-	21,695
Trade and other payables	21	10,690,021	-	-	-
Total non-current liabilities		21,863,261	9,348,785	2,322,136	2,530,936
Current liabilities					
Trade and other payables	21	46,767,176	62,662,210	1,862,932	3,521,665
Contract liabilities	11	4,156,353	3,241,635	-	-
Amount owing to subsidiaries	12	-	-	18,876,147	16,586,562
Amount owing to directors	22	-	100	-	100
Loans and borrowings	18	31,670,514	25,802,557	188,660	1,509,688
Tax payables		2,026,531	14,500,033	514,445	1,014,774
Total current liabilities		84,620,574	106,206,535	21,442,184	22,632,789
Total liabilities		106,483,835	115,555,320	23,764,320	25,163,725
Total equity and liabilities		572,539,708	600,934,568	448,234,572	434,272,182

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

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

		Group		Company	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
Revenue	23	121,246,912	183,126,527	2,115,216	11,239,377
Cost of sales		(107,655,772)	(131,825,519)	(2,958,651)	(8,726,542)
Gross profit/ (loss)		13,591,140	51,301,008	(843,435)	2,512,835
Other income		2,465,987	913,859	362,353	105,815
Administrative expenses		(23,647,541)	(18,291,418)	(4,187,079)	(6,883,899)
Selling and distribution expenses		(5,704)	(194,864)	(5,704)	(9,512)
Other operating expenses		(61,990,135)	(10,576,060)	(35,231,701)	(15,684)
Operating (loss)/ profit	24	(69,586,253)	23,152,525	(39,905,566)	(4,290,445)
Finance costs	26	(5,120,770)	(2,265,649)	(178,234)	(215,353)
(Loss)/ Profit before taxation		(74,707,023)	20,886,876	(40,083,800)	(4,505,798)
Taxation	27	(258,084)	944,313	(204,667)	741,409
(Loss)/ Profit for the financial year		(74,965,107)	21,831,189	(40,288,467)	(3,764,389)
Other comprehensive income for the financial year:-					
Foreign currency translation		-	1,042	-	-
Total comprehensive (deficit)/ income for the financial year		(74,965,107)	21,832,231	(40,288,467)	(3,764,389)
Profit attributable to:-					
Owners of the parent		(68,736,998)	14,508,556	(40,288,467)	(3,764,389)
Non-controlling interests		(6,228,109)	7,322,633	-	-
		(74,965,107)	21,831,189	(40,288,467)	(3,764,389)
Total comprehensive (deficit)/ income attributable to:-					
Owners of the parent		(68,736,998)	14,509,087	(40,288,467)	(3,764,389)
Non-controlling interests		(6,228,109)	7,323,144	-	-
		(74,965,107)	21,832,231	(40,288,467)	(3,764,389)
Basic (loss)/ earnings per share (sen)	28	(1.65)	0.44		
Diluted (loss)/ earnings per share (sen)	28	(1.65)	0.44		

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

Group	Note	Share Capital RM	Share Premium RM	Warrant Reserve RM	Exchange Reserve RM	Retained Earnings RM	Sub-Total RM	Non-Controlling Interests RM	Total Equity RM
		← Attributable to Owners of the Company				→			
		← Non-distributable			→	Distributable			
At 1 January 2017		323,422,141	17,002,801	4,797,234	8,346	88,177,489	433,408,011	19,119,825	452,527,836
Total comprehensive income for the financial year:-									
Profit for the financial year		-	-	-	-	14,508,556	14,508,556	7,322,633	21,831,189
Other comprehensive income for the financial year		-	-	-	531	-	531	511	1,042
Total comprehensive income		-	-	-	531	14,508,556	14,509,087	7,323,144	21,832,231
Transactions with owners:-									
Issuance of ordinary shares via private placement		19,774,450	-	-	-	-	19,774,450	-	19,774,450
Tranfer from share premium in accordance with Section 618(2) of the Companies Act, 2016		17,002,801	(17,002,801)	-	-	-	-	-	-
Total transactions with owners		36,777,251	(17,002,801)	-	-	-	19,774,450	-	19,774,450
At 31 December 2017		360,199,392	-	4,797,234	8,877	102,686,045	467,691,548	26,442,969	494,134,517
At 1 January 2018, previously stated		360,199,392	-	4,797,234	8,877	102,686,045	467,691,548	26,442,969	494,134,517
Adjustments on initial application of MFRS 9, net of tax	34	-	-	-	-	(6,881,641)	(6,881,641)	(1,873,628)	(8,755,269)
At 1 January 2018, restated		360,199,392	-	4,797,234	8,877	95,804,404	460,809,907	24,569,341	485,379,248
Total comprehensive deficit for the financial year		-	-	-	-	(68,736,998)	(68,736,998)	(6,228,109)	(74,965,107)
Transactions with owners:-									
Renounceable rights issue with free warrants		55,113,262	-	6,684,148	-	(6,684,148)	55,113,262	-	55,113,262
Issuance of ordinary shares via private placement		537,000	-	-	-	-	537,000	-	537,000
Disposal of equity interest in a subsidiary		-	-	-	(8,877)	8,877	-	(8,530)	(8,530)
Total transactions with owners		55,650,262	-	6,684,148	(8,877)	(6,675,271)	55,650,262	(8,530)	55,641,732
At 31 December 2018		415,849,654	-	11,481,382	-	20,392,135	447,723,171	18,332,702	466,055,873

	← Attributable to Owners of the Company				→
		← Non-distributable →		Distributable	
Company	**Share Capital RM**	**Share Premium RM**	**Warrant Reserve RM**	**Retained Earnings RM**	**Total Equity RM**
At 1 January 2017	323,422,141	17,002,801	4,797,234	47,876,220	393,098,396
Total comprehensive deficit for the financial year	-	-	-	(3,764,389)	(3,764,389)
Transactions with owners:-					
Issuance of ordinary shares	19,774,450	-	-	-	19,774,450
Transfer in accordance with Section 618(2) of the Companies Act, 2016	17,002,801	(17,002,801)	-	-	-
Total transactions with owners	36,777,251	(17,002,801)	-	-	19,774,450
At 31 December 2017	360,199,392	-	4,797,234	44,111,831	409,108,457
Total comprehensive deficit for the financial year	-	-	-	(40,288,467)	(40,288,467)
Transactions with owners:-					
Renounceable rights issue with free warrants	55,113,262	-	6,684,148	(6,684,148)	55,113,262
Issuance of ordinary shares via private placement	537,000	-	-	-	537,000
Total transactions with owners	55,650,262	-	6,684,148	(6,684,148)	55,650,262
Balance at 31 December 2018	415,849,654	-	11,481,382	(2,860,784)	424,470,252

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Group		Company	
	2018 RM	2017 RM Restated	2018 RM	2017 RM
CASH FLOWS FROM OPERATING ACTIVITIES:-				
(Loss)/ Profit before taxation	(74,707,023)	20,886,876	(40,083,800)	(4,505,798)
Adjustments for:-				
Bad debts written off	843,695	88,748	179,050	-
Depreciation of property, plant and equipment	3,282,893	3,904,775	667,043	668,238
Interest income	(362,699)	(370,900)	(131,243)	(105,503)
Interest expenses	2,692,293	2,265,649	146,977	215,353
Fair value discount on payables	(1,357,473)	-	-	-
Fair value discount on receivables	2,397,220	-	-	-
Fair value discount on bond	31,257	-	31,257	-
Gain on disposal of property, plant and equipment	(246,031)	(265,584)	-	-
Impairment loss on:-				
- goodwill	32,417,000	6,380,000	-	-
- trade receivables	26,155,721	5,926,172	5,327,335	3,670,000
- trade receivables written off	-	8,755,269	-	-
- other receivables	2,474,156	-	-	-
- contract assets	2,087,785	-	-	-
- cost of investment in subsidiary	-	-	31,777,000	-
- amount owing by subsidiary	-	-	(179,050)	179,050
Loss/(Gain) on disposal of subsidiary	7,977	-	(900)	-
Property, plant and equipment written off	48,184	90	-	-
	(4,235,045)	47,571,095	(2,266,331)	121,340
Changes in working capital:-				
Inventories	494,509	3,744,569	895,498	(396,322)
Trade and other receivables	(38,884,634)	(35,074,842)	(12,595,048)	10,994,549
Trade and other payables	(3,847,540)	(23,329,641)	(1,658,733)	(998,044)
Contract assets	19,494,637	8,437,933	-	-
Contract liabilities	914,718	(2,715,666)	-	-
	(26,063,355)	(1,366,552)	(15,624,614)	9,721,523
Tax paid	(12,869,034)	(6,013,615)	(726,691)	(375)
Tax refunded	4,250	1,250	-	-
Interest received	362,699	370,900	131,243	105,503
Net Operating Cash Flows	(38,565,440)	(7,008,017)	(16,220,062)	9,826,651

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
		Restated		
CASH FLOWS FROM INVESTING ACTIVITIES:-				
Amount owing by subsidiaries	-	-	(1,201,957)	(39,895,304)
Investment in bond	(3,000,000)	-	(3,000,000)	-
Net cash outflows from disposal of subsidiary	(195,557)	-	900	-
Placement of fixed deposits pledged to banks	(692,038)	(481,735)	-	-
Proceeds from disposal of property, plant and equipment	513,804	1,281,719	-	-
Purchase of property, plant and equipment	(1,505,074)	(818,456)	-	-
Net Investing Cash Flows	(4,878,865)	(18,472)	(4,201,057)	(39,895,304)
CASH FLOWS FROM FINANCING ACTIVITIES:-				
Amount owing to directors	(100)	(43,915)	(100)	-
Amount owing to subsidiaries	-	-	2,289,585	1,994,416
Drawdown/ (Repayment) of term loans	4,787,318	(1,761,493)	(178,264)	(173,701)
Drawdown/ (Repayment) of short term borrowings, net	4,224,966	(1,147,825)	(922,000)	(1,728,000)
Finance receivables	3,809,958	155,221	-	-
Interest paid	(2,692,293)	(2,265,649)	(146,977)	(215,353)
Issuance of rights issue	55,113,262	-	55,113,262	-
Issuance of ordinary shares	537,000	19,774,450	537,000	19,774,450
Repayment of hire purchase payables, net	(271,049)	(975,997)	-	-
Net Financing Cash Flows	65,509,062	13,734,792	56,692,506	19,651,812
NET CHANGE IN CASH AND CASH EQUIVALENTS	22,064,757	6,708,303	36,271,387	(10,416,841)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	-	1,042	-	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	36,152,865	29,443,520	21,162,870	31,579,711
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	58,217,622	36,152,865	57,434,257	21,162,870
ANALYSIS OF CASH AND CASH EQUIVALENTS:-				
Cash and bank balances	58,914,645	37,765,513	54,593,230	18,804,267
Fixed deposits with licensed banks	-	-	2,841,027	2,766,472
Bank overdrafts	(697,023)	(1,612,648)	-	(407,869)
	58,217,622	36,152,865	57,434,257	21,162,870

1. GENERAL INFORMATION

The Company is principally engaged in provision of telecommunication engineering and services as well as investment holding. The principal activities of the subsidiaries are as stated in Note 5 to the financial statements. There have been no significant changes to the nature of these principal activities during the financial year.

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

The registered office of the Company is located at 149A, Jalan Aminuddin Baki, Taman Tun Dr Ismail, 60000 Kuala Lumpur.

The principal place of business of the Company is located at 6-8, Jalan Seri Utara 1, Batu 7, Off Jalan Ipoh, 68100 Kuala Lumpur Wilayah Persekutuan Malaysia and Lot 6800 - 6801, 1st Floor, Wisma Instacom, Lorong 37, Jalan Stampin Baru, 93350 Kuching, Sarawak.

The financial statements are expressed in Ringgit Malaysia.

The financial statements of the Group and of the Company have been authorised for issue by the Board of Directors in accordance with a resolution of the directors on 29 April 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

The financial statements of the Group and of the Company have been prepared under the historical cost basis, other than as disclosed in the significant accounting policies in Note 2.3 to the financial statements.

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

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.4 to the financial statements.

2.2 New MFRSs, Amendments/Improvements to MFRSs and New IC Interpretations ("IC Int")

The following are accounting standards, amendments and interpretations 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

- MFRS 16, Leases
- IC Interpretation 23, Uncertainty over Income Tax Treatments
- 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 Arrangement (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 112, Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- 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 Associate and Joint Ventures - Long-term Interests in Associates and Joint Ventures

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

- Amendment to MFRS 3, Business Combinations - Definition of a Business
- Amendments to MFRS 101, Presentation of Financial Statements and MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 New MFRSs, Amendments/Improvements to MFRSs and New IC Interpretations ("IC Int") (Continued)

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 annual periods on or after 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

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 the accounting standard, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2019.
- from the annual period beginning on 1 January 2020 for the accounting standard, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2020.

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

The initial application for the accounting standards, amendments or interpretations are not expected to have any material financial impact to the current period or 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 Lease - Incentive and IC Interpretation 127, Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

MFRS 16 introduces a single on-balance-sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continue to be classified as finance or operating lease.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 16.

2.3 Significant accounting policies

The following accounting policies 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.

On 1 January 2018, the Group and the Company have applied the new MFRSs, MFRS 15, Revenue from Contracts with Customers and MFRS 9, Financial Instruments. There are changes to the accounting policies of:-

(i) revenue recognition;
(ii) financial instruments; and
(iii) impairment losses of financial instruments

as compared to those adopted in previous financial statements. The impacts arising from the change are disclosed in Note 34 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting policies (Continued)

(a) Basis of consolidation

(i) Subsidiaries

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

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

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

The accounting policies of subsidiaries are changed when necessary to align them with the policies adopted by the Group.

(ii) Accounting for business combinations

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

For new acquisition on or after 1 January 2011, the Group measures goodwill at the acquisition date as:-
- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

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

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

(iii) Accounting for non-controlling interest

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

(iv) Loss of control

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting policies (Continued)

(a) Basis of consolidation (Continued)

(v) Non-controlling interest

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

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

(vi) Transactions eliminated on consolidation

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

(b) Goodwill on consolidation

Goodwill is measured as the excess of consideration transferred, any non-controlling interests and the acquisition-date fair value of any previously-held equity interest over the fair value of the Group's share of the identifiable net assets acquired. Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units ("CGU") that are expected to benefit from the synergies of the business combination.

The CGU to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the CGU may be impaired, by comparing the carrying amount of the CGU, including the allocated goodwill, with the recoverable amount of the CGU. Where the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

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

(c) Property, plant and equipment and depreciation

All property, plant and equipment are initially stated at cost. After recognition as an asset, items of property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses, except for freehold land, factory building under construction and plant, machinery and equipment under installation. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(k) to the financial statements.

Cost includes expenditure that is directly attributable to the acquisition of the asset. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

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

Freehold land is not depreciated as it has an infinite life. Leasehold land is amortised in equal instalments over the period of 55 years. All other property, plant and equipment are depreciated on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful lives of the assets concerned.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting policies (Continued)

(c) Property, plant and equipment and depreciation (Continued)

The annual rates used for depreciation purpose are as follows:-

Factory	2% - 10%
Leasehold land and building	55 years
Computers, telecommunication and electronic equipment	10% - 33%
Machinery and tools	10% - 20%
Motor vehicles	10% - 20%
Office equipment, furniture and fittings	10% - 33%
Base stations and network operation centres	15 years
Staff quarters	10% - 33%
Renovation	10% - 33%
Scaffolding	10% - 33%

The residual values and useful lives of property, plant and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period. The effects of any revisions of the residual values and useful lives are included in the profit or loss for the financial year in which the changes arise.

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

(d) Leases

(i) Finance leases and hire purchase

Assets financed by finance leases and hire purchase arrangements which transfer substantially all the risks and rewards of ownership to the Group are capitalised as property, plant and equipment, and the corresponding obligations are treated as liabilities. The assets so capitalised are depreciated in accordance with the accounting policy on property, plant and equipment.

Assets acquired by way of finance leases and hire purchase arrangements are stated at an amount equal to the lower of their fair values and the present value of minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(k) to the financial statements. The corresponding liability is included in the statement of financial position as borrowings. In calculating the present value of minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowing rate is used. Property, plant and equipment acquired under finance leases and hire purchase are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in the profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(ii) Operating leases

An operating lease is a lease other than a finance lease, where the Group does not assume substantially all the risks and rewards of ownership. Lease payments under operating lease are recognised as an expense in the profit or loss on a straight-line basis over the lease period.

(iii) Leases of land and buildings

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payment and is amortised on a straight-line basis over the lease term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting policies (Continued)

(e) Inventories

Inventories of finished goods, work-in-progress and raw materials are stated at the lower of cost and net realisable value. The cost of inventories is measured based on weighted average basis.

The cost of work-in-progress includes cost of raw materials, consumables, direct labour and an appropriate allocation of overhead. The cost of raw materials includes the original purchase price plus costs incurred to bring the inventories to their present locations and conditions.

Net realisable value is estimated based on the most reliable evidence available at the time the estimates are made as to what the inventories are expected to realise upon completion of the cycle.

(f) Financial instruments

On 1 January 2018, the Group and the Company generally applied the accounting policies in accordance with MFRS 9, Financial Instruments. The Group and the Company have elected not to restate the comparatives.

Recognition and initial measurement

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

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

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

Prior to 1 January 2018

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

An embedded derivative was 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 was not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative was recognised separately, was accounted for in accordance with policy applicable to the nature of the host contract.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting policies (Continued)

(f) Financial instruments (Continued)

<u>Financial instrument categories and subsequent measurement</u>

Financial assets

On 1 January 2018, the categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

(i) Amortised cost

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

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets as disclosed in Note 2.3(k) to the financial statements, where the effective interest rate is applied to the amortised cost.

(ii) Fair value through other comprehensive income

(a) 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 debt investment, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The debt investment is not designated as at fair value through profit or loss. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets, where the effective interest rate is applied to the amortised cost.

(b) Equity investments

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting policies (Continued)

(f) Financial instruments (Continued)

Financial instrument categories and subsequent measurement (Continued)

Financial assets (Continued)

(iii) Fair value through profit or loss

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

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

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through other comprehensive income, are subject to impairment assessment.

Prior to 1 January 2018

Financial assets of the Group and the Company were classified and measured under MFRS 139, Financial Instruments: Recognition and Measurement as follows :

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

Financial assets are classified as fair value through profit or loss if they are held for trading, including derivatives, or are designated as such upon initial recognition.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value with the gain or loss recognised in profit or loss. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised as other gains or losses in the profit or loss.

(ii) Loans and receivables

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

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

(iii) Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity that are quoted in an active market and the Group or the Company has the positive intention and ability to hold the investment to maturity is classified as held-to-maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

(iv) Available-for-sale financial assets

Available-for-sale are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting policies (Continued)

(f) Financial instruments (Continued)

<u>Financial instrument categories and subsequent measurement (Continued)</u>

Financial liabilities

On 1 January 2018, the categories of financial liabilities at initial recognition are as follows:-

(i) Fair value through profit or loss

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

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

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

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

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

(ii) Amortised cost

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

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

<u>Prior to 1 January 2018</u>

Financial liabilities of the Group and the Company were subsequently measured at amortised cost other than those categorised as fair value through profit or loss. Fair value through profit or loss category comprised financial liabilities that were derivatives or financial liabilities that were specifically designated into this category upon initial recognition.

Derivatives that were linked to and must be settled by delivery of unquoted equity instruments that did not have a quoted price in an active market for identical instruments whose fair values otherwise could not be reliably measured were measured at cost. Financial liabilities categorised as fair value through profit or loss were subsequently measured at their fair values with the gain or loss recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting policies (Continued)

(f) Financial instruments (Continued)

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.

On 1 January 2018, financial guarantees issued are initially measured at fair value. Subsequently measured at higher of:-

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

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

Prior to 1 January 2018

Financial guarantee contracts are classified as deferred income and are amortised to profit or loss over the contractual period or, 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.

Regular way purchase or sale of financial assets

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

Trade date accounting refers to:-

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

Settlement date accounting refers to:-

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting policies (Continued)

(f) Financial instruments (Continued)

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 transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

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

Offsetting

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

(g) Provision for liabilities

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

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

(h) Equity instruments

Equity instruments are measured at cost on initial recognition and are not remeasured subsequently. Ordinary shares are classified as equity. Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

The Group measures a liability to distribute assets as a dividend to the owners of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at each reporting period and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Group recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting policies (Continued)

(i) Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand, bank balances, deposits with banks and other short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are stated at net of bank overdrafts and deposits pledged to the financial institution.

(j) Foreign currency

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

Transactions in foreign currencies are translated into RM at rates of exchange ruling at transaction dates. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated into Ringgit Malaysia at the foreign exchange rates ruling at that date. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are recognised in the profit or loss.

Non-monetary items are measured in terms of historical cost in a foreign currency or translated using the exchange rates as at the date of the initial transaction. Non-monetary items measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

(k) Impairment

(i) Impairment of financial assets

On 1 January 2018, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, Financial Instruments, the Group and the Company elected not to restate the comparatives.

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income, contract assets and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting policies (Continued)

(k) Impairment (Continued)

(i) Impairment of financial assets (Continued)

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month 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.

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

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 or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

Prior to 1 January 2018

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries and associate) were assessed at each reporting date whether there was 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, were not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost was an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset was estimated.

An impairment loss in respect of loans and receivables was recognised in profit or loss and was 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 was reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets was recognised in profit or loss and was 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 had been recognised in the other comprehensive income, the cumulative loss in other comprehensive income was reclassified from equity to profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting policies (Continued)

(k) Impairment (Continued)

(i) Impairment of financial assets (Continued)

Prior to 1 January 2018 (Continued)

An impairment loss in respect of unquoted equity instrument that was carried at cost was recognised in profit or loss and was 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 was not reversed through profit or loss.

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

(ii) Impairment of other assets

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

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

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

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying 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 (groups of cash-generating units) on a pro rata basis.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting policies (Continued)

(l) Intangible assets

Intangible assets are recognised when it is probable that the future economic benefits that are attributable to the assets will flow to the Group and the Company and the cost of the assets can be measured reliably.

Cost recognised with internally generated intangible assets arising from research activities are recognised in profit or loss in the period in which the expenditure is incurred.

An internally generated intangible asset arising from development activities is recognised only when all of the following conditions are demonstrated:-

- the technical feasibility of completing the intangible assets so that it will be available for use or sale;
- the intention to complete the intangible asset and thereafter use it or sell it;
- the ability to either use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and thereafter use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development phase.

Other development expenditure is recognised in profit or loss as and when it is incurred. Capitalised development expenditure is recorded as intangible assets and amortised from that point at which the asset is ready for use or sale, on a straight-line basis over the estimated useful life.

The estimated useful lives of capitalised development expenditure are over a period of fifteen years. Software licence and intellectual property rights both are over a period of twenty years.

After initial recognition, internally generated intangible assets are stated at cost less any accumulated amortisation and impairment losses. The amortisation period and method are reviewed at least at the end of each reporting period. Amortisation will commence once the development work is completed.

The carrying amounts of intangible assets are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Any gain or loss from derecognition of an intangible asset, determined as the difference between the net disposal proceeds, if any, and the carrying amounts of the asset, is recognised in profit or loss. Neither the sale proceeds nor any gain on disposal is classified as revenue.

(m) Contract asset and contract liability

A contract asset is recognised when the Group's or the Company's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment in accordance to MFRS 9, Financial Instruments, as disclosed in Note 2.3(k) to the financial statements.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting policies (Continued)

(n) Contract cost

(i) Incremental cost of obtaining a contract

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

(ii) Cost to fulfil a contract

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

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

(o) 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 overtime based 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 they are incurred.

(ii) Fabrication and installation of aluminium doors and windows

Revenue from aluminium contracts include multiple deliverables and more than 12 months is recognised overtime based 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 they are incurred.

Revenue from fabrication and installation services is recognised at point in time when services rendered to customers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting policies (Continued)

(o) Revenue and other income (Continued)

(iii) Telecommunication engineering and services

Revenue from telecommunication engineering and related services is recognised at point in time when services rendered to customers.

(iv) Rental income

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease. Rental income from sub-leased property is recognised as other income.

(v) 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.

(p) 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.

(q) Income tax

Income tax expense in the profit or loss represents the aggregate amount of current tax and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination or items recognised directly in equity or other comprehensive income.

Current tax expense is the expected tax payable or receivable in respect of the taxable profit or loss for the financial year and is measured using the tax rates that have been enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous 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 apply to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting policies (Continued)

(q) Income tax (Continued)

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.

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

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

(r) Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS"). Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

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

(s) Operating segment

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

(t) Employee benefits

(i) Short-term employee benefits

Wages, salaries, social security contribution, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by the employees. Short term accumulating compensated absences such as paid annual leave is recognised when services rendered by the employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave is recognised when the absences occur.

(ii) Post-employment benefits

The Group contributes to the Employees' Provident Fund, the national defined contribution plan. The contributions are charged to the profit or loss in the period to which the related service is performed. Once the contributions have been paid, the Group has no further payment obligations.

(u) Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statement of financial position of the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting 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:-

(a) Useful lives of property, plant and equipment

The Group and the Company estimate the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets.

In addition, the estimation of the useful lives of property, plant and equipment are based on the internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timings of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property, plant and equipment would increase the recorded expenses and decrease the non-current assets.

(b) Impairment assessment of property, plant and equipment

The Group and the Company assess whether there is any indication that property, plant and equipment are impaired at the end of each reporting date. Impairment is measured by comparing the carrying amount of an asset with its recoverable amount. Recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flow derived from that asset discounted at an appropriate discount rate.

Projected future cash flows are based on the Group's and Company's estimates calculated based on historical, sector and industry trends, general market and economic conditions, changes in technology and other available information.

As at end of reporting period, the directors of the Group and the Company are of the opinion that there is no impact resulting from the impairment review by the management.

(c) Impairment assessment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy disclosed in Note 2.3(k)(ii) on impairment of other assets. Impairment is measured by comparing the carrying amount of goodwill with its recoverable amount of the cash-generating units ("CGU"). The measurement of the recoverable amount of CGUs is determined based on the value-in-use method, incorporating the present value of estimated future cash flows expected to arise from the respective CGU's ongoing operations.

Management estimates and judgements are used in the determination of the assumptions made, particularly the cash flow projections, discount rates and the growth rates used as disclosed in Note 4 to the financial statements.

Based on the Group's impairment review, impairment loss of RM32,417,000/- was provided for goodwill arising from its wholly-owned subsidiary, Instacom Engineering Sdn. Bhd. for the financial year ended 31 December 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting estimates and judgements (Continued)

(d) Impairment assessment of investment in subsidiaries

The Company tests investment in subsidiaries for impairment annually in accordance with its accounting policy. Impairment is measured by comparing the carrying amount with its recoverable amount. Recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flows derived from the subsidiary discounted at an appropriate discount rate.

Projected future cash flows are based on the Company's estimates calculated based on the operating results, approved business plans, sector and industry trends as well as future economic conditions, changes in technology and other available information.

Based on the Company's impairment review, impairment loss of RM31,777,000/- was provided for its wholly-owned subsidiary, Instacom Engineering Sdn. Bhd. for the financial year ended 31 December 2018.

(e) Impairment assessment of financial assets

The Group and the Company recognise impairment losses for trade and other receivables using the expected credit loss model based on assumptions about risk of default and expected loss rates. The Group and the Company use judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's and Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

(f) Income taxes

Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

(g) Net realisable values of inventories

The Group reviews its inventories periodically and write down the inventories based on an assessment of their net realisable values. Inventories are written down when events or changes in circumstances indicate that the carrying amounts exceed the net realisable values. The identification of the write down requires the use of estimates. Changes in the estimates would result in revision to the valuation of the inventories.

3. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and factory RM	Leasehold land and bulding RM	Computers telecom-munication and electronic equipment RM	Machinery and tools RM	Motor vehicles RM	Office equipment, furniture and fittings RM	Base stations and network operation centres RM	Staff quarters RM	Renovation RM	Scaf-folding RM	Total RM
Cost											
At 1 January 2018	14,760,000	2,045,122	6,081,596	5,922,535	4,307,313	2,589,868	8,415,967	24,605	448,401	333,714	44,929,121
Additions	-	-	22,230	930,631	449,069	103,144	-	-	-	-	1,505,074
Disposals	-	-	(5,979)	-	(1,619,050)	-	-	-	-	-	(1,625,029)
Written off	-	-	(2,801,393)	(1,253,786)	(2,680)	(534,349)	-	(24,605)	(47,671)	-	(4,664,484)
At 31 December 2018	14,760,000	2,045,122	3,296,454	5,599,380	3,134,652	2,158,663	8,415,967	-	400,730	333,714	40,144,682
Accumulated depreciation											
At 1 January 2018	446,342	331,141	5,506,615	3,456,803	2,897,178	1,210,048	1,215,640	15,379	116,935	137,751	15,333,832
Charge for the financial year	179,200	37,222	366,586	1,149,268	627,334	244,738	561,065	1,640	43,998	71,842	3,282,893
Disposals	-	-	(5,979)	-	(1,351,277)	-	-	-	-	-	(1,357,256)
Written off	-	-	(2,800,208)	(1,253,719)	(2,389)	(520,599)	-	(17,019)	(22,366)	-	(4,616,300)
At 31 December 2018	625,542	368,363	3,067,014	3,352,352	2,170,846	934,187	1,776,705	-	138,567	209,593	12,643,169
Net book value at 1 January 2018	14,313,658	1,713,981	574,981	2,465,732	1,410,135	1,379,820	7,200,327	9,226	331,466	195,963	29,595,289
Net book value at 31 December 2018	14,134,458	1,676,759	229,440	2,247,028	963,806	1,224,476	6,639,262	-	262,163	124,121	27,501,513
Cost											
At 1 January 2017	14,760,000	2,045,122	6,055,501	5,482,734	6,344,160	2,491,718	8,415,967	24,605	448,401	333,714	46,401,922
Additions	-	-	69,631	541,701	106,376	100,748	-	-	-	-	818,456
Disposals	-	-	(22,360)	(101,900)	(2,143,223)	(2,598)	-	-	-	-	(2,270,081)
Written off	-	-	(21,176)	-	-	-	-	-	-	-	(21,176)
At 31 December 2017	14,760,000	2,045,122	6,081,596	5,922,535	4,307,313	2,589,868	8,415,967	24,605	448,401	333,714	44,929,121
Accumulated depreciation											
At 1 January 2017	267,142	293,919	4,674,464	2,434,732	3,270,293	959,385	654,575	12,919	70,751	65,909	12,704,089
Charge for the financial year	179,200	37,222	875,597	1,115,689	762,590	252,926	561,065	2,460	46,184	71,842	3,904,775
Disposals	-	-	(22,360)	(93,618)	(1,135,705)	(2,263)	-	-	-	-	(1,253,946)
Written off	-	-	(21,086)	-	-	-	-	-	-	-	(21,086)
At 31 December 2017	446,342	331,141	5,506,615	3,456,803	2,897,178	1,210,048	1,215,640	15,379	116,935	137,751	15,333,832
Net book value at 31 December 2017	14,313,658	1,713,981	574,981	2,465,732	1,410,135	1,379,820	7,200,327	9,226	331,466	195,963	29,595,289

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Freehold land and factory RM	Computers, telecom-munication electronic equipment RM	Machinery and tools RM	Motor vehicles RM	Office equipment, furniture and fittings RM	Base stations and network operation centres RM	Total RM
Cost							
At 1 January 2018	8,060,000	251,801	2,300	350,000	31,527	8,415,967	17,111,595
Additions	-	-	-	-	-	-	-
At 31 December 2018	8,060,000	251,801	2,300	350,000	31,527	8,415,967	17,111,595
Accumulated depreciation							
At 1 January 2018	278,342	161,995	2,185	350,000	13,730	1,215,640	2,021,892
Charge for the financial year	53,200	49,510	115	-	3,153	561,065	667,043
At 31 December 2018	331,542	211,505	2,300	350,000	16,883	1,776,705	2,688,935
Net book value at 31 December 2018	7,728,458	40,296	-	-	14,644	6,639,262	14,422,660
At 1 January 2017	8,060,000	251,801	2,300	350,000	31,527	8,415,967	17,111,595
Additions	-	-	-	-	-	-	-
At 31 December 2017	8,060,000	251,801	2,300	350,000	31,527	8,415,967	17,111,595
Accumulated depreciation							
At 1 January 2017	225,142	111,635	1,725	350,000	10,577	654,575	1,353,654
Charge for the financial year	53,200	50,360	460	-	3,153	561,065	668,238
At 31 December 2017	278,342	161,995	2,185	350,000	13,730	1,215,640	2,021,892
Net book value at 31 December 2017	7,781,658	89,806	115	-	17,797	7,200,327	15,089,703

(a) Included in property, plant and equipment are freehold land, leasehold land and buildings which are charged as security for the bank and credit facilities of the Group as disclosed in Note 20 to the financial statements.

(b) The net book value of motor vehicles and machinery of the Group held under hire purchase payables is RM1,926,946/- (2017: RM1,834,060/-).

4. INTANGIBLE ASSETS

Group and Company	Goodwill RM	Software licences RM	Intellectual property rights RM	Total RM
Cost				
At 1 January 2017	185,225,746	4,500,000	4,000,000	193,725,746
Additions	-	-	-	-
At 31 December 2017/ 1 January 2018	185,225,746	4,500,000	4,000,000	193,725,746
Additions	-	-	-	-
At 31 December 2018	185,225,746	4,500,000	4,000,000	193,725,746
Accumulated amortisation				
At 1 January 2017	-	754,737	1,937,985	2,692,722
Amortisation charge during the year	-	-	-	-
At 31 December 2017/ 1 January 2018	-	754,737	1,937,985	2,692,722
Amortisation charge during the year	-	-	-	-
At 31 December 2018	-	754,737	1,937,985	2,692,722
Impairment losses				
At 1 January 2017	16,206	3,745,263	2,062,015	5,823,484
Impairment loss during the year	6,380,000	-	-	6,380,000
At 31 December 2017/ 1 January 2018	6,396,206	3,745,263	2,062,015	12,203,484
Impairment loss during the year	32,417,000	-	-	32,417,000
At 31 December 2018	38,813,206	3,745,263	2,062,015	44,620,484
Carrying amounts				
At 1 January 2017	185,209,540	-	-	185,209,540
At 31 December 2017/ 1 January 2018	178,829,540	-	-	178,829,540
At 31 December 2018	146,412,540	-	-	146,412,540

(a) Goodwill

Goodwill arising from business combination has been allocated to a cash-generating unit ("CGU") for impairment testing purpose. The carrying amounts of goodwill amounted to, RM109,449,722/- (2017: RM109,449,722/-) and RM36,962,818/- (2017: RM69,379,818/-) has been allocated to the investment in Neata Aluminium (Malaysia) Sdn. Bhd. and Instacom Engineering Sdn. Bhd. respectively.

During the financial year, an impairment of RM32,417,000/- (2017: RM6,380,000/-) was recognised for the goodwill allocated to investment in Instacom Engineering Sdn. Bhd. as the recoverable amount is less than the carrying amount.

The recoverable amount of the CGUs is determined based on the value in use calculations using cash flow projections on financial budgets approved by directors covering a five-year period. The future cash flows are based on management's five-year business plan, which is the best estimate of future performance. The pre-tax discount rate applied to the cash flow projections for the five-year period is 5.80% per annum.

The calculation of value in use for this CGU is most sensitive to the following assumptions:-

(i) Budgeted revenue - Revenue is based on the letter of awards.

(ii) Budgeted gross margin - Gross margin is based on average values achieved in prior years preceding the start of the budget period. The anticipated growth rate for gross margin is projected to be minimal.

(iii) Growth rates - Based on industry outlook for that segment and directors past experience.

(iv) Pre-tax discount rate - Discount rate of 5.80% represents the weighted average cost of capital of the CGU.

4. INTANGIBLE ASSETS (CONTINUED)

(a) Goodwill (Continued)

The value assigned to the key assumptions represents directors' assessment of future trends in the aluminium fabrication, construction services, telecommunication engineering and services industry and is based on both external sources and internal sources.

Sensitivity to changes in assumptions

Directors believe that no reasonable possible changes in any of the key assumptions above will cause the carrying values of the CGU to materially exceed its recoverable amount.

(b) Software licences and intellectual property rights

The software licences consist of perpetual and exclusive software licensing rights to use and integrate the acquired software into the Company's products and to reproduce, market, sell, distribute and sub-licence the software to third parties and end-users.

The intellectual property rights ("IPR") were acquired from a director on a willing buyer and willing seller arrangement. Pursuant to the agreement, the assignor, the director of the Company being the proprietor of the IPR, assigns the IPR to the Company in the work, including all associated product designs, proprietary processes, human capital, customer maintenance contract, development rights and know how processes.

The software licences and IPR are amortised on a straight-line basis over 20 (2017: 20) years. As at 31 December 2016, software licences and IPR were fully impaired. The amortisation and impairment losses of software licences and IPR were included in the statement of comprehensive income in prior years.

5. INVESTMENT IN SUBSIDIARIES

	Company	
	2018 RM	2017 RM
Unquoted shares, at cost		
At 1 January	234,384,100	234,384,100
Less: Impairment loss during the year	(31,777,000)	-
At 31 December	202,607,100	234,384,100

All subsidiaries are incorporated in Malaysia, except Teltora (Pty) Ltd. Details of the subsidiaries are as follows:-

Name of Companies	Effective Equity Interest 2018 %	Effective Equity Interest 2017 %	Principal Activities
<u>Direct subsidiaries</u>			
Instacom Engineering Sdn. Bhd.	100	100	Telecommunication engineering and services
Neata Aluminium (Malaysia) Sdn. Bhd.	78.6	78.6	Fabrication and installations of aluminium doors and windows
Teltora (Pty) Ltd #@	-	51	Dormant
Vivocom Trading Sdn. Bhd.	100	100	Trading of construction materials

5. INVESTMENT IN SUBSIDIARIES (CONTINUED)

All subsidiaries are incorporated in Malaysia, except Teltora (Pty) Ltd. Details of the subsidiaries are as follows:- (Continued)

Name of Companies	Effective Equity Interest 2018 %	2017 %	Principal Activities
<u>**Indirect subsidiaries**</u>			
<u>*Held through Instacom Engineering Sdn. Bhd.*</u>			
Instacom SPV Sdn. Bhd. *	100	100	Dormant
Instacom Construction Sdn. Bhd.	100	100	Telecommunication engineering and services
Instacom Technologies Sdn. Bhd. *	100	100	Dormant
IE Communication Sdn. Bhd. *	100	100	Dormant
<u>*Held through IE Communication Sdn. Bhd.*</u>			
Dektaria Delima Sdn. Bhd. *	100	100	Dormant
Dynamic Interconsortium Sdn. Bhd. *	100	100	Dormant
<u>*Held through Neata Aluminium (Malaysia) Sdn. Bhd.*</u>			
Vivocom Enterprise Sdn. Bhd.	100	100	Construction services

Subsidiary incorporated in South Africa.

@ *The audited financial statements and auditor's report for the financial year were not available.*

* *On 6 December 2018, these subsidiaries applied to the Companies Commission of Malaysia ("CCM") for strike off pursuant to the Section 550 of the Companies Act, 2016 in Malaysia. The striking off procedures are still pending from CCM.*

(a) Disposal of Teltora (Pty) Ltd

On 15 December 2018, the Company disposed its 51% equity interest in Teltora (Pty) Ltd, a company incorporated in South Africa for a total consideration of RM900/-. Summary of disposal effects has not been presented as it is immaterial.

(b) Impairment of investment in subsidiaries

During the financial year, the Company recognised an impairment loss of RM31,777,000/- on its investment in a wholly-owned subsidiary, Instacom Engineering Sdn. Bhd..

The recoverable amounts are determined based on the value in use calculations using cash flow projections approved by directors covering a five-year period. The future cash flows are based on management's five-year business plan, which is the best estimate of future performance. The pre-tax discount rate applied to the cash flow projections for the five-year period is 5.80% per annum.

The calculation of value in use is most sensitive to the following assumptions:-

(i) Budgeted revenue - Revenue is based on the letter of awards.

(ii) Budgeted gross margin - Gross margin is based on average values achieved in prior years preceding the start of the budget period. The anticipated growth rate for gross margin is projected to be minimal.

(v) Growth rates - Based on industry outlook for that segment and directors past experience.

(vi) Pre-tax discount rate - Discount rate of 5.80% represents the weighted average cost of capital.

The value assigned to the key assumptions represents directors' assessment of future trends in the aluminium fabrication, construction services, telecommunication engineering and services industry and are based on both external sources and internal sources.

Sensitivity to changes in assumptions

Directors believe that no reasonable possible changes in any of the key assumptions above will cause the carrying values to materially exceed its recoverable amount.

6. OTHER INVESTMENT

	Group and Company	
	2018	**2017**
	RM	**RM**
Unquoted bond, at amortised cost		
At 1 January	-	-
Bond invested during the financial year	3,000,000	-
Fair value discount on bond	(31,257)	-
At 31 December	2,968,743	-

The Group and the Company invested in unquoted bond from a corporate issuer for RM3,000,000/- with fixed profit rate of 6.40% per annum and has a maturity period of 3 years.

7. FINANCE RECEIVABLES

	Group	
	2018	**2017**
	RM	**RM**
At amortised cost		
Non-current	5,866,940	9,130,208
Current	4,864,269	5,410,959
	10,731,209	14,541,167

A wholly-owned subsidiary of the Company, Instacom Engineering Sdn. Bhd. ("IESB") had entered into Teaming Agreements with several contractors ("Contractors") for the purpose of procuring telecommunication projects in construction of telecommunication towers, fibre optic ducting and related infrastructures.

The terms and conditions of the Teaming Agreements state that IESB is responsible for the funding of site procurement, design, funding and construction of the structures of the telecommunication projects. IESB and Contractors are entitled for the rental proceeds receivable from Telecommunications Service Provider ("TSP") for a period of eighty-four (84) months.

Finance receivables are the rental proceeds with the maturity ranging from 1 to 7 years (2017:1 to 7 years) and are financed by banking facilities as disclosed in Note 20 to the financial statements.

8. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
		Restated		
Non-current				
Trade receivables	24,604,980	-	-	-
Less: Allowance for impairment	(1,754,444)	-	-	-
	22,850,536	-	-	-
Current				
Trade receivables	240,522,772	248,543,574	21,660,898	32,348,271
Less: Allowance for impairment	(30,327,449)	(5,926,172)	(8,997,335)	(3,670,000)
	210,195,323	242,617,402	12,663,563	28,678,271

8. TRADE AND OTHER RECEIVABLES (CONTINUED)

	Group 2018 RM	Group 2017 RM Restated	Company 2018 RM	Company 2017 RM
Other receivables	13,909,238	17,096,888	283,314	402,298
Deposits	35,444,819	13,595,795	34,157,013	10,928,019
Prepayments	1,003,156	425,939	2,657	9,296
	50,357,213	31,118,622	34,442,984	11,339,613
Less: Allowance for impairment	(2,474,156)	-	-	-
	47,883,057	31,118,622	34,442,984	11,339,613
Total trade and other receivables	258,078,380	273,736,024	47,106,547	40,017,884

(a) Trade receivables

The Group's and the Company's credit period granted ranges from 30 days to 120 days (2017: 30 days to 120 days). Other credit terms are assessed and approved on a case by case basis. The currency profile of trade receivables is entirely in Ringgit Malaysia.

Included in trade receivables as at financial year end are retentions sum of RM28,100,943/- (2017: RM30,452,109/-) relating to construction contracts. Retentions sum are unsecured, interest-free and are expected to be collected as follows:-

	Group 2018 RM	Group 2017 RM
Within 12 months	5,250,407	30,452,109
More than 1 year and less than 2 years	9,882,133	-
More than 2 years and less than 5 years	12,968,403	-
	28,100,943	30,452,109

Analysis of retentions sum on impairment loss and deferred payment terms with discount rate of 5.80% per annum, being the weighted average cost of capital of the Group is as follows:-

	Group 2018 RM	Group 2017 RM
Nominal value	32,252,607	30,452,109
Impairment loss	(1,754,444)	-
Discounted	(2,397,220)	-
	28,100,943	30,452,109

(b) Impairment of receivables

Impairment for trade and other receivables are recognised based on the simplified approach using the lifetime expected credit losses.

The Group and the Company consider credit lost experience and observable data such as current changes and future forecasts in economic conditions of the Group to estimate the amount of expected impairment loss. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

The probability of non-payment by the trade and other receivables are adjusted by forward looking information and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade and other receivables. Trade and other receivables that probable would not be collectable, the gross carrying amount would be written off. Impairment losses and debts written off are recorded in the statements of comprehensive income.

8. TRADE AND OTHER RECEIVABLES (CONTINUED)

(c) Ageing analysis

The ageing analysis of trade receivables of the Group and the Company are as follows:-

	Group		Company	
	2018 RM	2017 RM Restated	2018 RM	2017 RM
Neither past due nor impaired	51,313,780	109,111,690	1,125,138	3,716,808
Past due not impaired				
1 to 30 days	7,350,833	22,321,801	-	-
31 to 60 days	4,246,304	8,328,938	-	1,517
61 to 90 days	6,502,927	4,111,812	-	-
More than 90 days	163,632,015	98,743,161	11,538,425	24,959,946
	181,732,079	133,505,712	11,538,425	24,961,463
Impaired	32,081,893	5,926,172	8,997,335	3,670,000
	265,127,752	248,543,574	21,660,898	32,348,271

(d) Reconciliation of trade receivables' movements in allowance for impairment

The reconciliation of trade receivables' movements in allowance for impairment of the Group and the Company is as follows:-

	Group RM	Company RM
At 1 January 2017- under MFRS 139	-	-
Impairment loss during the year	5,926,172	3,670,000
At 31 December 2017- under MFRS 139	5,926,172	3,670,000
Impairment adjustments on initial application of MFRS 9	8,755,269	-
Impairment loss written off	(8,755,269)	-
At 1 January 2018- under MFRS 9	5,926,172	3,670,000
Impairment loss during the year	26,155,721	5,327,335
At 31 December 2018- under MFRS 9	32,081,893	8,997,335

(e) Other receivables

(i) Included in the other receivables of the Group is an advance amount of RM10,727,335/- (2017: RM15,304,301/-) to third parties.

(ii) Included in the other receivables of the Group and of the Company is an amount of RM1,410,327/- (2017: RM2,108,713/-) paid as refundable security deposit to third party for the purchase of materials.

(iii) Included in the other receivables of the Group and of the Company is an amount of RM32,746,686/- (2017: RM8,819,306/-) paid as tender deposits to third party.

9. DEFERRED TAX ASSETS/ (LIABILITIES)

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
At 1 January	(386,147)	(383,427)	(21,695)	(33,266)
Recognised in profit or loss	133,198	(2,720)	21,695	11,571
At 31 December	(252,949)	(386,147)	-	(21,695)
Presented after appropriate offsetting as follows:-				
Deferred tax assets	-	-	-	-
Deferred tax liabilities	(252,949)	(386,147)	-	(21,695)
Total	(252,949)	(386,147)	-	(21,695)

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

(a) Deferred tax assets

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

	Group	
	2018	2017
	RM	RM
Property, plant and equipment	(243,923)	964,668
Unabsorbed losses carry forward	(13,980,926)	(9,766,197)
Unrealised capital allowance carry forward	(6,584,179)	(6,527,394)
	(20,809,028)	(15,328,923)
Potential deferred tax assets not recognised	(4,994,167)	(3,678,942)

(b) Deferred tax liabilities

	Group	Company
	Property, plant and equipment	
	RM	RM
At 1 January 2017	(383,427)	(33,266)
Recognised in profit or loss	(2,720)	11,571
At 31 December 2017/ 1 January 2018	(386,147)	(21,695)
Recognised in profit or loss	133,198	21,695
At 31 December 2018	(252,949)	-

10. INVENTORIES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
At cost				
Project work-in-progress	-	1,159,092	-	895,498
Aluminium parts	2,061,310	1,396,727	-	-
Total	2,061,310	2,555,819	-	895,498

During the financial year, the cost of inventories recognised as an expense in the Group and in the Company amounted to RM9,867,489/- (2017: RM10,411,086/-) and RM895,498/- (2017: RM4,379,271/-) respectively.

11. CONTRACT ASSETS/ (CONTRACT LIABILITIES)

	Group	
	2018 RM	2017 RM
Contract assets	35,325,135	54,819,772
Less: Allowance for impairment	(2,087,785)	-
Contract assets, net	33,237,350	54,819,772
Contract liabilities, net	(4,156,353)	(3,241,635)

The contract assets primarily relate to the Group's right to consideration for work completed on construction contracts but not yet billed at the reporting date. The contract liabilities primarily relate to the advance consideration received from customers for construction contracts, which revenue is recognised overtime during the construction.

	Group	
	2018 RM	2017 RM
Represented by:-		
Contract assets		
Aggregate construction contract costs incurred to date	551,067,051	486,222,247
Add: Attributable profits	160,276,492	158,063,875
	711,343,543	644,286,122
Less: Progress billings	(676,018,408)	(589,466,350)
	35,325,135	54,819,772
Less: Allowance for impairment	(2,087,785)	-
	33,237,350	54,819,772
Represented by:-		
Contract liabilities		
Aggregate construction contract costs incurred to date	59,058,638	21,530,549
Add: Attributable profits	11,575,755	5,442,111
	70,634,393	26,972,660
Less: Progress billings	(74,790,746)	(30,214,295)
	(4,156,353)	(3,241,635)

12. AMOUNT OWING BY/(TO) SUBSIDIARIES

Amount owing by/(to) subsidiaries is unsecured, interest free and recoverable/(repayable) on demand.

13. FIXED DEPOSITS WITH LICENSED BANKS

The interest rates of the Group's and of the Company's fixed deposits range from 2.55% to 3.35% (2017: 2.85% to 3.15%) per annum. Fixed deposits were pledged with licensed banks as security for banking facilities granted to the Group and to the Company as disclosed in Note 18 to the financial statements.

14. CASH AND BANK BALANCES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Cash on hand	31,864	39,658	-	-
Cash at banks	38,642,257	37,714,474	34,352,706	18,792,886
Short term investment funds	20,240,524	11,381	20,240,524	11,381
Total	58,914,645	37,765,513	54,593,230	18,804,267

15. SHARE CAPITAL

	Group and Company			
	2018		2017	
	Number of shares Unit	RM	Number of shares Unit	RM
Ordinary shares				
Issued and fully paid:-				
At 1 January	3,393,721,413	360,199,392	3,234,221,413	323,422,141
Ordinary shares issued	5,000,000	537,000	159,500,000	19,774,450
Renounceable rights issue with free warrants	2,265,814,275	55,113,262	-	-
Transfer from share premium in accordance with Section 618(2) of the Companies Act, 2016	-	-	-	17,002,801
At 31 December	5,664,535,688	415,849,654	3,393,721,413	360,199,392

During the financial year, the issued and paid-up share capital increased from RM360,199,392/- to RM415,849,654/- by way of:-

(i) issuance of 5,000,000 new ordinary shares via private placements to eligible investors for a total purchase consideration of RM537,000/- at an average issue price of RM0.1074 per ordinary share; and

(ii) renounceable rights issue of 2,265,814,275 new ordinary shares on the basis of two (2) rights shares for every three (3) existing ordinary shares held together 1,132,906,538 free detachable Warrant E on the basis of one (1) free Warrant E for every two (2) rights shares subscribed.

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

In previous financial year, the Company abolished the concept of authorised share capital and par value of share capital when Companies Act, 2016 (the "Act") came into operation on 31 January 2017. Consequently, the amount standing to the credit of the share premium account of RM17,002,801/- becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM17,002,801/- for purposes as set out in Section 618(3) of the Act. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

16. OTHER RESERVES

(a) Warrants Reserve

Warrants reserve represents the proceeds from the issuance of warrants which is non-distributable. The warrants reserve is transferred to the share capital account upon the exercise of warrants and the warrants reserve in relation to the unexercised warrants at the expiry of the warrants will be transferred to retained earnings. Details of warrants are disclosed in Note 17 to the financial statements.

	Company	
	2018	**2017**
	RM	**RM**
At 1 January	4,797,234	4,797,234
Rights issue with free warrant during the financial year	6,684,148	-
At 31 December	11,481,382	4,797,234

(b) Exchange Reserve

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

17. WARRANTS

Warrant B 2013/2018

A total of 351,127,130 free warrants have been issued pursuant to the Bonus Issue of one (1) free warrant for every two (2) existing ordinary shares of RM0.10 each held on 30 August 2013. The warrants were granted listing and quotation on the ACE Market of Bursa Malaysia Berhad on 9 September 2013.

Each warrant carries the entitlement to subscribe for one (1) new share in the Company at an exercise price of RM0.13 and at any time during the exercise period up to the date of expiry on 8 September 2018. Any warrants not exercised during the exercise period will thereafter lapse and ceased to be valid for any purpose.

The new shares to be issued arising from the exercise of warrants shall, upon allotment and issuance, rank pari passu in all respects with the existing issued ordinary shares of the Company except that they shall not be entitled to any dividends, rights, allotments and/or other form of distribution ("Distribution") that may be declared, made or paid for which the entitlement date for the Distribution precedes the date of allotment and issuance of the new shares arising from the exercise of warrants.

On July 2015, 24,577,496 additional warrants 2013/2018 ("Warrant B") issued pursuant to the adjustments arising from the Rights Issue with free warrants. On November 2015, 125,232,599 additional Warrant B issued pursuant to the adjustments arising from the Bonus Issue. =

On September 2016, 125,229,175 additional Warrant B issued pursuant to the adjustments arising from the Bonus Issue. On 30 July 2018, 275,502,787 additional Warrant B issued pursuant to the adjustments arising from the Rights Issue with free warrants.

The movement of Warrant B is as follows:-

	Company	
	2018	
	Unit	**RM**
At 1 January 2018	626,145,878	-
Rights issue adjusment during the financial year	275,502,787	-
Unexercised warrant expired during the financial year	(901,648,665)	-
At 31 December 2018	-	-

On 8 September 2018, total unexercised warrant of 901,648,665 lapsed and ceased to be valid.

17. WARRANTS (CONTINUED)

Warrant C 2015/2020

A total of 140,450,852 free warrants have been issued pursuant to the Bonus Issue of one (1) free warrant for every five (5) existing ordinary shares of RM0.10 each held on 22 January 2015. The warrants were granted listing and quotation on the ACE Market of Bursa Malaysia Berhad on 30 January 2015.

Each warrant carries the entitlement to subscribe for one (1) new share in the Company at an exercise price of RM0.07 and at any time during the exercise period up to the date of expiry on 22 January 2020. Any warrants not exercised during the exercise period will thereafter lapse and ceased to be valid for any purpose.

The new shares to be issued arising from the exercise of warrants shall, upon allotment and issuance, rank pari passu in all respects with the existing issued ordinary shares of the Company except that they shall not be entitled to any dividends, rights, allotments and/or other form of distribution ("Distribution") that may be declared, made or paid for which the entitlement date for the Distribution precedes the date of allotment and issuance of the new shares arising from the exercise of warrants.

On July 2015, 9,830,784 additional warrants 2015/2020 ("Warrant C") issued pursuant to the adjustments arising from the Right Issue with free warrants. On November 2015, 50,090,202 additional Warrant C issued pursuant to the adjustments arising from the Bonus Issue.

On September 2016, 50,073,502 additional Warrant C issued pursuant to the adjustments arising from the Bonus Issue. On 30 July 2018, 110,160,335 additional Warrant C issued pursuant to the adjustments arising from the Rights Issue with free warrants.

The movement of Warrant C is as follows:-

	Company 2018 Unit	RM
At 1 January 2018	250,367,513	-
Rights issue adjusment during the financial year	110,160,335	-
At 31 December 2018	360,527,848	-

Warrant D 2015/2020

The Company has Renounceable Rights Issue of up to 429,515,979 Rights Shares on the basis of two (2) Rights Shares for every seven (7) existing ordinary shares held, together with up to 214,757,989 free detachable warrants in the Company ("Warrant D") on the basis of one (1) free Warrant D for every two (2) Rights Shares subscribed for at 5.00 p.m. on Monday, 15 June 2015 at an issue price of RM0.10 per Rights Share ("Rights Issue with Warrants").

A total of 192,704,997 free detachable warrants have been issued pursuant to the Right Issue of one (1) free warrant for every two (2) subscribed Rights Share at an issue price of RM0.10 each on 15 June 2015. The warrants were granted listing and quotation on the ACE Market of Bursa Malaysia Berhad on 14 July 2015.

Each warrant carries the entitlement to subscribe for one (1) new share in the Company at an exercise price of RM0.07 and at any time during the exercise period up to the date of expiry on 8 July 2020. Any warrants not exercised during the exercise period will thereafter lapse and ceased to be valid for any purpose.

The new shares to be issued arising from the exercise of warrants shall, upon allotment and issuance, rank pari passu in all respects with the existing issued ordinary shares of the Company except that they shall not be entitled to any dividends, rights, allotments and/or other form of distribution ("Distribution") that may be declared, made or paid for which the entitlement date for the Distribution precedes the date of allotment and issuance of the new shares arising from the exercise of warrants.

On September 2016, 48,164,860 additional Warrant D issued pursuant to the adjustments arising from the Bonus Issue with warrants. On 30 July 2018, 105,962,425 additional Warrant D issued pursuant to the adjustments arising from the Rights Issue with free warrants.

17. WARRANTS (CONTINUED)

Warrant D 2015/2020 (Continued)

The movement of Warrant D is as follows:-

	Company 2018	
	Unit	RM
At 1 January 2018	240,824,301	4,797,234
Rights issue adjusment during the financial year	105,962,425	-
At 31 December 2018	346,786,726	4,797,234

Warrant E 2018/2023

The Company has Renounceable Rights Issue of up to 3,010,706,070 Rights Shares on the basis of two (2) Rights Shares for every three (3) existing ordinary shares held, together with up to 1,505,353,035 free detachable warrants in the Company ("Warrant E") on the basis of one (1) free Warrant E for every two (2) Rights Shares subscribed for at 5.00 p.m. on Monday, 30 July 2018 at an issue price of RM0.025 per Rights Share ("Rights Issue with Warrants").

A total of 1,1132,906,538 free detachable warrants have been issued pursuant to the Rights Issue of one (1) free warrant for every two (2) subscribed Rights Share at an issue price of RM0.025 each on 30 July 2018. The warrants were granted listing and quotation on the ACE Market of Bursa Malaysia Berhad on 29 August 2018.

Each warrant carries the entitlement to subscribe for one (1) new share in the Company at an exercise price of RM0.05 and at any time during the exercise period up to the date of expiry on 22 August 2023. Any warrants not exercised during the exercise period will thereafter lapse and ceased to be valid for any purpose.

The new shares to be issued arising from the exercise of warrants shall, upon allotment and issuance, rank pari passu in all respects with the existing issued ordinary shares of the Company except that they shall not be entitled to any dividends, rights, allotments and/or other form of distribution ("Distribution") that may be declared, made or paid for which the entitlement date for the Distribution precedes the date of allotment and issuance of the new shares arising from the exercise of warrants.

The movement of Warrant E is as follows:-

	Company 2018	
	Unit	RM
At 1 January 2018	-	-
Rights issue with free warrant during the financial year	1,132,906,538	6,684,148
At 31 December 2018	1,132,906,538	6,684,148

18. LOANS AND BORROWINGS

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Current				
Secured:-				
Bankers' acceptances	25,891,754	15,081,560	-	922,000
Bank overdrafts	697,023	1,612,648	-	407,869
Revolving credits	1,174,596	7,759,824	-	-
Hire purchase payables (Note 19)	717,229	807,675	-	-
Term loans (Note 20)	3,189,912	540,850	188,660	179,819
	31,670,514	25,802,557	188,660	1,509,688

18. LOANS AND BORROWINGS (CONTINUED)

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Non-current				
Secured:-				
Hire purchase payables (Note 19)	769,489	950,092	-	-
Term loans (Note 20)	10,150,802	8,012,546	2,322,136	2,509,241
	10,920,291	8,962,638	2,322,136	2,509,241
Total	42,590,805	34,765,195	2,510,796	4,018,929

(a) Interest rates on bankers' acceptances for the financial year range from 5.20% to 7.95% (2017: 4.77% to 7.75%) per annum. The bankers' acceptances are secured by way of:-

(i) pledged of fixed deposits;

(ii) joint and several guarantee by the directors of the Group and of the Company; and

(iii) first fixed charge over two landed properties owned by a third party.

(b) Interest rates on bank overdrafts for the financial year range from 7.50% to 8.10% (2017: 7.30% to 7.50%) per annum. The bank drafts are secured by way of:-

(i) pledged of fixed deposits; and

(ii) joint and several guarantee by the directors of the Group.

(c) Interest rates on revolving credits for the financial year range from 7.00% to 7.50% (2017: 7.00% to 7.50%) per annum. The revolving credits are secured by way of:-

(i) an irrecovable letter of instruction to credit all contract payment due from a customer and owing to the Group to a non-operating account;

(ii) open all monies debenture fixed and floating charge over all present and future assets and understakings of the Group; and

(iii) joint and several guarantee by the directors of the Group.

19. HIRE PURCHASE PAYABLES

	Group 2018 RM	Group 2017 RM
Minimum hire purchase payments:-		
- not later than one year	778,345	857,151
- later than one year but not later than five years	839,070	1,027,030
	1,617,415	1,884,181
Less: Future finance charges	(130,697)	(126,414)
	1,486,718	1,757,767
Analysis of present value of hire purchases payables:-		
Current (Note 18)		
- not later than one year	717,229	807,675
Non-current (Note 18)		
- later than one year but not later than five years	769,489	950,092
Total hire purchase payables	1,486,718	1,757,767

Interest rates on the hire purchase payables for the financial year range from 3.35% to 5.62% (2017: 2.85% to 5.76%) per annum.

20. TERM LOANS

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Current (Note 18)				
Within the next twelve months	3,189,912	540,850	188,660	179,819
Non-current (Note 18)				
After the next twelve months				
- later than one year but not later than five years	4,420,570	1,892,437	852,956	812,986
- later than five years	5,730,232	6,120,109	1,469,180	1,696,255
	10,150,802	8,012,546	2,322,136	2,509,241
Total term loans	13,340,714	8,553,396	2,510,796	2,689,060

Interest rates on term loans for the financial year range from 4.85% to 5.72% (2017: 4.60% to 5.58%) per annum.

The term loans are secured by way of:-

(i) pledged of investment account of the Group and of the Company;

(ii) pledged of freehold land, leasehold land and building of the Group and of the Company;

(iii) assignments of contract proceeds from the respective projects to the financial institution;

(iv) an irrecovable and unconditional letter of understaking from the Group and the Company to assign proceeds from any future contracts to be financed by the banking facilities;

(v) irrecovable letter of understaking by the Group and by the Company to supplement any shortfall in cash flows or cost overruns incurred in respect of the project;

(vi) assignment over the designated account;

(vii) charge over the collection account and operating account; and

(viii) joint and several guarantee by the directors of the Group and of the Company.

21. TRADE AND OTHER PAYABLES

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Non-current				
Trade payables	10,690,021	-	-	-
Current				
Trade payables	33,341,259	48,132,080	583,931	1,271,504
Other payables	9,735,577	12,961,697	742,695	2,094,248
Deposits	1,585,910	195,043	-	-
Accruals	2,104,430	1,373,390	536,306	155,913
	13,425,917	14,530,130	1,279,001	2,250,161
Total trade and other payables	46,767,176	62,662,210	1,862,932	3,521,665

The credit period granted to the Group and to the Company for trade purchases ranges from 30 to 90 days (2017: 30 to 90 days). The currency of trade and other payables are entirely in Ringgit Malaysia.

21. TRADE AND OTHER PAYABLES (CONTINUED)

Included in trade payables as at financial year end are retentions sum of RM14,331,743/- (2017: RM17,256,926/-) relating to construction contracts. Retentions sum are unsecured, interest-free and are expected to be collected as follows:-

	Group	
	2018 RM	2017 RM
Within 12 months	3,641,722	17,256,926
More than 1 year and less than 2 years	2,857,109	-
More than 2 year and less than 5 years	7,832,912	-
	14,331,743	17,256,926

Analysis of retentions sum on deferred payment terms with discount rate of 5.80% per annum, being the weighted average cost of capital of the Group is as follows:-

	Group	
	2018 RM	2017 RM
Nominal value	15,689,216	17,256,926
Discounted	(1,357,473)	-
	14,331,743	17,256,926

22. AMOUNT OWING TO DIRECTORS

The amount owing to directors is unsecured, interest free and repayable on demand.

23. REVENUE

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Construction services	60,691,106	105,144,136	-	-
Aluminium design and fabrication	56,355,369	55,659,495	-	-
Telecommunication, engineering and services	4,200,437	22,322,896	2,115,216	11,239,377
Total	121,246,912	183,126,527	2,115,216	11,239,377
Timing and recognition:-				
- at point in time	11,073,899	29,431,909	2,115,216	11,239,377
- over time	110,173,013	153,694,618	-	-
	121,246,912	183,126,527	2,115,216	11,239,377

The following information reflects the typical transactions of the Group and the Company:-

Nature of goods and services	Timing of recognition	Significant payment terms	Variable element in consideration	Obligation for returns or refunds	Warranty
Construction services	Revenue from construction contracts is recognised overtime using the cost incurred method.	Based on the stage of completion certified by architects.	Variation orders.	Not applicable.	Defect liability period up to 24 months is given to the contract customers.

23. REVENUE (CONTINUED)

Nature of goods and services	Timing of recognition	Significant payment terms	Variable element in consideration	Obligation for returns or refunds	Warranty
Aluminium design and fabrication	Revenue from contracts is recognised overtime using the cost incurred method.	Based on the stage of completion certified by architects.	Variation orders.	Not applicable.	Defect liability period up to 30 months is given to the contract customers.
	Revenue from fabrication and installation services is recognised at a point in time when services rendered to customers.	Credit period of 30 to 120 days from the invoice date.	Trade discounts.	No returns or refunds policy.	Not applicable.
Telecommunication, engineering and services	Revenue from telecommunication engineering and related services is recognised at a point in time when services rendered to customers.	Credit period of 30 to 120 days from the invoice date.	Trade discounts.	No returns or refunds policy.	Not applicable.

24. OPERATING (LOSS)/ PROFIT

Operating (loss)/ profit has been arrived at:-

	Group 2018 RM	Group 2017 RM Restated	Company 2018 RM	Company 2017 RM
After charging:-				
Auditors' remuneration	288,500	296,800	90,000	85,000
Bad debts written off	843,695	88,748	179,050	-
Depreciation of property, plant and equipment	3,282,893	3,904,775	667,043	668,238
Directors' remuneration:- (Note 25)				
- fees, salaries, allowances and bonuses	1,789,268	1,579,500	415,500	366,000
- Employees' Provident Fund and SOCSO	188,500	160,556	-	-
Impairment loss on:-				
- goodwill	32,417,000	6,380,000	-	-
- trade receivables	26,155,721	5,926,172	5,327,335	3,670,000
- other receivables	2,474,156	-	-	-
- contract assets	2,087,785	-	-	-
- cost of investment in subsidiary	-	-	31,777,000	-
- amount owing by subsidiary	-	-	(179,050)	179,050
Impairment loss on trade receivables written off	-	8,755,269	-	-
Loss on disposal of a subsidiary	7,977	-	-	-
Property, plant and equipment written off	48,184	90	-	-
Rental of machinery and vehicles	110,770	682,120	-	-
Rental of office and warehouse	930,529	764,241	-	-
Staff costs:-				
- salaries, wages and bonuses	8,576,155	6,601,578	454,193	420,000
- Employees' Provident Fund & SOCSO	1,103,069	828,702	110,662	52,057
- other related staff costs	295,993	1,126,369	-	771,856
And crediting:-				
Dividend income	230,210	312	230,210	312
Fair value discount on payables	1,357,473	-	-	-
Gain on disposal of a subsidiary	-	-	900	-
Gain on disposal of property, plant and equipment	246,031	265,584	-	-
Interest income	362,699	370,900	131,243	105,503

25. DIRECTOR REMUNERATIONS

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Executive Directors				
- salaries, allowances and bonuses	1,115,768	1,286,000	-	-
- fees	558,000	227,500	300,000	300,000
- others	188,500	160,556	-	-
Total	1,862,268	1,674,056	300,000	300,000
Non-Executive Directors				
- fees	115,500	66,000	115,500	66,000
Total	1,977,768	1,740,056	415,500	366,000

26. FINANCE COSTS

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Interest expenses on:-				
- bank overdrafts	69,214	78,566	6,593	13,604
- fair value discount on receivables	2,397,220	-	-	-
- fair value discount on bond	31,257	-	31,257	-
- hire purchase payables	94,572	133,771	-	-
- term loans	904,953	416,852	128,012	132,575
- bankers' acceptances and revolving credits	1,623,554	1,636,460	12,372	69,174
Total	5,120,770	2,265,649	178,234	215,353

27. TAXATION

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Income tax				
- current year	(841,743)	(8,766,824)	(86,750)	(114,718)
- over/(under) accrual in prior years	450,461	9,713,857	(139,612)	844,556
	(391,282)	947,033	(226,362)	729,838
Deferred tax				
- current year	(1,925)	90,449	21,695	11,790
- over/ (under) accrual in prior years	135,123	(93,169)	-	(219)
	133,198	(2,720)	21,695	11,571
	(258,084)	944,313	(204,667)	741,409

The income tax is calculated at Malaysian statutory rate of 24% of the estimated assessable profit for the fiscal year.

27. TAXATION (CONTINUED)

A reconciliation of income tax expense applicable to (loss)/ profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:-

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
(Loss)/ Profit before taxation	(74,707,023)	20,886,876	(40,083,800)	(4,505,798)
Taxation at applicable tax rate of 24%	17,929,686	(5,012,850)	9,620,112	1,081,392
Tax effects arising from:-				
- expenses not deductible for tax purposes	(17,461,765)	(3,606,867)	(9,219,585)	(1,184,320)
- non-taxable income	3,636	182,088	-	-
- deferred tax assets not recognised	(1,315,225)	(210,447)	(465,582)	-
- over/(under) accrual in prior years:-				
- income tax	450,461	9,719,557	(139,612)	844,556
- deferred tax	135,123	(127,168)	-	(219)
Tax (expense)/ credit for the financial year	(258,084)	944,313	(204,667)	741,409

28. (LOSS)/ EARNINGS PER ORDINARY SHARE

(a) Basic (loss)/ earnings per share

	Group	
	2018 RM	**2017 RM**
Net (loss)/ profit attributable to owners of the parent	(68,736,998)	14,508,556
Number of shares as at 1 January	3,393,721,413	3,234,221,413
Effect of:-		
- ordinary shares issued via private placement	4,583,333	32,583,333
- renounceable rights issue with free warrants	755,271,425	-
Weighted average number of ordinary shares as at 31 December	4,153,576,171	3,266,804,746
Basic (loss)/ earnings per ordinary share (sen)	(1.65)	0.44

The basic (loss)/ earnings per ordinary share is calculated by dividing the consolidated net (loss)/ profit attributable to equity owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

(b) Diluted (loss)/ earnings per share

The basic and diluted (loss)/ earnings per share are equal as the Group has no dilutive potential ordinary shares outstanding as at 31 December 2018.

29. CONTIGENT LIABILITIES

The Company provides corporate guarantees up to a total amount of RM83,850,000/- to licensed banks for banking facilities granted to certain subsidiaries. Total outstanding amount of the banking facilities by the said subsidiaries is RM23,467,036/- as at 31 December 2018.

30. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Identification of related parties

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

Related parties of the Group include:-
(i) Direct subsidiaries;
(ii) Indirect subsidiaries; and
(iii) Key management personnel which comprise persons (including the directors of the Company) having the authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly.

(b) Significant related party transactions

During the financial year, the significant related party transactions are as follows:-

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Telecommunication sales charged to - Instacom Engineering Sdn. Bhd.	2,076,607	7,732,955	2,076,607	7,732,955
Sales of raw materials from Vivocom Trading Sdn. Bhd. to Vivocom Enterprise Sdn. Bhd.	1,184,751	1,059,058	-	-
Progress billing on construction contract to a substantial shareholder	-	15,481,749	-	-

(c) Key management personnel remuneration

The remuneration of the key management personnel is as follows:-

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Salaries, allowances and bonuses	1,115,768	1,286,000	-	-
Fees	558,000	227,500	300,000	300,000
Others	188,500	160,556	-	-
Total	1,862,268	1,674,056	300,000	300,000

Included in the key management personnel is:-

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Directors' remuneration	1,862,268	1,674,056	300,000	300,000

Key management personnel are defined as the members of Board of Directors of the Company and its subsidiaries whereby the authority and responsibility for planning, directing and controlling the activities of the Group and the Company, directly or indirectly lies.

31. SEGMENT REPORTING

The Group adopted MFRS 8, Operating Segments. MFRS 8 requires the identification of operating segments on the basis of internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segments and assess their performance.

General information

The information reported to the Group's chief operating decision maker to make decisions about resources to be allocated and for assessing their performance is based on the nature of the products and services, and has five reportable operating segments as follows:-

(a) Investment holding;
(b) Telecommunication, engineering and services;
(c) Aluminium design and fabrication;
(d) Construction services; and
(e) Others.

Measurement of reportable segments

Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the consolidated financial statements. Segment profit or loss is profit earned or loss incurred by each segment without allocation of depreciation and amortisation, finance cost, income from other investment and income tax expense. There are no significant changes from prior financial year in the measurement methods used to determine reported segment profit or loss. All the Group's assets and liabilities are allocated to reportable segments other than deferred tax assets and deferred tax liabilities.

Group 2018	**Investment Holding RM**	**Telecommu-nication, and engineering services RM**	**Aluminium design and fabrication RM**	**Construction services RM**	**Others RM**	**Eliminations RM**	**Note**	**Conso-lidated RM**
Revenue								
External sales	-	4,200,437	56,355,369	60,691,106	-	-		121,246,912
Inter-segment sales	-	2,265,661	546,140	1,184,751	-	(3,996,552)	(a)	-
Total revenue	-	6,466,098	56,901,509	61,875,857	-	(3,996,552)		121,246,912
Results								
Segment results	-	(43,598,207)	(1,981,466)	(21,294,639)	149	5,920,045	(a)	(60,954,118)
Depreciation	-	(1,209,339)	(562,533)	(1,507,641)	-	(3,380)	(a)	(3,282,893)
Finance costs	-	(894,173)	(1,348,816)	(2,877,781)	-	-		(5,120,770)
Income tax expenses	-	228,770	(114,738)	144,052	-	-		258,084
Interest income	-	231,672	91,890	39,137	-	-		362,699
Net loss attributable to the owners of the parent								(68,736,998)
Non controlling interest								(6,228,109)
Total comprehensive deficit								(74,965,107)

31. SEGMENT REPORTING (CONTINUED)

Group 2018	Investment Holding RM	Telecommunication, and engineering services RM	Aluminium design and fabrication RM	Construction services RM	Others RM	Eliminations RM	Note	Consolidated RM
Assets								
Segment assets	202,607,100	271,308,072	79,162,702	204,086,179	2,716	(331,039,601)	(b)	426,127,168
Goodwill	146,412,540	-	-	-	-	-		146,412,540
Consolidated total assets								572,539,708
Other information								
Additions to property, plant and equipment	-	427,558	557,159	711,561	-	(191,204)	(a)	1,505,074
Liabilities								
Segment liabilities	-	28,223,382	33,767,654	132,437,460	7,500	(127,462,870)	(c)	66,973,126
Loans and borrowings	-	9,452,465	9,936,141	18,095,572	-			37,484,178
Tax payables	-	516,548	3,524,051	(2,014,068)	-			2,026,531
Consolidated total liabilities								106,483,835
2017								
Revenue								
External sales	-	22,322,896	55,659,495	105,144,136	-	-		183,126,527
Inter-segment sales	-	8,057,322	574,679	1,059,058	-	(9,691,059)	(a)	-
Total revenue	-	30,380,218	56,234,174	106,203,194	-	(9,691,059)		183,126,527
Results								
Segment results	-	(5,152,884)	19,600,624	17,362,159	(800,499)	(11,645,633)	(a)	19,363,767
Depreciation and amortisation	-	(1,449,556)	(507,943)	(1,948,392)	-	1,116	(a)	(3,904,775)
Finance costs	-	(1,402,159)	(710,319)	(153,171)	-	-		(2,265,649)
Income tax expenses	-	709,495	(4,890,048)	5,124,866	-	-		944,313
Interest income	-	238,477	120,880	11,543	-	-		370,900
Foreign exchange translation	-	-	-	-	-	-		531
Net profit attributable to the owners of the parent								14,509,087
Non controlling interest								7,323,144
Total comprehensive income								21,832,231

31. SEGMENT REPORTING (CONTINUED)

Group 2017	Investment Holding RM	Telecommunication, and engineering services RM	Aluminium design and fabrication RM	Construction services RM	Others RM	Eliminations RM	Note	Consolidated RM
Assets								
Segment assets	234,384,100	236,770,606	77,536,614	242,701,543	199,324	(360,731,890)	(b)	430,860,297
Goodwill	178,829,540	-	-	-	-	-		178,829,540
Consolidated total assets								609,689,837
Other information								
Additions to property, plant and equipment	-	8,885	674,302	155,269	-	(20,000)	(a)	818,456
Liabilities								
Segment liabilities	-	25,738,427	29,387,741	141,374,539	186,850	(125,112,630)	(c)	71,574,927
Loans and borrowings	-	15,429,443	7,260,439	6,790,478	-			29,480,360
Tax payables	-	1,023,730	8,747,820	4,728,483	-			14,500,033
Consolidated total liabilities								115,555,320

Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements:-

(a) Inter-segment transactions and revenue are eliminated on consolidation;
(b) Inter-segment assets are eliminated on consolidation; and
(c) Inter-segment liabilities are eliminated on consolidation.

Geographical segments

No information is prepared on the geographical segment as the Group principally operates within Malaysia.

32. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The table below provides an analysis of financial instruments as at 31 December 2018 categorised as follows:-

(i) Financial assets measured at amortised cost
(ii) Financial liabilities measured at amortised cost

	Carrying amounts RM	Financial assets at amortised cost RM	Financial liabilities at amortised cost RM
Group			
2018			
Financial assets			
Other investment	2,968,743	2,968,743	-
Finance receivables	10,731,209	10,731,209	-
Trade and other receivables	280,928,916	280,928,916	-
Contract assets	33,237,350	33,237,350	-
Fixed deposits with licensed banks	9,783,482	9,783,482	-
Cash and bank balances	58,914,645	58,914,645	-
	396,564,345	396,564,345	-

32. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (Continued)

	Carrying amounts RM	Financial assets at amortised cost RM	Financial liabilities at amortised cost RM
Group			
2018			
Financial liabilities			
Trade and other payables	57,457,197	-	57,457,197
Contract liabilities	4,156,353	-	4,156,353
Loans and borrowings	42,590,805	-	42,590,805
	104,204,355	-	104,204,355
Company			
2018			
Financial assets			
Other investment	2,968,743	2,968,743	-
Trade and other receivables	47,106,547	47,106,547	-
Amount owing by subsidiaries	123,695,265	123,695,265	-
Fixed deposits with licensed banks	2,841,027	2,841,027	-
Cash and bank balances	54,593,230	54,593,230	-
	231,204,812	231,204,812	-
Financial liabilities			
Trade and other payables	1,862,932	-	1,862,932
Amount owing to subsidiaries	18,876,147	-	18,876,147
Loans and borrowings	2,510,796	-	2,510,796
	23,249,875	-	23,249,875

The table below provides an analysis of financial instruments as at 31 December 2017 categorised as follows:-

(i) Loan and receivables
(ii) Financial liabilities measured at amortised cost

	Carrying amounts RM	Loan and receivables RM	Financial liabilities at amortised cost RM
Group			
2017			
Financial assets			
Finance receivables	14,541,167	14,541,167	-
Trade and other receivables	273,736,024	273,736,024	-
Contract assets	54,819,772	54,819,772	-
Fixed deposits with licensed banks	9,091,444	9,091,444	-
Cash and bank balances	37,765,513	37,765,513	-
	389,953,920	389,953,920	-

32. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (Continued)

	Carrying amounts RM	Loan and receivables RM	Financial liabilities at amortised cost RM
Group			
2017			
Financial liabilities			
Trade and other payables	62,662,210	-	62,662,210
Contract liabilities	3,241,635	-	3,241,635
Amount owing to directors	100	-	100
Loans and borrowings	34,765,195	-	34,765,195
	100,669,140	-	100,669,140
Company			
2017			
Financial assets			
Trade and other receivables	40,017,884	40,017,884	-
Amount owing by subsidiaries	122,314,258	122,314,258	-
Fixed deposits with licensed banks	2,766,472	2,766,472	-
Cash and bank balances	18,804,267	18,804,267	-
	183,902,881	183,902,881	-
Financial liabilities			
Trade and other payables	3,521,665	-	3,521,665
Amount owing to subsidiaries	16,586,562	-	16,586,562
Amount owing to directors	100	-	100
Loans and borrowings	4,018,929	-	4,018,929
	24,127,256	-	24,127,256

(b) Net gains/ (losses) arising from financial instruments

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Net gain/ (losses) on:-				
Financial assets at amortised cost	(2,065,778)	-	-	-
Financial liabilities at amortised cost	(1,334,820)	(2,265,649)	(146,977)	(215,353)
Loan and receivables	-	370,900	99,986	105,503
	(3,400,598)	(1,894,749)	(46,991)	(109,850)
Net loss on impairment of financial instruments and contract assets:-				
Financial assets at amortised cost	28,629,877	5,926,172	5,327,335	3,670,000
Contract assets at amortised cost	2,087,785	-	-	-

32. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management

The Group and the Company have exposure to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, and interest rate risk.

(i) Credit risk

Credit risk is the risk of a financial loss to the Group and 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 primarily from its receivables, advances to subsidiaries and financial guarantee given to banks for credit facilities granted to subsidiaries.

Trade receivables and contract assets

Risk management objectives, policies and processes for managing the risk

The Group and the Company have a credit policy in place to monitor and minimise the exposure of default. Credit evaluations are performed on all customers requiring credit over certain amount. The Group and the Company also have an internal credit review which is conducted if the credit risk is material. Trade receivables and contract assets are monitored on an ongoing basis via Group and Company management reporting procedures.

At each reporting date, the Group and the Company assess whether any of the trade receivables and contract assets are credit impaired or written off.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables and contract assets are represented by the carrying amounts in the statements of financial position.

As at 31 December 2018, the Group has significant concentration of credit risk in the form of outstanding amount of approximately RM128,502,657/- due from five (5) trade receivables represents 63% of the total trade receivables of the Group. The directors are of the opinion that these amounts outstanding are 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.

Management has taken reasonable steps to ensure that trade 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. The Group uses 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.

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

The Group and the Company use simplified matrix approach to measure the ECLs of trade receivables and contract assets from individual customers. To measure the expected credit losses, trade receivables have been grouped based on credit risk ranking and days past due.

32. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management (Continued)

(i) Credit risk (Continued)

<u>Trade receivables and contract assets (Continued)</u>

Expected credit losses ("ECL") assessment for trade receivables and contract assets as at 31 December 2018 (Continued)

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

Group	Gross carrying amount RM	Loss allowance RM	Net balance RM
2018			
Trade receivables- current			
Current (not past due)	28,463,243	-	28,463,243
1 to 30 days past due	7,350,835	-	7,350,835
31 to 60 days past due	4,519,426	273,123	4,246,303
61 to 90 days past due	8,136,586	1,633,660	6,502,926
More than 90 days past due	192,052,682	28,420,666	163,632,016
	240,522,772	30,327,449	210,195,323
Contract assets	35,325,135	2,087,785	33,237,350

Company	Gross carrying amount RM	Loss allowance RM	Net balance RM
2018			
Trade receivables- current			
Current (not past due)	1,125,138	-	1,125,138
1 to 30 days past due	-	-	-
31 to 60 days past due	-	-	-
61 to 90 days past due	-	-	-
More than 90 days past due	20,535,760	8,997,335	11,538,425
	21,660,898	8,997,335	12,663,563

Movements in the allowance for impairment losses in respect of trade receivables and contract assets

For trade receivables, there was an adjustment on the initial application of MFRS 9 as disclosed in Note 8 to the financial statements. However, there was no adjustment on the initial application of MFRS 9 for contract assets.

Comparatives under MFRS 139 Financial Instruments

The ageing of trade receivables as at 31 December 2017 was as follows:-

Group	Gross carrying amount RM	Impairment RM	Net balance RM
2017			
Trade receivables			
Current (not past due)	109,111,690	-	109,111,690
1 to 30 days past due	22,321,801	-	22,321,801
31 to 60 days past due	8,328,938	-	8,328,938
61 to 90 days past due	4,111,812	-	4,111,812
More than 90 days past due	104,669,333	5,926,172	98,743,161
	248,543,574	5,926,172	242,617,402
Contract assets	54,819,772	-	54,819,772

32. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management (Continued)

(i) Credit risk (Continued)

Trade receivables and contract assets (Continued)

Comparatives under MFRS 139 Financial Instruments (Continued)

Company	Gross carrying amount RM	Impairment RM	Net balance RM
2017			
Trade receivables			
Current (not past due)	3,716,808	-	3,716,808
1 to 30 days past due	-	-	-
31 to 60 days past due	1,517	-	1,517
61 to 90 days past due	-	-	-
More than 90 days past due	28,629,946	3,670,000	24,959,946
	32,348,271	3,670,000	28,678,271

Other receivables

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

Expected credit loss of other receivables is determined individually after considering the financial strength, payment patterns and expected default rate of the other receivables. During the financial year, the Group recognised RM2,474,156/- of ECLs for other receivables as disclosed in Note 8 to the financial statements.

Investment in debt securities

At the end of reporting period, the Group and the Company invested in unquoted bond from a corporate issuer. The maximum exposure to credit risk is represented by the carrying amount in the statements of financial position.

There is no history of default on this bond and there are no indicators that this bond may default. The Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

Financial guarantee

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors the ability of the subsidiaries to service their loans on individual basis.

The maximum exposure to credit risk amounts to RM23,467,036/- representing the outstanding banking facilities of the subsidiaries as at the end of the reporting date.

The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. The Company considers a financial guarantee to be credit impaired when the subsidiary is unlikely to repay its credit obligation to the bank in full.

During the financial year, the Company has not credit impaired any financial guarantee.

Inter-company loans and advances

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

Credit risk and impairment losses for inter-company loans and advances

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

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

32. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management (Continued)

(ii) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risks arises primarily from mismatched of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all financing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group and the Company maintain sufficient levels of cash or cash convertible investments to meet its working capital requirements.

Maturity analysis

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

Group	Carrying amounts RM	Contractual undiscounted cash flows RM	On Demand or Within 1 Year RM	1 - 5 Years RM	More than 5 Years RM
2018					
Financial liabilities					
Trade payables	29,699,537	29,699,537	29,699,537	-	-
Retentions sum	14,331,743	15,689,216	3,641,722	12,047,494	
Other payables	13,425,917	13,425,917	13,425,917	-	-
Contract liabilities	4,156,353	4,156,353	4,156,353	-	-
Hire purchase payables	1,486,718	1,617,415	778,345	839,070	-
Term loans	13,340,714	13,340,714	3,189,912	4,420,570	5,730,232
Other bank borrowings	27,763,373	27,763,373	27,763,373	-	-
	104,204,355	105,692,525	82,655,159	17,307,134	5,730,232
2017					
Financial liabilities					
Trade payables	30,875,154	30,875,154	30,875,154	-	-
Retentions sum	17,256,926	17,256,926	17,256,926	-	-
Other payables	14,530,130	14,530,130	14,530,130	-	-
Contract liabilities	3,241,635	3,241,635	3,241,635	-	-
Amount owing to director	100	100	100	-	-
Hire purchase payables	1,757,767	1,884,181	857,151	1,027,030	-
Term loans	8,553,396	8,553,396	540,850	1,892,437	6,120,109
Other bank borrowings	24,454,032	24,454,032	24,454,032	-	-
	100,669,140	100,795,554	91,755,978	2,919,467	6,120,109
Company					
2018					
Financial liabilities					
Trade and other payables	1,862,932	1,862,932	1,862,932	-	-
Term loans	2,510,796	2,510,796	188,660	852,956	1,469,180
	4,373,728	4,373,728	2,051,592	852,956	1,469,180
2017					
Financial liabilities					
Trade and other payables	3,521,665	3,521,665	3,521,665	-	-
Amount owing to directors	100	100	100	-	-
Term loans	2,689,060	2,689,060	179,819	812,986	1,696,255
Other bank borrowings	1,329,869	1,329,869	1,329,869	-	-
	7,540,694	7,540,694	5,031,453	812,986	1,696,255

32. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial risk management (Continued)

(iii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and of the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings. The Group does not hedge its investment in fixed rate debt securities as they have active secondary or resale markets to ensure liquidity. The investments in financial assets are mainly short term in nature and they are not held for speculative purposes.

The Group and the Company manage the net exposure to interest rate risks by maintaining sufficient lines of credit to obtain acceptable lending costs and by monitoring the exposure to such risks on an ongoing basis. Management does not enter into interest rate hedging transactions since it considers that the cost of such instruments outweigh the potential risk of interest rate fluctuation.

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

	2018		2017	
	Effective interest rate %	**Carrying amounts RM**	**Effective interest rate %**	**Carrying amounts RM**
Group				
Financial asset				
Fixed deposits with licensed banks	2.55 - 3.35	9,783,482	2.85 - 3.15	9,091,444
Financial liabilities				
Bankers' acceptances	5.20 - 7.95	25,891,754	4.77 - 7.75	15,081,560
Bank overdrafts	7.50 - 8.10	697,023	7.30 - 7.50	1,612,648
Revolving credits	7.00 - 7.50	1,174,596	7.00 - 7.50	7,759,824
Hire purchase payables	3.35 - 5.62	1,486,718	2.85 - 5.76	1,757,767
Term loans	4.85 - 5.72	13,340,714	4.60 - 5.58	8,553,396
Company				
Financial asset				
Fixed deposits with licensed banks	2.55	2,841,027	2.55	2,766,472
Financial liabilities				
Bankers' acceptances	-	-	3.80 - 5.01	922,000
Bank overdrafts	-	-	7.30	407,869
Term loans	4.85	2,510,796	4.85	2,689,060

Sensitivity analysis for interest rate

At the end of the reporting period, if interest rates had been 1% lower/higher for variable rate instruments, the Group's pre-tax profit and the Company's pre-tax profit would have been RM411,041/- (2017: RM330,074/-) and RM25,108/- (2017: RM40,189/-) higher/lower respectively, arising mainly as a result of a lower/higher of interest expenses from pre-determined rate of loans and borrowings.

32. FINANCIAL INSTRUMENTS (CONTINUED)

(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 values due to the relatively short term nature of these financial instruments.

The table below analyses financial instruments carried at fair value and those not carried at fair value:-

	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value			Total fair value	Carrying amount
	Level 1 RM	Level 2 RM	Level 3 RM	Level 1 RM	Level 2 RM	Level 3 RM	RM	RM
Group								
2018								
Financial assets								
Other investment	-	-	-	-	3,000,000	-	3,000,000	2,968,743
Retentions sum (trade receivables)	-	-	-	-	-	24,604,980	24,604,980	22,850,536
	-	-	-	-	3,000,000	24,604,980	27,604,980	25,819,279
Financial liabilities								
Retentions sum (trade payables)	-	-	-	-	-	10,690,021	10,690,021	10,690,021
Hire purchase payables	-	-	-	-	-	708,373	708,373	769,489
Term loans	-	-	-	-	-	13,502,478	13,502,478	10,150,802
	-	-	-	-	-	24,900,872	24,900,872	21,610,312
2017								
Financial liabilities								
Hire purchase payables	-	-	-	-	-	900,616	900,616	950,092
Term loans	-	-	-	-	-	10,584,195	10,584,195	8,012,546
	-	-	-	-	-	11,484,811	11,484,811	8,962,638
Company								
2018								
Financial assets								
Other investment	-	-	-	-	3,000,000	-	3,000,000	2,968,743
Financial liability								
Term loans	-	-	-	-	-	3,088,878	3,088,878	2,322,136
2017								
Financial liability								
Term loans	-	-	-	-	-	3,314,589	3,314,589	2,509,241

32. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Fair value information (Continued)

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.

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

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities. The Group uses valuation techniques in determining fair values for financial instruments.

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 of financial instruments	Description of valuation technique and inputs used
Retentions sums	Discounted cash flows using a rate based on the weighted average of cost of capital of the Group
Hire purchase payables	Discounted cash flows using a rate based on effective interest rate from hire purchase agreement
Term loans	Discounted cash flows using a rate based on current market rate of borrowings of the Group and the Company

33. CAPITAL MANAGEMENT

The primary objective of the Group's and of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximise shareholders' value.

The Group and the Company manage its capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial year ended 31 December 2018.

The Group and the Company monitor capital using a gearing ratio, which is total debts divided by total capital plus total debts. The Group's and the Company's total debts include trade and other payables, contract liabilities, amount owing by director and loans and borrowings. Capital includes equity attributable to the owners of the parent.

The gearing ratio of the Group and of the Company is as follows:-

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Trade and other payables	57,457,197	62,662,210	1,862,932	3,521,665
Contract liabilities	4,156,353	3,241,635	-	-
Amount owing to directors	-	100	-	100
Loans and borrowings	42,590,805	34,765,195	2,510,796	4,018,929
Total debts	104,204,355	100,669,140	4,373,728	7,540,694
Equity attributable to owners of the parent	466,055,873	485,379,248	424,470,252	409,108,457
Capital and total debts	570,260,228	586,048,388	428,843,980	416,649,151
Gearing ratio	18.3%	17.2%	1.0%	1.8%

34. CHANGES IN ACCOUNTING POLICIES

During the financial year, the Group and the Company adopted MFRS 15, Revenue from Contracts with Customers and MFRS 9, Financial Instruments on their financial statements. The Group and the Company generally applied the requirements of these accounting standards retrospectively with practical expedients and transitional exemptions as allowed by the standards. Nevertheless, as permitted by MFRS 9, the Group and the Company have elected not to restate the comparatives.

(a) MFRS 15 adoption

There is no significant impact on the adoption of MFRS 15 on the financial statements of the Group, other than the reclassification of accounts as follows:-

Group	**As previously stated RM**	**Effects of MFRS 15 adoption RM**	**As restated RM**
Statements of financial position			
At 1 January 2018			
Contract assets	-	54,819,772	54,819,772
Amount owing by customers for contract work	54,819,772	(54,819,772)	-
Total assets	54,819,772	-	54,819,772
Contract liabilities	-	3,241,635	3,241,635
Amount owing to customers for contract work	3,241,635	(3,241,635)	-
Total liabilities	3,241,635	-	3,241,635

(b) MFRS 9 adoption

In the adoption of MFRS 9, the following transitional exemptions, as permitted by the standard, have been adopted:-

(i) The Group and the Company have not restated comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of MFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of MFRS 9, but rather those of MFRS 139, Financial Instruments: Recognition and Measurement.

(ii) The following assessments have been made based on the facts and circumstances that existed at the date of initial application:-

- the determination of the business model within which a financial asset is held; and
- the designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

(iii) Loss allowance for receivables (other than trade receivables) is recognised at an amount equal to lifetime expected credit losses until the receivable is derecognised.

34. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) MFRS 9 adoption (Continued)

Impacts on financial statements

The following tables summarise the impacts arising from the adoption of MFRS 9 on the Group's and the Company's financial statements:-

Group	As previously stated RM	Effects of MFRS 9 adoption RM	As restated RM
Statements of financial position At 1 January 2018			
Trade and other receivables	282,491,293	(8,755,269)	273,736,024
Total assets	282,491,293	(8,755,269)	273,736,024
Retained earnings	102,686,045	(6,881,641)	95,804,404
Non-controlling interest	26,442,969	(1,873,628)	24,569,341
Total equity	129,129,014	(8,755,269)	120,373,745
Total equity and liabilities	609,689,837	(8,755,269)	600,934,568

Classification of financial assets and financial liabilities on the date of initial application of MFRS 9

		1 January 2018	
			Reclassification to MFRS 9 category
	MFRS 139	Remeasurement	Amortised cost
Group	RM	RM	RM
Financial assets			
Loan and receivables			
Finance receivables	14,541,167	-	14,541,167
Trade and other receivables	282,491,293	(8,755,269)	273,736,024
Fixed deposits with licensed banks	9,091,444	-	9,091,444
Cash and bank balances	37,765,513	-	37,765,513
	343,889,417	(8,755,269)	335,134,148
Financial liabilities			
Other financial liabilities measured at amortised cost			
Trade and other payables	62,662,210	-	62,662,210
Loans and borrowings	34,765,195	-	34,765,195
	97,427,405	-	97,427,405
Company			
Financial assets			
Loan and receivables			
Trade and other receivables	40,017,884	-	40,017,884
Fixed deposits with licensed banks	2,766,472	-	2,766,472
Cash and bank balances	18,804,267	-	18,804,267
	61,588,623	-	61,588,623
Financial liabilities			
Other financial liabilities measured at amortised cost			
Trade and other payables	3,521,665	-	3,521,665
Loans and borrowings	4,018,929	-	4,018,929
	7,540,594	-	7,540,594

ANALYSIS OF SHAREHOLDINGS
AS AT 9 APRIL 2019

Total number of issued shares	:	5,664,535,688
Class of shares	:	Ordinary Shares
Voting Rights	:	One vote per ordinary share

SIZE OF SHAREHOLDINGS AS AT 9 APRIL 2019

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of shares	% of issued capital
Less than 100	1,668	8.3	85,962	0.0
100 - 1,000	762	3.8	387,711	0.0
1,001 - 10,000	3,294	16.5	17,895,721	0.3
10,001 - 100,000	9,127	45.6	405,314,919	7.2
100,001 and below 5%	5,166	25.8	3,410,448,425	60.2
5% and above	2	0.0	1,830,402,950	32.3
TOTAL	**20,019**	**100.0**	**5,664,535,688**	**100.0**

SUBSTANTIAL SHAREHOLDERS AS AT 9 APRIL 2019

Name	Direct Interest	%	Deemed Interest	%
Golden Oasis Resources Sdn Bhd	1,262,169,349	22.3	-	-
Ang Li-Hann	568,233,601	10.0	-	-

DIRECTORS' SHAREHOLDING AS AT 9 APRIL 2019

Name	Direct Interest	%	Deemed Interest	%
Ar. Lim Tong Hock	-	-	-	-
Choo Seng Choon	-	-	-	-
Dato' Azahar bin Rasul	-	-	-	-
Dato' Nor Mohd Amin bin Shaharudin	3,995,667	0.1	-	-
Tay Mun Kit	-	-	-	-

LIST OF 30 LARGEST SHAREHOLDERS AS AT 9 APRIL 2019

NO.	NAME	NO. OF SHARES	%
1	GOLDEN OASIS RESOURCES SDN BHD	1,196,648,293	21.1%
2	ANG LI-HANN	512,334,571	9.0%
3	CHIA KOK CHIN	80,675,500	1.4%
4	NG KIM KEONG	76,747,333	1.4%
5	RHB NOMINEES (TEMPATAN) SDN BHD *RHB TRUSTEES BERHAD FOR GOLDEN OASIS RESOURCES SDN BHD*	65,521,053	1.2%
6	CHONG MUI FUN	64,583,333	1.1%
7	NG WAI YUAN	60,059,900	1.1%
8	RHB NOMINEES (TEMPATAN) SDN BHD *RHB TRUSTEES BERHAD FOR ANG LI-HANN*	55,899,030	1.0%
9	KENANGA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR KOH BOON POH (008)*	49,889,200	0.9%
10	UOB KAY HIAN NOMINEES (TEMPATAN) SDN BHD *EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)*	49,542,750	0.9%
11	MATHIALAGAN A/L SENGKOTTYAN	36,125,000	0.6%
12	HA MUN KEET	32,533,333	0.6%
13	GAN CHOON HOCK	30,000,000	0.5%
14	MOHAMMAD SOBRI BIN SAAD	30,000,000	0.5%
15	AMSEC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR JEGA DEVAN A/L M NADCHATIRAM*	29,416,600	0.5%
16	FAN RUEY YIN	26,833,333	0.5%
17	KENANGA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR KUEK ENG MONG*	25,623,166	0.5%
18	WONG MEI SUN	24,205,800	0.4%
19	GAN BOON GUAT	16,500,000	0.3%
20	CHAN WAI MUN	16,285,100	0.3%
21	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LOH KUAN FONG (8078549)*	15,500,000	0.3%
22	LEM WAN CHONG @ LIM CHOON CHEE	15,208,333	0.3%
23	CIMSEC NOMINEES (ASING) SDN BHD *CIMB FOR TOSHIHIKO SAITO (PB)*	14,805,000	0.3%
24	KENANGA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR HENG YONG KANG @ WANG YONG KANG*	13,755,100	0.2%
25	HLB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LOH KUAN FONG*	13,416,000	0.2%
26	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB FOR LEE SOI GEK (PB)*	13,000,000	0.2%
27	HONG TEEK LEE	13,000,000	0.2%
28	KWONG MING MEAN	13,000,000	0.2%
29	ONG CHIEW KEE	13,000,000	0.2%
30	CITIGROUP NOMINEES (ASING) SDN BHD *CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC*	12,918,833	0.2%

ANALYSIS OF WARRANTHOLDINGS - WARRANT C 2015/2020

WARRANTHOLDING STRUCTURE
AS AT 9 APRIL 2019

Type of Securities	Warrants 2015/2020
Voting Rights	One vote per warrant in respect of a meeting of warrant holders

DISTRIBUTION OF WARRANTHOLDINGS AS AT 9 APRIL 2019

	No. of holders	%	No. of Warrants	%
Less than 100	957	15.9%	44,490	0.0%
100 - 1,000	1,526	25.4%	597,261	0.2%
1,001 - 10,000	1,862	31.0%	6,323,461	1.8%
10,001 - 100,000	1,088	18.1%	37,763,518	10.5%
100,001 and below 5%	577	9.6%	291,013,088	80.7%
5% and above	1	0.0%	24,786,030	6.9%
TOTAL	**6,011**	**100.0%**	**360,527,848**	**100.0%**

DIRECTORS' WARRANTHOLDING AS AT 9 APRIL 2019

Name	Direct Interest	%	Deemed Interest	%
Ar. Lim Tong Hock	-	-	-	-
Choo Seng Choon	-	-	-	-
Dato' Nor Mohd Amin bin Shaharudin	-	-	-	-
Dato' Azahar bin Rasul	-	-	-	-
Tay Mun Kit	-	-	-	-

LIST OF 30 LARGEST WARRANT C HOLDERS AS AT 9 APRIL 2019

NO.	NAME	NO. OF WARRANTS	%
1	ANNE KUNG SOO CHING	24,786,030	6.9%
2	NG THIAN HUAT	14,551,360	4.0%
3	LOO NGEK PANG	9,648,000	2.7%
4	OH TEIK CHYE	8,433,036	2.3%
5	KHOO LEE THENG	5,593,500	1.6%
6	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LEN BOOK LEARN*	5,117,604	1.4%
7	HLIB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR SIAW KOK TONG (CCTS)*	4,320,000	1.2%
8	NG SIE KEE	4,304,000	1.2%
9	WONG KOK NYEN	3,600,000	1.0%
10	LAY SOOK HWEY	3,187,424	0.9%
11	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR YUEN MUN KIT*	3,129,876	0.9%
12	LAU CHIA PENG	3,084,144	0.9%
13	LIM SEOK GEN	2,880,000	0.8%
14	TIONG ING PING	2,880,000	0.8%
15	TAY TIAN SEN	2,720,000	0.8%
16	HLIB NOMINEES (TEMPATAN) SDN BHD *HONG LEONG BANK BHD FOR TONG YEW BAN*	2,680,500	0.7%
17	HLIB NOMINEES (TEMPATAN) SDN BHD *HONG LEONG BANK BHD FOR LESLIE HON*	2,520,000	0.7%
18	BONG YOON PAH @ WONG YOON PAH	2,456,496	0.7%
19	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB BANK FOR LEN BOOK LEARN (M66002)*	2,187,588	0.6%
20	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CHOW CHOON FUTT (E-TCS)*	2,160,144	0.6%
21	TIANG SOON WEE	2,160,000	0.6%
22	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR KWAH WOI LEONG (E-BPJ/JKA)*	2,101,500	0.6%
23	SJ SEC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CHAN BOON YOK (SMT)*	2,000,000	0.6%
24	TSAO KHEE YOUNG	1,872,000	0.5%
25	KAM KIM CHUAN	1,825,200	0.5%
26	NG CHENG TENG	1,804,000	0.5%
27	PHANG WAH	1,800,000	0.5%
28	TAN SWEE KEOW	1,795,144	0.5%
29	TAN KAY LOY	1,728,000	0.5%
30	LOO NGEK PANG	1,660,608	0.5%

ANALYSIS OF WARRANTHOLDINGS - WARRANT D 2015/2020

WARRANTHOLDING STRUCTURE
AS AT 9 APRIL 2019

Type of Securities	Warrants 2015/2020
Voting Rights	One vote per warrant in respect of a meeting of warrant holders

DISTRIBUTION OF WARRANTHOLDINGS AS AT 9 APRIL 2019

	No. of holders	%	No. of Warrants	%
Less than 100	231	11.4%	11,020	0.0%
100 - 1,000	290	14.3%	81,130	0.0%
1,001 - 10,000	433	21.3%	1,780,920	0.5%
10,001 - 100,000	568	28.0%	24,533,800	7.1%
100,001 and below 5%	507	25.0%	279,991,412	80.7%
5% and above	1	0.0%	40,388,444	11.6%
TOTAL	**2,030**	**100.0%**	**346,786,726**	**100.0%**

DIRECTORS' WARRANTHOLDING AS AT 9 APRIL 2019

Name	Direct Interest	%	Deemed Interest	%
Ar. Lim Tong Hock	-	-	-	-
Choo Seng Choon	-	-	-	-
Dato' Nor Mohd Amin bin Shaharudin	-	-	-	-
Dato' Azahar bin Rasul	-	-	-	-
Tay Mun Kit	-	-	-	-

ANALYSIS OF WARRANTHOLDINGS - WARRANT D 2015/2020 (cont'd)

WARRANTHOLDING STRUCTURE
AS AT 9 APRIL 2019

LIST OF 30 LARGEST WARRANT D HOLDERS AS AT 9 APRIL 2019

NO.	NAME	NO. OF WARRANTS	%
1	ANG LI-HANN	40,388,444	11.6%
2	RHB NOMINEES (TEMPATAN) SDN BHD *RHB TRUSTEES BERHAD FOR ANG LI-HANN*	14,162,414	4.1%
3	ANNE KUNG SOO CHING	14,050,224	4.1%
4	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LEN BOOK LEARN*	6,450,608	1.9%
5	KENANGA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR POH CHONG JOO*	6,192,000	1.8%
6	POH CHONG JOO	4,608,000	1.3%
7	HLIB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR SIAW KOK TONG (CCTS)*	4,320,000	1.2%
8	LAM YEE FOON	4,229,280	1.2%
9	SOON KAR LIM	4,183,000	1.2%
10	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB BANK FOR LEN BOOK LEARN (M66002)*	3,818,888	1.1%
11	WONG CHER HUA	3,800,120	1.1%
12	ANTHONY LIM HOCK BIAN	3,595,072	1.0%
13	LEE SWEE SIONG	3,340,000	1.0%
14	UOB KAY HIAN NOMINEES (TEMPATAN) SDN BHD *EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)*	3,029,460	0.9%
15	SJ SEC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LAU YAU YAN (SMT)*	3,000,000	0.9%
16	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TAN SEW KENG*	2,903,760	0.8%
17	CHOW CHYE MING	2,880,000	0.8%
18	RHB NOMINEES (TEMPATAN) SDN BHD *RHB TRUSTEES BERHAD FOR CHIA KOK SENG*	2,812,024	0.8%
19	MAYBANK NOMINEES (TEMPATAN) SDN BHD *WONG TZE YEE*	2,747,520	0.8%
20	OH TEIK CHYE	2,160,108	0.6%
21	KHOR TENG EOW	2,160,000	0.6%
22	ONG SENG KEE	1,963,008	0.6%
23	KENANGA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR WONG CHER HUA (008)*	1,952,000	0.6%
24	HLIB NOMINEES (TEMPATAN) SDN BHD *HONG LEONG BANK BHD FOR LESLIE HON*	1,944,000	0.6%
25	NG SIE KEE	1,872,000	0.5%
26	SIM HEOK HOO	1,809,000	0.5%
27	BONG YOON PAH @ WONG YOON PAH	1,800,000	0.5%
28	CIMSEC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LIM GAG (PENANG-CL)*	1,780,000	0.5%
29	BOONG KAU	1,634,400	0.5%
30	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR HOO YEEK FOO*	1,618,272	0.5%

ANALYSIS OF WARRANTHOLDINGS - WARRANT E 2018/2023

AS AT 9 APRIL 2019

Type of Securities	Warrants 2018/2023
Voting Rights	One vote per warrant in respect of a meeting of warrant holders

DISTRIBUTION OF WARRANTHOLDINGS AS AT 9 APRIL 2019

	No. of holders	%	No. of Warrants	%
Less than 100	130	2.3%	6,772	0.0%
100 - 1,000	108	1.9%	66,660	0.0%
1,001 - 10,000	1,494	26.3%	8,882,560	0.8%
10,001 - 100,000	3,061	53.8%	119,081,761	10.5%
100,001 and below 5%	894	15.7%	663,072,213	58.5%
5% and above	2	0.0%	341,796,572	30.2%
TOTAL	**5,689**	**100.0%**	**1,132,906,538**	**100.0%**

DIRECTORS' WARRANTHOLDING AS AT 9 APRIL 2019

Name	Direct Interest	%	Deemed Interest	%
Ar. Lim Tong Hock	-	-	-	-
Choo Seng Choon	-	-	-	-
Dato' Nor Mohd Amin bin Shaharudin	-	-	-	-
Dato' Azahar bin Rasul	-	-	-	-
Tay Mun Kit	-	-	-	-

LIST OF 30 LARGEST WARRANT E HOLDERS AS AT 9 APRIL 2019

NO.	NAME	NO. OF WARRANTS	%
1	GOLDEN OASIS RESOURCES SDN BHD	239,329,658	21.1%
2	ANG LI-HANN	102,466,914	9.0%
3	NG WAI YUAN	39,469,150	3.5%
4	KENANGA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR KOH BOON POH (008)*	24,694,600	2.2%
5	CHIA KOK CHIN	23,837,750	2.1%
6	SEIK THYE KONG	15,000,000	1.3%
7	SJ SEC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LAU YAU YAN (SMT)*	15,000,000	1.3%
8	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB BANK FOR NG WAI YUAN (MY0867)*	13,107,850	1.2%
9	RHB NOMINEES (TEMPATAN) SDN BHD *RHB TRUSTEES BERHAD FOR GOLDEN OASIS RESOURCES SDN BHD*	13,104,210	1.2%
10	CHONG MUI FUN	12,916,666	1.1%
11	WONG MEI SUN	12,102,900	1.1%
12	RHB NOMINEES (TEMPATAN) SDN BHD *RHB TRUSTEES BERHAD FOR ANG LI-HANN*	11,179,806	1.0%
13	NG KIM KEONG	10,629,466	0.9%
14	UOB KAY HIAN NOMINEES (TEMPATAN) SDN BHD *EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)*	10,281,250	0.9%
15	LUM YIN MUI	8,300,000	0.7%
16	GAN BOON GUAT	8,250,000	0.7%
17	MOHAMMAD SOBRI BIN SAAD	7,553,000	0.7%
18	AMSEC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR JEGA DEVAN A/L M NADCHATIRAM*	7,383,300	0.7%
19	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LIM YEW LEONG (E-BPJ)*	7,250,000	0.6%
20	MATHIALAGAN A/L SENGKOTTYAN	7,225,000	0.6%
21	YAU SIEW FUN	7,000,000	0.6%
22	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB FOR LEE SOI GEK (PB)*	6,500,000	0.6%
23	KENANGA NOMINEES (TEMPATAN) SDN BHD *CHAN TIAM HIN*	6,500,000	0.6%
24	KWONG MING MEAN	6,500,000	0.6%
25	HA MUN KEET	5,866,666	0.5%
26	KENANGA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR KUEK ENG MONG*	5,124,633	0.5%
27	FAN RUEY YIN	5,066,666	0.4%
28	NG L'YP-HAU	5,000,000	0.4%
29	CHAN CHEE KEONG	4,878,600	0.4%
30	CHAN WAI MUN	4,705,050	0.4%

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 17th Annual General Meeting of the Company will be held at Gunung Gading, Level 4, Tower A, M Hotels, Hock Lee Centre, Jalan Datuk Abang Abdul Rahim, 93450 Kuching, Sarawak on Tuesday, 25 June 2019 at 2.30 p.m. to transact the following business :

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2018 and the Reports of Directors and Auditors thereon. — **Please refer to Explanatory Note (i)**

2. To approve the payment of Directors' fees amounting to RM115,500 for the financial year ended 31 December 2018. — **Resolution 1**

3. To approve the payment of Directors' fees amounting to RM150,000, for the financial year ending 31 December 2019. — **Resolution 2**

4. To re-elect the Director who retires in accordance with Article 116 of the Company's Constitution as follows :-

   (a) Dato' Azahar bin Rasul — **Resolution 3**
   (b) Choo Seng Choon — **Resolution 4**

5. To re-appoint Messrs. STYL Associates PLT as auditors of the Company and to authorize the Directors to fix their remuneration. — **Resolution 5**

AS SPECIAL BUSINESS

To consider and, if deemed fit, to pass the following resolutions :

6. **ORDINARY RESOLUTION** — **Resolution 6**

   Authority to issue shares

   "THAT, subject always to the Companies Act 2016, the Company's Constitution and the approvals of the relevant governmental/regulatory authorities, if applicable, the Directors be and are hereby empowered, pursuant to Section 75 and Section 76 of the Companies Act 2016, to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares issued pursuant to this Resolution does not exceed 10% of the total number of issue shares of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

7. **SPECIAL RESOLUTION** — **Resolution 7**

   Proposed Alteration of the Existing Memorandum and Articles of Association by Replacing with a New Constitution ("Proposed Alteration")

   "THAT the existing Memorandum and Articles of Association of the Company be hereby altered by replacing with a new Constitution as set out in Appendix A with effect from the date of passing this special resolution AND THAT the Board of Directors of the Company be and is hereby authorised to assent to any modifications, variations and/or amendments as may be required by any relevant authorities, and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing".

8. To transact any other business for which due notice shall have been given.

By Order of the Board

LAANG JHE HOW (MIA 25193)
ANNE KUNG SOO CHING (MIA 8449)
Company Secretaries

Kuala Lumpur
30 April 2019

Notes:-

1. *In respect of deposited securities, only members whose names appear in the Company's Record of Depositors as at 17 June 2019 shall be eligible to attend, participate, speak and vote at this meeting or appoint proxy(ies) to attend, participate, speak and vote on his/ her behalf.*
2. *A member of the Company who is entitled to attend, participate, speak and vote at this meeting is entitled to appoint not more than two (2) proxies, and in the case of a corporation, a duly authorised representative to attend, participate, speak and vote in its stead.*
3. *A proxy may but need not be a member of the Company, an advocate, an approved company auditor or a person approved by the Registrar. Where a member appoints more than one (1) proxy, he shall specify the proportions of his shareholdings to be represented by each proxy.*
4. *Where a member of the company is an exempt authorised nominee which holds ordinary shares in the company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
5. *The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if the appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised in writing.*
6. *The original instrument appointing a proxy must be deposited at the Registered Office of the Company situated at No. 149A, Jalan Aminuddin Baki, Taman Tun Dr. Ismail, 60000 Kuala Lumpur, not less than forty-eight (48) hours before the time set for holding this meeting or at any adjournment thereof.*

Explanatory notes

(i) **Item 1 of the Agenda - Audited Financial Statement for the financial year ended 31 December 2018**

The item is meant for discussion only, as the provision of Section 340(1) of the Companies Act 2016 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this item is not put forward for voting.

(ii) **Ordinary Resolution 6 - Proposed Authority to issue shares**

The Company wishes to renew the mandate on the authority to issue shares pursuant to Section 75 of the Companies Act 2016 at the 17th AGM of the Company (hereinafter referred to as the "General Mandate").

The Company had been granted a general mandate by its shareholders at the 16th AGM of the Company held on 26 June 2018 (hereinafter referred to as the "Previous Mandate").

As at the date of this notice, the Previous Mandate granted by the shareholders had not been utilised and hence no proceeds were raised therefrom.

The General Mandate will enable the Directors of the Company to issue shares any time to such persons in their absolute discretion without convening a general meeting as it would be both time and cost-consuming to organise a general meeting. This authority, unless revoked or varied by the Company in a general meeting, will expire at the next Annual General Meeting. The proceeds raised from the General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and / or acquisitions.

(iii) **Resolution 7 : Proposed Alteration of the Existing Memorandum and Articles of Association by Replacing with a New Constitution ("Proposed Alteration")**

This proposed Special Resolution, if passed, will enable the Company to alter its existing Memorandum and Articles of Association by replacing with a new Constitution which is drafted in accordance with the relevant provisions of the Companies Act 2016, relevant amendments of Chapter 7 and other Chapters of the Listing Requirements of Bursa Securities and other provisions of laws and regulation that are applicable to the Company.

The Appendix A on the Proposed New Constitution of the Company, which is circulated together with the Notice of the 17th AGM dated 30 April 2019, shall take effect once the proposed Resolution 7 has been passed by a majority of not less than seventy-five per centum (75%) of such members who are entitled to vote and do vote in person or by proxy at the 17th AGM.

The proposed new Constitution is set out in the Circular to Shareholders dated 30 April 2019.

STATEMENT ACCOMPANYING THE NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.29(2) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad :-

1. Details of individuals who are standing for election as Directors

The profile of the Directors standing for re-election is stated on pages 7 to 8 of this Annual Report.

2. Statement relating to the general mandate for issue of securities in accordance with Rule 6.04(3) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad

Detail of the General Mandate for the Authority to issue shares pursuant to Section 75 of the Companies Act 2016 are set out in Explanatory Notes (ii) of the Notice of AGM.

FORM OF PROXY

CDS Account No.:	
No. of Shares Held:	

I/ We ____ *NRIC/ Company no. ____________________________________
(FULL NAME IN BLOCK CAPITAL)

of ____
(FULL ADDRESS)

being *a member / members of **VIVOCOM INTL HOLDINGS BERHAD (596299-D)** hereby appoint

____

____ *NRIC no / Passport no. __________________________________
(FULL NAME IN BLOCK CAPITAL)

of ____
(FULL ADDRESS)

or failing *him/ her ___________________________________ *NRIC no / Passport no. __________________________________
(FULL NAME IN BLOCK CAPITAL)

of ____
(FULL ADDRESS)

or failing *him/ her the Chairman of the Meeting as *my/ our proxy/ proxies to attend, speak and vote for *me/ us on *my/ our behalf at the 17th Annual General Meeting of Vivocom Intl Holdings Berhad ("Company") to be held at Gunung Gading, Level 4, Tower A, M Hotels, Hock Lee Centre, Jalan Datuk Abang Abdul Rahim, 93450 Kuching, Sarawak on Tuesday, 25 June 2019 at 2.30 p.m. and at any adjournment thereof.

*My/our proxy is to vote as indicated below:-

	RESOLUTIONS	FOR	AGAINST
1.	To approve the payment of Directors' fees amounting to RM115,500 for the financial year ended 31 December 2018.		
2.	To approve the payment of Directors' fees amounting to RM150,000, for the financial year ending 31 December 2019.		
3.	To re-elect the Director, Dato' Azahar bin Rasul who retires in accordance with Article 116 of the Company's Constitution.		
4.	To re-elect the Director, Mr. Choo Seng Choon who retires in accordance with Article 116 of the Company's Constitution.		
5.	To re-appoint Messrs. STYL Associates PLT as auditors of the Company and to authorize the Directors to fix their remuneration.		
	AS SPECIAL BUSINESS		
6.	Authority to issue shares		
7.	Proposed Alteration of the Existing Memorandum and Articles of Association by Replacing with a New Constitution ("Proposed Alteration")		

Please mark with " X " in either box if you wish to direct the proxy how to vote. If no mark is made the proxy may vote on the resolutions or abstain from voting as the proxy thinks fit.

* *Strike out whichever is not desired*

Signed this ____________ day of ________________________ 2019

____________________________ ____________________________
Signature(s) of Member(s) Affix Company's Seal (if applicable)

Notes:-

1. *In respect of deposited securities, only members whose names appear in the Company's Record of Depositors as at 17 June 2019 shall be eligible to attend, participate, speak and vote at this meeting or appoint proxy(ies) to attend, participate, speak and vote on his/ her behalf.*
2. *A member of the Company who is entitled to attend, participate, speak and vote at this meeting is entitled to appoint not more than two (2) proxies, and in the case of a corporation, a duly authorised representative to attend, participate, speak and vote in its stead.*
3. *A proxy may but need not be a member of the Company, an advocate, an approved company auditor or a person approved by the Registrar. Where a member appoints more than one (1) proxy, he shall specify the proportions of his shareholdings to be represented by each proxy.*
4. *Where a member of the company is an exempt authorised nominee which holds ordinary shares in the company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
5. *The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if the appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised in writing.*
6. *The original instrument appointing a proxy must be deposited at the Registered Office of the Company situated at No. 149A, Jalan Aminuddin Baki, Taman Tun Dr. Ismail, 60000 Kuala Lumpur, not less than forty-eight (48) hours before the time set for holding this meeting or at any adjournment thereof.*

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AFFIX
STAMP

The Company Secretaries
VIVOCOM INTL HOLDINGS BERHAD (596299-D)
149A, Jalan Aminuddin Baki
Taman Tun Dr Ismail
60000 Kuala Lumpur

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VIVOCOM INTL HOLDINGS BERHAD
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